



Solganick & Co.

Software
Investment Banking + M&A Advisory



Software M&A Update

Q1 2018

May 24, 2018

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DISCLAIMER

Solganick & Co. is an independent investment banking and M&A advisory firm focused exclusively on the global Software, IT Services, and Digital Media industry sectors. We cover the software sector comprehensively including enterprise, cloud, SaaS and cyber security. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Sources for our research and data include: Dealogic, ValueWalk, Pwc, Company Websites, SEC Filings, MergerMarket, Berkery Noyes, Deloitte, Fortune, 451 Research, medium.com, Vista Point, CNBC

M&A Market Brief

Global, U.S., and Software M&A Activity Q1 2018

Worldwide

The **global M&A value** in Q1 2018 totaled US\$**890.6B**, an **18%** growth from Q1 2017, the strongest start to the year since 2001.

The global median **EV/EBITDA multiple** reached **14.1x** in Q1 2018, slightly below **14.3x** in FY 2017 but still hovered at historic highs due to lofty valuations for acquisition targets in the Asia Pacific.

The global average deal size reached US\$**274M**, the highest on Dealogic record.

Latin America showcases the strongest growth in M&A activities in Q1 2018, an **86.1%** growth in deal value from Q1 2017.

There are a total of **14** megadeals (deal value over US\$10B) announced in Q1 2018.

Cross-border transactions dropped by **21.2%** in deal value in comparison to 2017.

United States

U.S. M&A value in Q1 2018 totaled US\$**393.9B**, which increased by **26.1%** from Q1 2017.

Technology is the most rigorous M&A sector in the U.S, with a deal value of US\$**47.6B** and a deal count of **226** for Q1 2018

U.S. M&A transactions account for 30.4% of the global M&A by deal count. This is down by 0.7 basis points from Q1 2017 (31.1%)

There is a total of **6** megadeals (deal value over US\$10B) targeting the US announced in Q1 2018

There is a **54.1%** fall in the value of inbound M&A into the US overall from Q1 2017 (US\$137.5B) to Q1 2018 (US\$63.1B)

There is a **42.9%** fall in the value of inbound M&A into the US from China from Q1 2017 (US\$2B) to Q1 2018 (US\$1.1B).

Software

Software saw an increase in both **deal volume** and **deal value**, up **32%** to 146 transactions from 111 in 2017, and **38% to \$9.7 billion in value** from \$7.0 billion in Q1 2017.

Strategic acquirers completed **nine** of the top ten highest value software deals in Q1 2018.

The highest value deal completed is **Salesforce's acquisition of MuleSoft** for US\$ **6.5B**.

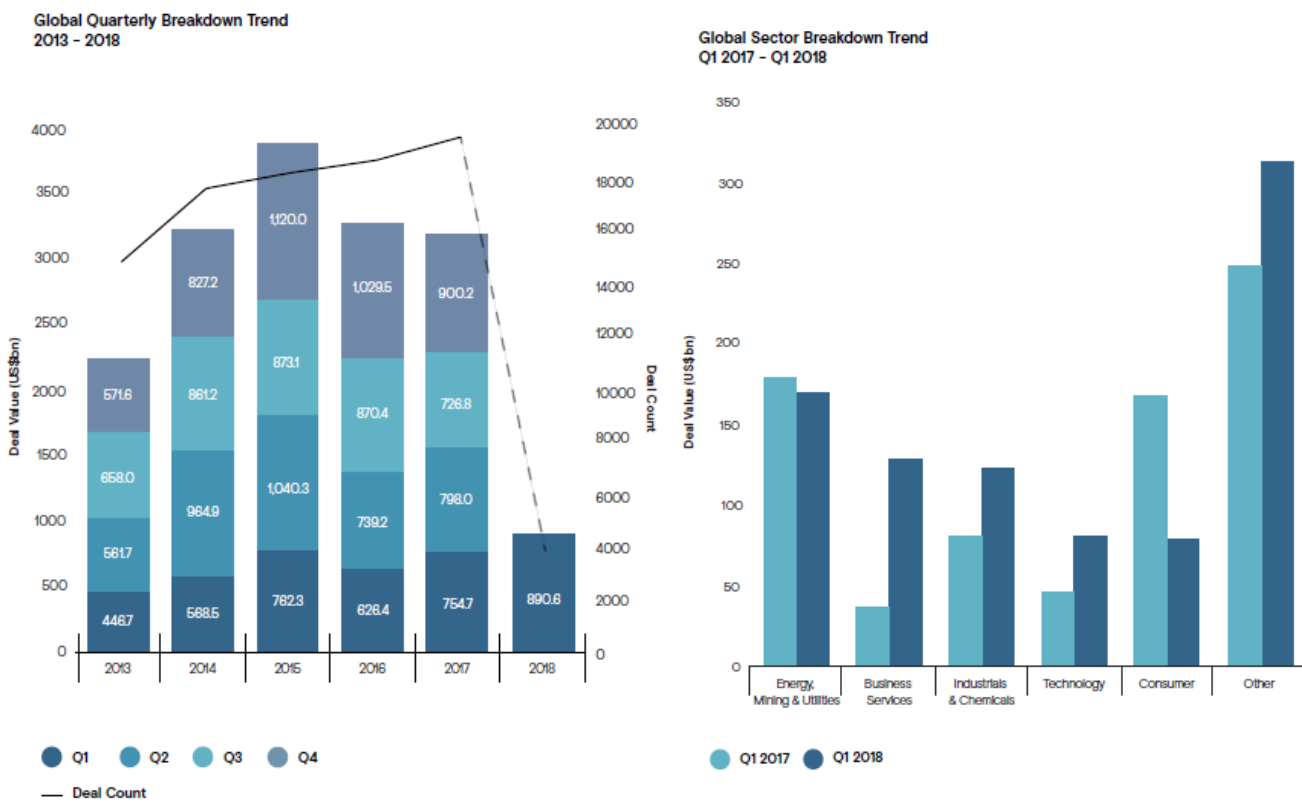
Notable software M&A deal in Q1 2018 **SAP America's acquisition of Callidus Software**, a cloud-based marketing and sales performance management solution, for \$2.6 billion.

