JEGI asked a select group of experienced PE executives who invest in the media, information, marketing, software and tech-enabled services sectors to provide insights on their funds’ investment activities and their outlook on the M&A market. Our questions and their responses are below.

1. What is your view on the current state of the M&A market? And, what major secular trends are you tracking that could impact your investment strategy?

2. With regard to your fund’s acquisition strategy over the next 12-18 months, in which sectors/business models do you expect to be a net buyer vs. net seller?

3. What levels of senior and mezzanine debt multiples are you seeing in the market right now? Where do you see the debt market heading during the second half of 2016?

4. As an active investor in the sectors served by JEGI, what are the key concerns that “keep you up at night”?

Will Wynperle, Partner, Shamrock Capital Advisors

The M&A market remains active, as many companies have come to market in the first half of 2016. A number of factors are driving this level of activity, not least of which has been the strong underlying performance by many companies in our target sectors of media, entertainment and communications. In addition to an abundance of PE capital, continued significant buyer appetite from strategic buyers and foreign investors (primarily from China) has contributed to the robust demand for quality companies.

The universe of strategic buyers in our target sectors has continued to expand, with significant

Continued on page 2 >

JEGI Emerging Company Dinner: Disruption + Innovation in Emerging Technology
May 5th at the Boston Harbor Hotel

(from left) Mike Conza (Morgan Lewis), Jeff Becker (JEGI), Joseph Sanborn (JEGI), Wilma Jordan (JEGI), Michael Barron (Morgan Lewis), Andy Miller (Constant Contact & SMB Innovation Loft), Laurie Cerveny (Morgan Lewis)
PE INVESTOR INSIGHTS ON THE M&A MARKET (CONT.)

interest in such areas as marketing services and digital media. For example, technology companies and consulting firms have been active acquirers, as they continue to add breadth to their product and service offerings.

Buyers with sector expertise are best positioned to compete in this environment. They bring experience and industry knowledge that can be leveraged to accelerate the growth of new investments through product launches, expansion into new markets and acquisitions. Recently, we have been active investors in content, in such areas as sports, audio books, children’s entertainment, marketing services, and events. The evolving content distribution landscape and the proliferation of new channels will continue to create significant opportunities in this area. Additional opportunities will emerge as the broader media and entertainment landscape continues to evolve, driven by changing media consumption habits, the rise of the millennial demographic and the increased focus on fan engagement.

“In addition to an abundance of PE capital, continued significant buyer appetite from strategic buyers and foreign investors (primarily from China) has contributed to the robust demand for quality companies.”

Given our focus on growth companies, Shamrock looks to provide significant financial flexibility for its investments, often utilizing less debt than what is available in the market. While it varies significantly by industry, it is not unusual for us to see total leverage available in the 5.5x range. For more cyclical businesses, the amount of available financing is less robust, even in a strong market environment.

Technology buyouts continue to exhibit strength, with a combination of large strategic deals (Symantec > Blue Coat; Microsoft > LinkedIn; Salesforce > Demandware) and larger private equity take-privates (Vista Equity > Cvent; Vista Equity > Marketo; Thoma Bravo > Qlik) setting the tone.

In the lower middle-market, firms are preaching discipline. Ad tech seems overdone, so there would need to be a shakeout, before we would spend time looking there. Parts of healthcare IT are too hot for us to pursue, but it is attractive to back an executive with a buy-and-build strategy.

“We still believe in the underlying trend of ‘software eating the world’.”

In the lower middle-market, we are finding more lending institutions gravitating to software and, in particular, SaaS companies. Some lenders are focused on recurring revenue and lend roughly 1x debt/annual recurring revenue, while others are still more traditional EBITDA-based lenders. Even for relatively small companies, we are seeing high total multiples, in the 5x debt/EBITDA range. At ParkerGale, we avoid too much leverage upfront to give us the flexibility to invest in growth, but we do work the balance sheet hard, as we build the company over time.

Many funds seem to have forgotten about the risk of delivering an acceptable return. We are currently in a market where funds are trying to optimize the upside, rather than managing the downside, which pushes up the entry valuations. At ParkerGale, we focus on managing risk – if you manage the downside (something you can do through price and structure), then you don’t always have to chase the upside to deliver quality returns.

