



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

2nd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$2 billion.
 - The largest transaction was the acquisition of Yahoo!, Inc. by Verizon Communications, Inc. for \$4.5 billion.
 - The smallest transaction was the acquisition of Ultratech, Inc. by Veeco Instruments, Inc. for \$824.6 million.
- The public company industry median TEV/EBIT multiple is 20.8x.
- The public company industry median TEV/EBITDA multiple is 13.4x.

Key Trends

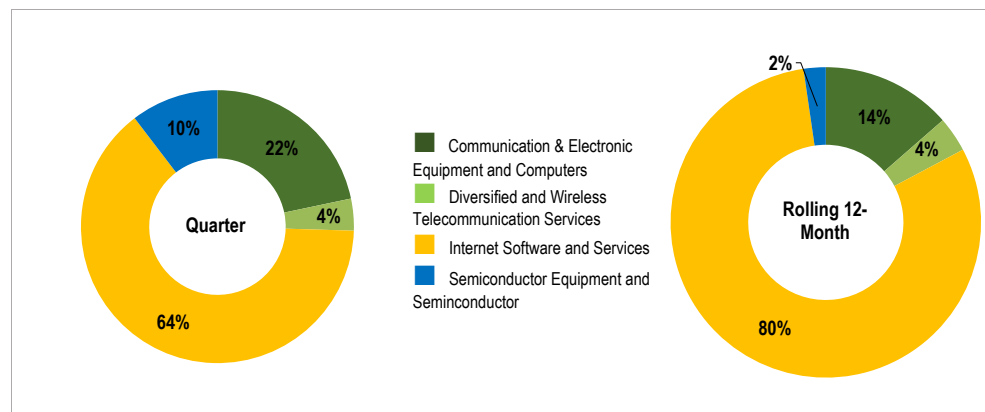
- Commissioners at the US Federal Communication Commission (FCC) voted in May to overturn the "net neutrality" order passed in 2015.
- In late April, T-Mobile announced that it would deploy fifth-generation wireless (5G) across the US by 2020, setting an ambitious goal for itself as its larger rivals have begun developing their own network upgrades. Both Verizon and AT&T report they have a head start on T-Mobile and expect to offer 5G networks in some US cities by 2018.
- Amazon's new patent, "Physical Store Online Shopping Control" was approved in May. The patent's description says the system could block the customer (when using the stores' WIFI) from reaching competitors' websites, redirect the customer to Amazon's website, or distract the customer with a coupon.
- Jawbone, a pioneer of wearable technology, is liquidating and making a big move out of the fitness-tracker business. However, wearable technology continues to be one of the fastest-growing industries in the world. It is estimated the industry will attain three-year growth of \$20 billion.
- Morgan Stanley has admitted that it underestimated Snapchat's competition and have cut SNAP's 2017 revenue estimates by 6.9%. Facebook and Instagram have been able to replicate Snapchat's features quicker than analysts expected. Instagram has been offering advertisers sponsored lenses for free, which is eating into SNAP's main source of revenue.

Industry Trends During Quarter

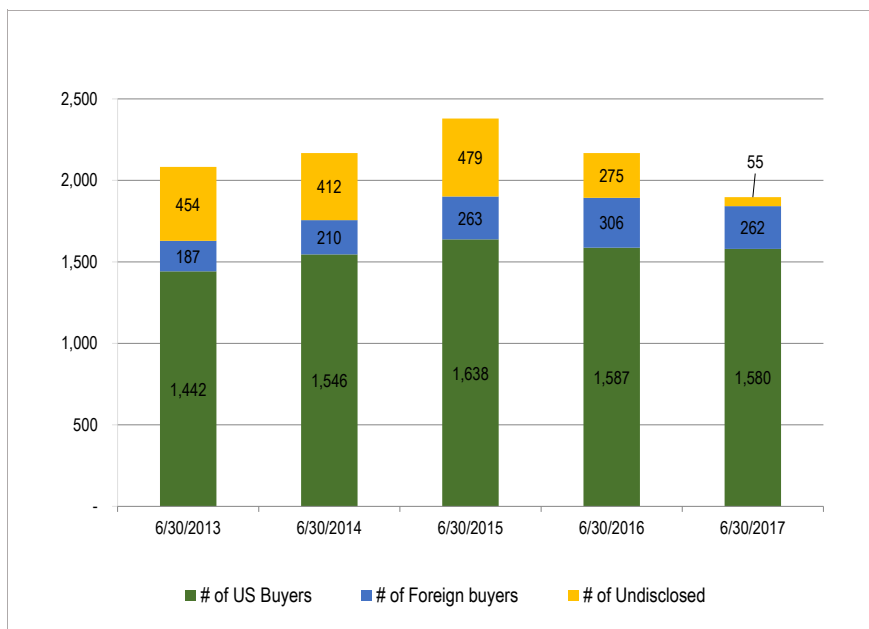
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↓	↑	↑
Diversified and Wireless Telecommunication Services	↓	↑	↑
Internet Software and Services	↓	↓	↑
Semiconductor Equipment and Semiconductors	↑	↓	↑