Software M&A in Q1 2018

Software saw an increase in both deal volume and deal value, up 32% to 146 transactions from 111 in 2017, and 38% to \$9.7 billion in value from \$7.0 billion in Q1 2017.

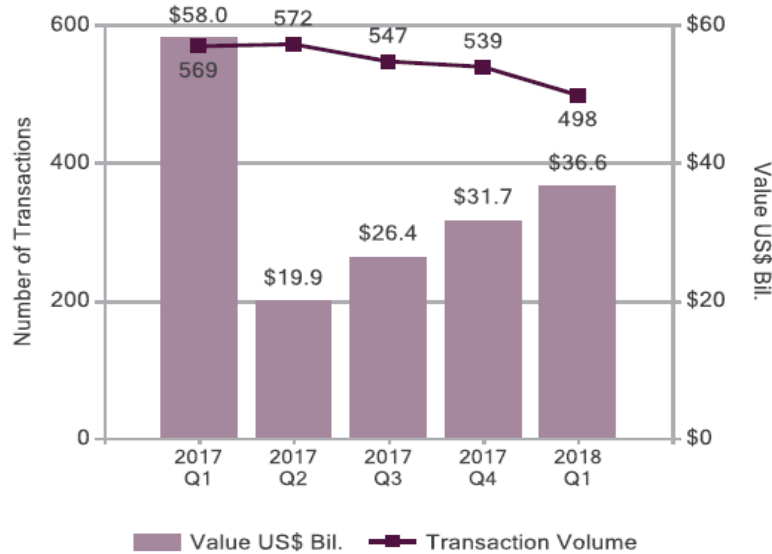
Strategic acquirers remain active, completing nine of the top ten highest value software transaction in Q1 2018. Salesforce's acquisition of MuleSoft for \$6.5 billion is the largest year-to-date transaction in the industry as well as the largest acquisition ever completed by Salesforce.

Fig 1. Global M&A Deal Value – Quarterly Comparison



Source: MergerMarket 2018

Fig 2. Global Software Transactions – 2017 to 2018 Value and Volume Comparison by Quarter



