

WORLD TECH M&A REPORT 2015



CORUM
MERGERS & ACQUISITIONS
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2015 will continue the record pace established last year in all 29 market sectors around the world, with Asia growing the fastest. This report profiles those sectors, who's doing the deals and valuations. For the second year, we are profiling the Corum

Top Ten Disruptive Technology Trends, with individual reports by Corum's top executives. These trends are driving tech M&A, fueled by nearly \$2 trillion available to both strategic and financial buyers.

Special thanks to our panel of industry luminaries for their insights and contribution to this report: Peter Coffee from Salesforce, Reese Jones from Singularity University, Mukund Mohan from Microsoft Ventures and Dr. Karl Popp from SAP. They were joined by leaders from the Private Equity community: George Kase from Marlin Equity, John Hodge from Rubicon, Blair Greenberg from Bregal Sagemount and Martin Scott from Riverside.

All presentations are archived under "Forecast 2015 – Global Tech M&A Report" at our website, corumgroup.com. We invite you to join us for monthly valuation updates the second Thursday of each month. Further, we look forward to seeing you at one of our 150 live tech M&A educational events this year in every major city (profiled in the back of this report). These conferences and workshops are for sellers – the better educated you are on the complexities that derail most mergers, the greater your chances to successfully sell your company.

Bruce Milne
Conference Chair

CORUM

MERGERS & ACQUISITIONS

Data for this report was compiled by Corum Group, the world's leading seller of privately held software, Internet, IT and related companies. For further information, please contact Elon Gasper, V.P. Research at +1 425 455 8281 or clong@corumgroup.com.

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LUMINARY PANEL

Thanks to our luminary panelists who took part in "Forecast 2015: Global Tech M&A." For more of their thoughts on the technology landscape, view the original webcasts at www.corumgroup.com.



"I think the big disruption is going to come from building 'containers for trust' for data, rethinking the way things are done so that identity and protection and trust are the new defaults."

PETER COFFEE, SALESFORCE



"Things become apps become services that become context available, which changes the way entertainment, social, work, transportation, and even reality function."

REESE JONES, SINGULARITY UNIVERSITY



"We're excited about software-enabled business models, not software or SaaS oriented, but consumer-related services that allow an end user to subscribe to a solution as opposed to buy or rent a piece of software."

MUKUND MOHAN, MICROSOFT VENTURES



"SAP as a company has a clear strategy. We want to make the world run better and improve people's lives."

DR. KARL POPP, SAP

PRIVATE EQUITY PANEL

"Larger corporations are looking for smaller, innovative companies to grow their top line. M&A is a major tool for the larger strategics to grow their business."

JOHN HODGE
RUBICON TECHNOLOGY PARTNERS



"We are particularly seeking areas where innovative technology can enter well-established markets and provide market innovation or disruption."

MARTIN SCOTT
THE RIVERSIDE COMPANY



"If I were a CEO of a technology business, I would make sure I had the KPIs right to ensure the quality of my recurring revenue."

GEORGE KASE
MARLIN EQUITY PARTNERS



"As executives build out their businesses, retention rates and deep integrations with their customers are what we look at most stringently."

BLAIR GREENBERG
BREGAL SAGEMOUNT



ROBUST PUBLIC MARKETS DRIVE M&A

Public stock markets hit new records in 2014, fueled by easy money and global growth, trends that continued in 2015. In the technology sector, the disruptive tech trends profiled in this report resulted in double-digit M&A gains. Both strategic and financial buyers set new highs for acquisitions, fueled by excess cash and record debt financing due to low interest cost. 2015 continues this pace.

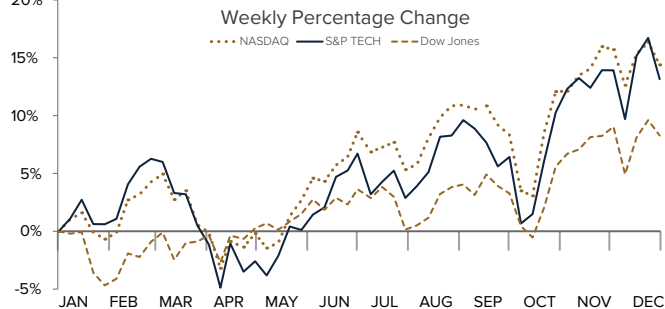
TECH M&A PEAKS TRACK MARKET PEAKS

Technology acquisitions closely track the success of public markets as reflected in the adjoining chart. With new peaks in the stock market, we expect the current high in valuations and deal volume to continue. However, if the tide turns, the M&A markets drop quickly and precipitously. Not only do valuations tumble, but offers dry up.

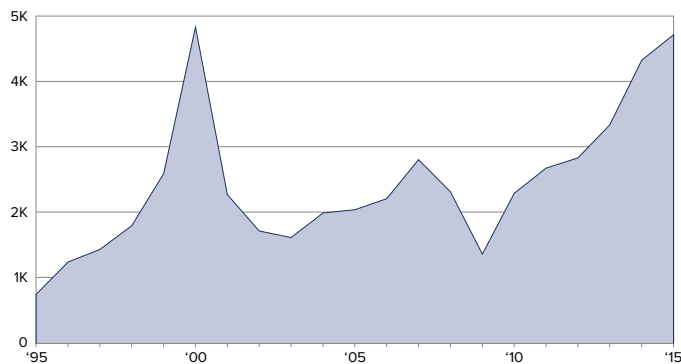
While the current bull market is one of the longest in modern history, there is increased turbulence in the geopolitical scene, along with concerns about currencies, interest rates and inflation.

History has taught us that no bull market lasts forever. During past market peaks, some firms have waited for the perfect moment, only to wait too long. There's no harm going to market early; it can provide valuable feedback and build important relationships that could increase a company's ultimate value.

2014 Public Markets



NASDAQ PEAKS 1995–2015



CORUM TOP TEN DISRUPTIVE TECHNOLOGY TRENDS 2015

Technology companies cannot ignore the disruptive technologies changing lives and transforming markets. Even the largest firms must adapt to these trends or fall behind. No technology leader has the foresight to always lead the innovation curve, and the most successful acquire the pioneering companies with the expertise to

help them continue that disruptive success.

Each year, Corum compiles a list of the key trends driving deals, drawn from transactions in every sector, spanning hundreds of events, global reports and information from conversations with all of the buyers. 2015 has produced a particularly instructive set.

