

SOFTWARE INDUSTRY

FULL YEAR 2012 :: Mergers and Acquisitions Trend Report

2012 KEY HIGHLIGHTS

- The most active private equity acquirer in the Software Industry in 2012 was Vista Equity Partners with 12 transactions.
- The segment with the largest disclosed median revenue multiple was Infrastructure Software at 2.7x revenue.
- There were 228 financially sponsored transactions with an aggregate value of \$19.31 billion, representing 15 percent of the total volume and 27 percent of the total value, respectively.

2012 KEY TRENDS

- Total transaction volume in 2012 increased by one percent over 2011, from 1,515 to 1,537.
- Total transaction value in 2012 fell by 15 percent over 2011, from \$80.81 billion to \$68.52 billion.
- The median revenue multiple moved slightly from 2.2x in 2011 to 2.1x in 2012. The median EBITDA multiple declined from 12.9x to 11.9x.

M&A Market Dynamics



Figure 1. 2010-2012 value and volume comparison.

M&A MARKET OVERVIEW

Berkery Noyes tracked 4,402 transactions between 2010 and 2012, of which 1,490 disclosed financial terms, and calculated the aggregate transaction value to be \$172.79 billion. Based on known transaction values, we project values of 2,912 undisclosed transactions to be \$43.66 billion, totaling \$216.46 billion worth of transactions tracked over the past three years.

One area that experienced continuous growth in the Niche Software segment over the past three years was the retail subsector, which included a 35 percent increase in M&A activity from 2011 to 2012. The largest announced transaction in this subsector over the past three years was RedPrairie Corporation's acquisition of JDA Software Group, a supply chain management deal, for \$1.80 billion in 2012.

The most active acquirer by volume in the Software Industry between 2010 and 2012, either directly or through an affiliated business, was Google Inc. with 49 transactions. 10 of these occurred in 2012: Incentive Targeting, Viewdle, Inc., Nik Software, VirusTotal, Wildfire Interactive, Inc., Sparrow, Quickoffice Inc., Meebo, TxVia, Inc., and Milk Inc.

Median Enterprise Value Multiples

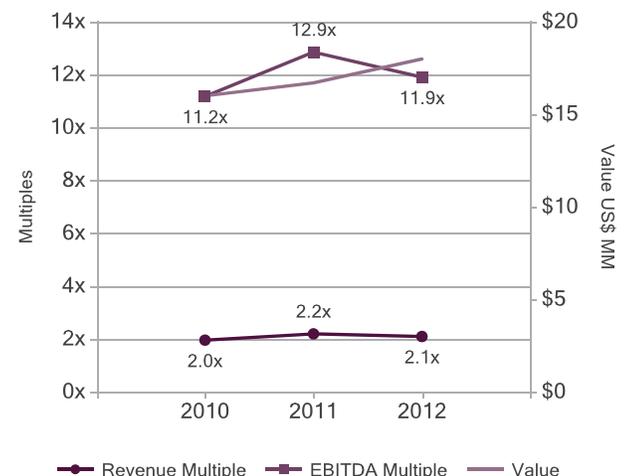


Figure 2. 2010-2012 median value, revenue, EBITDA comparison.

Transaction Analysis :: January 1, 2012 – December 31, 2012

Bell Curve - Histogram

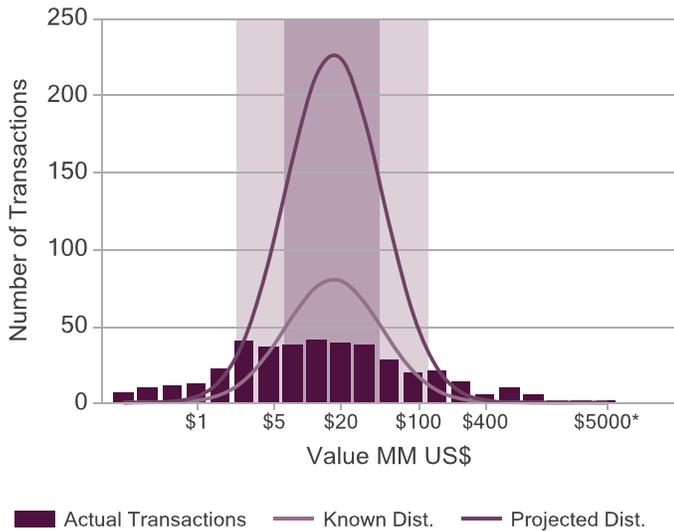


Figure 3. Shows distribution of Software transactions based on publicly available information and Berkery Noyes estimates. Using a logarithmic scale, we determined that nearly two-thirds of companies purchased had transaction values of \$1.6 million to \$148.4 million. Based on this data, we estimate the total transaction value of deals done in 2012 at \$68.5 billion.

* Indicates largest industry transaction from Jan. 1, 2012 to Dec. 31, 2012.