Kevin Prokop, Managing Partner, Rockbridge Growth Equity

The M&A market is a bit of a “tale of two cities.” For the best companies – high growth companies with recurring revenue and high operating margins – multiples remain very strong. Other perfectly “good” companies still trade for attractive multiples, but seem to be somewhat grounded in reality/fundamentals.

We have been focused on “good” companies with the potential to be “great,” where the combination of our capital and expertise (from our affiliation with Quicken Loans, the Cleveland Cavaliers and 90+ other businesses that are part of our family of companies) can accelerate growth.

We’re thematic, long-term investors and look to operate at the intersection of private equity and strategic partnership. We invest out of a permanent capital pool, so our focus doesn’t change significantly from year-to-year, and we don’t look to time the market or make sector bets for acquisitions or divestitures. Each of our companies maintains its independence and will be monetized at some point in the future. While we own them, they get the benefits of a strategic partnership with the other businesses we are affiliated with. We focus on the digital media, marketing services, financial services, technology-enabled services, and sports and entertainment sectors.

Debt capital markets are healthy. We are growth-oriented investors, typically not looking to max out leverage in our investments, but for good assets, we are seeing the ability to comfortably get 4.0x–4.5x total leverage through the sub debt. We are seeing non-bank financing sources, particularly unitranche lenders, leaning in for the best credit stories out there.

I see markets remaining healthy for the balance of the year. The environment is attractive for debt investors, who are looking for yield in a slow growth and low interest rate environment. CLO formation has started back up, and that should translate into additional demand and attractive spreads/terms. Brexit is the big externality and could negatively affect the market in the second half of the year.

John Kim, Managing Director, H.I.G. Growth Partners

We are seeing steady transaction volume, robust debt lending and high valuations in the M&A market. There is an increase in take-privates and corporate carve-outs, with a lack of IPO exits.
We expect to be a net buyer in managed technology services, mobile-first businesses and lower cost healthcare models. Total debt levels are holding steady at 4.0x-5.5x.

“We are seeing steady transaction volume, robust debt lending and high valuations in the M&A market.”

A key concern is more competition from “shadow capital” (i.e., fundless sponsors, family offices and LP direct investments). In 2015, shadow capital invested in PE totaled an estimated $161 billion, or the equivalent of 26% of the year’s traditional capital raised, according to a report by Triago, a leading PE industry fundraising adviser.

Michael DiPiano, Managing General Partner, NewSpring Capital

We’ve seen M&A activity noticeably slow down over the last 12 months. Valuation levels have slightly decreased, but sellers’ expectations are still high, based on recent activity.

Broadly speaking, each sector we invest in has some fundamental secular trend that supports our investment thesis. Our investment focus is driven by partnering with high growth companies at a particular stage and maturity, as opposed to focusing on specific sectors; however, we have consistently found attractive investment opportunities in sectors that we may have viewed as too frothy or that have fallen out of favor, once we do a deeper dive to uncover the market opportunity ahead.

“Our investment focus is driven by partnering with high growth companies at a particular stage and maturity, as opposed to focusing on specific sectors.”

In the lower middle-market, where we concentrate, total debt has been near the 4x level for roughly the past year. Once you start moving into $10mm+ EBITDA businesses, total debt levels begin to increase. For the second half of this year, we will likely see total debt levels holding steady at that 4x level (3x senior and 1x mezzanine). Regulators are pushing senior lenders to lower or keep their senior debt levels below that 3x-4x number, which is also a contributing factor.

As you can imagine, concerns vary greatly across sectors. Within healthcare and technology, we spend a great deal of time focused on the competitive positioning for each of our partner companies. Another critical issue is funding to self-sustainability. If the funding markets become difficult, companies will need to be more capital efficient than they have been over the past two to three years.

Dan Galpern, Partner, TZP Group

The market continues to be very active. We are focused on the slow growth economic cycle, with particular concern about a recession within the next 12-24 months. We still believe that strong business models with experienced management teams are well positioned to continue performing, but medium-term growth prospects need to be measured.

We continue to be very active in the business and consumer services sectors, having completed five new portfolio company investments in the past year. We continue to believe that our industry and operating experience in service companies in the media, business information, travel, real estate and government services make us net buyers in those sectors.

