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Investment Banking

**European Technology M&A
Maintains Robust Pace**

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European Technology Report



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European Technology M&A Maintains Robust Pace

Financial sponsors continue to move aggressively to acquire tier-1 software companies that come to market.

Despite rising levels of geopolitical uncertainty, European technology M&A activity continued at a robust pace in 2016. For the year, €175 billion of transactions involving European technology targets or acquirers were completed, slightly exceeding 2015's heightened levels. Equity markets and the underlying economies in Europe and North America continue to perform well in 2017, even amid growing questions about the Trump administration's ability to pass comprehensive tax reform and the future of the European Union.

We examine the trends that are shaping M&A activity in European technology, including the ongoing interest from financial sponsors and the rising influence of "out-of-segment" buyers. We also discuss the outlook for M&A activity for the remainder of 2017.

Continued Strong Interest from Financial Sponsors

Private equity firms continue to show a high degree of interest in European technology companies. Given the relatively low supply of tier-1 software companies that come to market, financial sponsors have shown a willingness to move quickly

and aggressively when a software company with strong growth and recurring revenue becomes available.

The impact of this scarcity value was on display in ITRS's recent sale to TA Associates. William Blair advised ITRS, a London-based software company focused on the financial services sector and a portfolio company of The Carlyle Group, on its sale, which was announced on March 6. TA Associates made a preemptive bid for ITRS, leading to an outlier outcome for the sellers less than eight weeks from the date of engagement. Preemptive bids like this have become increasingly common across industries, but particularly so in software because of the relatively low number of high-quality companies that come up for sale.

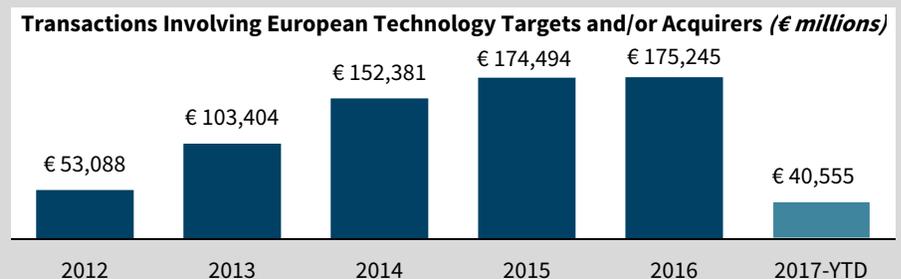
In March, Vista Equity Partners announced that it was acquiring DH Corp., a Canadian financial services

provider, for more than €1.77 billion to combine it with London-based Misys and create a global financial technology firm. This transaction is an example of how Brexit concerns are not preventing private equity firms from making large, global investments involving U.K.-based companies.

The ITRS and DH-Misys transactions also reflect the ongoing surge in M&A activity involving financial technology companies in Europe. Although London remains the epicenter of financial technology innovation in Europe, many promising companies in the sector have emerged across the continent. In February, Equistone Partners sold its majority stake in Meilleurtaux, a leading broker and comparison service for bank loans, insurance, and other financial services in the French market, to Goldman Sachs. In April, Real Deals magazine named Bauer Media Group's

European Technology M&A Values

M&A activity involving European technology companies remained at heightened levels in 2016, despite rising geopolitical uncertainty in Europe and the United States.



Source: Dealogic, through May 15, 2017.

acquisition of Zmarta Group, a portfolio company of H.I.G. Capital, as the Nordic Deal of the Year for 2016. William Blair advised Zmarta on the transaction.

London-based HgCapital announced in April that it was acquiring Mitrstech, a U.S.-based provider of legal, compliance, and risk software. William Blair advised HgCapital on the transaction, which was the private equity firm's second investment in a U.S. company.

