



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

3rd Quarter 2016

Key Highlights

- The average value of the top ten transactions was \$9.9 billion.
 - The largest transaction was the acquisition of EMC Corporation by Dell Technologies Inc. for \$75.7 billion.
 - The smallest transaction was the acquisition of Xura, Inc. by Siris Capital Group, LLC for \$803.6 million.
- The public company industry median TEV/EBIT multiple is 19.4x.
- The public company industry median TEV/EBITDA multiple is 13.8x.

Key Trends

- The Semiconductor & Equipment and Diversified & Wireless Telecom subsector's transaction volume are trending positively, while the Internet Software & Services and Communication & Electronic Equipment subsector is trending negatively.
- In 2016, the fixed broadband industry in the United States experienced consolidation, speed improvements, and growth in fiber optic placements. However, the internet performance in the U.S. continues to fall behind on a global scale, ranking 20th in fixed broadband and 42nd in mobile internet internationally.¹
- BlackBerry - a company famous for making popular cellphones with physical keyboards - announced that the company will no longer manufacture its own smartphone devices but instead, focus on higher growth areas including mobile and security software.²
- According to the International Data Corp., the worldwide expenditure on hardware infrastructure for cloud computing is expected to reach \$37.4 billion this year -up 16.2% from last year, outpacing the growth of investments made in traditional enterprise IT infrastructure. The top cloud infrastructure vendors include Hewlett-Packard, Dell, Cisco, and EMC.³
- Corporate consumer increasingly rely on external public cloud service providers, and as a result, save on hardware costs. They simultaneously face pressure to keep computing operations within their companies for security reasons. Therefore, computer manufacturers are offering "hybrid cloud" concepts to allow companies to maintain autonomous computing capability as well as outsource jobs to public cloud services.⁴

Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

¹Speedtest Market Report, August 3, 2016

²"End of an Era: BlackBerry will stop making its own phones", CNN Money, September 28, 2016

³"Cloud IT Infrastructure Spending Up", Wall Street Journal, October 5, 2016.

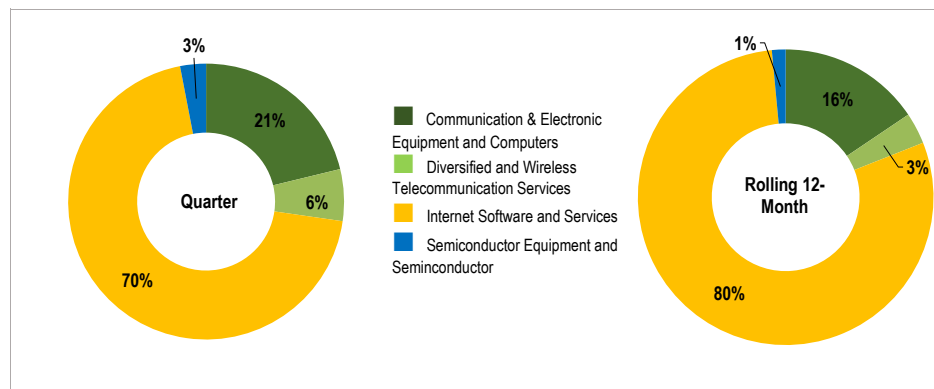
⁴"Big Computer Makers Cozy Up to Microsoft's Cloud", Wall Street Journal, September 27, 2016.

Industry Trends During Quarter

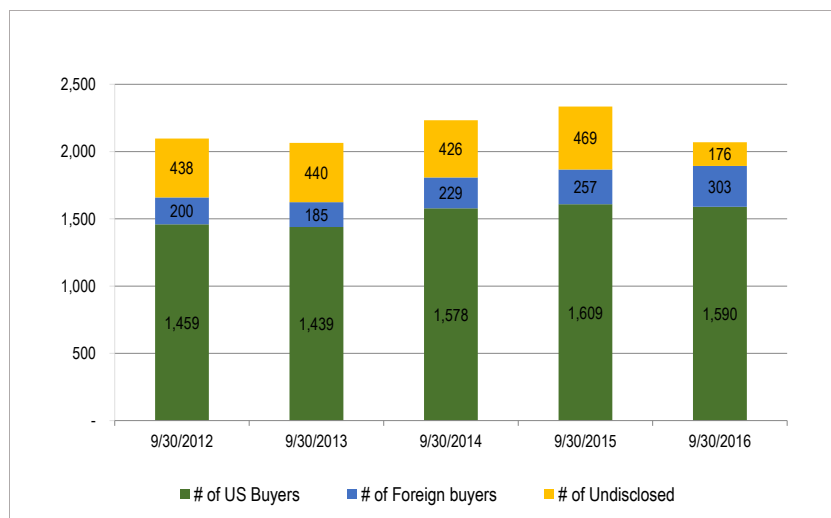
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↓	↓
Diversified and Wireless Telecommunication Services	↑	↑	↑
Internet Software and Services	↓	↑	↓
Semiconductor Equipment and Semiconductors	↑	↓	↓

* Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data

Transaction Volume as % of Industry



Rolling 12-Month Transaction Volume Trends by Buyer Origin



Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Communication & Electronic Equipment	EMC Corporation	Dell Technologies Inc.	\$75,716.5
Internet Software & Services	Blue Coat, Inc.	Symantec Corporation	\$4,858.8
Communication & Electronic Equipment	FEI Company	Thermo Fisher Scientific, Inc.	\$4,505.0
Internet Software & Services	Demandware, Inc.	salesforce.com, inc.	\$3,108.6
Internet Software & Services	Qlik Technologies, Inc.	Thoma Bravo, LLC	\$2,984.8
Communication & Electronic Equipment	Polycom, Inc.	Siris Capital Group, LLC	\$1,926.9
Internet Software & Services	Marketo, Inc.	Vista Equity Partners	\$1,795.1
Internet Software & Services	TiVo Inc.	Rovi Corporation	\$1,754.8
Communication & Electronic Equipment	QLogic Corp.	Cavium, Inc.	\$1,301.7
Internet Software & Services	Xura, Inc.	Siris Capital Group, LLC	\$803.6

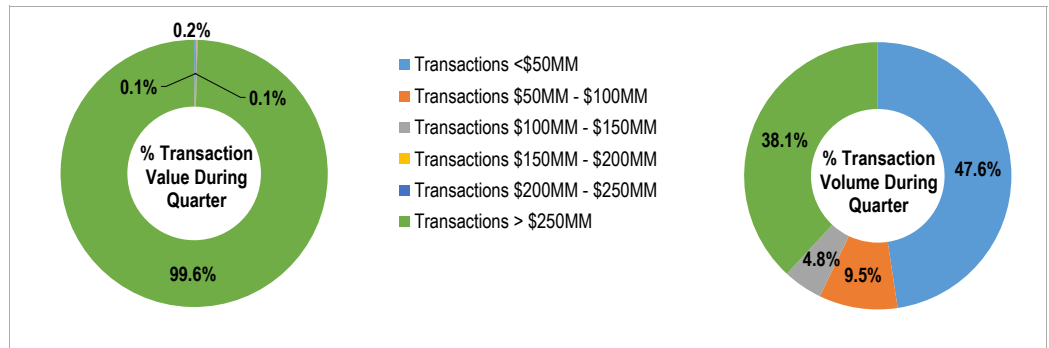
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	71
Number of Transactions with Disclosed Values	21
Transaction Value*	\$85,706.48
Average Transaction Value*	\$4,081.26
Median Transaction Value*	\$60.00

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

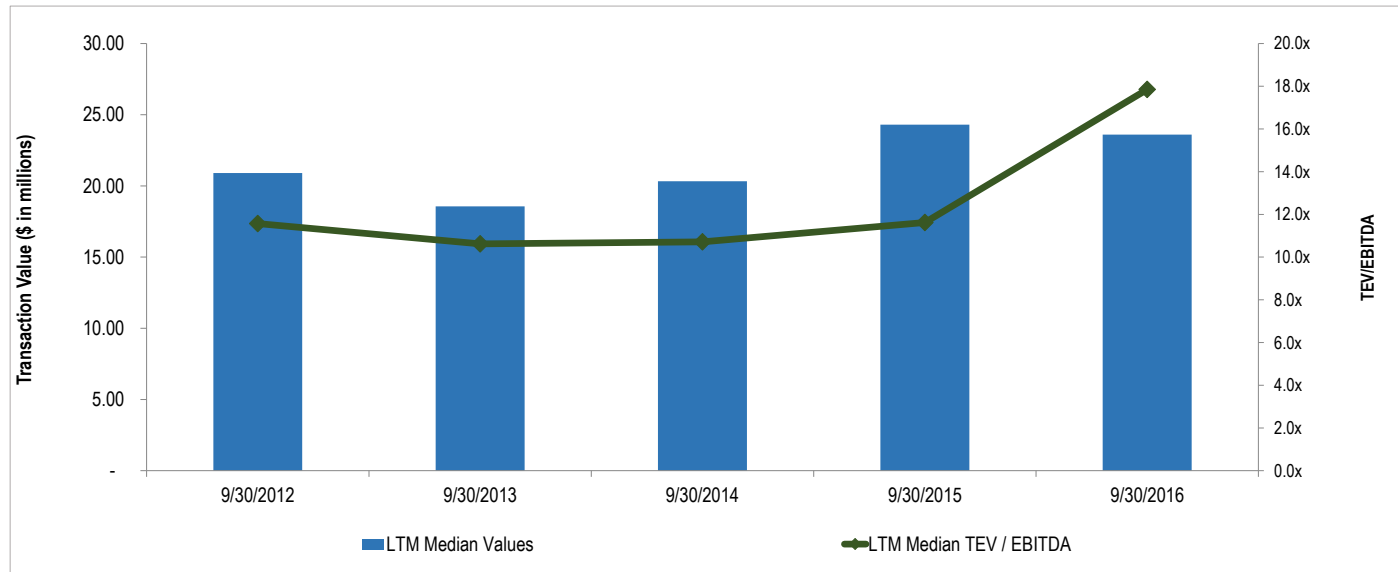
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

