



technologyREPORT

INDUSTRY OVERVIEW

Technology continued to see high deal value and volume in Q4 2014. While basic computer hardware and devices are becoming commoditized, technology companies are creating value by developing new services, often as SaaS or cloud-based solutions, enterprise data management, and the Internet of Things (IoT). Large technology companies with a focus on hardware or other physical aspects of the technology industry are seeking targets that create value through technology services. Companies across all industries have prompted growth within the Technology sector through the construction of systems to capture data. The confluence of success among non-capital-intensive technology companies and continued low interest rates has prompted activity among financial buyers as well, and this high level of awareness among both strategic and financial buyers has driven high transaction prices.

US targets have been particularly popular because buyers see US economic growth and technological development to be more robust in B2B and consumer sectors. This interest is likely to continue as overall US economic outlook appears stronger and more robust than abroad. In addition, many large technology companies are sitting on large cash reserves, and as of 1H 2014, \$486.4 billion of private equity dry powder remained undeployed. As a result, the technology industry is ripe and filled with buyers who will sustain deal activity through 2015.

If you have any questions, please contact us.

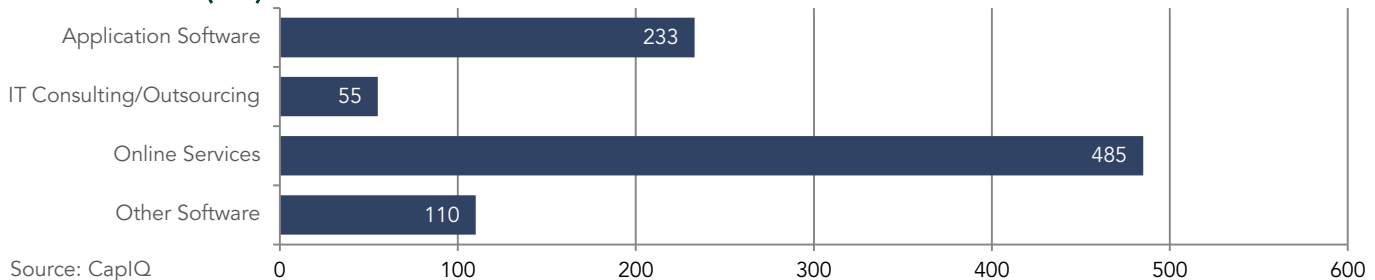
- Chris Bouck, Principal (cbouck@sdventures.com)

- Cody Roth, Analyst (croth@sdventures.com)

TRANSACTION HIGHLIGHTS

TRANSACTIONS

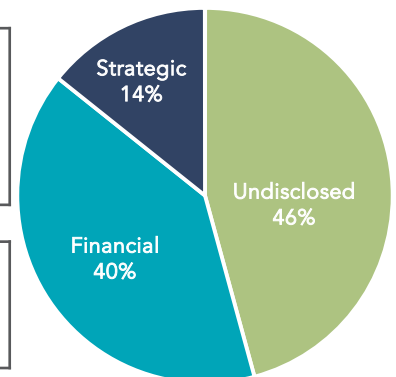
BY SEGMENT (Q4)



STRATEGIC VS. FINANCIAL TRANSACTIONS

HIGHLIGHTS

STRATEGIC TRANSACTIONS	12.18.14	Xerox (NYSE: XRX) announced an agreement to sell its Information Technology Outsourcing (ITO) business to Atos for \$1.05 billion prior to closing adjustments.
	11.3.2014	Publicis (PUBP.PA) , the world's third-largest advertising agency, is to buy U.S.-based digital ad specialist Sapient (SAPE.O) for \$3.7 billion in cash.
FINANCIAL TRANSACTIONS	12.15.14	SurveyMonkey , the online survey platform, raised \$250 million in equity financing, making the company worth close to \$2 billion. Investors included new names such as T. Rowe Price and Morgan Stanley Investment Management .