Source: Berkery Noyes

Fig 3. The growth of Software Transactions by Market Segment

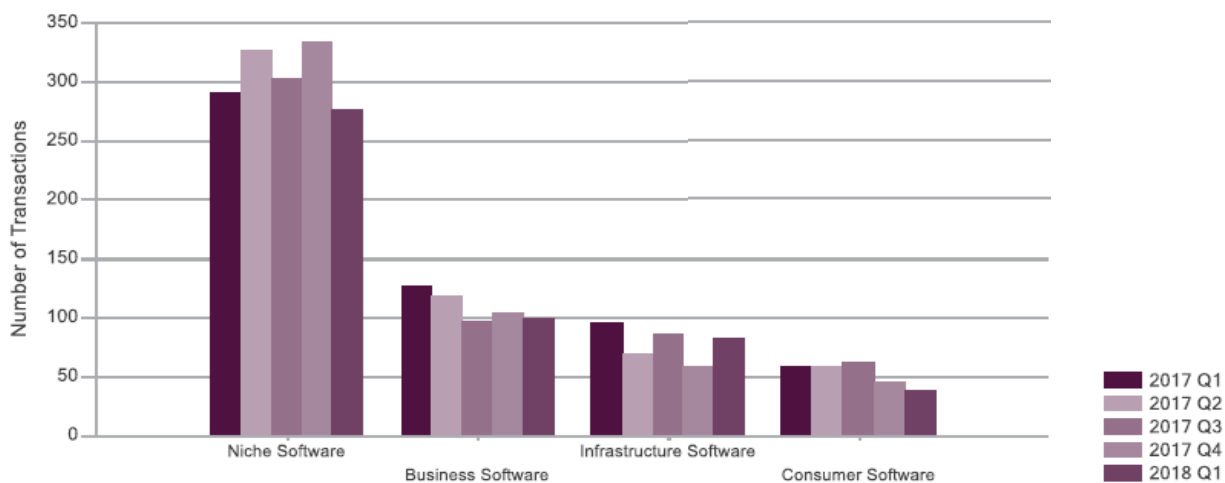


Figure 3. Presents transaction volume by target segment within the Software Industry from January 1, 2017 through March 31, 2018.

Source: Berkery Noyes

The “Niche Software” segment, which is targeted to specific vertical markets, accounts for seven of the top ten highest software deal in Q1 2018. The 43% deal value growth in the infrastructure software segment is driven by LexisNexis Risk Solutions' acquisition of ThreatMetrix for \$804 million.

Outlook for the Rest of 2018

M&A activities started strong in Q1 2018 and is expected to stay active. The economy presents a favorable condition for M&A activities, as JP Morgan anticipated solid GDP growth throughout the remainder of the year. The Conference Board reported strong consumer and business confidence levels. The macroeconomic environment, as well as the healthy consumer and small business confidence, will build up a strong M&A environment.

Technology continues to drive change and disrupts the industries. Vertical technology M&A is expected to increase as M&A being the main instrument for companies to acquire technologies, capabilities, and scale needed to differentiate and compete. In addition, big companies in the technology sector are also looking to consolidate the industry with their strong equity currency on hand. However, the regulatory environment may hinder consolidations of the giants through anti-trust effort. For instance, the U.S. Department of Justice block AT&T's acquisition of Time Warner.

Table 1. Notable Software M&A Transactions, Q1 2018

Date	Target	Acquirer(s)	Description of Target	Deal Value (M)
3/27/2018	Online Automotive Solutions	New Media Investment Group, Inc.	Online Automotive Solutions is a tech-enabled video, data and auto-focused inventory solutions provider.	4
3/20/2018	MuleSoft, Inc.	Salesforce.com, Inc.	MuleSoft, Inc. is a provider of software that helps organizations connect any application, data service or API, across the cloud and on-premise.	6,500
3/13/2018	Environmental Data Resources, Inc. (EDR)	Silver Lake & Battery Venture	EDR is a provider of property due-diligence and risk management technology solutions for businesses.	205
3/7/2018	Kensho Technology Inc.	S&P Global	Kensho is a provider of artificial intelligence, machine learning and data visualization systems to banks and investment institutions.	550
3/6/2018	Commerce Technologies LLC	GTCR Golder Rauner LLC & Sycamore Partners	CommerceHub is a provider of cloud-based hosted integration, drop ship fulfillment and product content management services for e-commerce retailers.	1,100
2/27/2018	Phantom Cyber Corp.	Splunk, Inc.	Phantom Cyber is a security automation and orchestration platform that provides cybersecurity solutions.	350
2/21/2018	Fidessa Group plc	Temenos Group AG	Fidessa is a provider of trading, investment management and data analysis solutions for the financial sector.	1,863
2/13/2018	Chalkup LLC	Microsoft Corp.	Chalkup LLC develops a learning management and collaboration software for the education industry.	
2/12/2018	Cedexis, Inc.	Citrix Systems, Inc.	Cedexis is a SaaS-based cloud application delivery platform that automates and optimizes the routing of web contents across CDNs and data centers.	
2/7/2018	Fiserv	Warburg Pincus	Fiserv provides information management and electronic commerce systems for the financial services industry.	359
2/7/2018	ThreatTrack Security, Inc.	j2 Global, Inc.	ThreatTrack Security, Inc. is a provider of security services for private information and personal data with antivirus protection against most prevalent threats, including those that evade traditional antivirus.	
2/6/2018	Wombat Security Technologies, Inc.	Proofpoint, Inc.	Wombat Security Technologies, Inc. is a provider of an information security awareness and training software to help organizations teach their employees to secure behavior.	225

