



ONE to ONE
CORPORATE FINANCE

**Software Market
Report 2013**

Table of Contents

Introduction	3
Global Software Market by categories	4
Geography Distribution	4
Market Size	5
European Software Market	5
European Software Market by categories	7
Geography Distribution	8
Market Size	9
German Case	9
German Software Market by category	10
Market Growth	11
Software company deals analysis	12
Deals by size	13
Deals by country	14
Deal list 2013	15
A prudent view on multiples	18
Conclusions	19

Introduction

This report is specifically crafted for owners of small-to-medium-sized IT companies in Europe who are either actively looking for investors or planning to sell their company. It also addresses IT companies globally who are looking for an investment in European companies of the same sector or an acquisition of another IT company in Europe. In order to give a first impression of the European IT market, three of the most active markets in M&A in this sector in Europe have been chosen: Germany, France, Spain.

The objective of our report is four-fold:

- To give you an overview of the global, the European and specifically the German IT and software market sizes
- To deliver an analysis of the types of acquisitions made in the software industry in Germany, France, and Spain
- To give you an overview of all the 41 deals out of a total of 109 in these countries where deal values have been disclosed.
- To summarise multiples achieved in the US market which help you to ascertain which multiples are achievable in Europe (multiples in Europe are usually 10% to 20% lower than in the US).

By this you can draw first conclusions on what investment or company value you can expect for your company or how much you would need to spend to realize investments or acquisitions for your company.

The Global Software and Services industry is comprised of three major categories: Software, Information Technologies (IT), and the Internet Software and Services (Cloud Computing) market.

Within the global software industry there are markets in: application software, which is both the production of native and web applications; systems software, which creates platforms and applications for both stationary and mobile computing; and the home entertainment software market, which creates technologies for 3D home theater systems as well as videogame software.

The IT category, similarly, has its own submarkets. These submarkets include Data Processing and Outsourcing (Big Data), which includes commercial e-data processing and outsourced data management; and IT Consulting and Services, which includes systems integration and IT system management.

The Cloud Computing segment includes all companies that develop and market internet software and services. These products and services include database platforms, interactive services, web address registration management, and web design services.

Global Software Market by categories

In 2012 global Information Technology services made up approximately €975.6 billion of the total market value of €2,019 billion, approximately 49%. As connectivity technologies are becoming more advanced and commonplace, the Cloud Computing services market has grown to encompass 40% of the market or \$814.6 billion in value. This leaves the remaining €229 billion or 11% to the software industry.

As seen in Figure 2, there is no region where this €2019.3 billion industry is overwhelmingly dominant. Currently, 36% or €731.8 billion of the industry is located in the Americas, with the Asia-Pacific region close behind at 30% or €610.6 billion. Making up a quarter of the industry and contributing €509.2 billion is the European region. The remaining regions of the world contribute 9% or €167.6 billion to the global industry.

Global software & services industry Category segmentation

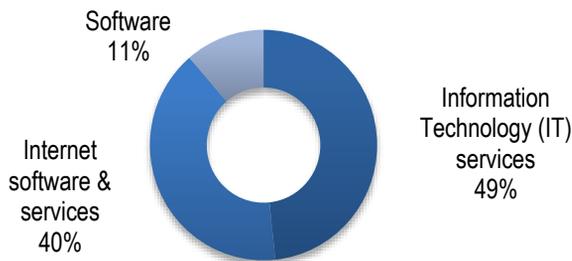


Figure 1. Global software & services industry - category segmentation: € billion, 2012.
Source: Own elaboration from MarketLine data.

