www.pwc.com/ca/tech-valuations

Technology valuation snapshot
2013 year in review

A summary of the 2013 Canadian deal activity results.

January 2014

pwc

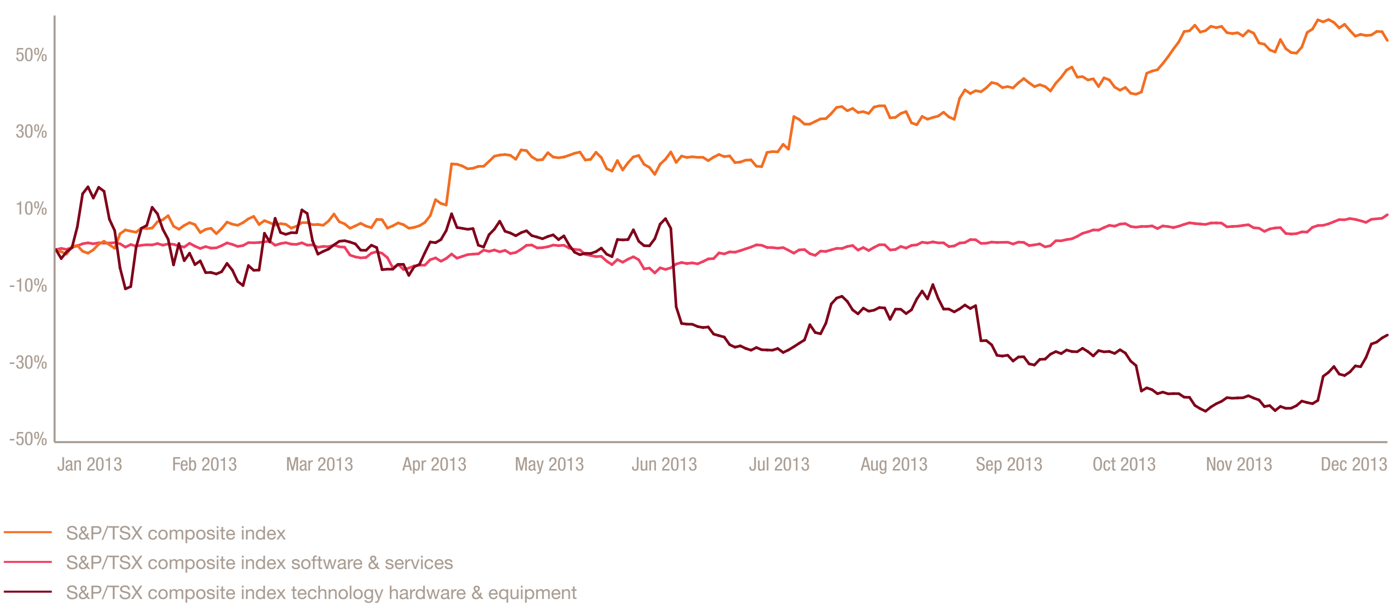
Valuation snapshot 2013 — Big data, cloud-based software, big winners

Canadian software and services technology stocks outperformed the broader market in 2013.[1] This is driven by high demand for cloud-based software technology and integration services as corporations migrate to the cloud for data storage; explosion in big data analytics as companies seek to monetize valuable data collection and improve efficiencies in profit generation; and the sustained high growth of mobile and social media software as app development grows at an exponential rate and social media becomes an increasingly critical component for successful business performance.

The Canadian Hardware and Equipment Index experienced a steep decline in June through the year's midpoint. The Index recovered slightly in December as BlackBerry Ltd. made critical management decisions and new CEO John Chen, laid out his strategic plan for near term growth.

Canadian large cap stocks traded on an average multiple of 2.6 times(x) revenue in 2013, up from 2x times in 2012 as the equity markets continue to recover. This trend was also observed in the medium cap space where technology stocks traded at 2.2x vs. 1.3x in 2012, and in the small cap space at 2.5x in 2013 vs. 1.3x in 2012.