Table 1. Notable Software M&A Transactions, Q1 2018 – Cont'd

Date	Target	Acquirer(s)	Description of Target	Deal Value (M)
2/2/2018	Digital Fuel SV LLC	Apptio, Inc.	Digital Fuel develops a business management suite that offers budgeting, planning, financial intelligence and IT benchmarking solutions.	43
2/2/2018	Utopus Insights, Inc.	Vestas Wind Systems	Utopus Insights, Inc. is an energy analytics software company, that offers data science, software, utility operations, renewable and distributed energy resource expertise, and meteorology.	100
2/2/2018	e-Builder	Trimble	e-Builder develops and delivers integrated capital program management and construction management software solutions.	500
1/30/2018	CoreOS, Inc.	Red Hat, Inc.	CoreOS provides warehouse-scale computing tools for building, storing and securely accessing Linux containers.	250
1/29/2018	ThreatMetrix, Inc.	RELX Group Plc.	ThreatMetrix, Inc. is a provider of integrated cybercrime prevention software solutions for websites in diverse sectors.	893
1/29/2018	CallidusCloud	SAP America, Inc.	CallidusCloud develops a cloud-based sales software that provides marketing automation, configure price quote and mobile learning solutions.	2,426
1/23/2018	Sqrrl Data, Inc.	Amazon.com, Inc.	Sqrrl Data, Inc. is an online cybersecurity platform that enables security analysts to hunt and investigate advanced threats.	
1/17/2018	ProSys, Inc.	Emerson Electric Co.	ProSys, Inc. is a provider of software and services that increase production and safety for the chemical, oil and gas, pulp and paper, and refining industries.	
1/16/2018	N2W Software, Inc.	Veeam Software.	N2W Software, Inc. is a provider of an enterprise-class data protection for production environments deployed in the public cloud.	43
1/12/2018	X15 Software, Inc.	FireEye, Inc.	X15 Software, Inc. is a provider of software for demanding machine data environments.	20
1/8/2018	Attic Labs	Salesforce.com, Inc.	Attic Labs, the creator of Noms, is an open-source decentralized database	

Source: MergrMarket

Publicly Traded Software Firms, Valuation Table

Enterprise Software	Stock Price (as of 3/29)	Market Cap (\$USD mm)	Enterprise Value (EV) / Revenue	EV/EBITDA
Microsoft Corporation [MSFT]	\$91.53	\$715,079	7.2	20.7
Oracle Corporation [ORCL]	\$45.76	\$185,623	4.5	11.5
Pegasystems Inc. [PEGA]	\$61.10	\$4,702	5.5	73.2
Red Hat, Inc. [RHT]	\$149.68	\$28,207	9.2	46.8
SAP SE [SAP]	\$105.37	\$130,996	4.6	17.9
SS&C [SSNC]	\$53.62	\$11,834	7.4	19.8
Average (Mean)			6.4	31.7

Banking and Financial Software	Stock Price (as of 3/29)	Market Cap (\$USD mm)	Enterprise Value (EV) / Revenue	EV/EBITDA
CA Technologies Inc. [CA]	\$33.98	\$14,459	3.4	11.8
CoreLogic, Inc. [CLGX]	\$45.38	\$3,606	2.9	13.7
NCR Corp. [NCRI]	\$31.59	\$3,683	0.9	6.7
DST Systems Inc. [DST]	\$53.62	\$5,081	2.5	12.6
Fidelity National Information [FIS]	\$94.92	\$31,404	4.4	15.9
Fiserv, Inc. [FISV]	\$71.29	\$29,123	6.0	19.1
Genpact Limited [G]	\$31.99	\$6,084	2.5	16.2
Jack Henry & Associates [JKHY]	\$120.95	\$9,308	6.4	20.6
Average (Mean)			3.6	14.6