Global software & services industry 2012 Geography segmentation

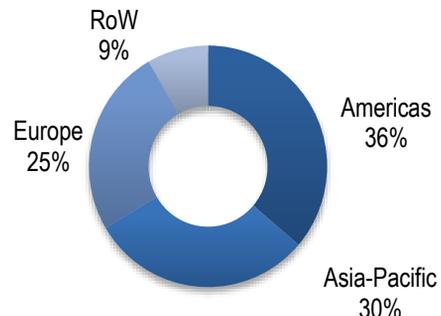


Figure 2. Global software & services industry - geography segmentation: € billion, 2012
Source: Own elaboration from MarketLine data

Market Size

The Global software & services industry in total size grew by 4.6% from 2011 to 2012 and had a five year CAGR of 4.8% between 2008 and 2012.

Year to year this industry shows a very stable growth pattern as demonstrated in Figure 3.

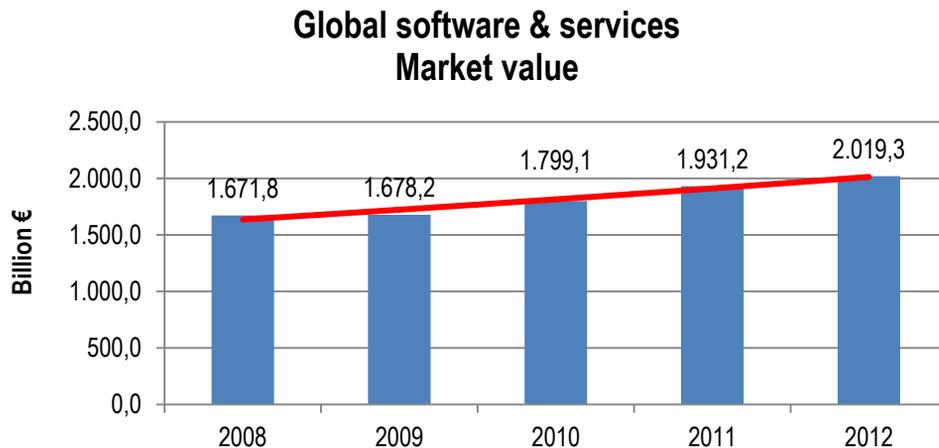


Figure 3. Global software & services Market- value: € billion, 2008–12
Source: Own elaboration from MarketLine data.

European Software Market

At the center of the software market, there are two main segments: systems software and application software. Systems software refers to the actual software used in computers or databases, such as an operating system or database system. Application software is systems used for productivity in both a commercial and retail setting.

Applications can range in function from general purpose applications (eg. Microsoft Office) to industry specific software.

This market did see a decline in growth in 2009 but has since recovered and is growing at a constant rate. The value of the market calculated in 2011 was found to be worth \$91.9 billion or €66 billion.

For a better analysis of the software market, it is necessary to understand the different categories of this market.

The definitions for the software segments or categories are as follows*:

- General business productivity & home applications: Business software or business application is any software that is used by business users to perform various business functions. These business applications are used to increase productivity, to measure productivity and to perform business functions accurately. Examples include Microsoft Office, human resource management systems and accounting software like Sage.
- Network and database management: Database management systems are specially designed software applications that interact with the user, other applications, and the database itself to capture and analyze data. Examples include Microsoft SQL, Oracle and SAP.
- Cross-industry and vertical application: A vertical application is a software application that is designed for a specific industry or organization. This software contains business logic and functions that are specific to a particular industry. Cross-industry solutions are not specific to one industry or organization.
- Operating system software: An operating system (OS) is a collection of software that manages computer hardware resources and provides common services for computer programs. Examples include Windows and OS X.
- Other system software: System software refers to infrastructure software and software used in the application development and implementation environments (also known as "middleware"). The infrastructure software comprises five categories: management software for systems and networks, security software, storage and backup systems, and operating system software. Middleware comprises amongst others application to manage and define data that will be kept in one or more databases, development tools and business intelligent tools.
- Other application software: The application software referred to in this profile are applications for consumers, commercial application, industrial applications and specific programs for industrial or business process automation.

European Software Market by categories

In 2011, almost half of the market is shared between General Business Productivity applications and Network & Database applications (i.e. file sharing applications or communication applications) with 24% (€15.8 billion) and 23% (€15.2 billion) of the market respectively.

