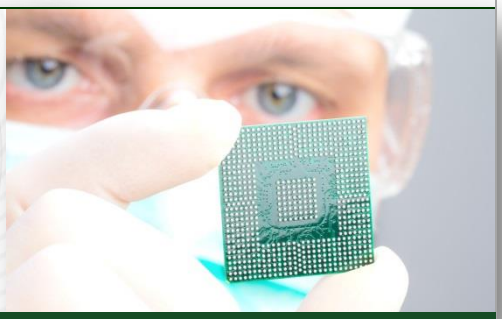
The McLean Group
INVESTMENT BANKING

Technology Industry Update – 3rd Quarter 2015

Software | Semiconductors | Electronics | Telecommunication



Mergers & Acquisitions | Business Valuation | Strategic Consulting

Industry News

Summary of Industry News

- Consumer advocacy groups and major corporations like Dish Network are lining up against the Charter Communications bid to acquire Time Warner Cable, a $55 billion deal that must be approved by the FCC. This follows the FCC blocking Comcast's acquisition of Time Warner earlier this summer.
- Amazon introduced a new service for its fast-growing Amazon Web Services division for Internet of Things (IoT) devices. Amazon rolled out the new service, which it is calling AWS IoT, at its annual AWS conference in Las Vegas.
- At Dreamforce, Salesforce announced a cloud service for Internet of Things (IoT) devices called IoT Cloud powered by its Thunder processing engine; and IBM created a new Internet of Things group.
- Chip industry consolidation continues. Here is a quick guide: **(Click here)**

Notable M&A Activity

Recent Merger and Acquisition Activity

- **Dell Inc., MSD Partners, L.P. and Silver Lake** to acquire **EMC Corporation (NYSE:EMC)** for approximately $63.8 billion. This transaction when closed will be the largest in technology M&A history.
- **Western Digital Corporation** (NasdaqGS:WDC) to acquire **SanDisk Corp**. (NasdaqGS:SNDK) for $18.1 billion.
- **Mentor Graphics Corp. (NasdaqGS:MENT)** acquired **Calypto Design Systems, Inc**. from **Icon Ventures**. Calypto provides technologies for ESL hardware design and RTL power optimization.
- **Microsoft Corporation (NasdaqGS:MSFT)** acquired **Adallom, Inc.** Adallom, Inc. operates as a cloud application security company that provides cloud access security brokerage services.
- **CommScope Holding Company, Inc. (NasdaqGS:COMM)** acquired the Telecom, Enterprise and Wireless business of **TE Connectivity Ltd. (NYSE:TEL)** for $3.06 billion.
- **CA, Inc. (NasdaqGS:CA)** acquired **Xceedium, Inc.**, a network security software company that provides privileged identity management solutions for hybrid cloud enterprises.
- **Microchip Technology Inc. (NasdaqGS:MCHP)** acquired **Micrel Inc. (NasdaqGS:MCRL)** for $722 million. Micrel designs, manufactures, and markets analog, mixed-signal, and digital semiconductor devices.
- **Google Inc. (NasdaqGS:GOOGL)** acquired **Pixate, Incorporated.** Pixate owns and operates a native mobile application development platform for designers and developers.
- **Synopsys Inc. (NasdaqGS:SNPS)** acquired **Bluetooth Smart Intellectual Proporty (IP)** from **Silicon Vision LLC.** Bluetooth Smart IP comprises wireless IP solutions for apps such as wearables, beacons, portable health, smart homes and industrial that require on-chip wireless integration.
- **Knowles Corporation (NYSE:KN)** acquired **Audience, Inc. (NasdaqGS:ADNC)** for $84.8 million. Audience, Inc. provides voice and audio solutions for mobile devices.