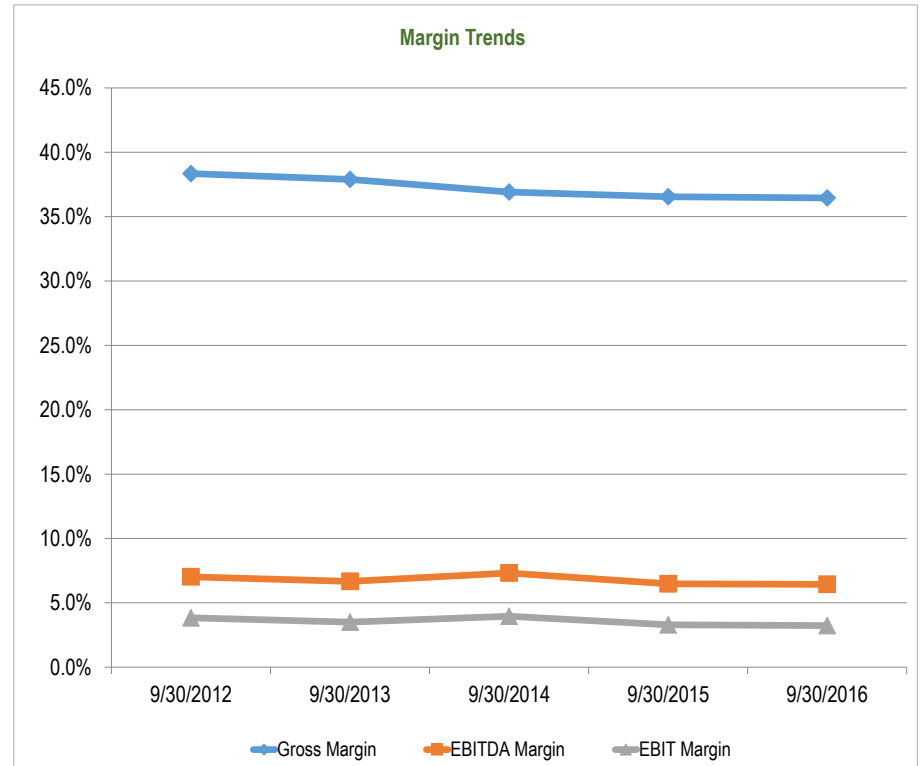
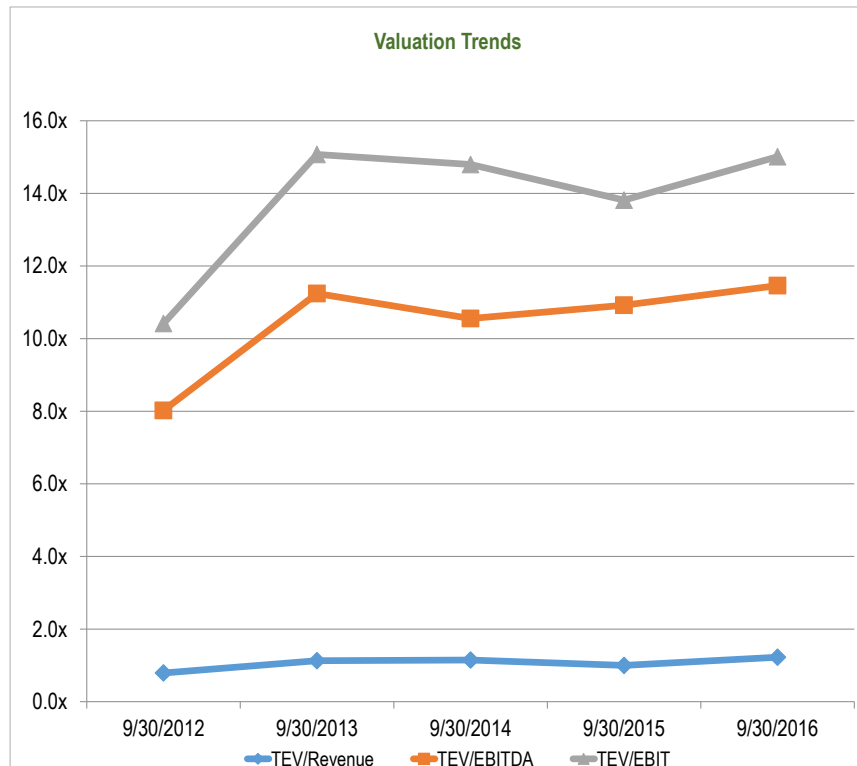


Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$5,948	2.0x	16.9x	26.1x	TEV/Revenue	↑
Median	\$299	1.2x	11.5x	15.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	37.3%	0.0%	-3.5%	Gross Margin	↑
Median	36.5%	6.4%	3.2%	EBITDA Margin	↓
				EBIT Margin	↓



