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Global Technology
IPO Review
Q1 2015

Technology Institute

A quarterly look at global trends in the technology IPO market
May 2015

pwc

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A promising start to 2015

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Welcome to the first quarter 2015 issue of PwC's Global Technology IPO Review. Since last year ended on such a strong note, many of us were optimistic about the prospects for Q1. Though not as strong as the fourth quarter of 2014, the first quarter of 2015 kicked off on a positive note, with 23 technology companies raising US$6.1billion* in proceeds from their IPOs. That's the second highest first quarter proceeds in the past five years and impressive given the increased US market volatility and consistent with the high pre-IPO valuations we've seen recently. Granted, if you look at the year over year comparison, offerings were down 12% and proceeds declined 11%. And sequentially, the number of technology IPOs declined 32% while proceeds fell by 19%. Still, it's a promising start for 2015.

Even more encouraging, global participation in the technology IPO market remained strong in the first quarter with 11 countries represented, on par with the prior quarter and a significant improvement from the four countries of a year ago. China and its exchanges made a strong showing, posting the most tech IPOs (8) and raising US$1.1 billion, all on Chinese exchanges. That strong performance is expected to continue for the rest of the year.

Even Europe, with uneven tech IPO activity the past year, had five tech IPOs, including the largest of the quarter, UK-based Auto Trader Group Plc., at US$2.4 billion. Total proceeds raised across European companies were $US3.0 billion. The US had just four tech IPOs, raising US$1.4 billion, a decline in both proceeds and number of IPOs from both Q4 2014 and Q1 2014. Higher volatility of the US capital markets combined with easy access to venture capital at record high pre-IPO valuations were the principal factors behind this lackluster showing.

Looking at the subsectors, Internet Software & Services was once again the big winner, recording eight IPOs and US$3.4 billion in proceeds. This subsector has dominated the tech IPO market for the last four years (2011-2014) and shows no signs of letting up. Another bright note, after being completely absent in Q4 2014, Computer, Storage & Peripherals made a comeback with four IPOs and proceeds of US$1.3 billion, perhaps indicating a reversal of the last few quarters.

On the following pages you will find the full details on the quarter's results. If you would like to discuss these findings and how they may impact your business, please reach out to me or any member of our global technology team listed at the back of this document.

Sincerely,

Raman

* Issue size greater than US$40 million (includes overallotment) and based on trade date

Executive summary

The first quarter of 2015 had the second highest proceeds since 2010 with US$6.1 billion. However, compared to Q1 2014, the first quarter's total proceeds fell by 11% and the number of IPOs declined by 12% (23 versus 26).

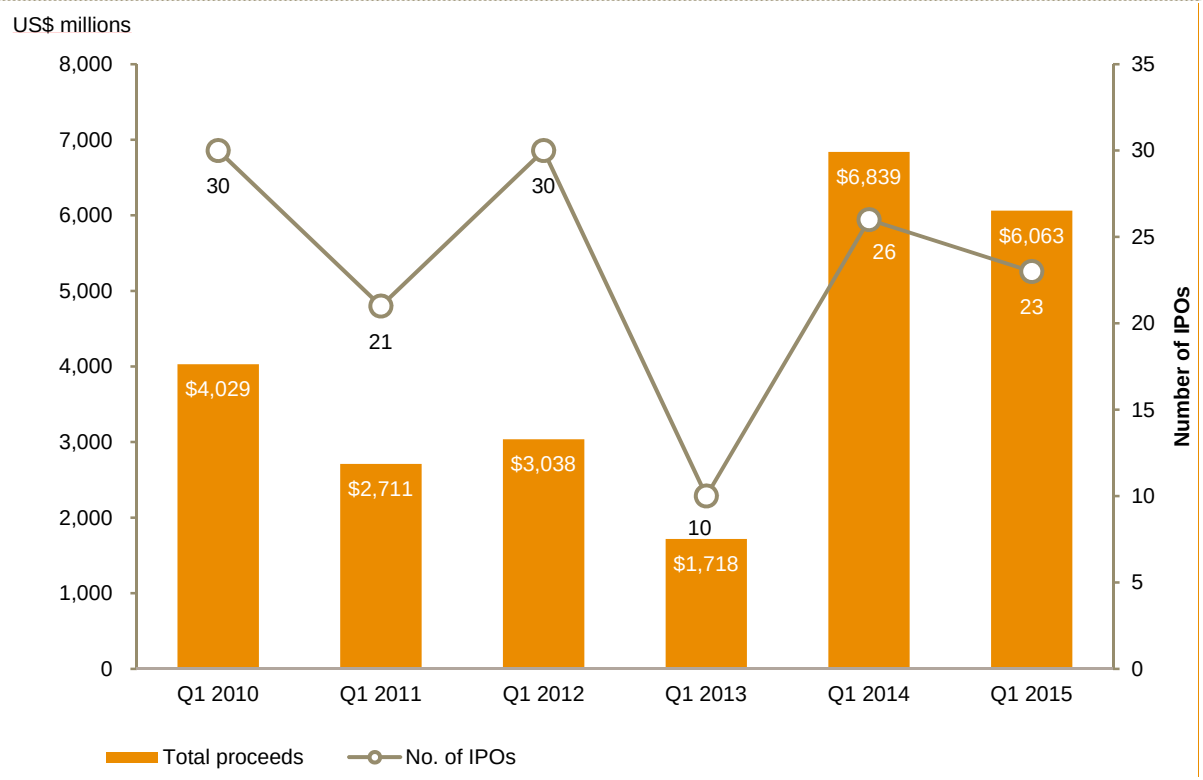
Europe maintained the momentum that began in the second quarter of 2014. Five of the 23 tech IPOs in Q1 2015 were European tech companies. In the second quarter of 2014 there were eight European tech IPOs out of 40. The third and fourth quarter of 2014 registered five out of 52.

Market volatility (VIX) was higher in Q1 2015 than the last quarter of 2014, contributing to the pull-back in US tech IPO activity.

"The year 2015 started on a promising note with china and Europe contributing a large number of IPOs. Chinese stock exchanges performed well due to simplified rules and higher valuations. Given high pre-IPO valuations and market volatility, the remainder of 2015 may stay on pace with the first quarter, but likely not surpass 2014."

— **Raman Chitkara**
Global Technology Industry Leader, PwC

Figure 1: First quarter global tech IPO trend



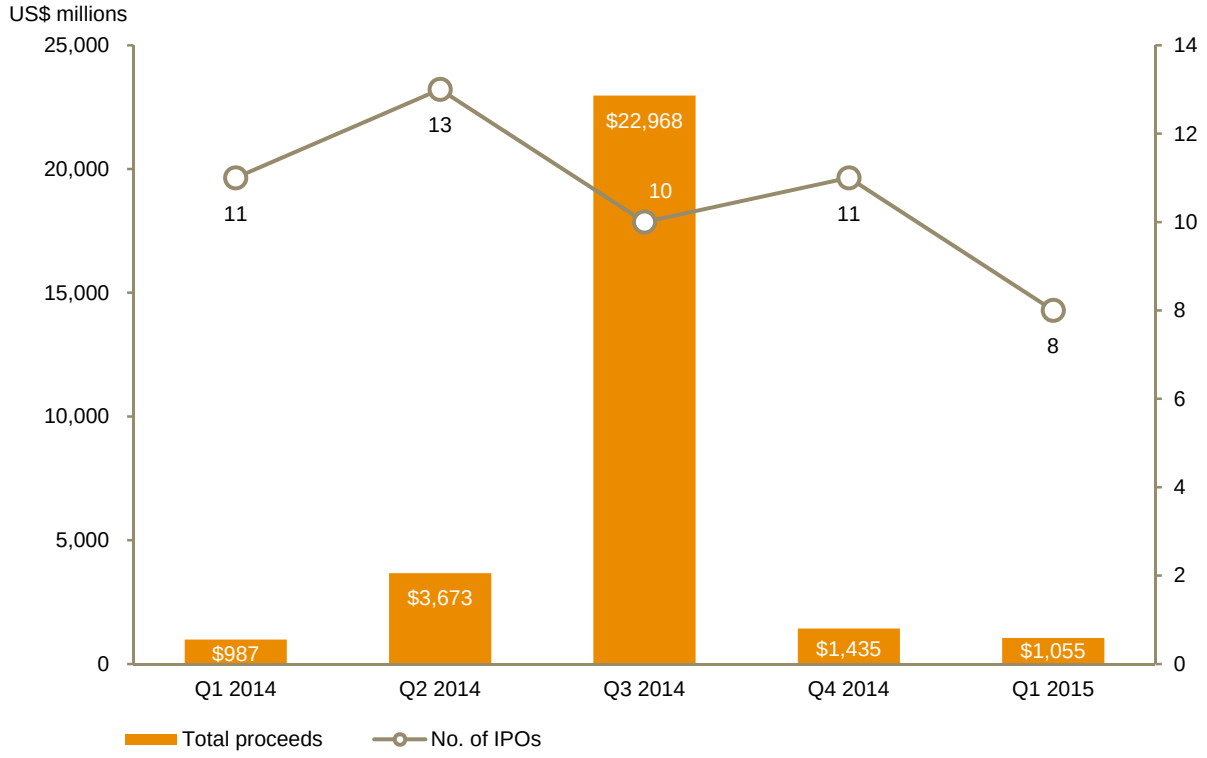
Source: Dealogic with analysis by PwC.

Chinese technology companies choose domestic exchanges

Chinese technology IPOs in Q1 2015 fared better than Q1 2014 in terms of proceeds, but the number of IPOs declined. On a sequential basis both listings and proceeds also declined. The most noticeable development for China tech IPOs in Q1 was the absence of cross-border listings.

Chinese regulators shifted from an approval-based to a registration-based system like that in the US, which has increased transparency and introduced a robust system for IPOs listing on Chinese exchanges.[1]

Figure 2: Q1 2014 – Q1 2015 China technology IPOs



Source: Dealogic with analysis by PwC.

[1] www.chinabusinessreview.com

Internet Software & Services continues to be the top subsector, while Computers, Storage & Peripherals makes a comeback

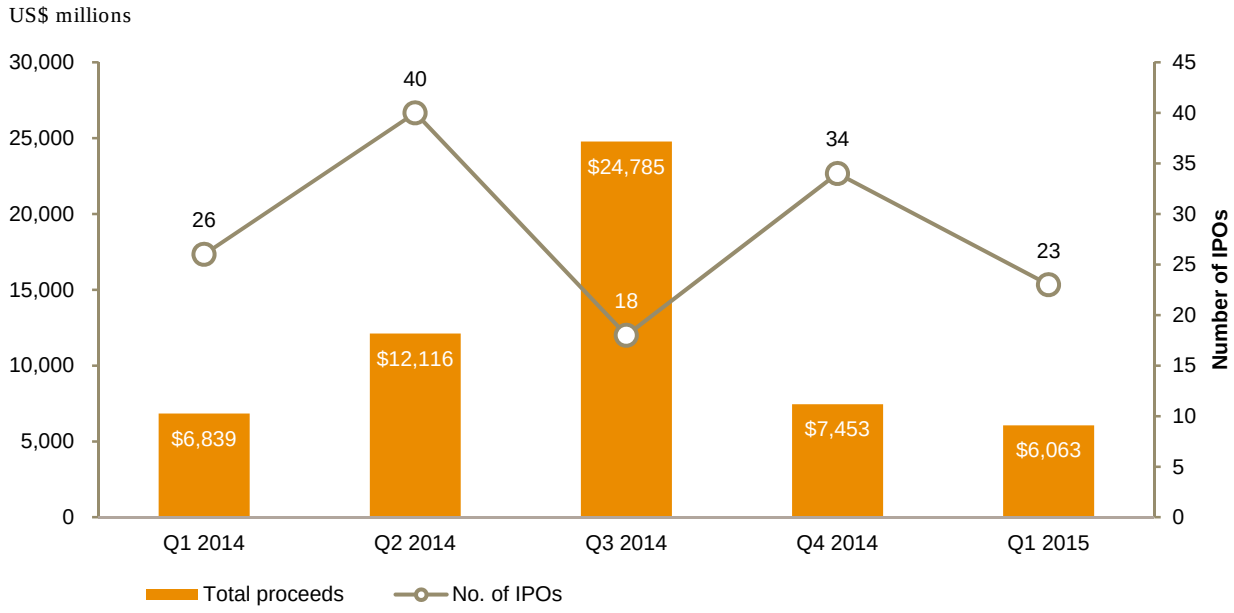
The Internet Software & Services subsector remained at the top in Q1 2015, as it has been for the last four years (2011-2014). With eight IPOs raising US$3.4 billion, the subsector accounted for 40% of the top 10 IPOs in the quarter. The largest IPO of the quarter, Auto Trader Group Plc, belonged to this subsector which raised 69% (US$2.4 billion) of the subsector IPO proceeds.

Computers, Storage & Peripherals made a comeback with proceeds worth US$1.3 billion from four offerings, compared to zero listings in Q4 2014. The subsector contributed 21% of the total proceeds and 17% of the number of tech IPOs.

Global technology IPO trends

After 2014's strong performance as the best year of the decade for technology IPOs, the first quarter of 2015 maintained a healthy pace with 23 tech IPOs and total proceeds of US$6.1 billion. The top ten listings were split evenly between China, the US and Europe, with three each, and one from South Korea. Total Q1 2015 proceeds declined by 11% and the number of IPOs dropped by 12% compared to Q1 2014. Sequentially, the number of listings declined by 19%, while total proceeds declined by 32%.

Figure 3: Global technology IPO trends



Source: Dealogic with analysis by PwC.

Top 10 technology IPOs – Q1 2015

The Internet Software & Services subsector again dominated the top ten technology IPOs accounting for 64% (US$3.2 billion) of proceeds and 40% (4) of the top 10 IPOs in Q1 2015. Computers, Storage & Peripherals followed second with 24% of the top 10 proceeds and 30% of the top 10 IPOs.

Total proceeds from the top 10 tech IPOs were US$5 billion, 82% of all proceeds in the quarter. The US and Chinese (Shenzhen) stock exchanges had three listings each out of the top 10. The top 10 IPOs raised funds in seven different exchanges, indicating a healthy market for tech companies globally.

The London Stock Exchange listed the largest tech IPO of the quarter, Auto Trader Group Plc. Europe also recorded the largest tech IPO in Q4 2014 which points to the success of the renewed focus on innovation and startup incubation across Europe.

Since 2011, the top tech IPO listings all went public on either the US NYSE or NASDAQ. Besides Q4 2014, the last time the largest listing was not from a US exchange was in Q2 2010, when Amadeus IT Group SA listed in Spain.

Table 1: Q1 2015 IPO summary – Top 10 listings

Company	Subsector	Proceeds (in US$ millions)	Primary exchange	Domicile nation
Auto Trader Group Plc	Internet Software & Services	2,358	London	United Kingdom
Inovalon Holdings Inc	Computers, Storage & Peripherals	685	NASDAQ	US
GoDaddy Inc	Internet Software & Services	460	New York	US
Lens Technology Co Ltd	Computers, Storage & Peripherals	252	Shenzhen	China
Dustin Group AB	Computers, Storage & Peripherals	236	Stockholm	Sweden
Beijing Kunlun Tech Co Ltd	Software	232	Shenzhen	China
NNIT A/S	IT Consulting & Services	215	OMX Nordic Exchange Copenhagen	Denmark
Box Inc	Internet Software & Services	201	New York	US
NS Home Shopping Co Ltd	Internet Software & Services	184	Korea	South Korea
MLS Co Ltd	Semiconductors	156	Shenzhen	China

Source: Dealogic with analysis by PwC.