Capital Markets Summary

The McLean Group Customer Indices	Q2 2015	Q3 2015	YTD 2015
Large Cap Technology Index	1.7%	19.2%	27.5%
Consumer Platforms Index	(1.5%)	(12.8%)	16.4%
Software Index	(0.4%)	4.7%	3.1%
Cybersecurity Index	12.5%	15.0%	20.1%
Network Providers Index	3.4%	(1.7%)	(0.3%)
Devices and Hardware Index	(12.4%)	(0.9%)	(3.8%)
Semiconductors Index	(4.7%)	7.8%	23.3%
EDA and Semiconductor Index	3.0%	5.2%	(4.5%)
S&P 500	(0.2%)	5.0%	11.4%

Large Cap Technology Index: BABA, AMZN, AAPL, CSCO, GOOGL, IBM, MSFT, ORCL; **Consumer Platforms Index:** EBAY, FB, LNKD, PCLN,, TWTR, YHOO, YELP; **Software Index:** ADBE, CA, CTXS, RHT, CRM, SAP, SWI, SAS, VMW; **Cybersecurity Index:** AVG, CUDA, CKP, FEYE, FTNT, PANW, SYMC, VDSI; **Network Providers Index:** T, CMCS.A, DTV, DISH, S, TMUS, TWX, VZ; **Devices and Hardware Index:** OM:ERIC B, HPQ, JNPR, KOSE:A066570, MSI, NTAP, KOSE:A005930, ZBRA; **Semiconductors Index:** BRCM, NasdaqGS:CAVM, FSL, INTC, NVDA, QCOM, TXN, ENXTPA:STM; **EDA and Semiconductor IP Index:** LSE:ARM, CDNS, CEVA, LSE:IMG, MENT, NasdaqGS:SNPS.

As of: 09/30/2015

Sources: S&P Capital IQ, industry newswires

Select Transaction Profiles

DELL
SILVERLAKE
MSD Capital

to acquire

EMC²

Announced: October 12, 2015
EV: $64.9 Billion – EV/REV: 2.6X

EMC Corporation develops, delivers and supports information infrastructure and virtual infrastructure technologies, solutions and services.

PANDORA®

to acquire

ticketfly

Announced: October 7, 2015
EV: $479.9 Million – EV/REV: 8.7x

Ticketfly is a cloud-based ticketing platform for general admission and reserved seating events and venues.

QUALCOMM

acquired

ikanos

Closed: September 28, 2015
EV: $49 Million – EV/REV: 1.1X

Ikanos designs, develops, markets, and sells semiconductors and integrated firmware products for the connected home worldwide.

acquired

MAPSENSE

Closed: September 17, 2015
EV: N/D– EV/REV: N/D

Mapsense, Inc. offers mapping engine and developer tools to build applications for streaming datasets.

Mentor Graphics®

acquired

CALYPTO®
Design • Optimize • Verify

from

ICON VENTURES

Closed: September 16, 2015
EV: N/D– EV/REV: N/D

Calypto Design Systems provides technologies for ESL hardware design and RTL power optimization.

Microsoft

acquired

ADALLOM

Closed: September 8, 2015
EV: N/D– EV/REV: N/D

Adallom is a cloud application security company that provides cloud access security brokerage services.

Select Transaction Profiles

COMMSCOPE®

acquired

TE connectivity

Telecom, Enterprise & Wireless Business

Closed: Aug 28, 2015
EV: $3.06 Billion – EV/REV: 1.6X

TE offers broadband solutions, infrastructure components and systems for the telecom market.

ca

acquired

Xceedium

Closed: Aug 17, 2015
EV: N/D – EV/REV: N/D

Xceedium is a network security software company that provides privileged identity management solutions for hybrid cloud enterprises.

MICROCHIP

acquired

MICREL®
Innovation Through Technology™

Closed: August 3, 2015
EV: $722 Million – EV/REV: 2.9X

Micrel designs, develops, manufactures and markets analog, mixed-signal and digital semiconductor devices.

Google

acquired

pixate

Closed: July 21, 2015
EV: N/D – EV/REV: N/D

Pixate owns and operates a native mobile application development platform for designers and developers.

