

## Why Chipmakers Are Buying Software Firms

Chipmakers routinely have bought software firms for a variety of reasons, typically to acquire software development tools, middleware or media codecs that can be bundled with a particular processor's software development kit. Technology acquisitions also enable slower-moving semiconductor companies to enter and compete in new markets quickly. During the past two years, Intel (with eight deals) and ARM, Imagination Technologies, and AuthenTec (with two deals each) have been the most active chip buyers of software companies. Deal sizes averaged \$49 million while Enterprise Value/Revenue and Enterprise Value/EBTIDA multiples averaged 5.2x and 20x, respectively.

Since 2010, there has been significant growth in deals involving companies specializing in user experience (UX), multimedia and security. Two key trends are emerging: Compelling user interfaces and multimedia are required to drive consumer electronics' sales, and security is becoming an increasingly critical concern in the mobile-connected world. Going forward, we expect chipmakers will continue acquiring security, multimedia, and UX software firms.

Please read the entire blog at EE Times [here](#).

## Notable Transactions and News

**Danaher** acquired **VSS Monitoring** (May 2012) which focuses on distributed traffic capture and security monitoring. Deal terms were not disclosed. Washington DC-based Danaher owns several key technology companies, including Tektronix, Fluke and Visual Network Systems.

**Ansys** acquired French embedded software tool provider **Esterel** (May 2012) for \$53 million, at 2.72x trailing revenue. Esterel's solution enables engineers to design, simulate and produce embedded software, the control code built into the central processing units in aircraft, rail transportation, automotive, energy systems, medical devices and other industrial products electronics.

**IBM** completed its acquisition of **Vivisimo** (May 2012), a provider of discovery and navigation software to access and analyze big data. Vivisimo software automates the discovery of big data, regardless of its format or where it resides. Combination IBM and Vivisimo software capabilities accelerates IBM's big data initiatives to help clients analyze the volume, variety and velocity of big data for strategic advantage.

**Wipro** is seeking to close \$1 billion in acquisitions during the next 18 months by targeting software and IP companies that will sell for \$50 million to \$300 million.

**Sigma Designs'** acquisition of **Trident Microsystems** for \$21 million plus the assumption of certain liabilities was approved by the US Bankruptcy Court. Sigma is a semiconductor firm offering solutions for media platforms. Trident offers digital TV chipset solutions and was 57% owned by semiconductor firm NXP. Sigma served as the stalking horse bidder during bankruptcy proceedings.

## Deal Trends

Seller Type	Number of Deals		Average Deal Size (\$M)		EV/ Revenue	
	EY 5/2012	EY 5/2011	EY 5/2012	EY 5/2011	EY 5/2012	EY 5/2011
Software	1,318	1,379	156	98	4.48	5.13
Semiconductors	223	213	164	217	2.54	4.65
Infrastructure Hardware	664	644	115	129	2.44	1.88