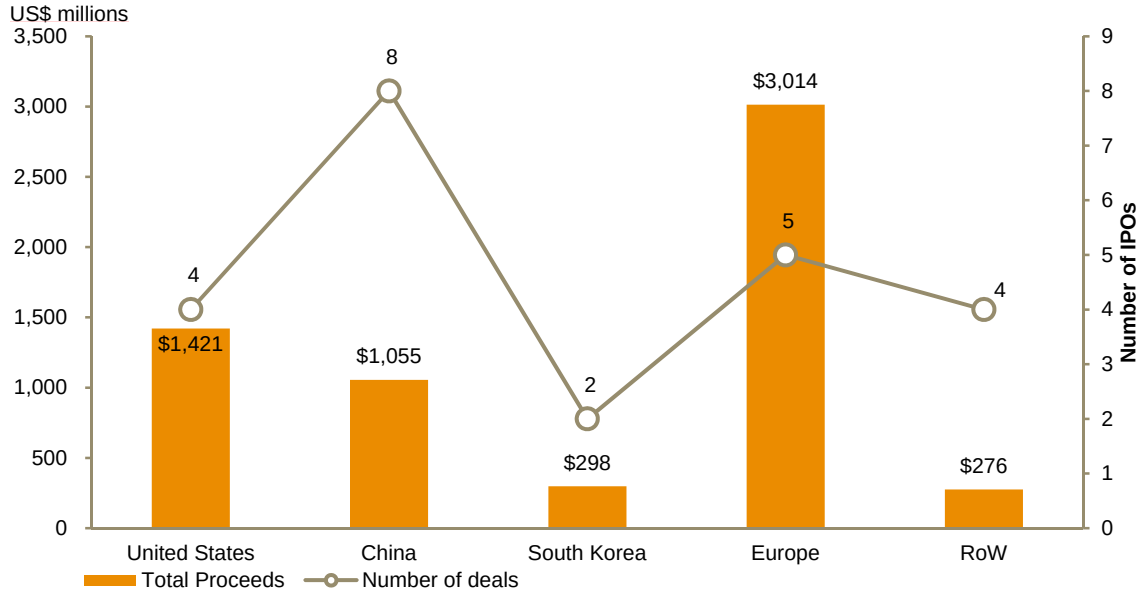
Geographic IPO trends – Q1 2015

In Q1 2015 the geographic distribution of technology IPOs was spread across 11 nations.

In terms of number of IPOs, China led with eight raising US$1.1 billion. The Chinese regulator's shift from an approval-based to a registration-based system for IPO listings is believed to have simplified Chinese IPOs and enhanced the attractiveness of going public in China.[2] Although the number of Chinese IPOs was lower than Q1 2014, which had 11 IPOs and raised proceeds worth US$987 million, the average proceeds of the IPOs increased from US$89.7 million in Q1 2014 to US$131.9 million in Q1 2015.

Europe was number two raising US$3.0 billion with five IPOs from four different countries. The total proceeds raised grew by 38% while the number of deals increased by 25% sequentially. Auto Trader Group Plc from the UK was the largest IPO of the quarter. It raised US$2.4 billion or 78% of the total proceeds raised in Europe.

Figure 4: Q1 2015 Geographic distribution of technology IPOs



Source: Dealogic with analysis by PwC.

[2] www.chinabusinessreview.com

Year over year comparison for Q1 2015

	Number of IPOs	*Total proceeds*
United States	67% ↓	9% ↓
China	27% ↓	7% ↑
Europe	400% ↑	503% ↑
RoW*	100% ↑	93% ↓

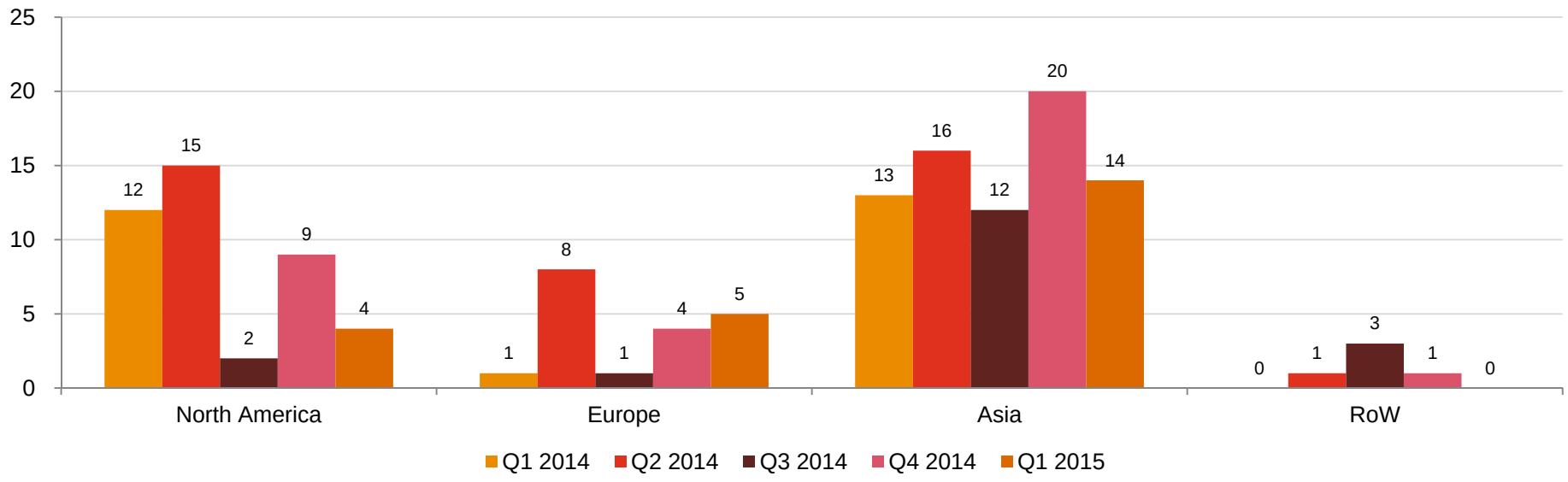
Source: Dealogic with analysis by PwC.

The US ranked third with four IPOs and raised funds worth US$1.4 billion (23%). But when compared to Q1 2014, proceeds fell by 9% from US$1.6 billion and the number of IPOs dropped significantly by 67% from 12 IPOs. South Korea raised US$298 million from two IPOs. Rest of World includes listings from Israel, Australia, Taiwan and Japan valued at US$276 million.

The US experienced significant decline (-67%) in year-over-year IPO volume, yet total IPO proceeds declined by only 9%. China deal volume dropped 27%, but total proceeds increased by 7%. Overall, we are seeing an increase in average deal value in both the US and China. Europe grew significantly by 503% in total proceeds and 400% in deal volume. Rest of World (RoW) in Q1 2015 experienced a 93% fall in deal value and a 100% rise in deal volume owing to a large Japanese listing in Q1 2014 valued at US$3.1 billion.

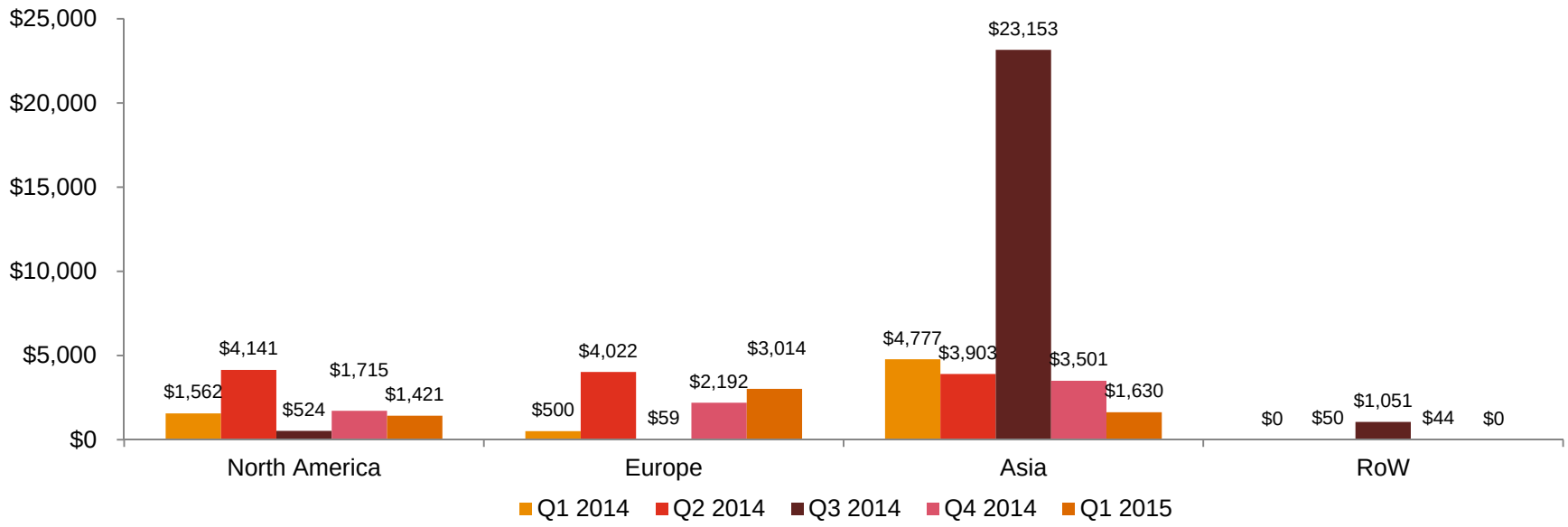
On a regional basis, Europe led in terms of proceeds with total listings worth US$3.0 billion, while Asia led in terms of number of IPOs with 14 deals. European proceeds grew by 38% on a sequential basis; while on a year-over-year basis it increased by 503%. However, the number of deals in Asia fell by 30% sequentially but increased 8% year over year. Asia ranked second in terms of proceeds raised (US$1.6 billion), which fell by 53% sequentially and 66% on a year-over-year basis.

Figure 5: Q1 2015 Regional analysis – number of listings



Source: Dealogic with analysis by PwC.

Figure 6: Q1 2015 Regional analysis – Proceeds in US$ millions



Source: Dealogic with analysis by PwC.

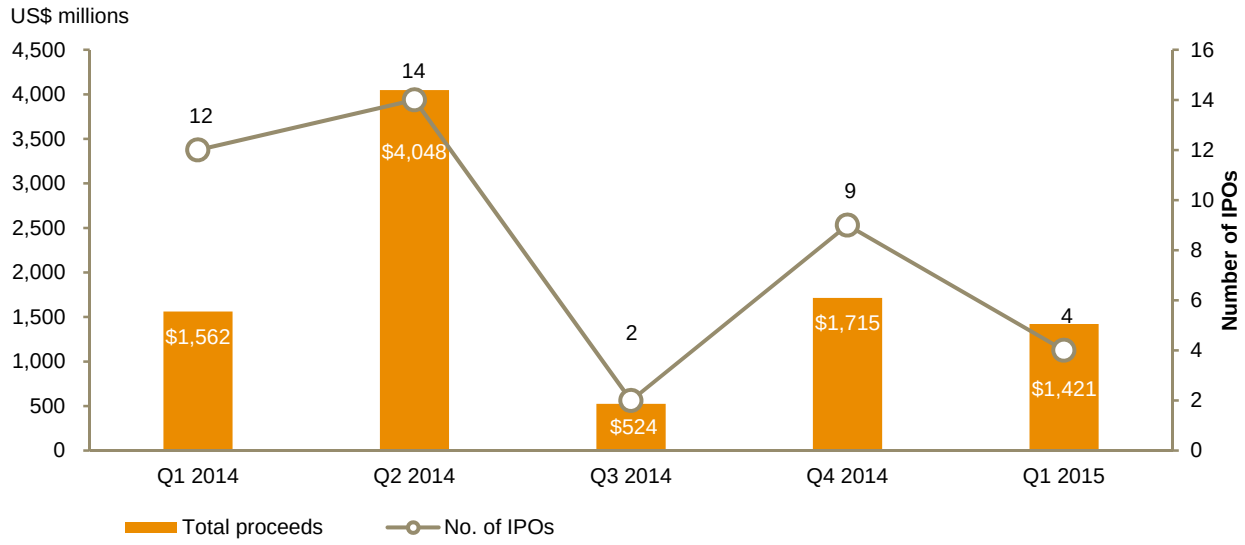
United States

The US recorded four IPOs, raising US$1.4 billion in Q1 2015. On a year-over-year basis, proceeds fell by 9% from US$1.6 billion and the number of IPOs dropped significantly by 67% from 12 IPOs. Sequentially, the number of IPOs and the amount raised also fell by 56% and 17%, respectively. The US market witnessed a rather low number of technology IPOs due to the increased availability of private funding. Also, the activity in the first quarter tends to be subdued and the extraordinarily high levels recorded in 2014 likely resulted from pent-up demand and strong US markets.

"The start of 2015 saw a significant drop-off in US technology IPO listings driven by the abundance of late-stage crossover rounds at 'unicorn' valuations and the delay of several IPOs by a number of venture-backed technology companies. Looking ahead, the IPO pipeline remains strong which bodes well for an uptick in technology IPO activity in the months ahead."

- Alan Jones,
Deals Partner, PwC US

Figure 7: US technology IPOs



Source: Dealogic with analysis by PwC.

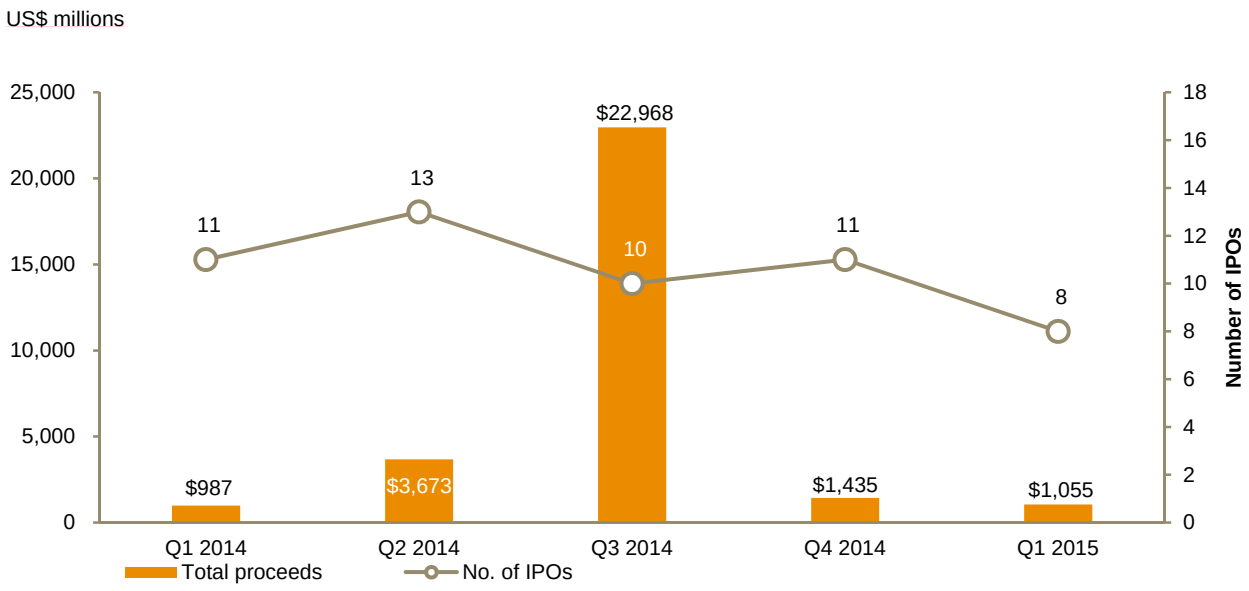
China

In Q1 2015 China reported eight IPOs garnering US$1.1 billion in proceeds; sequentially, the number of IPOs declined by 27% and total proceeds declined by 26%. On a year-over-year basis, the number of IPOs decreased by 27%, though total proceeds increased by 7%. In Q1 2015, all Chinese tech companies listed on Chinese exchanges. In addition to the new registration-based system, the CSRC introduced greater information disclosures by listing companies, a longer listing window and penalties for underwriters who fail to adequately disclose risk to regulators.[3]

"While there are a number of Chinese technology companies in the US IPO pipeline, we anticipate significant growth of technology listing in domestic exchanges as a result of both the new registration based system and increased valuations."

