

The Parthenon Group

Technology Practice

PRIVATE EQUITY TECHNOLOGY INVESTING

2013 Deal Trends and the Year Ahead

April 2014



THE PARTHENON GROUP

2013 Trends Lay the Groundwork for the Year Ahead

PRIVATE EQUITY TECHNOLOGY INVESTING

2013 TRENDS

- Technology-related transactions grew at 14%, while overall private equity deal activity was down in 2013
- Growth was driven in part by technology-enabled business models not traditionally tracked as “IT investments” in industry reports
- B2B opportunities continue to represent the vast majority of private equity technology investment activity, growing at 21% over 2012
- Growth is strong across software, services, and hardware segments
- Key trends around SaaS, enterprise solutions, and mobile show strong tailwinds
- Vertical software is the fastest-growing software segment driven by activity in Healthcare IT, FinTech, Media, and Transportation sub-segments

THE YEAR AHEAD

- 2013 observable trends appear persistent into the new year based on initial activity in the deal market, with further growth expected in some horizontal software sub-segments (e.g., HR, data & analytics, etc.)
- SaaS pure-plays, software businesses transitioning to SaaS, and service businesses transitioning to SaaS-like offerings will continue to be key growth areas
- The broader footprint of technology-enabled business models will increase competition for these assets among technology specialist investors and investors focused on vertical sectors – understanding both the underlying technology and end-market verticals will matter more than ever



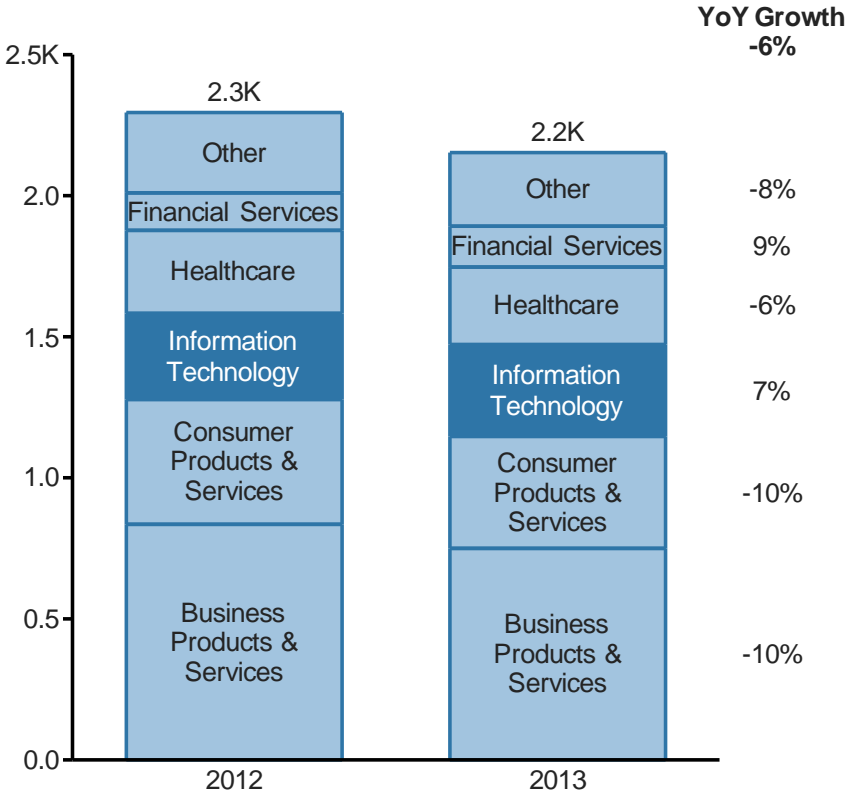
2013 Technology Deal Trends

Technology Deals Grew at 14% in a Down Deal Market, Driven by Traditional IT Deals and Tech-Enabled Investments Often Reported in Other Sectors