CRM	Stock Price (as of 3/29)	Market Cap (\$USD mm)	EV/Revenue	EV/EBITDA
Microsoft Corporation [MSFT]	\$91.53	\$715,079	7.2	20.7
Oracle Corporation [ORCL]	\$45.76	\$185,623	4.5	11.5
Salesforce.com, Inc. [CRM]	\$116.52	\$86,597	8.1	94.9
SAP SE [SAP]	\$105.37	\$130,996	4.6	17.9
Average (Mean)			6.1	36.25

Security Software	Stock Price (as of 3/29)	Market Cap (\$USD mm)	EV/Revenue	EV/EBITDA
CA Technologies Inc. [CA]	\$33.98	\$14,459	3.4	11.8
Check Point Software [CHKP]	\$99.34	\$16,864	8.1	16.0
FireEye Inc. [FEYE]	\$12.61	\$2,058	4.6	-23.4
Fortinet, Inc. [FTNT]	\$53.42	\$9,416	5.4	48.6
Imperva, Inc. [IMPV]	\$43.05	\$1,705	4.0	-865.9
Progress Software Corporation [PRGS]	\$38.92	\$1,692	4.2	11.5
Red Hat, Inc. [RHT]	\$149.68	\$28,207	9.2	46.8
Symantec Corp. [SYMC]	\$25.85	\$17,210	4.3	23.6
Average (Mean)			5.4	26.4

Software - NEC	Stock Price (as of 3/29)	Market Cap (\$USD mm)	EV/Revenue	EV/EBITDA
CA Technologies Inc. [CA]	\$33.98	\$14,459	3.4	11.8
CommVault Systems, Inc. [CVLT]	\$57.20	\$3,121	3.8	528.3
PTC Inc. [PTC]	\$78.33	\$9,675	8.4	84.9
Splunk Inc. [SPLK]	\$98.81	\$14,455	10.9	-63.84
Average (Mean)			6.6	208.3

HR/HCM Software	Stock Price (as of 3/29)	Market Cap (\$USD mm)	EV/Revenue	EV/EBITDA
Cornerstone OnDemand [CSOD]	\$39.33	\$2,466	4.9	-66.2
Workday Inc. [WDAY]	\$128.29	\$26,619	11.7	-151.1
Average (Mean)			8.3	N/A

Business Intelligence & Analytics	Stock Price (as of 3/29)	Market Cap (\$USD mm)	EV/Revenue	EV/EBITDA
Teradata Corporation [TDC]	\$39.92	\$4,867	2.12	34.4
MicroStrategy Inc. [MSTR]	\$127.27	\$1,492	1.5	9.4
Average (Mean)			1.8	21.9

Source: PitchBook

(Average EV/EBITDA are calculated excluding the companies with negative EV/EBITDA)

M&A Spotlight



Salesforce Acquire MuleSoft for \$6.5 Billion

Salesforce (NYSE: CRM), the global leader in CRM, and MuleSoft (NYSE: MULE), the provider of one of the world's leading platforms for building application networks, have entered into a definitive agreement under which Salesforce will acquire MuleSoft for an enterprise value of approximately \$6.5 billion in March 20, 2018.

MuleSoft provides one of the world's leading platforms for building application networks that connect enterprise apps, data, and devices, across any cloud and on-premise

MuleSoft will power the new Salesforce Integration Cloud, which will enable all enterprises to surface any data—regardless of where it resides—to drive deep and intelligent customer experiences throughout a personalized 1:1 journey

More than 1,200 customers, including Coca-Cola, Barclays, Unilever and Mount Sinai, rely on MuleSoft to change and innovate faster, deliver differentiated customer experiences and increase operational efficiency

Source: <https://www.salesforce.com/company/news-press/press-releases/2018/03/180320/>



SAP Americas Inc. Acquired CallidusCloud for \$2.4 Billion

SAP SE (NYSE: SAP) and Callidus Software Inc. (doing business as CallidusCloud®) (Nasdaq: CALD) today announced that SAP America, Inc. has entered into an agreement to acquire CallidusCloud, the leader in cloud-based Lead to Money (Quote-to-Cash) solutions on January 30, 2018.

- SAP will assemble the most complete and differentiated portfolio to manage today's customer experience
- CallidusCloud's Lead to Money suite for sales combined with SAP's Customer Engagement suite creates leading CRM solution portfolio

The CallidusCloud board of directors has unanimously approved the transaction. The per share purchase price of \$36.00 represents a 21% premium over the 30-day volume weighted average price per share and a 28% premium over CallidusCloud's 90-day volume weighted average price per share. The per share price represents an enterprise value of approximately \$2.4 billion. The transaction is expected to close in the second quarter of 2018, subject to approval from CallidusCloud stockholders, clearances by the relevant regulatory authorities, and other customary closing conditions.