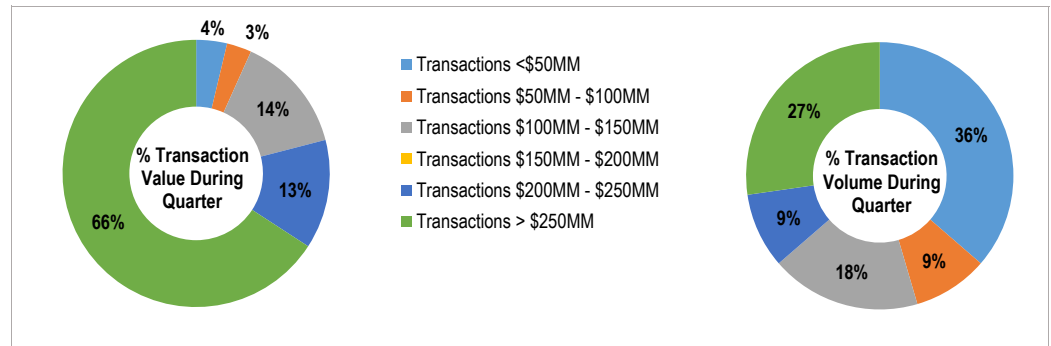
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	25
Number of Transactions with Disclosed Values	11
Transaction Value*	\$1,766.87
Average Transaction Value*	\$160.62
Median Transaction Value*	\$107.50

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

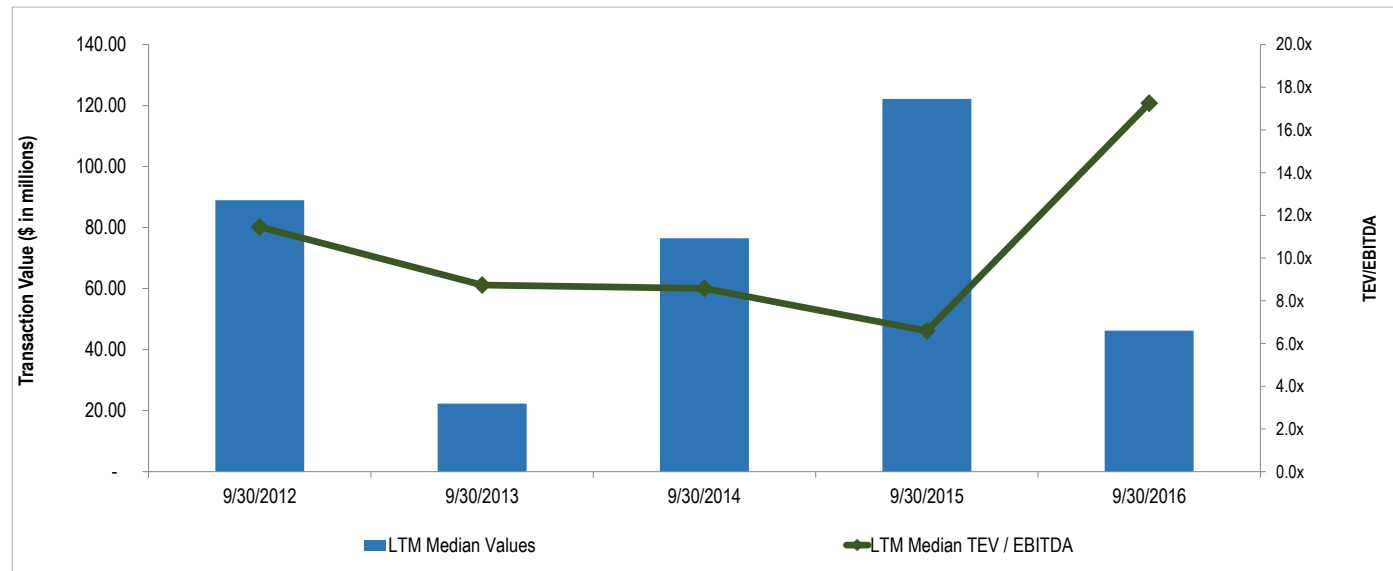
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