* 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
Internet Software & Services	Yahoo! Inc., Operating Business	Verizon Communications Inc.	\$4,475.8
Internet Software & Services	Verizon Communications Inc., Portfolio of 24 Data Center Sites	Equinix, Inc.	\$3,600.0
Internet Software & Services	McAfee LLC	TPG Capital, L.P.	\$3,100.0
Internet Software & Services	CenturyLink, Inc., Data Centers And Colocation Business	BC Partners; Longview Asset Management, LLC; Medina Capital Advisors, LLC	\$2,277.0
Communication & Electronic Equipment	Ixia	Keysight Technologies, Inc.	\$1,746.0
Communication & Electronic Equipment	InvenSense, Inc.	TDK U.S.A. Corporation	\$1,425.0
Communication & Electronic Equipment	Nimble Storage, Inc.	Hewlett Packard Enterprise Company	\$1,249.9
Internet Software & Services	Telvent DTN, LLC	TBG AG	\$900.0
Communication & Electronic Equipment	3M Cogent, Inc. and 3M's Document Reader and Secure Materials Businesses	Gemalto N.V.	\$850.0
Semiconductor Equipment & Semiconductors	Ultratech, Inc.	Veeco Instruments Inc.	\$824.6

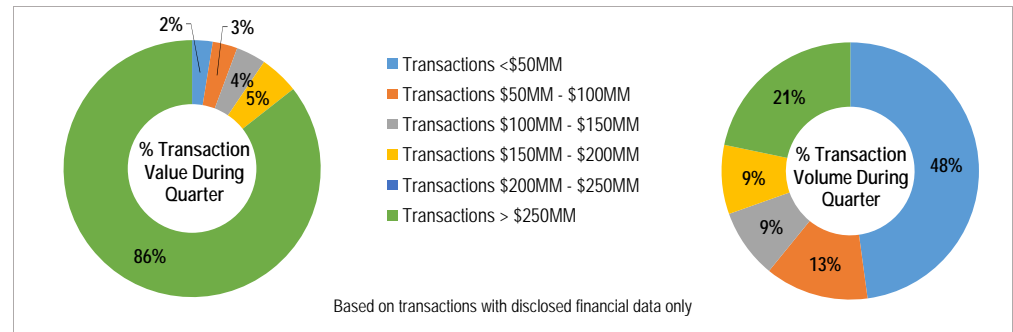
Source: S&P Capital IQ as of 7/14/2017 and PCE Proprietary Data

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

Transaction Volume	59
Number of Transactions with Disclosed Values	23
Transaction Value*	\$7,004.16
Average Transaction Value*	\$304.53
Median Transaction Value*	\$59.00

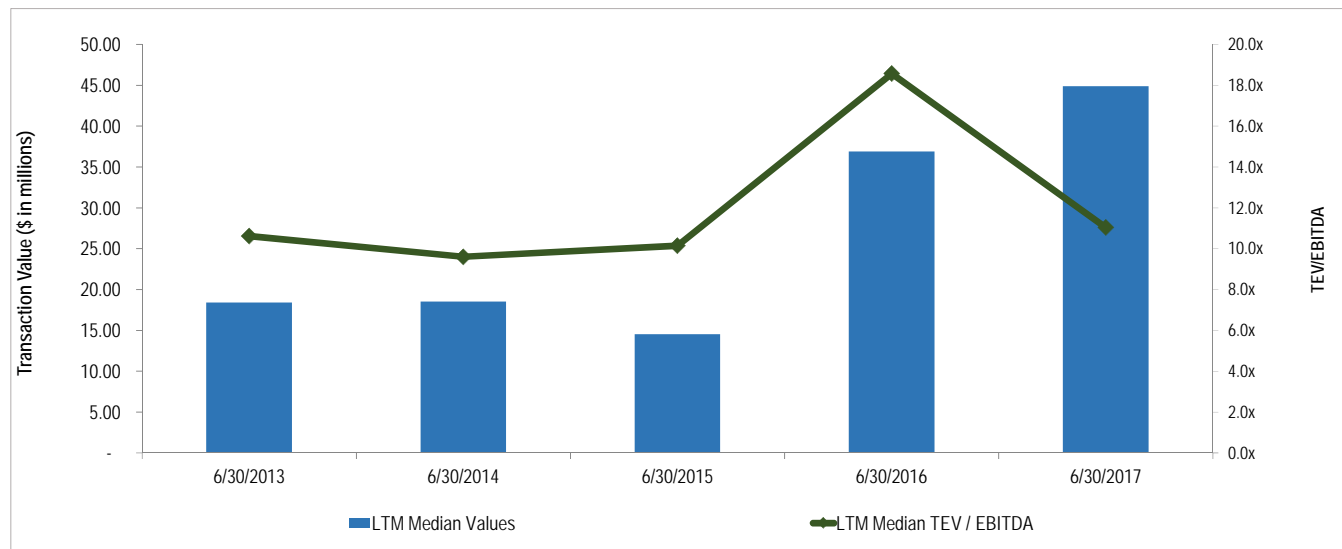
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 7/24/2017 and PCE Proprietary Data

