

Electronics Software and Engineering Services

Industry Update



April 2014

Mergers & Acquisitions
Business Valuation
Strategic Consulting



Industry News

- Facebook continues on its acquisition spree by acquiring five companies since December 13, including Whatsapp for \$16 billion and Oculus for \$2 billion.
- Intel Capital has the most M&A or IPO exits of any venture capital fund since 2009 with over 100 exits, reports CB Insights.
- Cisco Systems announced a \$1 billion investment in what it calls its Intercloud, a linked chain of datacenters providing services designed to capitalize on the Internet of Things.
- Recently the Institute of Electrical and Electronics Engineers (IEEE) published two blogs by The McLean Group's Brent Lorenz, including [M&A for the Internet of Things](#) and [How do I Maximize the Value of my Technology Company?](#)
- Ridesharing service Lyft is attempting to raise \$150 million of venture capital to compete with firms like Uber.
- Amid reports of hacking like the breach at Target, Federal officials told more than 3,000 companies last year that their systems had been compromised, The Washington Post reported.

Notable M&A Activity

- Facebook acquires Oculus for \$2 billion
- Synopsys acquires Berkley Design
- HGGC buys Serena Software from Silver Lake
- RF Micro acquires TriQuint for \$1.6 billion
- Good Technology acquires BoxTone
- Synopsys acquires Coverity for \$375 million
- Ultra Electronics acquires 3Phoenix for \$87 million
- Synopsys acquires Target Compiler Technologies
- Cadence acquires Forte Design Systems
- VMWare buys AirWatch for \$1.54 billion
- Google acquires NEST for \$3.2 billion
- Motorola Solutions acquires Twisted Pair

Capital Markets

	% Change		
	1 Week	4 Weeks	YTD
Semiconductors Index	1.8%	3.6%	2.8%
Defense Electronics Index	(0.1%)	(1.3%)	(1.7%)
EDS and Contract Manufacturers Index	(3.3%)	1.6%	7.6%
Large Cap Software Index	(0.2%)	0.9%	2.8%
Mid/Small Cap Software Index	(8.9%)	(14.2%)	11.6%
Electronics Equipment Index	2.0%	2.7%	(3.7%)
S&P 500	(0.4%)	0.4%	0.2%

Semiconductors Index: NasdaqGS:INTC, NasdaqGS:QCOM, NasdaqGS:TXN, NasdaqGS:BRCM, ENXTPA:STM
Defense Electronics Index: NYSE:LMT, NYSE:BA, NYSE:RTN, NYSE:LLL, NYSE:CW
EDS and Contract Manufacturers Index: NasdaqGS:FLEX, NYSE:JBL, TSX:CLS, SEHK:2038, NasdaqGS:SANM
Large Cap Software Index: NasdaqGS:CA, NYSE:ORCL, NasdaqGS:ADSK, NasdaqGS:NTAP, NYSE:VMW
Mid/Small Cap Software Index: NasdaqGM:GUID, NasdaqGM:BSQR, NYSE:SWI, NYSE:DATA
Electronics Equipment Index: NasdaqGS:AAPL, NYSE:GE, NasdaqGS:CSCO, NYSE:SLB, NYSE:DHR



to acquire



Announced

March 25, 2014

Notes

Facebook has acquired 20-month old virtual reality goggle startup Oculus VR for \$2.2 billion. As a part of consideration, Facebook will pay \$400 million in cash and will issue 23.1 million shares of its common stock.

Oculus's headset, called Rift, is a visual device for playing videogames. Facebook has plans to leverage its technology for social media.



has acquired



Closed

March 25, 2014

Notes

Synopsys has acquired Coverity from Foundation Capital, Benchmark Capital and others for approximately \$375 million in cash. Coverity provides development testing software including static code analysis tools for C, C++, Java, and C# to find defects and security vulnerabilities in source code.



has acquired



Closed

February 19, 2014

Notes

Ultra Electronics has acquired 3Phoenix for \$70 million in cash plus additional payments of up to \$17 million. 3Phoenix is a leading supplier of sonar, radar, intelligence, surveillance and reconnaissance products and solutions. Ultra, based in the UK, is an international defense, security, transport and energy company that provides mission critical support across a broad range of platforms. **The McLean Group advised 3Phoenix.**



has acquired



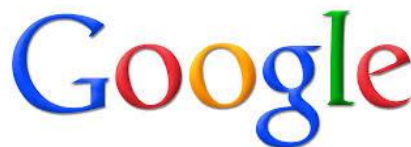
Announced

January 22, 2014

Notes

VMware has acquired AirWatch from Accel Partners, Insight Venture Partners and other investors for \$1.5 billion.