Cross-Industry/Vertical application software, for example, point-of-sales software,

makes up 21% (€14.1 billion) with operating system software at a close 18% (€11.8 billion).

Other systems software makes up 9% of the total market and other application software hold the remaining 5%. As you can see from Figure 4, the market is segmented almost evenly among the types of systems and application software available today.

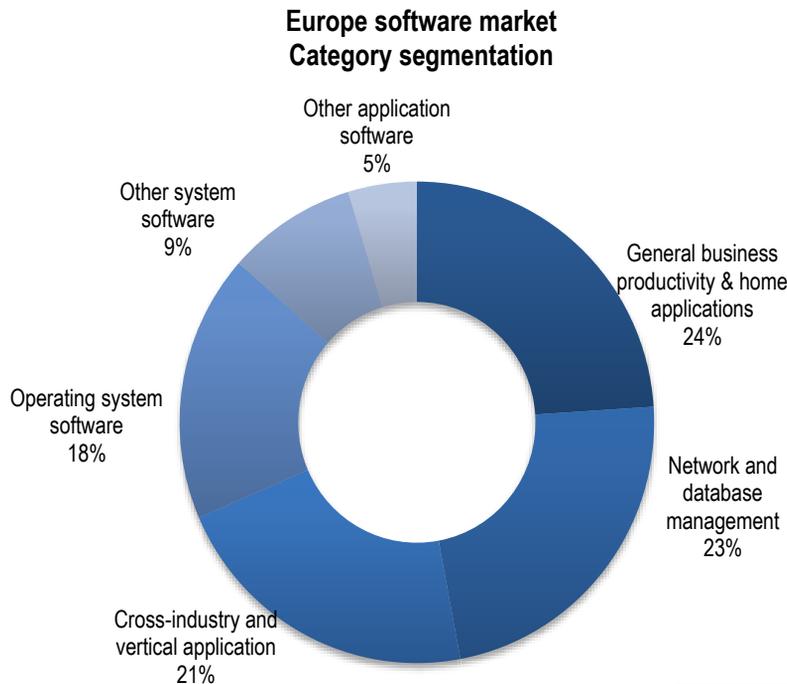


Figure 4. Europe software market - category segmentation: % share, by value, 2011
Source: Own elaboration from MarketLine data.

Geography Distribution

In Europe, Germany is the leading software producer making up almost a quarter of the market (24.5% or €16.2 billion). The United Kingdom produces 17% of the European software (€11.4 billion) with France right behind at 16% (€10.3 billion).

Italy and Spain are the smallest majority producers representing 7% (€4.5 billion) and 5% (€5 billion) respectively. The remaining European countries hold 31% share of the market and have a collective value of €20.8 billion.

Europe software market
Geography segmentation

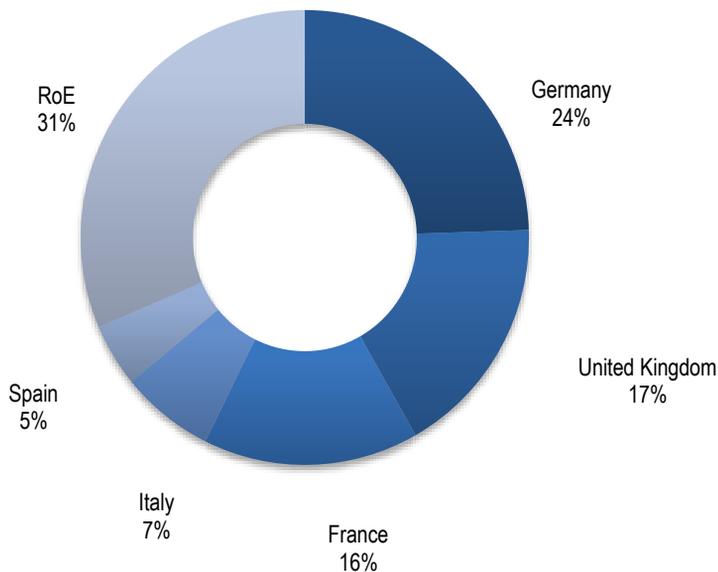


Figure 5. Europe software market - geography segmentation: € billion, 2011

Source: Own elaboration from MarketLine data.