Distribution Table

Value in MM US\$	Known Number	Projected Number	Total Number	%	Cumulative %
\$0.2	6	0	6	1 %	1 %
\$0.4	10	0	10	2 %	4 %
\$0.6	11	1	11	3 %	7 %
\$1.0	12	4	15	3 %	10 %
\$1.6	22	15	36	5 %	15 %
\$2.7	40	41	81	10 %	25 %
\$4.5	36	92	127	9 %	34 %
\$7.4	37	159	195	9 %	43 %
\$12.2	41	214	254	10 %	53 %
\$20.1	39	224	262	10 %	63 %
\$33.1	38	182	220	9 %	73 %
\$54.6	28	116	143	7 %	80 %
\$90.0	19	57	76	5 %	84 %
\$148.4	21	22	43	5 %	90 %
\$244.7	14	7	20	3 %	93 %
\$403.4	5	2	6	1 %	94 %
\$665.1	10	0	10	2 %	97 %
\$1,096.6	5	0	5	1 %	98 %
\$1,808.0	2	0	2	0 %	99 %
\$2,981.0	1	0	1	0 %	99 %
\$4,914.8	1	0	1	0 %	99 %
Total #	402	1135	1537		
Total \$ Value	\$49,050	\$19,475	\$68,524		
Middle 3rd of Industry		Middle 2/3rds of Industry			

Figure 4. Presents the data depicted in the bell curve histogram.

Note: The projected number column is rounded as a result of the projection and may produce insignificant errors in the total sum.

Strategic vs. Financial Comparison

M&A Dynamics By Transaction Type

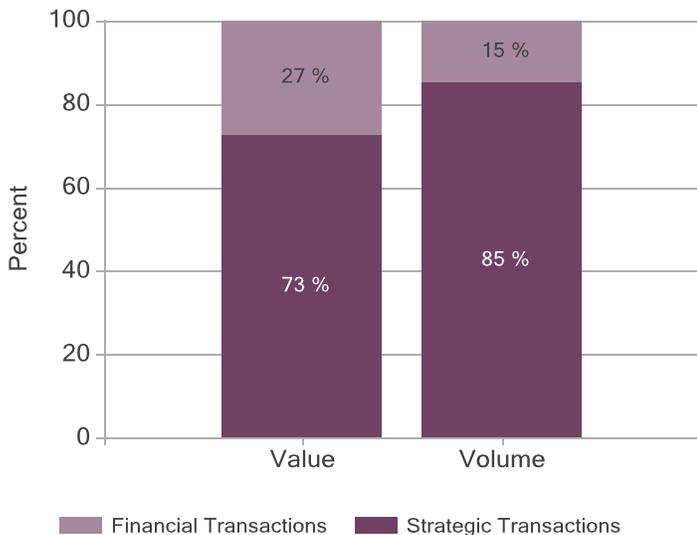


Figure 5. 2012 value and volume comparison by acquirer type.

Note: Financial transactions are those financed by private equity, venture capital, and other investment firms. This includes acquisitions by portfolio companies of the investment firms.

Transaction Type

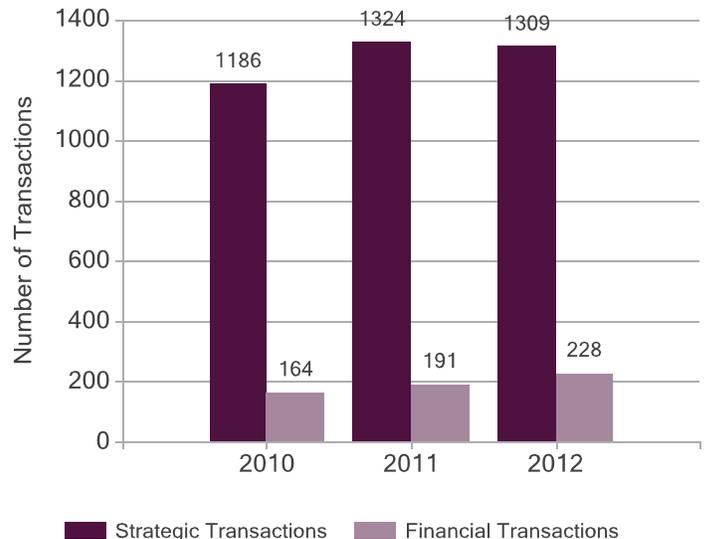


Figure 6. 2010-2012 acquirer type comparison by year.

Purchaser Analysis

Top Ten Notable Transactions 2012

Deal Date	Target Name	Buyer	Value MM US\$
03/15/12	NDS Group Ltd.	Cisco Systems, Inc.	\$4,965
05/22/12	Ariba, Inc.	SAP America, Inc.	\$4,402
06/29/12	Quest Software, Inc.	Dell, Inc.	\$2,248
03/19/12	Misys plc	Turaz	\$2,018
02/09/12	Taleo Corporation	Oracle Corporation	\$1,805
11/01/12	JDA Software Group, Inc.	RedPrairie Corporation	\$1,804
07/30/12	Sunquest Information Systems	Roper Industries, Inc.	\$1,390
07/23/12	Nicira, Inc.	VMware Inc.	\$1,260
08/27/12	Kenexa Corporation	IBM	\$1,218
07/03/12	M*Modal	One Equity Partners	\$1,055
2012 Aggregate Transaction Value			\$68,524
Top 10 Aggregate Transaction Value			\$22,166
Top 10 Aggregate Value as a Percentage of All Transactions			32 %

Figure 7. Lists the top ten transactions for 2012 and calculates their aggregate transaction value as a percentage of the total aggregate transaction value as shown in Figure 1 & 4.