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.



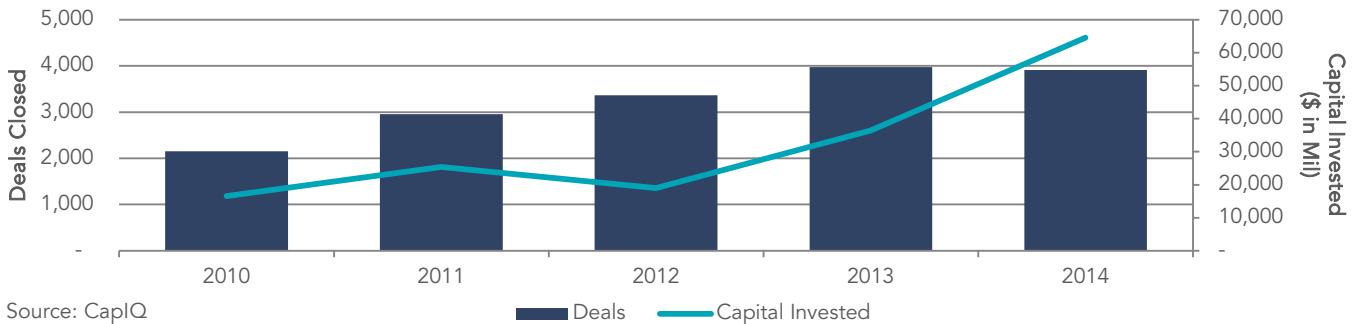
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TRANSACTION ACTIVITY

Target	Buyers	Target Description	Transaction Comments
Blink Reaction LLC	Intellecta AB (publ) (OM:ICTA B)	IT Consulting and Other Services (Primary)	Propeople and its parent company, the Swedish-based Intellecta AB, announced that Blink Reaction, one of the foremost players in the Drupal industry, has agreed to sell an 80 percent stake in the company to Intellecta for approximately \$8.6 million.
ShopVisible, LLC	Epicor Software Corporation	Online Services	Epicor Software Corporation, a global leader in business software solutions for retail, manufacturing, distribution, and services organizations, announced that it has completed its acquisition of privately held ShopVisible, LLC, for \$25 million.
Legal eDiscovery Business of Hudson	Document Technologies, Inc.; DTI of London Limited	Data Processing and Outsourced Services	Hudson Global, Inc. (Nasdaq:HSON), a leading global talent solutions company, announced that it has completed the sale of its Legal eDiscovery business to DTI, the largest privately-held legal process outsourcing (LPO) company in the U.S., for \$23 million in cash for the assets of Hudson's Legal eDiscovery business.
BEAR Data Solutions, Inc.	Datalink Corporation (NasdaqGS:DTLK)	IT Consulting and Other Services	Datalink (Nasdaq:DTLK), a leading provider of data center infrastructure and services, announced an agreement to acquire privately held Bear Data Solutions, Inc. (Bear) for approximately \$18.5 million.
Kickserv, Inc.	ReachLocal, Inc. (NasdaqGS:RLOC)	Online Services	ReachLocal has signed a definitive agreement to acquire Kickserv, a provider of cloud-based business management software for service businesses for approximately \$10.75 million