Out-of-Segment Buyers Become Major Factors in Broad Processes

As technology continues to disrupt virtually every industry, companies of all types are changing their strategic road maps to respond to these disruptive forces. As a result, the optimal buyer for a software provider often is a company that previously did not consider software to be a core part of its service offerings. In January, William Blair advised Clearswift, a U.K.-based cybersecurity software firm, on its sale to RUAG's Switzerland-based defense division. RUAG is best known for its aerospace, munitions, and other hardware-production capabilities, but cybersecurity is rapidly becoming one of the most critical battlefields for countries and corporations. In September 2016, RUAG Defense announced that it was accelerating the expansion of its cybersecurity business, and Clearswift's data-loss prevention and gateway solutions

proved to be an ideal fit for RUAG's long-term strategy.

The growing trend of "out-of-segment buyers" illustrates the importance of running broad sale processes. Often, companies that are looking to shift their business models and/or service offerings are willing to pay very compelling prices if presented them with the right idea at the right time. That is why knowledge of the strategic road maps is critical when conducting a sale process.

Other recent high-profile strategic transactions include Intel's €13.6 billion acquisition of Mobileye, an Israeli company that makes sensors for driverless cars. The acquisition, which was announced in March, puts Intel squarely in the middle of the high-stakes race to develop leading autonomous driving technology.

2017 M&A Outlook

Market conditions should continue to support healthy levels of M&A activity and robust valuations throughout the rest of 2017. Debt markets remain very accommodative to deal-making as lenders continue to provide high leverage levels and beneficial terms for buyout firms and other issuers.

Given the favorable market conditions and the relatively low supply of tier-1 technology companies coming to market, it is not uncommon for higher-growth software businesses with a higher percentage of recurring revenue to garner LTM EBITDA multiples north of 20 times. Now that

interest rates have begun rising (albeit slowly), it will be interesting to see what impact the higher cost of capital will have on valuations. With the prospect of higher interest rates and uncertainty around how the Brexit proceedings will affect market conditions, it is possible that some financial sponsors will consider bringing asset to market sooner in 2017 than they otherwise would.

Technology Public Equity Activity Remains Focused on U.S. Markets

Most Europe-based technology companies with global offerings continue to look to go public on U.S. markets. This was the approach that France-based Talend took with its successful IPO in July 2016; William Blair served as an underwriter of the \$109 million offering. Alfa Financial, however, bucked this overriding trend by choosing to go public on the London Stock Exchange. The software provider's May 26 IPO, which at €1.12 billion was the largest U.K. debut of 2017 and the largest U.K. technology IPO since 2015, saw a 30% first-day pop.

To learn more about these and other trends that are shaping the dealmaking and capital-raising landscape for European technology companies, please do not hesitate to contact us.

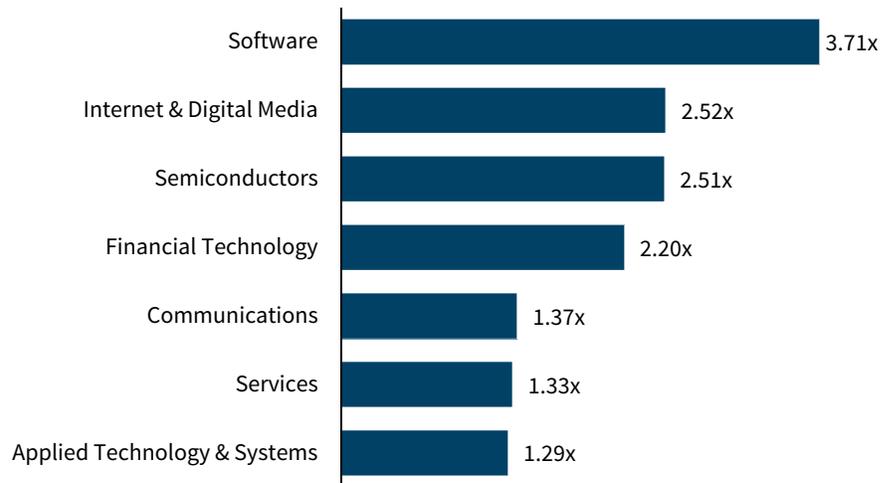
European Technology

We look behind the numbers to examine the market dynamics that are driving trends in the deal-making and capital-raising landscape in European technology.