AirWatch is an Atlanta-based provider of Mobile Device Management (MDM) software with more than 10,000 customers and 1,600 employees. MDM has become a key piece of the enterprise given the bring-your-own-device trend among phones and tablets.



has acquired



Closed

February 7, 2014

Notes

Google has acquired smart thermostat manufacturer Nest Labs for \$3.2 billion. Nest designs, develops and manufactures solutions to address home energy consumption. The acquisition represents Google's strong interest in entering the smart connected home and Internet of Things market.

Nest Labs was founded in 2010 and is based in Palo Alto, CA.



has acquired



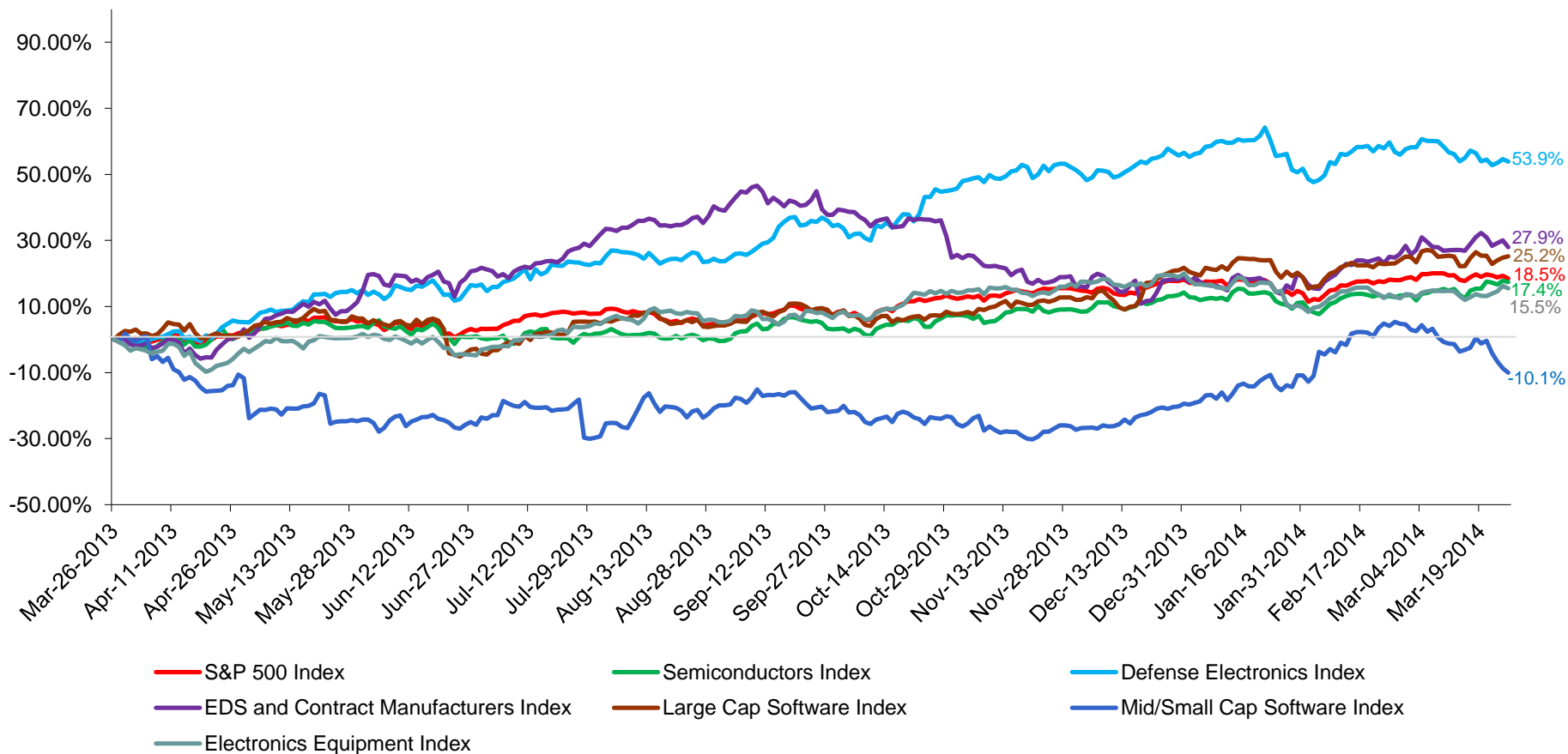
Closed

December 31, 2013

Notes

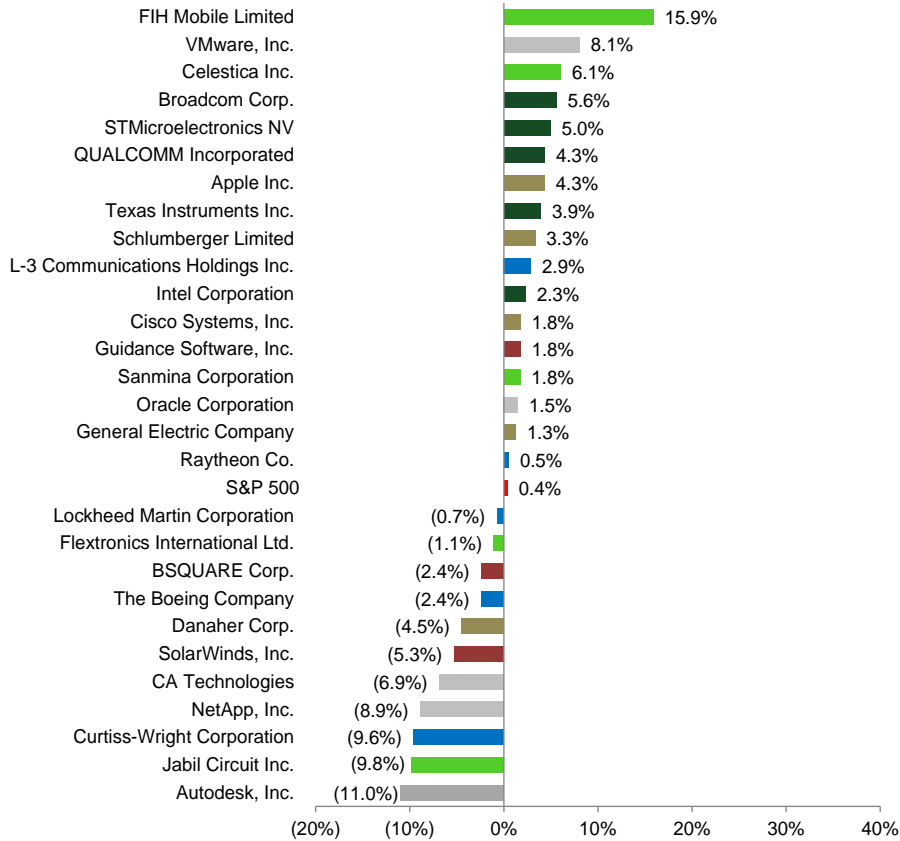
Motorola Solutions has acquired Twisted Pair Solutions, a recognized leader in push-to-talk over broadband applications for secure, real-time communication anywhere, on any device. Twisted Pair's WAVE software is widely used by Defense, Public Safety, and Commercial clients in conjunction with Land Mobile Radio systems.

The McLean Group advised Twisted Pair.