Source: CapIQ

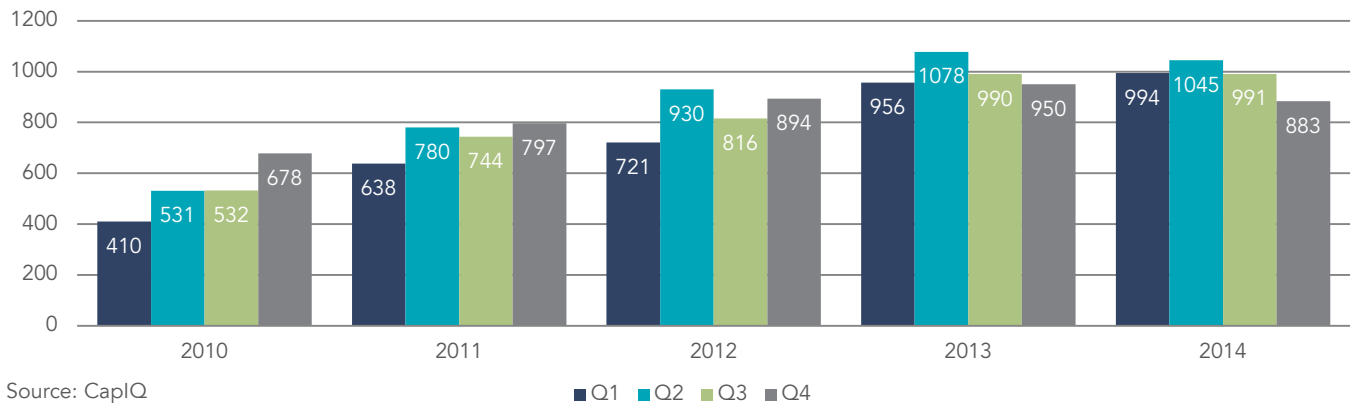
US TECHNOLOGY M&A ACTIVITY



Source: CapIQ

TECHNOLOGY TRANSACTIONS

OF TRANSACTIONS BY QUARTER



Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.





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PUBLIC BASKET

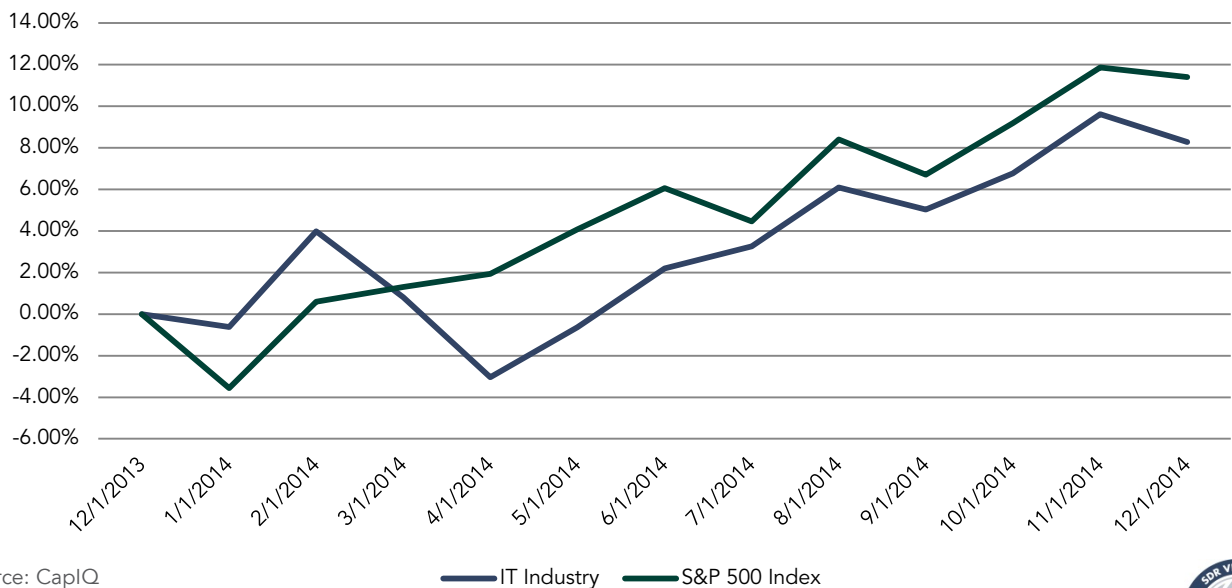
Publicly-traded technology companies grew in value during Q4; however, their combined performance was overshadowed by the S&P 500's unusually high growth. Changes within the technology industry have caused a flux in stock prices. The passing importance of certain technologies has contributed to the growth gap between public technology companies and the S&P. Many of the fastest growing technologies are offered through fragmented markets or private companies, placing buyers' focus on middle-market companies. Xerox and other non-traditional tech companies are investing in tech, making acquisitions not to supplement their business, but to reposition themselves within the technology industry.