While we believe in using leverage conservatively in our investments, to provide our management team partners additional free cash flow to invest in growing their businesses, we continue to see debt levels rise to aggressive levels, in excess of 6x total leverage in many cases. As the global markets have become more volatile, we expect leverage levels to return to more reasonable levels. At TZP, we focus on partnering with owners and managers who are looking to invest alongside us for the next stage of growth. We are always concerned about the strength of our partnerships – are we doing everything we can to help our management partners achieve their goals? On the macro level, our current global political and economic insecurity is also a top of mind concern, as we look to partner in growing sectors.

Robert Landis, Partner, Riverside Company

Deal volume is somewhat weaker now, compared to the past three years, and acquisition multiples are still significantly higher than historical levels. With the number of PE firms increasing every year, and “zombie” private equity groups still active, there continues to be significant demand, with lower supply. Economics 101 dictates, therefore, that multiples will remain high, unless there are exogenous events – such as higher interest rates or fallout from the recent Brexit vote – that create a downturn. Rational PE firms are bidding only if they have an angle on the opportunity, and when they do, they are bidding to win.

“For exits, our goal is to increase revenue and EBITDA by 3x and realize an exit four to five years after acquisition.”

As a net buyer, we focus on our core sectors: healthcare, consumer products, franchising, specialized manufacturing and distribution, SaaS-based technology opportunities, training and education, and business services. For exits, our goal is to increase revenue and EBITDA by 3x and realize an exit four to five years after acquisition. However, we continue to be opportunistic, if the market indicates that a shorter hold period can generate significant returns to our LPs.

For the lower end of the middle-market (EBITDA of less than $50 million), we are seeing ranges in the Lbor +500-525 range, with multiples around 5x EBITDA. With the recent pronouncements of the Fed presaging minimal interest in raising rates, it does not appear that any major change is on the horizon.

Our biggest concerns are “market disruptions” or innovations that supplant existing technologies or business models. For example, changes in lead generation techniques, client optimization and search engine optimization have been significant, and the biggest concern is betting on the wrong technology or innovation.

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JEGI Emerging Company Dinner: How Tools & Technology Can Help Companies Win The War for Talent

May 19th at the ’21 Club in NYC

(from left) Sam Barthelme (JEGI), Steven Rosenberg (Head of Strategic Alliances & M&A, Mercer), Arnaud Gouachon (Chief Legal Officer, PeopleDoc), Pete Lamson (CEO, Jazz)

www.jegi.com
TRANSFORMATION: STOP SLICING THE CHEESE

Few words are more overused and less understood by corporate America. From functional changes to the next strategic acquisition, all are characterized as “transformation” in hopes of garnering attention in an increasingly complicated business world.

In fact, today’s world can be downright scary for corporate leaders. The growth of activist investors and a competitive business media environment is increasingly propelling executives from behind the desk to under the spotlight. Business performance has become a blood sport, as the spectators not only set expectations but lay out the solutions they expect management to adopt. According to the Argus Research Company, activist investors have a 69% success rate in convincing management to accept their proposals. Some parents don’t even enjoy that degree of success with their children.

Unwinding the “big bang” experience highlights lessons for business leaders:

“The concept of a transformational program has morphed into an endless series of “slicing the cheese,” with management teams compelled to chase next quarter’s numbers.”

Unfortunately, capitulating to outside pressure isn’t producing lasting results for businesses. Using the Fortune 500 as a proxy, the storyline is bleak. The largest companies in the US delivered organic revenue growth of exactly “zero” in the past year, while recording roughly $44 billion in restructuring charges. Almost 30% missed their consensus estimates in the past fiscal year. Something is missing: How can the energy expended generate such a negative return?

MANAGE THOUGHTFULLY

Stock price vs. peers – weekly index % change

![Graph showing stock price vs. peers with weekly index % change](source: A.T. Kearney analysis)

The Underlying Problem

An analysis of almost 900 transformations during the past five years illuminates the underlying problem. The concept of a transformational program has morphed into an endless series of “slicing the cheese,” with management teams compelled to chase next quarter’s numbers. Companies with any history have already gone through multiple waves of functional improvements. At a certain point, the scar tissue has built up to the point that more corporate surgery becomes less effective. How many more accountants can a finance function trim? Does cutting receptionist coverage in half really increase profitability? The incremental benefit doesn’t outweigh the effort to get there, in most cases.

Fortunately, our analysis revealed some shining stars, chiefly among companies that focus on fewer, bigger programs. Companies with these “big bang” programs generated market cap growth of 78% between 2010 and 2015, while the S&P 500 index rose 55% and companies with a pattern of serial transformations gained only 26%, over the same period.

