



M&A transaction volume in the infrastructure software sector was relatively stable in Q3 2012 while both the median deal size (\$38.5M) and the median EV/TTM Revenue multiple (2.7x) dropped considerably. This occurred despite relatively strong performance of the sector's publicly traded stocks during the quarter. During Q3 2012, we noted several interesting trends. First, three substantial transactions involved Private Equity (or PE-backed) buyers – UC4 was acquired by a PE, Pervasive was acquired by PE-backed Actian and the Quest transaction was initiated by a take-private offer from PE Insight Ventures. This trend reflects continued maturation of the infrastructure software sector. Second, VMware has been on a bit of a tear, completing two transactions to continue the build-out of its management stack (DynamicOps and Log Insight) and making a high-profile move into networking with its acquisition of Nicira Networks. Finally, two companies have acquired on-demand service desk technology (Solarwinds and Citrix) as Service-Now continues to disrupt the service desk space with its SaaS solution.

Figure 1: Quarterly Infrastructure Software M&A Deal Analysis, Q3 2011 – Q3 2012

Source: Signal Hill

	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
Number of Deals	33	40	27	43	47
% change from prior quarter		21.2%	-32.5%	59.3%	9.3%
Total Enterprise Value (\$M)	\$2,147.2	\$1,100.3	\$2,651.1	\$1,082.3	\$4,175.7
% change from prior quarter		-48.8%	140.9%	-59.2%	285.8%
Median Announced Deal Size (\$M)	\$95.0	\$54.2	\$80.0	\$54.1	\$38.5
% change from prior quarter		-42.9%	47.6%	-32.4%	-28.8%
Median EV/TTM Revenue Multiple	6.5x	4.1x	8.0x	3.8x	2.7x
% change from prior quarter		-36.9%	95.1%	-52.5%	-28.3%

Figure 2: Infrastructure Software Public Company Valuation Metrics Q3 2012

Infrastructure Software	Financial Data					Enterprise Value /						Equity Multiples		
	% of 52 Week Hi	Q/Q Rev Growth		LTM Margins		Revenues			EBITDA			Price/Earnings		
		YoY	Seq.	Gross	EBITDA	LTM	CY12E	CY13E	LTM	CY12E	CY13E	LTM	CY12E	CY13E
Storage Software Trading Comps	76%	10%	-1%	73%	15%	1.8x	1.8x	1.7x	10.6x	9.2x	8.1x	23.3x	15.8x	14.0x
Application Infrastructure Trading Comps	87%	-1%	-1%	73%	24%	2.7x	2.6x	2.4x	11.5x	9.6x	9.2x	33.8x	18.6x	16.0x
IT Operations & Management Trading Comps	91%	16%	1%	77%	24%	3.4x	3.2x	2.8x	16.7x	11.1x	11.2x	31.1x	24.1x	21.1x
Mean	85%	8%	0%	74%	21%	2.6x	2.5x	2.3x	12.9x	10.0x	9.5x	29.4x	19.5x	17.0x
Median	87%	10%	-1%	73%	24%	2.7x	2.6x	2.4x	11.5x	9.6x	9.2x	31.1x	18.6x	16.0x



Figure 3: Infrastructure Software 1-Year Relative Stock Price Performance, Q3 2012

