

SOFTWARE INDUSTRY

Q1 2019 :: Mergers and Acquisitions Trend Report

Software transaction volume saw a two percent uptick over the past three months, from 588 to 599. After rising 56 percent in Q4 2018, aggregate value fell 48 percent, from \$88 billion to \$45.5 billion. Deal activity improved 18 percent and value gained 33 percent when examined on a year-over-year basis.

The Infrastructure segment underwent a 22 percent increase in volume from Q4 2018 to Q1 2019. The largest security related transaction year-to-date was Carbonite's acquisition of Webroot, which secures endpoints and provides network protection, security awareness training, and threat intelligence services, for \$619 million.

Deal volume in the "Niche Software" segment, which is targeted to specific vertical markets, experienced a three percent quarterly gain and rose 11 percent over Q1 2018. The Niche segment's largest transaction in Q1 2019 was Thoma Bravo's announced acquisition of Ellie Mae, a cloud-based platform provider for the residential mortgage sector, for \$3.3 billion.

M&A volume in the Business segment, which consists of software designed for general business practices and not specific industry markets, remained about constant on a quarterly basis. However, activity improved 15 percent compared to Q3 2018 and 45 percent relative to Q1 2018.

Two of the industry's top ten largest deals year-to-date occurred in the Business segment's human capital management (HCM) sector: the announced acquisition of Ultimate Software Group, a provider of cloud-based HCM solutions, by an investor group led by Hellman & Friedman, for \$10.8 billion; and Morgan Stanley's announced acquisition of Solium Capital, a provider of SaaS-based stock plan administration technology and services, for \$744 million.

M&A Market Dynamics By Quarter

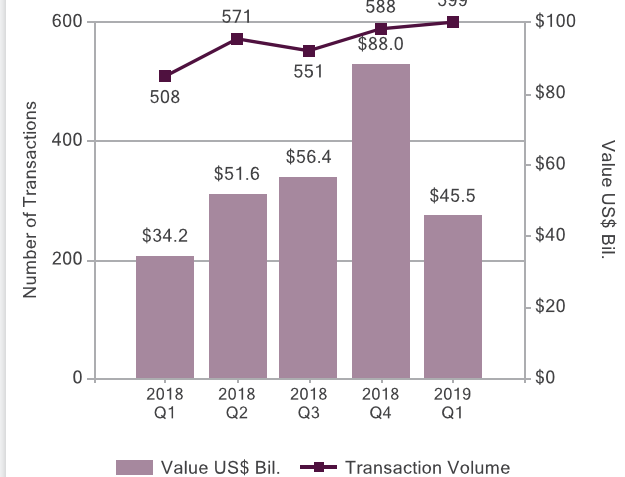


Figure 1. 2018-2019 value and volume comparison by quarter.

Top Ten Notable Transactions Q1 2019

Deal Date	Target Name	Buyer	Value MM US\$
02/04/19	Ultimate Software Group	Blackstone Group LP, Hellman & Friedman LLC, GIC, JMI Equity, CPP Investment Board	\$10,821
02/12/19	Ellie Mae, Inc.	Thoma Bravo, LLC	\$3,306
03/06/19	Bigo Technology Pte LTD	YY Inc.	\$1,453
03/22/19	eFront	BlackRock, Inc.	\$1,300
03/31/19	TRANZACT	Willis Towers Watson	\$1,200
01/22/19	TomTom Telematics	Bridgestone Europe NV/SA	\$1,040
01/14/19	QuickBase	Vista Equity Partners	\$1,000
02/11/19	Solium Capital Inc.	Morgan Stanley	\$744
03/11/19	NGINX Inc.	F5 Networks Inc.	\$670
02/08/19	Webroot Inc.	Carbonite, Inc.	\$619

2019 Aggregate Transaction Value \$45,451

Top 10 Aggregate Transaction Value \$22,151

Top 10 Aggregate Value as a Percentage of All Transactions 49 %

Figure 2. Lists the top ten transactions for Q1 2019 and calculates their value as a percentage of the aggregate transaction value as shown in Figure 1. **Note:** Transaction data based on **announced date**.

Deal value represents total consideration paid by the acquirer.

Transactions By Market Segment

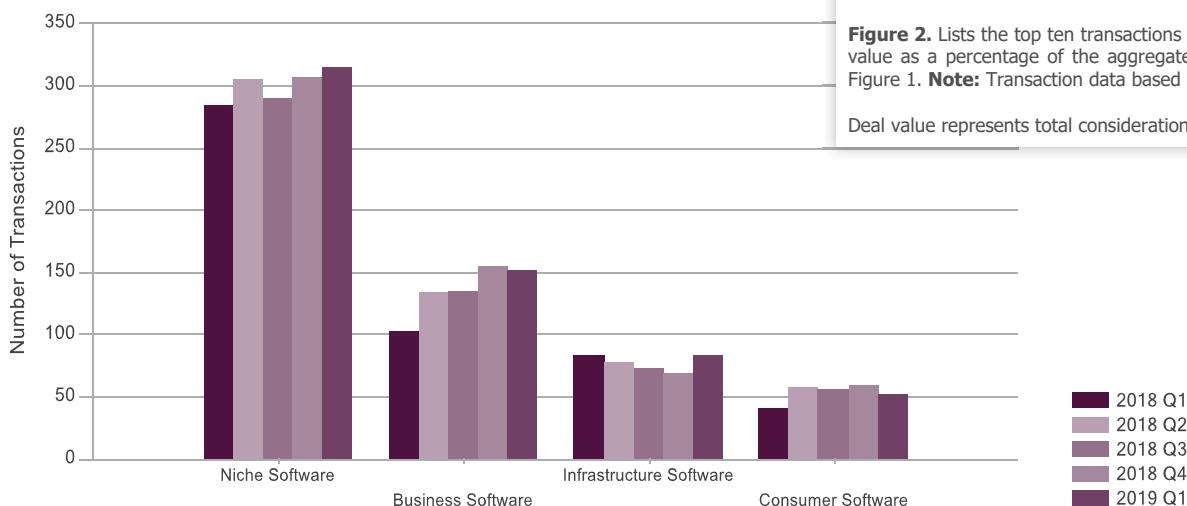


Figure 3. Presents transaction volume by target segment within the Software Industry from January 1, 2018 through March 31, 2019.

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