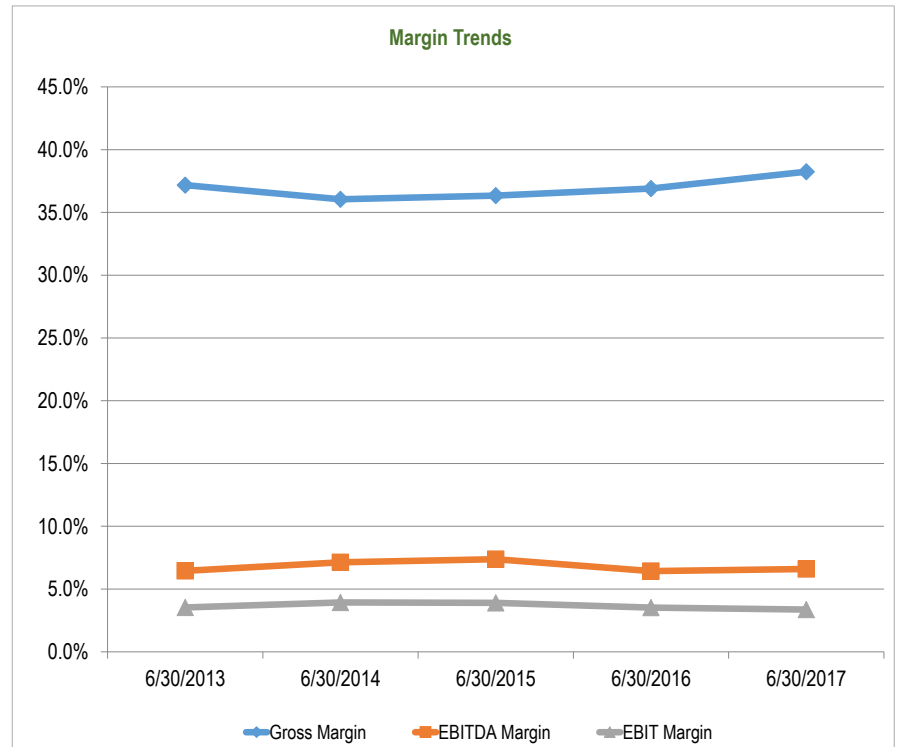
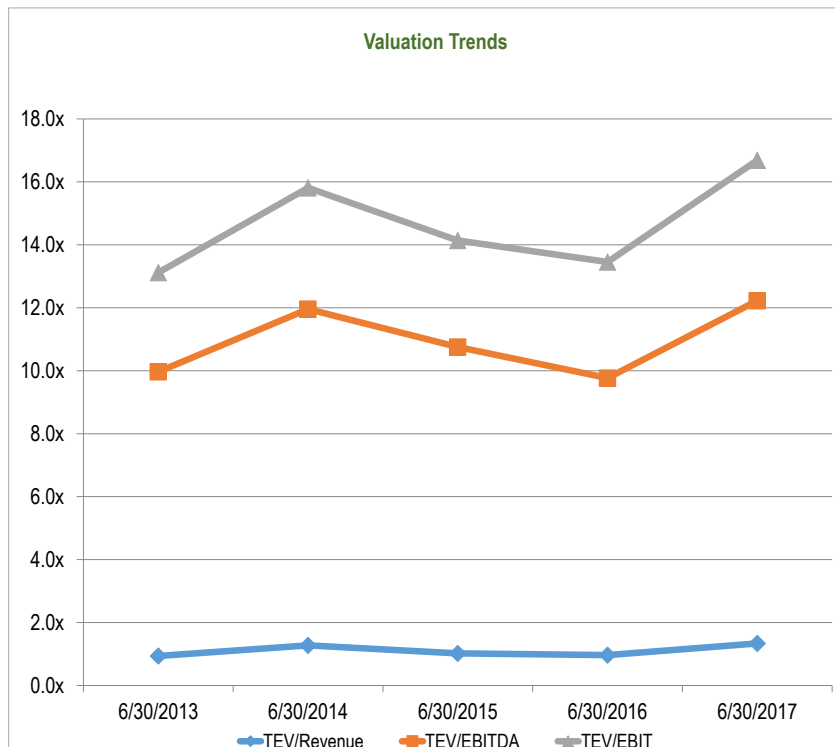
Communication & Electronic Equipment and Computers

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$7,106	4.4x	16.4x	26.1x	TEV/Revenue	↑
Median	\$389	1.3x	12.2x	16.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	36.7%	4.0%	-0.2%	Gross Margin	↑
Median	38.2%	6.6%	3.4%	EBITDA Margin	↑
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/14/2017 and PCE Proprietary Data