SYNOPSYS®

acquired

Bluetooth Smart IP of

Silicon Vision
Innovative IC Solutions

Closed: July 16, 2015
EV: N/D – EV/REV: N/D

Silicon Vision LLC provides low-power wireless intellectual property solutions. Its solutions are used in Internet of Things.

knowles

acquired

Audience®

Closed: June, 30 2015
EV: $84.8 Million – EV/REV: 0.9X

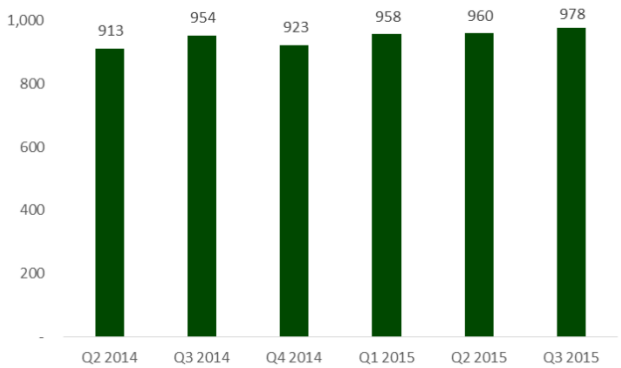
Audience, Inc. provides voice and audio solutions for mobile devices.

Transaction Activity Summary

Summary of Transaction Activity

In the last twelve months, M&A activity increased by 11.6% to 3,819 transactions from 3,422 in the 3rd quarter of 2014, an increase of 397 transactions year-over-year. The three most active sectors from Q3 of 2014 to Q3 of 2015 were Application Software, Internet Content and Commerce, and IT Services and Distribution, which represented 56% of all transactions. After a slight decrease in 2014's Q4, transaction activity increased in the first three quarters of 2015. Heading into the last quarter of 2015, the sectors with the greatest increase in activity were Mobility, Internet Content and Commerce, Security, and Semiconductors which increasing by 29.0%, 29.0%, 17.0%, and 17.0%, respectively in Q3 2015 over Q3 2014.

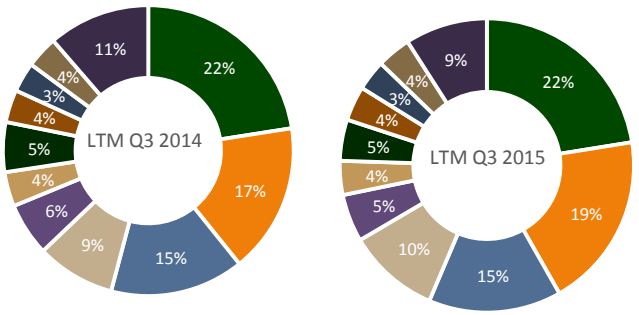
Transaction Activity by Quarter



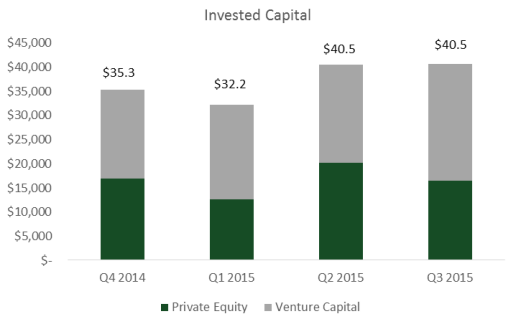
Financial Buyer Summary

In the last twelve months, The McLean Group tracked 11,819 technology-related transactions by Private Equity (PE) and Venture Capital (VC) firms, which was a 3.7% increase over transaction activity in the previous twelve months. The majority of transactions and capital invested came from VC firms. In Q3 of 2015, VC firms made 1,882 transactions (87.2%), while PE firms made 277 transactions (12.8%). Additionally, total invested capital increased by 8.9%, from $136.3 billion to $148.6 billion, with VC firms representing 59.% of total capital. As expected, VC firms invested more frequently in technology firms than their PE counterparts.

