

July 2018 Industry snapshot

SOFTWARE

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INSIDE

- Clairfield sector practice
- Market trends
- Deal activity
- Track record





INTRODUCTION TO CLAIRFIELD'S SOFTWARE SECTOR PRACTICE



BERTRAND HERMEZ
SECTOR HEAD

Clairfield International's software sector team advises software companies on both the buy and sell side, specializing in middle market transactions for young entrepreneurial companies as well as established players.

Our sector team members have an in-depth knowledge of the key market players in the relevant subsectors and a proven track record of transactions advised.

The team works together to identify trends and opportunities in the sector and researches the most appropriate international buyers and targets for each case, taking advantage of inroads established during our years of experience.

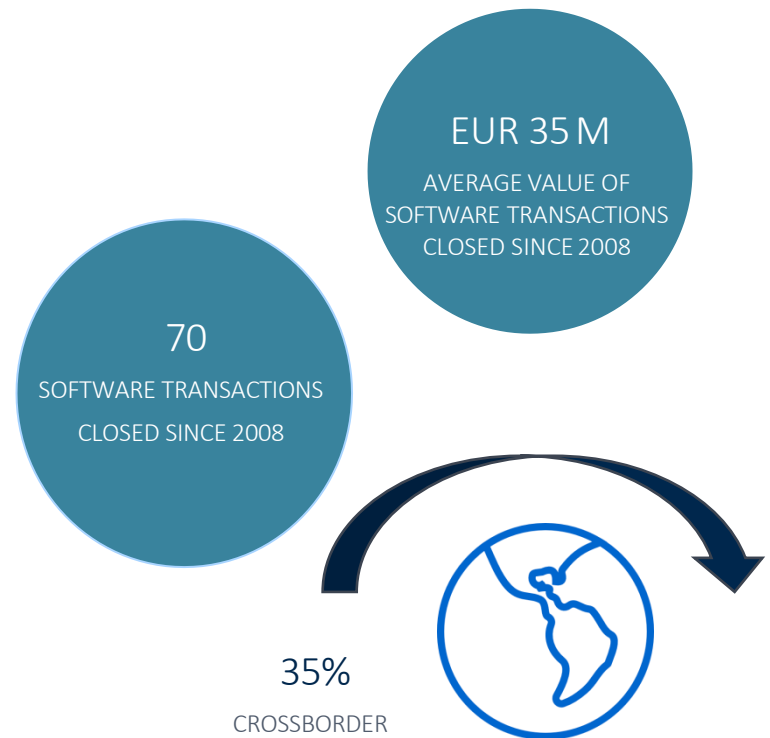
The transition to the cloud is a key driver of the very active software M&A market. Niche

software for very specific industries, and consumer-facing software are the most active subsectors.

Clairfield's software team offers special expertise in the following verticals:

- Digital marketing
- e-payment
- Fintech
- Gaming
- Healthcare software
- HR software
- IT services
- Security software

Proven track record in the sector





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SOFTWARE M&A IN FACTS AND FIGURES



16% decline in deal value from 2016 to 2017



2191

Number of worldwide deals made in the software industry in 2017 (+4% over 2016)

EV :

- Median 2.3x revenue
- Median 13.3x cash EBITDA

2017 most active M&A sub-sectors

Niche software

- The niche software segment, which is targeted to specific vertical markets, saw a nine percent uptick in 2017 to over 1200 transactions.
- *Example of transaction: Pitney Bowes acquired Newgistics, a provider of e-commerce services for retailers and brands, for USD 475 million.*

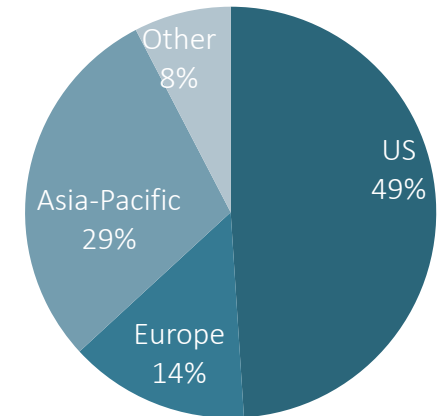
Business software

- Deal activity slightly decreased in 2017 but there were still over 400 transactions in 2017
- *Example of transaction: Cisco Systems acquired AppDynamics, an application performance management and IT analytics company, for USD 3.9 billion.*