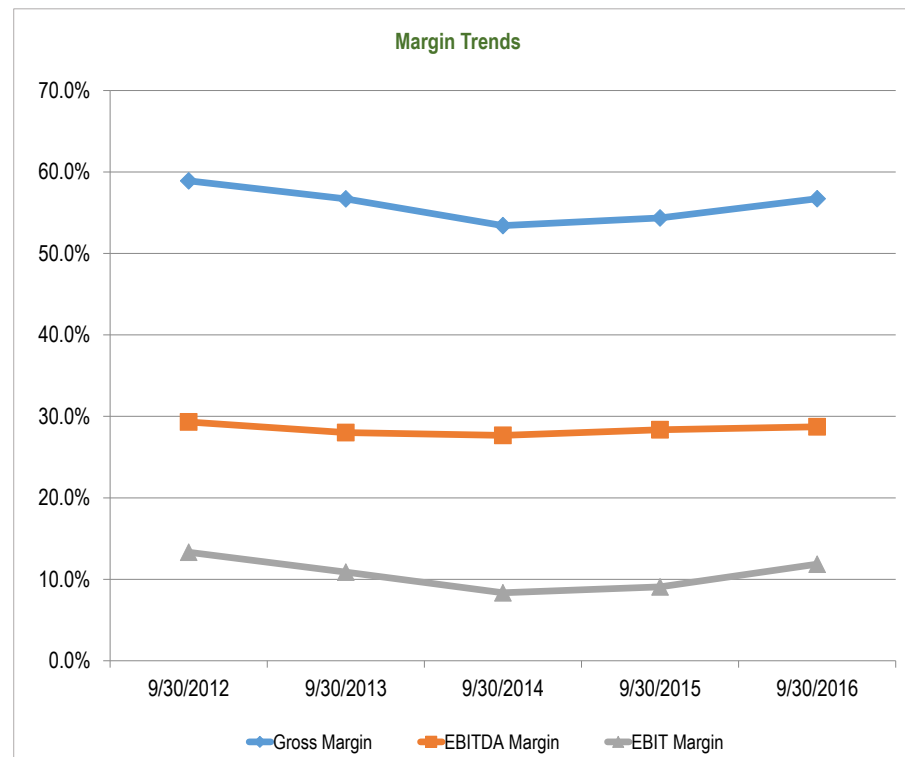
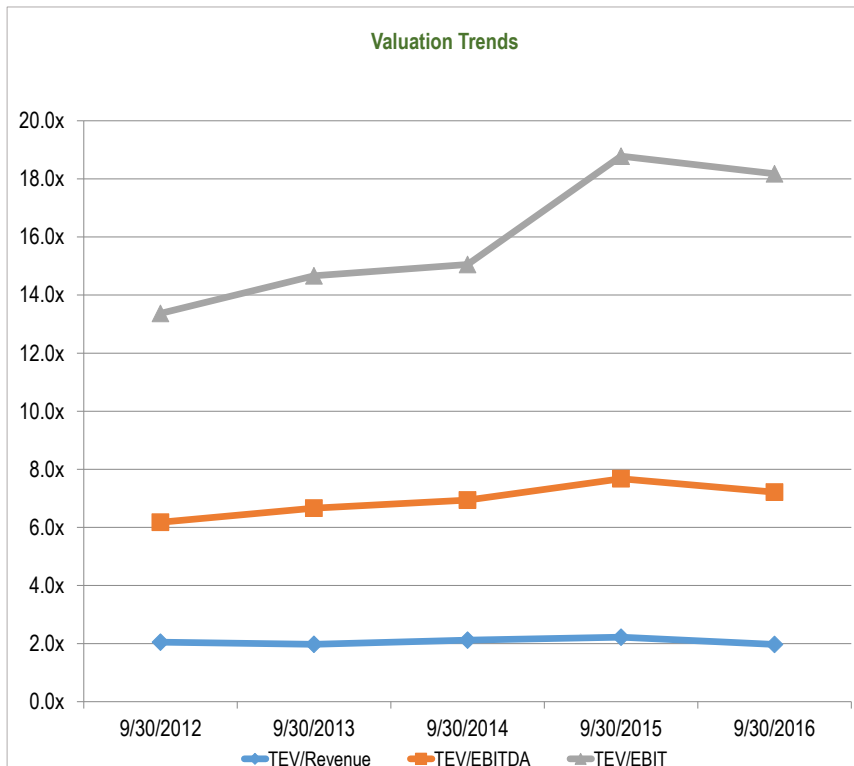


Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$14,992	5.9x	13.5x	27.1x	TEV/Revenue	↓
Median	\$786	2.0x	7.2x	18.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	54.6%	24.3%	4.2%	Gross Margin	↑
Median	56.7%	28.7%	11.9%	EBITDA Margin	↑
				EBIT Margin	↑



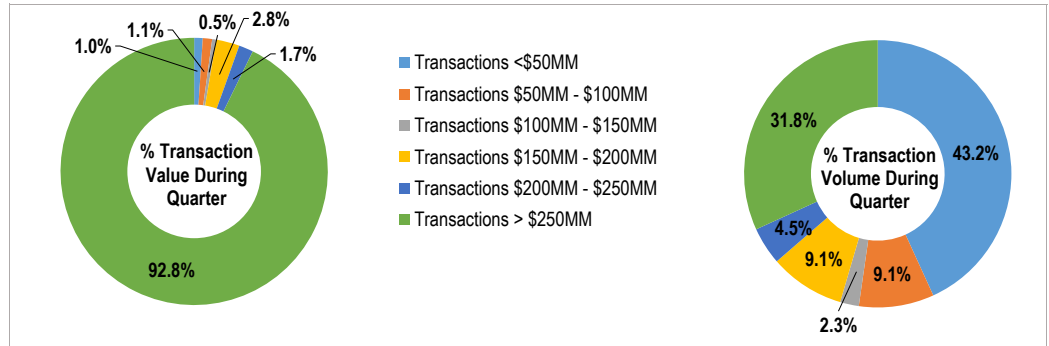
Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	345
Number of Transactions with Disclosed Values	44
Transaction Value*	\$24,501.64
Average Transaction Value*	\$556.86
Median Transaction Value*	\$80.70

