

SOFTWARE INDUSTRY

FULL YEAR 2014 :: Mergers and Acquisitions Trend Report

2014 KEY HIGHLIGHTS

- Four of the top ten highest value deals in 2014 occurred in the Business Software segment, which consists of software designed for general business practices and not specific industry markets, making it the best represented segment in the top ten list.
- The largest deal in the Niche Software segment, which is targeted to specific industry markets, was Oracle's acquisition of MICROS Systems, Inc. The provider of point-of-sale (POS) software and other integrated solutions for the hospitality and retail sectors was acquired for \$4.6 billion.
- There were 305 financially sponsored transactions with an aggregate value of \$33.35 billion, representing 17 percent of the total volume and 27 percent of the total value, respectively.

2014 KEY TRENDS

- Total transaction volume in 2014 increased by 14 percent over 2013, from 1,621 to 1,840.
- Total transaction value in 2014 rose by 36 percent over 2013, from \$88.32 billion to \$120.18 billion.
- The median revenue multiple saw an uptick from 2.3x in 2013 to 2.6x in 2014. The median EBITDA multiple moved slightly from 11.7x in 2013 to 12.0x in 2014.

M&A MARKET OVERVIEW

Berkery Noyes tracked 5,026 Software transactions between 2012 and 2014, of which 1,307 disclosed financial terms, and calculated the aggregate value to be \$209.43 billion. Based on known transaction values, we project values of 3,719 undisclosed transactions to be \$63.52 billion, totaling \$272.95 billion worth of transactions tracked over the past three years.

Disclosed median enterprise value multiples for all segments combined in this report during the last 36 months were 2.4x revenue and 11.5x EBITDA.

The most active acquirer in the Infrastructure Software segment over the past 36 months, either directly or through an affiliated business, was EMC with 24 transactions. The largest of these deals was the acquisition of Nicira, Inc., a software defined networking (SDN) and network virtualization company, for \$1.26 billion in 2012.

M&A Market Dynamics

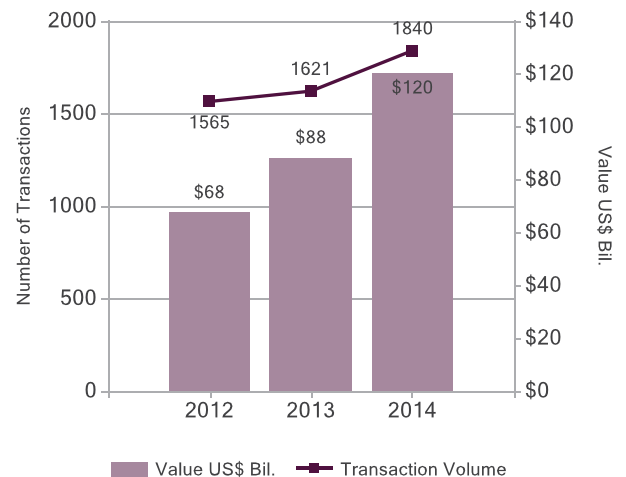


Figure 1. 2012-2014 value and volume comparison.

Median Enterprise Value Multiples

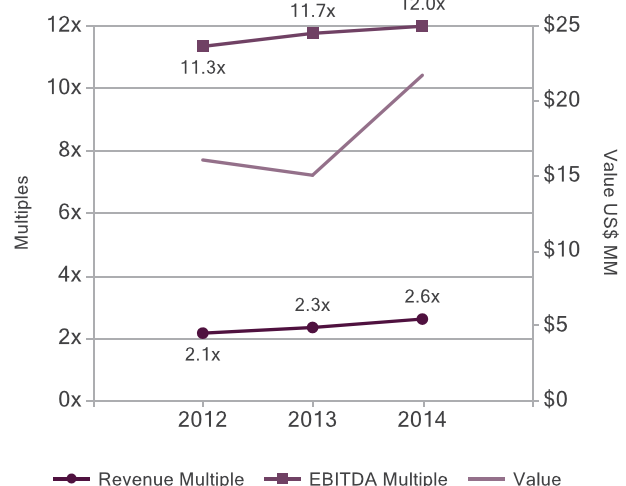


Figure 2. 2012-2014 median value, revenue, EBITDA comparison.

