



PCE Industry Report

IT & Telecom



Middle Market M&A Summary

IT & Telecom

3rd Quarter 2017

Key Highlights

- The average value of the top ten transactions was \$2.4 billion.
 - The largest transaction was the acquisition of Hewlett Packard Enterprise Company, Software Business by Micro Focus International, plc. for \$8.3 billion.
 - The smallest transaction was the acquisition of Westcon Group, Inc. by SYNEX Corporation for \$830 million.
- The public company industry median TEV/EBIT multiple is 20.6x.
- The public company industry median TEV/EBITDA multiple is 13.3x.

Key Trends

- Roku, the independent business competing with the likes of Apple and Google for cord-cutters' streaming devices, is set to go public later this year. With over 15.1 million users, Roku hopes to raise just over \$242 million in its initial public offering.
- Large data breaches, the most recent of which resulted in the theft of millions of social security numbers, continue to be an ongoing problem for businesses across industries. Further investments, and possible legislative action, related to cyber-security are expected as prevention becomes a priority.
- Deere & Co. announced its acquisition of Blue River Technology, a leader in the agriculture machine learning space, in early September. This \$305 million investment by the agricultural machinery giant, proves the impact Artificial Intelligence can have across various industries. Companies like HP, Alphabet, and Intel will begin to see more competition in the race for AI innovation.
- Sprint and T-Mobile have renewed discussions regarding a possible merger. T-Mobile's German parent company, Deutsche Telekom, would result as the majority shareowner. The biggest issue regarding the deal would be the Department of Justice's approval regarding anti-trust issues.
- Amazon Web Services, Amazon's leading cloud service platform, has begun charging its clients' use by the second (**instead of minute or hourly rates**). This granular change is Amazon's way of cutting prices to gain market share from Microsoft's Azure and Google's Cloud Platform.
- Blockchain technology's application in today's world is far beyond just cryptocurrency. A group of companies, which include Pfizer and Genentech, have announced the MediLeger Project. The group hopes to use the tamper-proof and indelible nature of the software to secure supply chains and reduce the flow of counterfeit or stolen pills to patients.

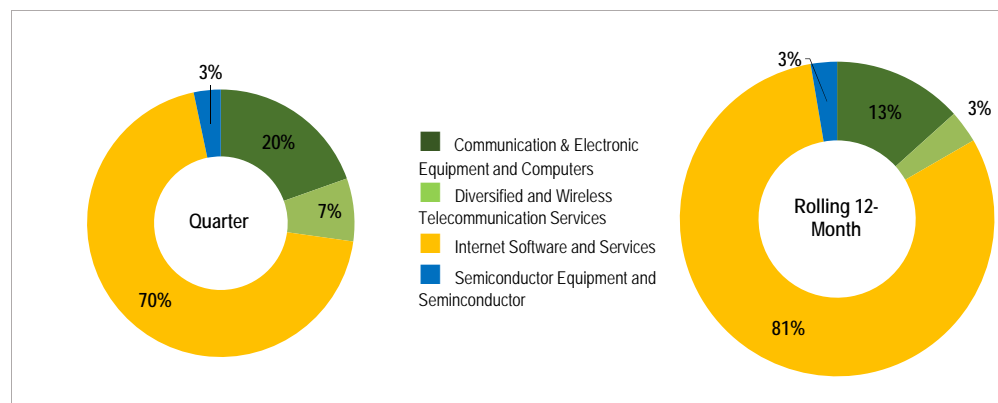
Source: IBIS World, S&P Capital IQ, and PCE Proprietary Data

Industry Trends During Quarter

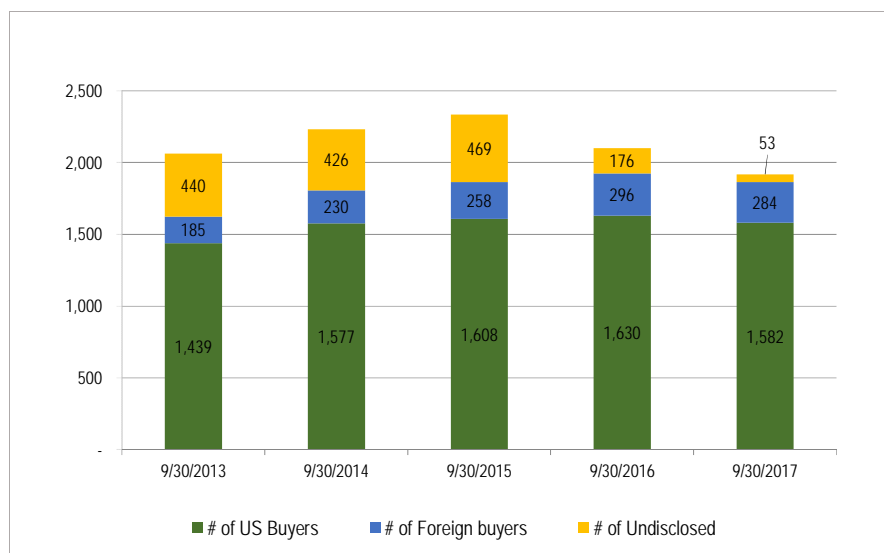
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Communication & Electronic Equipment and Computers	↑	↓	↓
Diversified and Wireless Telecommunication Services	↑	↓	↓
Internet Software and Services	↓	↑	↓
Semiconductor Equipment and Semiconductors	↓	↑	↓

