Top Ten Tech Trends Driving M&A
How do I “Invest right?”

How do I exit well?

How do I get the best return on my investment?
Three Questions I always get from Entrepreneurs

- Who’s my most likely buyer?
- When is the best time to sell?
- What’s my company worth?
Agenda

- Setting the stage
- Top 10 disruptive technology trends - and why they matter
- Who’s buying?
- How much are they paying?
- Some closing thoughts
Representative Corum M&A Transactions

Unique Viewpoint: Sold More IT-related Companies than Anyone in the World
Global Perspective: 60% of transactions cross border
Our Foundation...

- Research
- Education
- Valuation
Leverage of Corum’s Unique Perspective and Global Reach

Top 10 Technology Trends Driving M&A
TOP TEN disruptive technology trends . . . and why they matter
Technology Trends Do Matter

1. Trends create change
2. Change drives strategic imperative
3. Strategic imperative drives acquisitions
4. Well-positioned companies get sold

So … Alignment is Important!
Corum Top Ten Technology Trends 2017

**CORE**
- AI Enablement
- IoT Software
- Visual Intelligence Systems
- Digital Currency Flow
- Data Science Monetization

**CONTOUR**
- Online Exchanges
- Omni-channel Sales
- Connected Health
- Focused IT Services
- Data Security
Nascent AIs and other machine learning platforms need data.

Need tasks that provide data, benefit from improving expertise, then provide feedback to improve the platform.

Business cases emerging rapidly across all sectors.

Significant stores of unique data can short-circuit “build vs. buy” debates in M&A.
“Siri give me a hint”

Why don’t you check a rumours blog? That’s what I do.
#1: AI Enablement

Putting AI to work by means of big data and feedback

- Dramatic demand for all things AI: 62% CAGR - $16B market by 2022
- Over 400 AI-related acquisitions since 2012 alone
  - Salesforce acquired BeyondCore ($110M) – Business Intelligence
  - Oracle acquired Crosswise ($50M) – Mobile ad tracking
  - Infor acquired Predictix ($125M) – retail forecasting
  - LinkedIn acquired Connectifier ($105M) – recruitment engine
  - IBM acquired Truven ($2.6B) – “200 million lives”
- Becoming ubiquitous - soon, tech companies not AI-enabled will become unsellable
Emerging platforms, standards & analytics

#2: IoT Software

- Internet of Things (IoT) growth brings us into its first full software cycle.
- Each “Thing” needs platforms, communication, analytics, etc.
- Competing platforms and associated ecosystems beginning to coalesce.
- IoT software often, but not always, inextricably enmeshed with hardware.
- Compatibility-driven, as in other cycles of disruption.
- 2016 Spending: $737 Billion
- Growth rate: 15%+ annually - by 2020: $1.3 Trillion market!
- Most of the hype is in Consumer
- Most of the action is in B-to-B – especially manufacturing, transportation & utilities
New players constantly emerging

Alliance networks forming to drive standards

Some consolidation around Google (Android Things), GE (Predictix), PTC (ThingWorx) and Siemens (MindSphere)

Industrial firms top buyers in 2016 – security, analytics, connectivity, controls, data storage

- Siemens acquired Mentor Graphics ($4.5B)
- GE acquired ServiceMax ($1B) - and 6 others

Compression of IoT tech cycles resulting in consolidation on both the platform and hardware fronts this year
#3: Visual Intelligence Systems
Intersection of AI, computer vision & analytics

- Evolution of Positioning Intelligence beyond GPS required computer vision.
- Drones and self-driving cars driving advanced vision tech with even larger implications.
- Retail, security, energy, agriculture, advertising are all being impacted.
- Companies creating practical solutions with this tech—especially utilizing analytics—are in high demand.
Mashing of technologies continues to drive M&A

- Intel acquired 15% stake in HERE (mapping and location services – owned by consortium of car manufacturers)
  - evolving into software companies - collect, process and act upon not only street and location data, but also object, vehicle, human, and behavior.
- eBay acquired Corrigon (image analysis and visual search)
- Netgear acquired Placemeter (vision algos into Arlo Smart Home security)

- Huge leaps in facial recognition and embedded analytics (e.g. drones)
- Visual Intelligence poised to transform nearly every sector of economy
#4: Digital Currency Flow
Decreasing friction in payments & exchange

