



# European Software industry

## M&A update Q2 2016

### Highlights

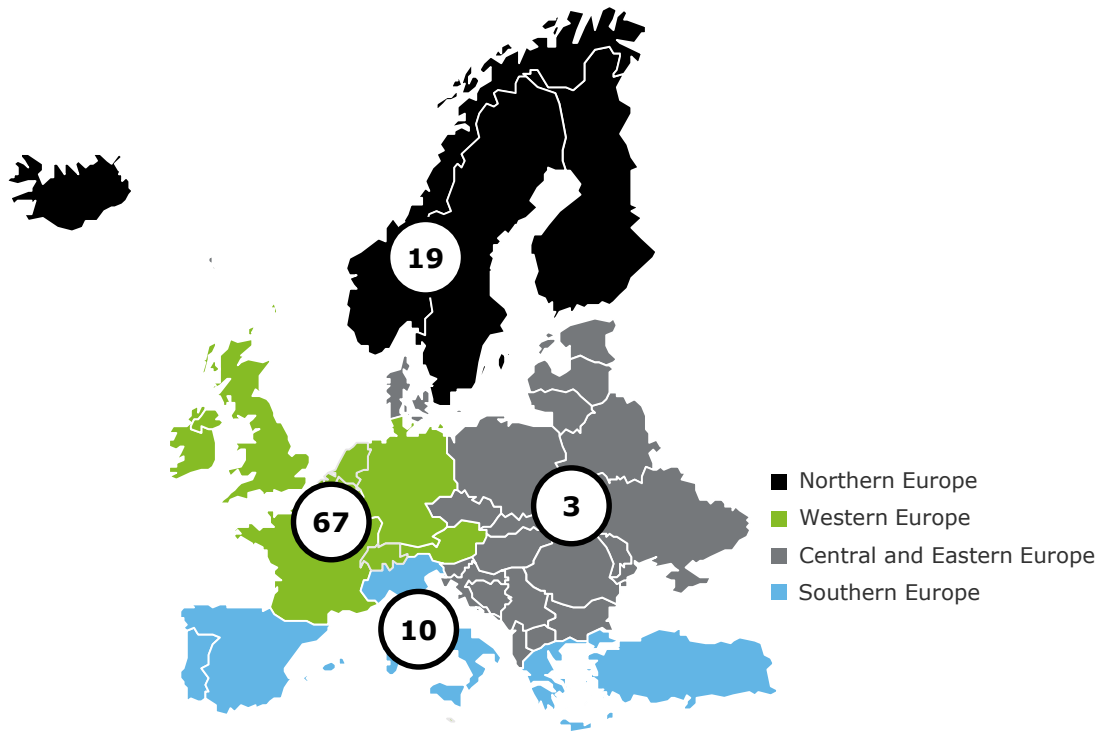
- 10% increase in transaction volume driven by activity in Western Europe and recovery in Southern Europe
- Substantial increase in EUR 100m+ transactions
- Point solution vendors (e.g. social, marketing, analytics) are currently the focal point of M&A activity within CRM

# Mergers & Acquisitions Activity Europe

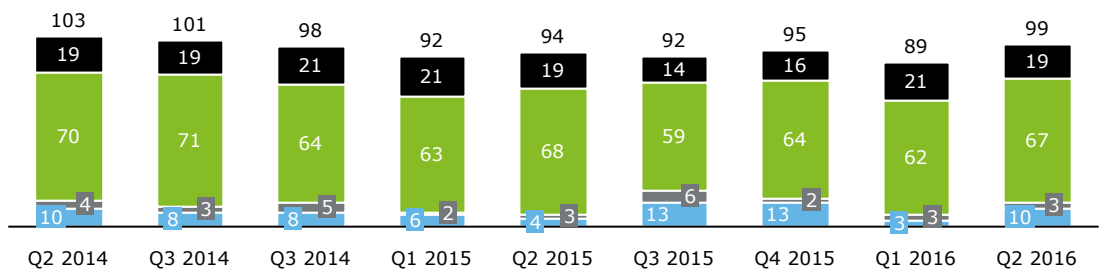
Number of transactions Q2 2016

European software markets show a 10% increase in transaction volumes, increasing from 89 transactions in Q1 2016 to 99 in Q2 2016