Transaction Analysis :: January 1, 2014 – December 31, 2014

Bell Curve - Histogram

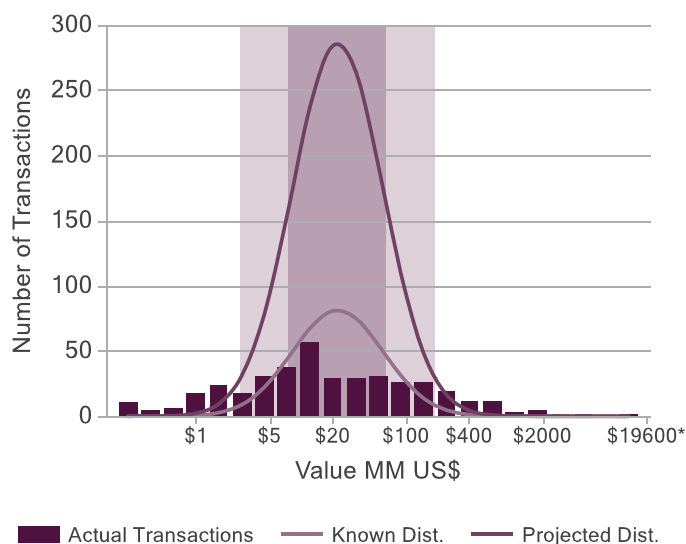


Figure 3. Shows distribution of Software transactions based on publicly available information and Berkery Noyes estimates. Using a logarithmic scale, we determined that nearly two-thirds of companies purchased had transaction values of \$1.6 million to \$244.7 million. Based on this data, we estimate the total transaction value of deals done in 2013 at \$120.2 billion.

* Indicates largest industry transaction from Jan. 1, 2014 to Dec. 31, 2014.

Distribution Table

Value in MM US\$	Known Number	Projected Number	Total Number	%	Cumulative %
\$0.2	10	0	10	2 %	2 %
\$0.4	4	0	4	1 %	3 %
\$0.6	6	0	6	1 %	5 %
\$1.0	18	2	20	4 %	9 %
\$1.6	24	9	33	6 %	15 %
\$2.7	18	31	48	4 %	20 %
\$4.5	31	78	109	8 %	27 %
\$7.4	38	154	192	9 %	37 %
\$12.2	56	237	293	14 %	50 %
\$20.1	29	284	313	7 %	57 %
\$33.1	29	265	294	7 %	65 %
\$54.6	31	193	223	8 %	72 %
\$90.0	26	109	135	6 %	79 %
\$148.4	26	48	74	6 %	85 %
\$244.7	19	16	35	5 %	90 %
\$403.4	12	4	16	3 %	93 %
\$665.1	12	1	12	3 %	96 %
\$1,096.6	3	0	3	1 %	96 %
\$1,808.0	5	0	5	1 %	98 %
\$2,981.0	2	0	2	0 %	98 %
\$4,914.8	1	0	1	0 %	98 %
\$8,103.1	0	0	0	0 %	98 %
\$13,359.7	1	0	1	0 %	99 %
Total #	407	1433	1840		
Total \$ Value	\$88,001	\$32,178	\$120,179		
Middle 3rd of Industry		Middle 2/3rds of Industry			

Figure 4. Presents the data depicted in the bell curve histogram.