Market Size

As seen in Figure 6, there has been significant growth in the European software market in past years. From 2010 to 2011 we can see a year-on-year growth rate of 5.2%. Even with the decline in growth in year 2009,

the industry has recovered and expanded above post moderate value. The industry has realized a CAGR of over 3% since 2008 but looking at the short term historic growth (starting year 2010) the growth rate is much higher .

Europe software market
Market value

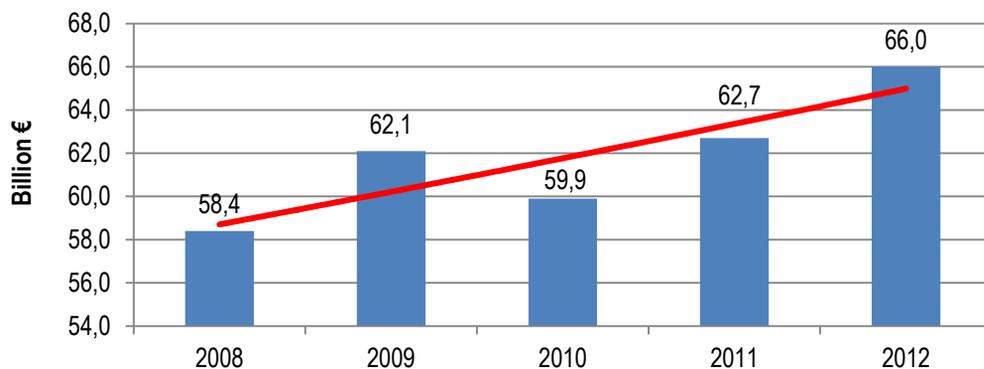


Figure 6. Europe software market - market value: € billion, 2007–11
Source: Own elaboration from MarketLine data.

German Case

We are putting a specific focus on Germany because, in the European region, Germany's output makes up for 24% of the total European software market for a value of €16.2 billion.

In addition, in 2013, a large number of deals was made between German companies in terms of mergers and acquisitions.

German Software Market by Category

The largest software segment in the aggregate European region for the year 2011 was “General business productivity & home applications” with a 24% of the market (Figure 4). However, in Germany, the dominant software segment is “network and database management” representing 25% of the German software market.

The “general business productivity and home applications” software segment, the largest in the total Europe region, is the second largest for Germany taking 23% share of the market.

“Cross-industry and vertical application” is the third largest segment in Germany having a 21% share of the market in the same year of.