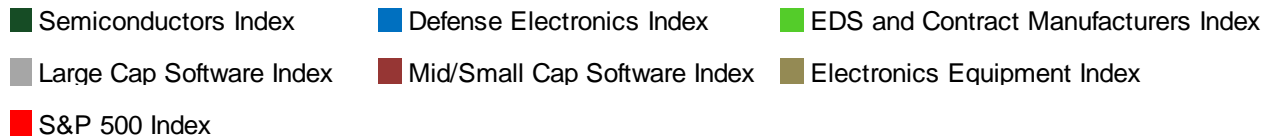
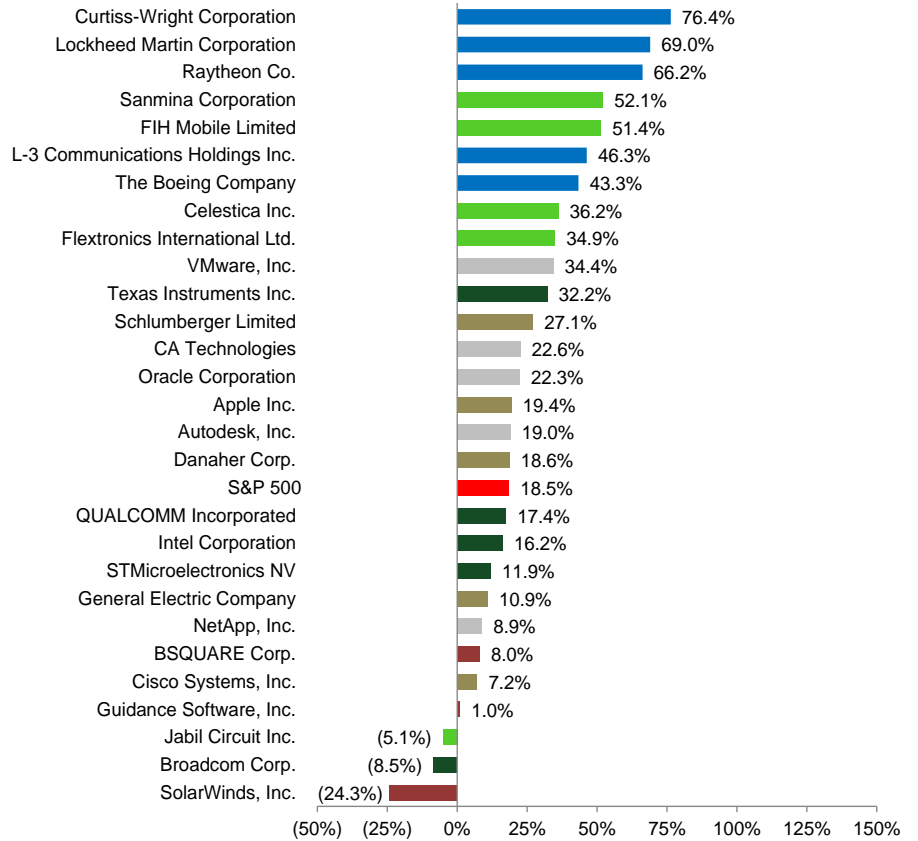


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Electronics Equipment Index	2.0%	2.7%	(3.7%)
S&P 500	(0.4%)	0.4%	0.2%




Last Four Weeks






Last 52 Weeks



Top 3 Overperformers

Company	Market Close	One Week Change	Recent News
 Schlumberger	\$95.43	↑ 5.6%	Schlumberger Limited (Schlumberger) announced the purchase of the remaining shares of SES Holdings Limited (Saxon) from First Reserve and certain members of Saxon management.
 CISCO	\$22.32	↑ 3.2%	Fabless semiconductor company EnVerv Inc. has secured \$15.4 million in a Series C funding round from Cisco Systems Inc. and other existing backers.
 BROADCOM.	\$31.70	↑ 2.7%	QLogic Corp., a supplier of high performance network infrastructure solutions, announced it has completed the acquisition of the 10/40/100Gb Ethernet controller-related assets from Broadcom.

Top 3 Underperformers






Company	Market Close	One Week Change	Recent News
 + a b e a u [®] S O F T W A R E	\$74.24	↓ -16.8%	Tableau Software (DATA) fell 16.8% to \$74.24 Wednesday on news of the pricing of a public offering of 4 million shares.
 FOXCONN	\$4.45	↓ -6.7%	FIH Mobile, saw its 2013 operations swing from a net operating loss of US \$218 million for 2012 to net operating profit of US \$129 million, and from net loss of US \$316.0 million to net profit of US \$77.7 million, according to the Company.
 AUTODESK	\$48.68	↓ -4.6%	Autodesk VP Steven M. Blum unloaded 15,000 shares of the company's stock on the open market in a transaction that occurred on Tuesday, March 25th. The shares were sold at an average price of \$50.00, for a total value of \$750 thousand.

Company Liquidity Estimates by Subsector






April 2014

(\$ millions)






Semiconductors Index

					
3x LTM EBITDA	\$61,689.0	\$25,458.0	\$12,564.0	\$3,852.0	\$2,007.0
Less LT Debt	13,666.0	13.0	5,158.0	1,394.0	1,153.0
Plus Cash	5,674.0	8,292.0	1,627.0	1,657.0	1,836.0
Dry Powder	\$53,697.0	\$33,737.0	\$9,033.0	\$4,115.0	\$2,690.0

Defense Electronics Index

					
3x LTM EBITDA	\$16,026.0	\$24,516.0	\$10,002.0	\$4,503.0	\$1,068.0
Less LT Debt	6,152.0	9,635.0	4,734.0	3,645.0	1,009.8
Plus Cash	2,617.0	9,088.0	3,296.0	500.0	175.3
Dry Powder	\$12,491.0	\$23,969.0	\$8,564.0	\$1,358.0	\$233.5