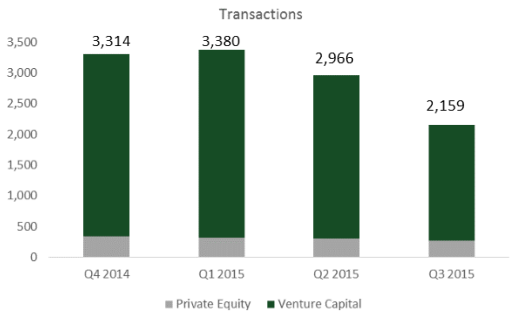
Transaction Activity by Sub-Sector



Financial Buyer Activity

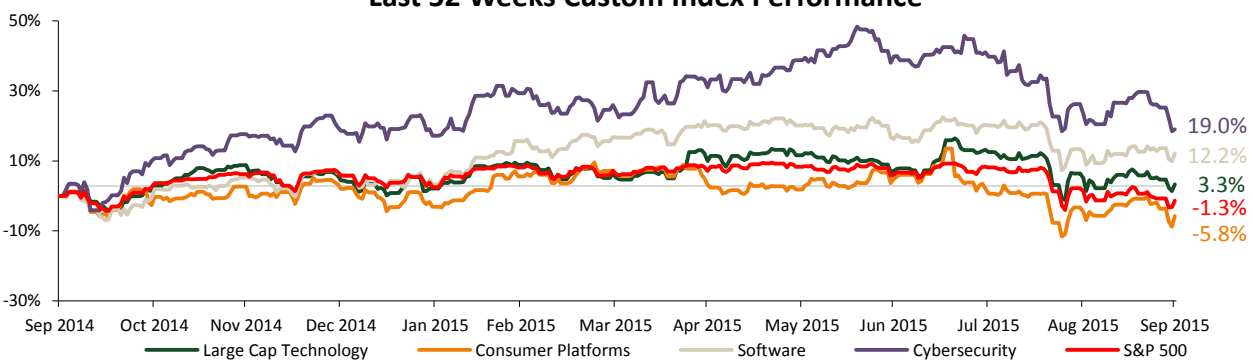


	LTM Q3 2014	LTM Q3 2015	% Change
Application Software	771	858	11%
Internet Content and Commerce	571	738	29%
IT Services & Distribution	510	558	9%
Mobility	300	387	29%
Information Management	202	200	-1%
Hosted Services	131	143	9%
Systems	190	173	-9%
Security	124	145	17%
Communication Services	113	128	13%
Semiconductors	122	143	17%
Other	388	346	-11%
Total	**3,422**	**3,819**	**11.6%**



Software & Online Consumer Platforms

Last 52 Weeks Custom Index Performance

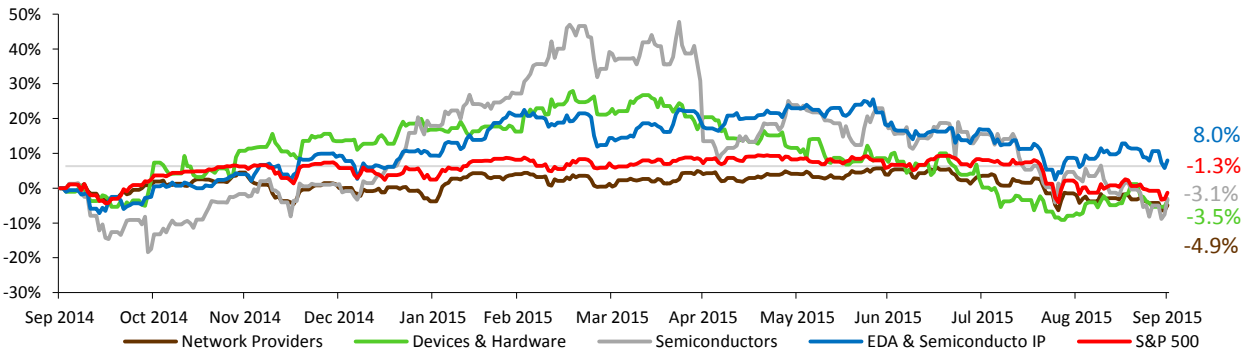


Index Constituents and Stock Price as a % of 52 Week High

Large Cap Technology	Alibaba.com	amazon.com		cisco	Google	IBM	Microsoft	ORACLE
	69%	96%	93%	91%	89%	83%	88%	86%
Consumer Platforms	ebay	facebook	LinkedIn	priceline.com	twitter	YAHOO!	yelp	
	95%	96%	75%	87%	65%	75%	50%	
Software	Adobe	ca technologies	CITRIX	redhat.	salesforce	SAP	solarwinds	sas	vmware
	96%	88%	96%	93%	89%	90%	86%	76%	83%
Cyber-security	AVG	Barracuda	Checkpoint	FireEye	FORTINET	paloalto NETWORKS	Symantec.	VASCO	
	94%	85%	71%	88%	94%	94%	85%	86%	