— Jianbin Gao
Technology Industry Leader, PwC China

Figure 8: Chinese technology IPOs



Source: Dealogic with analysis by PwC.

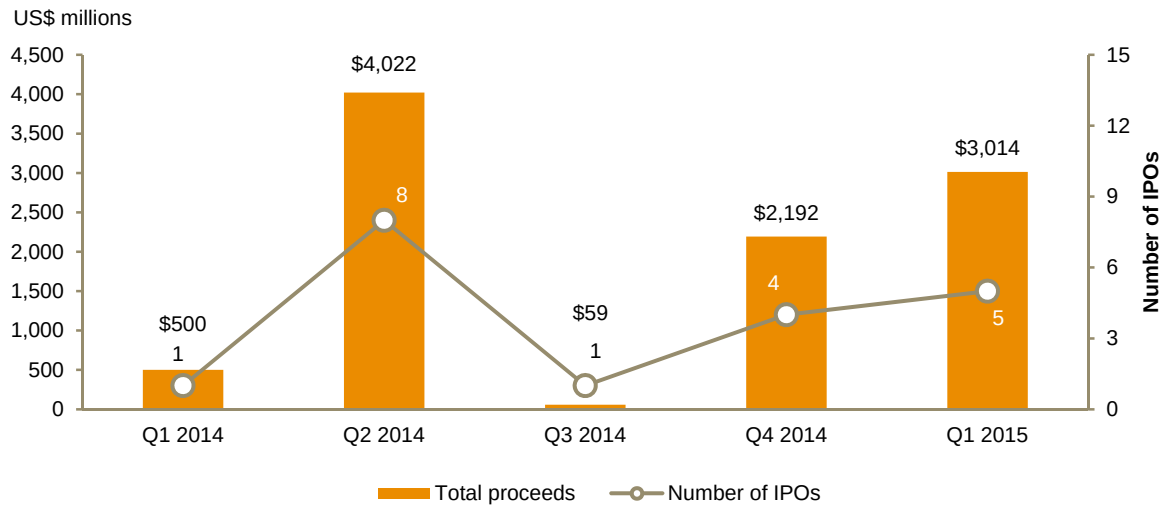
[3] www.chinabusinessreview.com

Europe

Five technology companies from four different countries went public from Europe in Q1 2015. The number of listings increased by a quarter and total proceeds grew by 38% compared to Q4 2014. On a year-over-year basis, the number of deals grew four times while total proceeds increased by 503%, as Q1 2014 had only one IPO raising US$500 million (King Digital Entertainment Plc). The largest IPO in Q1 2015 was Auto Trader Group Plc from the UK, which raised US$2.4 billion. This was the highest proceeds raised by any European IPO in the last five quarters, followed by Rocket Internet AG from Germany which raised proceeds of US$1.8 billion in Q4 2014. Both of these IPOs were from the Internet Software & Services subsector.

European IPO activity has been picking up since early 2014, and Q1 2015 activity was the second best (both in proceeds and number of IPOs) after Q2 2014 which witnessed the highest proceeds of US$4.0 billion from eight listings. In Q1 2015, the countries that participated from Europe with one IPO each were Italy, the UK and Denmark. Sweden was the only country which listed two IPOs, one on its home exchange and another listing on NASDAQ.

Figure 9: European technology IPOs



Source: Dealogic with analysis by PwC.

"The UK Tech IPO market continues to thrive, in particular on those businesses which are disrupting business models through the use of new technology. The focus on changing consumer practices continues to pay dividends."

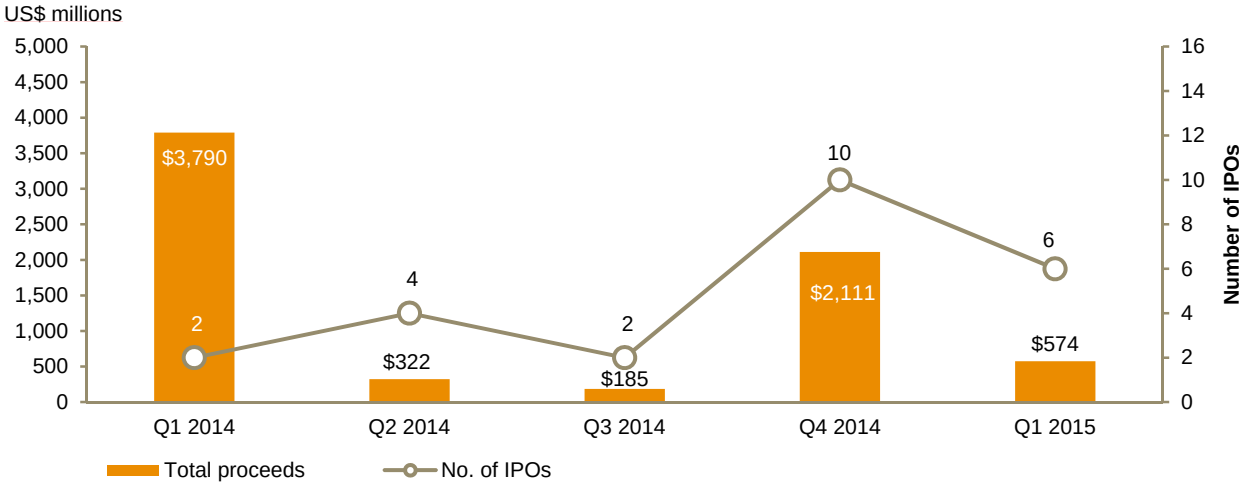
— **Jass Sarai**
Technology Industry Leader, PwC UK

All other geographies

Global participation of IPOs witnessed a decline in Q1 2015, with six IPOs with proceeds worth US$574 million. Total proceeds declined by 73% and number of listings fell by 40% on a sequential basis, while the year-on-year trend shows an 85% decline in proceeds, but a 200% growth in the number of listings. In terms of proceeds raised, Q1 2014 was the best among the five quarters, primarily owing to the US$3.1 billion listing of Japan Display Inc.

Q1 2015 saw participation of companies from Australia, South Korea, Japan, Taiwan and Israel. The top two deals were from Taiwan and Israel—NS Home Shopping Co Ltd raising US$183.9 million and Solar Edge Technologies at US$145 million, respectively.

Figure 10: All other geographies technology IPOs (excludes US, Europe and China)



Source: Dealogic with analysis by PwC.

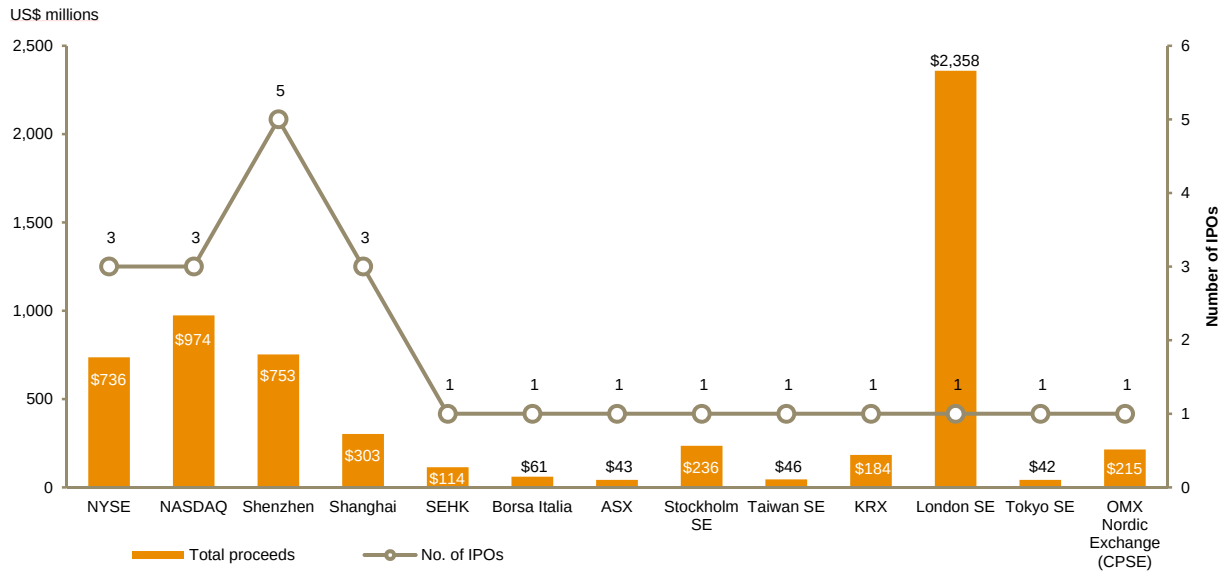
Stock exchange distribution – Q1 2015

The London Stock Exchange (LSE) led the group raising 39% (US$2.4 billion) of the total proceeds from one listing, Auto Trader Group Plc, the largest Q1 2015 tech IPO. NASDAQ was in second place with 16% of total proceeds from three offerings. The NYSE and Shenzhen tied for third place, both raising 12% of the total proceeds.

In terms of number of IPOs, Shenzhen Stock Exchange led with five IPOs or 22% of the total 23 listings in Q1 2015. The NYSE, Shanghai and NASDAQ all jointly contributed 13% each to the total.

All other exchanges (SEHK, Borsa Italia, ASX, Stockholm SE, Taiwan SE, KRX, London SE, Tokyo SE, OMX Nordic Exchange) together contributed 54% of the total proceeds and 39% of the number of listings.

Figure 11: Q1 2015 Stock exchange distribution



Source: Dealogic with analysis by PwC.

Table 2: Q1 2015 IPOs by region – North America (NASDAQ, NYSE)*

Issue date	Company	Subsector	Proceeds (in US$ millions)	Primary exchange	Domicile nation
02/11/2015	Inovalon Holdings Inc	Computers, Storage & Peripherals	685	NASDAQ	United States
03/31/2015	GoDaddy Inc	Internet Software & Services	460	New York Stock Exchange (NYSE)	United States
01/22/2015	Box Inc	Internet Software & Services	201	New York Stock Exchange (NYSE)	United States
03/26/2015	SolarEdge Technologies Inc	Semiconductors	145	NASDAQ Global Select (NASDAQ GS)	Israel
03/20/2015	Evolution Gaming Group AB	Software	144	NASDAQ	Sweden
03/06/2015	MaxPoint Interactive Inc	Internet Software & Services	75	New York Stock Exchange (NYSE)	United States

*IPOs have been classified based on the exchange where capital was raised.

Source: Dealogic with analysis by PwC.

Table 3: Q1 2015 IPOs by region – Asia including Australia (Shanghai, Shenzhen, Tokyo Stock Exchange, Taiwan Stock Exchange, Korean Exchange, Hong Kong Stock Exchange, Australian Stock Exchange)*

Issue date	Company	Subsector	Proceeds (in US$ millions)	Primary exchange	Domicile nation
03/18/2015	Lens Technology Co Ltd	Computers, Storage & Peripherals	252	Shenzhen Stock Exchange (SZSE)	China
01/09/2015	Beijing Kunlun Tech Co Ltd	Software	232	Shenzhen Stock Exchange (SZSE)	China
03/12/2015	NS Home Shopping Co Ltd	Internet Software & Services	184	Korea Stock Exchange	South Korea
02/12/2015	MLS Co LTD	Semiconductors	156	Shenzhen Stock Exchange (SZSE)	China
02/11/2015	Shenzhen Gongjin Electronics Co Ltd	Telecommunications Equipment	146	Shanghai Stock Exchange (SHSE)	China
03/31/2015	Cowell e Holdings Inc	Computers, Storage & Peripherals	114	Hong Kong Stock Exchange	South Korea
02/12/2015	Ningbo Techmation Co Ltd	Semiconductors	86	Shanghai Stock Exchange (SHSE)	China
01/12/2015	Fujian Torch Electron Technology Co Ltd	Semiconductors	71	Shanghai Stock Exchange (SHSE)	China
02/12/2015	Suzhou TFC Optical Communication Co Ltd	Communications Equipment	65	Shenzhen Stock Exchange (SZSE)	China
01/19/2015	Beijing InterAct Technology Co Ltd	IT Consulting & Services	48	Shenzhen Stock Exchange (SZSE)	China
01/25/2015	ShunSin Technology Holdings Limited	Semiconductors	46	Taiwan Stock Exchange (TSEC)	Taiwan
03/30/2015	Touchcorp Ltd	Internet Software & Services	43	Australian Stock Exchange	Australia
03/25/2015	Aiming Inc	Internet Software & Services	42	The Tokyo Stock Exchange (TSE)	Japan

*IPOs have been classified based on the exchange where capital was raised.

Source: Dealogic with analysis by PwC.

Table 4: Q1 2015 IPOs by region– Europe (London, Borsa Italiana, Nordic Exchange, Stockholm Stock Exchange)*

Issue date	Company	Subsector	Proceeds (in US$ millions)	Primary exchange	Domicile nation
03/19/2015	Auto Trader Group Plc	Internet Software & Services	2,358	London Stock Exchange (LSE)	United Kingdom
02/12/2015	Dustin Group AB	Computers, Storage & Peripherals	236	Stockholm Stock Exchange	Sweden
03/06/2015	NNIT A/S	IT Consulting & Services	215	OMX Nordic Exchange Copenhagen (CPSE)	Denmark
02/12/2015	Banzai SpA	Internet Software & Services	61	Borsa Italiana (BIT)	Italy

*IPOs have been classified based on the exchange where capital was raised.

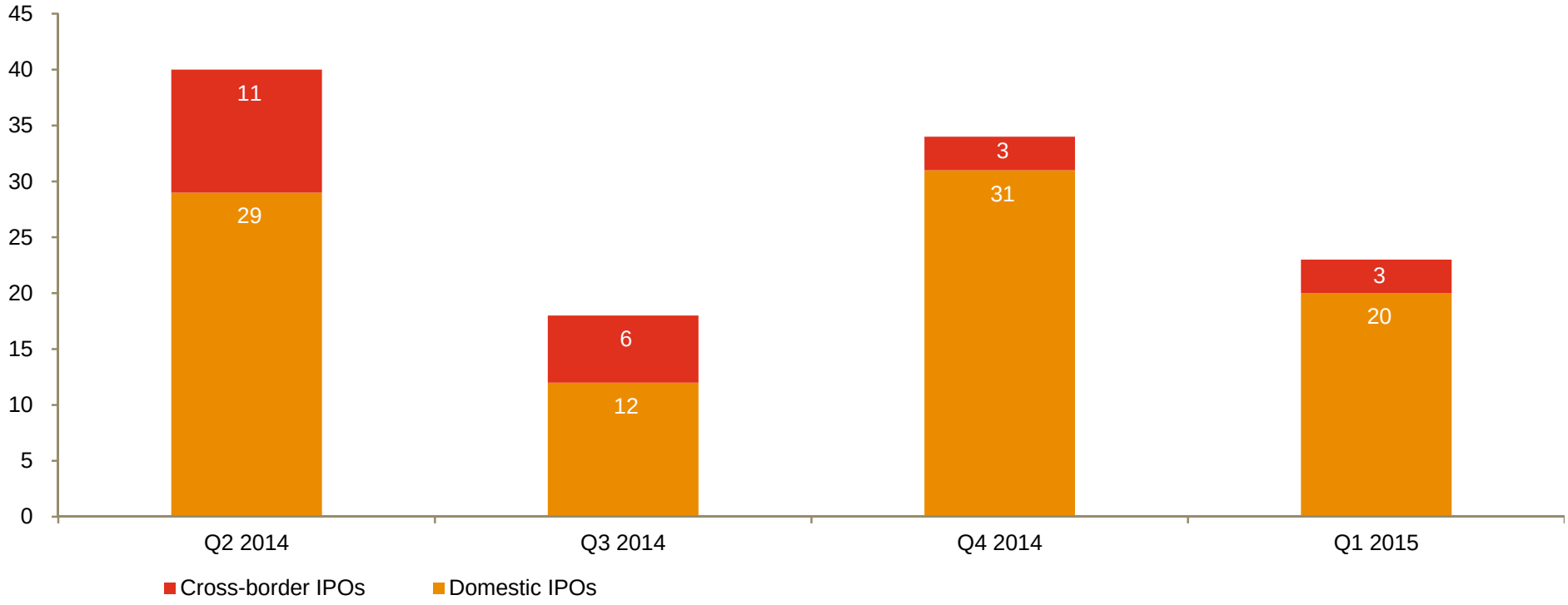
Source: Dealogic with analysis by PwC.