* 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	Hewlett Packard Enterprise Company, Software Business	Micro Focus International plc	\$8,315.9
Internet Software & Services	WebMD Health Corp.	MH SUB I, LLC	\$3,751.3
Internet Software & Services	NeuStar, Inc.	GIC Special Investments Pte. Ltd.; Golden Gate Private Equity, Inc	\$2,942.1
Internet Software & Services	ViaWest, Inc.	Peak 10 Holding Corporation	\$1,675.0
Diversified & Wireless	Fairpoint Communications, Inc.	Consolidated Communications Holdings, Inc.	\$1,493.7
Internet Software & Services	Kofax Limited	Thoma Bravo, LLC	\$1,350.0
Internet Software & Services	Syncsort Incorporated	Centerbridge Partners, L.P.	\$1,260.0
Internet Software & Services	Active Network, LLC	Global Payments Inc.	\$1,206.6
Internet Software & Services	Sage Intacct, Inc.	The Sage Group plc	\$850.0
Communication & Electronic Equipment	Westcon Group, Inc.	SYNNEX Corporation	\$830.0

Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

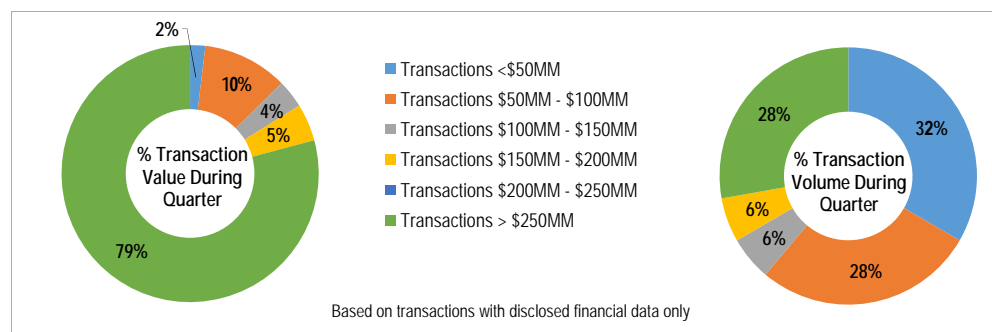
Communication & Electronic Equipment and Computers

3rd Quarter 2017

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

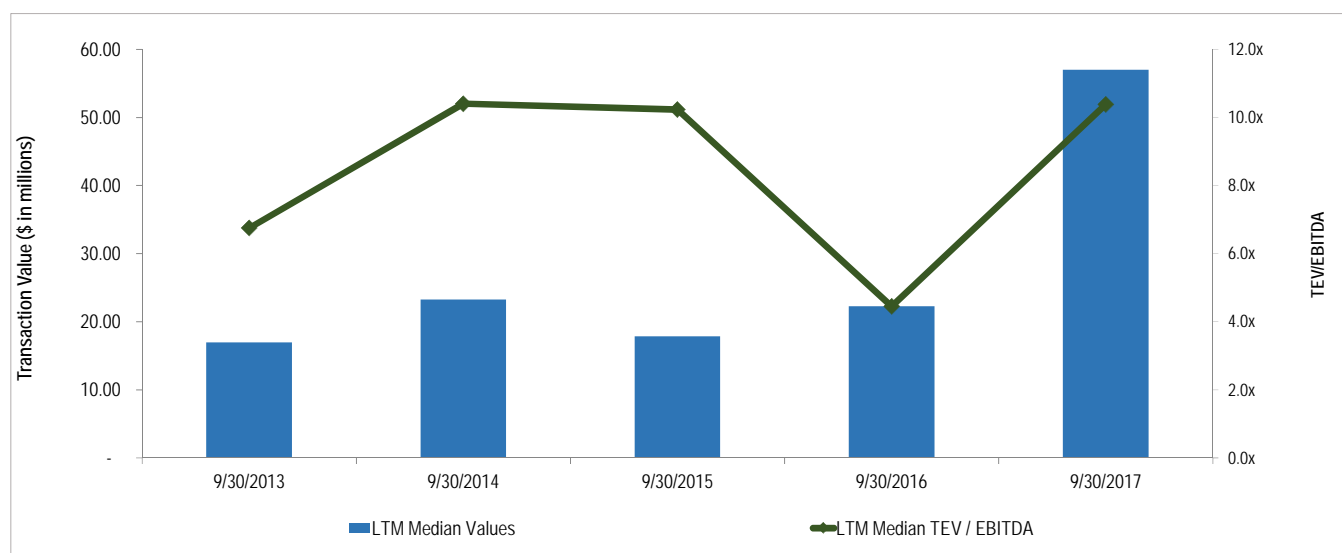
Transaction Volume	67
Number of Transactions with Disclosed Values	18
Transaction Value*	\$3,371.95
Average Transaction Value*	\$187.33
Median Transaction Value*	\$75.25
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