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

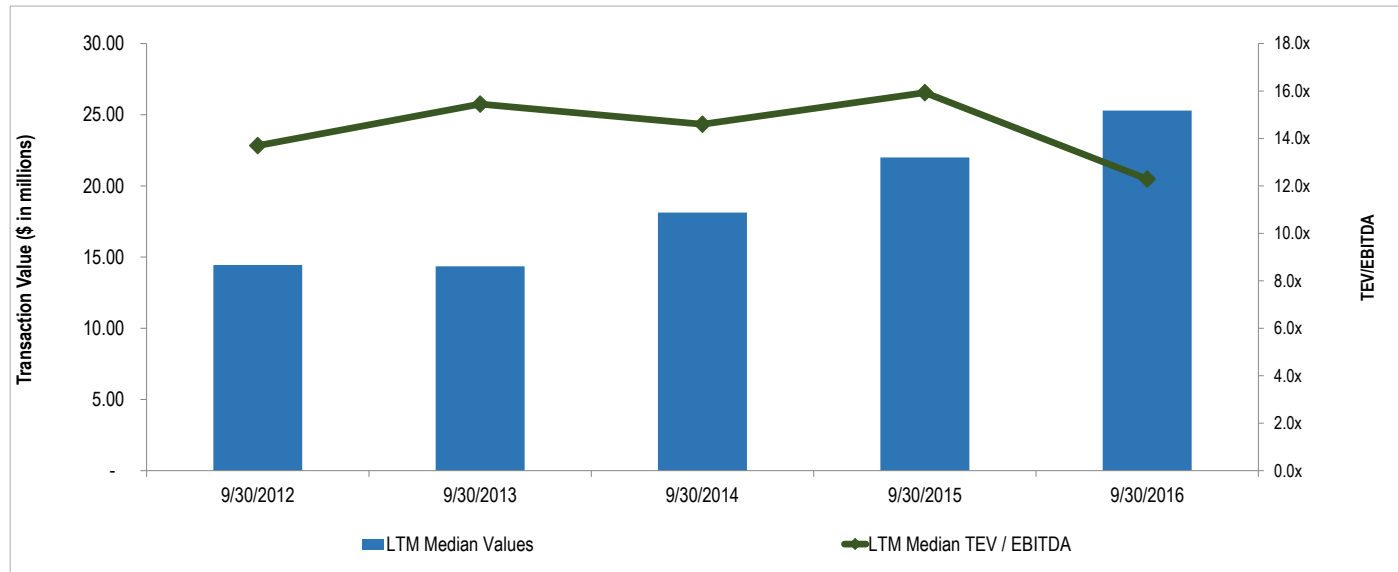
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends

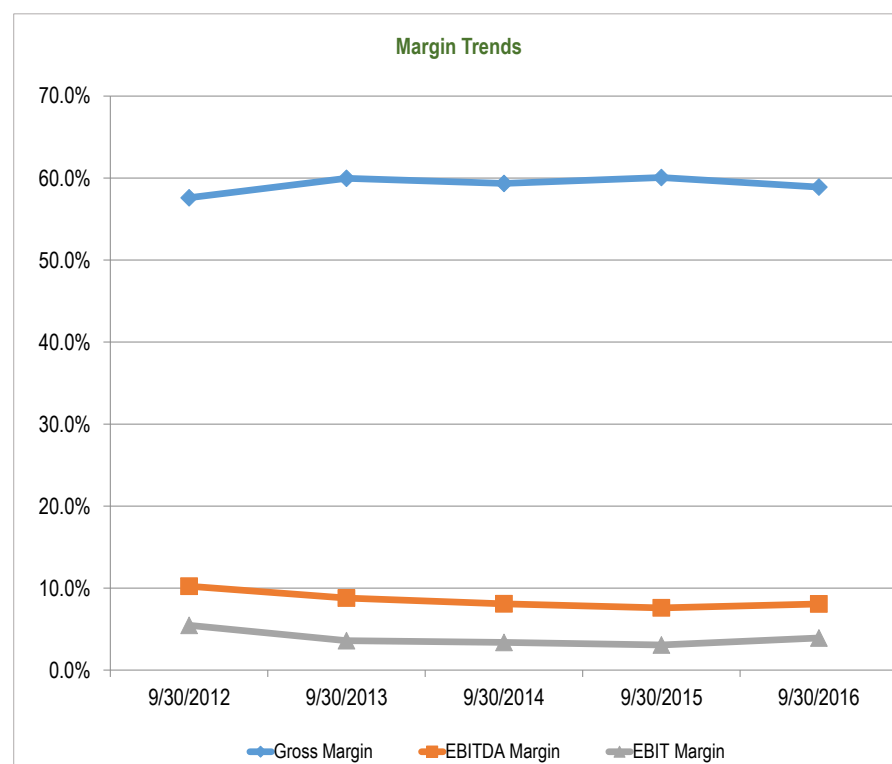
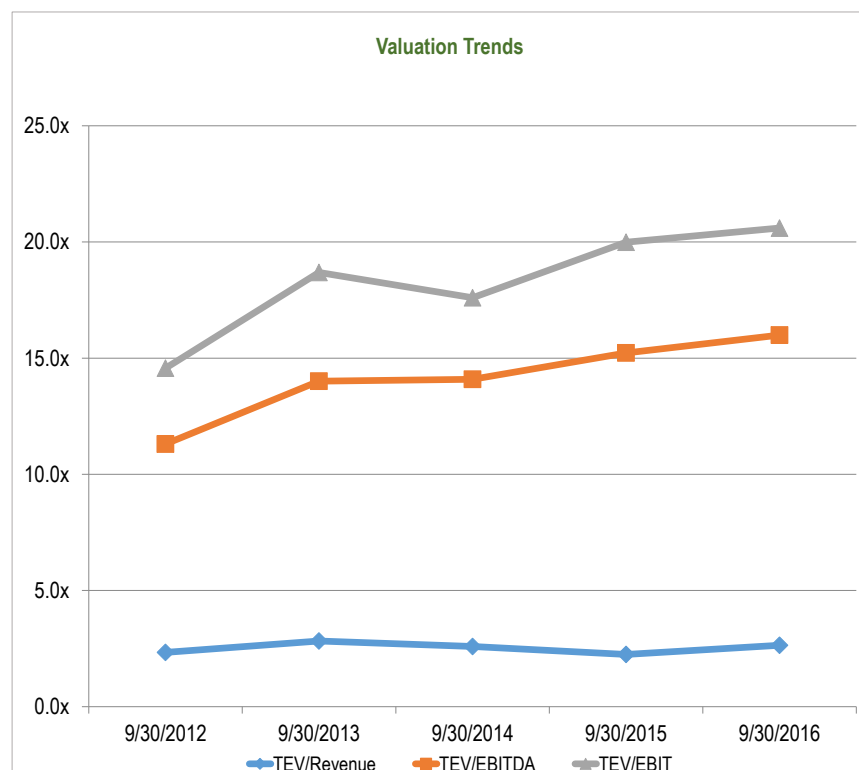


Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$10,028	3.9x	27.8x	30.2x	TEV/Revenue	↑
Median	\$808	2.6x	16.0x	20.6x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	56.6%	3.2%	-1.6%	Gross Margin	↓
Median	58.9%	8.1%	3.9%	EBITDA Margin	↑
				EBIT Margin	↑



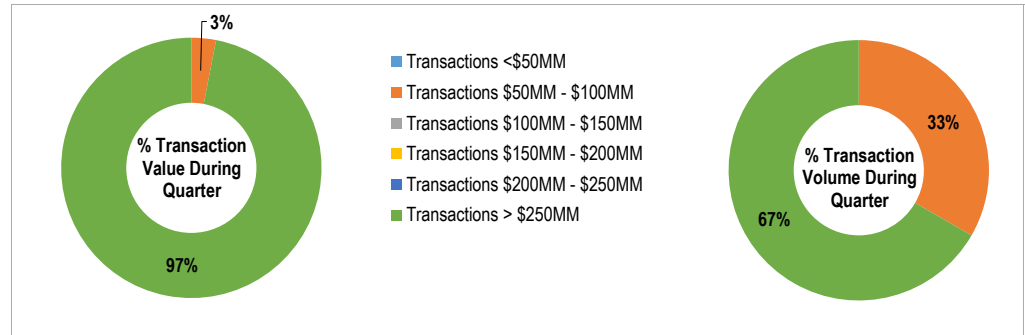
Source: S&P Capital IQ as of 10/13/2016 and PCE Proprietary Data

Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	6
Number of Transactions with Disclosed Values	3
Transaction Value*	\$2,955.60
Average Transaction Value*	\$985.20
Median Transaction Value*	\$270.00