Cross-border technology IPOs – Q1 2015

Following a decline in cross-border listings in Q4 2014 (dropping to 9% after reaching 33% in Q3 2014), 13% of the 23 first-quarter IPOs were cross border. Given the shift in Chinese regulatory policy, we may expect to see a slower pace of cross-border deals.

The three Q1 2015 cross-border listings were from Sweden, Israel and South Korea and they listed on FirstNotStock (a NASDAQ sub-exchange), NASDAQ Global Select and the Hong Kong Stock Exchange, respectively.

Figure 12: Cross-border technology listings



Source: Dealogic with analysis by PwC.

Subsector distribution – Q1 2015

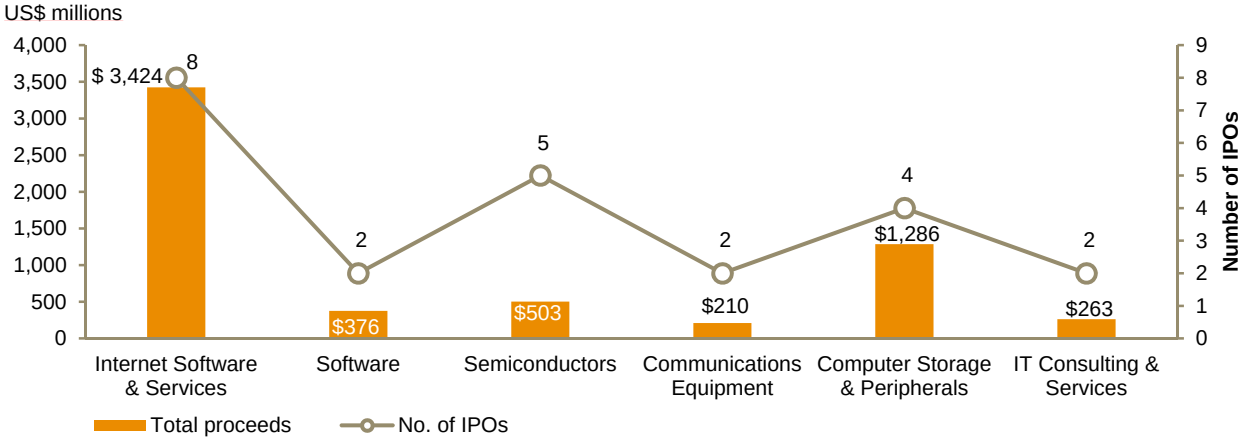
In Q1 2015, Internet Software & Services once again emerged as the clear leader with eight listings and total proceeds of US$3.4 billion. The subsector contributed 56% of the total proceeds and 35% of the listings. On a year-over-year basis, the number of IPOs declined by 27%, while proceeds increased significantly by 93%. Sequentially, proceeds declined by 9% and the number of IPOs dropped by 20%. The largest IPO of the quarter, Auto Trader Group Plc, is in the Internet Software & Services subsector and the subsector had 40% of the top ten tech IPOs for the quarter.

Computers, Storage & Peripherals made a comeback, with proceeds of US$1.3 billion from four IPOs, compared to zero IPOs in Q4 2014. The subsector contributed 21% of the total proceeds and 17% of the number of listings during the current quarter. On a year-over-year basis, total proceeds declined by 66%, while the number of listings doubled.

The Semiconductors subsector came in third, with proceeds worth US$503 million from five listings, and contributed 8% of the proceeds and 22% of the number of offerings. On a year-over-year basis, the number of IPOs grew by 150% and proceeds increased by 104%, while sequentially proceeds declined by 30% with 25% increase in IPO numbers.

The Software subsector raised US$376 million from two IPOs during the current quarter, contributing 6% of the total proceeds and 9% of the IPO offerings. Compared with Q1 2014, the total

Figure 13: Q1 2015 IPO subsector distribution



Source: Dealogic with analysis by PwC.

Q1 2015 Year over year comparison

	Number of IPOs		Total proceeds	
Internet Software & Services	-27.3%	↓	92.9%	↑
Software	-60.0%	↓	-3.9%	↓
Semiconductors	150.0%	↑	104.5%	↑
Computers, Storage & Peripherals	100.0%	↑	-66.1%	↓
IT Consulting & Services	0.0%		25.3%	↑

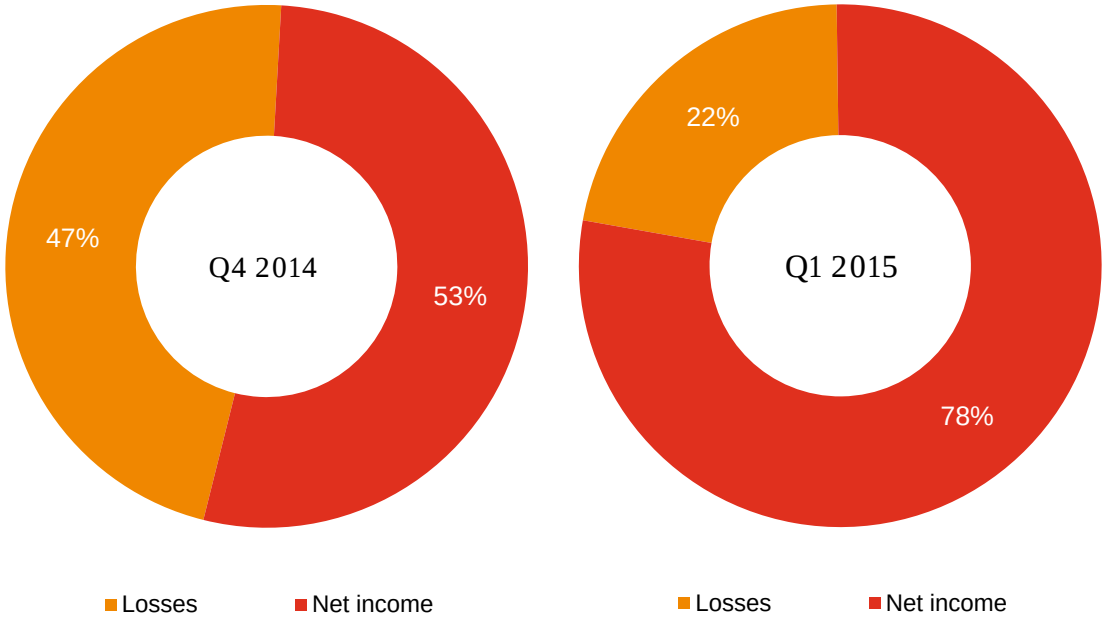
Source: Dealogic with analysis by PwC.

proceeds declined by 4%, while IPO offering numbers dropped by 60%. Sequentially, proceeds and IPO volume fell by 84% and 85%, respectively. The Semiconductors and Computers, Storage & Peripherals subsectors both had an increase in number of deals. Overall, we are seeing an increase in average proceeds across all subsectors. In Q1 2015 Internet Software & Services experienced the largest increase in average deal value compared to Q1 2014, as the number of IPOs declined by 27% and the total proceeds increased by 93%.

Key financials – Q1 2015

All subsectors

Figure 14: Technology IPOs – Net income



Source: Dealogic with analysis by PwC.

Out of the 23 tech IPOs in Q1 2015, 78% reported LTM net income. This is much higher than the 53% of tech IPOs with LTM net income in Q4 2014. During volatile times, it is the stronger players that go public which explains the improvement in financial position.

A flood of money from unconventional sources has sent valuations of several late-stage technology start-ups to very high levels. The average amount raised by pre-IPO companies has increased to US$111 million (vs US$101 million in 2014).[4] This has led to fewer tech companies filing for an IPO to meet their capital needs.

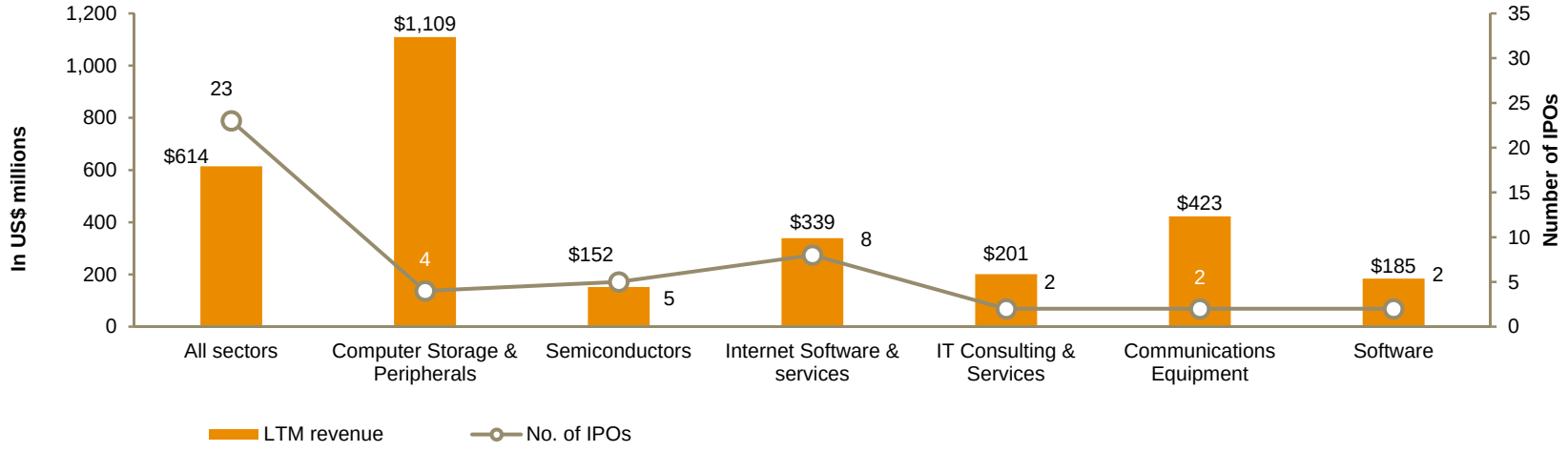
In terms of average LTM revenue, the Computers, Storage & Peripherals subsector led with US$1.1 billion, followed by Communications Equipment with US$423 million and Internet Software & Services with US$339 million. In terms of average LTM EBITDA and net income, Computers, Storage & Peripherals again led with US$172 million and US$83 million, respectively. The remaining subsectors reported much lower LTM EBITDA in the range of US$20 million-US$40 million. The Software subsector came in second with US$34 million average LTM net income.

The average LTM debt levels were relatively high for Computers, Storage & Peripherals, at US$443 million, followed by US$363 million for the Internet Software & Services subsector.

Computers, Storage & Peripherals also had the highest average EV of US$3.8 billion, but the company with the highest EV was Auto Trader Group Plc, with an EV of US$5.6 billion.

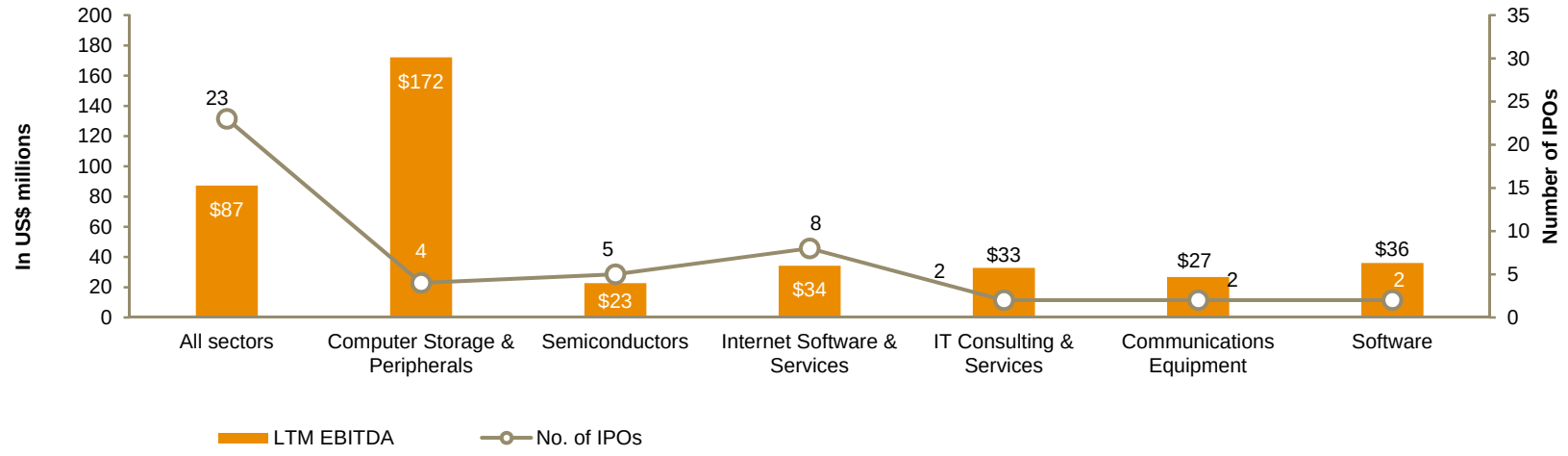
[4] https://www.cbinsights.com/tech-ipo-pipeline

Figure 15: Q1 2015 Average LTM revenue



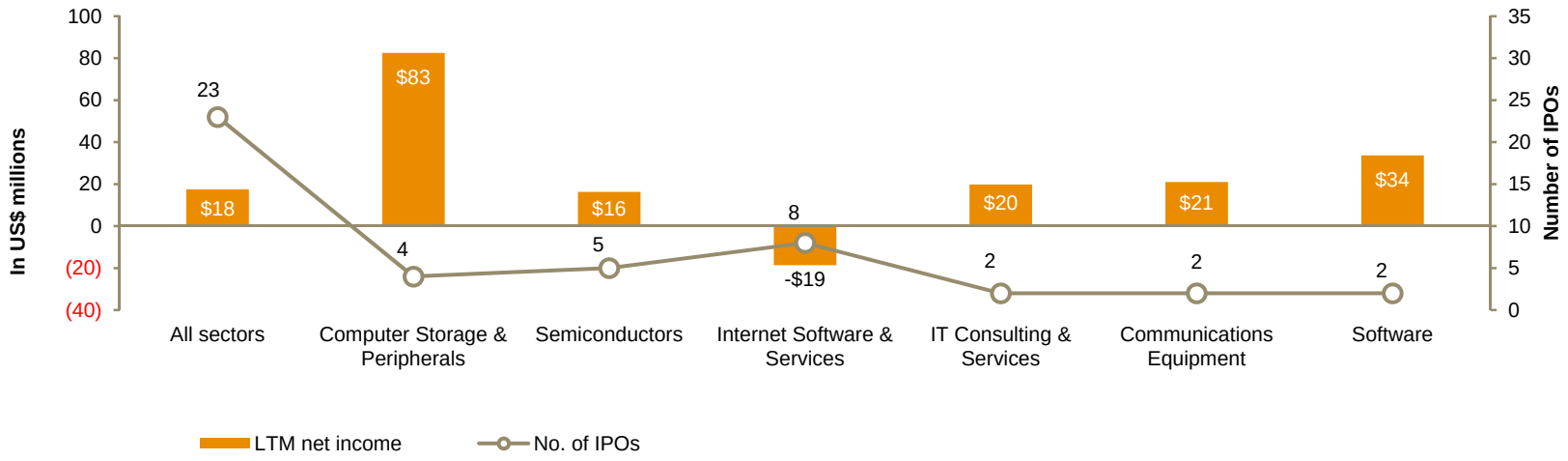
Source: Dealogic with analysis by PwC.