Fig. 1 Public market valuation
Stock price performance



1 All dollar amounts in this publication are expressed in Canadian dollars.

Fig. 2 Public market valuation
Canadian public company comparables — Top five companies by market capitalization

Company	Ticker	Share price	Market cap.	Enterprise value	LTM revenue	LTM EBITDA	Cash	Net debt	EV/ revenue	EV/ EBITDA	P/E
Large Caps (> $1B)											
CGI Group Inc.	TSX:GIB.A	$ 34	$ 10,590	$ 13,364	$ 10,085	$ 1,387	$ 106	$ 2,774	1.3 x	9.6 x	18.0 x
BlackBerry Limited	TSX:BB	$ 9	$ 9,516	$ 7,325	$ 9,017	($ 2,157)	$ 2,408	($ 1,356)	0.8 x	nm	nm
OpenText Corporation	NasdaqGS:OTEX	$ 97	$ 5,715	$ 5,787	$ 1,401	$ 427	$ 505	$ 69	4.1 x	13.6 x	42.3 x
Constellation Software Inc.	TSX:CSU	$ 223	$ 4,735	$ 4,839	$ 1,164	$ 99	$ 46	$ 105	4.2 x	49.1 x	81.0 x
Davis + Henderson Corporation	TSX:DH	$ 30	$ 2,383	$ 3,498	$ 813	$ 188	$ 12	$ 1,114	4.3 x	18.6 x	30.6 x
Median									**4.1 x**	**16.1 x**	**36.5 x**
Medium Caps ($ 500m – $1B)											
The Descartes Systems Group Inc	TSX:DSG	$ 14	$ 907	$ 874	$ 151	$ 43	$ 51	($ 33)	5.8 x	20.5 x	72.8 x
Enghouse Systems Limited	TSX:ESL	$ 31	$ 819	$ 728	$ 180	$ 35	$ 70	($ 70)	4.0 x	20.8 X	45.2 x
Sierra Wireless Inc.	TSX:SW	$ 24	$ 736	$ 542	$ 445	($ 4)	$ 188	($ 188)	1.2 x	nm	nm
Redknee Solutions Inc.	TSX:RKN	$ 7	$ 618	$ 571	$ 146	$ 3	$ 81	($ 47)	3.9 x	nm	nm
Mitel Networks Corporation	NasdaqGS:MITL	$ 10	$ 515	$ 753	$ 604	$ 92	$ 74	$ 228	1.2 x	8.2 x	28.9 x
Median									**3.9 x**	**20.5 x**	**45.2 x**
Small Caps (< $ 500m)											
Aastra Technologies Ltd.	TSX:AAH	$ 38	$ 486	$ 400	$ 599	$ 45	$ 89	($ 86)	0.7 x	8.9 x	25.1 x
Sandvine Corporation	TSX:SVC	$ 3	$ 459	$ 373	$ 113	$ 26	$ 6	($ 1)	3.3 x	14.4 x	32.8 x
Points International Ltd.	TSX:PTS	$ 26	$ 441	$ 389	$ 179	$ 3	$ 52	($ 52)	2.2 x	nm	nm
Wi-Lan Inc.	TSX:WIN	$ 3	$ 411	$ 319	$ 83	$ 55	$ 145	($ 91)	3.9 x	5.8 x	nm
Solium Capital Inc.	TSX:SUM	$ 7	$ 369	$ 349	$ 64	$ 15	$ 21	($ 21)	5.4 x	22.6 x	46.6 x
Pure Technologies Ltd.	TSX:PUR	$ 6	$ 349	$ 309	$ 59	$ 12	$ 40	($ 40)	5.2 x	26.5 x	91.4 x
Median									**3.6 x**	**14.4 x**	**39.7 x**

All figures in CAD Millions, except share price and multiples.

Technology M&A — Mid market ruled

In 2013, Canadian technology M&A deal activity was focused on software and services as large-cap companies like Davis + Henderson, OpenText Corporation and Constellation Software all sought to expand their software product offerings.