German software market Category segmentation

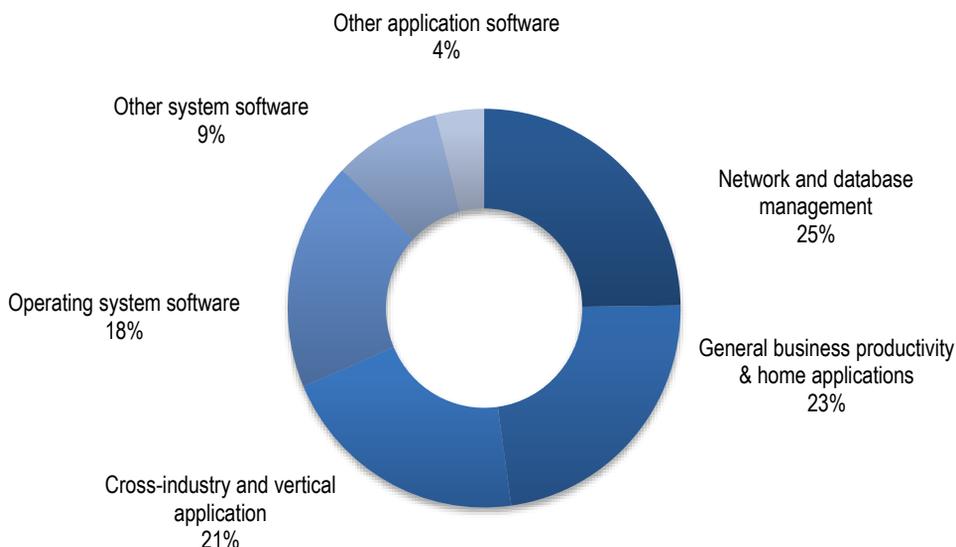


Figure 7. German software market category segmentation: % share, by value, 2011
Source: Own elaboration from MarketLine data.

Market Growth

What stands out for Germany, in comparison with the other members of the European software market, is the growth rate of the industry. While the CAGR for Germany may not seem impressive at only 3.7%, when compared with two other major players, France (CAGR of 2.7%) and Spain (CAGR of 1.5%), the growth of this industry in Germany becomes much more apparent. The CAGR values are small due to the decline in value during the year 2009. However, if we look at the growth rate from 2010 to 2011, the industry growth in Germany is 8.0% compared with only 5.2% in the European region.

If we factor in Germany's 24% contribution to the aggregate European software market, the adjusted growth rate for Europe is actually only 3.3%.

When compared directly to France and Spain, two major European markets, the growth trend in the German software market is much higher. Spain is currently experiencing a period of stagnation and even slight decline in the software industry (0.4% in 2011). France's growth rate in 2011 was 62% less than that of Germany with a 2011 rate of 4.9%

**German software market
Market value**

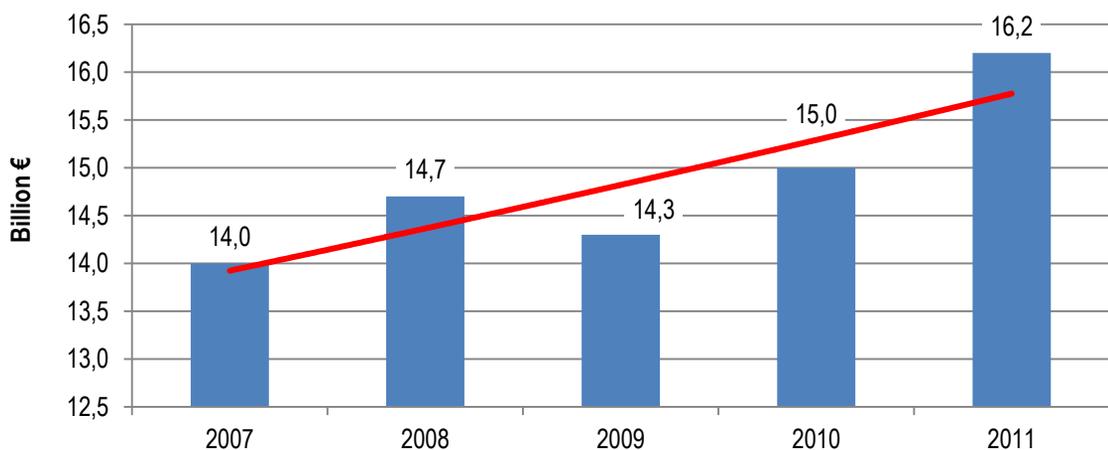


Figure 8. German software market – Market value: € billion, 2007–11
Source: Own elaboration from MarketLine data.

In order to develop a comprehensive analysis of the Computer Software Industry, we have conducted a search of deals made in Europe between software companies. We used specific criteria to ensure accuracy in the development of our analysis. Looking at buy side merger and acquisitions transactions in fiscal year 2013, from 01/01/2013 to 31/12/2013, specifically in the European region, 109 deals occurred.