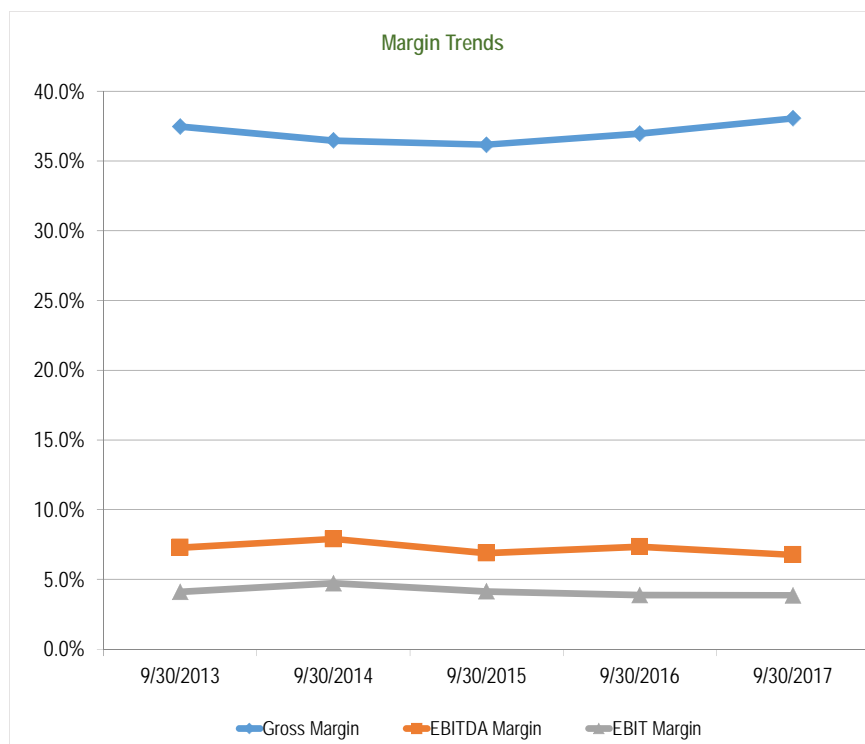
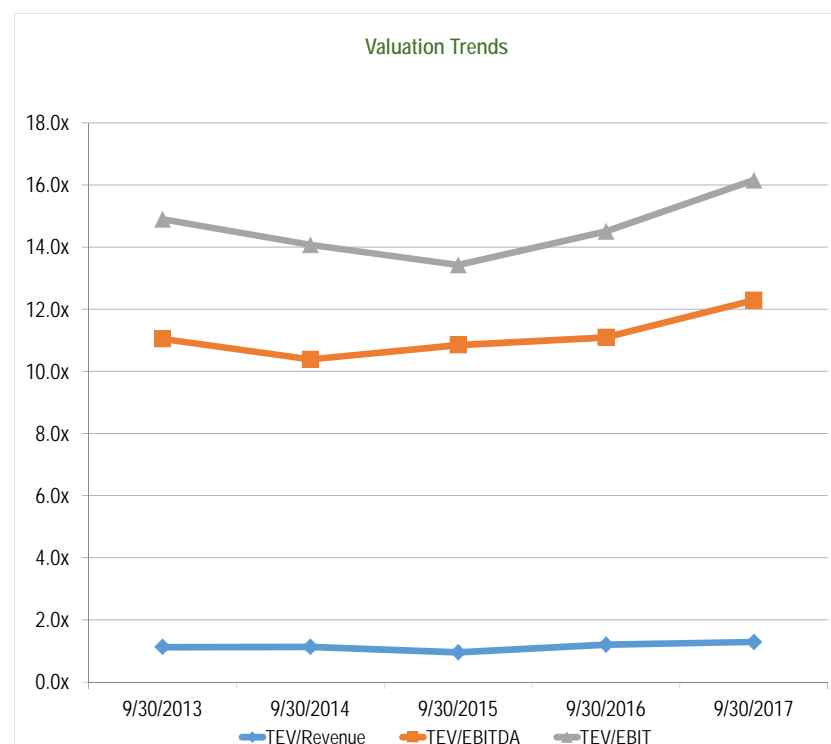
Communication & Electronic Equipment and Computers

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

Total Enterprise Value					Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	09/30/2017 Trends	
Average	\$7,675	5.1x	19.8x	24.0x	TEV/Revenue	↑
Median	\$474	1.3x	12.3x	16.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

Margins				Last Twelve Months	
	Gross Profit	EBITDA	EBIT	09/30/2017 Trends	
Average	38.1%	1.5%	-2.7%	Gross Margin	↑
Median	38.1%	6.8%	3.9%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