Strategic vs. Financial Comparison

M&A Dynamics By Transaction Type

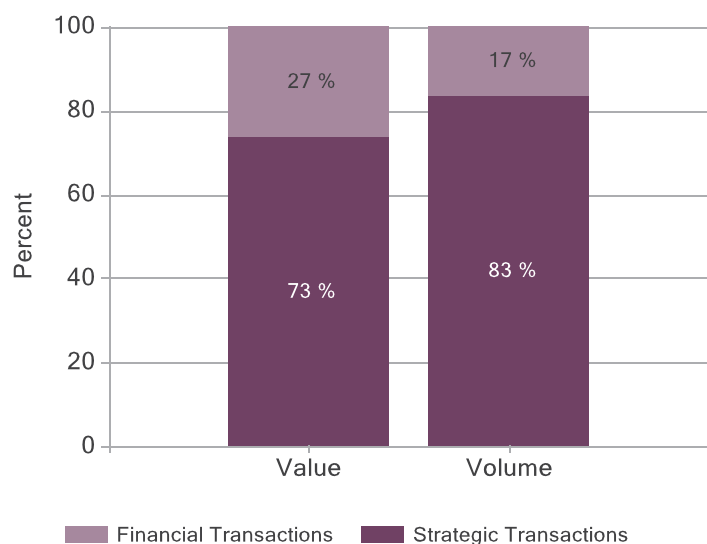


Figure 5. 2014 value and volume comparison by acquirer type.

Note: Financial transactions are those financed by private equity, venture capital, and other investment firms. This includes acquisitions by portfolio companies of the investment firms.

Transaction Type

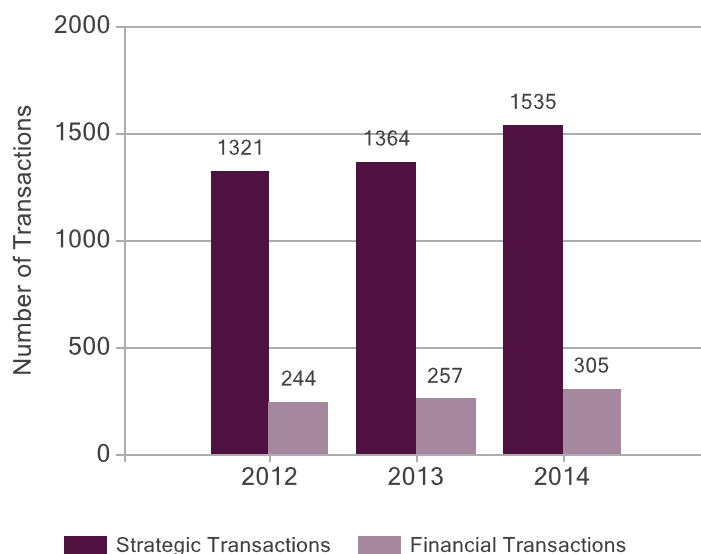


Figure 6. 2012-2014 acquirer type comparison.

Purchaser Analysis

Top Ten Notable Transactions 2014

Deal Date	Target Name	Buyer	Value MM US\$
02/19/14	WhatsApp	Facebook	\$19,645
09/18/14	Concur Technologies, Inc.	SAP America, Inc.	\$7,603
06/23/14	MICROS Systems, Inc.	Oracle Corporation	\$4,604
09/29/14	TIBCO Software Inc.	Vista Equity Partners	\$4,110
09/15/14	TriZetto	Cognizant Technology Solutions	\$2,700
09/15/14	Mojang AB	Microsoft Corporation	\$2,500
09/15/14	Attachmate Group	Micro Focus International Limited	\$2,354
09/02/14	Compuware Corporation	Thoma Bravo, LLC	\$2,052
03/26/14	Oculus VR	Facebook	\$2,000
01/22/14	AirWatch, LLC	VMware, Inc.	\$1,545
2014 Aggregate Transaction Value			\$120,179
Top 10 Aggregate Transaction Value			\$49,113
Top 10 Aggregate Value as a Percentage of All Transactions			41 %

Figure 7. Lists the top ten transactions for 2014 and calculates their aggregate transaction value as a percentage of the total aggregate transaction value as shown in Figure 1 & 4.

Note: Transaction data based on **announced date**. Deal value represents total consideration paid by the acquirer.

