

**BERKERYNOYES**

INVESTMENT BANKERS

**An Overview of  
Private Equity M&A  
in the Information  
Industry**

**White Paper**

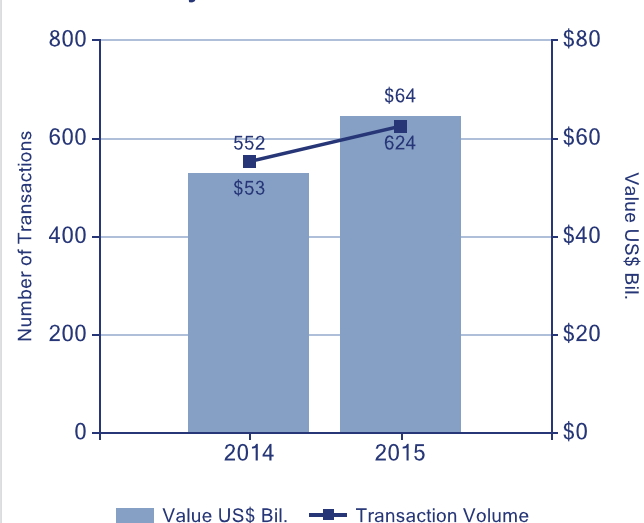
## Introduction

Strong balance sheets, less restrictive lending, and more plentiful private sellers are fueling deal activity. Valuations have also been robust over the past few years, especially as financial sponsors compete with strategic acquirers for companies that have attractive components such as recurring revenue models, high margins, continuous growth, diversified customer concentration, and proprietary technology in markets with a barrier to entry.

With sizeable pots of use-it-or-lose-it cash to invest, they generally view the more sensible valuations as a buying opportunity, while others see that it's possible to consolidate a number of smaller acquisitions into a large enough roll-up to interest the major strategic buyers or potentially take them public. Many financial buyers are still waiting for the right opportunity to put their excess capital to work, which in certain instances has been sitting on the sidelines for quite some time. The lending environment for debt financed transactions remains favorable for borrowers as well.

We expect that financial sponsors will continue to drive deal activity in the middle-market, especially as some private equity groups morph into semi-strategic buyers with the advantages of scale and synergy that used to be the exclusive province of large strategics. As their three-to-five year time horizons approach, many of the businesses acquired by private equity funds will go on the block, giving strategics who missed out the first time another bite at the apple, only this time the apple may be a little leaner and pricier.

### M&A Market Dynamics



## M&A Market Landscape

### Software

- The Information Industry's horizontal Software market saw a seven percent rise in private equity deal activity.
- Three of the industry's top five largest transactions in 2015 occurred in the Infrastructure segment.
- This consisted of The Carlyle Group's announced acquisition of Veritas Technologies Corporation, a storage and server management software solutions business, for \$8 billion; Permira and CPP Investment Board's acquisition of Informatica, a provider of enterprise data integration software and services, for \$4.77 billion; and Thoma Bravo and Silver Lake Partners' announced acquisition of SolarWinds, an IT management software and monitoring company, for \$4.38 billion.
- The largest secondary buyout in the Infrastructure segment was Bain Capital's acquisition of Blue Coat Systems, a provider of enterprise security solutions, from Thoma Bravo for \$2.4 billion.

### Media and Marketing

- Regarding the Media and Marketing horizontal, sponsored acquisitions in the Exhibitions, Conferences, and Events segment tripled on a year-over-year basis, from 11 to 33 deals.
- Providence Equity Partners, either directly or through an affiliated business, completed six segment transactions in 2015. The largest of these deals was the acquisition of Clarion Events, a U.K. based organizer of more than 200 events in 35 countries, for \$307 million.

### Secondary Buyouts

As for secondary buyouts, or transactions completed between private equity firms, deal volume remained about constant. However, this represented a 40 percent increase relative to 2013.

### Industry Wide Valuations

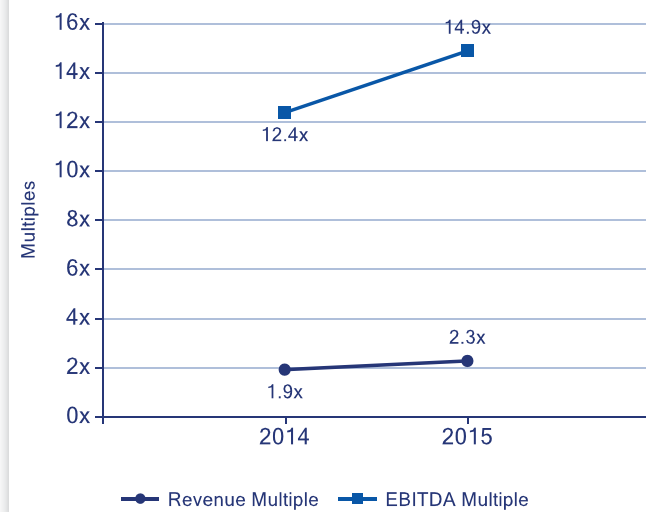
Enterprise value multiples over the past 24 months have been strong. The median revenue multiple during this timeframe was 2.0x, while the median EBITDA multiple was 14.5x.

