

SOFTWARE INDUSTRY

FULL YEAR 2017 :: Mergers and Acquisitions Trend Report

2017 KEY HIGHLIGHTS

- The Infrastructure segment's largest transaction in 2017 was Thales SA's announced merger with Gemalto, a digital security company that offers mobile connectivity, payment technology, and data protection solutions, for \$6.51 billion.
- Cisco Systems was responsible for two of the industry's top ten largest acquisitions in 2017: AppDynamics, an application performance management and IT analytics company, for \$3.9 billion; and Broadsoft, which offers software and services that enable telecommunications service providers to deliver hosted cloud-based unified communications to enterprise customers, for \$1.87 billion.
- There were 487 financially sponsored transactions with an aggregate value of \$56.13 billion, representing 22 percent of the total volume and 42 percent of the total value, respectively.

2017 KEY TRENDS

- Total transaction volume in 2017 increased by four percent over 2016, from 2,100 to 2,191.
- Strategic volume in 2017 remained about constant over 2016, at 1,704. Private equity backed volume improved 22 percent during this timeframe, from 399 to 487.
- Total transaction value in 2017 declined by 16 percent over 2016, from \$159.32 billion to \$133.64 billion.
- The median revenue multiple decreased from 2.7x in 2016 to 2.3x in 2017. The median EBITDA multiple saw a slight uptick from 12.7x in 2016 to 13.3x in 2017.

M&A MARKET OVERVIEW

Berkery Noyes tracked 6,360 Software transactions between 2015 and 2017, of which 1,385 disclosed financial terms, and calculated the aggregate value to be \$391.92 billion. Based on known transaction values, we project values of 4,975 undisclosed transactions to be \$114.90 billion, totaling \$506.81 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 2.5x revenue and 13.2x EBITDA.

M&A Market Dynamics

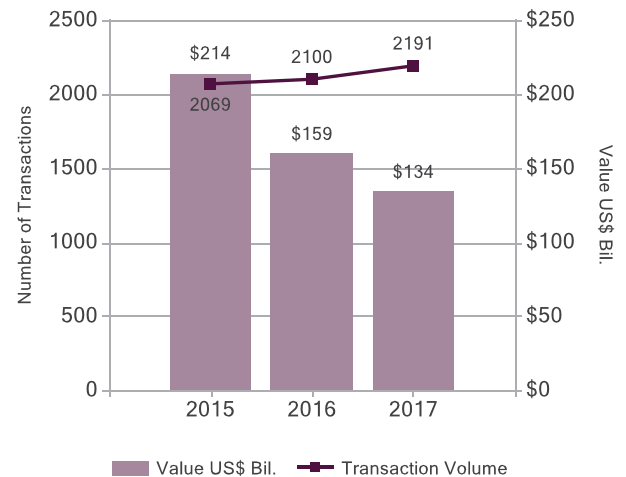


Figure 1. 2015-2017 value and volume comparison.

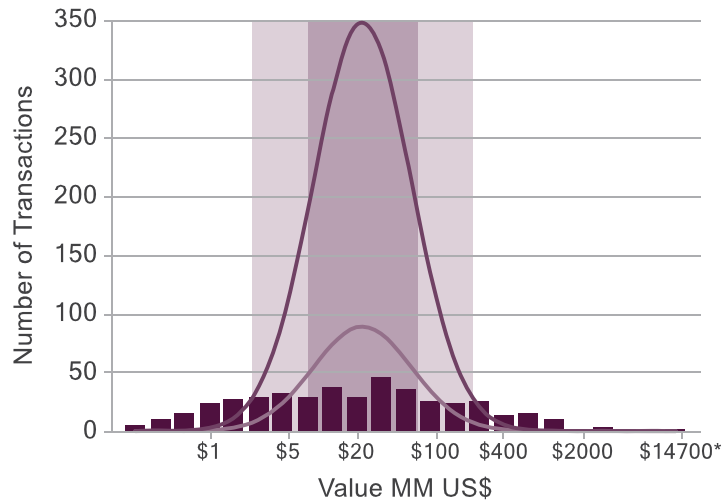
Median Enterprise Value Multiples



Figure 2. 2015-2017 median value, revenue, EBITDA comparison.

Transaction Analysis :: January 1, 2017 – December 31, 2017

Bell Curve - Histogram



Actual Transactions Known Dist. Projected Dist.

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 2017 at \$133.64 billion.

* Indicates largest industry transaction from Jan. 1, 2017 to Dec. 31, 2017.