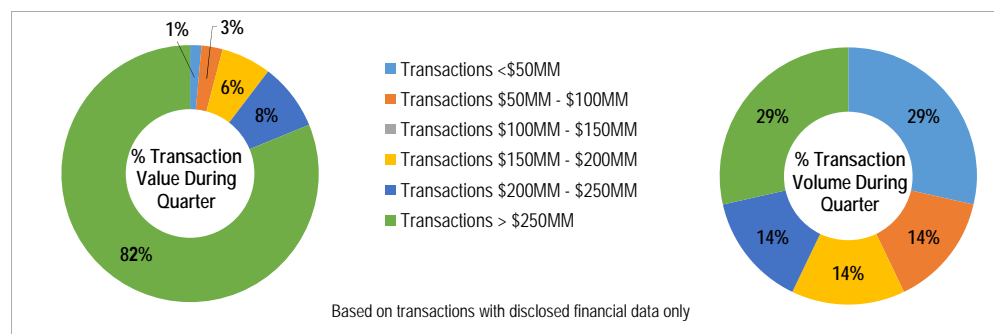
Diversified & Wireless Telecommunication Services

3rd Quarter 2017

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

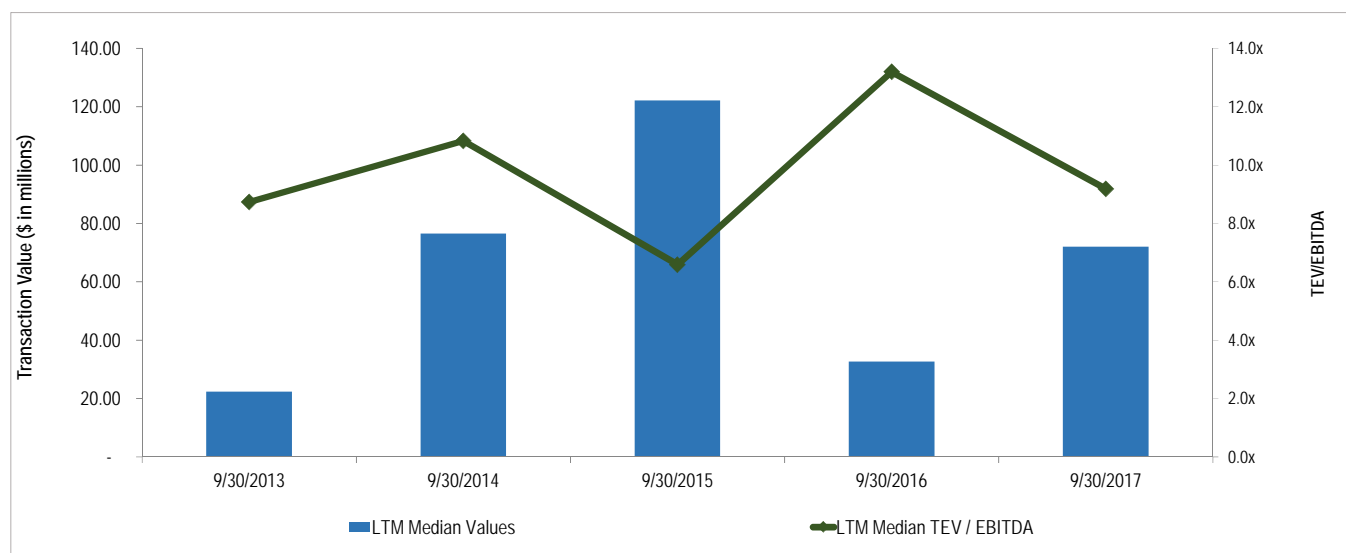
Transaction Volume	20
Number of Transactions with Disclosed Values	7
Transaction Value*	\$2,700.52
Average Transaction Value*	\$385.79
Median Transaction Value*	\$170.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