Note: Transaction data based on announced date. Deal value represents total consideration paid by the acquirer.

Median EV/Revenue Multiples By Size

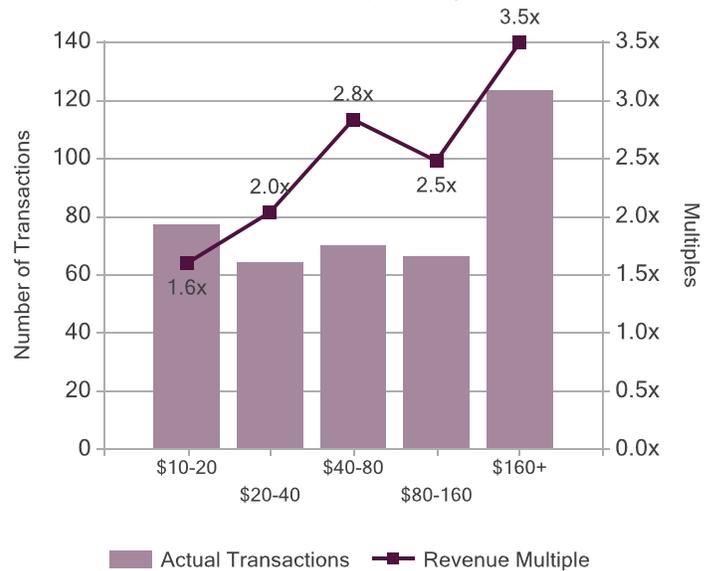


Figure 8. Presents the median enterprise value/revenue multiples paid for companies in the Software Industry from Jan. 1, 2010 to Dec. 31, 2012 based on publicly available data.

Transaction Volume by Segment :: January 1, 2010 – December 31, 2012

Transactions By Market Segment

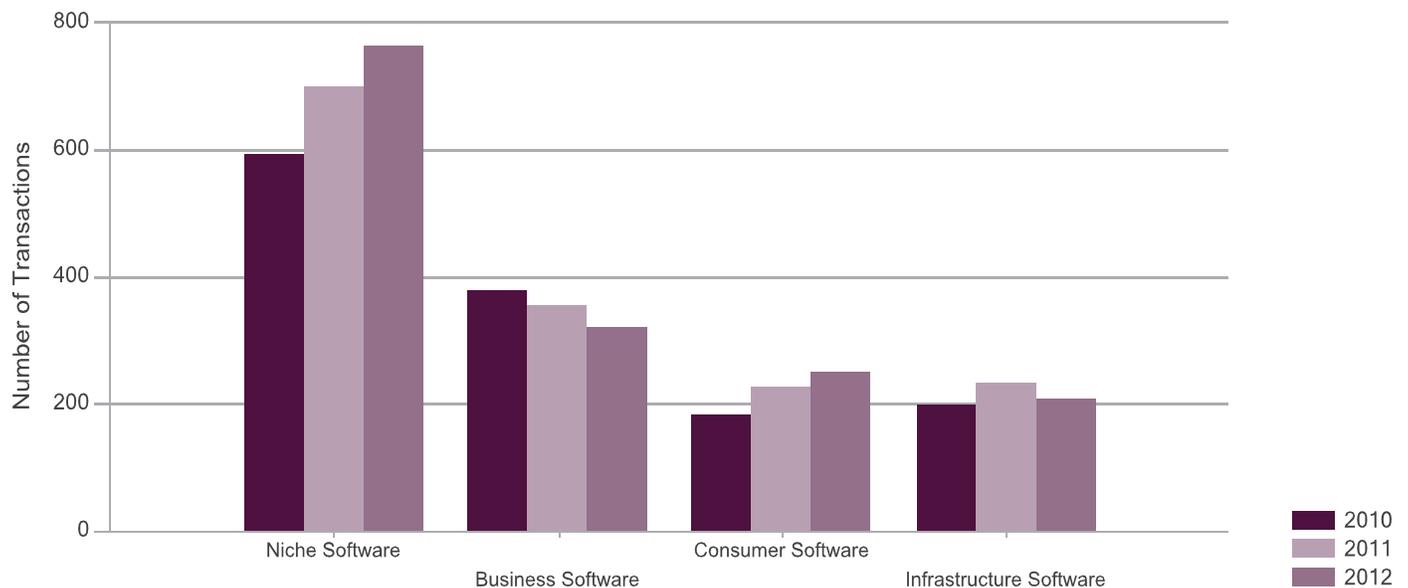


Figure 9. Presents transaction volume by target segment within the Software Industry from Jan. 1, 2010 through Dec. 31, 2012.

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The DNA of M&A

All charts in this report are based on data gathered by Berkery Noyes' research department. All time period statistics are based on the transaction announcement date.

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