CONNECT



MAJORITY MOBILIZATION
CRITICAL MASS OF CONNECTED USERS



ONLINE EXCHANGES
CONNECTING CREATORS & CONSUMERS



OMNI-CHANNEL MARKETING
CONSISTENT MESSAGING ACROSS CHANNELS

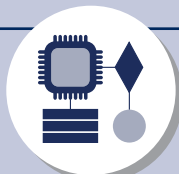


DIGITAL CURRENCY FLOW
DECREASING FRICTION IN PAYMENTS & EXCHANGE

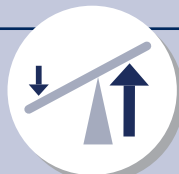


IOT SOFTWARE
EMERGING PLATFORMS, STANDARDS & ANALYTICS

CREATE



ENMESHED SYSTEMS
BLURRING THE LINES BETWEEN SOFTWARE & HARDWARE



DIGITAL FORCE MULTIPLIERS
IN-HOUSE TOOLS TRANSFORM TRADITIONAL FIRMS INTO TECH FIRMS



POSITIONING INTELLIGENCE
PIVOTAL LEVELS OF PRECISION & UNDERSTANDING



SPORTS & GAMING
REACHING PIVOTAL MOMENT IN CULTURE & TECH



DATA SECURITY
BUILDING BARRIERS IN AN AGE OF BLURRED LINES

STRATEGIC BUYERS SET NEW M&A RECORD

Google reclaimed its top spot on the buyers leaderboard with 37 acquisitions, a new high for annual acquisitions by a strategic buyer. They started 2014 with two bold major acquisitions: consumer product purchase of Nest for \$3.6B and London-based AI lab, DeepMind. They both became platform companies for Google to make other acquisitions. Nest acquired home security and monitoring firm Dropcam for \$555M. DeepMind made two bolt-on acquisitions in artificial intelligence and online advertising, capping their buying spree by paying \$500M for Skybox Imaging, a leader in light-weight satellites, imagery and related data processing.

The runner-up among the acquirers was WPP, who, along with competitor Publicis, led a wave of digital ad agency consolidation. While some deals were direct, most acquisitions were through nearly a dozen different subsidiaries.

Yahoo, the previous year's leader, dropped to third, narrowing its strategy with a twin focus on monetization and mobility.

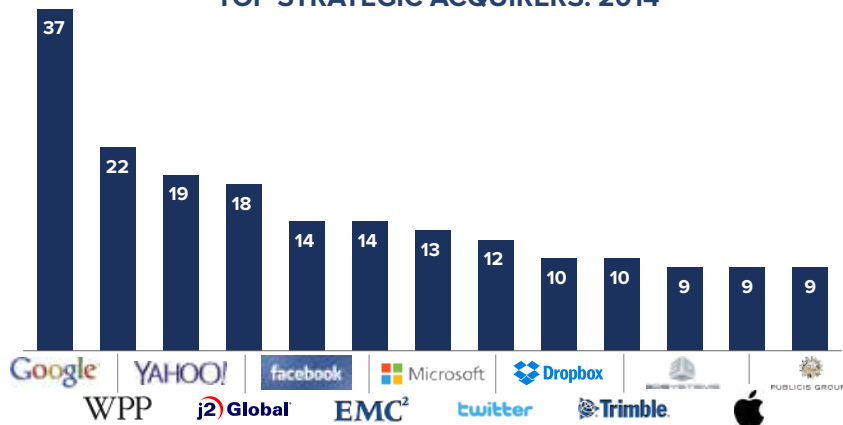
Just behind Yahoo was business cloud services vendor j2 Global. The company

ramped its deal volume by 157%, rolling up companies in digital media, backup and email security.

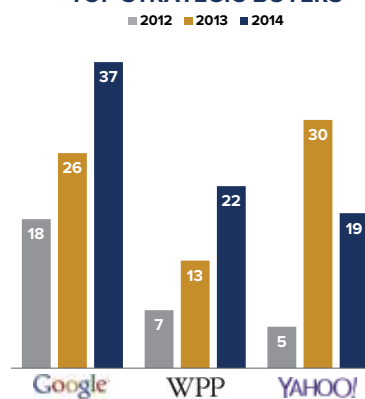
Another fast mover, Dropbox, more than doubled its tech M&A purchases, including facial and object recognition firm Kriegman-Belhumeur Vision Technology (KBVT) to help organize photos stored in Dropbox accounts.

A number of perennial top buyers increased their pace, including Microsoft, EMC and Facebook.

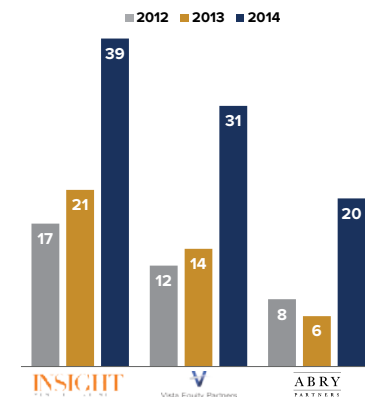
TOP STRATEGIC ACQUIRERS: 2014



TOP STRATEGIC BUYERS



TOP PRIVATE EQUITY BUYERS



PRIVATE EQUITY SETS NEW RECORD FOR ACQUISITIONS

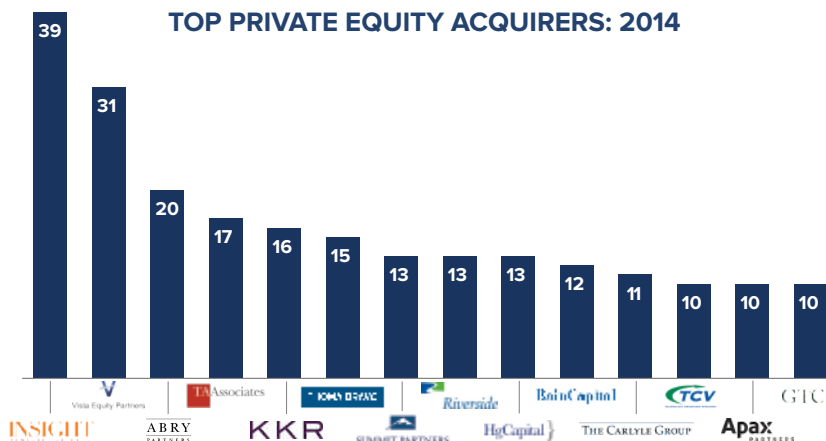
Private Equity also made a record-breaking number of deals in 2014, many of them smaller tech bolt-ons for existing portfolio companies. Such acquisitions enabled Insight Venture Partners to nearly double its number of transactions, repeating as top PE acquirer for the year.