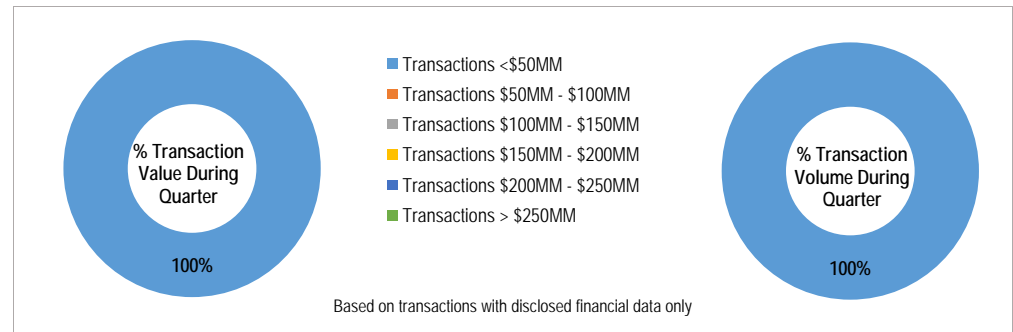


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	12
Number of Transactions with Disclosed Values	4
Transaction Value*	\$43.60
Average Transaction Value*	\$10.90
Median Transaction Value*	\$10.30

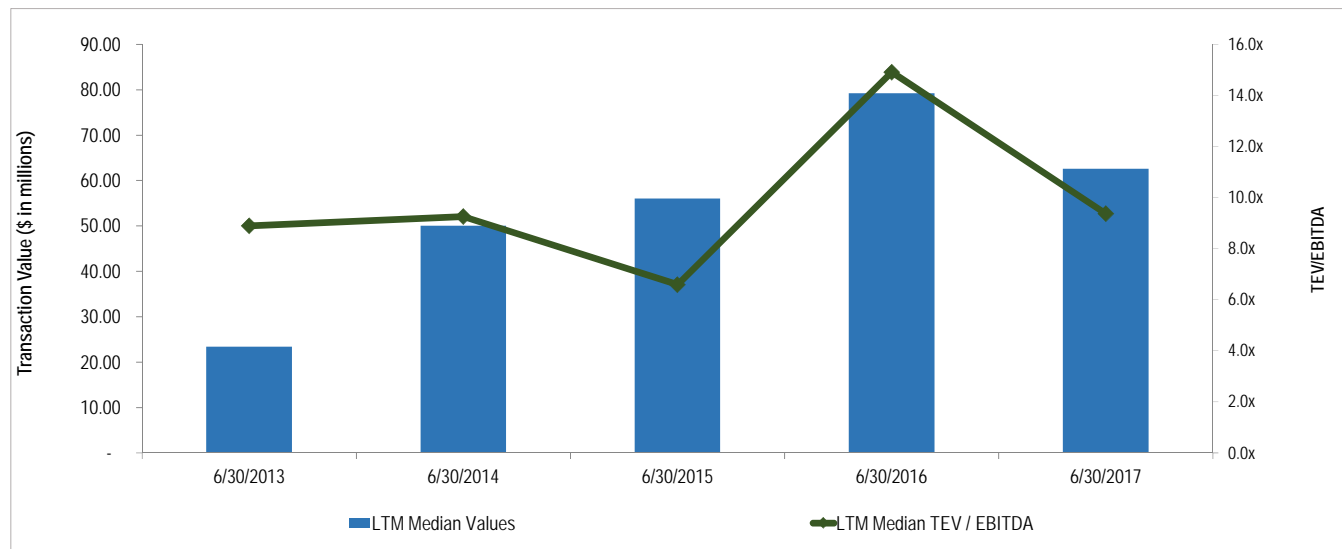
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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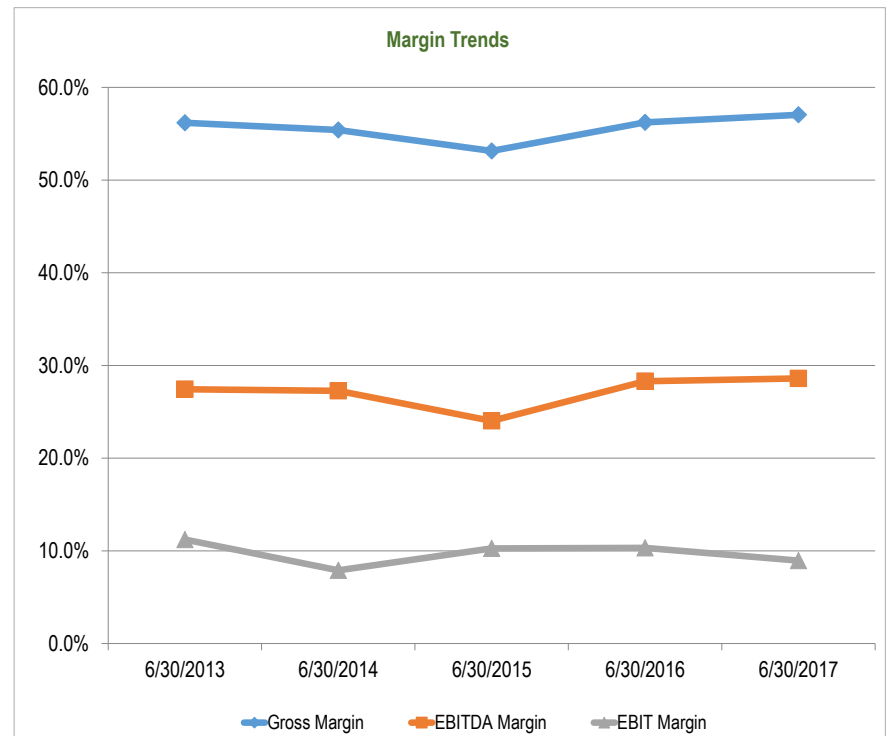
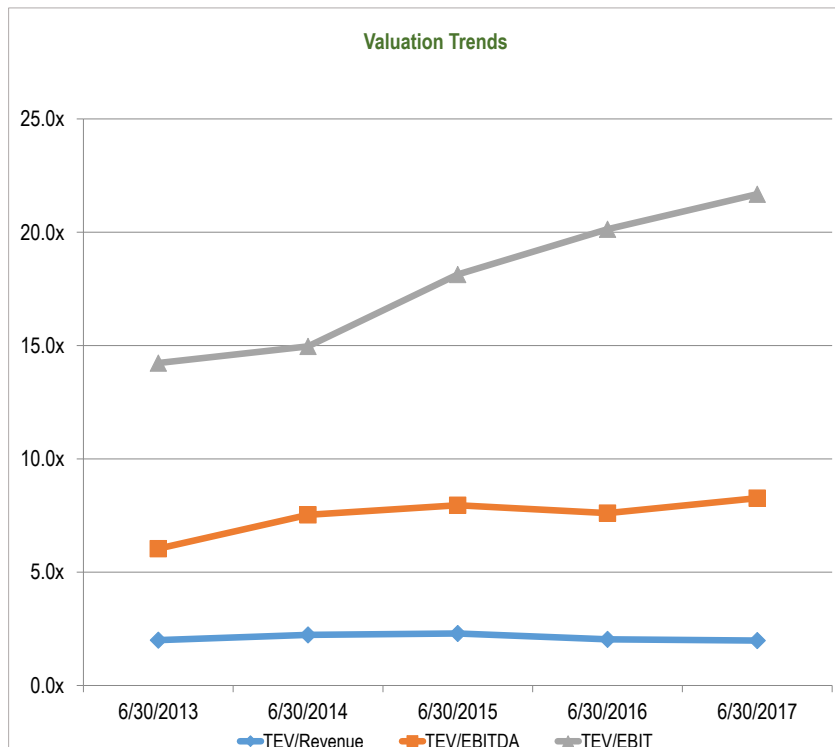
Diversified & Wireless Telecommunication Services