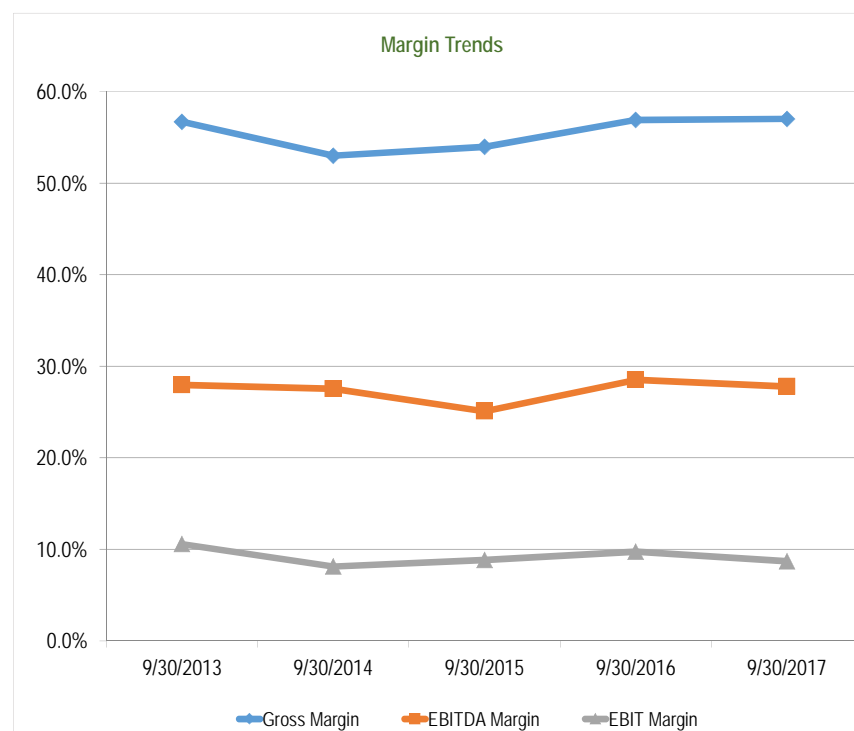
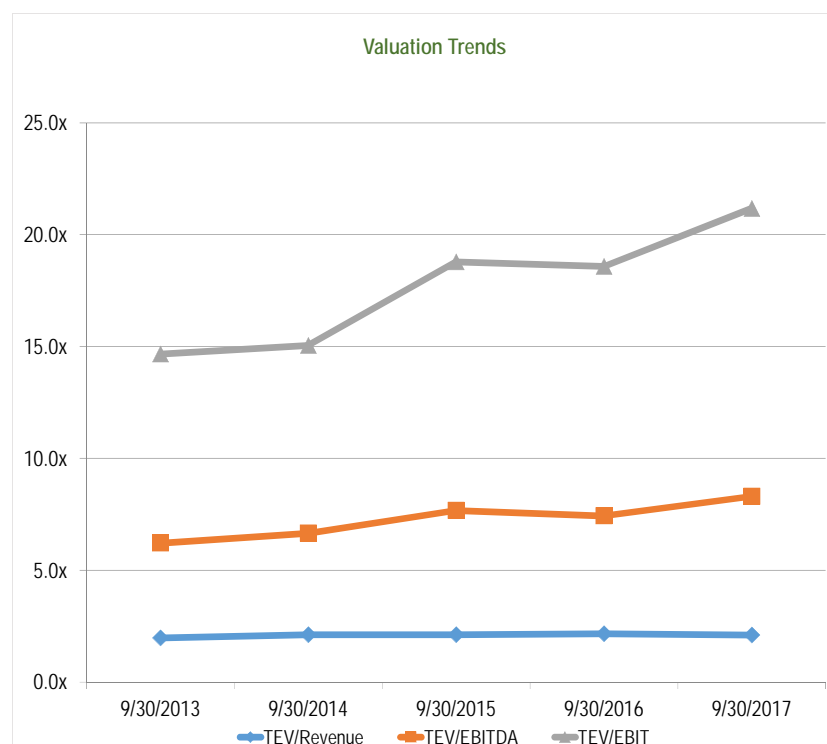
Diversified & Wireless Telecommunication Services

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$17,539	5.0x	15.2x	23.9x	TEV/Revenue	↓
Median	\$1,032	2.1x	8.3x	21.2x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	54.9%	24.2%	4.5%	Gross Margin	↑
Median	57.0%	27.8%	8.7%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

Internet Software and Services

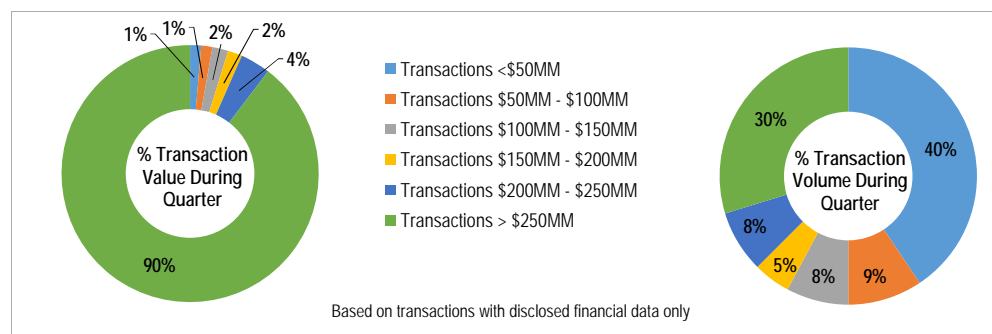
3rd Quarter 2017

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

Transaction Volume	358
Number of Transactions with Disclosed Values	64
Transaction Value*	\$29,574.60
Average Transaction Value*	\$462.10
Median Transaction Value*	\$101.23