The increase in Q2 2016 is driven by more transactions in Western Europe and Southern Europe, compared to Q1 2016

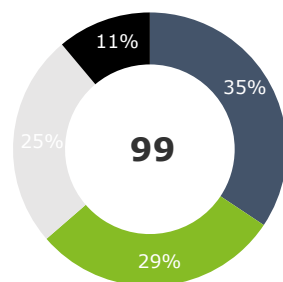


Number of transactions Q2 2014 – Q2 2016

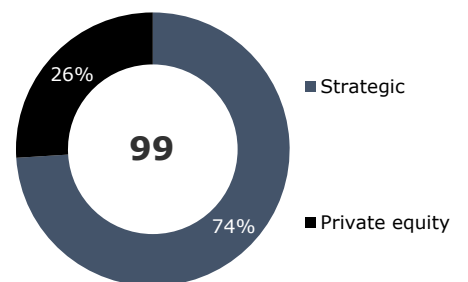


Cross-border deal-making continues to be the largest part of software deal activity, with a slight decline in the share of US buyers

Geographic buyer split



Strategic buyers vs private equity



# Mergers & Acquisitions Activity Europe

## Transaction overview Q2 2016

Increase in transaction volume is accompanied by a substantial increase in (disclosed) enterprise values

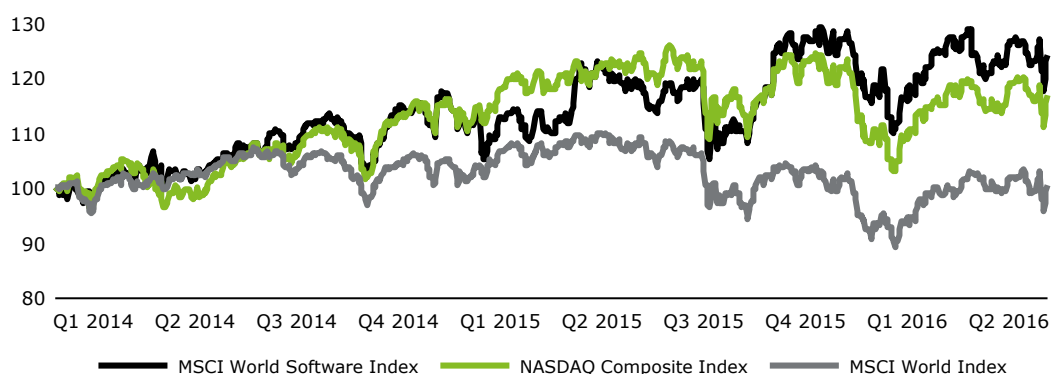
Median disclosed enterprise value increased from EUR 29m to EUR 52m in Q2 2016, with 11 transactions exceeding EUR 100m in enterprise value, versus 7 in Q2 2016