- Currency flow moving towards fewer barriers, reduced regulation and less friction on transactions globally.
- Banks face competition from nimbler mobile and web point solutions.
- Includes alternative currencies—from blockchain/bitcoin to in-game currencies to Starbucks payments.
- Software & systems that speed or harness payment flow have significant potential.
Digital Wallets
#4: Digital Currency Flow

Decreasing friction in payments & exchange

- M&A driver: consumer expectation for payment to be mobile, personalized, customizable and accessible 7x24 – this will not change soon
- Credit card companies are becoming technology companies / electronic exchanges – EMV chips in credit cards
- Demand areas - payments technology, anything facilitating automation and improved efficiency of banking, insurance, POS, wealth management, robo-advisors and lending
- Huge continuing interest in all things Distributed Ledger (Blockchain)
#5: Data Science Monetization

Maximizing return with real-time analytics

- In a world of freemium, free-to-play & declining ad effectiveness, turning users or viewers into dollars is a premium capability.
- Robust analytic tools are no longer optional, especially for consumer-facing companies.
- Gaming companies are leading the way, deriving value from their analytic capabilities as much as entertainment.
- Video ads are close behind with opportunities in e-commerce, brick & mortar, B2B and beyond.
Increasingly, Data Defines Us

- We are increasingly interconnected
- Every click we make in cyberspace can be tracked
- Our cell phone broadcasts our geolocation constantly
- All our purchases are cataloged somewhere
- Taken together, this information can be analyzed to paint a behavioral picture of us
- Companies are paying a premium for new, or better, ways to monetize this data
Monetization Examples

Media Characteristics of 12 Key 2012 Voter Groups

Types of Candy
National Media Research, Planning, and Placement LLC
By Jennifer Dube and Will Felts
Based on analysis of GfK MRI data 2013 N = 49,770 adults.
NMRPP.com
#5: Data Science Monetization

Maximizing return with real-time analytics

- Key to value is finding more and more information about how customers use your software, when they pay for it, and why they spend even more.

- **SaaS providers** tracking successful and unsuccessful strategies within an ecosystem can provide monetization capability to customers, for everyone’s benefit.

- **Short-term focus on monetizing video advertising**
  - Facebook acquired LiveRail
  - Adobe acquired TubeMogul

- Work out how to find the shortest possible distance between the data and the money – you will be bought!
#6: Online Exchanges

Connecting creators & consumers

- Uber & others recharging the concept that created online commerce, putting unused capacity to work.

- Not just connecting buyers & sellers, but creating previously non-existent opportunities on both sides.

- Disruptive opportunities include:
  - Personalization
  - Real-time commerce
  - Financial disintermediation
Online Exchanges
Connecting creators & consumers

- **eCommerce**: $2 Trillion in 2016
- **Driver**: need for new technology
- **Established exchanges and enabling tech is in demand**
- **Traditional players growing via acquisition**
  - e.g. eBay’s Stubhub acquired Ticketbis and TicketUtils
- **New buyers jockeying for position**
  - e.g. Ritchie Brothers acquired IronPlanet
- **Companies with technology that successfully connects sellers and buyers in unique ways will continue to be in demand**
#7: Omni-Channel Sales

Purchasing decisions anywhere, any platform

- Consumer platforms & devices continually fragmenting.
- Marketing keeping pace – next challenge is sales, both decision points and actual purchase.
- Point at which money changes to product must be immediately with customer, moving closer by being on their favorite device.
- Persuasion must move there as well, taking new forms as it does.
- Consumer brands leading the way, but enterprise is not far off.
All businesses seeking to bring persuasion and purchasing as close to the customer as possible

Spurring demand for personalization, analytics and engagement

Lots of M&A Activity

- Salesforce acquired Demandware ($2.8B)
- Microsoft acquired LinkedIn ($26B)
- Many, many others

More to come as technology meets challenge of facilitating seamless customer experience
#8: Connected Health

Linking people to their health data & services

- Technological, regulatory and demographic changes converging to create significant opportunity.

- Leveraging new tech: smartphones, trackers, connected medical devices, genomics, remote monitoring.

- Improved self-care and remote care/diagnosis.