EDS and Contract Manufacturers Index






					
3x LTM EBITDA	\$2,608.8	\$3,108.4	\$597.3	\$218.9	\$803.6
Less LT Debt	2,055.6	1,836.2	0.0	137.8	659.3
Plus Cash	1,617.2	675.1	544.3	2,124.1	407.1
Dry Powder	\$2,170.4	\$1,947.3	\$1,141.6	\$2,205.2	\$551.3

Company Liquidity Estimates by Subsector





April 2014

(\$ millions)






Large Cap Software Index

					
3x LTM EBITDA	\$4,698.0	\$49,482.0	\$1,279.5	\$2,915.7	\$4,392.0
Less LT Debt	1,910.0	24,193.0	746.4	995.2	450.0
Plus Cash	2,974.0	16,832.0	1,853.0	2,152.7	2,305.0
Dry Powder	\$5,762.0	\$42,121.0	\$2,386.1	\$4,073.2	\$6,247.0

Mid/Small Cap Software Index

				
3x LTM EBITDA	-\$40.9	-\$5.7	\$419.4	\$31.6
Less LT Debt	0.3	0.0	40.0	0.0
Plus Cash	19.9	13.5	166.0	252.7
Dry Powder	(\$21.3)	\$7.8	\$545.3	\$284.2

Electronics Equipment Index

					
3x LTM EBITDA	\$169,695.0	\$86,625.0	\$38,940.0	\$36,033.0	\$12,509.7
Less LT Debt	16,961.0	383,040.0	17,157.0	13,176.0	3,499.0
Plus Cash	14,077.0	13,682.0	5,339.0	3,472.0	3,115.2
Dry Powder	\$166,811.0	(\$282,733.0)	\$27,122.0	\$26,329.0	\$12,125.9

The McLean Group tracked 2,357 reported technology transactions from 2012 through Q1 2014 across the following sectors.

Seller Segment	2012		2013		Q1 2014	
	# Deals	Average Deal Size (\$M)	# Deals	Average Deal Size (\$M)	# Deals	Average Deal Size (\$M)
Semiconductors	155	\$142	162	\$166	47	\$150
Defense Electronics	24	140	29	20	2	87
Enterprise Software	652	150	574	79	128	163
Development Tools & Middleware Software	218	122	176	250	47	170
Electronics Manufacturing & Design	75	23	56	313	12	16

The most active buyers in each segment are identified below as well as the number of companies each acquired:

Sector (by Seller)	Top Buyers Last Two Years (# Deals)
Semiconductors	Cadence (4), SK Hynix (4), Apple (3), IDT (3), Microchip (3), Micron (3)
Defense Electronics	Armor Defense (2), 3M (1), Arlington Capital (1)
Enterprise Software	Constellation Software (10), IBM (8), SAP (6), Trimble (6), Autodesk (4), Cisco (4)
Electronics Manufacturing & Design	Cybertouch (2), Sparton (2), 3D System (2)
Development Tools & Middleware Software	Yahoo (5), Cisco (4), Google (4), Intel (4), Synopsys (4), Cassidian (3), Citrix (3), Facebook (3), Mentor Graphics (3)

Founded in 1997, The McLean Group is a national, middle market investment bank with deep expertise in a variety of industry verticals. Headquartered in McLean, VA, The McLean Group is among the largest independent middle market investment banks in the region. Our core advisory services include:

Mergers & Acquisitions

The McLean Group uses its considerable experience and expertise in a wide range of industries to guide its clients through each stage of the M&A process and ultimately identify the most probable and suitable candidates to complete transactions under the most favorable terms.

Business Valuation & Litigation Support

As a core competency and complement to its M&A business, The McLean Group provides business valuation services, including intangible asset and financial security valuations for a variety of transactions, financial reporting and tax purposes. In addition, the McLean Group has the experience and credentials necessary to support litigation proceedings, including quantifying economic damages and valuing a minority interest in a business.

Capital Formation

The McLean Group arranges private equity, venture capital, senior debt and subordinated debt to support clients' expansions, mergers & acquisitions (M&A), refinancings, recapitalizations, leveraged buyouts, and other shareholder liquidity objectives.

Market Intelligence

By leveraging superior competitive analysis, The McLean Group provides business executives with comprehensive market intelligence studies incorporating the requisite market insights and analytical expertise to reduce risk and uncertainty in M&A and strategic decision-making.

McLean Securities, a wholly-owned affiliate of The McLean Group, is a registered broker/dealer with the Financial Industry Regulatory Authority (FINRA) and a Member, Securities Investor Protection Corporation (SIPC).