## M&A Analysis of the Past Two Years

Berkery Noyes recorded 1,176 private equity merger and acquisition (M&A) transactions in the Information Industry from the beginning of 2014 through the end of 2015. M&A volume increased 13 percent on a year-to-year basis, whereas deal value gained 22 percent. Of note, seven of the top ten highest value deals in 2015 occurred during the second half of 2015. The median revenue multiple rose from 1.9x to 2.3x, while the median EBITDA multiple improved from 12.4x to 14.9x.

Meanwhile, mid-market education transactions in the \$10-\$20 million range received a median revenue multiple of 1.5x. Deals above \$160 million in enterprise value had a median revenue multiple of 2.9x. Nearly one-third of companies sold during this period received transaction values between \$12 million to \$148 million.

### Median Enterprise Value Multiples

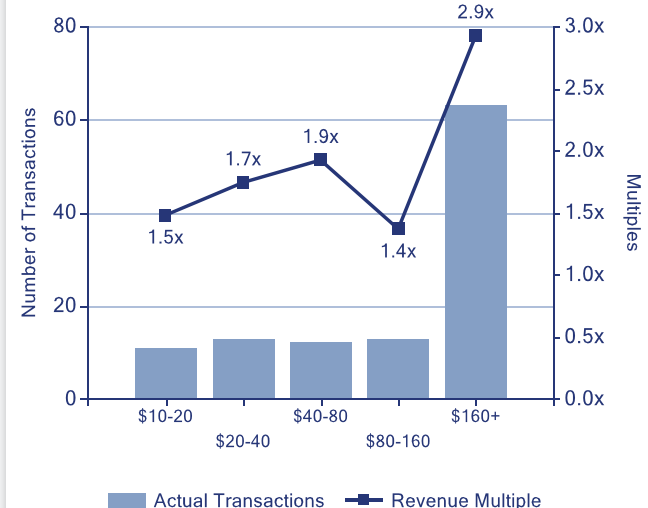


## Key Trends Per Industry Vertical

- **Education.** The Education vertical experienced a 13 percent improvement in financially sponsored volume. Upon examination of specific buyers, the most active acquirer in the Education sector in 2015, either directly or through an affiliated business, was Providence Equity Partners with eight transactions.

Along these lines Providence acquired higher-ed predictive analytics company Blue Canary; Nivel Siete, a learning solutions, hosting, support, and consulting services business; Aerobics and Fitness Association of America,

### Median EV/Revenue Multiples By Size



which offers education workshops and certifications; Studialis, a group of 23 higher-ed institutions; X-Ray Analytics, a predictive analytics tool that will be integrated with Blackboard's Moodlerooms and Enterprise Moodle; Remote-Learner UK, which provides hosting, support, and other open source solutions to the education industry; Endeavour College of Natural Health, an Australian-based institution that offers vocational training in the health and wellness sector; and Schoolwires, an educational website, hosting, and content management provider to K-12 schools.

Meanwhile, The Riverside Company was the most active financial sponsor in the Professional Training and Services subsector with three acquisitions. Riverside, either directly or through an affiliated business, acquired Health and Safety Institute, a training and compliance company; C-Learning, which specializes in online content development, learning management, and other e-learning solutions; and Digital Ignite, SaaS-based continuing education and learning management software company.

- **Finance.** The Finance vertical had a 12 percent increase in private equity volume. The most active acquirer in the Finance sector in 2015, either directly or through an affiliated business, was Vista Equity Partners with six transactions. The largest of these deals was the announced acquisition of Solera Holdings in the property and casualty (P&C) sector for \$6.25 billion. Other related transactions completed by Vista Equity included International Document Services, a provider of mortgage documents

and compliance services; Coretrac, which offers integrated customer relationship management (CRM) solutions to banks and credit unions; Eagleview Technology Corporation, an aerial imagery, data analytics and GIS solutions business serving the commercial, government and public utility sectors, a deal that occurred in the Insurance segment; AutoStar Solutions, which provides management application software to automobile dealerships, as well as independent finance companies; and Cougar Software, an investment management solutions company used by real estate investors.

- **Healthcare.** The Healthcare vertical underwent a five percent yearly decline in private equity volume. This followed a 26 percent increase between 2013 and 2014. The highest value Healthcare transaction in 2015 was Pamplona Capital Management's acquisition of MedAssets, a healthcare performance improvement company, for \$2.77 billion. At the same time, the most active financial sponsor in the Healthcare sector in 2015, either directly or through an affiliated business, was New Mountain Capital with five transactions. Of these deals, the largest was the acquisition of Equian, a provider of health care payment integrity solutions to payors of medical claims, for \$225 million.

## Conclusion

Private equity acquirers are continuing to place premium valuations on quality information companies. Drawn by stronger valuations, once reticent sellers are showing increasing receptivity to good offers. Having succeeded with early-round investments, many private equity players are increasing their acquisition activity, going head to head with strategic buyers and stepping up to the higher multiples. Awash in cash and under pressure to use it, these funds are bidding aggressively for high-quality assets, courting sellers with full valuations.

## About Berkery Noyes

Founded in 1980, Berkery Noyes is an independent investment bank that provides M&A advisory and financial consulting services to middle market companies in the information and technology industries.

The firm offers skilled transaction management to publicly traded and privately held businesses and private equity groups in both sell-side and buy-side transactions. Berkery Noyes has managed over 500 transactions, ranging from several million to more than four billion dollars in value.

## SELECTED SPONSORED TRANSACTIONS COMPLETED BY BERKERY NOYES