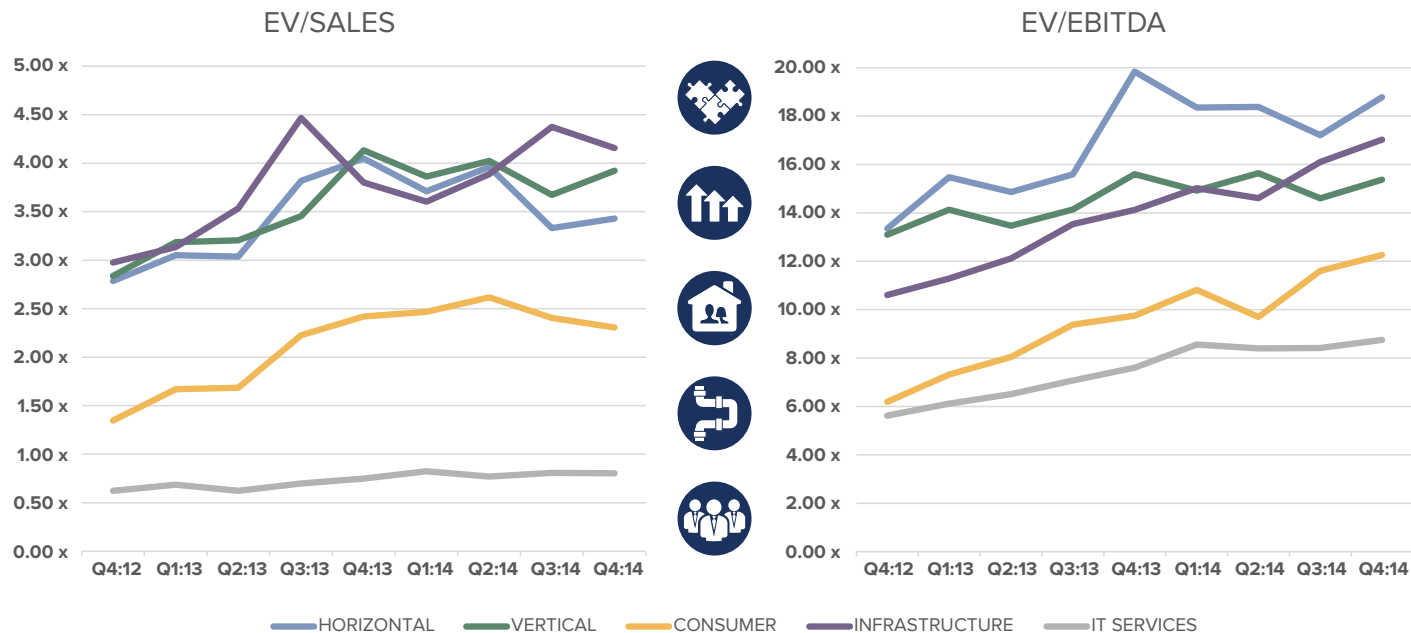
Vista Equity, while second in deal number, was the top acquirer in terms of total value with three megadeals, including the largest PE deal of the year, the \$4.3B acquisition of TIBCO. Vista quickly followed up buying transaction processing services provider TransFirst for an estimated \$1.5B, then UK ERP provider, Advanced Computer Software, for \$1.1B, a 3.3x multiple.

Coming in third was ABRY Partners with 20 transactions, most through bolt-ons to their existing portfolio. For example, in the M2M space, RacoWireless was added to ABRY's KORE Wireless, and Hopster acquired the digital coupon company, Inmar, and other firms.

The chart showing the number of deals from 2012-2014 for leading Strategic vs. Financial buyers shows that the top PE firms dramatically increased the number of transactions in 2014 due to smaller transactions funded through their portfolio companies. For the first time, the top ten PE buyers beat the top ten strategic buyers in volume.

TOP PRIVATE EQUITY ACQUIRERS: 2014





The Corum Index tracks valuation multiples for publicly traded companies in 29 subsectors within six broad markets: Horizontal, Vertical, Consumer, Infrastructure, Internet and IT Services. With the exception of the volatile Internet sector, all sectors trended upwards over the course of the last two years in both sales and EBITDA ratios. Median values are given for all ratios shown.

The factors driving high valuations have remained stable: strong public markets, significant cash reserves in the hands of strategic and financial buyers, accelerating innovation and disruption across the technology markets, and increased

competition between buyers for technology companies—including cross-border competition, as well as from Private Equity and other non-tech buyers.

Valuation increases have tracked with increasing deal flow, as tech M&A volume gained more than 18%, and megadeals increased more than 25%. 2015 should continue this trend of high valuations and steady demand, powered by profits, tech trends, strong balance sheets and global liquidity. Subsequent sections of this report will unpack each market, along with the 29 subsectors, in detail.

PRIMARY RESEARCH

UNITED STATES



ELON GASPER
VP, RESEARCH



ALINA SOLTYS
ASSOCIATE



AMBER STONER
SR. ANALYST



IVAN SNOOK
ANALYST

EUROPE



NINA SEGHATOLESLAMI
ASSOCIATE



ARTEM MAMAIEV
ANALYST



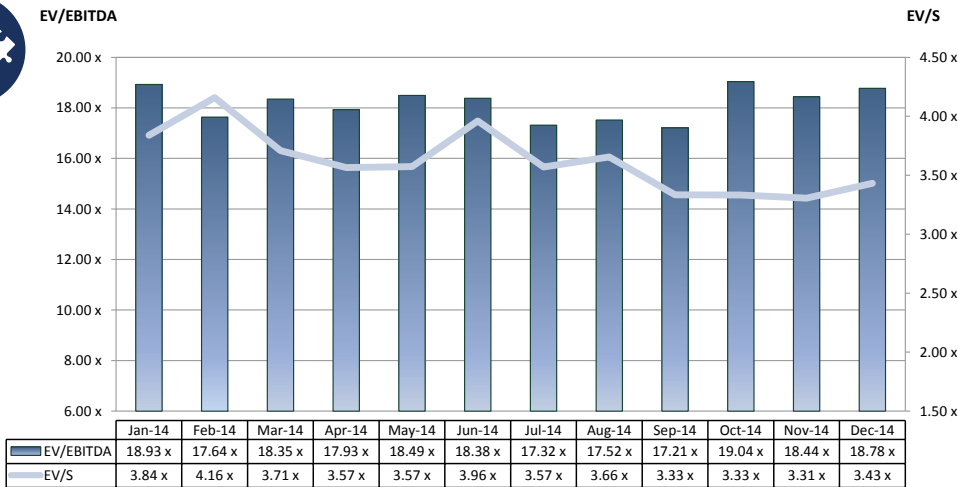
VALERIYA CHUMACHENKO
ANALYST



ALEXANDER BETS
ANALYST

5 REASONS TECH M&A REMAINS STRONG

1. Disruptive trends – strategic imperative to buy
2. Cash – strategic & financial buyers (nearly \$2T)
3. Low debt cost for leveraged buyouts
4. New buyers (IPOs and non-tech acquirers)
5. Strong financial markets



ERP	
EV/S	2.87 x
EV/EBITDA	13.36 x

Oracle / SAP

CRM	
EV/S	3.12 x
EV/EBITDA	37.63 x

Salesforce / Convergys

Horizontal Other	
EV/S	3.12 x
EV/EBITDA	33.59 x

Nuance Comm. / OpenText Corp.

Business Intelligence	
EV/S	3.78 x
EV/EBITDA	23.44 x

Tableau / MicroStrategy

Human Resources	
EV/S	6.97 x
EV/EBITDA	37.16 x

ADP / Workday, Inc.