- Makes healthcare more patient-centric by enabling healthcare consumerism.
Spock’s Tricorder
#8: Connected Health
Linking people to their health data & services

- **M&A Drivers:**
  - demand for improved interoperability between previously isolated data for population health analytics, genomics, and predictive and personalized medicine
  - demand for healthcare transparency as individuals creating and curating their own health data
  - demographic change tailwind

- Connecting with patients - more money spent on patient engagement solutions than on typical EHR M&A

- Feeding frenzy will continue:
  - Wolter acquired EMMI ($175M)
  - TeleDoc acquired HealthiestYou ($155M)
  - Swedish PE EQT acquired Press Ganey ($2.3B)
New and more pervasive technologies creating new needs for maintenance, extension and utilization.

Teams that provide customer value around a specific technology, sector or problem are seeing increased value.

Buyers seeing more value in purpose-built IP emerging out of services firms.

Services on the edge of key trends seeing particular interest.
#9: Focused IT Services

Differentiation drives new value in a sleepy sector

- Demand for IT Services firms focused on a particular platform or vertical industry interest has doubled valuations since 2012
  - These deals are clustering around vertical domains such as CRM, supply chain, and HR
- In 2016, CRM deals exceeded 16 acquisitions of Salesforce-based services companies alone
- Better alignment of business processes and best practices with new systems has become fundamental
Building barriers in an age of blurred lines

- New technologies creating new risks from freer flowing data.
- High impact breaches (DNC, Yahoo, Dyn DNS, Oracle Micros) drive broad recognition of security needs.
- Key trends include security analytics, rapid detection & in-process threat response.
- Internet of Things opening a new front in this fight – the Dyn DDoS attach came from infected IoT devices.
Cyber-criminals Attack Almost Immediately

- Security firm set up a “honeypot” – superficially resembling real servers but with sensors to map attack activity
- Highly automated attack tools (“attack bots”) assaulted system within 71 minutes of being switched on
- A wide variety of attack bots probed the servers seeking weaknesses - unrelenting and continuous
- After 21 hours - the first booby-trapped phishing email targeting employees
- About 15% of the emails contained a link to a compromised webpage that, if visited, would launch a further attack

BBC experiment August 2017
17% of the attack bots were spiders that sought to suck up all the web content they found.

37% looked for vulnerabilities in web apps or tried well-known admin passwords.

10% checked for bugs in web applications the servers might have been running.

29% tried to get at user accounts using brute force techniques that tried commonly used passwords.

7% sought loopholes in the operating system software the servers were supposedly running.

BBC experiment August 2017
#10: Data Security

Building barriers in an age of blurred lines

- Will remain a Top Ten trend for a VERY long time
  - “Arms Race” of Measure / Counter-Measure
- Big security firms can’t keep up with pace of innovation – but CAN fill product gaps and acquire innovative teams
  - Symantec acquired Blue Coat ($4.7B) and Lifelock ($2.3B)
- Huge demand for
  - predictive threat intelligence
  - multi-factor authentication
  - highly secured cloud platforms for short-term sharing of data
- Add to this - By 2020 there will be an estimated 80 billion connected IoT devices to protect!
Why These Trends Matter

- If you are not aligned with these trends you will be swamped by them
- If you are not aligned with these trends you may not get buyer attention
- If you are not aligned with these trends you will not secure an optimal exit
Who’s my most likely buyer?

These trends determine who will buy you – or whether you’ll be bought at all!
Who’s buying?
Types of buyers and what’s driving M&A
M&A “Forcing Function”

- As a group, large companies are not good at innovation
  - Three year failure rate for internal innovation is the same as for any startup
- But, large companies are very good at scaling businesses
  - that’s how they got to be big!
- Have to buy to survive and thrive
- What and when they buy depends on their strategic imperatives
Strategic Buyers ($1T cash)

- Complementary products/services/distribution
- Similar businesses – different geography
- Part of your “food chain”
- New advanced technology
- Competitors (approach with caution)
Top Strategic Acquirers – 2016

- **j2 Global**: 24
- **Accenture**: 21
- **Dentsu Aegis Network**: 20
- **Salesforce**: 15
- **IBM**: 14
- **GE**: 13
- **Deloitte**: 12
- **Microsoft**: 12
- **Intel**: 11
- **Hexagon**: 11
- **Verizon**: 10
- **WPP**: 10
- **Alphabet**: 10
It’s Not Just About Technology