Despite the effect that Microchip's (MCHP) poor Q2 performance had on semiconductor investors' sentiment, the semiconductor industry is showing some signs that a price correction might not be imminent. Giants within the space, including Micron Technology, have demonstrated resilience to China's industrial slowdown and have outperformed the S&P 500. While some chipmakers are still standing in the Q3 pit, chipmakers as a whole are up 31 percent, the most among the 24 industries in the S&P 500, largely due to investors' expectations that technology spending will pick up.

Company	Symbol	State	Market Cap (\$ in Mil)	Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
				Price	Month Change	YTD Change				
Adobe Systems Incorporated	NasdaqGS:ADBE	CA	\$ 36,258	\$ 72.7	(1.33%)	21.41%	164.0x	5.4x	8.2x	46.8x
eBay Inc.	NasdaqGS:EBAY	CA	\$ 69,722	\$ 56.1	2.26%	2.29%	32.8x	3.5x	3.8x	13.5x
Equinix, Inc.	NasdaqGS:EQIX	CA	\$ 12,790	\$ 226.7	(0.19%)	27.77%	75.7x	4.7x	6.9x	16.8x
Facebook, Inc.	NasdaqGS:FB	CA	\$ 217,508	\$ 78.0	0.41%	42.77%	66.2x	9.5x	18.2x	33.6x
Google Inc.	NasdaqGS:GOOGL	CA	\$ 358,536	\$ 530.7	(3.35%)	(5.30%)	36.5x	3.6x	4.5x	15.4x
Intuit Inc.	NasdaqGS:INTU	CA	\$ 26,323	\$ 92.2	(1.79%)	20.79%	34.2x	9.0x	5.5x	17.4x
Microsoft Corporation	NasdaqGS:MSFT	WA	\$ 382,881	\$ 46.5	(2.84%)	24.16%	22.2x	4.3x	3.5x	9.6x
Nuance Communications, Inc.	NasdaqGS:NUAN	MA	\$ 4,605	\$ 14.3	(5.68%)	(6.12%)	NM	1.8x	3.2x	33.6x
Oracle Corporation	NYSE:ORCL	CA	\$ 197,480	\$ 45.0	6.04%	17.54%	23.0x	4.2x	4.8x	11.0x
VMware, Inc.	NYSE:VMW	CA	\$ 35,524	\$ 82.5	(6.18%)	(8.01%)	48.6x	4.8x	5.1x	20.5x
Average			\$ 134,163	\$ 124.5	(1.27%)	13.73%	55.9x	5.1x	6.4x	21.8x