M&A Valuations Across Sectors in European Technology

Innovative technology companies across Europe are generating strong valuations and significant interest from strategic and financial acquirers. Competition is particularly intense for software companies, given the relatively low supply of tier-1 software assets that have come to market recently. The 3.71 times median revenue multiple for software companies represents a 24% increase since the last issue of our report in November 2016.

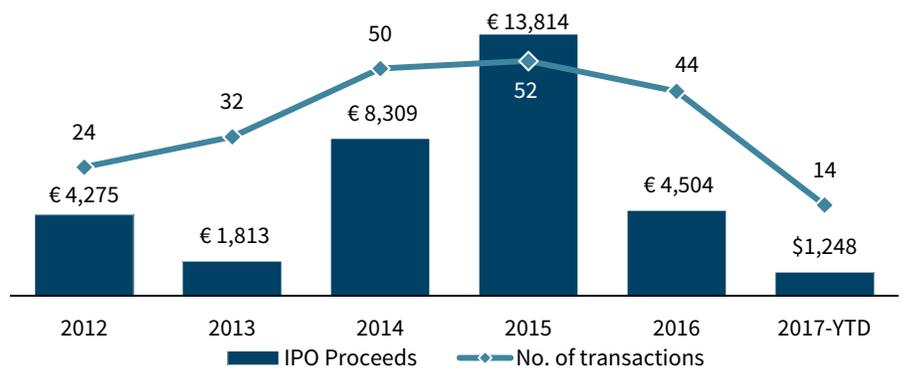
Median EV/LTM Revenue Multiples



Sources: Selected transactions since 2015, Capital IQ, Mergermarket and William Blair Market analysis; data as of May 15, 2017.

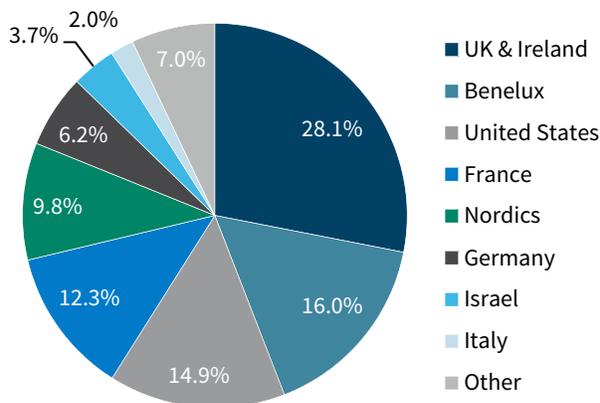
IPOs by European Technology Companies

Public debuts by European technology companies slowed in 2016, reflecting a broader slowdown in IPO activity around the globe. Low volatility and strong equity market returns suggest that the IPO window is opening for technology companies. Alfa Financial took advantage of this window by raising €1.12 billion in its May 26 IPO on the London Stock Exchange. Alfa's IPO, which is not reflected in the chart below, is the largest U.K. IPO of 2017 and the largest U.K. technology IPO since 2015.



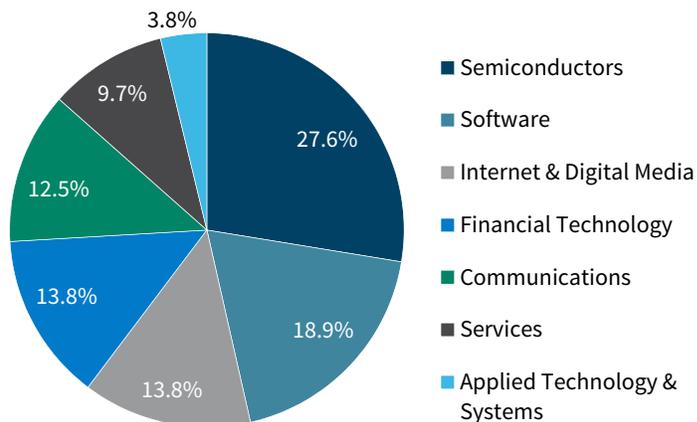
Source: Dealogic, through May 15, 2017; does not include Alfa Financial's IPO on May 26.