Figure 16: Q1 2015 Average LTM EBITDA



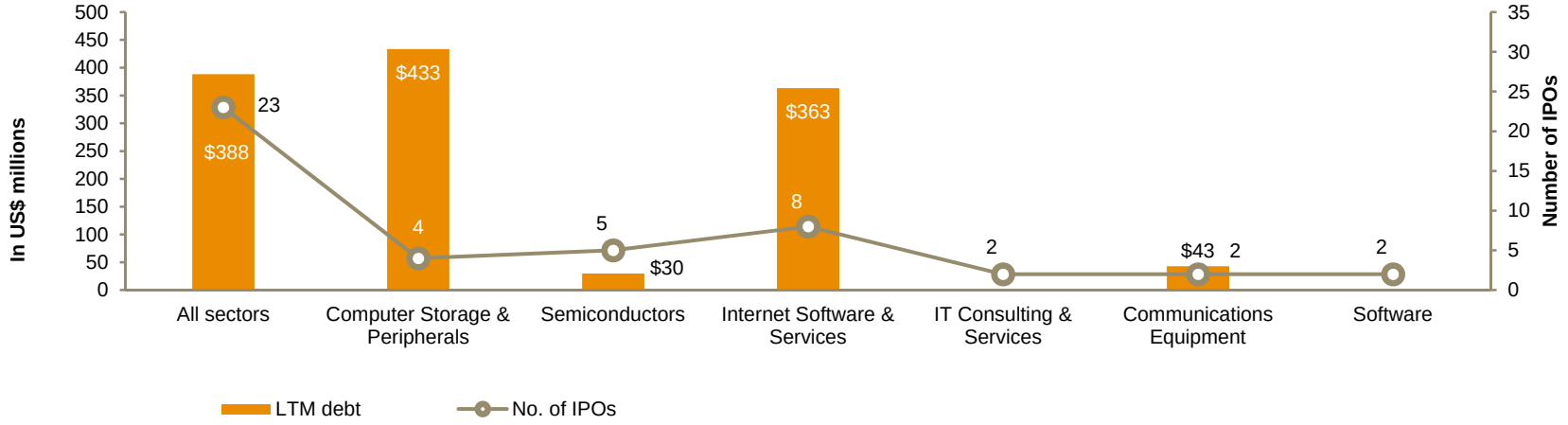
Source: Dealogic with analysis by PwC.

Figure 17: Q1 2015 Average LTM net income



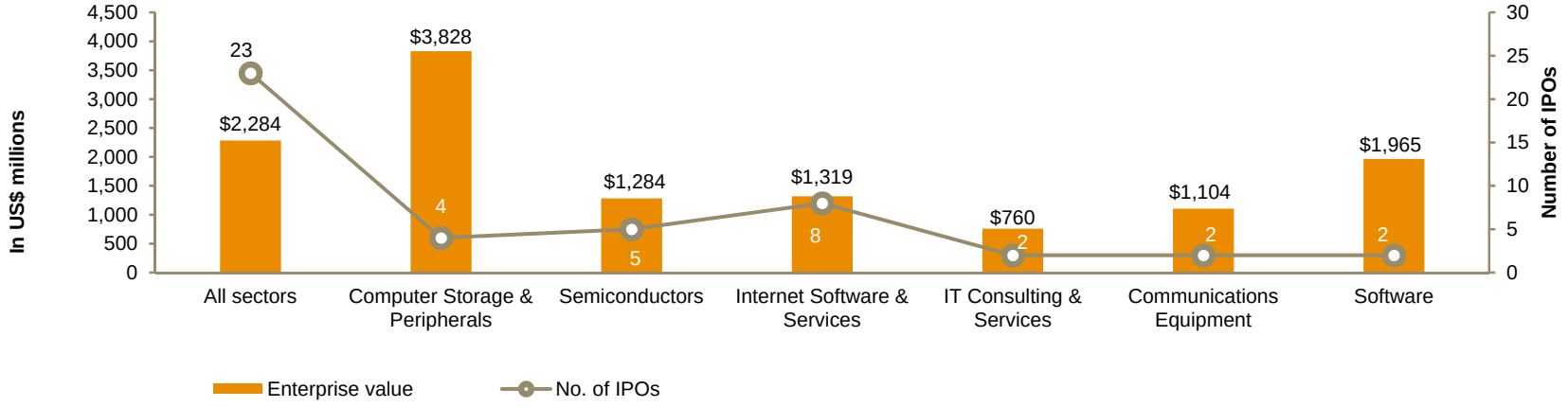
Source: Dealogic with analysis by PwC.

Figure 18: Q1 2015 Average total debt



Source: Dealogic with analysis by PwC.

Figure 19: Q1 2015 Average enterprise value



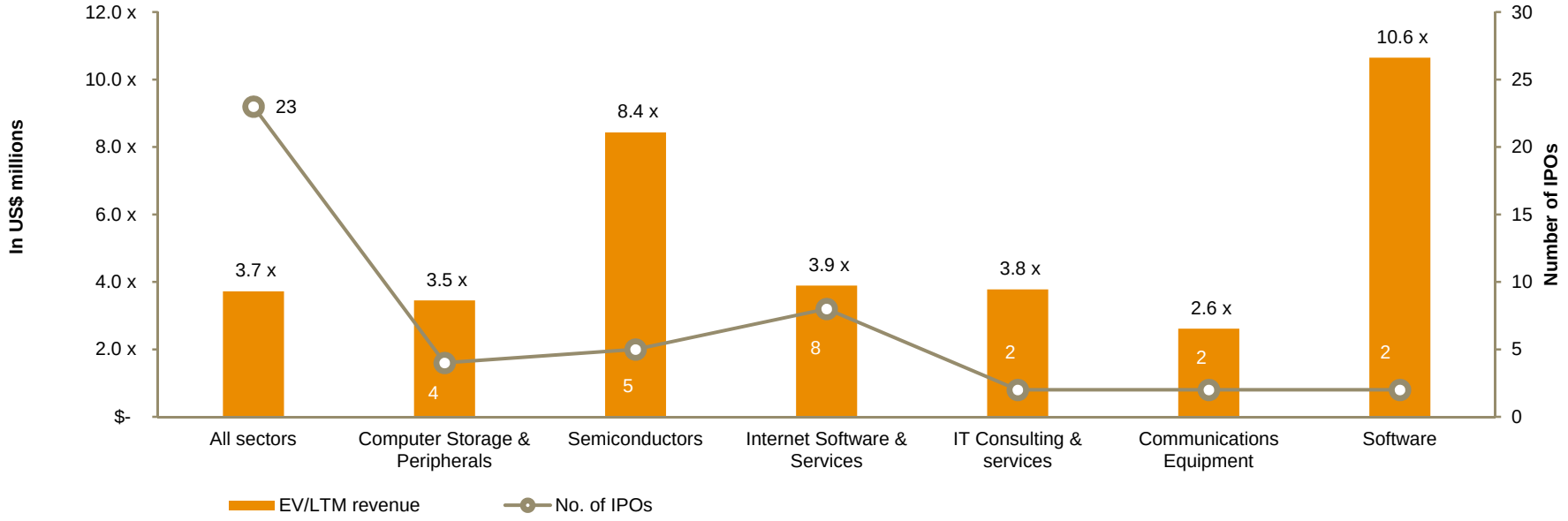
Source: Dealogic with analysis by PwC.

Technology IPOs valuation metrics – Q1 2015

The technology industry normally has a higher valuation compared to other industries. The Software subsector had the highest EV/LTM revenue of 10.6x, followed by the Semiconductors subsector with 8.4x. The average tech sector multiple was 3.7x. The high valuation multiple for the Semiconductors subsector was driven by Ningbo Techmation Co Ltd and Fujian Torch Electron Technology Co Ltd Communications Equipment had the lowest EV/revenue multiple of 2.6x.

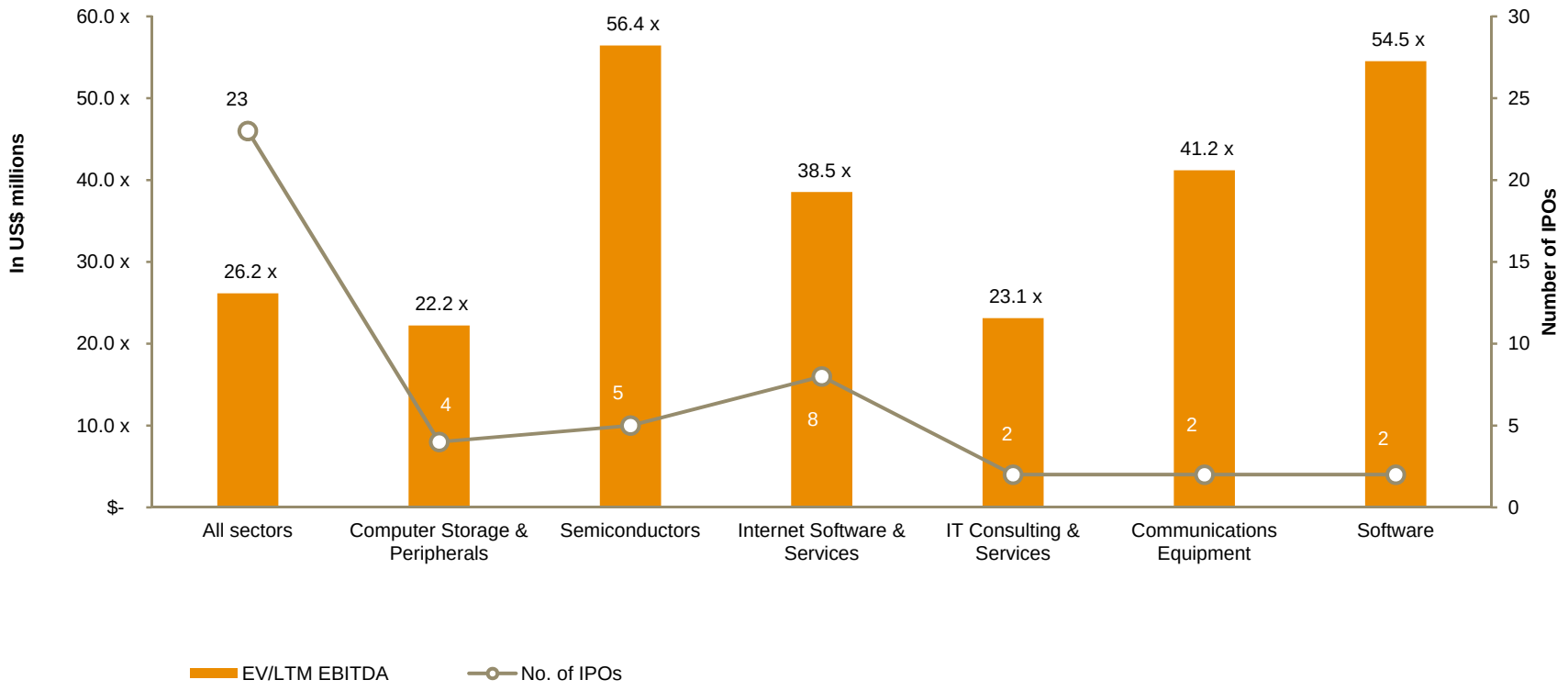
The Semiconductors subsector had the highest EV/EBITDA multiple of 56.4x, followed by Software, with 54.5x. Computers, Storage & Peripherals had the lowest EV/EBITDA multiple of 22.2x.

Figure 20: Q1 2015 EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 21: Q1 2015 EV/LTM EBITDA



Source: Dealogic with analysis by PwC.

Top three subsectors – Q1 2015

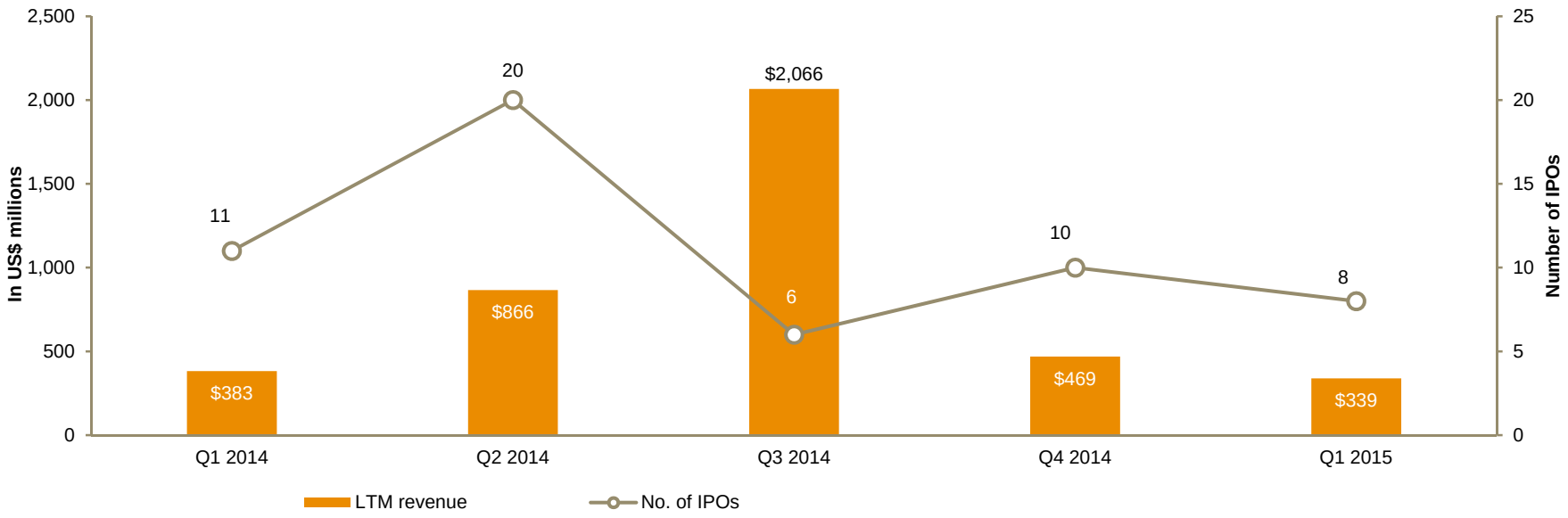
Internet Software & Services

The subsector was relatively slow this quarter with a decline in revenue of 28% quarter over quarter and 11% year over year. The average revenue of US$339.2 million was the lowest in the last five quarters, due in part to mega deals such as Alibaba in Q3 2014.

Average LTM EBITDA was US$34.2 million and average LTM net income/ (loss) of US$(18.6 million). Average enterprise value was US$1.32 billion, which was lower than the last four quarters.

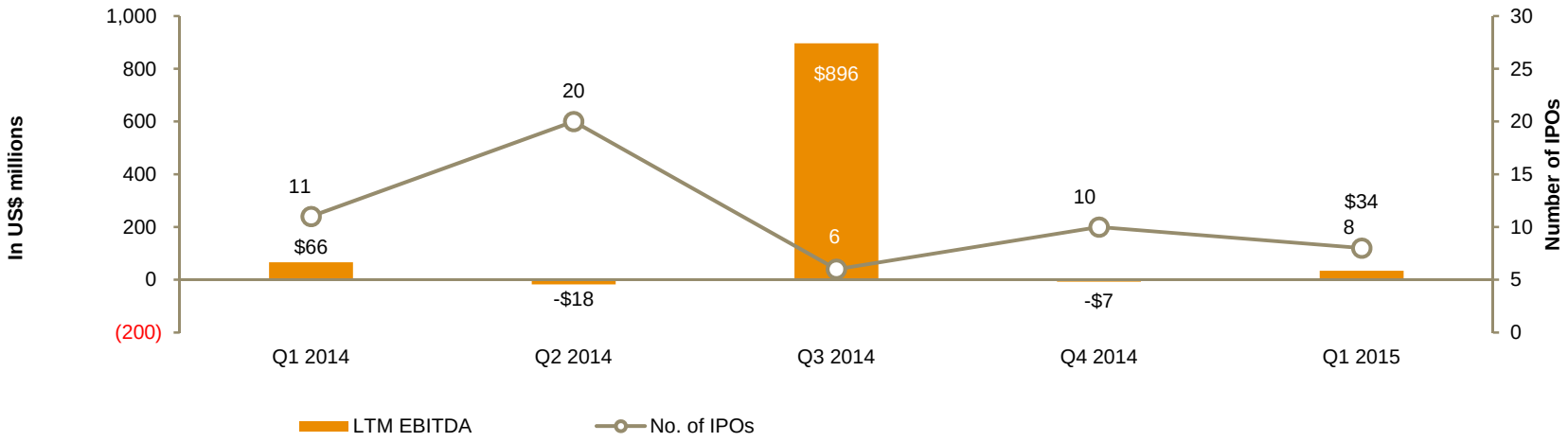
In terms of valuation matrix, EV/LTM revenue was at 3.9x and EV/LTM EBITDA was 38.5x. This was more in line with other quarters, except Q3 2014, which was an exceptional quarter for Internet Software & Services.