\*Source: Capital IQ

## Recent Transactions

5/29/2012	Esterel Technologies S.A.	Ansys, Inc. (NasdaqGS:ANSS)	52.62	2.80	-
5/29/2012	VSS Monitoring, Inc.	Danaher Corp. (NYSE:DHR)	-	-	-
5/29/2012	LeCroy Corp. (NasdaqGM:LCRY)	Teledyne Technologies Inc. (NYSE:TDY)	275.14	1.37	8.17
5/22/2012	Ariba Inc. (NasdaqGS:ARBA)	SAP America, Inc.	4,423.04	8.42	103.45
5/22/2012	Wanova, Inc.	VMware, Inc. (NYSE:VMW)	-	-	-
5/21/2012	Ember Corporation	Silicon Laboratories Inc. (NasdaqGS:SLAB)	72.00	-	-
5/14/2012	BMC Software Inc. (NasdaqGS:BMC)	Elliott Management Corporation	-	-	-
5/11/2012	Firepro Systems Pvt. Ltd.	Panasonic Corporation (TSE:6752)	-	-	-
5/10/2012	Spectralink Corporation	Sun Capital Partners, Inc.	114.00	1.21	-
5/8/2012	RSoft Design Group, Inc.	Synopsys Inc. (NasdaqGS:SNPS)	-	-	-
5/3/2012	Truviso, Inc.	Cisco Systems, Inc. (NasdaqGS:CSCO)	-	-	-
5/2/2012	TeaLeaf Technology, Inc.	International Business Machines Corporation (NYSE:IBM)	-	-	-
5/2/2012	Standard Microsystems Corp. (NasdaqGS:SMSC)	Microchip Technology Inc. (NasdaqGS:MCHP)	876.86	1.77	12.36
4/30/2012	PLX Technology Inc. (NasdaqGM:PLXT)	Integrated Device Technology, Inc. (NasdaqGS:IDTI)	322.72	2.71	-
4/30/2012	Purisma, Inc.	SAP AG (DB:SAP)	2.00	-	-
4/27/2012	Centellax, Inc., Test and Measurement Business	Agilent Technologies Inc. (NYSE:A)	-	-	-
4/26/2012	Gemcom Software International, Inc.	DassaultSystemes SA (ENXTPA:DSY)	360.00	-	-
4/25/2012	Vivisimo, Inc.	International Business Machines Corporation (NYSE:IBM)	-	-	-
4/23/2012	Teradata Corporation, Certain Assets	Centrica plc (LSE:CNA)	-	-	-
4/23/2012	ST-Ericsson NV, Stand-Alone Application Processor Activities	STMicroelectronics NV (ENXTPA:STM)	-	-	-
4/20/2012	MU Dynamics, Inc.	Spirent Communications Plc. (LSE:SPT)	40.00	-	-
4/19/2012	Roving Networks Inc.	Microchip Technology Inc. (NasdaqGS:MCHP)	-	-	-
4/16/2012	Openwave Systems Inc., Mediation and Messaging Product Businesses	Marlin Equity Partners, LLC	49.60	-	-
4/10/2012	X-Rite, Incorporated	Danaher Corp. (NYSE:DHR)	629.91	2.65	11.38
4/5/2012	MAKE Technologies, Inc.	Dell Inc. (NasdaqGS:DELL)	-	-	-
4/3/2012	Clerity Solutions, Inc.	Dell Inc. (NasdaqGS:DELL)	-	-	-
3/28/2012	ClearAccess, Inc.	Cisco Systems, Inc. (NasdaqGS:CSCO)	-	-	-
3/22/2012	LG-Ericsson Co. Ltd.	Ericsson (OM:ERIC B)	-	-	-
3/21/2012	BroadLight, Inc.	Broadcom Corp. (NasdaqGS:BRCM)	213.00	-	-

\*Source: Capital IQ

Technology &  
Telecommunications Services  
Team

Vippy Bhambra  
*Director, Baltimore, MD*  
vbhambra@mcleanllc.com

Greg Boucher  
*Managing Director, Baltimore, MD*  
gboucher@mcleanllc.com

Kathleen Crow  
*Managing Director, Headquarters*  
kcrow@mcleanllc.com

Jason Fernandez  
*Consultant, Austin, TX*  
jfernandez@mcleanllc.com

Steve Findlay  
*Managing Director, Erie, PA*  
sfindlay@mcleanllc.com

Sue Keil  
*Vice President, Headquarters*  
skeil@mcleanllc.com

Brent Lorenz  
*Vice President, Headquarters*  
blorenz@mcleanllc.com

Steve Mooney  
*Managing Director, Headquarters*  
smooney@mcleanllc.com

John Rovani  
*Senior Managing Director,  
Headquarters*  
jrovani@mcleanllc.com

Tom Swanson  
*Managing Director, Headquarters*  
tswanson@mcleanllc.com

Shari Overstreet  
*Managing Director, Austin, TX*  
soverstreet@mcleanllc.com

## THE MCLEAN GROUP TECHNOLOGY & TELECOMMUNICATIONS SERVICES PRACTICE

The Washington, DC area incubates a large number of technology companies serving the federal government, telecommunications and Internet industries. Many government agencies and corporations produce a steady stream of entrepreneurs who establish and grow successful regional middle market businesses.

We have served these regional technology firms among others nationally and worldwide. Whether product- or service-oriented, our research, analysis, valuation and investment banking professionals have experience with a broad array of technology companies. We are well-equipped to help our clients build value and close successful transactions.

### Select Technology & Telecommunications Engagements

 acquired by  	 acquired by  	 acquired by  	 acquired by  
 acquired by  	 acquired by  	 Business Valuation 	 Financial & Strategic Advisory 

## THE MCLEAN GROUP OVERVIEW

The McLean Group is an investment bank providing mergers and acquisitions (M&A), business valuation and strategic consulting services to middle market businesses. Headquartered in the Washington, DC metropolitan region, the firm has a presence in more than 30 cities in the US, serving domestic and international clients with a broad resume of successfully consummated financial transactions. Our research staff leverages state-of-the-art, proprietary corporate information and transaction data, providing our clients with unmatched information on which to make transaction decisions.