SCM	
EV/S	6.24 x
EV/EBITDA	20.12 x

Descartes Systems / AspenTech

Marketing & AdTech	
EV/S	2.72 x
EV/EBITDA	24.18 x

Acxiom Corp. / Alliance Data

The Horizontal market's valuations no longer run out ahead of the other sectors, as the profitable SaaS business models it pioneered now permeate multiple sectors, including Vertical and Infrastructure. Horizontal now trails those sectors in enterprise value to sales valuations, but remain on top in regards to EBITDA multiples.

Sales multiples rose in the Human Resources and SCM subsectors while CRM and Marketing & AdTech saw a jump in EBITDA multiples, although both sales and EBITDA multiples are down overall from this time last year.



The dip in multiples has not stopped acquisition activity in the space, which saw seven megadeals (\$1B+) for a total value of \$24B in 2014. SAP did two of these, acquiring employee mobility solutions provider Concur for \$8.3B and services procurement provider Fieldglass for \$1B. On the private equity side, Vista Equity completed two horizontal megadeals, UK-based Advanced Computer Software for \$1.1B and TIBCO for \$4.3B.

Beyond the megadeals, analytics was in demand across subsectors. Canadian giant OpenText ended the year by branching out from its content management roots, spending \$330M—a 2.5x sales multiple—to get BI analytics firm Actuate, enabling OpenText solutions with embedded analytics. BI giant TIBCO, prior to being taken private, bought reporting and analytics SaaS



provider JasperSoft for \$185M—a 6.2x sales multiple—bringing reporting capabilities to Spotfire's visual analytics.

Elsewhere, telecom services company CenturyLink reached into the Horizontal sector to acquire Cognilytics, a provider of BI predictive analytics and big data visualization SaaS. With companies needing a way to make better use of their data, we expect further consolidation in the BI segment in 2015, particularly as it relates to analytics and big data.



Human Resources software companies were buying analytics as well. Workday acquired Identified in February for \$26M, Cornerstone OnDemand paid \$43M for Evolv in October and Corporate Executive Board bought Talent Neuron for \$8M. HR was a busy sector outside of analytics as well. HgCapital paid a 2.3x sales multiple, or \$175M, to acquire workforce management software provider Allocate Software, while Pluralsight, an online training platform for technology professionals, acquired skills assessment startup Smarterer for \$75M. This moved Pluralsight beyond its core product line of online video trainings. Smarterer's skills assessment tests will be integrated into Pluralsight's subscription-based platform.

The regulatory environment is driving competition and demand in the GRC space. Vista Equity acquired Riverside's compliance and ethics software provider NAVEX Global for estimated \$550M and 3.7x multiple. NAVEX itself was a roll-up of four GRC firms, including Corum client PolicyTech.



“ We’re going to see an explosion of opportunities to know, with people’s permission of course, what they’re wanting to get done and to predict what resources they’ll want and need. ”

- Peter Coffee, Salesforce

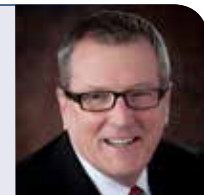


MAJORITY MOBILIZATION

This year in 15 countries around the world, the majority of citizens will be using smartphones. The balance has tipped in business enterprise so the concept of a “mobile strategy” is already outdated. Mobility is now fundamental.

One place where majority mobilization is having a profound impact is on the company/customer relationship. Companies are leveraging mobility to move closer to the customer. The convergence of mobile devices and cloud services is accelerating this trend. Uber and Lyft are transforming our commuting experience starting with locating a taxi nearby, eliminating the dispatcher, enlisting independent entrepreneurs as drivers to completing the payment process.

Another fast rising segment is mHealth with mobile health solutions for clinical and fitness purposes. Mobile devices now track your diagnostic health indicators like weight, blood pressure, glucose monitoring and electronically update your medical records for your primary care physician. Fast-rising fitness apparel leader Under Armour is actively acquiring wearable fitness activity trackers like MapMyFitness, MyFitnessPal and Endomondo that interface with wellness programs.



RUSS RIGGINS
SENIOR DIRECTOR



OMNICHANNEL MARKETING

Omnichannel marketing is opening up personalized digital ecosystems that create a continuum across brand channels, locations and devices that enhance the consumer experience. In this new world, consumers are way ahead of marketers. With the growth of digital consumption and the near endless choice that consumers have, enterprises are racing to catch up, viewing the brand experience through the eyes of the customer. They orchestrate and measure the customer experience across all channels so that it is seamless, integrated and consistent.

A British Airways billboard in Piccadilly Circus that features

a boy pointing to a plane overhead, identifying it by destination and flight number, would be unthinkable without near instantaneous access to big data across multiple mediums. We now carry a location tracker in our pocket linked into our psychograph and buying history, allowing for targeted, personalized messages to be sent customized to our exact location and surroundings. Active acquirers, like WPP and Publicis, making 31 combined acquisitions in 2014, certainly understand this challenge and opportunity.



DANIEL BERNSTEIN
VICE PRESIDENT



ONLINE EXCHANGES

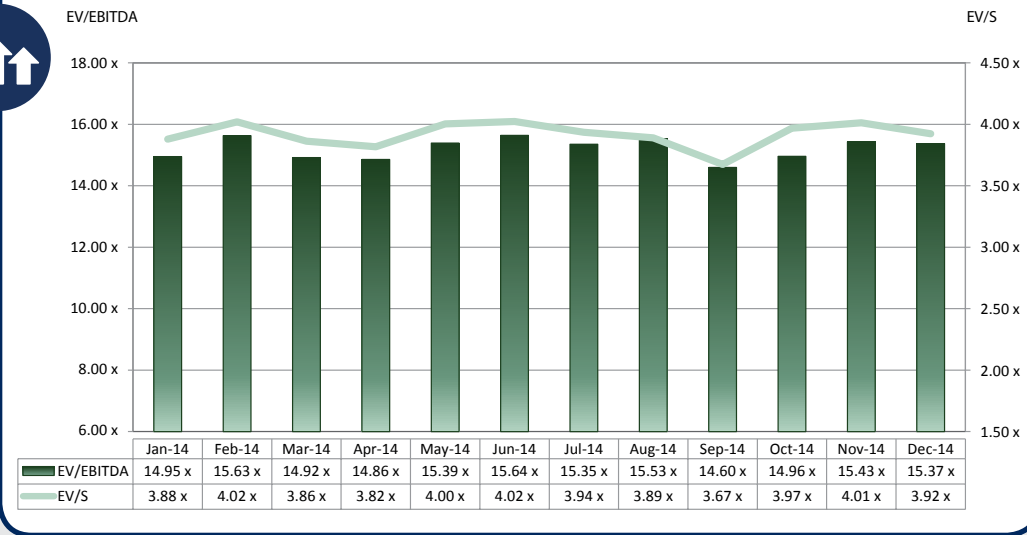
We have pioneer Shawn Fanning and Napster to thank for this category. In 1999, Napster transformed the traditional supply and demand equation. 16 years later, few concepts have been as disruptive to traditional industries as supply chain disintermediation, removing the middleman and connecting consumers to suppliers more directly than ever.