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 06/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$16,287	4.5x	15.6x	22.1x	TEV/Revenue	↓
Median	\$1,073	2.0x	8.3x	21.7x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 06/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	54.4%	23.8%	4.0%	Gross Margin	↑
Median	57.0%	28.6%	8.9%	EBITDA Margin	↑
				EBIT Margin	↓



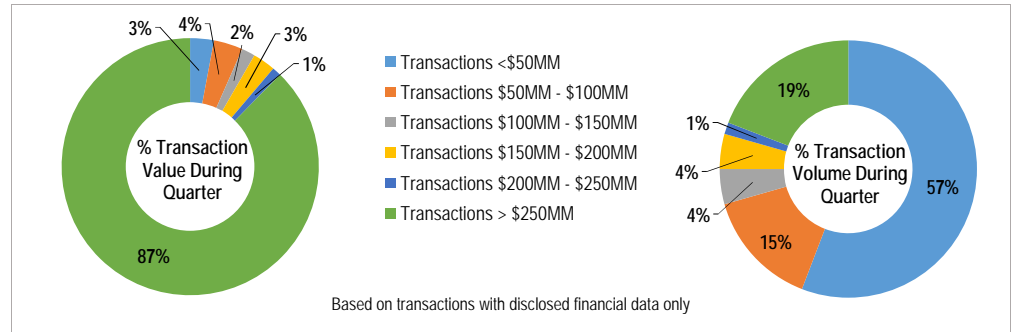
Source: S&P Capital IQ as of 7/14/2017 and PCE Proprietary Data

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

Transaction Volume	364
Number of Transactions with Disclosed Values	68
Transaction Value*	\$21,278.52
Average Transaction Value*	\$312.92
Median Transaction Value*	\$41.25

