

TECHNOLOGY · MEDIA · TELECOM

THIRD 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, Media and Telecom sector for Q2 2016 included 478 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$248 million.

One of the most impactful deals in the sector was announced in June when technology giant Microsoft acquired professional social media platform LinkedIn for \$26.2 billion. The deal was the largest in Microsoft's illustrious history and shows that the company that stagnated for so long is looking to grow its product mix. The technology sector has been the busiest for M&A in 2016 with \$260 billion worth of deals announced in 2016 according to data tracker Dealogic.



On the public markets technology stocks have continued to rally driven by strong earnings from powerhouses like Facebook and Apple.

Transactional Overview

June 2016 - Teladoc Inc acquired HY Holdings Inc, trading as Healthiest You, a portfolio company of Frontier Capital LLC, for US\$156 million in cash and stock. Teladoc, Inc. provides telephone and online video consultation services. It administers services for TelaDoc Physicians, PA. HY Holdings, Inc. provides cloud-based consumer health solution designed around cutting edge neuroscience research.

June 2016 - Open Text Corp acquired Recommind Inc, a portfolio company of Kennet Partners Ltd and Sapphire Ventures LLC, for US\$163 million. Open Text Corp. is an independent software company. It provides software products and services that assist organizations in finding, utilizing, and sharing business information from any device. Recommind, Inc. develops and sells software for electronic discovery, information



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April 2016 - Pegasystems Inc acquired OpenSpan Inc, a portfolio company of In-Q-Tel, Atlanta Technology Angels Inc, Imlay Investments Inc, Sigma Partners and Matrix Management Corp, for US\$52.3 million in cash, subject to customary post-closing adjustments. Pegasystems, Inc. develops, markets, licenses and supports software, which allows organizations to build, deploy, and change enterprise applications. OpenSpan, Inc. OpenSpan, Inc. provides application integration and automation software solutions.

Selected Q2 Closed Transactions	
Target/Issuer	Buyers/Investors
HY Holdings, Inc.	Teladoc, Inc.
LogicMark LLC	Nxt-ID, Inc.
IntelliCyt Corp.	Sartorius AG
Broadcom Corp.	MaxLinear, Inc.
Jaybird LLC	Logitech Europe SA
Bomgar Corp.	Thoma Bravo LLC
Textura Corp.	Oracle Corp.
SciQuest, Inc.	Accel-KKR LLC

Industry Update

Reports from various industry observers present a mixed outlook on IT employment growth, according to Computerworld. Analysts use terms ranging from "modest" to "pre-recession" to describe recent industry hiring trends. Trade association CompTIA noted steep declines of about 96,000 IT jobs across all industries in May 2016 compared to the month before. That figure includes the impact of the approximately 37,000 telecommunications jobs not on payrolls due to a recent strike of Verizon workers, which has since been settled. Analyst group Foote Partners and industry group TechServe Alliance both said that once the Verizon strike is adjusted for, tech employment actually gained some 13,500 jobs that month. Analyst group Janco Associates is less optimistic, forecasting only 40,300 IT jobs will be created in 2016, down from 112,500 new IT jobs that were created in 2015.

Leading technology vendors are using acquisitions to quickly build Internet of Things (IoT) expertise and service capabilities. With a growing number of devices being embedded with software and sensors and connected to the Internet, a trend commonly referred to as IoT, companies with IoT service platforms have become hot commodities. Recent deals include Microsoft's May 2016 purchase of Solair, an Italian provider of IoT products and services; Cisco Systems' acquisition of IoT service platform provider Jasper in March 2016; and IBM's acquisition of The Weather Company's product and technology business in January 2016. Microsoft plans to integrate Solair's technology into its Azure IoT Suite, Jasper will become Cisco's IoT Cloud Business Unit, and IBM is using The Weather Company's technology to form its Watson IoT Cloud platform. The new offerings should help the companies capture revenue in the rapidly expanding market, which will grow from \$157 billion in 2016 to \$662 billion by 2021, according to MarketsandMarkets.

- Total US consumer spending, a driver for the IT needs of consumers, rose 0.9%, primarily from service expenditures, in May 2016 compared to the same month in 2015.
- Total US revenue for computer systems design and related services rose 3.8% in the first quarter of 2016 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.