Private equity was also active in the Canadian technology sector, with Ontario Teachers' Pension Plan (OTPP) and OMERS Private Equity making sizable international technology acquisitions in Asia and Europe respectively. Birch Hill Equity Partners also added to its technology services portfolio by taking Canadian-based Softchoice Corporation private in a $400M deal.

Canadian telcos also made it in the top 10 technology deals list in 2013. In April, Shaw Communications purchased ENMAX Envision Inc., a Calgary-based high speed data operator for $225M. Rogers Communications also made two key technology services acquisitions in 2013 with the acquisition of data centre providers BLACKIRON Data ($200M) and Pivot Data Centers ($155M).

Fig 3. Canadian technology M&A 2013 — Top 10 deals by value

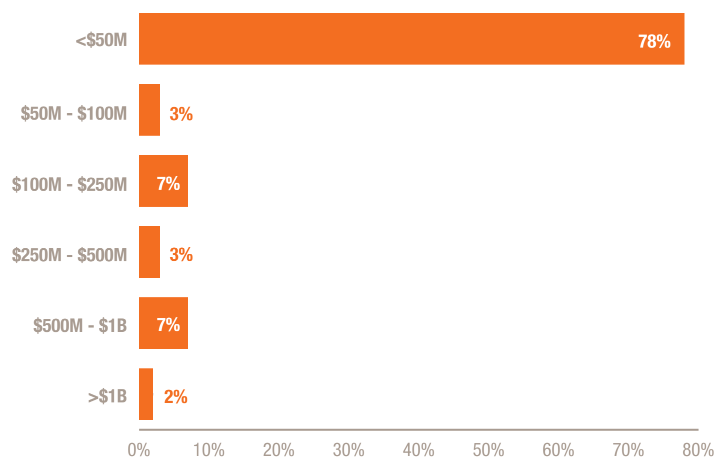
Date	Buyer	Target	Target - Region	Value (CADmm)
Jul-13	**Davis + Henderson Corporation (TSX:DH)**	Harland Financial Solutions, Inc.	United States	1,687
Nov-13	**OpenText Corporation (NasdaqGS:OTEX)**	GXS Group, Inc.	United States	1,217
Mar-13	**Ontario Teachers' Pension Plan**	"70% Stake Each In Nextgen Networks and Infoplex and Metronode"	Asia / Pacific	657
May-13	**OMERS Private Equity**	Civica plc	Europe	609
Apr-13	**Birch Hill Equity Partners Management Inc.**	Softchoice Corporation	Canada	413
Nov-13	**Mitel Networks Corporation (NasdaqGS:MITL)**	Aastra Technologies Ltd. (TSX:AAH)	Canada	380
Dec-13	**Constellation Software Inc. (TSX:CSU)**	Total Specific Solutions (TSS) B.V.	Europe	349
Apr-13	**Shaw Communications, Inc. (TSX:SJR.B)**	ENMAX Envision Inc.	Canada	225
Apr-13	**Rogers Business Solutions, Inc.**	BLACKIRON Data ULC	Canada	200
Sep-13	**Rogers Communications Inc. (TSX:RCI.B)**	Pivot Data Centres Inc.	Canada	155

Sources: Capital IQ and PwC analysis

The Canadian mid-market ruled technology deal flow in 2013, with 91% of total deal volume. Deals below $50M in value represented 78% of total deal volume, signalling the strength of emerging tech companies in the Canadian landscape. As ***PwC's 2013 Global Innovation Survey*** indicates, relative to their global peers, Canadian companies have a higher appetite for innovative growth, driving deal volume to the lower mid-market value range as innovators seek further funding and larger companies continue to search for innovation through acquisition.