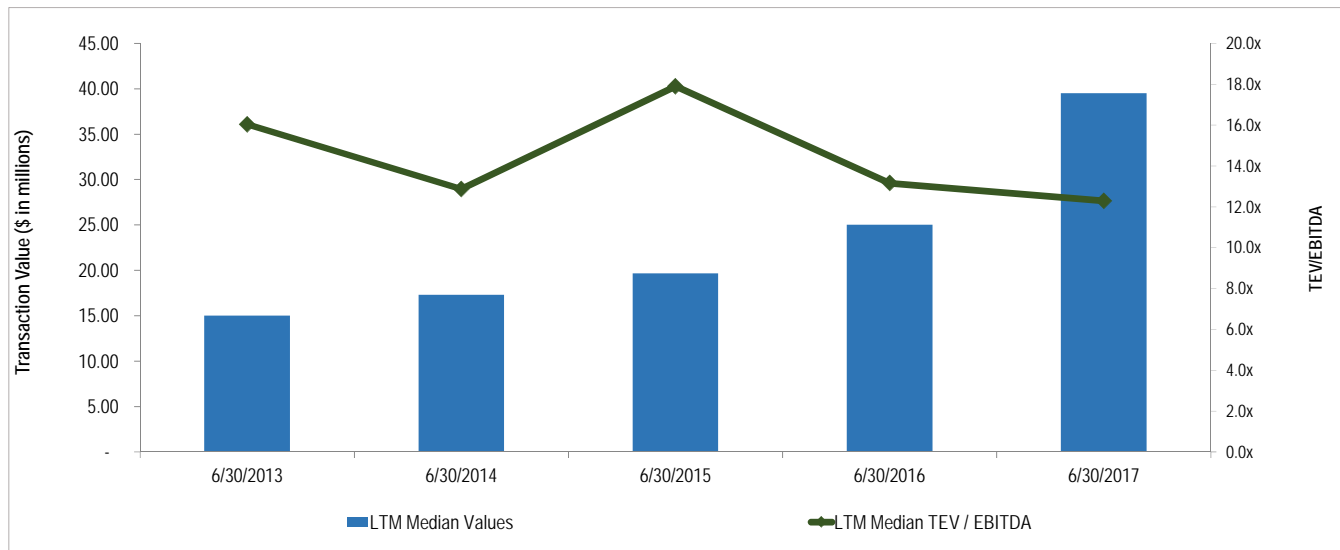
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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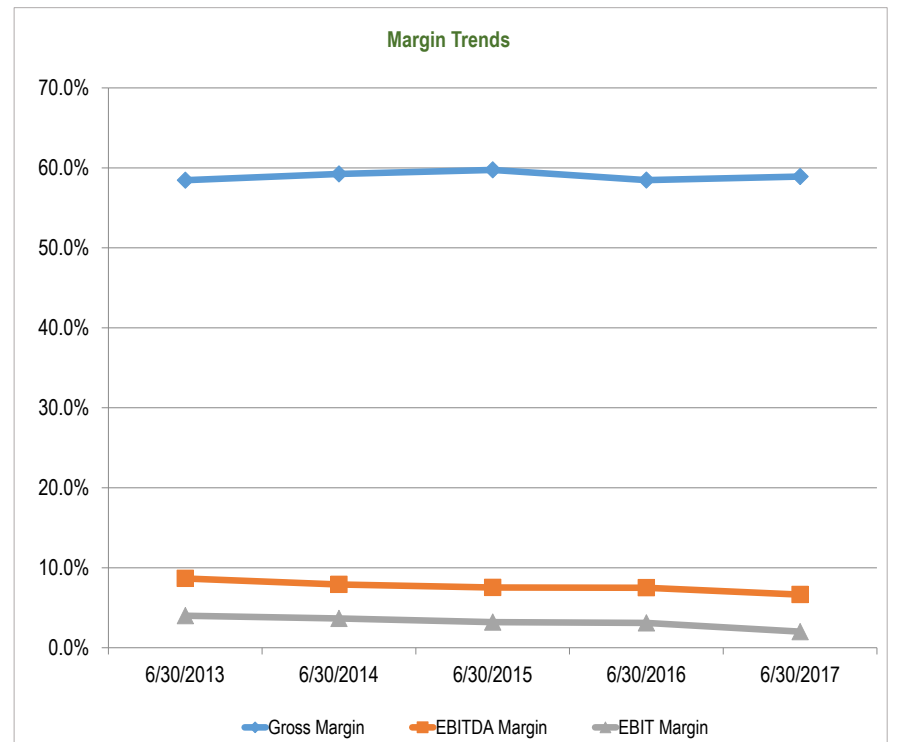
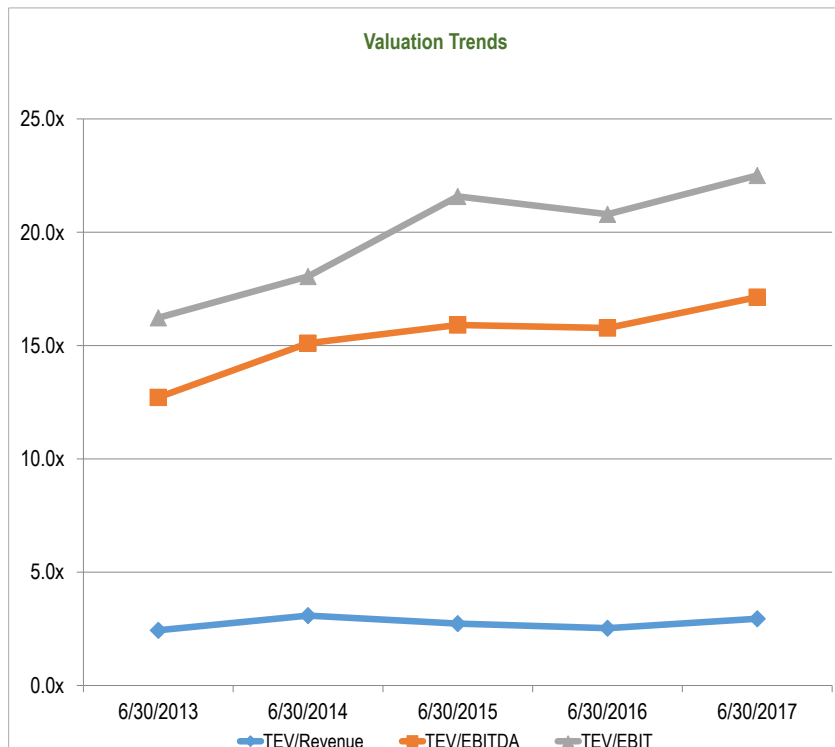
Internet Software and Services

