

# TM capital's Software Monthly



An M&A International Inc. firm 

## Software Commentary

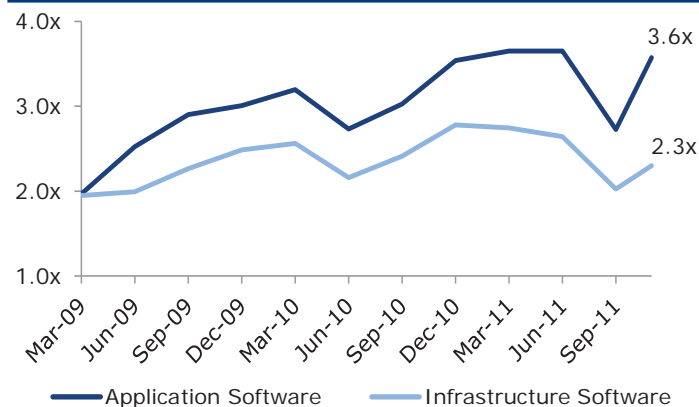
October 2011

Enterprise Software M&A deal volume soared in the month of October to a total of 93 reported deals, the highest monthly total for 2011 and 33% higher than the month of September. Consequently, deal value also showed an increase of 18% versus last month. This increase in activity is cause for optimism in the deal market, showing that acquirers remain dedicated to deploying their healthy cash balances for strategic acquisitions, despite ongoing volatility in the public markets. We continued to see major activity among strategic acquirers in the Government, Risk and Compliance (GRC) software sector looking to expand into new verticals and broaden their functionality. Continuing a trend we noticed last month, GRC strategic acquirers remain focused on expanding their capabilities in the financial services vertical. As this sector continues to be the subject of political uncertainty and harsher compliance requirements, we fully expect to see strong interest from acquirers in GRC players with financial services applications.

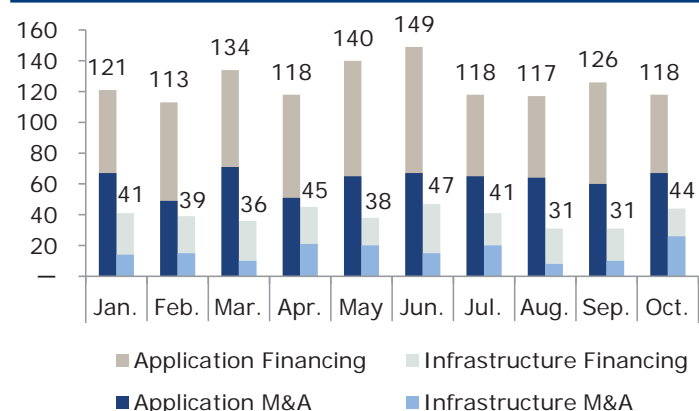
The availability of vast amounts of internal and external data to the enterprise has continued to drive M&A in two related segments: business intelligence (BI) and marketing automation. On the BI front, the leading players in the space continue to look for "tip of the spear" domain expertise acquisitions to bolster their product offerings and differentiate themselves from the competition. Meanwhile, consolidation in the marketing automation sector continued its feverish pace, with SDL acquiring Alterian for \$66 million, Adobe acquiring Auditdude for \$100 million, and Oracle acquiring RightNow for \$1.5 billion as well as Endeca. At this point, many of the marketing automation platforms have been acquired by large enterprise software players and M&A in the space is expected to now focus on best-of-breed products that fit strategic gaps.

Security was a hot theme on the Infrastructure Software front, particularly in the Network/Application Management space. During October, IBM acquired network security intelligence provider, Q1 Labs, and McAfee, Inc. agreed to acquire NitroSecurity, a provider of security information and compliance management solutions that protect business information and infrastructure. Along with the Q1 acquisition, IBM also announced it was forming a new Security Systems Division, led by Brendan Hannigan, former CEO of Q1, signaling the potential for additional near-term acquisitions in the security sector.

## Software Valuation Environment (TEV/LTM Revenue)



## Enterprise Software Transaction Volume



## Application Software Transaction Activity

**Vista Equity Partners** acquired **Mitratech**, which develops collaborative accountability applications for businesses and their partners

**Check Point Software Technologies** agreed to acquire **Dynasec Ltd.**, which provides enterprise governance, and compliance solutions

**Charles Schwab Corp.** entered into a definitive agreement to acquire **Compliance11, Inc.**, which provides on-demand regulatory compliance software automation tools for the financial services industry

**Perceptive Software** agreed to acquire **Pallas Athena B.V.**, a provider of business process management software and process solutions, in a deal valued at \$50 million

**Tyler Technologies** acquired **Windsor Management Group LLC**, a developer of K-12 business software solutions for school districts in the United States, for \$23.5 million

## Infrastructure Software Transaction Activity

**Red Gate Software** acquired **Cerebrata Software Pvt Ltd.**, which develops software products for managing Windows Azure, a Microsoft's cloud computing platform

**Citrix Systems** announced the acquisition of **ShareFile**, a provider of cloud-based data storage, sharing, and collaboration solutions; Citrix also agreed to acquire **App-DNA Ltd.**, a provider of application compatibility management and remediation solutions for enterprises in the U.K., at an implied enterprise value of \$92 million

**Nuance Communications** acquired **Swype, Inc.**, which designs, develops, and delivers onscreen keyboard-based text input solutions for mobile touch-screen devices, in a deal valued at \$103 million

**EMC Corp.** acquired database optimization company **Zettapoint, Inc.** at a value rumored to be approximately \$10 million

## Software News


The mobile arena dominated headlines this month. With the passing of Apple CEO, Steve Jobs, Apple's release of its iPhone 4S (with personal assistant Siri), and Android's newly announced 4.0 release dubbed "Ice Cream Sandwich," the space is showing no signs of slowing down. Given that the mobile market is only 40% penetrated with smart phones and the size of the market is growing rapidly, we expect to see increasing activity in the sector for years to come.

*TM Capital has ongoing relationships with the companies mentioned above. If your company fits the acquisition criteria, or to learn more about additional sell-side and buy-side opportunities, contact Murray Beach at 617.259.2201 or mbeach@tmcapital.com.*



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