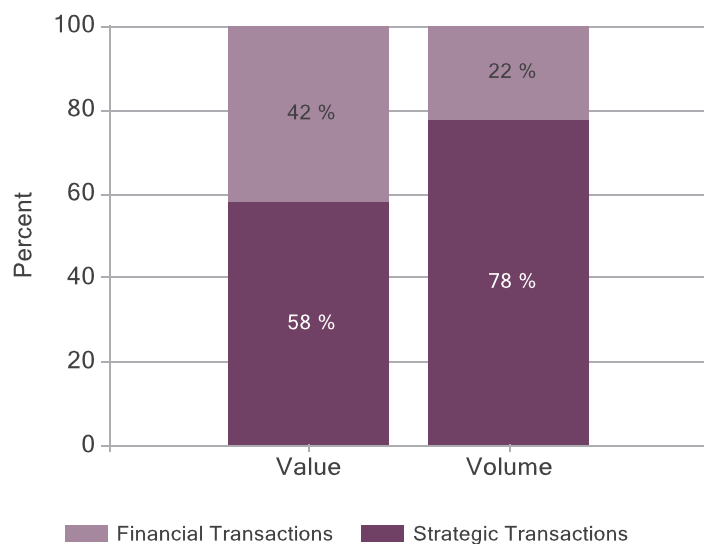
Distribution Table

Value in MM US\$	Known Number	Projected Number	Total Number	%	Cumulative %
\$0.2	6	0	6	1 %	1 %
\$0.4	10	0	10	2 %	4 %
\$0.6	15	0	15	3 %	7 %
\$1.0	24	3	26	5 %	12 %
\$1.6	27	11	38	6 %	18 %
\$2.7	29	36	65	7 %	25 %
\$4.5	33	93	126	7 %	32 %
\$7.4	29	185	214	7 %	39 %
\$12.2	37	286	323	8 %	47 %
\$20.1	29	345	374	7 %	54 %
\$33.1	45	324	369	10 %	64 %
\$54.6	35	237	272	8 %	72 %
\$90.0	26	135	161	6 %	77 %
\$148.4	24	60	83	5 %	83 %
\$244.7	26	21	46	6 %	89 %
\$403.4	14	6	19	3 %	92 %
\$665.1	15	1	16	3 %	95 %
\$1,096.6	11	0	11	2 %	98 %
\$1,808.0	1	0	1	0 %	98 %
\$2,981.0	4	0	4	1 %	99 %
\$4,914.8	1	0	1	0 %	99 %
\$8,103.1	0	0	0	0 %	99 %
\$13,359.7	1	0	1	0 %	99 %
Total #	446	1745	2191		
Total \$ Value	\$93,954	\$39,685	\$133,639		
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



Transaction Type

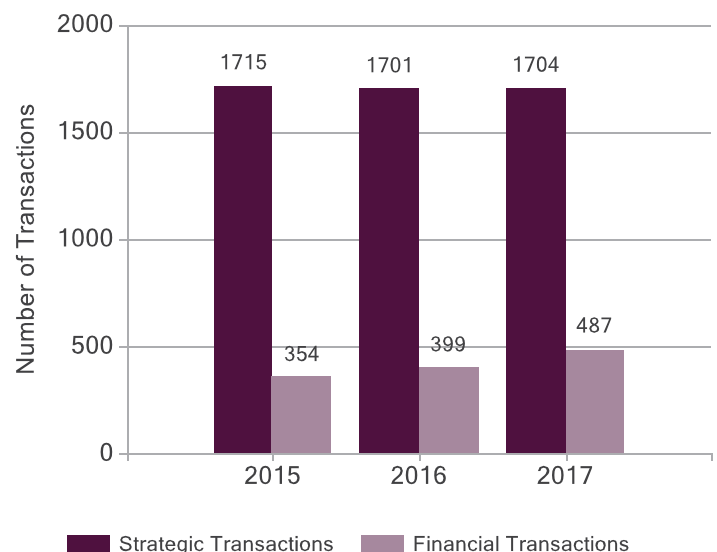


Figure 5. 2017 value and volume comparison by acquirer type.

Figure 6. 2015-2017 acquirer type comparison.

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.

Purchaser Analysis

Top Ten Notable Transactions 2017

Deal Date	Target Name	Buyer	Value MM US\$
03/13/17	Mobileye	Intel Corporation	\$14,700
12/17/17	Gemalto NV	Thales SA	\$6,513
02/10/17	Technology-Enabled Benefits & HR Platform from Aon plc	Blackstone Group LP	\$4,300
01/24/17	AppDynamics	Cisco Systems, Inc.	\$3,903
03/15/17	DH Corporation	Misys plc	\$3,491
02/27/17	CCC Information Services Inc.	Advent International	\$3,000
10/23/17	Broadsoft, Inc.	Cisco Systems, Inc.	\$1,873
01/30/17	Ixia	Keysight Technologies	\$1,563
11/27/17	Barracuda Networks	Thoma Bravo, LLC	\$1,380
07/24/17	Civica	Partners Group Holding AG	\$1,368
2017 Aggregate Transaction Value			\$133,639
Top 10 Aggregate Transaction Value			\$42,091
Top 10 Aggregate Value as a Percentage of All Transactions			31 %