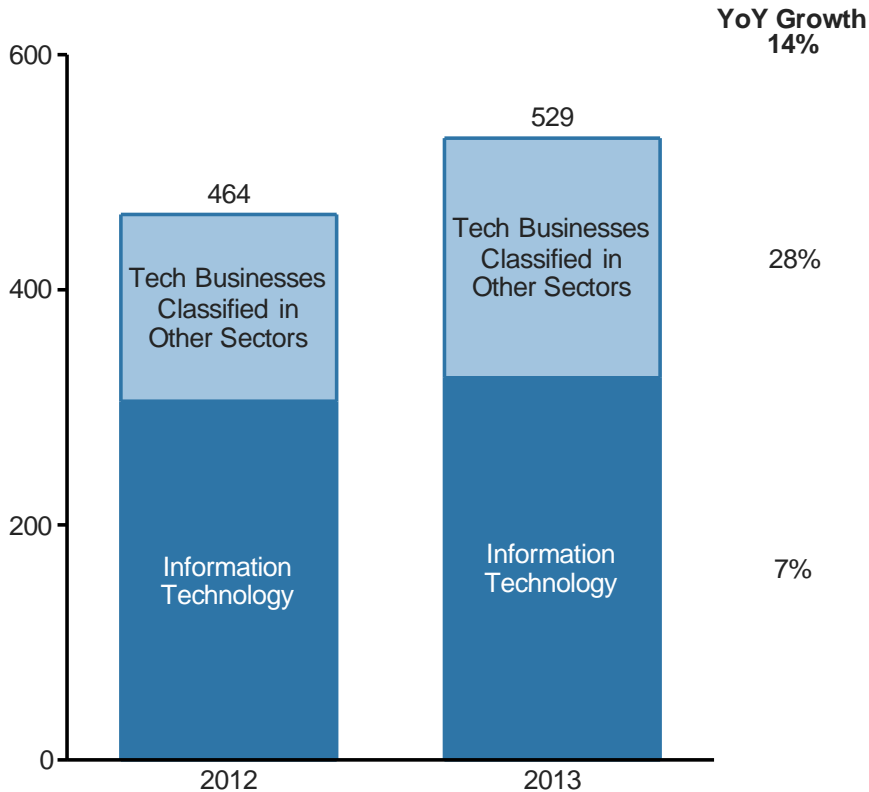
While the traditional Information Technology sector posted solid deal growth over 2012...

...a more holistic view of the tech industry reveals that tech-enabled investments outside of the traditional "IT sector" were important drivers of deal growth in 2013

U.S. Private Equity – All Deals by Target Primary Industry Sector, 2012-2013



U.S. Private Equity – All Technology Deals, Adjusted for Tech Presence in Other Sectors, 2012-2013

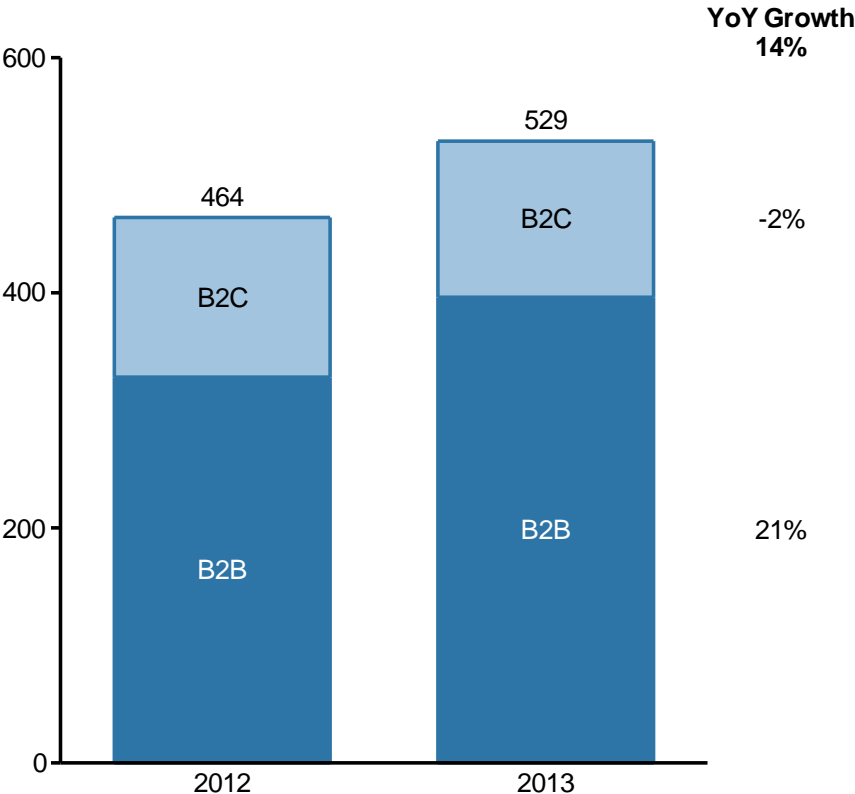


B2B Companies Continued to Account for the Majority of Technology Investments in 2013 and Drove Overall Growth