Enterprise Value Distribution by Region (2012 - Present)



Sources: Selected transactions since 2012 (EV > €20 million), Capital IQ, Mergermarket and William Blair Market analysis; data as of May 15, 2017.

Enterprise Value Distribution by Sector (2012 - Present)



Sources: Selected transactions since 2012 (EV > €20 million), Capital IQ, Mergermarket and William Blair Market analysis; data as of May 15, 2017.

European Technology M&A Activity by Country/Region

Brexit’s long-term impact on M&A activity remains to be seen, but U.K.-based buyers and sellers have remained very active since the June 2016 referendum vote. The acquisitions of London-based ITRS and the merger of Canada-based DH Corp. and London-based Misys in March are examples of the ongoing activity involving U.K.-based technology companies.

M&A Valuations Across Sectors in European Technology

As Europe’s financial technology ecosystem continues to grow and evolve, the sector is seeing increased investment and M&A activity, much of which is occurring outside of London. In April, Real Deals magazine named Bauer Media Group’s acquisition of Zmarta Group, a portfolio company of H.I.G. Capital, as the Nordic Deal of the Year for 2016. William Blair advised Zmarta on the transaction, which was announced in July 2016.

Drawing on our deep sector expertise and the strength of our relationships, William Blair has built a leading global technology franchise. Business owners turn to us for outstanding execution for their M&A and capital-raising objectives.

Recent transactions include:

<p>\$1,100,000,000</p>  <p>has agreed to sell certain Westcon-Comstor operations to</p>  <p>Pending</p>	<p>\$1,125,000,000</p>  <p>has agreed to be recapitalized by</p>  <p>Pending</p>	<p>Not Disclosed</p>  <p>has agreed to be acquired by</p>  <p>Pending</p>
<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>May 2017</p>	<p>Not Disclosed</p>  <p>has acquired</p>  <p>April 2017</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>April 2017</p>
<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>March 2017</p>	<p>\$107,818,663</p>  <p>Follow-on Offering</p> <p>March 2017</p>	<p>Not Disclosed</p>  <p>has been acquired by</p>  <p>January 2017</p>

**William Blair
by the Numbers***

975+

completed advisory and financing transactions since 2012

\$130 billion+

aggregate M&A transaction value

30%+

cross-border M&A transactions

\$290 million+

average underwriting value

150+

IPOs and 200+ underwritten follow-on offerings

*Data for the past five years, as of June 1, 2017

Top Rankings in 2015 Greenwich Associates Survey

William Blair's institutional equity research, sales, and trading groups received multiple top rankings in the 2015 Greenwich Associates survey. Small- and midcap portfolio managers ranked William Blair No. 1, No. 2, or No. 3 in nine categories in the Greenwich survey, which is the preeminent survey in the institutional investor community.

No. 1 rankings

- Sales
- Corporate access quality
- Provide intensive service
- Best coordinate access to analysts

No. 2 rankings

- Greatest knowledge of companies and industries
- Provide information and insights that generate "alpha"
- Best tailor research calls and services to client-specific needs

No. 3 rankings

- Most useful conferences and seminars
- Make most calls and visits

Access to Industry Leaders

William Blair is committed to providing the global technology community access to leading industry investors and companies around the globe. To learn more about attending our upcoming conferences, please contact Gary Morabito (gmorabito@williamblair.com).

With more than 300 bankers globally, William Blair has completed more than 975 advisory and financing transactions since 2012 totaling to more than \$260 billion in value for our clients.*

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*Data for the past five years, as of June 1, 2017

Disclosure

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William Blair’s investment banking group enables corporations, financial sponsors, owner/entrepreneurs, and governments around the world to achieve their growth, liquidity, and financing objectives.

Drawing on the collective intellectual capital and deep sector expertise of a global team that reaches across more than 20 cities on five continents, the investment banking group brings a rigorous and innovative approach to corporate board advisory projects, mergers and acquisitions, and equity and debt financing. From 2012 to 2016, the team advised on more than \$230 billion in completed transaction volume.