Every major industry has felt the impact of the online exchange, whether data, content, products or services. We now consume movies, TV, books, buy airline tickets and reserve hotels, even purchase cars, borrow money and get insurance through exchanges.

The next big transformation is in basic individual medical service. Open online exchanges enable us to select health insurance and get closer to our doctors. Many of the wearable technology players and their health-connected partners now consider the doctor as the middleman to be disintermediated. How much closer can we get to our own health? Will a personal medical professional still be providing routine monitoring and diagnostics?



DOUGAN MILNE
VP OF INT'L DEV



Financial Services	
EV/S	3.70 x
EV/EBITDA	14.83 x

Broadridge / Convergys

Energy & Environment	
EV/S	3.23 x
EV/EBITDA	11.13 x

Itron, Inc. / Schlumberger Ltd.

Real Estate	
EV/S	7.43 x
EV/EBITDA	31.82 x

LoopNet / Zillow

Automotive	
EV/S	6.31 x
EV/EBITDA	30.91 x

CDK Global / BitAuto

Vertical Other	
EV/S	4.44 x
EV/EBITDA	14.18 x

Amadeus / Sabre

A/E/C	
EV/S	3.46 x
EV/EBITDA	15.74 x

Autodesk / Synopsys

Government	
EV/S	1.49 x
EV/EBITDA	10.59 x

Raytheon / Lockheed Martin

Healthcare	
EV/S	2.85 x
EV/EBITDA	22.45 x

Cerner / Allscripts Healthcare

Vertical markets held steady at high levels; the transition to SaaS continued to be the principal driver of value, with buyers' interest in other models fading. Variation among subsectors ranged from the slow-moving Government field, to a consolidating Healthcare segment, to a pair of newly introduced, high-value sectors, Automotive and Real Estate.

Both new sectors held high EBITDA ratios, but Real Estate, with its expanding networks of property sites, clearly tops the chart with 18% higher EV to sales.

Yandex added Auto.ru for \$175M and, in a \$1.8B megadeal, Gannett drove off with Cars.com.



Real Estate was home to two of the 11 Vertical market megadeals: search site Zillow bought competitor Trulia for \$3.5B, and shortly thereafter News Corporation grabbed Move, operator of Realtor.com, for nearly a billion. Outside the US, Trovit, Spain's leading website for real estate and other classified ads, was acquired by the Japanese real estate information firm Next for \$100M at 4.5x revenue.



In the Automotive sector, Britain's CAP Automotive was bought for over \$460M by Solera, a risk management software provider for the automotive industry, which also picked up Czech vehicle valuation provider IBS. In related deals, Russian search engine



Healthcare technology continues to be impacted by significant social, technological and regulatory changes, requiring adaptation and acquisition for healthtech vendors, while creating opportunity across the sector. Cognizant, one of the largest providers of outsourcing services, made a forceful move into healthcare IT by acquiring TriZetto, a provider of healthcare IT software and solutions, in an all-cash deal worth \$2.7B. On the other side of the Atlantic, UK-based Servelec paid \$37M for Corelogic, a social care case management software business.



The Financial Services subsector was home to a pair of PE-backed megadeals. A consortium led by Blackstone and Goldman Sachs bought out IPREO for roughly \$1B. IPREO provides financial information on markets, trading and an extensive database of private investors which Goldman will

likely use to sell its financial products. Elsewhere in financial services, Centerbridge Partners bought IPC Systems, developer of electronic trading communications systems and SaaS for financial markets for \$1.2B.

In the A/E/C space, engineering is proving a particularly dynamic sector as Internet of Things Software, Enmeshed Systems and other top trends expand the scope of possibilities

and needs for innovative software. A key deal in this regard was PTC's \$50M acquisition of Corum client Atego, a developer of model-based systems and software engineering applications.



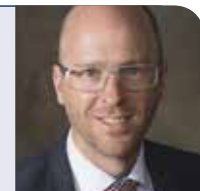
DIGITAL CURRENCY FLOW

Money transfer, e-payments and digital currency have seen a rapid rise in new players looking to ease the friction and circumvent traditional fees. Bitcoin, Transferwise and Xoom are grabbing headlines, establishing themselves as disruptive forces reducing costs and inefficiencies.

Consumers want to trust that their transaction is secure without giving up their new-found convenience. The technology exists for secure, reliable digital payment. Authentication innovations, social network shopping, NFC and changes in customer behavior are driving to digital. Retailers and consumers are integrating digital into their payments experience. The agreements with banks and

card issuers are now in place to enable a near seamless mobile payments experience. Today, 6% of retail is done via e-commerce and 1% of payments via mobile. Only 2% of US retailers offer NFC capability.

We're seeing rapid adoption already with social networking sites entering the electronic payments space. Facebook and Twitter incorporated "buy buttons". This adoption will climb dramatically as e-payment solutions like Apple Pay and Google Wallet replace magnetic credit cards in the US.



MARK JOHNSON
VICE PRESIDENT



POSITIONING INTELLIGENCE

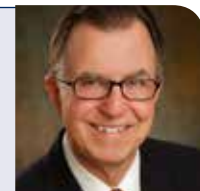
In the past, people and machines struggled to know even their approximate location, let alone make timely use of the information. Now we have the tools and data for a new level of precision and awareness.

These advancements in positioning intelligence are creating new, disruptive impacts, impelled by the needs of a data-driven and dominantly mobile technology age. Real-time location and situational awareness have become increasingly important combinations for marketers to deliver relevant, timely and contextual service to consumers.

That valuable message may be a finely tuned, micro-targeted promotional message from a nearby retailer, or 3D

directions to a destination or instructions for hailing the nearest taxi. Farmers may need drones that closely monitor moisture and soil conditions in a crop field combined with flash weather conditions from the surrounding counties. Fleet operators will benefit from real time, precise vehicle tracking diagnostics to manage complex delivery logistics.

Finally, of course, the promise of autonomous vehicles is predicated upon this new level of location precision, dynamic awareness and contextual insight delivered in a streaming mode.



WARD CARTER
CHAIRMAN



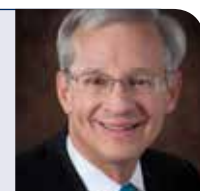
DIGITAL FORCE MULTIPLIERS

Digital Force Multipliers enable traditional firms to build value by using their own technology to directly address customer needs. Building these powerful proprietary platforms in-house by leveraging advances such as cloud services, advanced development tools and commercial and open-source components multiplies their market force and nimbleness.