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	06/30/2017 Trends	
Average	\$12,223	5.3x	28.0x	39.3x	TEV/Revenue	↑
Median	\$1,201	2.9x	17.1x	22.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	06/30/2017 Trends	
Average	57.2%	3.6%	-2.3%	Gross Margin	↑
Median	58.9%	6.6%	2.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/14/2017 and PCE Proprietary Data

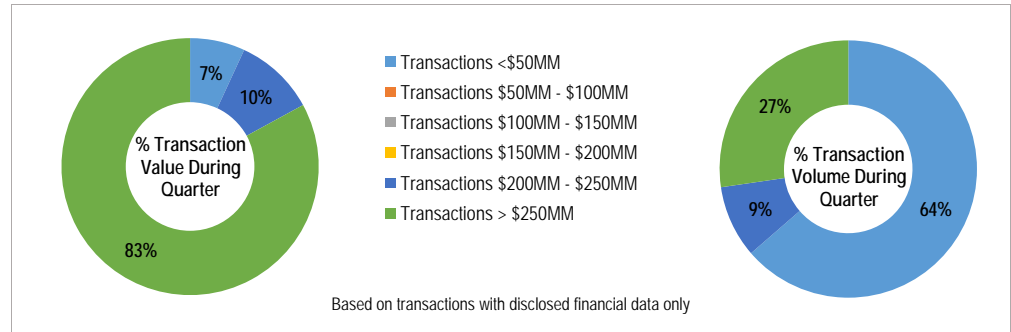


Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	14
Number of Transactions with Disclosed Values	11
Transaction Value*	\$2,421.19
Average Transaction Value*	\$220.11
Median Transaction Value*	\$39.89

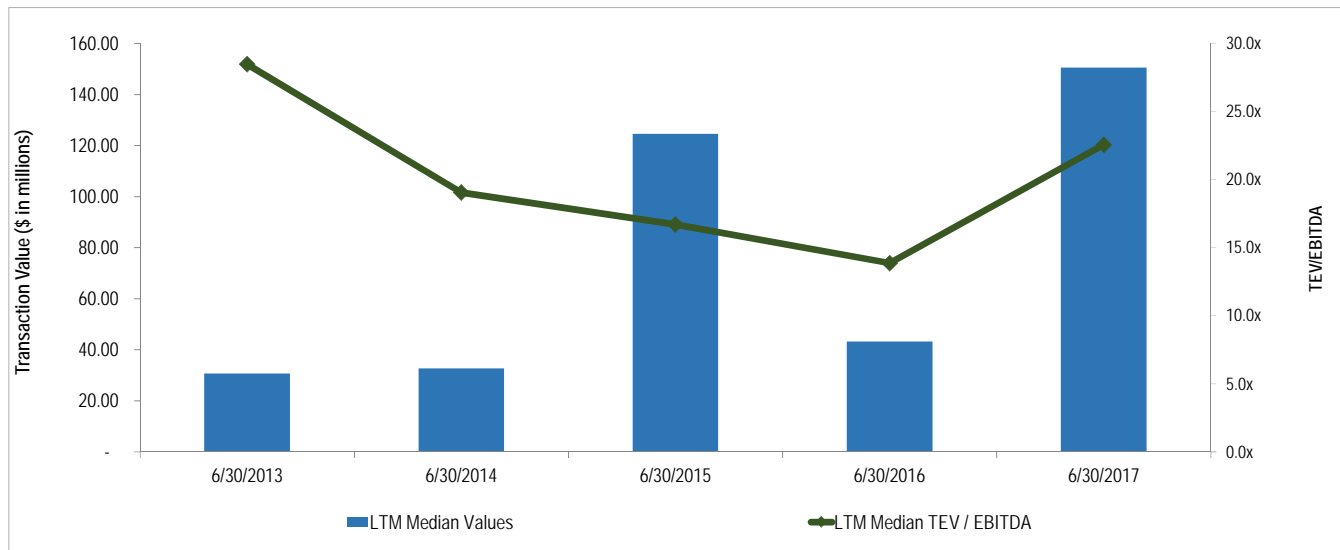
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