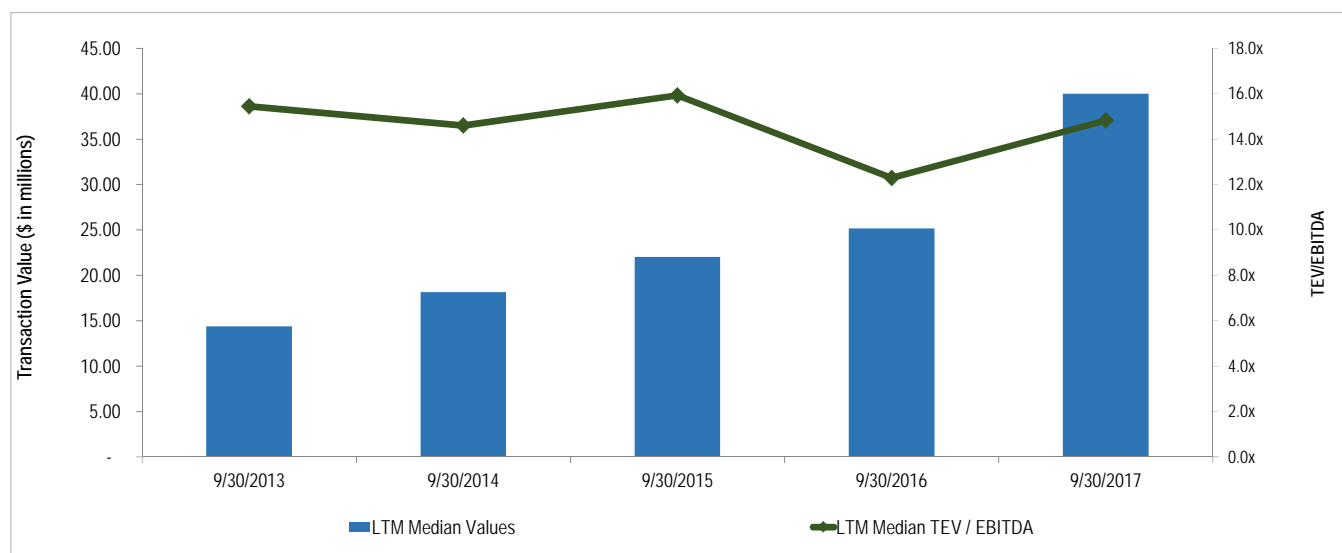
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Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



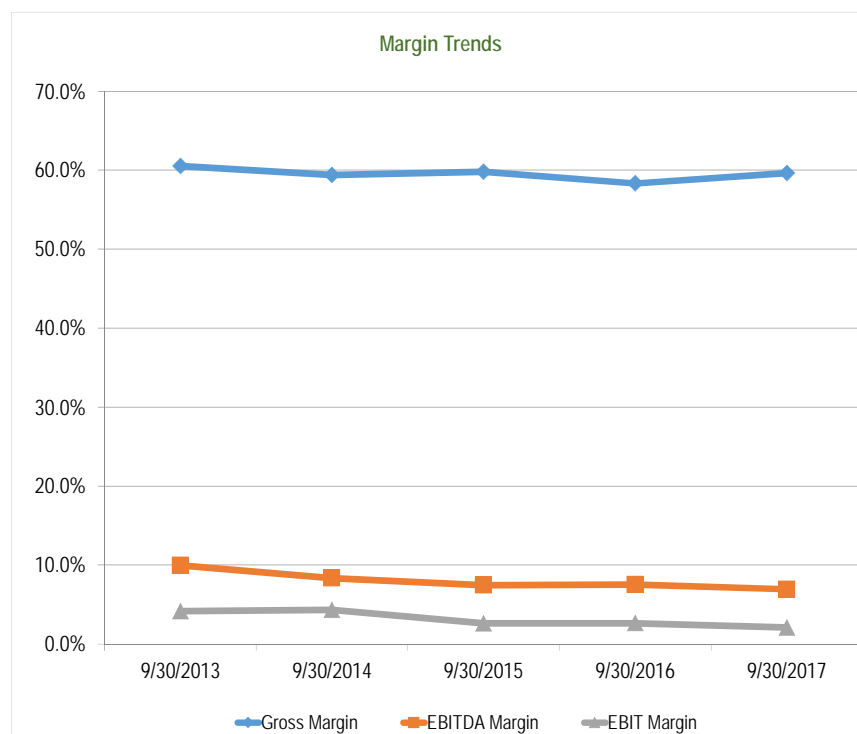
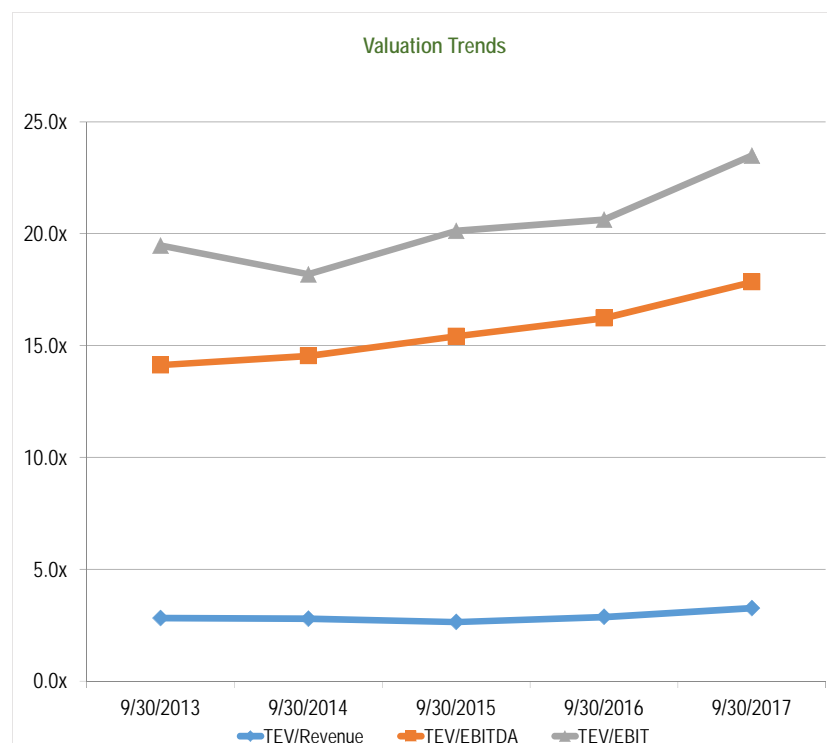
Internet Software and Services