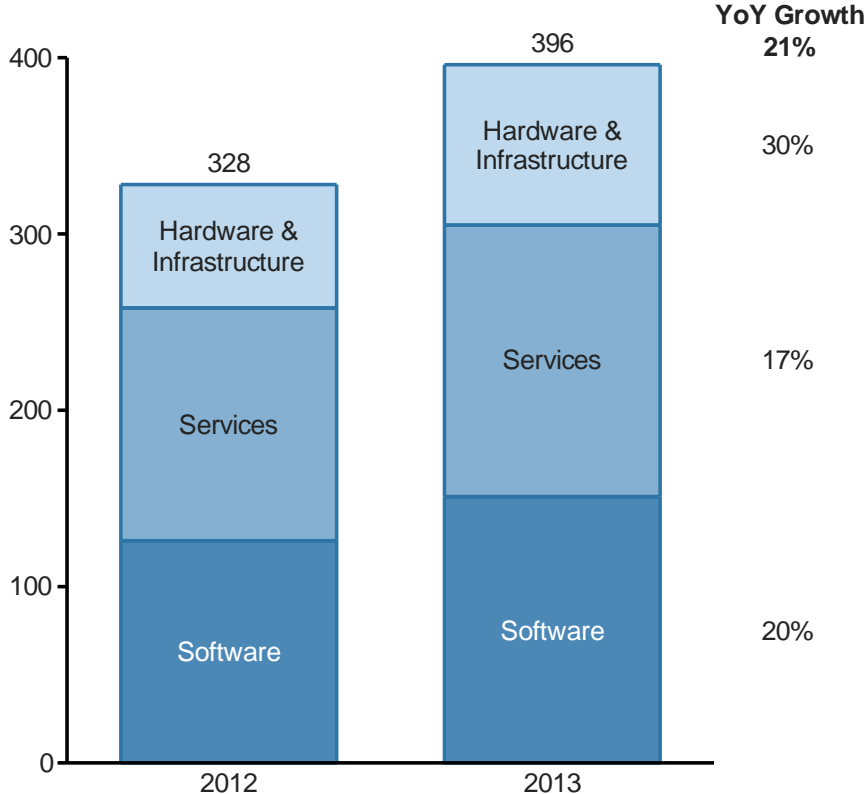
Targets with a business-to-business focus accounted for the majority of technology investments in 2013

Within B2B, companies focused on software or services were typically the targets of investment

U.S. Private Equity – All Technology Deals, by Target Primary Customer Type, 2012-2013



U.S. Private Equity – All Technology Deals, B2B Segment by Target Industry Subsector, 2012-2013



2013 Technology Deal Trends

SaaS-Positioned Software Businesses Grew Rapidly, with Non-SaaS Businesses Often Referencing the Transition

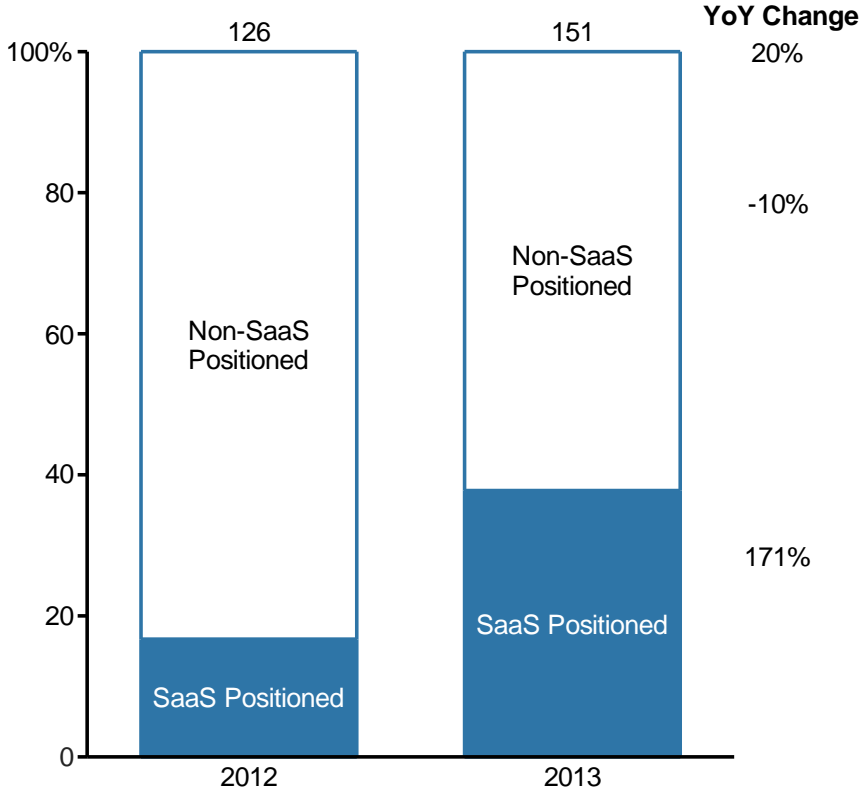
SaaS was the leading theme of B2B software investing overall...