Date	Target	Target Description	Target Country	Bidder	EV
30-Jun	Eniram	Marine decision support systems	FI	Wartsila	43
30-Jun	ePawn	Virtual reality and augmented reality devices	FR	Starbreeze	6
30-Jun	Intesis Software	Communication gateway solutions for HVAC	ES	HMS Industrial Networks	13
30-Jun	Deltatre	Online solutions for the sports market	IT	Bruin Sports Capital	122
30-Jun	Axxerion Facility Services	SaaS solutions for facility management	NL	Main Capital Partners	n.a.
28-Jun	NoemaLife	Clinical and hospital information systems	IT	Dedalus	61
28-Jun	eDevice	Medical device connectivity solutions	FR	Andon Health	87
24-Jun	AutoForm Engineering	Software solutions for sheet metal forming	SW	Astorg VI Special	644
20-Jun	Nortal Group (50%)	eGovernment, Healthcare, private sector	EE	Employees	30
20-Jun	Magic Pony Technology	Machine learning	UK	Twitter	132
16-Jun	DEF Software (90%)	Software development for local governments	UK	Management	7
14-Jun	Connode (87%)	Industrial communication products and solutions	SW	Cyan Holdings	7
6-Jun	Fast React Systems	Software solutions for the fashion industry	UK	Coats Group	8
03-Jun	ChartCo	Software development in marine data	UK	Equistone Partners Europe	71
1-Jun	Vicrea Solutions	Geo IT solutions	NL	Total Specific Solutions	n.a.
31-May	ION Trading (10%)	Electronic trading solutions	IE	Carlyle Partners VI	359*
27-May	Target Group	Software and services for financial institutions	UK	Tech Mahindra	147
26-May	e-Avrop	Turnkey cloud solutions for public tenders	SW	Pamir Partners	4
23-May	Market Metrics; Matrix-Data	Online business intelligence software solutions	UK	Asset International	156
18-May	Apical	Imaging processing technology	UK	ARM Holdings	310
12-May	DCC Labs	Develops software solutions for digital TV	PL	SeaChange	7
11-May	AEVI	Gateway for payment transactions	DE	HPE Growth Capital	20
9-May	StickyADStv	Online video advertising platform	FR	FreeWheel Media	88
4-May	Ads Reality (97%)	Software solutions to recognise 3D products	UK	GAME Digital	25
27-Apr	MelodyVR	Developer related to virtual reality music consumption	UK	Armstrong Ventures	7
25-Apr	DdD retail	IT solutions for the fashion/retail industry	DK	K3 Business Technology Group	9
20-Apr	Cabify (37.5%)	Mobile application for cab booking	ES	Rakuten	106
19-Apr	The Property Software Group	Real estate software solutions	UK	Zoopla Property Group	95
18-Apr	Benefits-Plaza	Employee Benefits platform for administration	NL	Keylane	n.a.
18-Apr	Cegid	Developer of business management software	FR	Silver Lake Partners; AltaOne Capital	642
13-Apr	NEXThink	Solutions to measure risk and security	CH	Highland Capital Partners Europe	35
06-Apr	OpenJaw Technologies	Travel distribution software solutions	IE	TravelSky Technology	34
4-Apr	OpenBet	Software for the sports betting and gaming industry	UK	NYX Gaming	338
01-Apr	JBW Group (90.5%)	Debt collection software	UK	Outsourcing	27
1-Apr	Sitcore Corporation	Customer experience management software	DK	EQT Partners	1,000

Source: MergerMarket data – transactions listed as 'Computer software' transactions; Deloitte analysis, selection based on software dominant transactions with disclosed enterprise value; \*deal value instead of enterprise value