User Base – NT

EDS & AMPER SAN D CORPORATION has acquired

Agent Network

DacEasy REMOTE CONTROL INTERNATIONAL has acquired

New Market Opportunity

brother at your side has acquired nefsis

Market Solution

ISC LP has acquired OrCAD
Other Compelling Reasons

Content Purchase
- COREL has acquired Graphic Corp

Market Beachhead
- MADE2MANAGE has acquired DTR

Domain Expertise
- StreamServe has acquired VJUNGLE

Management Team
- COGNOS has acquired LEX2000
Unusual Circumstances

RAPID Divesture

Apax Partners

CDP Capital

PARTNERS

PARTECH

INTERNATIONAL

has acquired

CARTESIS®

(a division of PricewaterhouseCoopers)

Conflict of Interest

DST Systems

has acquired

MSE Integrated Systems

(a subsidiary of the Chicago Stock Exchange)
Expanding Footprint

International Expansion

Kewill Systems Inc., a subsidiary of Kewill Systems plc

has acquired

Exeter

New Technology Partner

IDEXX Laboratories

has acquired

Advanced Veterinary Systems
Financial Buyers ($3T cash)

- Financial engineers ("smart money")
- Some high-volume, tech-savvy firms
- Others lower volume and/or less tech-savvy
- Usually cash – be careful of complex structures
- Primarily concerned with ROI
- Usually plan to hold and sell again
- Due Diligence is tougher (NO leverage)
- Platforms, bolt-ons, roll-ups
**Private Equity Portfolio Companies**

- Financial buyers behaving like strategics
- Deploying cash through portfolio companies
- Doing deals for strategic reasons (technology, footprint, channels, etc.)
- Often with strategic prices
Top Private Equity Acquirers – 2016
Who's my most likely buyer?

Strategic Buyer?

Financial Buyer?
How much are they paying? Valuations and the market today
Some Facts About Value

- Value is “relative”
- Value to a buyer depends on its strategic imperatives at the time of purchase
- So value depends on the seller’s unique mix of attributes
Value Is Driven By A Range Of Dynamics

**MARKET**
- Market Growth
- Market Position
- Level of Competition
- Barriers to Entry/Exit
- Threat of Substitution

**ORGANIZATIONAL**
- Leadership
- Talent/Skills
- Product/Technology
- Sales Channels
- Customer Base

**FINANCIAL**
- Revenue
- Earnings
- Growth Rate
- Cash Flow
- Balance Sheet
Top 10 Intangible Assets that Add Value

✓ Intellectual property
✓ User base
✓ Channels
✓ Leads
✓ Domain Expertise
✓ Alliances
✓ Staff
✓ Technology
✓ Processes
✓ Web-SEO
What's my company worth?

Right Market?
Organization?
Financials?
Intangibles?
Some Facts About Value

- Value is "relative"

- Value to a buyer depends on its strategic imperatives at the time of purchase

- So value depends on the seller’s unique mix of attributes

- Value is driven by supply & demand and fluctuates by market sector
Corum Index

Market

Transactions
2015: 4307
2016: 3914
Increase: 9.1%

Mega Deals
2015: 59
2016: 80
Increase: 36%

Largest Deal
2015: $63B
2016: $39.2B
Increase: 38%

Pipeline

Private Equity Deals
2015: 232
2016: 320
Increase: 38%

VC Backed Exits
2015: 648
2016: 657
Increase: 1.4%

Attributes

Cross Border Transactions
2015: 34%
2016: 35%
Increase: 2.9%

Start-Up Acquisitions
2015: 13%
2016: 12%
Decrease: 7.7%

Average Life of Target
2015: 14 yrs
2016: 15 yrs
Increase: 7.1%
Software-Related Valuations