Networks, Hardware & Devices

Last 52 Weeks Custom Index Performance



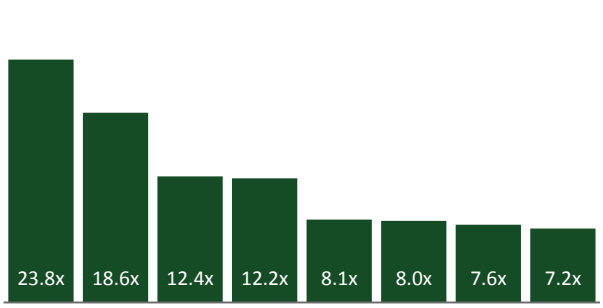
Index Constituents and Stock Price as a % of 52 Week High

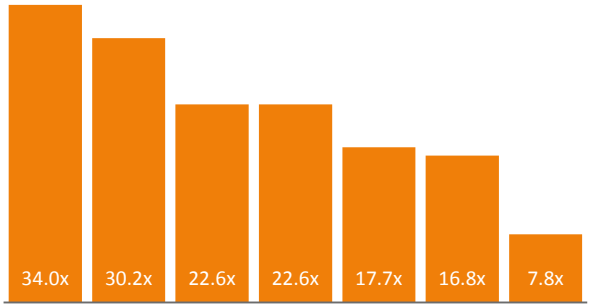
Network Providers	at&t	comcast	dish NETWORK	Sprint	T-Mobile	Time Warner Cable	verizon
	95%	98%	84%	53%	95%	98%	87%
Devices & Hardware	ERICSSON	hp	JUNIPER NETWORKS	LG	MOTOROLA SOLUTIONS	NetApp	SAMSUNG	ZEBRA
	73%	73%	92%	59%	82%	72%	85%	93%
Semi-conductors	BROADCOM	CAVIUM	freescale semiconductor	intel	NVIDIA	QUALCOMM	Texas Instruments	STMicroelectronics
	89%	89%	88%	80%	85%	76%	86%	79%
EDA & Semi-conductor IP	ARM	cadence	CEVA	Imagination	Mentor Graphics	SYNOPSYS		
	84%	96%	83%	83%	97%	99%		