*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

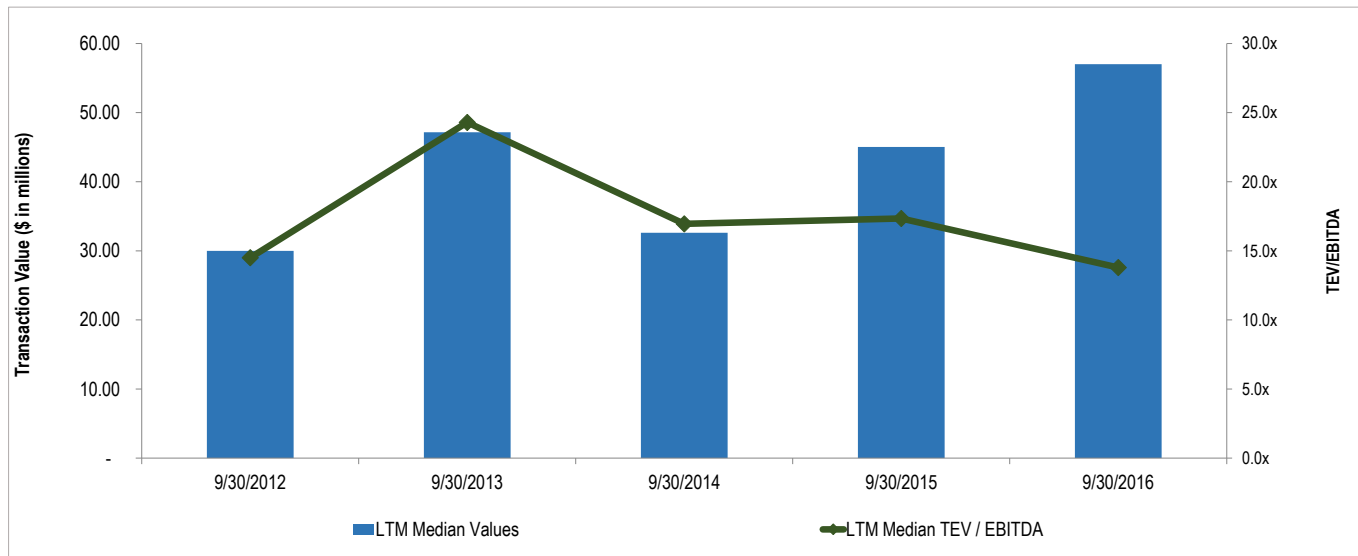
Transactions by Value & Volume



Based on transactions with disclosed financial data only

Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

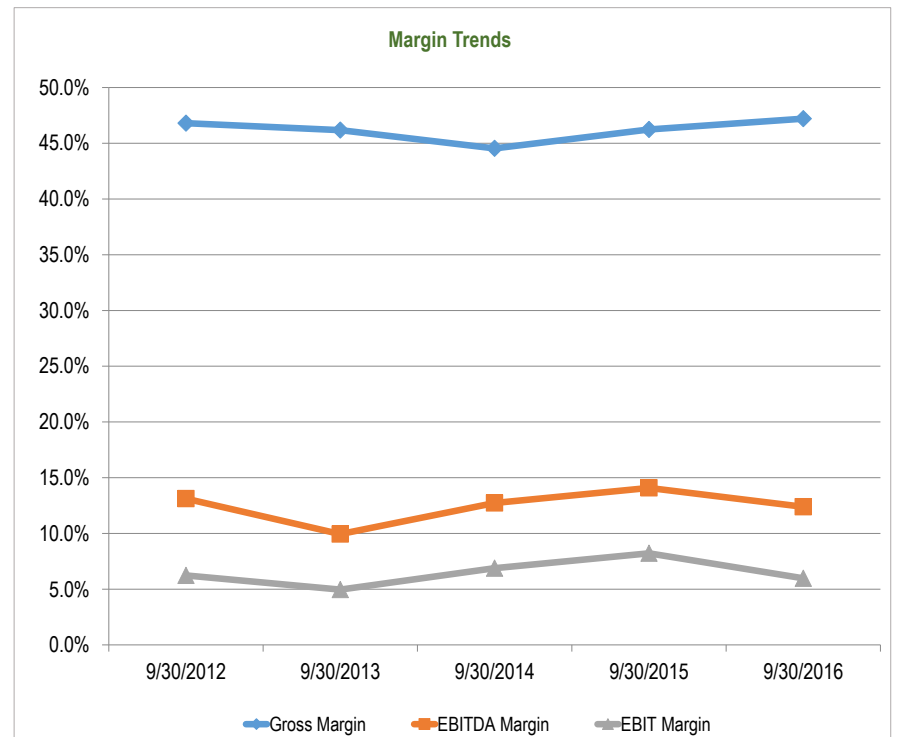
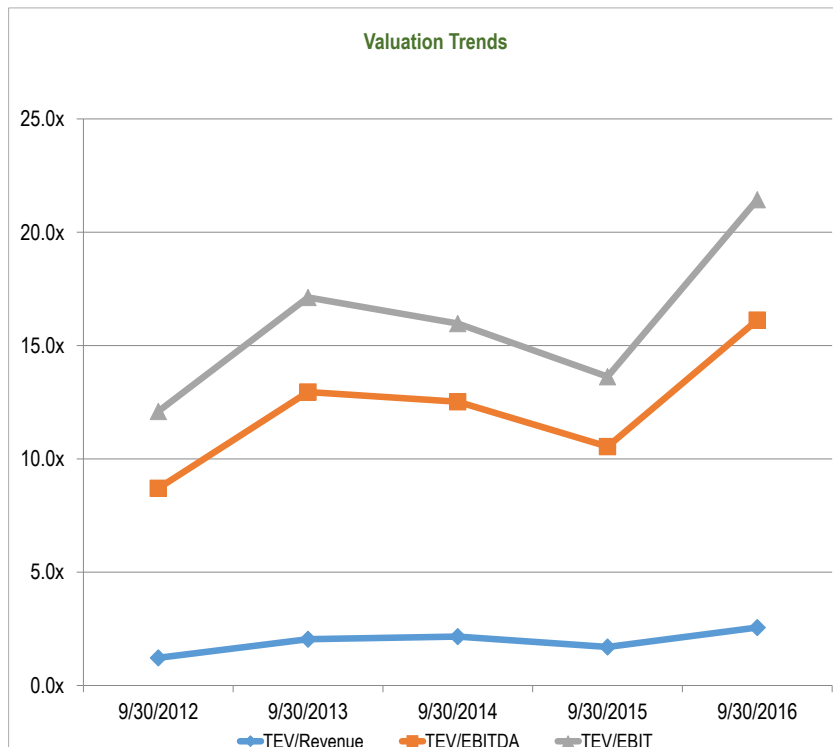
Semiconductor Equipment & Semiconductors

3rd Quarter 2016

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,557	3.2x	26.5x	40.0x	TEV/Revenue	↑
Median	\$1,155	2.6x	16.1x	21.4x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	44.0%	9.5%	1.9%	Gross Margin	↑
Median	47.2%	12.4%	6.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/12/2016 and PCE Proprietary Data

About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

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- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

Glossary

EBIT - Earnings Before Interest and Taxes
EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization
LTM - Last Twelve Months
TEV - Total Enterprise Value