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$13,092	5.3x	31.7x	42.6x	TEV/Revenue	↑
Median	\$1,248	3.3x	17.8x	23.5x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	57.4%	2.9%	-2.9%	Gross Margin	↑
Median	59.7%	6.9%	2.1%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

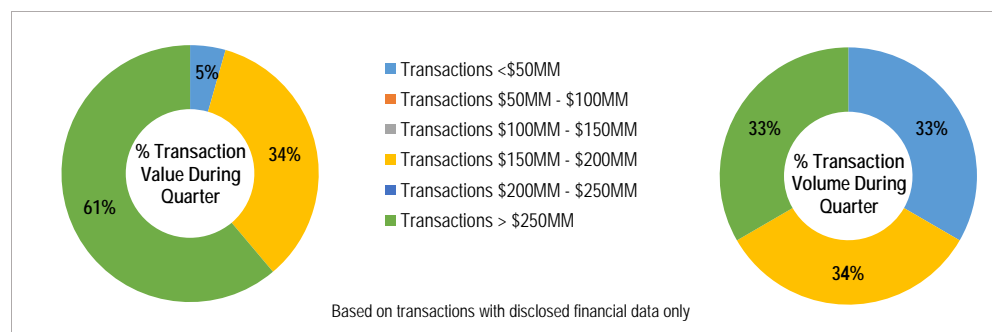
Semiconductor Equipment & Semiconductors

3rd Quarter 2017

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

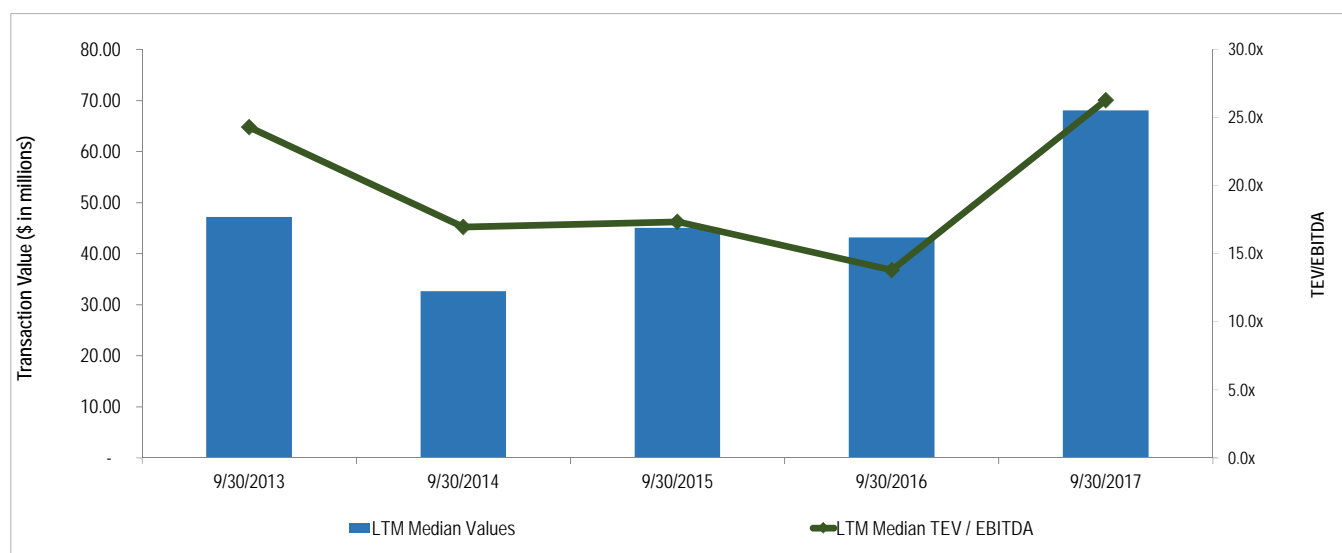
Transaction Volume	8
Number of Transactions with Disclosed Values	3
Transaction Value*	\$561.41
Average Transaction Value*	\$187.14
Median Transaction Value*	\$193.06
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