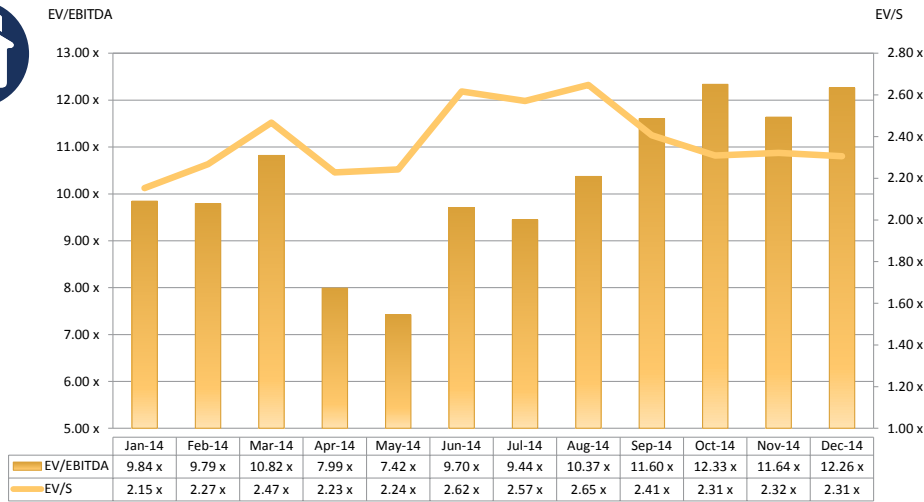
These platforms strengthen a company's value proposition with increased revenue, differentiated offerings, sustainable competitive advantage and the ability to react quickly to market shifts. These companies draw strong interest from buyers seeking growth as well as an innovative technology

stack and an employee base accustomed to using technology to drive results.

Recent examples include Redfin, ABC Legal, and Corum client Campus Special; the latter began by providing traditional paper coupon books on college campuses. As technology and customer behaviors evolved, they changed too, developing mobile apps, online food ordering and payment processing. This attracted Chegg, recently public, seeking to expand market share and leverage its own digital force multipliers to drive dramatic growth.



ROB SCHRAM
SENIOR VP



Entertainment	
EV/S	3.86 x
EV/EBITDA	41.94 x

Netflix / Pandora

Video Games	
EV/S	2.30 x
EV/EBITDA	9.75 x

Electronic Arts / Activision

Education	
EV/S	1.15 x
EV/EBITDA	17.58 x

Rosetta Stone / Chegg

The Consumer sector had a choppy monthly performance over the past year, with EBITDA swinging from 7x to 12x, and the addition of a few newly public companies such as GoPro midway.

The Video Games sector accelerated its record M&A pace, with \$33B spent on 222 transactions, up from just \$10B and 125 deals in 2013.



All of the largest tech companies—Google, Yahoo, Amazon, Microsoft—are participating in the gaming surge. Microsoft made the megadeal list with its \$2.5B transaction of Minecraft maker Mojang. Amazon’s nearly \$1B acquisition of game streaming service Twitch served as a reminder that the ecosystem around gaming can produce significant value, in addition to hit games like Minecraft.



Two more billion-dollar deals hit the casino gaming space, with the largest being Amaya’s acquisition of Pokerstars at \$4.9B. Amaya almost doubled its size with this transaction, becoming the largest online gaming company. Private Equity also jumped in, with CVC Capital’s nearly \$1B buyout of online gambling and sports betting provider Sky Bet out of the UK, one of the few countries that have legalized real-money online gaming.

In the Education subsector, LeapFrog acquired one of its partners, KidZui, a kid-friendly web browser that supports the LeapSearch Browser on its tablets. Leapfrog has much at stake as its target audience becomes more tech-savvy.



In another part of the subsector, Chegg is becoming a full-service, one-stop shop for college students by way of acquisition. Right after its IPO, Chegg acquired Corum client Campus Special, a student deal platform, for \$17M. Following that, it purchased InstaEDU for its online tutoring network, then topped off with Internships.com for \$30M. Each of these transactions is diversifying Chegg’s prior focus of textbook rentals into a platform serving students broadly.

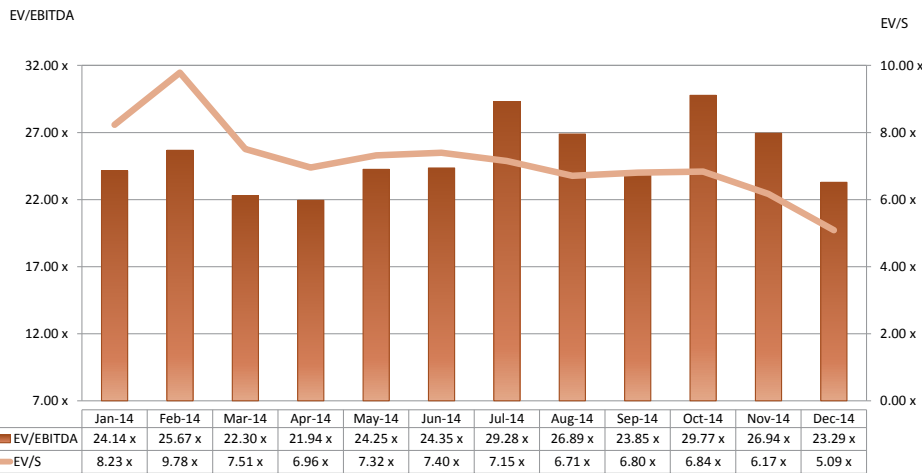
In the Entertainment sector, Alibaba invested \$1.22B for a 24% stake in Youku-Tudou, the Chinese Youtube. Online video is one of the few sectors that Alibaba had not yet tapped in its acquisition spree. Xiaomi, the third largest mobile phone manufacturer, also invested, potentially working a new channel to distribute internet TV straight through their devices.



SPORTS AND GAMING

Technology has taken Sports and Gaming to a tipping point in cultural importance with new gear, devices and wearables, and instant measurement, stats, context and commentary. Video game revenue has surpassed Hollywood box office receipts for years. Sports dominate the top-rated global broadcasts and social media.

These two entertainment avenues are converging. Video games are becoming a spectator sport, driving Amazon’s \$1B acquisition of Twitch, while sports become more interactive via the multi-billion dollar fantasy sport industry. This disruption drives M&A. Gaming acquisitions hit an all-time high in 2014, almost doubling to \$10B, with



Diversified Internet	
EV/S	3.80 x
EV/EBITDA	13.90 x

Google / Tencent

E-commerce	
EV/S	2.42 x
EV/EBITDA	28.67 x

eBay / JD.com

Social Network	
EV/S	10.34 x
EV/EBITDA	26.78 x

Facebook / LinkedIn

Travel & Leisure	
EV/S	8.59 x
EV/EBITDA	20.70 x

Expedia / HomeAway

The high valuations in the revised Internet sector reflect the outsized value placed by the market on successful emerging business models. Sales multiples peaked in February and by year's end returned to a more rational 5x sales, while values from EBITDA remained steady.

Among the four new sectors, the range of valuations stems directly from the diversity of business models. Social Networks lead significantly in sales multiples, with both social and E-commerce out ahead in EBITDA.

Within those social networks, knowledge and understanding proved valuable, as major social media sites acquired companies specializing in social network analytics. LinkedIn purchased Bizo for \$175M to enhance targeted advertising, as well as Bright Media for \$120M to boost its job matching service.