Figure 7. Lists the top ten transactions for 2017 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

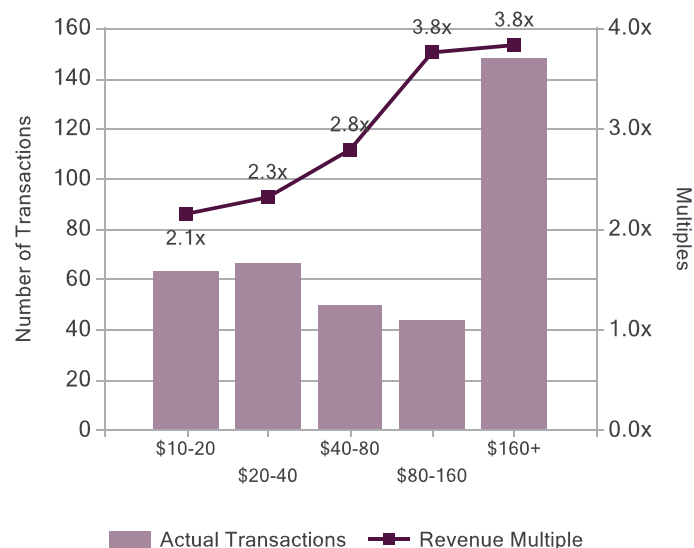


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Software Industry from Jan. 1, 2015 to Dec. 31, 2017 based on publicly available data.

Transaction Volume by Segment :: January 1, 2015 – December 31, 2017

Transactions By Market Segment

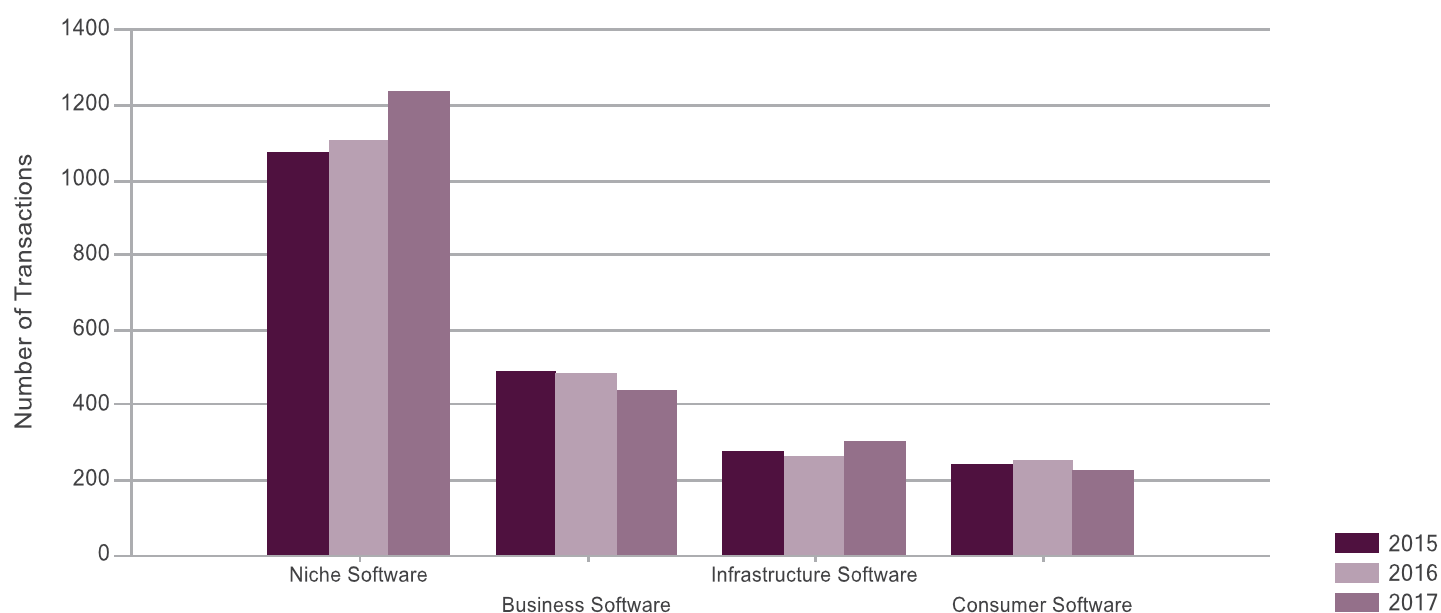


Figure 9. Presents transaction volume by target segment within the Software Industry from Jan. 1, 2015 through Dec. 31, 2017.

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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. The information contained herein is of a general nature and is not intended to address the circumstances of any particular company, individual, or entity. There can be no guarantee that such information is accurate.

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