Source: CapIQ

TECHNOLOGY INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



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INDUSTRY SEGMENTS

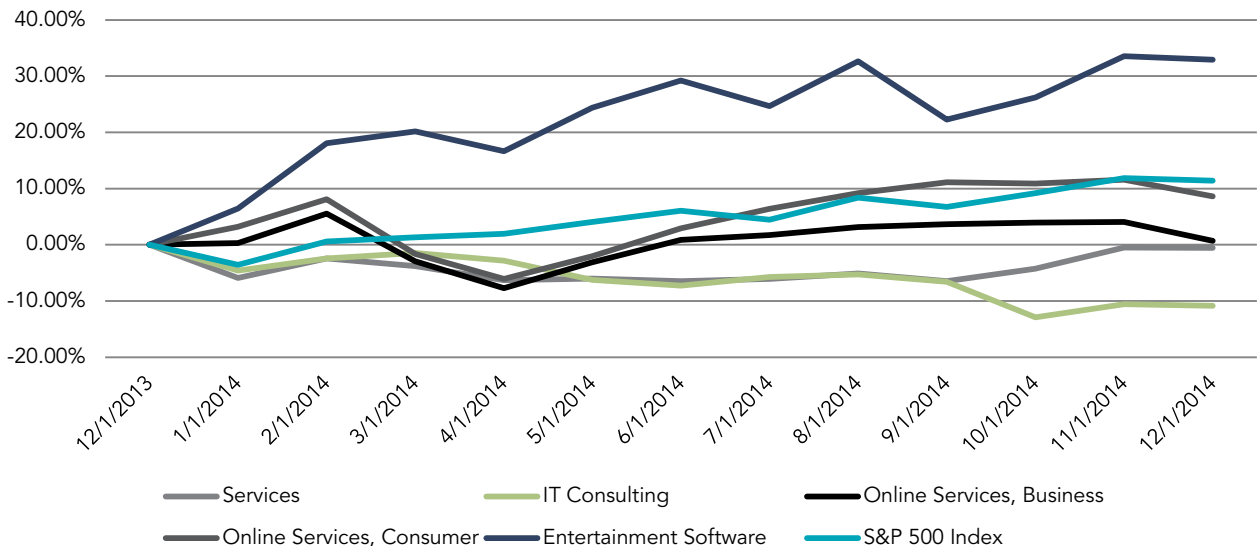
Most of the technology industry saw a relatively stagnant Q4 while Entertainment Software dramatically outpaced the benchmark throughout 2014. The segment is benefiting from the growth and success of the gaming industry, especially casino/lottery technologies. Mobile entertainment platforms are broadening the gaming market rather than simply shifting existing customers from old-style platforms. Other segments within the industry have seen growth through the increased use of social media, SaaS providers, and data processing. E-commerce and mobile payment providers have also seen profits attributable to increased discretionary consumer spending due to factors such as falling gas prices and declining unemployment. Marketing Technologies saw the largest deal flow ever to enter the space in 2014, with the final quarter bringing forth 45 IPO, seed, early stage, and growth deals totaling over \$1.24 billion. This possibly indicates that the Technology Industry is experiencing a paradigm shift into cloud services, Internet-based software, and storage services. The M&A activity over the last year was a key driver in valuations and the increase in YTD stock prices within the industry.

Market Segment	Market Cap	Stock Price Delta			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Services	\$ 9,066	(0.0%)	(0.5%)	(0.5%)	29.95x	5.34x	2.30x	12.83x
IT Consulting	\$ 8,072	(0.3%)	(10.8%)	(10.8%)	27.85x	6.25x	1.59x	12.72x
Online Services, Business	\$ 9,131	(3.2%)	0.7%	0.7%	82.42x	4.77x	3.89x	31.62x
Online Services, Consumer	\$ 25,958	(2.6%)	8.6%	8.6%	70.39x	4.40x	4.43x	26.09x
Entertainment Software	\$ 2,965	(0.4%)	32.9%	32.9%	NM	0.79x	NM	NM
Data Processing	\$ 10,511	(0.0%)	7.3%	7.3%	31.21x	4.68x	2.88x	12.94x
Systems Software	\$ 16,637	(0.1%)	16.9%	16.9%	69.07x	10.92x	4.89x	43.14x
Industry Average	\$ 7,753	(1.2%)	8.3%	8.3%	96.00x	4.58x	16.37x	49.57x
S&P 500 Average	\$ 37,752	(0.4%)	11.4%	11.4%	27.95x	4.98x	3.25x	11.76x