Figure 22: Internet Software & Services – LTM revenue



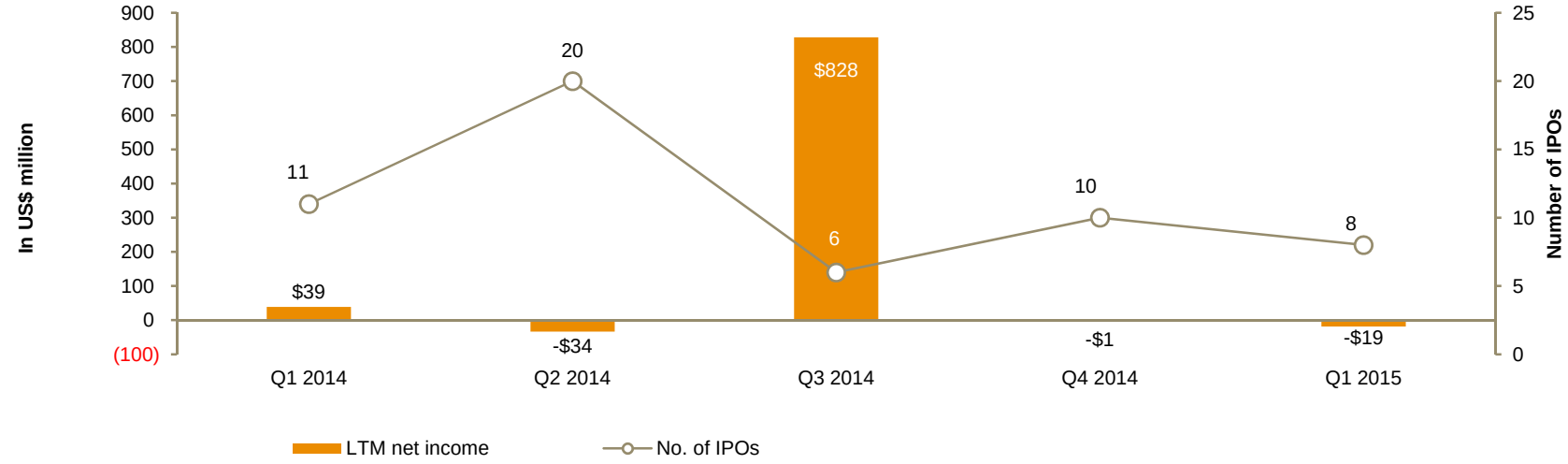
Source: Dealogic with analysis by PwC.

Figure 23: Internet Software & Services – LTM EBITDA



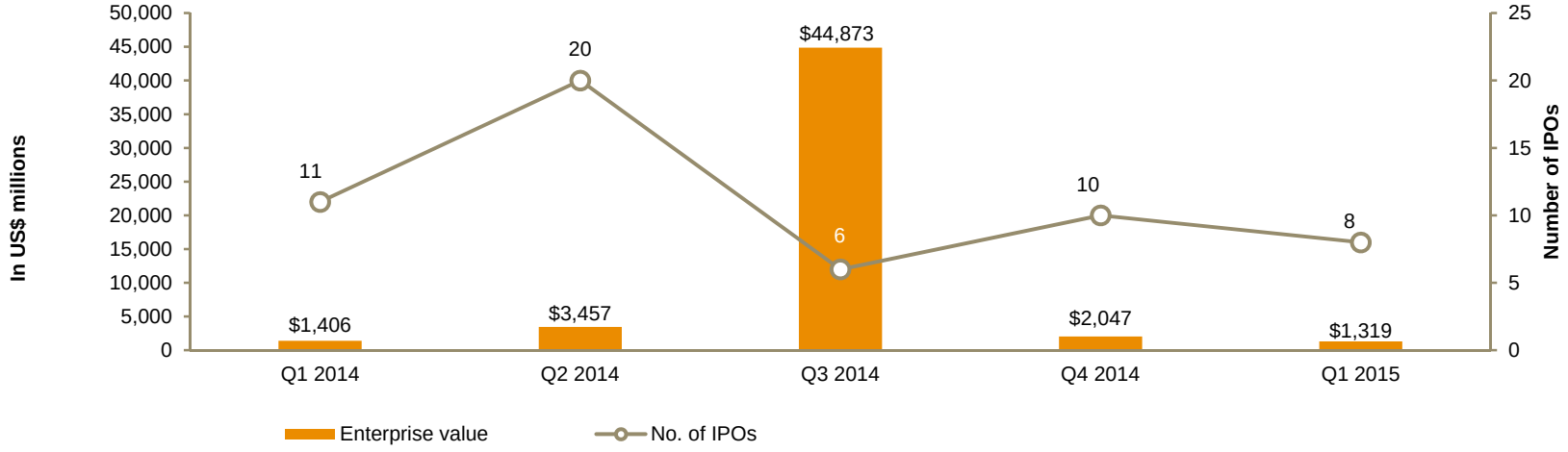
Source: Dealogic with analysis by PwC.

Figure 24: Internet Software & Services – LTM net income



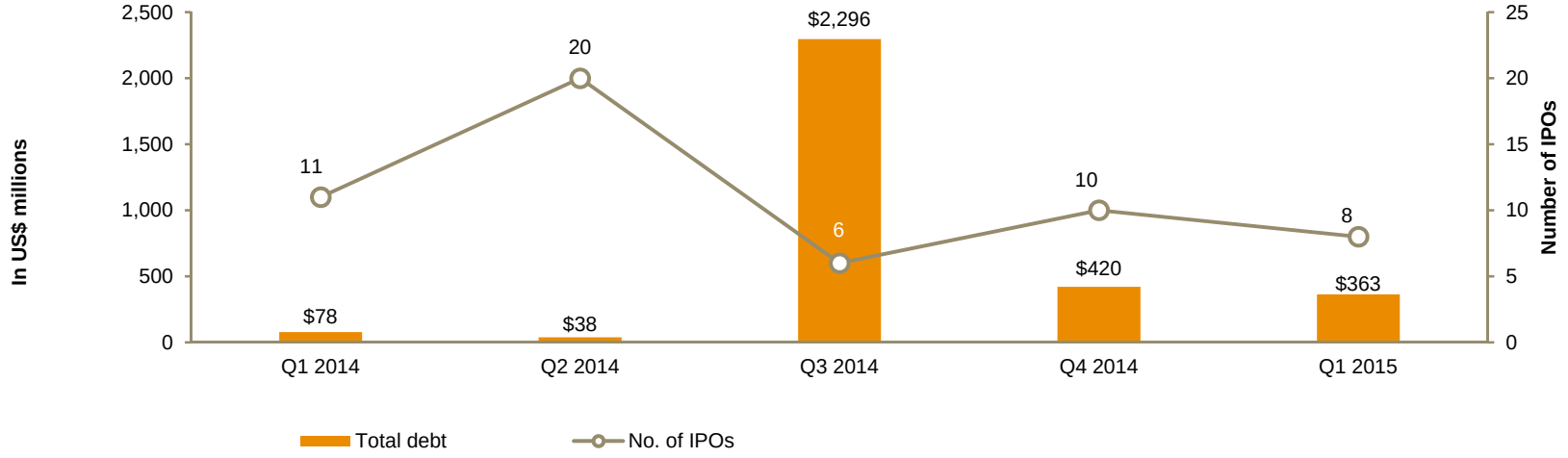
Source: Dealogic with analysis by PwC.

Figure 25: Internet Software & Services – Enterprise value



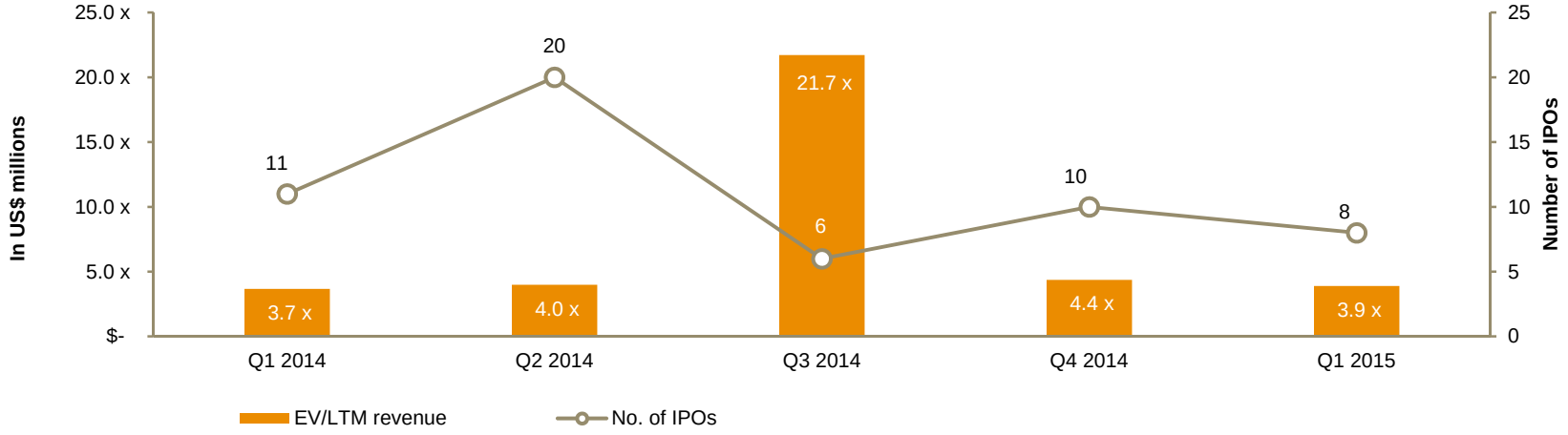
Source: Dealogic with analysis by PwC.

Figure 26: Internet Software & Services – Total debt



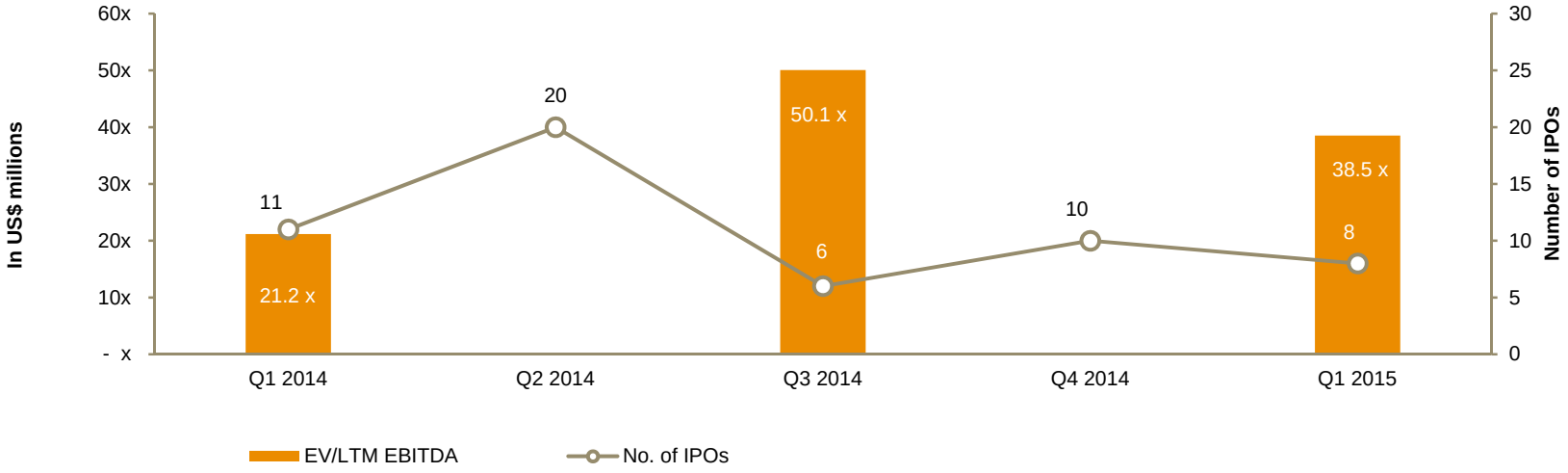
Source: Dealogic with analysis by PwC.

Figure 27: Internet Software & Services – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 28: Internet Software & Services – EV/LTM EBITDA



Source: Dealogic with analysis by PwC.

Computers, Storage & Peripherals

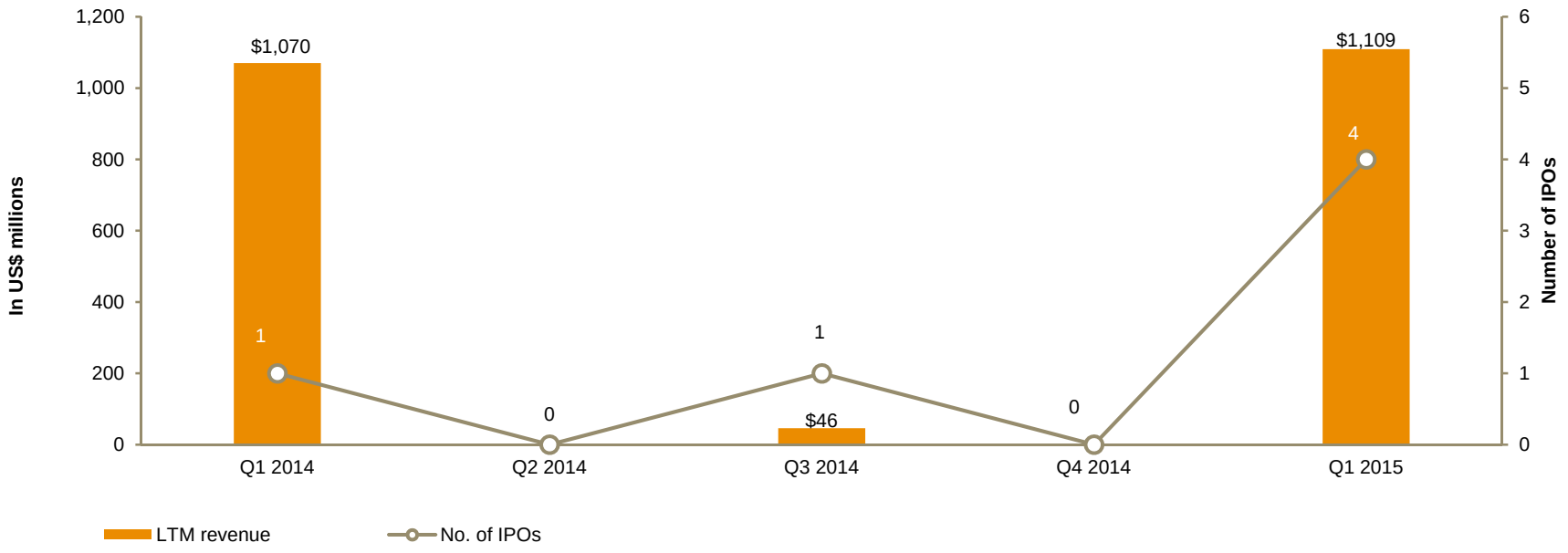
In Q1 2015, the subsector performed very well, with average revenue of US$1.1 billion. This was a marginal increase in proceeds of 4% year over year, and with four IPOs, it was the highest in the last four quarters.