...with nearly 40% of software businesses positioned strongly as SaaS solutions today

U.S. Private Equity Technology Deals, B2B Software Segment by Company Characteristics



U.S. Private Equity Technology Deals, B2B Software Segment by Delivery Model, 2012-2013

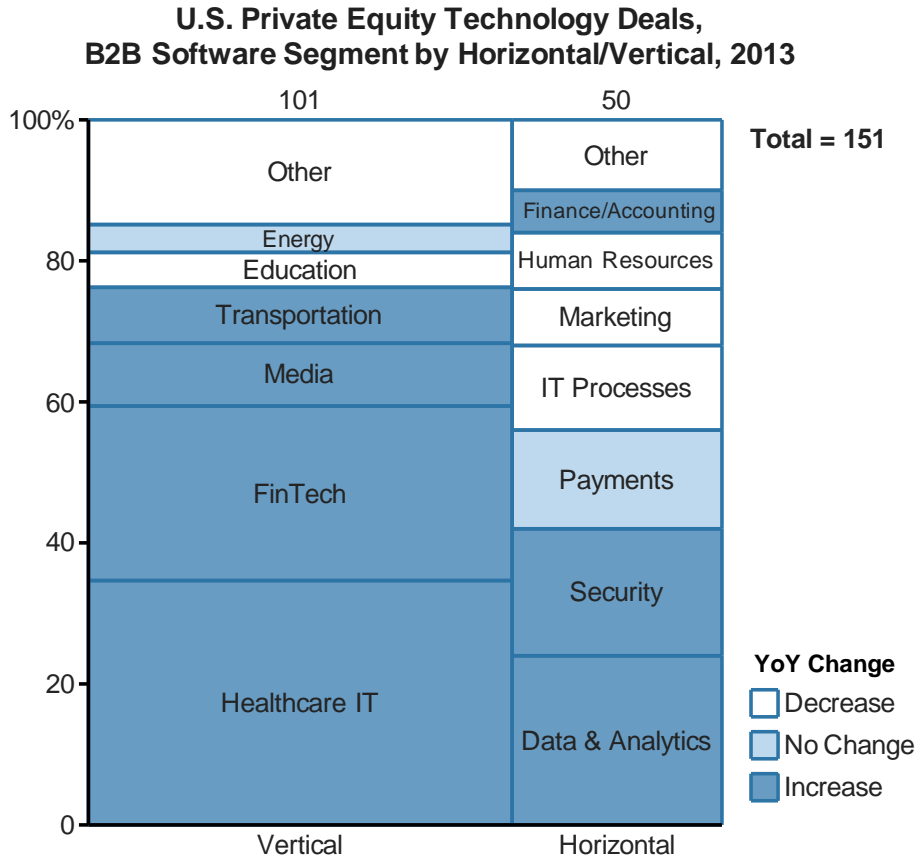
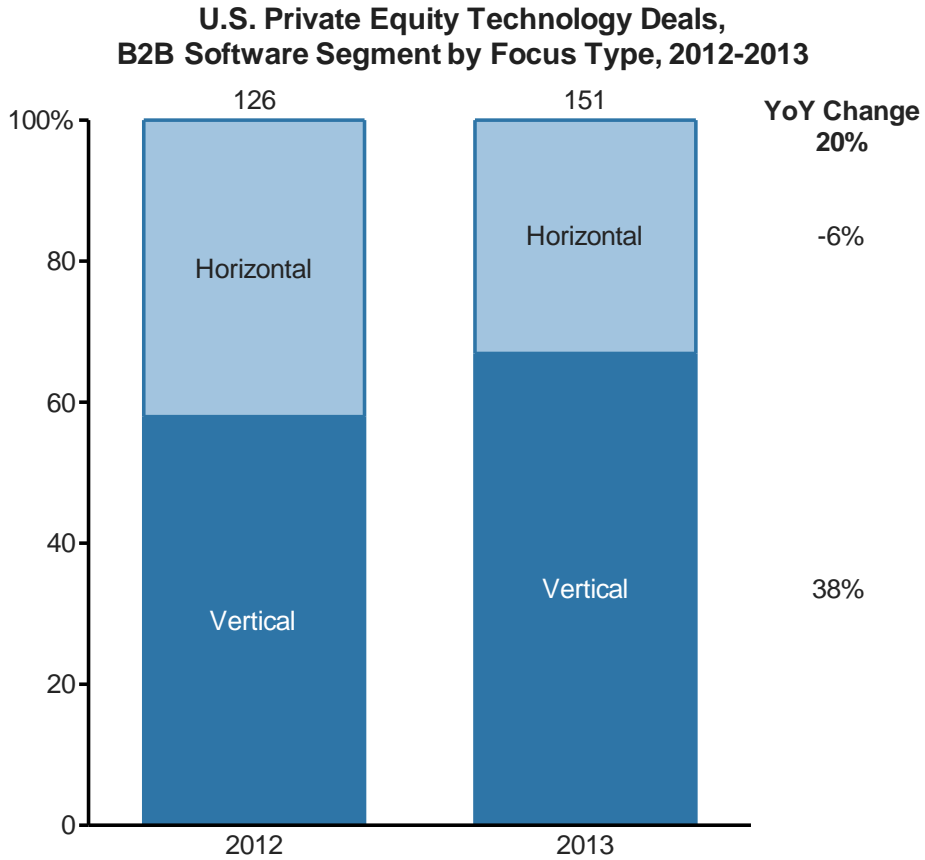