EV/S

Vertical
Horizontal
Internet
Infrastructure
Consumer
IT Services

EV/SALES
Software-Related Valuations

EV/EBITDA
<table>
<thead>
<tr>
<th>Subsector</th>
<th>Sales</th>
<th>EBITDA</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>A/E/C</td>
<td>6.17x</td>
<td>25.59x</td>
<td>Autodesk, Dassault Systems, Synopsys</td>
</tr>
<tr>
<td>Automotive</td>
<td>5.67x</td>
<td>18.42x</td>
<td>Autotaker, BitAuto, CDK Global</td>
</tr>
<tr>
<td>Energy &amp; Environment</td>
<td>4.40x</td>
<td>18.94x</td>
<td>IHS Markit, Itron, Schlumberger</td>
</tr>
<tr>
<td>Financial Services</td>
<td>5.35x</td>
<td>17.39x</td>
<td>Broadridge, FIS, Fiserv</td>
</tr>
<tr>
<td>Government</td>
<td>2.11x</td>
<td>13.21x</td>
<td>Northrop Grumman, Raytheon, Tyler</td>
</tr>
<tr>
<td>Healthcare</td>
<td>4.04x</td>
<td>25.18x</td>
<td>Allscripts, Athena Health, Cerner</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.40x</td>
<td>28.03x</td>
<td>CoreLogic, CoStar Group, Zillow</td>
</tr>
<tr>
<td>Vertical Other</td>
<td>3.68x</td>
<td>13.56x</td>
<td>Amadeus, Rockwell Automation, Sabre</td>
</tr>
</tbody>
</table>
### Horizontal Application Software Valuations

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Sales</th>
<th>EBITDA</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Intelligence</td>
<td>3.99x</td>
<td>18.94x</td>
<td>MicroStrategy, NICE, Tableau</td>
</tr>
<tr>
<td>Marketing &amp; Ad Tech</td>
<td>2.19x</td>
<td>22.03x</td>
<td>Acxiom, AllianceData, Amdocs</td>
</tr>
<tr>
<td>CRM</td>
<td>3.41x</td>
<td>50.91x</td>
<td>Convergys, LivePerson, Salesforce</td>
</tr>
<tr>
<td>ERP</td>
<td>5.31x</td>
<td>25.30x</td>
<td>Oracle, Pega, SAP</td>
</tr>
<tr>
<td>Human Resources</td>
<td>6.84x</td>
<td>38.38x</td>
<td>ADP, Paychex, Workday</td>
</tr>
<tr>
<td>SCM</td>
<td>4.71x</td>
<td>21.29x</td>
<td>AspenTech, Descartes, Manhattan</td>
</tr>
<tr>
<td>Payments</td>
<td>4.38x</td>
<td>18.16x</td>
<td>ACI, PayPal, Worldpay</td>
</tr>
<tr>
<td>Other</td>
<td>3.64x</td>
<td>16.26x</td>
<td>Nuance, OpenText, Trimble</td>
</tr>
</tbody>
</table>
## Consumer Application Software Valuations

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Sales</th>
<th>EBITDA</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Casual Gaming</td>
<td>4.36x</td>
<td>23.45x</td>
<td>DEVSISTERS, Nintendo, zynga</td>
</tr>
<tr>
<td>Core Gaming</td>
<td>2.90x</td>
<td>13.29x</td>
<td>ACTIVISION, EA, UBISOFT</td>
</tr>
<tr>
<td>Other</td>
<td>1.32x</td>
<td>N/A</td>
<td>GoPro, NETFLIX, PANDORA</td>
</tr>
</tbody>
</table>
## Internet Application Software Valuations

<table>
<thead>
<tr>
<th>Subsector</th>
<th>Sales</th>
<th>EBITDA</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diversified Internet</td>
<td>5.70x</td>
<td>22.44x</td>
<td>Alphabet, Baidu, Tencent</td>
</tr>
<tr>
<td>eCommerce</td>
<td>1.00x</td>
<td>39.85x</td>
<td>eBay, JD.com, zalando</td>
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<tr>
<td>Social Network</td>
<td>5.06x</td>
<td>22.55x</td>
<td>Facebook, mixi, twitter</td>
</tr>
<tr>
<td>Travel &amp; Leisure</td>
<td>6.05x</td>
<td>27.65x</td>
<td>JUST EAT, Expedia, priceline.com</td>
</tr>
<tr>
<td>Subsector</td>
<td>Sales</td>
<td>EBITDA</td>
<td>Examples</td>
</tr>
<tr>
<td>---------------------------</td>
<td>--------</td>
<td>--------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>Endpoint</td>
<td>3.67x</td>
<td>19.39x</td>
<td>Citrix, Opera software, VMware</td>
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<tr>
<td>IT Services Management</td>
<td>5.32x</td>
<td>14.09x</td>
<td>CA Technologies, Red Hat, ServiceNow</td>
</tr>
<tr>
<td>Network Management</td>
<td>2.59x</td>
<td>8.30x</td>
<td>Arista, Cisco, Juniper Networks</td>
</tr>
<tr>
<td>Security</td>
<td>3.98x</td>
<td>29.27x</td>
<td>Barracuda, Check Point, Gemalto</td>
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<tr>
<td>Storage &amp; Hosting</td>
<td>3.11x</td>
<td>11.75x</td>
<td>Box, Commvault, NetApp</td>
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<tr>
<td>Other</td>
<td>4.81x</td>
<td>11.77x</td>
<td>Atlassian, Progress, New Relic</td>
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<tr>
<td>Subsector</td>
<td>Sales</td>
<td>EBITDA</td>
<td>Examples</td>
</tr>
<tr>
<td>------------</td>
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<td>--------</td>
<td>------------------</td>
</tr>
<tr>
<td>Developed</td>
<td>1.44x</td>
<td>12.13x</td>
<td>accenture, Capgemini, Cognizant</td>
</tr>
<tr>
<td>Emerging</td>
<td>3.00x</td>
<td>19.57x</td>
<td>Infosys, Wipro, GENPACT</td>
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</table>
Twelve Month Change in Valuations
Twelve Month Change in Valuations
## When Should I Sell?