# Public Software Companies

## Development of key equity indices



## Trading multiples key software vendors Europe and US

Company	HQ	EV	Market Cap.	Revenue	EBITDA margin	EV / Revenue 2016	EV / Revenue 2017	EV / EBITDA 2016	EV / EBITDA 2017	
<b>Europe</b>										
Aveva Group	GB	976	1,084	201	19.1%	4.8x	4.6x	25.4x	16.4x	
Avg Technologies	NL	1,077	965	445	40.4%	2.4x	2.3x	6.0x	5.6x	
Axway Software	FR	395	430	308	15.1%	1.3x	1.2x	8.5x	7.6x	
Basware	FI	458	498	155	(0.5%)	3.0x	2.6x	n.m.	43.4x	
Cegid Group	FR	624	559	312	27.9%	2.0x	1.9x	7.2x	6.7x	
Compugroup Medical	DE	2,332	1,993	576	23.0%	4.0x	3.7x	17.6x	15.3x	
Dassault Systemes	FR	15,991	17,565	3,035	35.7%	5.3x	4.9x	14.8x	13.4x	
Esi Group	FR	216	178	125	10.6%	1.7x	1.5x	16.3x	13.5x	
Fidessa Group	GB	678	756	309	22.1%	2.2x	2.1x	9.9x	9.5x	
F-Secure	FI	331	424	157	15.6%	2.1x	2.0x	13.6x	11.2x	
Gemalto	NL	5,224	4,883	3,224	18.5%	1.6x	1.5x	8.8x	7.7x	
Linedata Services	FR	318	300	175	26.6%	1.8x	1.8x	6.8x	6.6x	
Micro Focus International	GB	6,364	4,909	1,232	43.3%	5.2x	4.8x	11.9x	10.3x	
Nemetschek	DE	1,887	1,892	328	25.5%	5.7x	5.1x	22.6x	19.5x	
Psi	DE	161	199	195	9.1%	0.8x	0.8x	9.1x	7.9x	
Sage Group	GB	7,239	6,968	1,535	30.2%	4.7x	4.4x	15.6x	14.4x	
Sap	DE	86,333	82,940	21,920	36.4%	3.9x	3.7x	10.8x	10.6x	
Simcorp	DK	1,768	1,828	290	23.8%	6.1x	5.8x	25.6x	24.0x	
Software	DE	2,382	2,431	883	31.2%	2.7x	2.6x	8.6x	8.3x	
Temenos Group	CH	3,740	3,460	608	36.0%	6.2x	5.6x	17.1x	15.2x	
					<b>Average</b>	<b>24.5%</b>	<b>3.4x</b>	<b>3.1x</b>	<b>13.5x</b>	<b>13.4x</b>
					<b>Median</b>	<b>24.6%</b>	<b>2.8x</b>	<b>2.6x</b>	<b>11.9x</b>	<b>10.9x</b>
<b>United States</b>										
Adobe Systems	US	45,331	47,731	5,809	38.0%	7.8x	6.4x	20.5x	16.1x	
Ca	US	12,941	13,800	4,025	37.2%	3.2x	3.2x	8.6x	8.5x	
Citrix Systems	US	11,737	12,422	3,356	36.7%	3.5x	3.4x	9.5x	8.9x	
Intuit	US	27,945	28,558	4,674	36.8%	6.0x	5.5x	16.3x	14.1x	
Microsoft	US	343,062	402,220	90,925	37.5%	3.8x	3.6x	10.1x	9.6x	
Oracle	US	156,974	168,743	37,047	40.8%	4.2x	4.1x	10.4x	9.0x	
Salesforce.com	US	51,378	53,800	6,667	9.6%	7.7x	6.2x	80.2x	30.5x	
Symantec	US	8,758	12,576	3,600	21.0%	2.4x	2.5x	11.6x	7.2x	
Vmware	US	17,533	24,277	6,898	35.8%	2.5x	2.4x	7.1x	6.9x	
					<b>Average</b>	<b>32.6%</b>	<b>4.6x</b>	<b>4.1x</b>	<b>19.4x</b>	<b>12.3x</b>
					<b>Median</b>	<b>36.8%</b>	<b>3.8x</b>	<b>3.6x</b>	<b>10.4x</b>	<b>9.0x</b>
<b>Total</b>					<b>Average</b>	<b>26.8%</b>	<b>3.8x</b>	<b>3.5x</b>	<b>15.2x</b>	<b>13.0x</b>
					<b>Median</b>	<b>26.6%</b>	<b>3.5x</b>	<b>3.4x</b>	<b>11.8x</b>	<b>10.6x</b>