Source: CapIQ

TECHNOLOGY SEGMENTS VS. S&P 500

RUNNING 12 MONTHS



Source: CapIQ

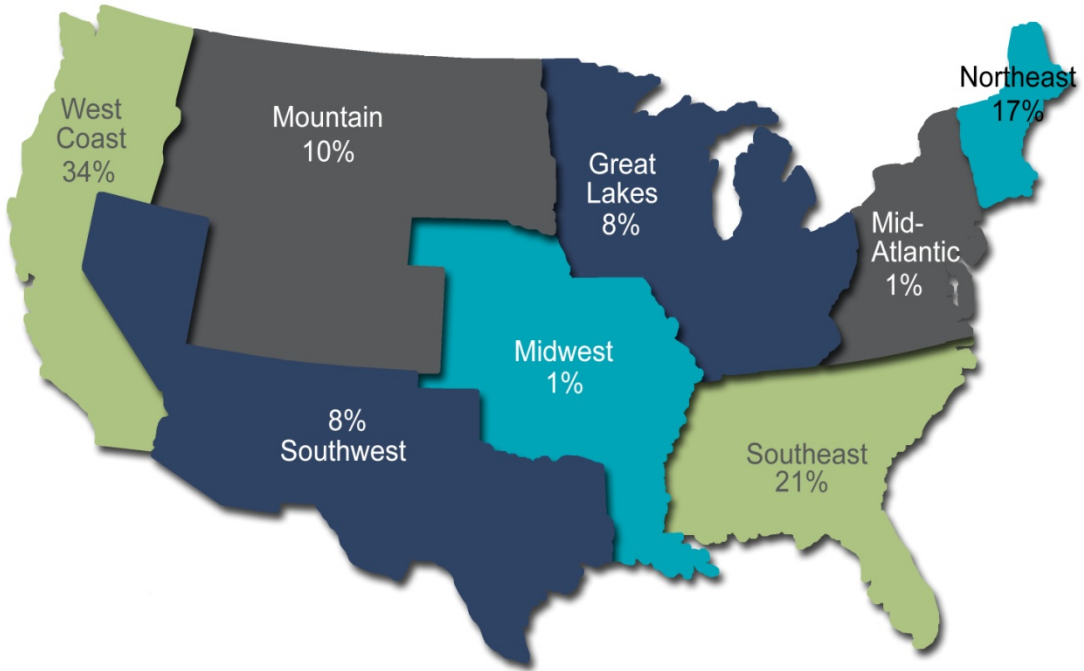


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INDUSTRY GEOGRAPHY

COMPANIES BY REGION

TECHNOLOGY COMPANIES BY REGION AS OF DECEMBER 31, 2014



Source: CapIQ

COMPANIES BY SIZE

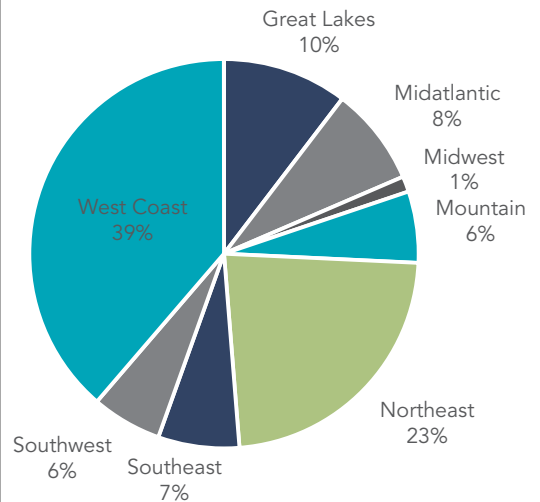
State	Undisclosed	\$ 0 - 5 Revenue	\$ 5 - 10 Revenue	\$ 10 - 25 Revenue	\$ 25 - 50 Revenue	\$ 50 - 100 Revenue	\$ 100+ Revenue
AZ	305	25	28	23	2	1	4
CO	572	34	38	30	18	2	6
KS	109	3	8	2	4	2	2
ND	11	0	1	0	1	0	0
NE	73	5	18	1	1	0	0
NM	44	3	3	1	0	1	0
OK	86	5	9	4	1	0	0
SD	13	0	2	0	0	0	0
TX	1342	87	132	97	35	10	28
UT	259	22	33	16	9	2	1
WY	11	0	1	0	0	1	0