Valuation trends

- In terms of valuations, the median revenue multiple year-over-year decreased from 2.7x to 2.3x, while the median EBITDA multiple saw a slight uptick from 12.7x to 13.3x.
- Over the past three years, deals in the USD 10-20 million range received a median enterprise value multiple of 2.1x revenue, compared to 2.3x revenue for those in the USD 20- 40 million range, 2.8x revenue for those in the USD 40-80 range and 3.8x revenue for those in the USD 80-160 million range and above

Breakdown by target geography in deal value (2017)



USD 134 billion



SOFTWARE AS A SERVICE: THE GRAIL

SaaS is seeing massive growth worldwide

<p>Advantages</p>	<ul style="list-style-type: none"> • Lowers the equipment, supplying, software and maintenance costs for companies. • Performant business model: pricing under monthly or annual subscriptions. • Faster deployment and less data consuming compared to on premise systems.
<p>Drawbacks</p>	<ul style="list-style-type: none"> • Dependence on external suppliers. • Security control.
<p>Trends and drivers</p>	<ul style="list-style-type: none"> • The SaaS market should double in size over the next 3 years to reach USD 75.5bn in 2020 according to Gartner. • A fragmented market with new market entrants offering innovations. • Consolidation: the largest vendors acquire smaller and mid-sized players in order to increase their valuation and add multiples of existing revenue. • Main drivers: artificial intelligence, business analytics, Internet of Things, migration to SaaS from traditional enterprise software vendors such as Microsoft, IBM.

MAIN SAAS PLAYER CATEGORIES

Collaboration market



CRM



ERP



Human resources



Infrastructure



Other enterprise apps



Implying EV above 3.5x Rev, MRR is also a key parameter in valuation



LISTED PLAYERS		EV/SALES	EV/EBIT	EBIT%
Microsoft Corporation	United States	5.54x	20.25x	27.37%
Oracle Corporation	United States	4.87x	13.83x	35.19%
Sage Group plc	United Kingdom	4.85x	18.89x	25.66%
Salesforce.com, inc.	United States	7.75x	346.43x	2.24%
SAP SE	Germany	4.86x	22.55x	21.55%
Ultimate Software Group	United States	6.98x	147.40x	4.74%
Workday, Inc.	United States	10.80x	N/A	-14.23%
ZenDesk, Inc.	United States	7.28x	N/A	-26.58%

Median: 6.26x (EV/SALES), 21.40x (EV/EBIT), 13.15% (EBIT%)

PRIVATE EQUITY IS ALSO ACTIVE LOOKING FOR GROWTH, RECURRING REVENUES AND FUTURE CONSOLIDATION



SELECTED TRANSACTIONS (EUR MILLION)

DATE	TARGET	COUNTRY	BUYER	COUNTRY	EV	EV/SALES	EV/EBITDA
5/18	MuleSoft	USA	Salesforce	USA	5977	236x	92.1x
1/18	CallidusCloud	USA	SAP	Germany	2242	8.9x	14,372x
10/17	broadsoft	USA	CISCO	USA	1588	4.4x	54.7x
7/17	Intacct	USA	sage	UK	850	8.9x	n/a



LEAGUE TABLE RANKING: HIGH TECHNOLOGY

Financial advisor	2017 Rank
Ernst & Young	1
Rothschild & Co	2
PricewaterhouseCoopers	3
Lazard	3
Clairfield International	5
KPMG	5
IMAP	5
BDO	8
Raymond James Financials Inc	9
Globalscope	10

Source: Thomson Reuters Mid-Market Insight Deals Intelligence, October 2017

ENTERPRISE SOFTWARE DEAL SPOTLIGHT

France



was sold to



and other investors
alongside new management

ERP SOFTWARE

The founding shareholder of Mistral sold his shares in a LMBI transaction. Created in 1980, the Mistral group is composed of Mistral Informatique (software publisher and mobile apps) and Mistral DataCenter (hosting and managed services). It is the second market player in France in ERP software publishing focusing on the distribution, repair, and rental of agricultural, public works, and handling equipment.

Omnes equity-invested approximately EUR 12 million. With the support of SWEN Capital Partners, Parvilla, and Capital Transmission, Omnes is the majority shareholder alongside new management. The transaction was also financed by senior debt. This complex sale with many moving parts was advised by Clairfield International in France.