Median EV/Revenue Multiples By Size

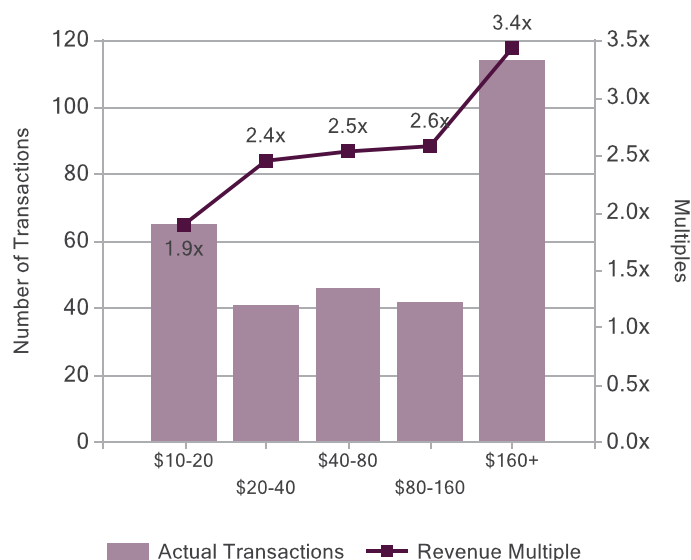


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Software Industry from Jan. 1, 2012 to Dec. 31, 2014 based on publicly available data.

Transaction Volume by Segment :: January 1, 2012 – December 31, 2014

Transactions By Market Segment

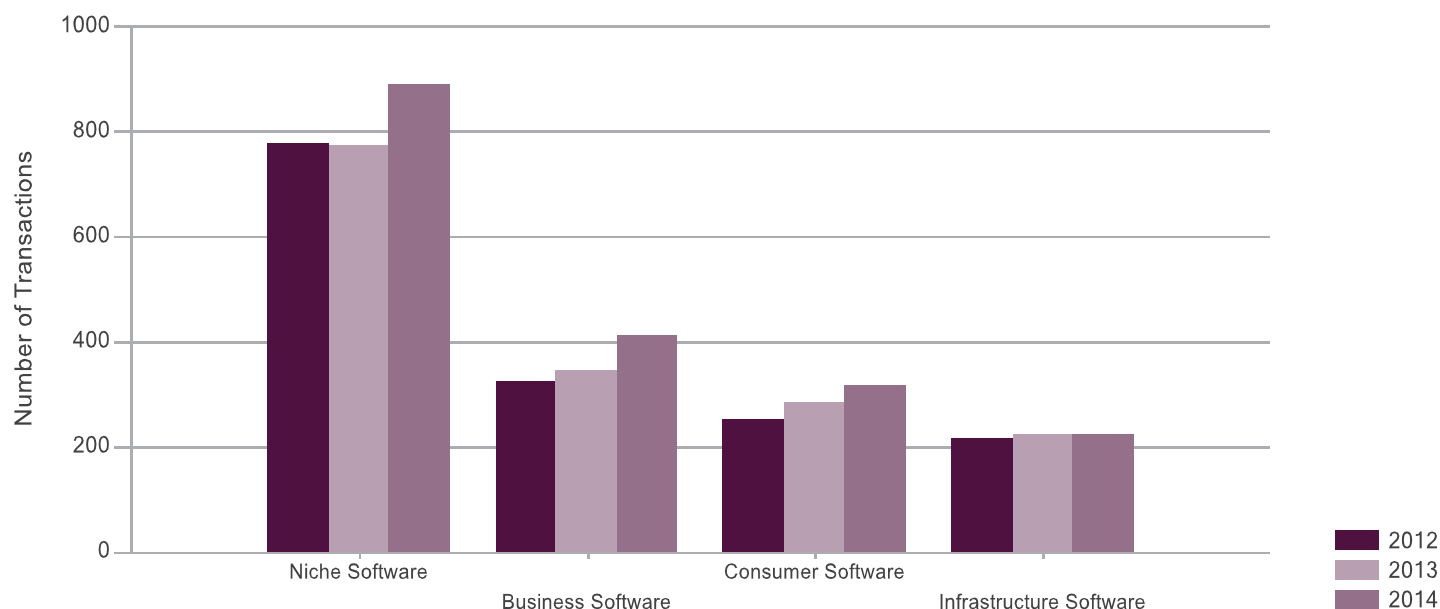


Figure 9. Presents transaction volume by target segment within the Software Industry from Jan. 1, 2012 through Dec. 31, 2014.

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All charts in this report are based on data gathered by Berkery Noyes' research department. All time period statistics are based on the transaction announcement date.

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