Key Lessons for Business Leaders

Be bold. Of course, process improvements and budget discipline will remain important parts of performance gains. They should not be considered transformative. The most common mistake is attaching excess energy and big labels to small projects. Accretive transformation is based on understanding the performance needed to meet expectations and challenging the organization to find solutions that surpass those expectations. In part, this means foreshadowing and taking a realistic look at the next three to five years in an attempt to get ahead of it. It is a lot easier to ride the wave when you are on top, rather than below. With this in mind, transformative performance improvement should target a 2x-3x increase in EBITDA as a starting point. By applying that lens, organizations can unlock traditional constraints.

Be integrated. Today’s large business organizations are typically complex and divided, rather than integrated. The challenge of multiple, functionally-isolated programs is they allow large cost centers to “opt out” of transformative efforts. Take sales, for example. Imagine a sales efficiency effort where the sales operations team declares they are more aligned to operations and therefore excluded from the efficiency discussion. Then, when it comes time for an operations improvement program, that same group is now seen as a crucial part of the sales team and is too “client facing” to be part of the new program. As you can see, pockets of costs can be excluded from potentially transformative, efficiency-driven efforts. The other advantage of integration is it allows leadership to make decisions across multiple functions that would be difficult to achieve in isolation.

Attack complexity. Our experience suggests that 30% of an organization’s costs are embedded
between functions. Most of this is tied up in the concept of “internal customers” and the need to meet service levels that are rarely challenged or judged within the cost portfolio. Organizations develop collections of work-arounds and short cuts used to “get things done.” By attacking complexity, successful transformations have the license to use a clean sheet of paper and design what the function should look like, based on that future need. Don’t mistake this approach for an academic exercise divorced from the reality of the current state. Rather, starting fresh removes the anchor of the current organization as the limiting factor. Compromises can be made after the complexity is understood and challenged.

“Leadership teams that consistently find success are those that find the right target (whether it is by acquisition or internally driven), develop a clean plan rooted in “confidence” (rather than “hope”) and drive results to the bottom line.”

**Manage thoughtfully.** Rolling out a program charged with doubling or tripling EBITDA is an ambitious and disruptive task. In many cases, success will generate more profit than any other aspect of the business. As such, planning and execution needs to remain at the executive level. A common fail point for transformations occurs when they are rushed to execution as management teams move on to the next challenge. Analysis suggests that large programs involve a series of decisions that should remain at the executive level. Compromises can be made after the complexity is understood and challenged.

**Focus to the Finish.** Business pages are full of examples of leadership failure. Oftentimes, shortcomings can be traced back to a lack of urgency to think in transformative ways and the struggle to create the necessary trigger event to break through business as usual. Today’s media environment suggests M&A as a high-probability trigger, as long as leadership avoids the temptation to simply tuck away the acquisition. Leadership teams that consistently find success are those that find the right target (whether it is by acquisition or internally driven), develop a clean plan rooted in “confidence” (rather than “hope”) and drive results to the bottom line. Executed successfully, the benefits should have lasting value to shareholders.

There are no shortages of challenges facing today’s business leaders, and how leaders react and set the course is crucial for a successful future—if management doesn’t take control and guide the business to that future, someone will force its hand. When it comes to transformative actions, the path to that future is clear. The theme of “do it big, do it right” should be top of mind.

Greg Portell is a Partner in A.T. Kearney’s Media and Consumer Industries & Retail practices, with 20+ years of consulting experience. He is a leader for the firm’s global focus on the confluence of media and marketing and has been active in the development of A.T. Kearney’s intellectual capital in consumer marketing, cross-media ad strategy, cross-platform content and customer acquisition.

With a range of global experience, Mr. Portell’s clients include some of the world’s largest and most influential media and consumer marketing companies. His counsel is sought on emerging topics including media convergence, content development, digital rights and consumer insights.

Mr. Portell pioneered the firm’s accelerated transformation offering, which leverages integrated, global capabilities to help clients quickly improve profitability with the goal of raising shareholder value in a defined time period.

Mr. Portell is based in A.T. Kearney’s Chicago office and can be reached at greg.portell@atkearney.com.

**On the M&A Market**

The current market is healthy. Deal flow is strong, and we expect that will continue through the year. The leverage markets are certainly supporting that view. The major secular trend we are paying attention to is the disruption to traditional advertising formats.

