

TECHNOLOGY · MEDIA · TELECOM

FOURTH 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 Telecom, Media and Technology sector for Q3 2016 included 483 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$303 million.

One of the largest deals of the quarter was announced in July when Verizon agreed to acquire Yahoo! for \$4.8 billion. The deal was significant from a cultural perspective as it ended Yahoo!'s 21-year run as an independent company. Yahoo! was a pioneer in Internet search, news and email. The deal must be approved by regulators and is expected to be finalized in the first quarter of 2017.



On the public markets, stocks continued to surge higher during the quarter led by sector behemoth Alphabet (GOOGL). Q3 earnings per share minus items for the stock rose 23% to \$9.06 while total revenue climbed 20% to \$22.45 billion vs. consensus estimates of \$8.60 and \$22.05 billion.

Transactional Overview

Notable closed middle market transactions for the period in the Telecom, Media and Technology sector include:

September 2016 - NCC Group Plc acquired Payment Software Co, Inc., for US\$18.8 million in cash. NCC Group is a holding company that engages in the provision of information technology assurance, security software, and consultancy services. It operates through the following segments: Escrow, Assurance, and Domain Services. Payment Software Co., Inc. provides consulting support in the areas of payments, security and compliance. The firm also provides merchant advisory, financial institutions & processors, technology and service providing software solutions.



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For over 50 years CFA has been advocating on behalf of business owners. Whether you're selling, buying or recapitalizing your company, our business is your business.

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September 2016 - Wildebeest Intermediate LLC, an affiliate of Vista Equity Partners Management LLC, acquired GovDelivery Holdings Inc from Actua Corp for US\$153 million in cash, subject to certain adjustments, including working capital, cash, debt and other items. Founded in 2000, Vista Equity Partners LLC is a San Francisco-based private equity investment firm; Wildebeest Intermediate LLC operates as an investment holding company. The company is headquartered in Delaware. GovDelivery Holdings, Inc. operates as a holding company engaged in cloud-based government communications software solutions.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
BAM Technologies LLC	The Walt Disney Co.
Cloudconnect, Inc.	Simplified Networks LLC
Duck Duck Moose, Inc.	Khan Academy, Inc.
Jet.com, Inc.	Wal-Mart Stores, Inc.
Light Reading, Inc.	Informa Plc
Quip, Inc.	salesforce.com, inc.
Speaktoit, Inc.	Google, Inc.
Splash Digital Media LLC	Mungo Creative Group, Inc.

September 2016 - Amdocs Ltd. acquired Vindicia, Inc., a portfolio company of Doll Capital Management, Inc., Leader Ventures LLC, ONSET Ventures and Financial Technology Ventures Management Co LLC, for US\$ 90 million. Amdocs Ltd. provides computer systems integration for communications, media and entertainment. Vindicia, provides payment management services to online merchants. Its services include subscription billing, microtransactions, digital content, chargebacks, marketing, one time payments and customer acquisition.

Industry Update

Competition is intensifying in the fast-growing education software market as tech giants including Facebook, Amazon, and Google roll out new digital education products and services. Many of these early offerings are provided free to educators, but the companies are likely to use them as springboards to sell more advanced academic and institutional software to the education sector in the future, The New York Times reports. In summer 2016, Amazon unveiled a new online marketplace called Amazon Inspire, which gives teachers access to thousands of lesson plans and instructional materials at no cost. Facebook introduced a personalized digital learning platform that enables students to manage their own projects and assignments online and learn at their own pace. Google is another major force in the ed-tech sector: more than 60 million students and teachers now use its cloud-based Google Apps for Education software, and more than 5 million Chromebooks were sold to US schools in 2015, according to the International Data Corporation. Annual spending on education software and digital teaching materials at US pre-K through high schools is about \$8.3 billion, according to the Software and Information Industry Association.

Industry Indicators

- US retail sales for electronics and appliance stores, a potential measure of demand for computer software, decreased 2.8% in the first nine months of 2016 compared to the same period in 2015.
- Total US revenue for software publishers rose 0.5% in the second 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.