<table>
<thead>
<tr>
<th>Company A - ERP</th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$5.0M</td>
<td>$6.5M</td>
<td>+30%</td>
</tr>
<tr>
<td>EV/Sales</td>
<td>2.6</td>
<td>5.3</td>
<td>+104%</td>
</tr>
<tr>
<td>Nominal Valuation</td>
<td>$13.0M</td>
<td>$34.5M</td>
<td>+165%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company B – SCM</th>
<th>2016</th>
<th>2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$5.0M</td>
<td>$6.5M</td>
<td>+30%</td>
</tr>
<tr>
<td>EV/Sales</td>
<td>7.2</td>
<td>4.7</td>
<td>-35%</td>
</tr>
<tr>
<td>Nominal Valuation</td>
<td>$36.0M</td>
<td>$30.6M</td>
<td>-15%</td>
</tr>
</tbody>
</table>
High SaaS Growth Tracks Valuation

TTM Revenue Multiple vs. Revenue Growth YoY

- Ultimate Software
- Concur
- salesforce.com
- OpenTable
- Eloqua
- athenahealth
- Medidata
- LivePerson
- ExactTarget
- Kenexa
- DealerTrack
- LogMeIn
- Vocus
- Websense
- Callidus
- Saba
- Constant Contact

High SaaS Growth Tracks Valuation

TTM Revenue Multiple

Revenue Growth YoY

0% 5% 10% 15% 20% 25% 30% 35% 40% 45%
Some Facts About Value

- Value is “relative”
- Value to a buyer depends on its strategic imperatives at the time of purchase
- So value depends on the seller’s unique mix of attributes
- Value is driven by supply & demand and fluctuates by market sector
- Value depends on product and market lifecycles
Corum Valuation Lifecycle

Stages of Growth

Valuation Premium

PIONEER  BUILDING  ESTABLISHED
Some Facts About Value

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- So value depends on the seller’s unique mix of attributes
- Value is driven by supply & demand and fluctuates by market sector
- Value depends on product and market lifecycles
- Value also depends on financial market cycles
M&A Follows Financial Cycles
When is the best time to sell?

Market & Product Lifecycle?

Financial Market Cycle?
Some closing thoughts
Five Reasons Tech M&A Will Remain Strong

1. Disruptive trends – Strategic imperative to buy
2. Cash – Strategic & financial buyers
3. Low cost debt for leveraged buyouts
4. Many new buyers (IPOs, non-tech)
5. Strong financial markets
And Then Again ..Six Reasons Why it May Not

1. Geopolitical Disruption
2. Currency Crisis
3. Inflation Increasing
4. Rising Interest Rates
5. Stock Market Adjustment
6. M&A Cycle Ends
Tech M&A Guideline Percentages

- 11%: Buyer solicitations that result in transaction
- 48%: Average improvement from first offer with an auction process
- 75%: How often another firm is willing to pay more than the initial bidder
- 80%: Failure rate in “self-managed” tech M&A
- 100%: Deals involving only one bidder that are suboptimal
Finally ....

- A company is worth what a knowledgeable buyer is willing to pay for it
- Formal valuations don’t capture the strategic value to a given buyer
- If selling, be sure you fully understand your unique value enhancers relevant to buyer interests
- You will never get maximum value unless you align with the trends driving the industry
- You will never get maximum value without discussions with multiple buyers
Questions?

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