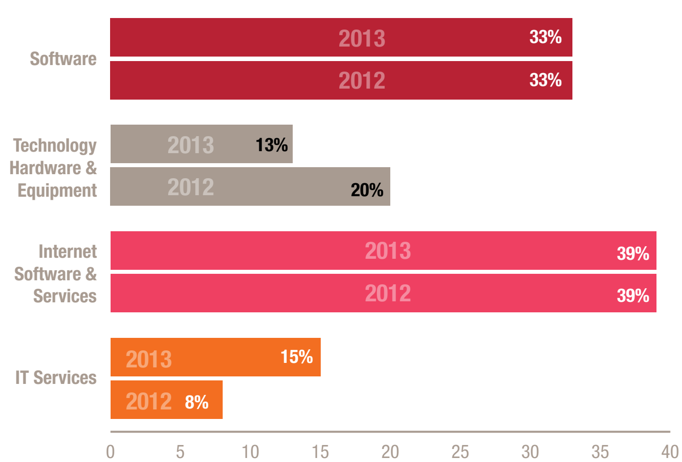
Deal volume remains strong in internet (39%) and software (33%) subsectors as the Canadian market closely tracked global trends. Cloud-based software technology remains in heavy demand as companies look to reduce costs and become more efficient. Mobile and social technology continues to explode as consumers continue to seek out customized, on-demand services at their fingertips. Big data remains a key driver of software growth as companies find compelling ways to extract more from their data stores to drive increased profitability. Information technology (IT) services deal activity increased from 8% in 2012 to 15% in 2013 as IT integration and migration services remain in heavy demand. The hardware and equipment subsector declined from 20% in 2012 to 13% in 2013 as Canadian companies continue to face increasing competition from global players.

Fig. 4 Deals volume by value



Sources: Capital IQ and PwC analysis

Fig. 5 Deals by subsectors
Comparison: 2012 and 2013



Sources: Capital IQ and PwC analysis

Technology financing — IPOs up

North American technology IPO activity improved year over year in 2013 as equity markets rallied in recovery. Excluding Facebook's IPO in Q1/2012, 2013 quarterly deal value outperformed 2012 levels in all four quarters. Total deal value in Q4 reached over $2.4B, boosted significantly by Twitter's highly anticipated October debut at $1.9B.

After a slow start to the year, follow-on equity offerings grew to over $8B by Q4, as investor confidence returned to the equity markets and technology stocks remained in favour.

Fig. 7 Technology initial public offerings (IPO) Canada 2013 — Top five by volume

Date	Issuer	Sub-industry	Value (CADmm)
May-13	**Information Services Corporation (TSX:ISV)**	IT services	147.0
Apr-13	**Halogen Software Inc. (TSX:HGN)**	Internet software and services	55.2
Mar-13	**SoMedia Networks, Inc. (TSXV:VID)**	Internet software and services	3.3
Apr-13	**Priced In Corp.**	Internet software and services	0.2
Dec-13	**Webfolio Inc.**	Internet software and services	0.1

