



## TECHNOLOGY · MEDIA · TELECOM

FIRST QUARTER

2016

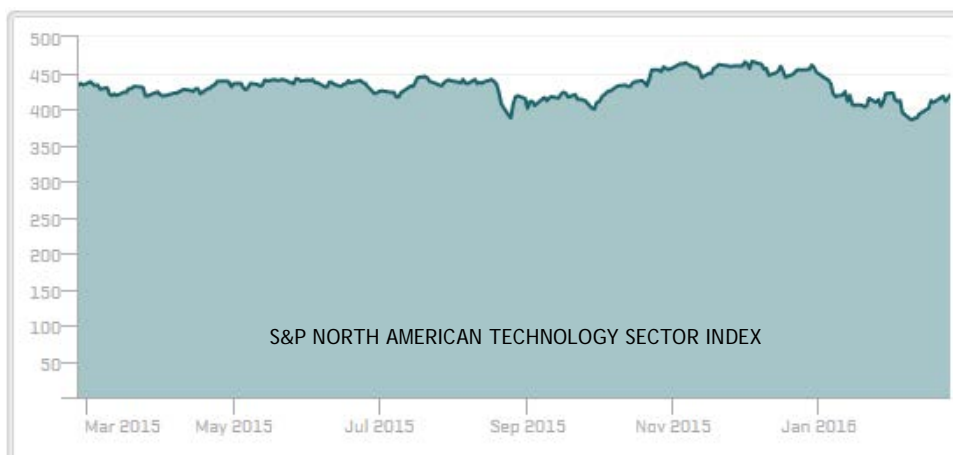
This Industry Practice Group was established to draw on the experience of CFA advisors, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

## Information Technology, Media and Telecom M&A

M&A activity for North American based target companies in the Technology sector for Q4 2015 included 422 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$247 million.

One of the largest deals of the quarter took place in October when Intercontinental Exchange, Inc. acquired Interactive Data Corp, a subsidiary of Igloo Holdings Corp, in turn a portfolio company of Warburg Pincus LLC and Silver Lake Management Co LLC for approximately US\$5.8 billion. Intercontinental Exchange operates as an online global electronic marketplace for trading in futures and over-the-counter commodities. Interactive Data Corp.

provides financial market data, analytics and related solutions.



Q4 2015 started to show a slowdown in the astronomical valuations of "Unicorn" technology companies. Airbnb, the fast-growing room-rental firm, recently raised another \$100 million, but reportedly stayed at its recent valuation of \$25 billion, instead of rising further as has been the case with each round. In November payment provider Square priced 27 million shares at \$9, below the street price talk of \$11 to \$13. The company raised \$243 million, 25 percent less than what it had aimed for. It had been valued at \$6 billion in private financing, but the IPO was worth half that: \$2.9 billion.

## Transactional Overview

December 2015 - Cubic Corp acquired TeraLogics LLC for US\$39 million in cash and contingent payout, subject to other customary adjustments. Cubic Corp. engages in designing, development, production, installation, maintenance and operation of automated fare payment, traffic management and enforcement solutions, real-time information collection systems, and revenue management infrastructure and technologies for time information collection systems, and revenue management infrastructure and technologies for transportation



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agencies. TeraLogics LLC provides software engineering services.

**November 2015** - The Descartes Systems Group Inc. acquired Oz Development Inc. for US\$29.5 million in cash. The Descartes Systems Group, Inc. provides on-demand, software-as-a-service solutions which are focused on improving the productivity, performance and security of logistics-intensive businesses. Oz Development, Inc. provides application integration services. The firm integrates existing e-commerce applications into order fulfillment process.

**November 2015** - Sigma Designs, Inc. agreed to acquire Bretelon Inc. for US\$21.7 million in cash, subject to certain adjustments. Sigma Designs, Inc. is a provider of connected media platforms for use in home entertainment and control. Bretelon, Inc. develops software for mobile IoT applications.

Selected Q4 Closed Transactions	
Target/Issuer	Buyers/Investors
GATR Technologies, Inc.	Cubic Corp.
PowerTeam, Inc.	HCL Technologies Ltd.
Junction Solutions, Inc.	RSM US LLP
Viztek LLC	Konica Minolta Medical Imaging USA
DCG Systems, Inc.	FEI Co.
Breeze-Eastern Corp.	TransDigm Group, Inc.
COM DEV International Ltd.	Honeywell International, Inc.
AHEAD LLC	Court Square Capital Partners

## Industry Update

The growing popularity of virtual reality (VR) systems such as Oculus Rift, Sony's PlayStation VR, Microsoft's HoloLens, and HTC's Vive is creating demand for development of new 3D software. Shipments of virtual reality headsets are forecast to jump from just 140,000 in 2015 to 1.4 million in 2016 and up to 6.3 million in 2017, according to Gartner. Software for VR headsets primarily includes games and other consumer content for entertainment. However, an emerging opportunity comes from academic and business applications for training, simulation, and equipment troubleshooting. Examples include allowing medical students to explore human anatomy in 3D and helping companies attract potential customers through interactive product demos.

The latest generation of hybrid tablets is gaining traction within the enterprise market, driving demand for business software optimized for the higher-performance 2-in-1 devices. Enterprise software vendors were initially slow to move into the mobile realm because few corporate customers worked with early-generation tablets, InformationWeek reports. Meanwhile, consumer demand has fallen sharply as larger, faster smartphones cannibalize sales. Global tablet shipments fell 12.6% in the third quarter of 2015 compared to a year earlier, according to research by IDC. To break out of the slump, device makers are shifting their focus to high-powered tablets with detachable keyboards and more computing power, such as Microsoft's Surface Pro and Apple's iPad Pro. These devices are more compatible with business-oriented apps like Microsoft Excel and PowerPoint, and they can also be more easily integrated with corporate enterprise systems — a key selling point for CIOs.

### Industry Indicators

- US retail sales for electronics and appliance stores, a potential measure of demand for computer software, decreased 5.4% in the first month of 2016 compared to the same period in 2015.
- Total US revenue for computer systems design and related services rose 2.6% in the third quarter of 2015 compared to the previous year.

Collectively, the Technology, Media and Telecom Practice Group provides M&A advice to public and private companies in all sectors of technology, media and telecommunication industries including IT services, equipment, semi-conductors, software, broadcasting, publishing, broadband networks and wireless communication. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

