



# PCE Industry Report

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IT & Telecom



# Middle Market M&A Summary

## IT & Telecom

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4th Quarter 2017

### Key Highlights

- The average value of the top ten transactions was \$5.96 billion.
- The largest transaction was the acquisition of Level 3 Communications, Inc. by CenturyLink, Inc. for \$36.50 billion.
- The smallest transaction was the acquisition of Radial, Inc. by bpost SA/NV for \$820 million.
- The public company industry median TEV/EBIT multiple is 19.2x.
- The public company industry median TEV/EBITDA multiple is 12.9x.

### Key Trends

- Industry-wide investment in fifth-generation (5G) wireless network continued to increase as companies raced to provide faster, more reliable service. These networks will begin entering the market in 2018.
- Various internet streaming services continued to gain traction in the market and threaten the legacy pay-TV model. Heavy competition is forcing broadcast networks to rethink their model for reaching consumers.
- The repeal of Net Neutrality allows ISPs (Internet Service Providers) to block, throttle, and set up paid prioritization for their services. Many people argue that this could slow down the internet for small businesses and low to middle income consumers and even cause payment for use of social media. There is no way to tell just yet, but expect this to have a negative effect on small businesses and a major impact on giant ISPs such as AT&T, Verizon, Comcast and Charter.<sup>1</sup>
- The hottest commodity in computing right now is the Quantum Computer (next generation computing) - gaining interest from big companies such as IBM, Google, Alibaba, and more. IBM, JP Morgan, Samsung, and Barclays have teamed up together to fund research. JP Morgan says it will focus the quantum computer's applications for trading strategies, portfolio optimization, asset pricing and risk analysis, which could be a breakthrough technology in M&A.<sup>2</sup>

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

<sup>1</sup> "Why Net Neutrality Was Repealed and How It Affects You", The New York Times, Keith Collins, December 14, 2017.

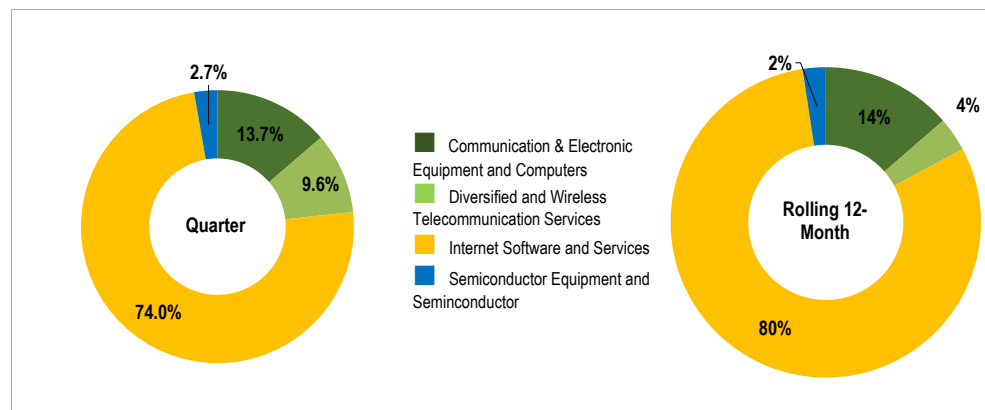
<sup>2</sup> "IBM teams up with Samsung, JPMorgan to develop quantum computing", CNBC, Arjun Kharpal, December 14, 2017.

### Industry Trends During Quarter

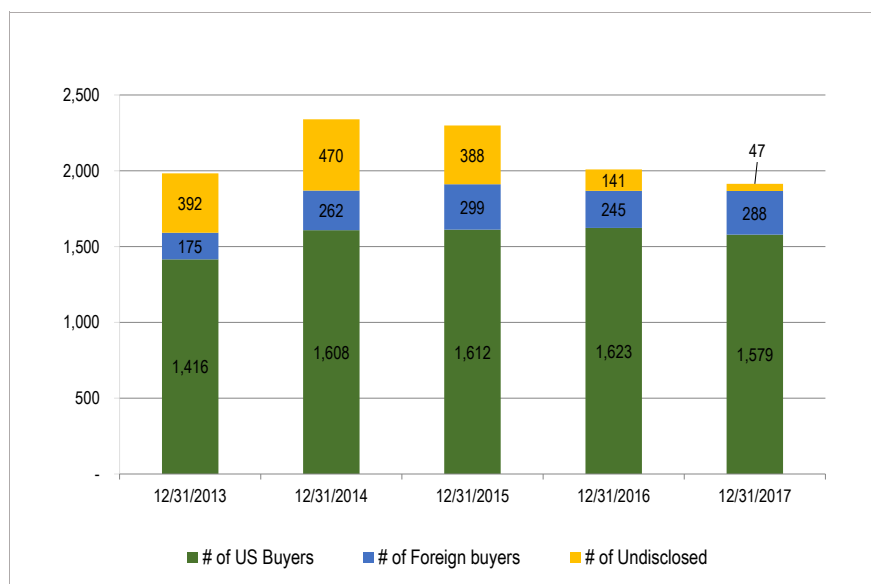
| Sector  | Transaction Volume | TEV/ Revenue | TEV/EBITDA |
|---|--------------------|--------------|------------|
| Communication & Electronic Equipment and Computers  | ↓                  | ↑            | ↓          |
| Diversified and Wireless Telecommunication Services | ↓                  | ↑            | ↑          |
| 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 |
|--------------------------------------|---|---|-------------------|
| Diversified & Wireless               | Level 3 Parent, LLC                           | CenturyLink, Inc.   | \$36,495.4        |
| Communication & Electronic Equipment | Brocade Communications Systems, Inc.          | LSI Corporation; Broadcom Corporation   | \$7,187.2         |
| Diversified & Wireless               | Lightower Fiber Networks LLC                  | Crown Castle International Corp.  | \$7,100.0         |
| Communication & Electronic Equipment | Scott Technologies, Inc.                      | 3M Company  | \$2,000.0         |
| Internet Software & Services         | Bankrate, Inc.                                | Red Ventures Holdco, LP   | \$1,623.3         |
| Internet Software & Services         | Gigamon Inc.                                  | Elliott Management Corporation; Qatar Investment Authority; Elliott International Capital Advisors Inc. | \$1,483.6         |
| Internet Software & Services         | IntraLinks Holdings, Inc.                     | Siris Capital Group, LLC  | \$1,081.6         |
| Diversified & Wireless               | Lumos Networks Corp.                          | EQT Partners AB   | \$940.7           |
| Communication & Electronic Equipment | Ruckus Wireless, Inc. and ICX Switch Business | ARRIS International plc   | \$841.0           |
| Internet Software & Services         | Radial, Inc.                                  | bpost SA/NV   | \$820.0           |

Source: S&P Capital IQ as of 1/17/2018 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

# Contact Us

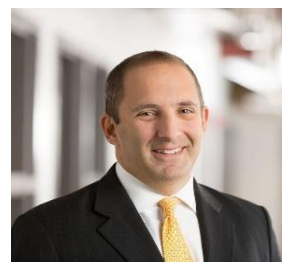


**Michael Poole**

Direct: 407-621-2112

Main: 407-621-2100

[mpoole@pcecompanies.com](mailto:mpoole@pcecompanies.com)



**Michael Rosendahl**

Direct: 201-444-6280 x1

Main: 407-621-2100

[mrosendahl@pcecompanies.com](mailto:mrosendahl@pcecompanies.com)

## PCE Locations

Orlando

Atlanta

Chicago

New York

## 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