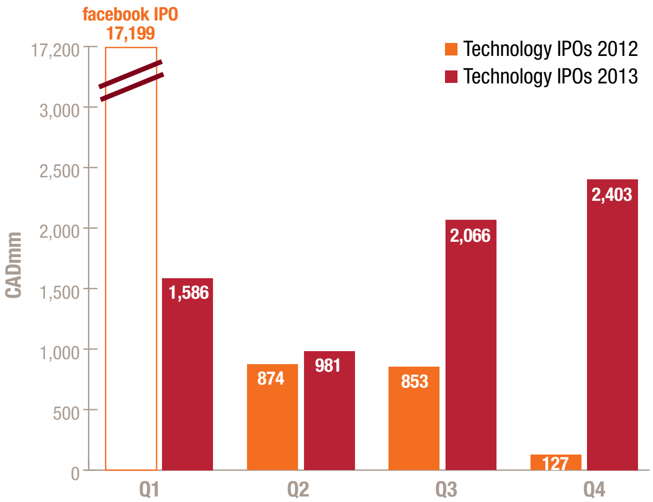
Sources: Capital IQ and PwC analysis

Fig. 8 Technology initial public offerings (IPO) US 2013 — Top five by volume

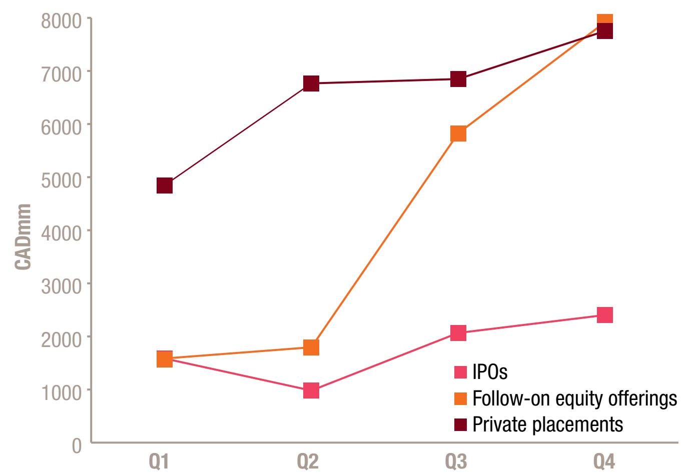
Date	Issuer	Sub-industry	Value (CADmm)
Oct-13	**Twitter, Inc. (NYSE:TWTR)**	Internet software and services	1,896.0
Aug-13	**CommScope Holding Company Inc. (NasdaqGS:COMM)**	Technology hardware and equipment	601.6
Feb-13	**EVERTEC, Inc. (NYSE:EVTC)**	IT services	510.8
Mar-13	**CDW Corporation (NasdaqGS:CDW)**	Technology hardware and equipment	414.4
Aug-13	**FireEye, Inc. (NasdaqGS:FEYE)**	Software	310.6

Sources: Capital IQ and PwC analysis

Fig. 9 Technology initial public offerings (IPO) Canada & US 2013 — Volume by quarter



Sources: Capital IQ and PwC analysis



Sources: Capital IQ and PwC analysis

Fig. 10 Follow-on equity offerings Canada 2013 — Top five by volume

Date	Issuer	Sub-industry	Value (CADmm)
Jul-13	**Davis + Henderson Corporation (TSX:DH)**	IT services	400.2
Nov-13	**Avigilon Corporation (TSX:AVO)**	Technology hardware and equipment	60.0
Aug-13	**Halogen Software Inc. (TSX:HGN)**	Internet software and services	21.0
Nov-13	**Solium Capital Inc. (TSX:SUM)**	Internet software and services	20.0
Nov-13	**UrtheCast Corp. (TSX:UR)**	Internet software and services	10.0

Sources: Capital IQ and PwC analysis

Fig. 11 Follow-on equity offerings US 2013 — Top five by volume

Date	Issuer	Sub-industry	Value (CADmm)
Dec-13	**Facebook, Inc. (NasdaqGS:FB)**	Internet software and services	4,113.0
Sep-13	**LinkedIn Corporation (NYSE:LNKD)**	Internet software and services	1,257.9
May-13	**Vantiv, Inc. (NYSE:VNTV)**	IT services	906.7
Oct-13	**Western Digital Corporation (NasdaqGS:WDC)**	Technology hardware and equipment	759.7
Mar-13	**Fidelity National Information Services, Inc. (NYSE:FIS)**	IT services	743.0

Sources: Capital IQ and PwC analysis

Fig. 12 Private placements Canada 2013 — Top five by volume

Date	Issuer	Sub-industry	Value (CADmm)
Nov-13	**BlackBerry Limited (TSX:BB)**	Technology hardware and equipment	1,301.8
Jul-13	**Davis + Henderson Corporation (TSX:DH)**	IT services	256.9
Aug-13	**HootSuite Media, Inc.**	Internet software and services	170.3
Oct-13	**Shopify Inc.**	Internet software and services	106.4
Apr-13	**Redknee Solutions Inc. (TSX:RKN)**	Software	45.1