Depending on holdings, we are always a little bit of both buyer and seller. We don’t necessarily create sector points of view that drive our investing, but rather we try to target strong companies with strong management teams with whom we can partner.

We are seeing senior debt levels in the 3.0x–3.75x range and total debt in the 4.0x–5.0x range, depending on the asset. The mezzanine market continues to be expensive; thus, we have been targeting senior only, senior stretch or unitranche structures. The market is very strong and feels like it should continue to be robust through the end of the year.

**PE Investor Insights on the M&A Market**

**Continued from page 3**

Mike Struble, Partner, Wasserstein & Co.

The market appears to be more settled than it was 12 months ago. Valuations seem to be more predictable, albeit at relatively rich levels for healthy growing companies.

At Wicks, we will continue to look to capitalize on new platforms in the information and education sectors, where we believe we can create value for our investors through both organic growth and acquisitions. Our investment pace has picked up in this more predictable M&A market. As strategies are implemented and value is created, we will continue to take advantage of the liquid market to sell our investments and return capital to our investors.

For companies with less than $20 million of EBITDA, we are seeing leverage multiples in the 3.5x–4.5x range, depending on the free cash flow generation and growth profile of the business.

We know that with each day that passes, we are one day closer to the next business cycle. This isn’t keeping us up at night, but it is a factor that is discussed with each opportunity we review.

**Dan Kortick, Managing Partner, Wicks Group**

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JEGI H1 2016 M&A OVERVIEW

M&A market defies global economic uncertainty and remains robust in the first half of the year

Against a backdrop of uncertainty in the global economy, including the fall-out from the surprising UK vote to separate from the EU, strong merger and acquisition activity continued across media, information, marketing, software and tech-enabled services in the first half of 2016, with 1,175 transactions announced at a combined value of $121.2 billion.

Led by Microsoft’s announced acquisition of LinkedIn for more than $29 billion, deal value increased 126% over H1 2015, which generated $53.7 billion. Deal volume across these sectors exceeded H1 2015 (1,125 transactions) by 4% in the first half of 2016, according to JEGI, the leading independent investment bank serving these core markets.

Software & Tech-Enabled Services

The Software & Tech-Enabled Services sector led in both deal activity and value, with 717 transactions valued at $48.7 billion in the first half of the year. The chart below shows a breakdown of deal volume for this dynamic sector.

Application software was the most active sub-sector, accounting for nearly one-third of deal volume. Notable application software transactions in Q2 2016 included the Thoma Bravo acquisition of QlikTech, provider of business intelligence analytics software, for $3 billion; Francisco Partners and Elliott Management acquisition of Dell’s corporate IT management software for an estimated $2 billion; Veritas Capital acquisition of Verisk Health, provider of data services and technologies to improve workflow for healthcare providers, for $820 million; and several large marketing technology deals that are described below.

The chart below shows a further breakdown of the segments within the application software sub-sector. Vertical applications saw the most deal volume (35%), followed by customer relationship management (17%), enterprise resource planning (16%) and business intelligence (14%).

Following application software, IT services and distribution (19%) was the second most active sub-sector in Software & Tech-Enabled Services and saw CSC’s $6 billion acquisition of HP’s Enterprise IT Services division. The next most active sub-sectors were mobility and IT outsourcing, both at 11%.

Marketing Services & Technology

By deal volume, Marketing Services & Technology was the second most active sector in H1 2016, with 333 transactions worth $13.3 billion. Not surprisingly, nearly half of the deal value was generated in the red-hot marketing technology sub-sector, which saw $6.5 billion of value across 57 deals. Headline marketing technology deals in the second quarter of 2016 included Salesforce’s $2.9 billion acquisition of Demandware, provider of enterprise cloud commerce technology and services, and Vista Equity Partners’ $1.8 billion buyout of Marketo, provider of cloud-based engagement marketing software.

Source: JEGI Transaction Database and 451 Group
Note: Facebook’s $19bn acquisition of WhatsApp in 2014 is not reflected in the deal value.
New market entrants played a significant role in both traditional and digital agency M&A, which accounted for a combined 90 transactions totaling $1.9 billion. Accenture acquired digital agency (M) in Q2 and Deloitte Digital acquired ad agency Heat in Q1. IBM was also an active agency acquirer in H1 2016, purchasing three, including leading digital creative agency Resource/Ammirati in Q1 (a JEGI transaction).