Source: Bloomberg, per 30 June 2016. All numbers are in EUR

## Industry Special – CRM Software

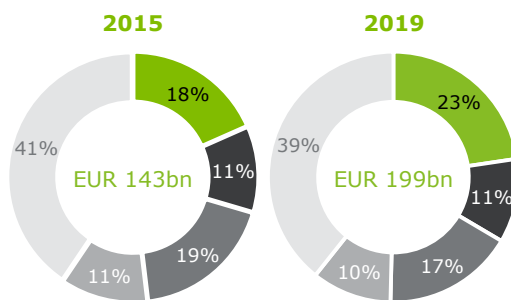
### Market trends and developments

Leading CRM vendors (Salesforce, SAP, Oracle, Microsoft, Adobe, and IBM) account for nearly 50% of the market. Overall, the top 10 accounted for more than 58% share, or more than USD 15.3bn

Growth among leading vendors was driven by SaaS growth for new product lines or by M&A

- Leading CRM vendors continue to invest in new technologies to enable digital business, drive growth and improve customer experience
  - Important differentiation drivers are new data and analytics tools
- In Europe, leading global vendors face competition from many local vendors with knowledge on cultural norms, language and localisation allowing for strong (regional) value propositions
- Regions clearly differ in terms of adoption, where adoption in emerging markets mostly concerns new implementations rather than add-on functionalities
- In mature markets, large organisations are augmenting existing CRM implementations with point solutions, usually SaaS-based
- Point solution vendors (e.g. social, marketing, analytics) are currently the focal point of M&A activity, with large vendors using M&A to extend their position in sub segments and enrich feature sets

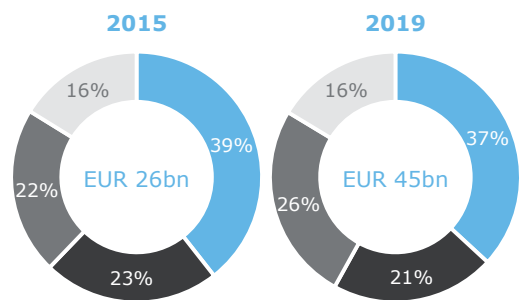
### Enterprise application market



Among enterprise software, CRM shows the strongest growth rate (14.4% annually) up to 2019 and the strongest move towards cloud and SaaS

- CRM (CAGR 2015 – 2019: 14.4%)
- BI and Analytics
- ERP
- Office Suites
- Other

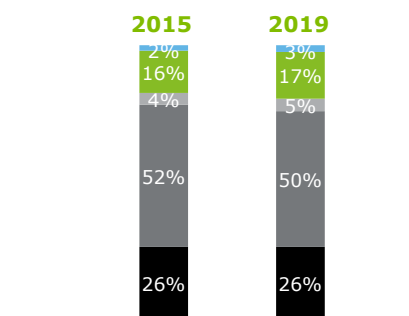
### CRM revenue by segment



- Customer Service and Support
- Sales
- Marketing
- Digital Commerce

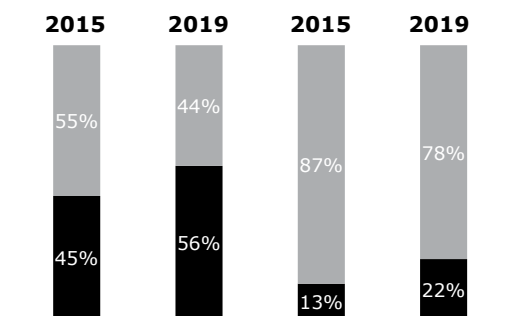
Within CRM, customer service and support remains the largest segment at 39.4%. This segment is expected to decrease slightly to 36.9% till 2019, while the marketing segment is expected to increase from 21.6% to 25.6% over the next years

### CRM revenue by region



- Middle East and Africa
- Asia | Pacific
- Latin America
- North America
- Europe

### CRM SaaS adoption



- SaaS
- License

Adoption of cloud and SaaS within some emerging regions continues to be constrained by IT infrastructures, government regulation on customer data moving across borders, and lack of availability for local-language offerings

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