* Revenue in millions

Source: CapIQ

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TRANSACTIONS BY REGION



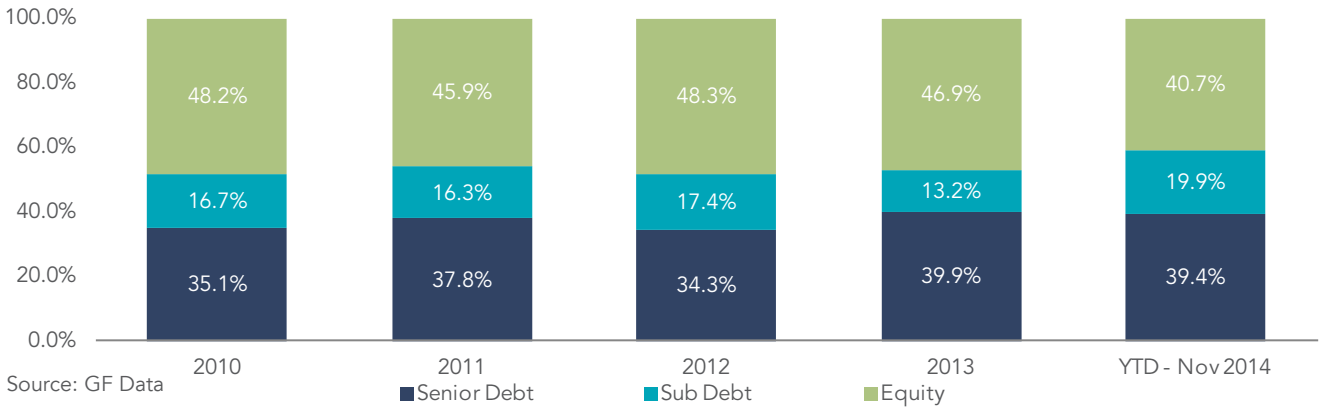
Source: CapIQ



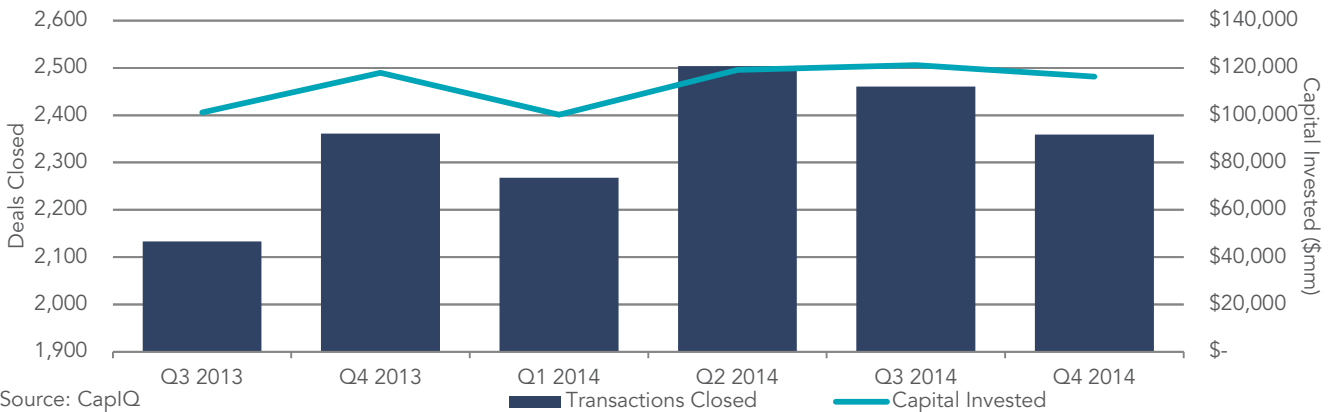
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M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