The database and information services sector saw a 13% decline in number of transactions announced in H1 2016 vs. H1 2015, with 27 deals compared to 31 last year. However, transaction value increased dramatically in 2016 to $34.2 billion, due to several mega deals, including Quintiles Transnational Holdings’ $13.5 billion acquisition of IMS Health, provider of information and technology services to the healthcare industry, in Q2, and the Q1 announced merger of global information company IHS and financial information services provider Market, with an estimated deal value of $10.3 billion. Other notable Q2 deals included: GIC and Silver Lake’s large investment in Ancestry, the subscription-based provider of family history information, valued at $2.6 billion; General Atlantic’s acquisition of a majority stake in Argus Media, a provider of business intelligence and market data for energy and commodities, valued at approximately $1.5 billion; and XIO Group’s acquisition of J.D. Power & Associates, which tracks consumer satisfaction and buyer behavior on products and services, from S&P Global for $1.1 billion.

M&A activity in the exhibitions and conferences sector saw a 24% decline in deal volume and a more modest decline of 6% in deal value in the first half of 2016, with 32 transactions totaling $2.3 billion in 2016 vs. 42 deals and $2.5 billion in value in the same period of 2015. Following a weak first quarter, there were several notable deals in Q2 2016, including the: Vista Equity Partners buyout of Cvent, corporate event management software and solutions, for $1.6 billion; CEB acquisition of Evanta from Leeds Management Software, for $1.6 billion; and Snow Phipps Group acquisition of ECRM, a platform that enables efficient buyer/seller interactions, from BV Investment Partners.

The marketing services and technology sector continues to be very active, with 333 transactions worth $13.3 billion in value for H1 2016, up from H1 2015’s 278 deals and $12.7 billion in value. Several notable transactions are mentioned above in the Marketing Services & Technology segment.

Other notable deals in the second quarter of 2016 included: Axel Springer’s acquisition of eMarketer, a provider of data and insights on digital marketing, media and commerce, for $242 million; IBM’s acquisition of Bluwolf Group, a Salesforce consulting firm, for $240 million; Gannett’s acquisition of ReachLocal, a provider of online marketing and lead generation solutions, for $170 million; OpenText’s acquisition of the customer experience software assets of HP for approximately $170 million; Panalpina Capital’s significant investment in PrizeLogic (a JEGI transaction); and Nielsen’s acquisition of Repucom, a provider of sports measurement and intelligence solutions.

M&A activity for the mobile media and technology sector declined in both deal volume and value in the first half of 2016, to 66 transactions and $1.6 billion in value, compared to 87 deals and $2.4 billion in H1 2015. Notable Q2 2016 deals included the: Spearhead Integrated Marketing Communication Group acquisition of Smaato, a real-time mobile advertising platform, for $148 million; Spin Master acquisition of TOCA BOCA, developer of children’s mobile apps, from Bonnier Corporation for a reported $100 million; Verizon acquisition of Telogis, provider of location-based software to manage mobile resources; and Reserve Media acquisition of Dash, provider of mobile point-of-sale payment solutions.

The software and tech-enabled services sector remained relatively flat in deal volume with 717 transactions in H1 2016 vs. 708 in H1 2015. Deal value, however, sharply increased by more than 70%, to $468.7 billion, led by several mega transactions, including those listed in the Software & Tech-Enabled Services segment above, as well as several others in the IT services and IT outsourcing sub-sectors. Additional notable transactions in Q2 included: Oracle’s acquisition of Opower, a provider of customer engagement and energy efficiency cloud services to utilities, for approximately $550 million; Accel-KKR’s acquisition of SciQuest, a provider of supply chain management software and services, for approximately $500 million; and OpenText’s acquisition of Recommd, a provider of e-discovery and information management solutions, for $163 million.

M&A Highlights for H1 2016

M&A activity for the b2b media and technology sector saw exponential growth in deal value in the first half of 2016, thanks to Microsoft’s $29.4 billion acquisition of LinkedIn. Removing that mega deal from the results, deal value in the sector was down 75% in H1 2016 vs. H1 2015, as there were few other large transactions in the sector. Deal volume rose 14% to 50 deals, compared to 44 in H1 2015, with notable transactions including: Bankrate’s acquisition of NextAdvisor, reviews and ratings of online services, for approximately $210 million; Wasserstein’s acquisition of Northstar Travel Group, B2B information and marketing solutions for the travel and meetings industries, from Wicks Group; and Wicks Group’s acquisition of Bisnow (a JEGI transaction).