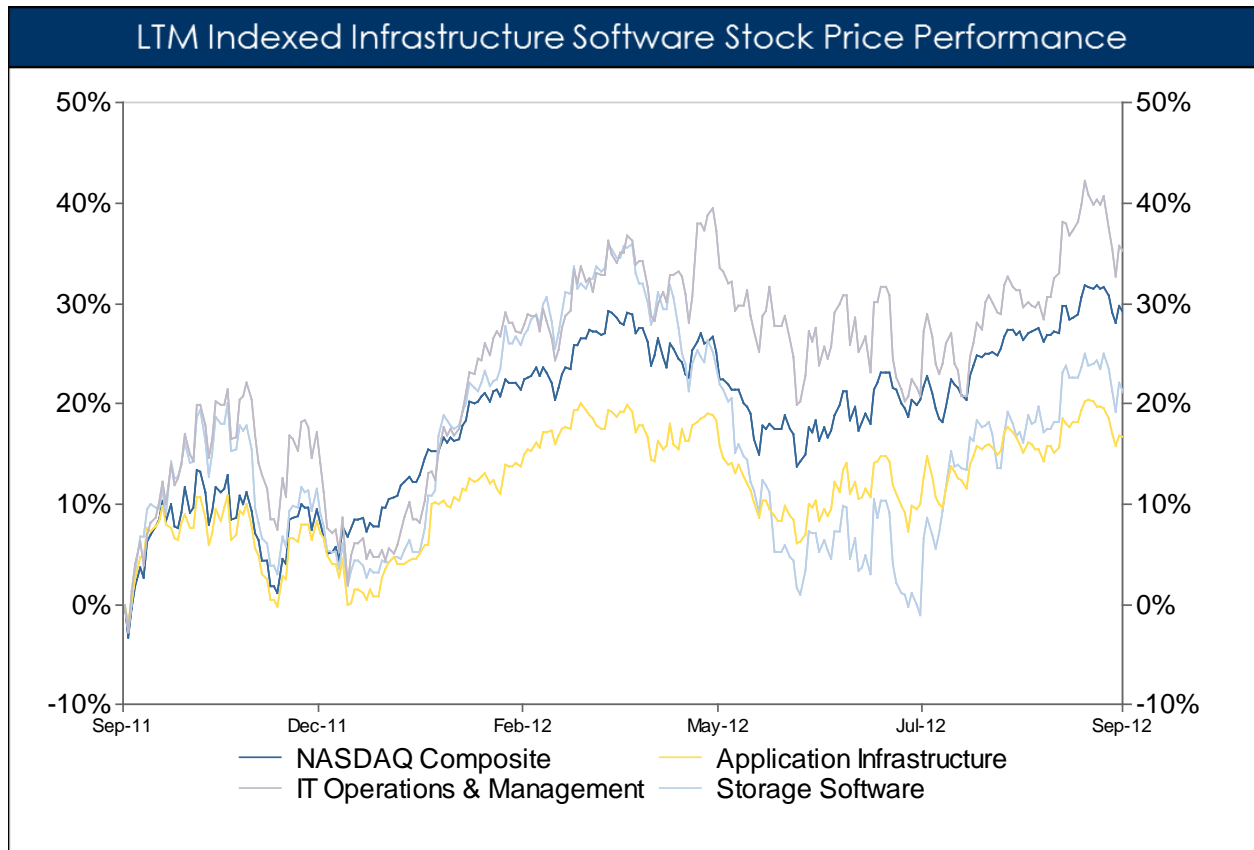


Figure 4: Notable Infrastructure Software Transactions Q3 2012

Target	Buyer	Enterprise Value	Revenue Multiple
UC4 Software GmbH	EQT VI	\$271.4M	3.3x
Quest Software	Dell Inc.	\$2,400.0M	2.7x
Pervasive Software	Action Corp.	\$111.3M	2.3x



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Infrastructure Software: Q3 2012 M&A Review

Infrastructure Software Trends Q3 2012

VMware Acquisitions	DynamicOps acquired by VMware	DynamicOps, a provider of cloud automation solutions that enable provisioning and management of IT services across heterogeneous environments, was acquired by VMware, the global leader in virtualization and cloud infrastructure. The acquisition is expected to strengthen VMware's position as the choice infrastructure and management vendor for cloud computing.
	Nicira Networks acquired by VMware EV: \$1,260.0M	Nicira Networks, a startup that recently emerged from stealth in February 2012, creates software defined environments that can be programmed to change through adjustments in the software, allowing for elasticity and flexibility in data movement. VMware expects the acquisition will make it a more formidable competitor to companies like Amazon and OpenStack.
	Log Insight acquired by VMware	Log Insight, a cloud log analytics platform previously owned by Pattern Insight, was acquired by VMware. Log Insight's products are designed to help companies monitor data for problems in both their data centers and cloud environments. The acquisition continues VMware's enterprise cloud computing strategy.
Service Desk Deals	Beetil Service Management acquired by Citrix Systems	Beetil Service Management, a New Zealand-based startup that builds cloud-based customer service management software, was acquired by Citrix Systems, the global desktop virtualization and cloud computing vendor. Beetil's software will be integrated into Citrix's existing IT support line GoToAssist, enabling support, monitoring and service desk management from a single, cloud-based platform.
	Web Help Desk acquired by SolarWinds, Inc. EV: \$20.0M	Web Help Desk, a provider of online help desk software to IT professionals, was acquired by SolarWinds, a developer of IT management software. The transaction will help to expand the company's ability to solve IT management problems using a cross-platform Web-based IT Help Desk product.