2013 Technology Deal Trends






Vertical Outgrew Horizontal Software Investment Theses

Deals involving companies with a particular vertical focus saw strong growth over 2012

Healthcare IT and FinTech were particularly active verticals in 2013 and grew over the prior year



Representative 2013 Parthenon Technology Deal Activity

Transaction	Company Description	Sector	Subsector
—Confidential—	Outsourced mortgage processing and technology	Software & Services	Vertical: FinTech
 Omnitracs	Telematics hardware and software for fleet management in the transportation sector	Software & Hardware	Vertical: Transportation
—Confidential—	Fund accounting and grants management software and services for non-profit and grant making organizations	Software	Vertical: Non-Profit
 SoftWriters	Specialized workflow software solution provider to long-term care pharmacies	Software	Vertical: Healthcare IT
—Confidential—	Ad network technology and solutions	Software & Services	Vertical: Media
—Confidential—	Enterprise data analysis tools supporting big data and enterprise analytics	Software	Horizontal: Data & Analytics
 SERENA	Application lifecycle management software and process automation solutions	Software	Horizontal: IT Processes
 BLACKLINE SYSTEMS	Financial close and accounting software	Software	Horizontal: Finance/Acct.
 Symmetry <small>The ERP Technology Experts</small>	Maintenance and hosting for SAP environments	Software & Services	Horizontal: IT Processes
—Confidential—	Data and analytics for marketing campaigns	Software & Services	Horizontal: Marketing



Parthenon Background and Contact Information

About Parthenon

The Parthenon Group is a leading advisory firm focused on strategy consulting, with offices in Boston, London, Mumbai, San Francisco, Shanghai, and Singapore. Since its inception in 1991, the firm has embraced a unique approach to strategic advisory services built on long-term client relationships, a willingness to share risk, an entrepreneurial spirit, and customized insights. This unique approach has established the firm as the strategic advisor of choice for CEOs and business leaders of Global 1000 corporations, high-potential growth companies, private equity firms, educational institutions, and healthcare organizations.

ADVISORY SERVICES FOR INVESTING IN TECHNOLOGY

Parthenon serves as an advisor to private equity investors and management teams in the technology sector. With our private equity clients, we work throughout the entire investment cycle – developing investment strategies and identifying new investments, conducting due diligence, working with portfolio companies, and preparing companies for exit. With technology executive teams, we help improve company performance through customer segmentation & analytics, sales force strategy, pricing optimization, and growth strategy development.

Learn more about us at www.parthenon.com/Industries/Technology



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Mr. Dutterer is a Partner in Parthenon's Private Equity and Technology Practice in San Francisco where he focuses on B2B software & services, consumer technology, and emerging consumer brands. His work includes due diligence services, growth strategy development, and exit planning.

Previously, Mr. Dutterer was a technology consultant at IBM and PricewaterhouseCoopers where he advised corporate, government, and non-profit clients on technology and strategy development. He held responsibilities across the IT development lifecycle including defining business requirements, design & development, testing, and release management.

Mr. Dutterer received his B.A. cum laude in Public Policy from The College of William and Mary and his M.B.A. with distinction from the Harvard Business School.

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