SELECTED TRANSACTIONS ADVISED BY CLAIRFIELD

Denmark/US



Siteimprove

received a minority investment from



SUMMIT PARTNERS

WEB GOVERNANCE SOFTWARE

Norway



tripletex

was sold to



VISMA®

ERP SOFTWARE

Norway



HOUSE OF CONTROL

was sold to



VIKING VENTURE

ENTERPRISE SOFTWARE

Australia



iPRO LIVE

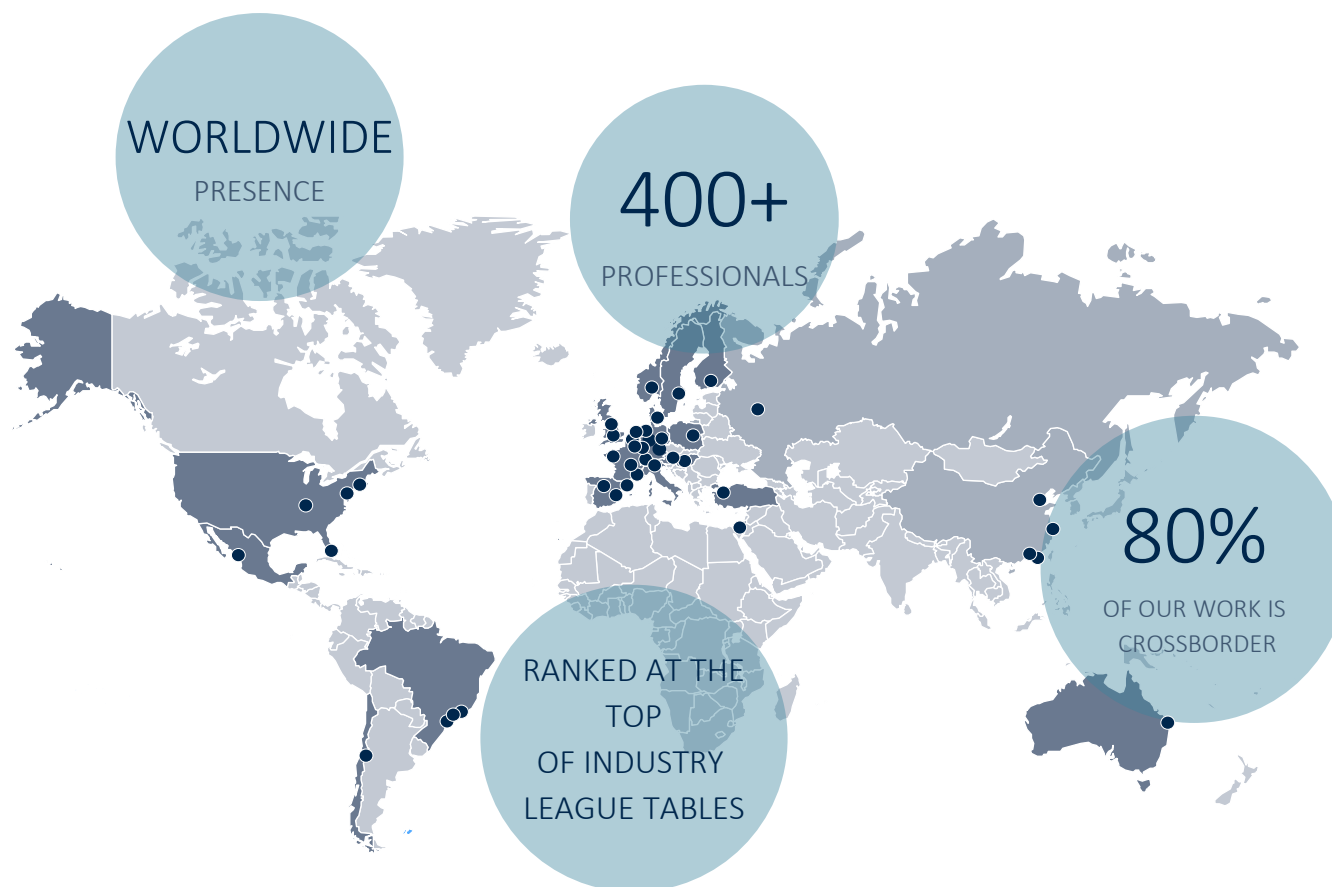
received an investment from



BAILADOR

VENDOR MANAGEMENT SOFTWARE

CLAIRFIELD – A GLOBAL PARTNERSHIP OF M&A SPECIALISTS



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Clairfield International provides advisory services on middle-market transactions for large companies, private investors and private equity, public sector clients, and family businesses. Headquartered in Europe with locations in every major region worldwide, Clairfield offers clients access to local corporate businesses, investors, and key decision makers, combined with a deep understanding of local regulations and cultures. Clairfield ranks as one of the top independent M&A advisors in the annual worldwide, European, US, Latin American, and Asian Pacific league tables by Thomson Reuters.

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