Our analysis is based on the deals that occurred between companies in Germany, France and Spain. The deals conducted were of companies of various sizes ranging from small companies (less than 50 employees) for several million Euros to larger and very large companies (more than 100 employees) for several billion Euros. We have also included in our analysis a breakdown of Software Company deals by what industry the software was developed for (sector).

In our analysis of deals by sector, we used the following industry types:

- TIC: Technology, Information Systems, and Communications- This sector includes software that is used for telecommunication systems, database management, information security, digital content, and enterprise system integration. It is the largest sector of software companies involved in 47% of company deals in 2013.

Software company deals analysis

- Management- Software services that provide business process improvement through the use of programs and applications. Varies from marketing and sales management systems to ERP and IT management platforms. This is the second largest sector in our analysis making up 17% of software company deals in 2013.
- Engineering- This sector is software that is developed for Computer Aided Design systems, semiconductor system management, industry specific systems (injection molding software), automation solutions, and data management. This sector accounts for 16% of company deals in 2013.

Software Company Deals during 2013. By sector

TIC	51
Management	19
Engineering	17
Finance	6
Healthcare	5
Transport	3
Education	3
Food Industry	3
HH.RR	2
Total	109

- Finance- This software segment offers solutions in billing, debt collection, and metering for banking, insurance, and government institutions. This software segment makes up 6% of software company deals in 2013.
- Healthcare- Software developed to assist in clinical and laboratory work as well as healthcare facility management systems. This segment makes up 5 percent of all companies transacted.
- Transport- Systems developed for automotive and aeronautics testing and control as well as mobile transportation management systems, such as ticketing and parking. This sector accounts for 3% of the total deals made.
- Education- Linguistics and translation software. Makes for 3% of total deals made.

- Food Industry- Software solutions for agricultural efficiency as well as online meal ordering systems. Also accounts for 3% of deals in 2013.
- HR: Human Resources- solutions for human resource management and outsourced solutions. Makes up 2% of deals in 2013.

Software Company Deals 2013 By sector

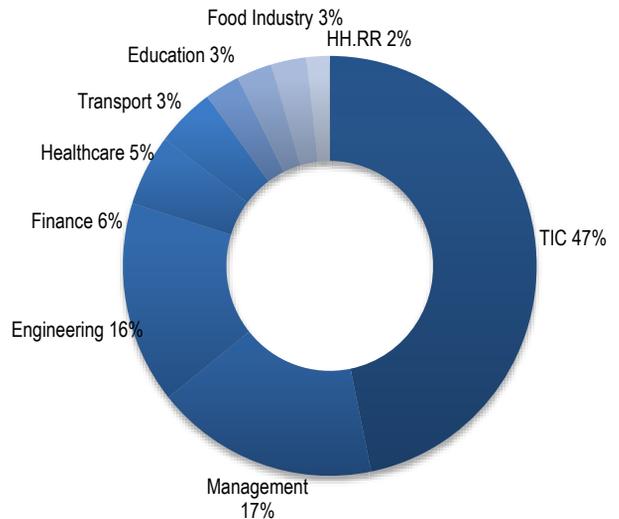


Figure 9. Software Company Deals by sector. 2013
Source: Own elaboration.

Deals by size

Using the European Commission's division of Enterprise and Industry's definition of Small and Medium Enterprises (SME), we are able to categorize the deals made on target companies by size. The categorization of enterprise sizes is written in the EU recommendation 2003/361 and defines the sizes as follows:

Company category	Employees	Turnover	or	Balance sheet total
Large	≥250	> € 50 m	>	€ 43 m
Medium-sized	< 250	≤ € 50 m	≤	€ 43 m
Small	< 50	≤ € 10 m	≤	€ 10 m
Micro	< 10	≤ € 2 m	≤	€ 2 m

Based on our analysis, we have found that 21% of the target companies were considered to be large, 37% were defined as medium, 15% were defined as small, and the remaining 18% were considered micro-enterprises.

