

SOFTWARE INDUSTRY

Q3 2018 :: Mergers and Acquisitions Trend Report

Q3 2018 KEY HIGHLIGHTS

- The industry's largest transaction in Q3 2018 and year-to-date was Broadcom's announced acquisition of CA Technologies, a provider of information technology (IT) management software and solutions, for \$18.4 billion.
- There were 395 financially sponsored transactions in the 1st 3 Quarters of 2018 with an aggregate value of \$40.2 billion, representing 24 percent of the total volume and 28 percent of the total value, respectively.

Q3 2018 KEY TRENDS

- Total transaction volume in Q3 2018 decreased by five percent over Q2 2018, from 572 to 545. This followed a 13 percent rise in Q2 2018.
- Total transaction value in Q3 2018 rose by nine percent over Q2 2018, from \$51.6 billion to \$56.4 billion. Of note, this was the fifth consecutive quarterly increase in aggregate value.

MULTIPLES & VALUE TRENDS

- The median revenue multiple from 2017 through the 1st 3 Quarters of 2018 improved by 26 percent, from 2.3x to 2.9x.
- The median EBITDA multiple from 2017 through the 1st 3 Quarters of 2018 declined by seven percent, from 13.3x to 12.4x.

Top Ten Notable Transactions - 1st 3 Quarters 2018

Deal Date	Target Name	Buyer	Value MM US\$
07/11/18	CA Technologies, Inc.	Broadcom Limited	\$18,383
05/29/18	BMC Software, Inc.	Kohlberg Kravis Roberts & Co.	\$8,500
06/04/18	GitHub Inc.	Microsoft Corporation	\$7,500
03/20/18	MuleSoft	Salesforce.com, Inc.	\$5,939
01/11/18	DST Systems, Inc.	SS&C Technologies, Inc.	\$5,637
09/20/18	Marketo, Inc	Adobe Systems Incorporated	\$4,750
05/11/18	ZPG Plc	SilverLake	\$3,338
07/20/18	Charles River Systems, Inc.	State Street Corporation	\$2,600
01/29/18	CallidusCloud	SAP America, Inc.	\$2,426
08/02/18	Duo Security	Cisco Systems, Inc.	\$2,350
2018 Aggregate Transaction Value			\$141,927
Top 10 Aggregate Transaction Value			\$61,424
Top 10 Aggregate Value as a Percentage of All Transactions			43 %

Figure 3. Lists the top ten transactions for the 1st 3 Quarters of 2018 and calculates their aggregate transaction value as a percentage of the total aggregate transaction value.

Transaction data based on **announced date**.

M&A Market Dynamics By Quarter

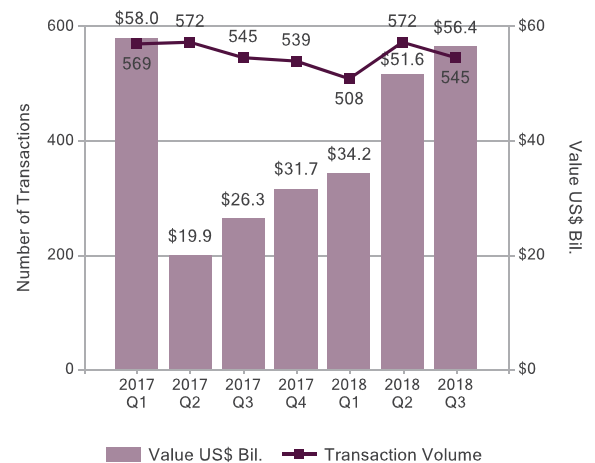


Figure 1. 2017-2018 value and volume comparison.

Median Enterprise Value Multiples

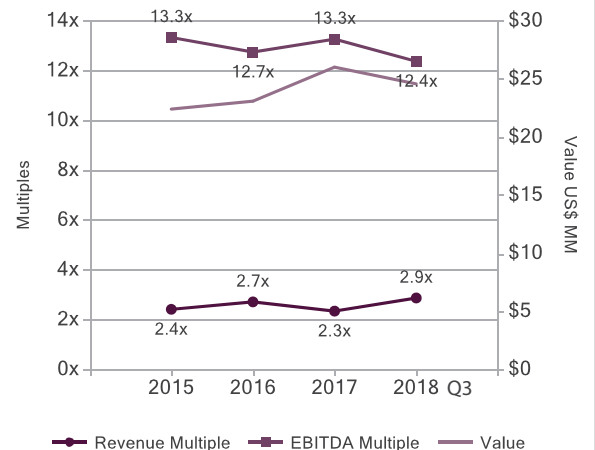


Figure 2. 2015-2018 median value, revenue, EBITDA comparison through Q3 2018.

TOP TEN DEALS THROUGH Q3 2018

The top ten deals by value have seen four new additions since our half year report, including two that occurred in the Infrastructure segment. In addition to the previously mentioned CA Technologies deal, Cisco Systems acquired Duo Security for \$2.4 billion.

These four transactions, with an aggregate value of \$28.1 billion, represented 20 percent of transaction value in the 1st 3 Quarters of 2018 and 50 percent of Q3 2018 transaction value.

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