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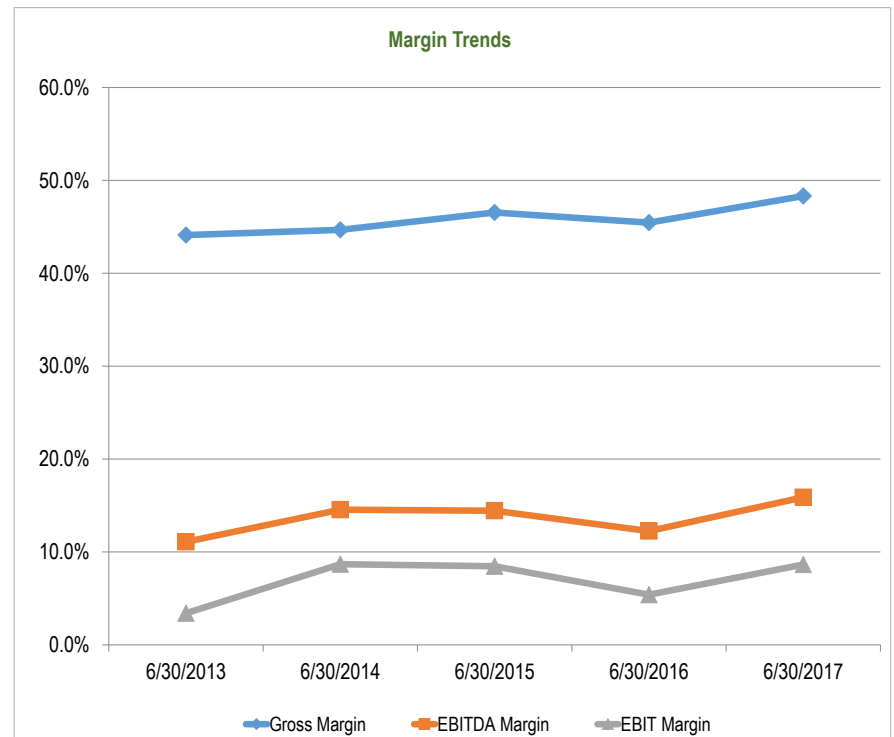
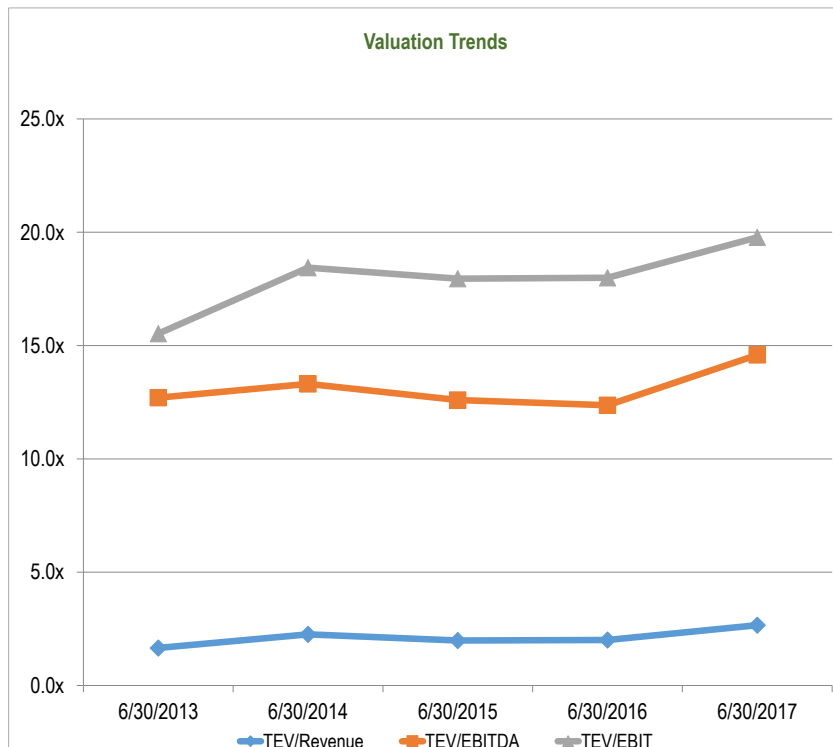
Semiconductor Equipment & Semiconductors

2nd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	06/30/2017 Trends	
Average	\$9,282	3.5x	23.9x	30.1x	TEV/Revenue	↑
Median	\$1,449	2.7x	14.6x	19.8x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	06/30/2017 Trends	
Average	44.2%	10.2%	3.0%	Gross Margin	↑
Median	48.3%	15.9%	8.7%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 7/14/2017 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:

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

PCE Investment Bankers, Inc - member FINRA & SIPC; PCE Valuations, LLC; PCE Advisory, LLC

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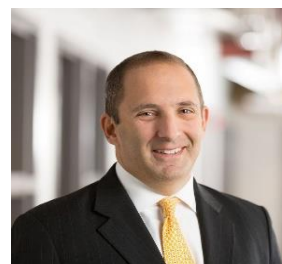


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Data Assumptions

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