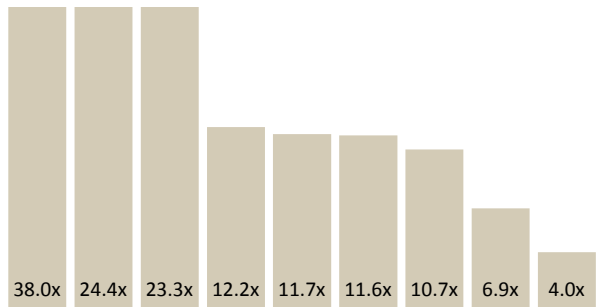
EV/2015E EBITDA Multiples

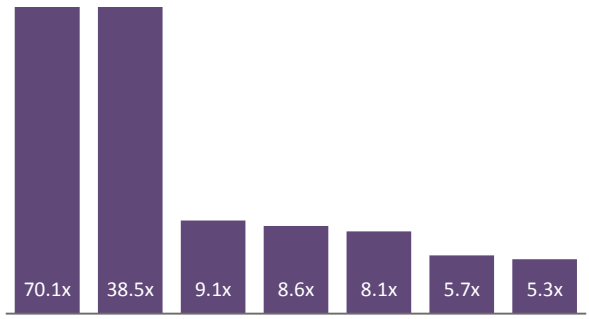
Software & Online Consumer Platforms

Average: 16.3x, Median 13.2x



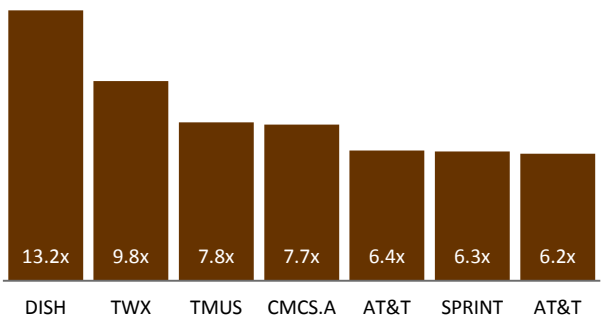


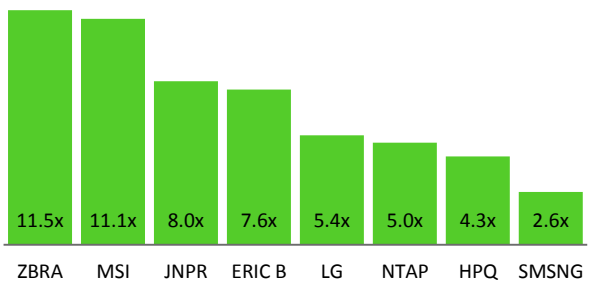


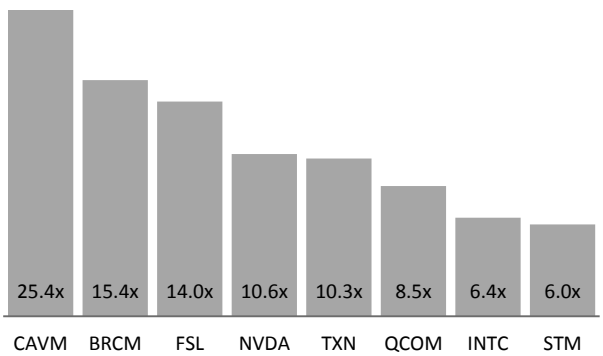


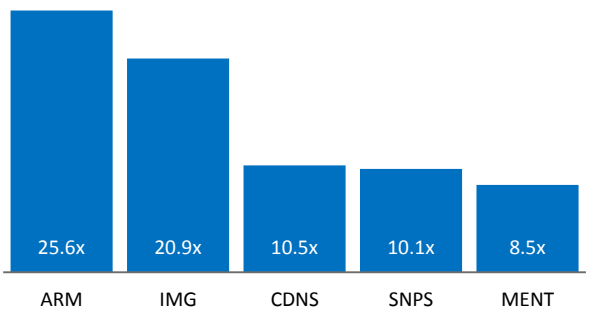
Networks, Hardware & Devices

Average: 10.2x, Median 8.0x





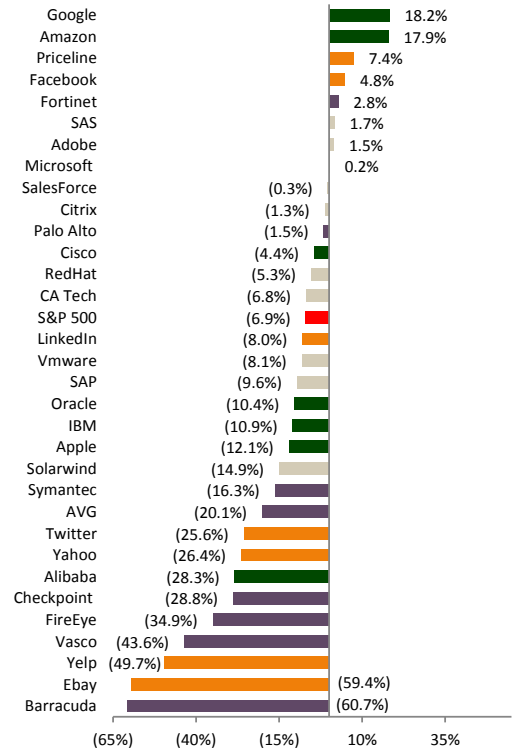




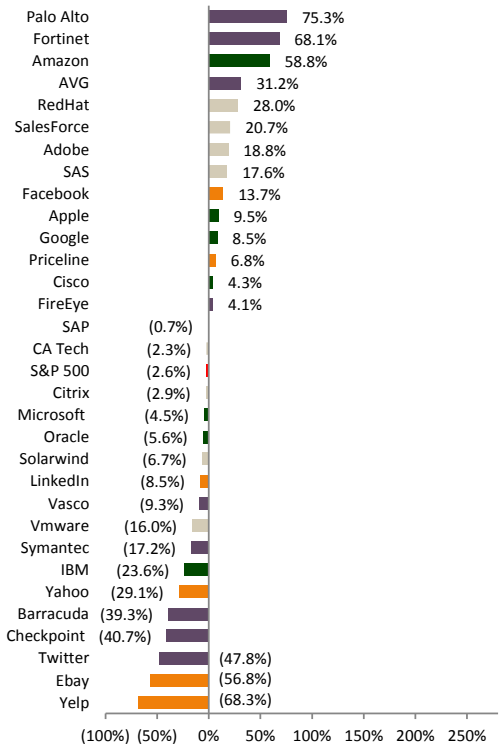
Capital Markets: Stock Performance

Software & Online Consumer Platforms

Q3 2015

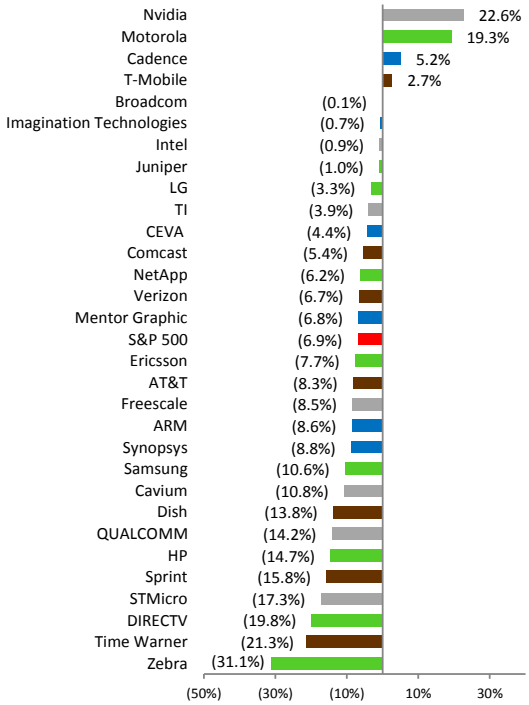