Software Company Deals 2013 By Size

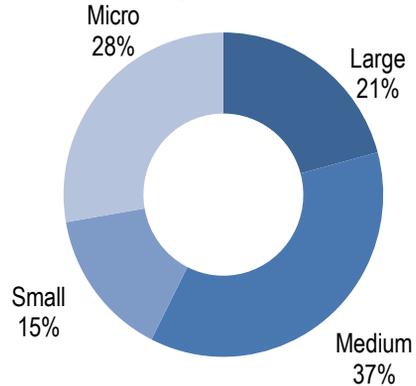


Figure 10. Software Company Deals by size. 2013
Source: Own elaboration.

Deals by country

In our categorization by country, we used a data analysis based on the target country of a deal. The countries we included in our search are France, Germany and Spain.

Of the 109 deals our search compiled, 51 targeted Germany making up 47% of the results. France was targeted 45 times (41.3 %), and Spain was targeted in 13 deals (12%).

Software Company Deals 2013 By Country

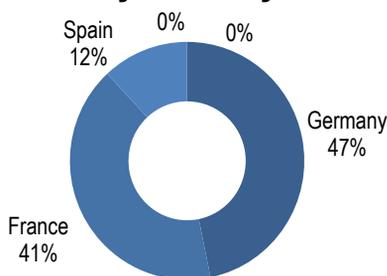


Figure 11. Software Company Deals by country. 2013
Source: Own elaboration.

Software Company Deals during 2013. By Country

Germany	51
France	45
Spain	13
Total	109

Deals list 2013

The following list of deals for the year 2013 contains the 41 out of 109 with disclosed deal values (€m). We have elected to include only those with disclosed deal values to give a better insight into the actual value of the industry and potential deals.

Target Company	Company Size	Subsector	Country	Bidder Company	Deal Value EUR (m)
Systran SA	Medium	Education	France	CSLI Co., Ltd.	30
finocom AG	Micro	Telecommunications	Germany	BroadSoft, Inc.	7
Tell Me More S.A.	Micro	Education	France	Rosetta Stone Ltd	21
Realtime Technology AG	Large	TIC	Germany	Dassault Systemes SA	169
COR&FJA Banking Solutions GmbH	Medium	Finance	Germany	Sopra Group S.A.	13
Tandberg Data GmbH	Medium	TIC	Germany	Overland Storage, Inc.	31
Epicom, S.A.	Small	TIC	Spain	Duro Felguera SA	5
Cameleon Software S.A.	Medium	TIC	France	PROS Holdings, Inc.	27
FlexyCore	Micro	TIC	France	Google Inc.	17
Pironet NDH AG	Medium	TIC	Germany	Cancom IT Systeme AG	51
Kleyer 90 Carrier Hotel	-	Turism	Germany	Equinix, Inc.	67
Lico Corporacion, S.A.	Large	Finance	Spain	Fortress Investment Group LLC	200
Triplan AG (50.01% Stake)	Medium	Engineering	Germany	KRESTA Anlagenbau GmbH Nfg & Co KG	6
Intelligent Dialogue Systems S.L (60% Stake)	Micro	Marketing	Spain	Intel Corporation	20
Saperion AG	Medium	TIC	Germany	Lexmark International, Inc.	54

Target Company	Company Size	Subsector	Country	Bidder Company	Deal Value EUR (m)
Myphotobook GmbH	Medium	TIC	Germany	Elanders AB	11
proALPHA Software AG	Large	Management	Germany	Bregal Capital LLP	160
Indra Sistemas SA (20.14% Stake)	Large	Management	Spain	Sociedad Estatal de Participaciones Industriales	337
Nexeya SA	Large	Transport	France	Initiator	49
icon-scm AG	Small	TIC	Germany	E2open, Inc.	26
Triplan AG (57% Stake)	Medium	Engineering	Germany	CROSS Informatik GmbH	6
Indra Sistemas SA	Large	TIC	Spain	Springwater Capital LLC	17
Boost SAS	Micro	TIC	France	Nerim SAS	4
Sevenval GmbH; YOC Central Eastern Europe GmbH; Sevenval Ltd.; YOC AG	Medium	Marketing	Germany	BTH Berlin Technologie Holding GmbH ; Performance Media Deutschland GmbH; Hans Jurgen Even (Private Investor); Jan Webering (Private Investor)	7
PasswordBank Technologies, S.L.	Micro	Telecommunications	Spain	Symantec Corporation	19
Hoeft and Wessel AG (75% Stake)	Large	Transport	Germany	Droege International Group AG	33
Hologram. Industries SA (41.41% Stake)	Medium	TIC	France	Surys	79