The average EBITDA and net income increased sharply year over year due to a very low average EBITDA and net income in Q1 2014. The average EBITDA and net income of US$172 million and US$83 million in Q1 2015 increased by 630% and 1,619% year over year.

Average EV was US$3.8 billion, an increase of 87% year over year. For the Computers, Storage & Peripherals subsector, debt levels are typically high. This quarter the average debt was US$443 million.

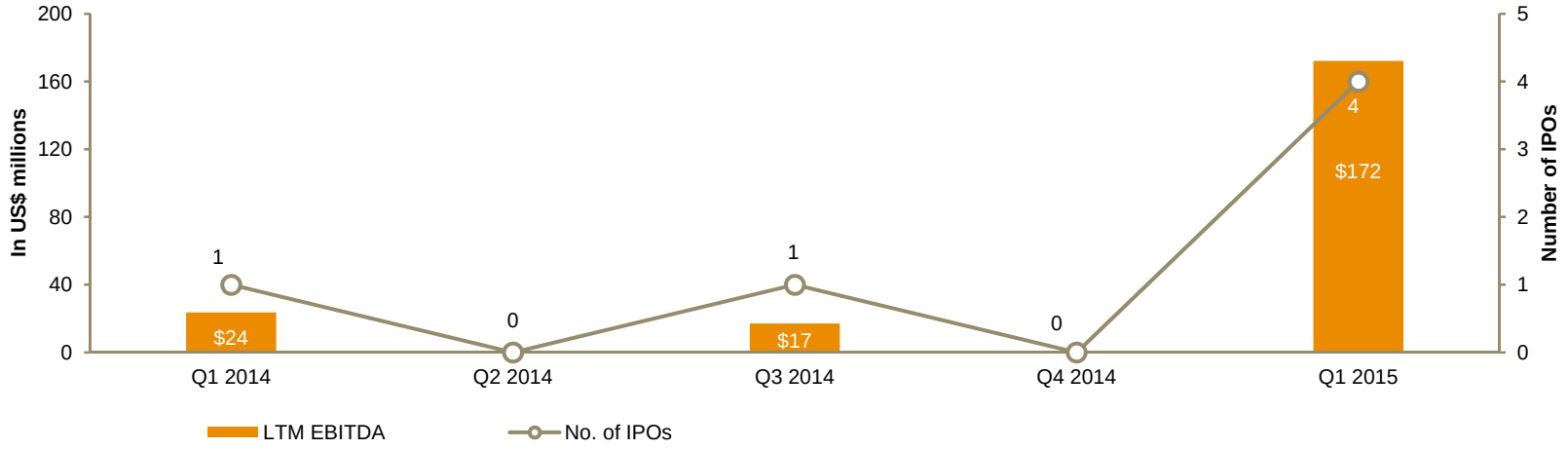
The valuation multiple was EV/LTM revenue was 3.5x and EV/LTM EBITDA was 22.2x. This was much lower than the other subsectors.

Figure 29: Computers, Storage & Peripherals – LTM revenue



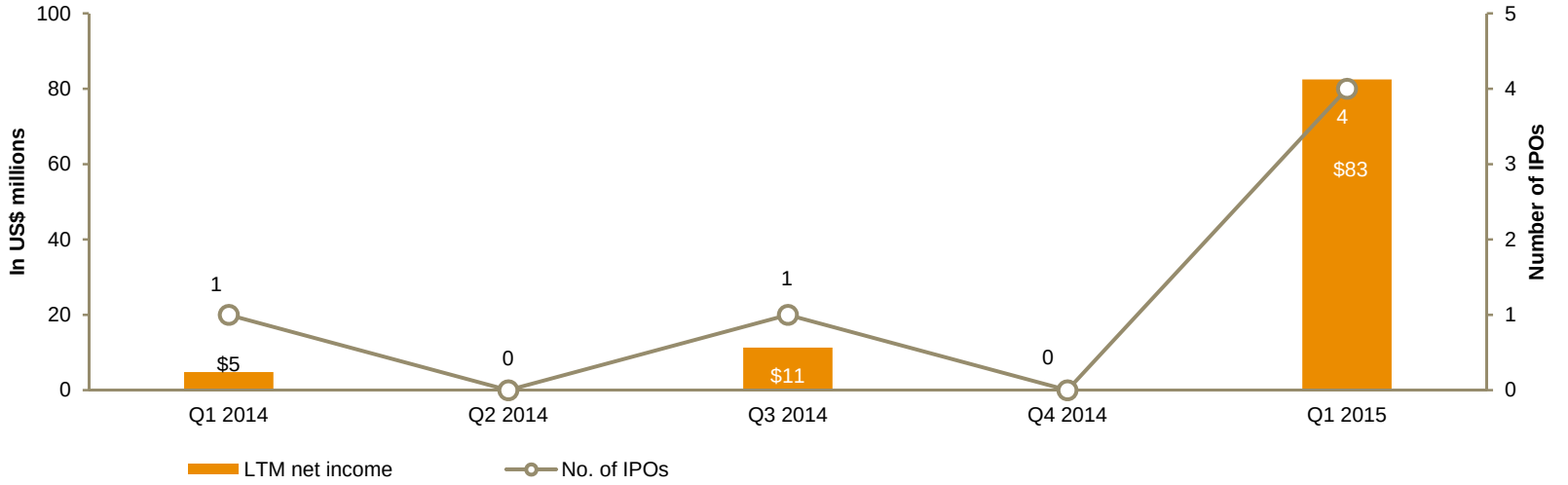
Source: Dealogic with analysis by PwC.

Figure 30: Computers, Storage & Peripherals – LTM EBITDA



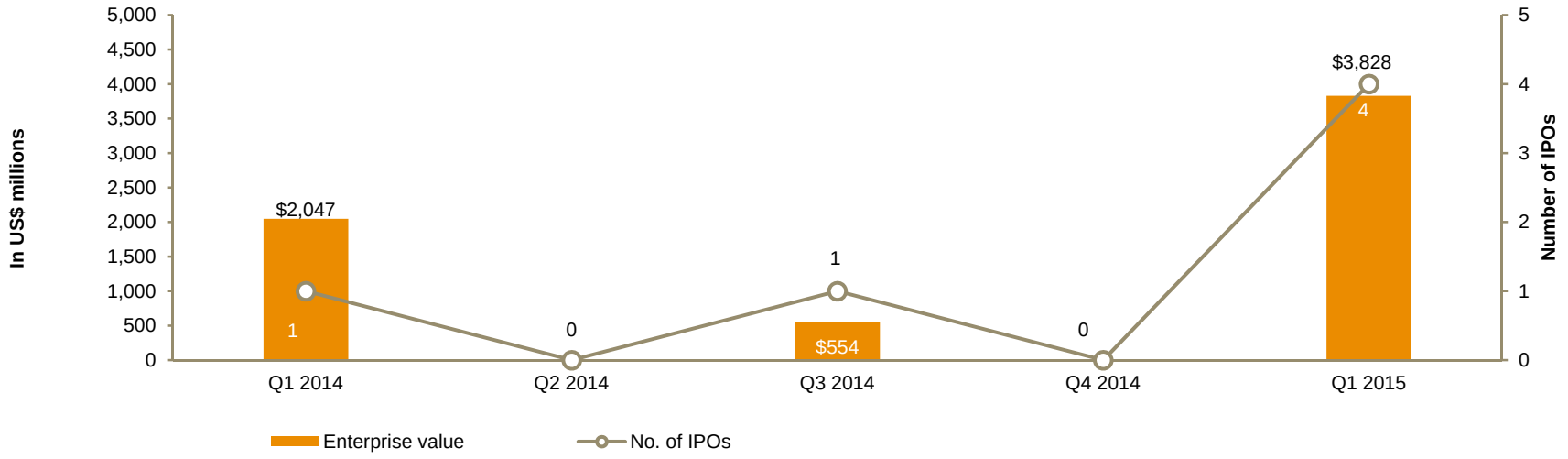
Source: Dealogic with analysis by PwC.

Figure 31: Computers, Storage & Peripherals – LTM net income



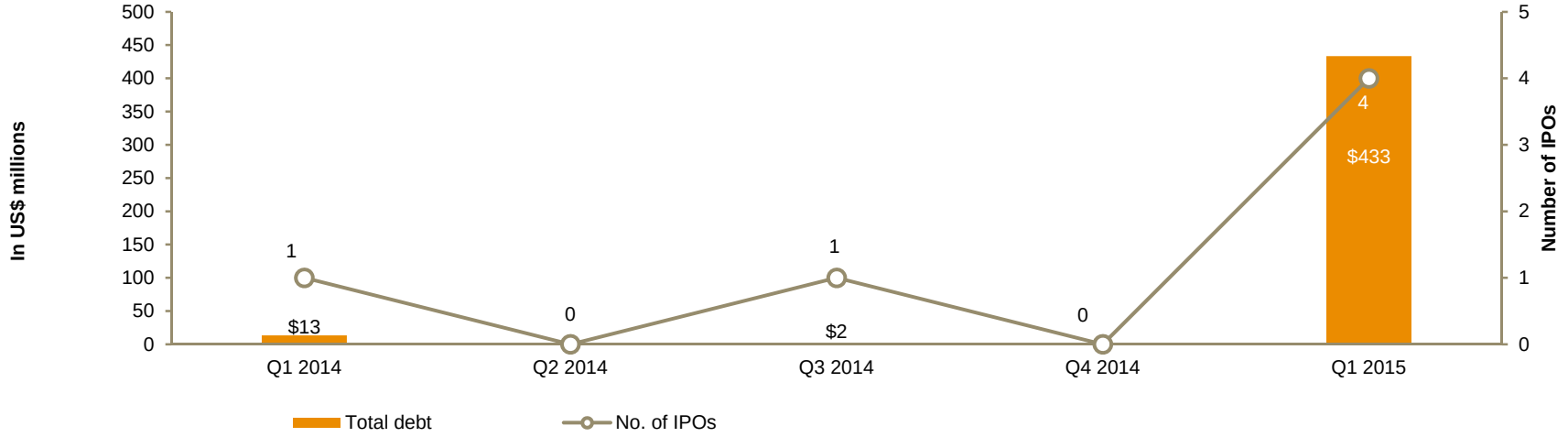
Source: Dealogic with analysis by PwC.

Figure 32: Computers, Storage & Peripherals – Enterprise value



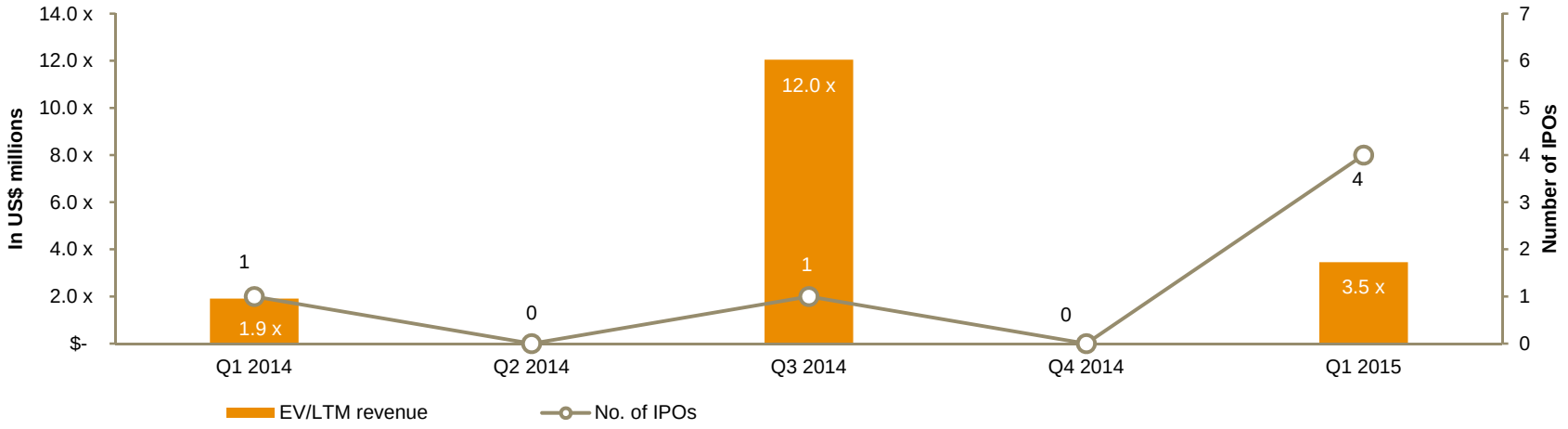
Source: Dealogic with analysis by PwC.

Figure 33: Computers, Storage & Peripherals – Total debt



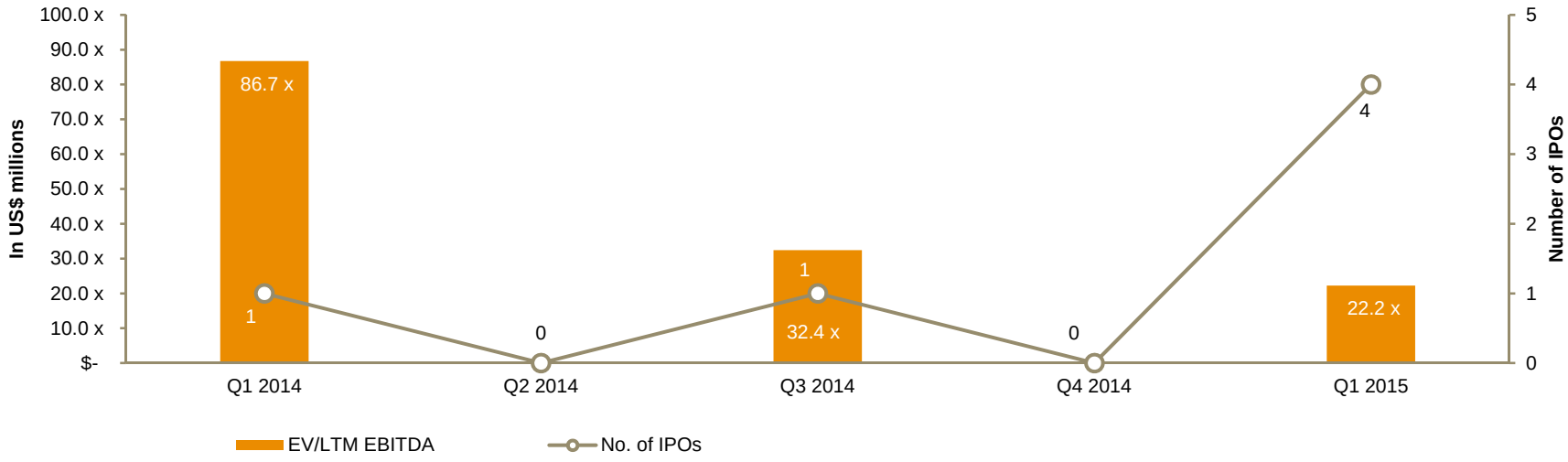
Source: Dealogic with analysis by PwC.