The acquisition gives SAP immediate leadership in the Lead to Money space that includes sales performance management (SPM) and configure-price-quote (CPQ). CallidusCloud offers a full suite of SPM and CPQ solutions, including sales enablement, sales analytics, and customer engagement. The combination of SAP's assets with CallidusCloud's will deliver the most complete, end-to-end, fully cloud-based 'Lead-to-Cash' offering. CallidusCloud has been a partner of SAP for several years, based on a joint selling agreement.

Resource: <https://news.sap.com/sap-to-acquire-callidus-software/>



Red Hat Acquired CoreOS for \$250 Million

In January 30, 2018, Red Hat, Inc. (NYSE: RHT), the world's leading provider of open source solutions, announced that it has signed a definitive agreement to acquire CoreOS, Inc., an innovator and leader in Kubernetes and container-native solutions, for a purchase price of \$250 million, subject to certain adjustments at closing that are not expected to be material. Red Hat's acquisition of CoreOS will further its vision of enabling customers to build any application and deploy them in any environment with the flexibility afforded by open source. By combining CoreOS's complementary capabilities with Red Hat's already broad Kubernetes and container-based portfolio, including Red Hat OpenShift, Red Hat aims to further accelerate adoption and development of the industry's leading hybrid cloud platform for modern application workloads.

"We believe this acquisition cements Red Hat as a cornerstone of the hybrid cloud and modern app deployments." Paul Cormier, President of Products and Technologies in Red Hat, commented.

As applications move to hybrid and multi-cloud environments, a growing number of organizations are using containers to more easily build, deploy and move applications to, from, and across clouds. IDC noted, "Substantial advances in cloud adoption, simplification, and portability are underway. The demand for cloud continues to grow, and enterprises now anticipate that cloud architecture will dominate their spending for the next several years. With the growing sophistication of containers, customers are looking to their application platform providers to help them use containers to transition and extend existing production applications to be useful in the public or private cloud."

Resource: <https://www.redhat.com/en/about/press-releases/red-hat-acquire-coreos-expanding-its-kubernetes-and-containers-leadership>

PE Buyout Spotlight



GTCR



GTCR and Sycamore Partners Acquired CommerceHub for \$1.1B

CommerceHub, Inc. (NASDAQ:CHUBA) (NASDAQ:CHUBK) ("CommerceHub"), GTCR ("GTCR"), and Sycamore Partners ("Sycamore") announced a definitive agreement whereby affiliates of GTCR and Sycamore, two leading private equity firms, will acquire all outstanding shares of CommerceHub, a leading distributed commerce network for retailers and brands in March 6, 2018.

The all-cash deal provides substantial value to CommerceHub stockholders. Under the terms of the agreement, funds affiliated with GTCR and Sycamore will acquire all outstanding shares of CommerceHub's Series A, B, and C common stock for a total value of approximately \$1.1 billion. Holders of CommerceHub's Series A, B, and C common stock will receive \$22.75 in cash per share, representing a 24.5% premium to the Series A closing price as of March 5, 2018, a 19.3% premium to the 1-month volume-weighted average Series A closing price, a 30.2% premium to the Series C closing price as of March 5, 2018, and a 27.1% premium to the 1-month volume-weighted average Series C closing price.

CommerceHub's Board of Directors unanimously approved the deal and recommended that stockholders vote their shares in favor of the transaction. CommerceHub will become a privately held company and remain headquartered in Albany, NY, with offices in Seattle, WA, and Hertford, England. The transaction, which is expected to close in the third quarter of 2018, is subject to customary closing conditions, including the approval of the company's stockholders and required regulatory approvals.

CommerceHub was advised by Evercore and Baker Botts L.L.P. GTCR and Sycamore were advised by Kirkland & Ellis LLP.

Resource: <http://ir.commercehub.com/news-releases/news-release-details/commercehub-announces-definitive-agreement-be-acquired-gtcr-and>



About Solganick & Co.

Solganick & Co., Inc. is an independent investment banking and M&A advisory firm focused exclusively on the global software, IT services, healthcare IT, and digital media industry sectors. We advise buyers and sellers of companies and efficiently execute M&A transactions that help increase shareholder value. Our professionals have advised on \$20+ billion in M&A transactions to date and have current clients and relationships globally with entrepreneurs, companies and leading private equity firms within the sectors we cover.

Please contact us for information regarding this report or to inquire about an M&A transaction.



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