Sources: Capital IQ and PwC analysis

Fig. 13 Private placements US 2013 — Top five by volume

Date	Issuer	Sub-industry	Value (CADmm)
Apr-13	**Pivotal Software, Inc.**	Internet software and services	965.6
Oct-13	**Corning Inc. (NYSE:GLW)**	Technology hardware and equipment	411.5
Aug-13	**Uber Technologies, Inc.**	Internet software and services	379.7
Dec-13	**AFCV Holdings, LLC**	Internet software and services	318.0
Oct-13	**First Data Holdings, Inc.**	IT services	310.7

Sources: Capital IQ and PwC analysis

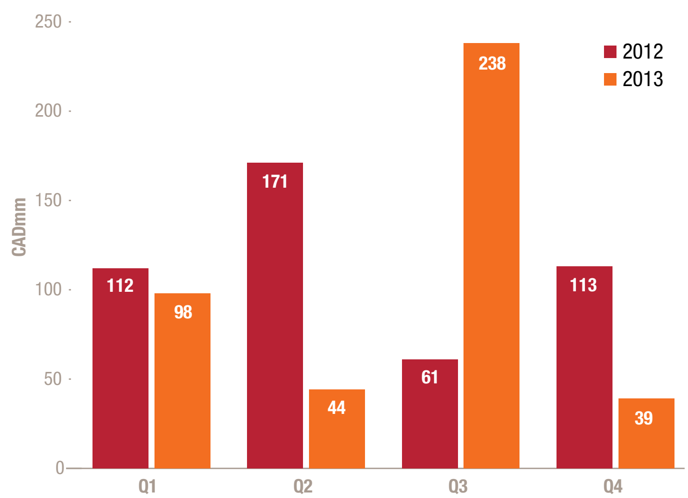
Venture capital — Innovative and disruptive technologies wanted

Venture capital funding in technology had a slow start in 2013 with approximately $142M in total funding in Q1 vs. over $280M over the same time period in 2012.

Q3 saw a spike in venture funding, largely driven by a $170M investment in social media dashboard developer HootSuite Media Inc. by Accel Partners, Insight Venture Partners and OMERS Ventures.

Q4 activity slowed again, with only $39M in total venture funding vs. $113M in Q4/2012 as investors continued to search for quality innovation and disruptive technologies.

Fig. 14 Private placements venture capital Canada 2013 — by quarter



Sources: Capital IQ and PwC analysis

Fig. 15 Private placements venture capital Canada 2013 — Top five by volume

Date	Issuer	Subindustry	Value (CADmm)
Aug-13	**HootSuite Media, Inc.**	Internet software and services	170.3
Oct-13	**Shopify Inc.**	Internet software and services	106.4
Mar-13	**Kik Interactive, Inc.**	Software	20.0
Jan-13	**Keek Inc.**	Internet software and services	17.7
Jun-13	**Thalmic Labs Inc.**	Software	15.0

Sources: Capital IQ and PwC analysis

Your valuation specialists: Independent, experienced and objective

We provide valuations, fairness opinions, loss quantification, expert testimony and business modelling to help individuals, companies and their counsel.

Calgary

Paul Sharp CA, CBV
403 509 7550
paul.w.sharp@ca.pwc.com

Toronto

Helen M. Mallovy Hicks CPA, FCA, CBV
416 814 5739
helen.m.mallovy.hicks@ca.pwc.com

Montreal

Dominic Pharand CPA, CA, CFA, CBV
514 204 5179
dominic.pharand@ca.pwc.com

Vancouver

Bob J. Sandy CA, IFA, CBV
604 806 7422
robert.j.sandy@ca.pwc.com

From source to sale and everything in between our experience extends to all segments of the technology industry. We know how your company's value chain works and we can help.

Christopher Dulny
National Technology Sector Lead
416 869 2355
christopher.dulny@ca.pwc.com

Nitin Kaushal
Managing Director, Corporate Finance
416 687 8269
nitin.kaushal@ca.pwc.com