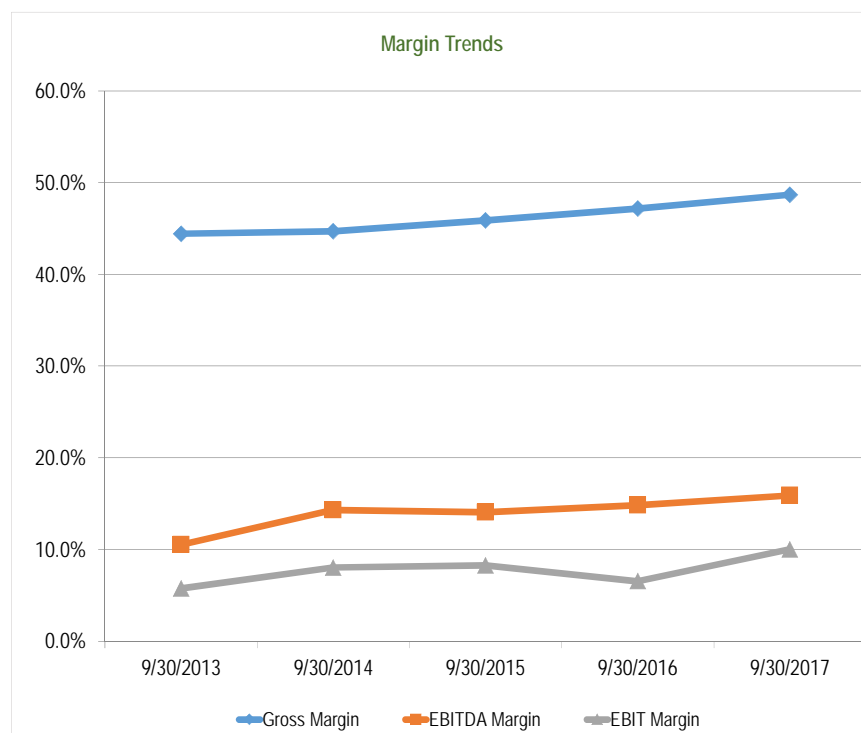
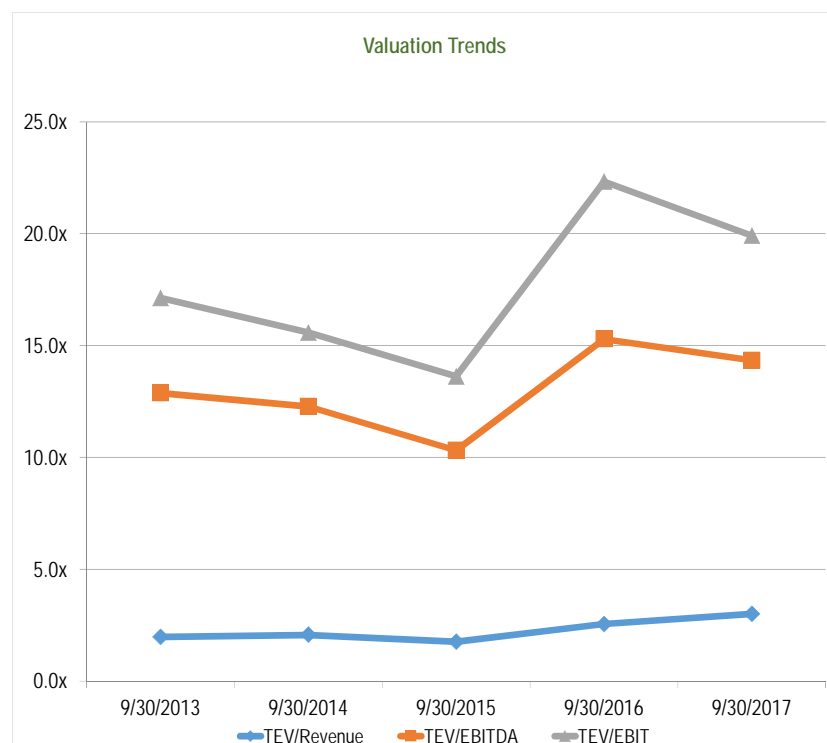
Semiconductor Equipment & Semiconductors

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$10,276	3.6x	21.2x	29.8x	TEV/Revenue	↑
Median	\$1,395	3.0x	14.3x	19.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	44.7%	8.3%	0.7%	Gross Margin	↑
Median	48.7%	15.9%	10.0%	EBITDA Margin	↑
				EBIT Margin	↑



Source: S&P Capital IQ as of 10/13/2017 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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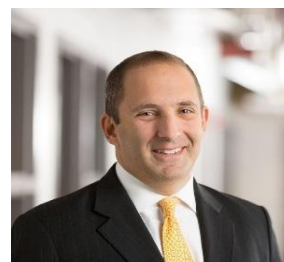


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Data Assumptions

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