3PHOENIX™
acquired by
Ultra ELECTRONICS
Embedded Systems Design and Signal Processing
As M&A Advisors 

TWISTEDPAIR
acquired by
MOTOROLA SOLUTIONS
Mobile Interoperability for Mission-Critical Communications
As M&A Advisors 

eXMeritus™
a Meritus Software Federal Systems, Inc.
has been acquired by
BOEING
Cyber Security
As M&A Advisors 

iLuMinA SOLUTIONS inc.
has been acquired by
ECS
Federal Contracting ERP Program Management
As M&A Advisors 

MasTec
has acquired
CAMCOM
a GMSI company
Telecommunications Speciality Contracting
As M&A Advisors 

National Security Partners, Inc.
a FedCap holding company
has acquired
POINT ONE
Federal Contracting
As M&A Advisors 

COMPSEC
acquired by
DC CAPITAL PARTNERS
Intelligence Community IT Solutions
As M&A Advisors 

CORBIN COMPANY
has been acquired by
FULCRUM IT
Federal Contracting IT & Professional Services
As M&A Advisors 

Signature GOVERNMENT SOLUTIONS, LLC
has been acquired by
GLOBAL™
DEFENSE TECHNOLOGY & SYSTEMS
Federal Contracting Cyber Security & Intelligence Analysis
As M&A Advisors 

SMSi
has been acquired by
BOEING
Federal Contracting Data Management and IT Solutions
M&A Sell Side Advisors 

<p>AGENT LOGIC SECURITY AND ANALYTICS</p> <p>has acquired</p> <p>Celoxica Electronic System Level (ESL) Business Line</p> <p>Business Valuation Government Contracting Business Intelligence Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>Agility</p> <p>has acquired</p> <p>Celoxica Electronic System Level (ESL) Business Line</p> <p>Purchase Price Allocation Software Technology Solutions</p> <p>As Business Valuers & Financial Advisors</p>	<p>AVECTRA</p> <p>has acquired</p> <p>NTI STUDIOS GENERAL ADMIN. SOOHS</p> <p>Purchase Price Allocation Web-based Association Management Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>COMMAND INFORMATION</p> <p>Business Valuation & Goodwill Impairment Test Government Contracting IT and Cybersecurity Services</p> <p>As Business Valuers & Financial Advisors</p>	<p>cybertrust</p> <p>Business Valuation & Goodwill Impairment Test Managed IT Security Services</p> <p>As Business Valuers & Financial Advisors</p>	<p>GeoEye</p> <p>Goodwill Impairment Test Satellite Imagery Products</p> <p>As Business Valuers & Financial Advisors</p>
<p>GRIDPOINT</p> <p>has acquired</p> <p>LIXAR</p> <p>Purchase Price Allocation Smart Grid Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>KEYW</p> <p>Business Valuation Government Contracting Cybersecurity Services</p> <p>As Business Valuers & Financial Advisors</p>	<p>National Security Partners D/Source Matters</p> <p>Goodwill Impairment Test Government Consulting Cyber-Security</p> <p>As Business Valuers & Financial Advisors</p>	<p>ObjectVideo</p> <p>Business Valuation Video Analytics Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>SRA</p> <p>Stock Option Analysis Government Contracting IT Services</p> <p>As Business Valuers & Financial Advisors</p>	<p>TELARIX TELECOMMUNICATIONS FOUNDATION</p> <p>Business Valuation Telecommunications Software Business Intelligence</p> <p>As Business Valuers & Financial Advisors</p>
<p>TENABLE Network Security</p> <p>Business Valuation Cybersecurity Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>WhiteOak TECHNOLOGIES, INC.</p> <p>has been acquired by</p> <p>Purchase Price Allocation Government Contracting Cybersecurity and IT Solutions</p> <p>As Business Valuers & Financial Advisors</p>	<p>WIRELESS MATRIX</p> <p>has acquired</p> <p>MobileAria</p> <p>Purchase Price Allocation Wireless Tracking Solutions</p> <p>As Business Valuers & Financial Advisors</p>	<p>wisor</p> <p>Fairness Opinion OSS Software</p> <p>As Business Valuers & Financial Advisors</p>	<p>Vivísimo Information Optimized™</p> <p>Business Valuation Information Optimization Software Solutions Provider</p> <p>As Business Valuers & Financial Advisors</p>	<p>Xceedium</p> <p>has acquired the Cloakware Password Management Business of</p> <p>irdeto</p> <p>Purchase Price Allocation Cybersecurity Software</p> <p>As Business Valuers & Financial Advisors</p>



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