CAPITAL STACK - \$10-25 MILLION TEV

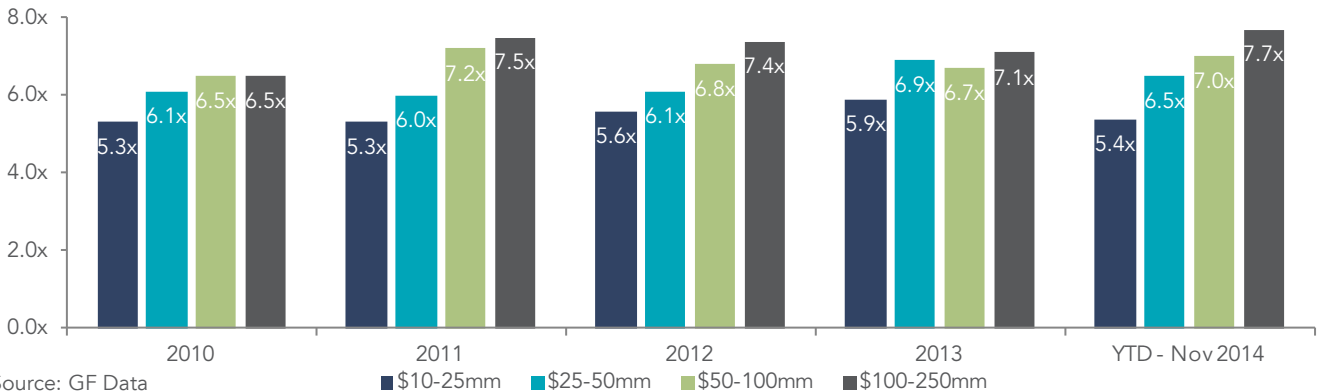


US MIDDLE MARKET M&A ACTIVITY



TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.





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ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to \$300 million. Operating beyond the confines of a traditional investment bank, SDR's approach of Thinking Like OwnersSM helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



Chris Bouck
Principal – Technology Team
p. 720.221.9220
e. cbouck@sdventures.com



Cody Roth
Analyst – Technology Team
p. 720.221.9220
e. croth@sdventures.com

SERVICES

TRANSACTION ADVISORY

Buy Side

Running a proven process effective at generating responses, identifying “off-the-radar” opportunities, negotiating and closing accretive acquisitions.

Sell Side

Our process is designed to identify the “right” buyer and maximize shareholder value for our clients.

PRIVATE CAPITAL FORMATION

Capital Placement

An effective and efficient process negotiating favorable debt and equity with the right capital partner for our clients.

Recapitalization

Whether recapitalizing a majority or minority of your company, we tailor our process to each client’s specific needs to generate multiple options and favorable terms.

RECENT TRANSACTIONS

<p>DECEMBER 2014</p> <p>Deal financing provided by</p> <p>Guaranty Bank and Trust Company</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>AUGUST 2014</p> <p>Has been acquired by</p> <p>Private Investor Group</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>Has completed a equity recapitalization with</p> <p>REVELSTOKE CAPITAL PARTNERS, LLC</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>JULY 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>APRIL 2014</p> <p>Has been acquired by</p> <p>Barkwood, Inc.</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>
<p>MARCH 2014</p> <p>PAN Capital Holdings LLC</p> <p>Commercial real estate loan provided by</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p> <p>Has acquired</p> <p>A Business Unit of a Public Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>OCTOBER 2013</p> <p>Deal financing provided by</p> <p>ColBiz Structured Finance ColBiz Financial</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>SEPTEMBER 2013</p> <p>Has acquired</p> <p>Zeus & Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>NOVEMBER 2013</p> <p>Has acquired</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

CONTACT US

Address

5613 DTC Parkway, Suite 830 | Greenwood Village, CO 80111

Website

sdventures.com

Phone

720.221.9220