Last 52 Weeks



Networks, Hardware & Devices

Q3 2015



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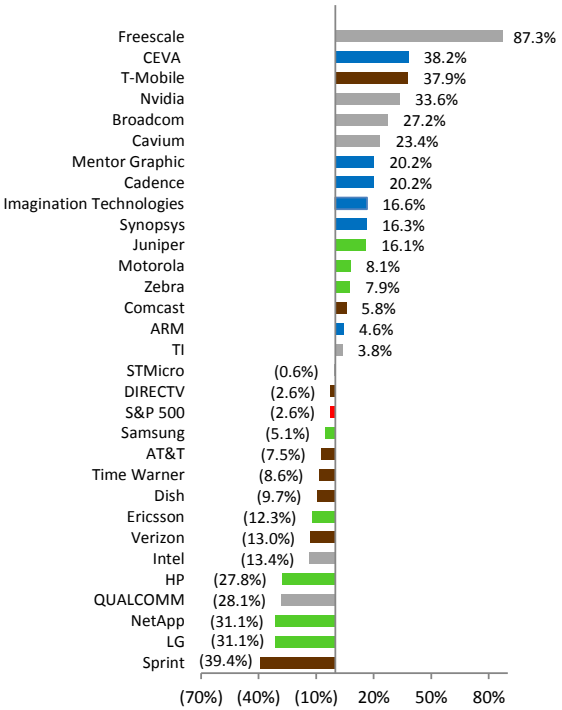


The McLean Group's Technology & Telecom Practice

The McLean Group's Technology industry group provides a unique mix of expertise in mergers and acquisition advisory, business valuation, market intelligence, and direct industry experience. Several of our team members have degrees in electrical engineering or computer science, and have worked in both technical and senior management roles at established technology companies and startups.