Twitter made twelve acquisitions, including paying \$134M for Gnip, a Colorado-based startup that resells social media data.



megadeals like Minecraft by Microsoft for \$2.5B and Oculus VR by Facebook for \$2B. Sports deals are catching up, across the ecosystem: statistics, ads, fantasy and motion tracking, headlined by the roll-up of Stats LLC and Bloomberg Sports by Vista Equity.



JIM PERKINS
VICE PRESIDENT

Gambling drives value in both areas, as people demand participation, business models mature and regulations loosen. Expect acquisitions at the crossroads of sports, gaming and gambling, such as the Big Fish Games acquisition by Churchill Downs.

Twitter also entered the E-commerce sector, and tapped the Digital Currency Flow trend, with its purchase of Cardspring, which uses hashtags to process mobile purchases.

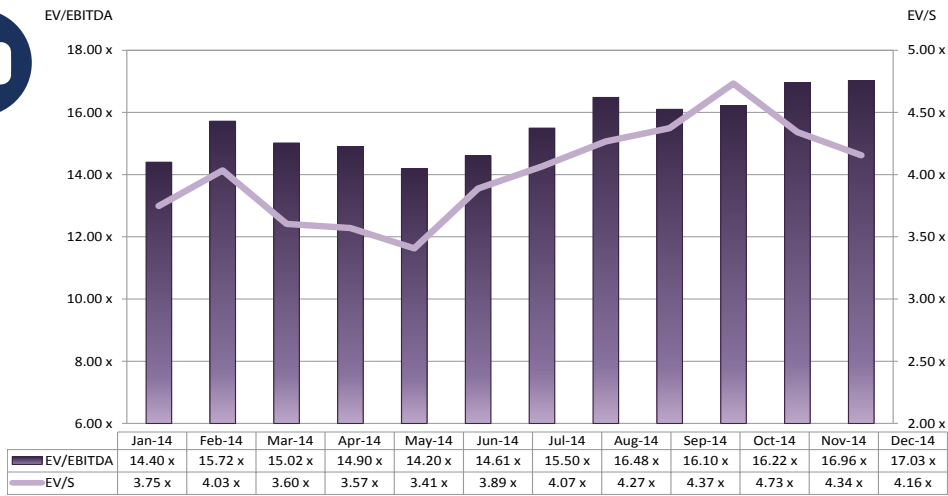
Facebook made 14 purchases, including the year's biggest, the \$22B acquisition of mobile messaging service WhatsApp—the largest venture-backed technology exit ever, cementing Facebook's status as a conglomerate of large social networks.

In the Travel and Leisure sector, online food delivery websites have been in high demand, with year-over-year growth of 500% and 19 total transactions. Eleven of these were from firms based in Berlin, where Delivery Hero and FoodPanda swapped subsidiaries in order to solidify their positions in their target markets: Delivery Hero in South America, and FoodPanda in Mexico and India.

Outside of Berlin, London-based takeout service JUST EAT acquired EatCity for its point-of-sale software, enabling restaurants to take delivery orders on their own websites. JUST EAT now also delivers to France and Canada after acquisitions of Eat Online in Paris, and Delivery Town in Edmonton.



For travelers who are hungry but uninterested in delivery, travel website giants are adding online restaurant reservations. Priceline bought OpenTable for \$2.6B, and TripAdvisor continued its three-year M&A feeding frenzy—acquiring Paris-based La Fourchett, as well as three other companies: travel advice platform Tripbod, sightseeing tour exchange Viator and the self-explanatory VacationHomeRentals.com.



IT Services Management

EV/S	5.18 x
EV/EBITDA	12.37 x

Salesforce / Convergys

Infrastructure Other

EV/S	4.03 x
EV/EBITDA	16.05 x

Akamai / Synchronoss

Network Management

EV/S	3.34 x
EV/EBITDA	18.37 x

Cisco / Juniper Networks

Storage & Hosting

EV/S	2.01 x
EV/EBITDA	10.77 x

NetApp / Commvault

Security

EV/S	6.28 x
EV/EBITDA	17.26 x

Gemalto / Symantec Corp.

Endpoint

EV/S	4.51 x
EV/EBITDA	20.46 x

VMware / Citrix

The overall Infrastructure market had increases in both sales and EBITDA multiples, with valuation ratios increasing in nearly all of the six subsectors. Consolidation continued in Network Management and Security, both of which had increases in EBITDA multiples.

The Network Management space was extremely active throughout 2014. Private Equity firms bet heavily in the subsector, with Thoma Bravo spending a bundle. Two out of their seven 2014 deals centered on Network Management, picking up Riverbed for \$3.6B and Compuware for \$2.5B.



Cisco, a key strategic Network Management player, bought Tail-f, a provider of multi-vendor network service orchestration solutions for traditional and virtualized networks for \$175M, accelerating Cisco's cloud strategy.



Cisco also paid \$149M to get Metacloud, a three-year-old company that helps organizations build OpenStack clouds, and grabbed enterprise security consultancy Neohapsis, strengthening its risk management technology.

Elsewhere in the Security space, after Proofpoint's IPO in 2012 and \$55M M&A spend in 2013, the company continued

acquiring in 2014—landing security incident response and remediation software provider NetCitadel for \$24M and making a \$35M purchase of social media security and compliance SaaS provider Nexgate.



Insight Venture Partners acquired Kansas City enterprise security intelligence company FireMon, then paid an estimated \$20M for Canada's Scorpion Software. Scorpion's authentication and password management service found a home with cloud IT systems management company Kaseya.

The year also brought acquisition activity in the Endpoint subsector, accompanying an increase in sales multiples. VMware acquired mobile device management company AirWatch for \$1.5B, allowing it to better compete with Citrix as both companies rolled out new device management tools and acquisitions to enhance their MDM portfolios. Both companies are purposefully moving from managing desktops and servers to managing and securing all endpoints: phones, tablets, desktops, virtual machines and more.



Emerging trends also played a role elsewhere. Zebra Technologies, named for its roots in barcode technology, took advantage of low rates to borrow \$3B for the acquisition

of Motorola Solutions' enterprise business, including asset tracking, mobile computing and data capture technologies. This move more than tripled Zebra's previous revenues and launched the company into a leadership position within the infrastructure of the Internet of Things.



“ *The way that we interact with our homes, work and friends is becoming more dematerialized, with things becoming virtual in the sense that they are no longer things, they are information.* ”

- Reese Jones,
Singularity University



IOT SOFTWARE

The Internet of Things is driving tremendous innovation, differentiation and value. Buyers like Google, Samsung, Cisco, Intel and Qualcomm spent \$14B on over 60 IoT-related companies last year, doubling the number of acquisitions and increasing spending 40-fold. Still, Cisco reports that only 1% of potentially connected devices are actually connected. As the other 99% come online, the opportunities are remarkable.

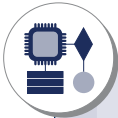
The real value to be mined from the IoT is no longer in the devices. It is in how these devices connect, interact and deliver value to the user. That's the critical role that software plays, and the IoT opportunity now shifts to IoT software

innovators.