Figure 34: Computers, Storage & Peripherals – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 35: Computers, Storage & Peripherals – EV/LTM EBITDA



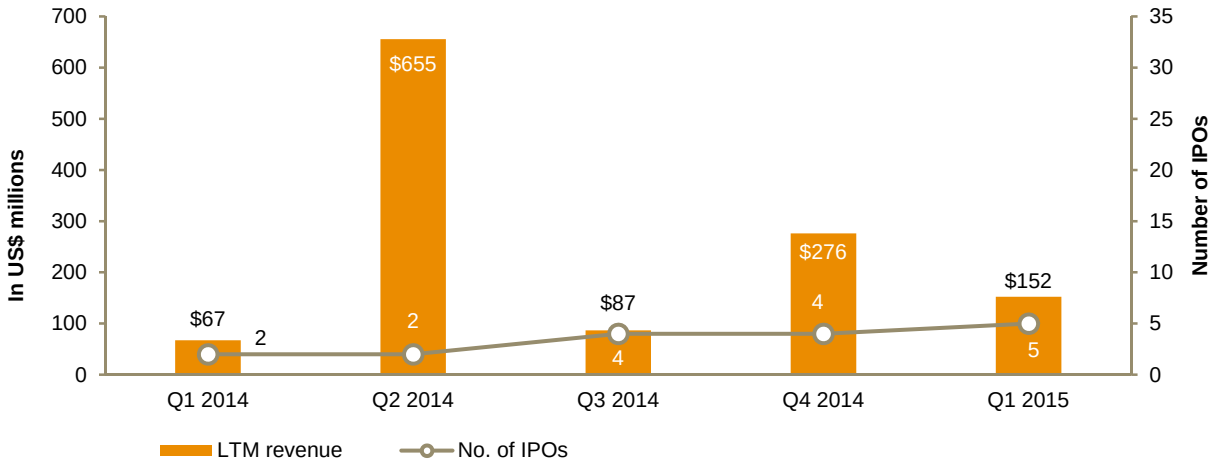
Source: Dealogic with analysis by PwC.

Semiconductors

Compared to Q1 2014 the Semiconductors subsector saw a 126% rise in average revenue to US$152 million, however, it declined by 45% quarter over quarter. The average EBITDA also decreased by 74% quarter over quarter. The number of IPOs in the Semiconductors subsector increased from Q4 2014 to five IPOs. The resurgence of Chinese Semiconductor companies had a positive impact on this subsector.

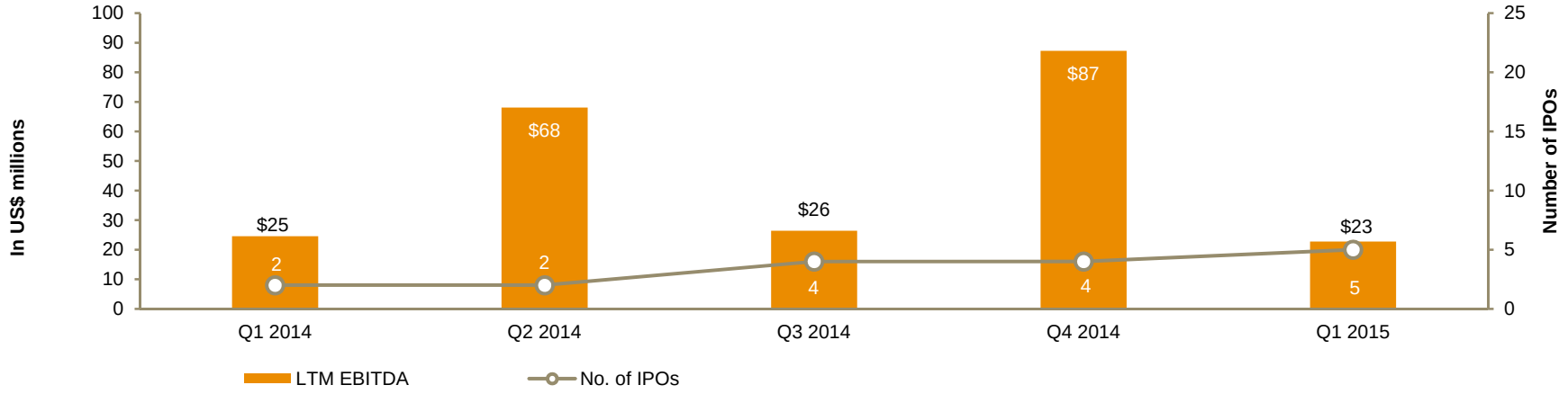
The average EV also jumped by more than 49% year over year and the EV multiples were much higher than the last few quarters with EV/revenue and EV/EBITDA of 8.4x and 56.4x, respectively.

Figure 36: Semiconductors – LTM revenue



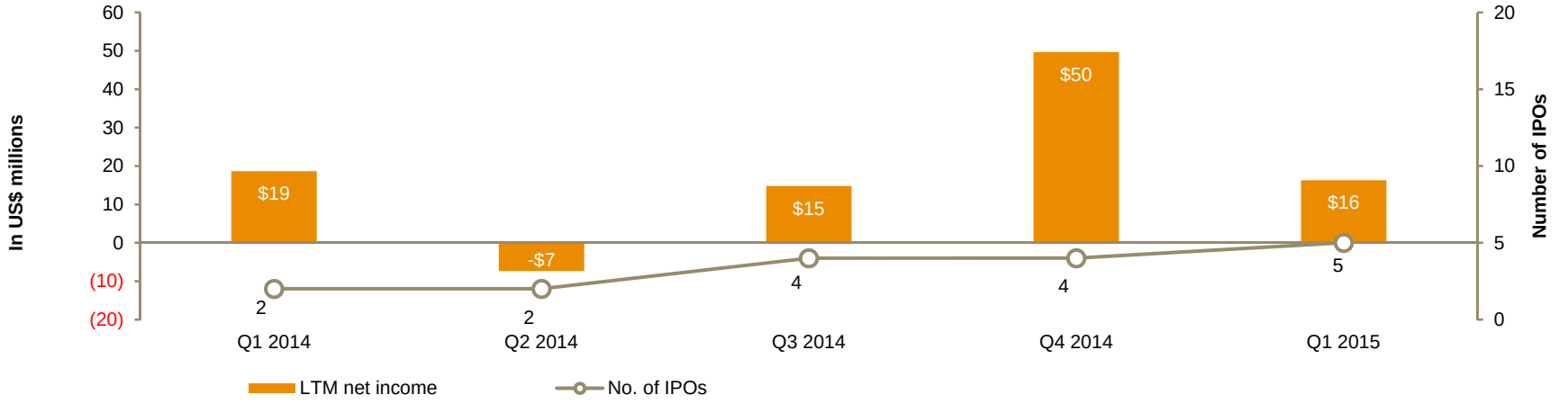
Source: Dealogic with analysis by PwC.

Figure 37: Semiconductors – LTM EBITDA



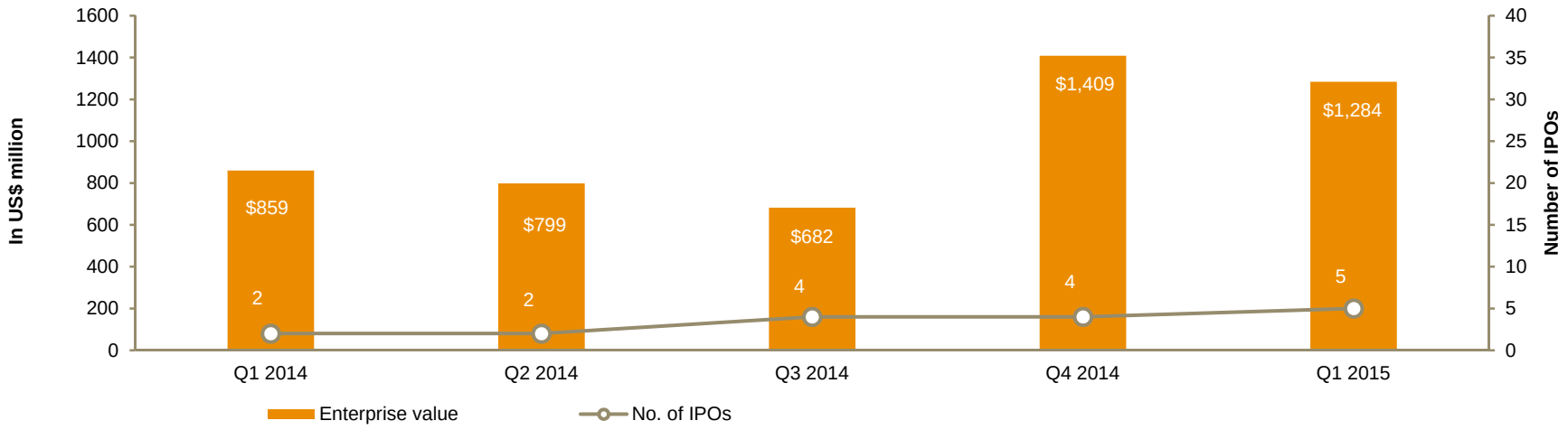
Source: Dealogic with analysis by PwC.

Figure 38: Semiconductors – LTM net income



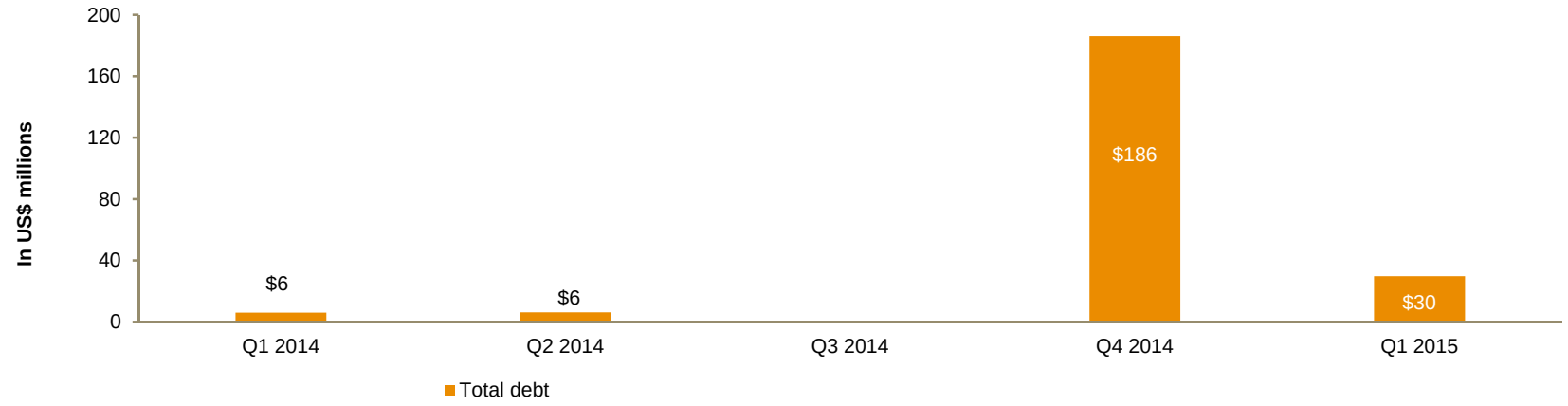
Source: Dealogic with analysis by PwC.

Figure 39: Semiconductors – Enterprise value



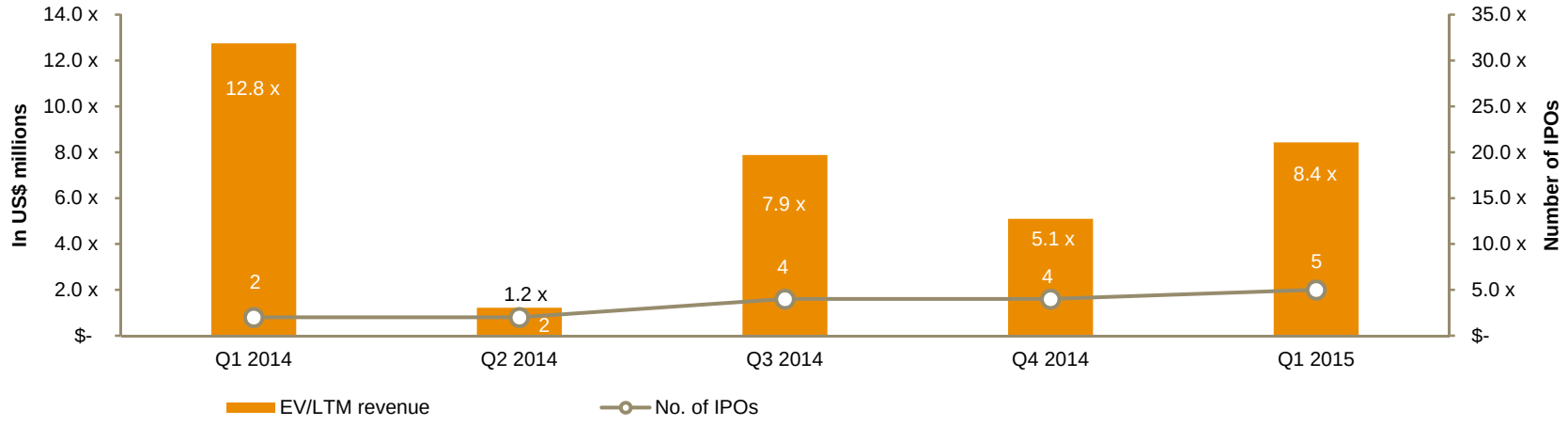
Source: Dealogic with analysis by PwC.

Figure 40: Semiconductors – Total debt



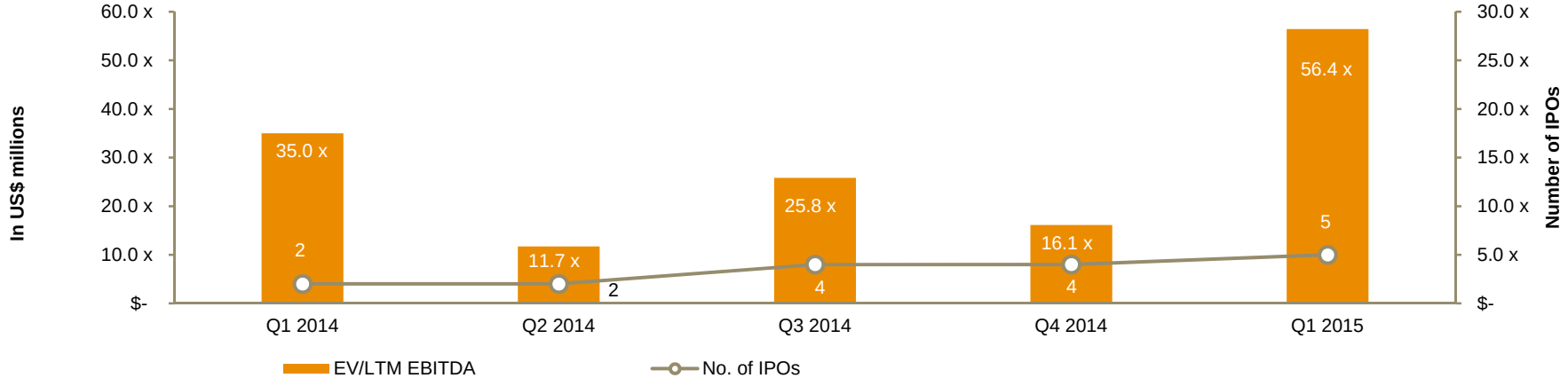
Source: Dealogic with analysis by PwC.

Figure 41: Semiconductors – EV/LTM revenue



Source: Dealogic with analysis by PwC.

Figure 42: Semiconductors – EV/LTM EBITDA



Source: Dealogic with analysis by PwC.

Methodology

The Global Technology IPO Review for Q1 2015 is based on PwC's analysis of transaction data extracted from Dealogic. The analysis considers IPOs across all countries worldwide during the period 1 January 2015 to 31 March 2015 (Q1). Financial data was also obtained from Dealogic.

The definition of the Technology sector is based on the Dealogic database industry classifications and includes the following subsectors:

- Internet Software & Services
- IT Consulting & Services
- Professional Services (e.g., Application Software, Software Solutions)
- Semiconductors
- Software
- Computers, Storage & Peripherals
  - Computers, Computers Peripheral Equipment
  - Computers, Storage Device Manufacturing
- Electronic Computers Manufacturing
- Communications Equipment

Only IPOs with issue size greater than US$40million were included in the analysis.

All monetary amounts are in US dollars unless otherwise indicated.

LTM – Last twelve months

Figures are rounded to one decimal.

For more information

If you would like to discuss how these findings might impact your business or your future strategy, please reach out to any of our technology industry leaders listed below.

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