Deal volume in the consumer media and technology sector increased slightly in H1 2016, with 107 transactions vs. 100 in the same period of 2015. Deal value, however, dropped significantly, to $3.9 billion vs. 2015’s $9.1 billion, which was fueled by Verizon’s $4.8 billion acquisition of AOL. Notable transactions in Q2 2016 included the: Rovi acquisition of TiVo, video solutions to enable viewers to consume content across various screens, for approximately $1.9 billion; Hearst Ventures and Verizon joint acquisition of Complex Media, an online publisher catering to young men, for an estimated $250 million; and Stubhub’s acquisition of TICKETBIS, an online platform where users can buy and sell event tickets, for a reported $165 million.

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Other notable deals in the second quarter of 2016 included: Axel Springer’s acquisition of eMarketer, a provider of data and insights on digital marketing, media and commerce, for $242 million; IBM’s acquisition of Bluwolf Group, a Salesforce consulting firm, for $240 million; Gannett’s acquisition of ReachLocal, a provider of online marketing and lead generation solutions, for $170 million; OpenText’s acquisition of the customer experience software assets of HP for approximately $170 million; Panalpina Capital’s significant investment in PrizeLogic (a JEGI transaction); and Nielsen’s acquisition of Repucom, a provider of sports measurement and intelligence solutions.

M&A activity for the mobile media and technology sector declined in both deal volume and value in the first half of 2016, to 66 transactions and $1.6 billion in value, compared to 87 deals and $2.4 billion in H1 2015. Notable Q2 2016 deals included the: Spearhead Integrated Marketing Communication Group acquisition of Smaato, a real-time mobile advertising platform, for $148 million; Spin Master acquisition of TOCA BOCA, developer of children’s mobile apps, from Bonnier Corporation for a reported $100 million; Verizon acquisition of Telogis, provider of location-based software to manage mobile resources; and Reserve Media acquisition of Dash, provider of mobile point-of-sale payment solutions.

The software and tech-enabled services sector remained relatively flat in deal volume with 717 transactions in H1 2016 vs. 708 in H1 2015. Deal value, however, sharply increased by more than 70%, to $468.7 billion, led by several mega transactions, including those listed in the Software & Tech-Enabled Services segment above, as well as several others in the IT services and IT outsourcing sub-sectors. Additional notable transactions in Q2 included: Oracle’s acquisition of Opower, a provider of customer engagement and energy efficiency cloud services to utilities, for approximately $550 million; Accel-KKR’s acquisition of SciQuest, a provider of supply chain management software and services, for approximately $500 million; and OpenText’s acquisition of Recommd, a provider of e-discovery and information management solutions, for $163 million.
EXCEPTIONAL TRANSACTION EXPERIENCE

“IJEI was a true partner with us. They took the time to learn everything about our business, and I trusted their ability to represent our brand. They knew all of the potential buyers in the market and what each one was looking for from an acquisition. JEGI put us in position to close on time and exceeded all expectations.”

Keith Simmons
CEO, PrizeLogic

“I have now completed my fourth successful transaction with JEGI. Every time, we interviewed competitive firms and always concluded JEGI is the best in the business. They know their markets inside and out and are strategic, creative, tenacious and results oriented. Most importantly, they have always added significant value and delivered outstanding results. You won’t often find a company that works with the same investment banker on four separate occasions, where each time the investment banker exceeded expectations. I can honestly say that JEGI goes above and beyond to deliver the desired results for their customers.”

Bob Dethlefs
Founder and CEO, Evanta

“As the business founder, I was looking for a true partner to represent us: one with the highest integrity, impeccable execution skills, strong work ethic, excellent M&A process from start to finish. They delivered on all of that and so much more: a relentless focus on issues that mattered most to us; the ability to harness the landscape of competing global giants into a strategy that delivered great shareholder value; and, most importantly, a solid commitment to doing business the right way – all substance, no shortcuts. Thank you, JEGI.”

Nancy Kramer
Chairman, Resource / Ammirati

JEGI’s client is mentioned first in each of the above transactions.

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