Last year in the platform space, Apple released the HealthKit and HomeKit developer tools and GE offered Predix for the Industrial Internet. At the same time, PTC acquired development platforms ThingWorx and then Axeda for its machine connectivity software. Google acquired Nest and Dropcam as home automation platforms. Other key IoT software deals included Tail-f by Cisco, SmartThings by Samsung and Cobra Automotive by Vodafone.



JEFF BROWN
VICE PRESIDENT



ENMESHED SYSTEMS

Enmeshed Systems are the natural embodiment of Moore's Law, enabling millions of lines of code to be buried in increasingly small and ultra-fast hardware. By now we can be casual about the complex embedded apps in our daily routine, running our interactive gas pumps, motion-sensing home thermostats, computer-laden cars and gesture-driven TVs.

What's not so obvious is the massive work and investment underway across all technology markets to deliver myriad more enmeshed solutions. For consumers this means seamlessly interconnected, interactive and self-adjusting

devices that manage home heating, lighting, appliances and security systems, using real-time data such as ambient temperature, time of day, motion detection and controlled by us on our smartphones.

In commercial markets such as avionics and robotics, formerly unreachable computing tasks are being routinely performed directly within chips—and more are on the way through new supercomputer chips like the NVIDIA Tegra X, announced this year at CES in Las Vegas.



JOHN SIMPSON
VICE PRESIDENT



DATA SECURITY

Large scale technology advances like the Internet of Things, Online Exchanges and Digital Currency Flow open up new and freer channels for data to flow. While this creates opportunity, it also creates greater risks for breaches of confidential data and increased disruption of networks and systems. Analysts expect 75% of the enterprise IT security budget to be allocated to rapid detection of threats.

However, this has not been enough as high profile cyber security attacks creating breaches at companies like Target, Michaels, JP Morgan Chase and Sony Pictures demonstrate. The Sony breach reprioritized the need for defending against sovereign threats too.

The risk is creating huge opportunities in M&A for both emerging and mature data security companies. Many of the M&A deals are focused on aggregating threat data and analyzing real-time network traffic to respond to attacks that are in process.

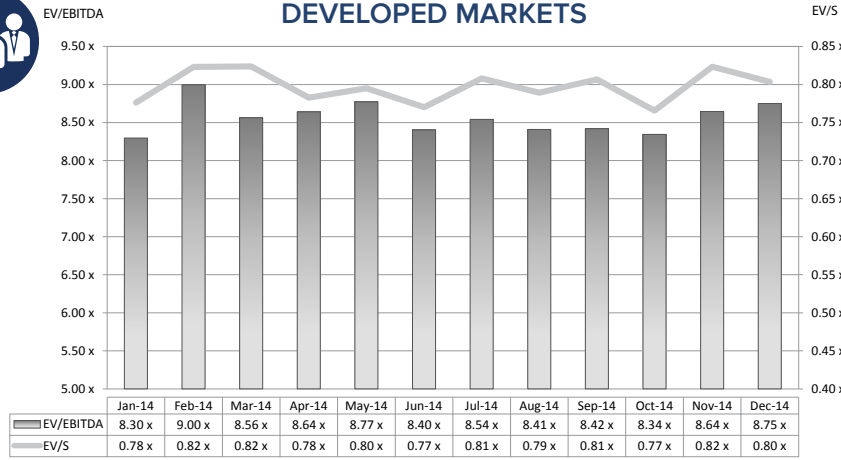
Important acquisitions include FireEye's purchase of Mandiant for \$1B and the multiple acquisitions by Gemalto of Trub AG, Marquis ID Systems, Cardiff Holdings and SafeNet for \$890M in the secure identity sector.



JON SCOTT
SENIOR VP



DEVELOPED MARKETS



“ The environment for Private Equity overall is that there continues to be quite a bit of capital in the PE market, and for both founders as well as sellers of the business, that’s good news. ”

- John Hodge, RUBICON Technology Partners

The number of IT Services deals grew by 10% over the previous year to nearly a thousand acquisitions, while values, as measured by sales multiples, held on to gains made early in the year, and EBITDA multiples ended on a high note.

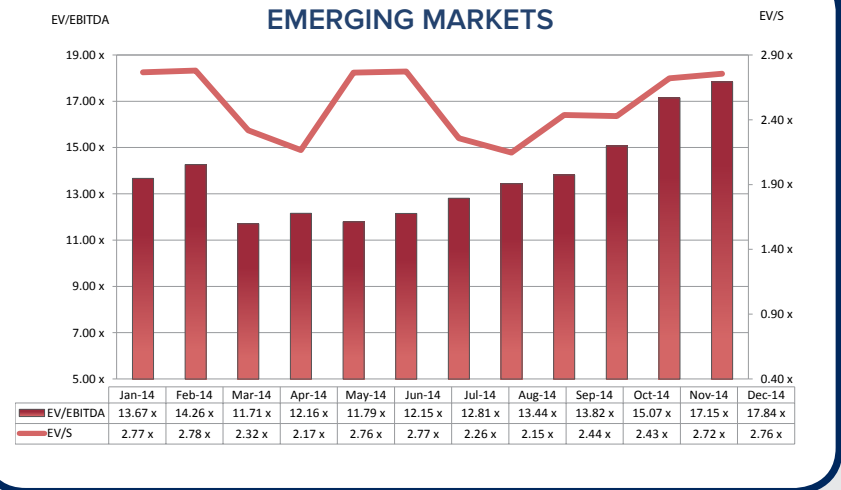
In developed markets, the largest IT Services firms have undergone significant domestic consolidation and now seek growth internationally. Two French firms made megadeals that gave them more clout in North America. Atos acquired Xerox’s IT services arm for just over \$1B, making it the largest European-based IT service provider and tripling its presence in the US. Meanwhile, media giant Publicis paid \$3.7B for Boston-based Sapient, a prominent player in omnichannel marketing, including social media and mobile.



Elsewhere, financial services giant KPMG bought German provider of managed securities services p3 Consulting + Software, building on a strong position in the world’s fourth-largest economy and leveraging this new targeted service to protect their clients in the non-tech sector.

IT security services and information security VARs were particularly popular, as highly publicized breaches in cybersecurity underscored its growing importance in both private and public sectors. After being bought by PE Blackstone Group earlier in the year for \$225 million, the network IT security company, Accuvant, announced its own cybersecurity purchase with the acquisition of FishNet Consulting, an

EMERGING MARKETS



information security solutions provider, combining two of the largest security companies.

In emerging markets, companies are maturing and growth is crucial. In Chile, IT services firm Sonda paid \$170M for Brazilian provider CTIS, expanding its reach into Latin American countries with high growth prospects.



In India, cloud development services and consulting firm Aditi Technologies was acquired by Symphony Teleca, becoming its fifth division. Aditi will focus on what Symphony calls “Systems of Engagement,” applying cloud, mobility, and analytics.

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