Target Company	Company Size	Subsector	Country	Bidder Company	Deal Value EUR (m)
GFI Informatique SA (42.11% Stake)	Large	Engineering	France	Itefin Participation	108
Shopmium SAS (Majority stake)	Micro	TIC	France	Ventech	4
Transaction Bank GmbH (51% Stake)	Large	Finance	Germany	Deutsche Bank AG	41
Arkoon Network Security SA (83.9% Stake)	Medium	TIC	France	Cassidian CyberSecurity	12
ista International GmbH	Large	Finance	Germany	CVC Capital Partners Limited; Canada Pension Plan Investment Board	3100
Sogelink SAS	Medium	TIC	France	CIC LBO Partners; Keensight Capital	75
RunMyProcess SAS	Micro	TIC	France	Fujitsu Limited	16
Maporama Solutions SAS	Micro	Telecommunications	France	Tibco International Holdings, B.V.	5
The Sage Group Plc	Large	TIC	France	Argos Soditic SA	33
Nuance SA	Micro	Education	France	Nuance Communications, Inc.	13
3cap technologies GmbH	Medium	Engineering	Germany	Geometric Europe GmbH	8
ATLAS Interactive Deutschland GmbH	Medium	Finance	Germany	InternetQ Plc	6
Isidor SAS	Small	TIC	France	Doro AB	5
Neolane SA	Medium	Marketing	France	Adobe Systems Incorporated	460

Based on an analysis done by Software Equity Group in the US market in 2013, the following average multiples could be achieved in the various categories of software in Q1 of 2013:

A prudent view on multiples*

On premise software (ie no SaaS or cloud based SW respectively)	Revenue multiple: 2.8x
	EBITDA multiple: 12.8x
SaaS SW	Revenue multiple: 5.3x
	EBITDA multiple: 35.4x
Internet B2B SW	Revenue multiple: 2.0x
	EBITDA multiple: 13.6x

Potential multiples for the various categories defined in this report can be found by matching the corresponding categories in the Software Equity report with our categories.

The following average multiples could be achieved in the US in Q1 2013:

TIC (eg mobile solutions, security, storage, data management, integration)	EBITDA multiples from 9.2x to 20.6
Management (Business Intelligence, ERP, Financial and Accounting, Performance Management, Supply Chain Management)	EBITDA multiples from 10.5x to 16.1x
Engineering	EBITDA multiple of 13.4x
Finance	EBITDA multiple from 8.7x to 10.7x
Healthcare	EBITDA multiple of 14.8x

No matching categories could be found in the Software Equity Report for the following categories: Transport, Education, Food, HR.

Conclusions

With a size of €509.2bn, the European region remains a big market for software companies with very attractive annual growth rates of up to 5%.

To benefit from the growth, company expansion via M&A transactions is a strategic option that is very popular with 109 deals in Germany, France, and Spain alone.

The by far greatest number of deals was realised in the TIC subsector (Technology, Information Systems, and Communications with 51 deals in total and 18 as part of the 41 were transaction values were disclosed.

There is quite an even balance between deals of all sizes from micro-deals with companies that have less than €2m of revenues to large deals with companies whose revenues are greater than €50m.

Companies with a healthy business and benchmark EBITDA ratios will achieve mostly double digit EBITDA multiples.

Profitable SaaS companies are almost three times more expensive than classical on premise software companies and approximately two and a half times more expensive than B2B internet SW companies.