Technology & Telecom Expertise

- Mobile Applications and Embedded Software
- Internet of Things
- Media, UI, VoIP, and DSP Processing
- Semiconductors and EDA
- Wireless Communications and VoIP
- Automotive and Travel Software
- Engineering Design Services
- Software Development Tools and SDLC
- Security and Digital Forensics

Industry Discriminators

- Technology oriented expertise in M&A, Business Valuation, and Market Intelligence
- Deep M&A transaction experience in Semiconductors, Embedded Software, and Embedded Electronics
- Existing relationships with semiconductor suppliers, embedded software vendors, and engineering service providers
- Technical and engineering expertise enabling the team to understand the underlying value of technology and IP of clients beyond just the financial perspective
- Deep experience with buyers and sellers alike

Sampling of Substantive Relationships, Buyers and Clients

Texas Instruments, Intel Wind River, freescale semiconductor, Qualcomm, Infineon, Synopsys, MathWorks, Motorola Solutions, TE connectivity, Daimler, Google, amazon.com, facebook, transdev

The McLean Group Overview

The McLean Group is an independent, industry-focused investment bank with deep expertise in mergers and acquisitions and business valuations.

- Founded in 1997
- Headquartered in McLean, Virginia
- 65 dedicated professionals nationally
- Dedicated industry groups which bring extensive domain and transactional expertise to every client engagement
- Largest independent valuation practice in the Mid-Atlantic region with more than 250 active valuation clients

Investment Banking

- Mergers & Acquisition (Private Company Sale, Public M&A Advisory, Buy-side Advisory, etc.)
- Corporate Divestitures
- Private Equity Investments
- Strategic Alternatives Analysis

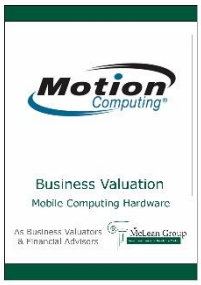
Business Valuation

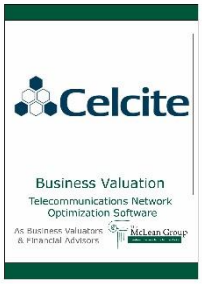
- Financial Reporting (Purchase price allocation, goodwill impairment, stock option expense)
- Equity Incentive Plans and Tax
- Litigation Support
- Transaction Advisory (Fairness Opinion, Due Diligence)

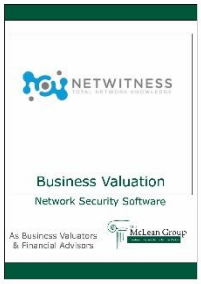
Recent Advisory Experience

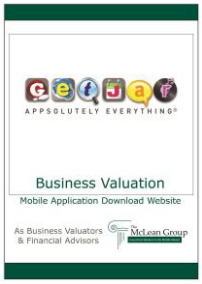
M&A Advisory Experience

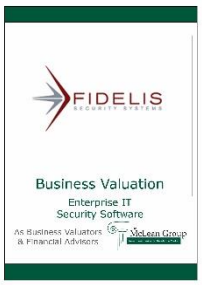
Business Valuation

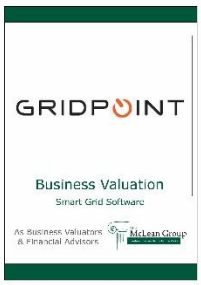


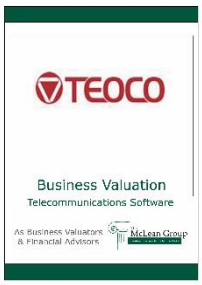


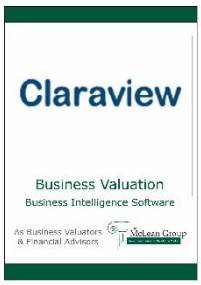












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