Global technology M&A: no letup

A combination of big-ticket transformative corporate deals, the return of private equity (PE) and ongoing technology-enabled digital transformations disrupting multiple industries drove a seemingly relentless acceleration of global technology M&A in April 2015.

- **Technology corporate buyers**: continued to seek scale and a total-solutions-oriented product- and-service breadth in large, transformative deals.
- **Non-tech buyers**: continued acquiring technology to drive their own transformations into technology-enabled end-to-end solutions providers.
- **PE buyers**: took companies private to help them pursue their transformations without public market scrutiny.
- **Hidden gems**: some buyers did deals to enhance the value of hidden gems in their portfolios, while others considered divesting units that appear to have higher value to other strategic buyers.
- **Deal drivers**: security deals continued to accelerate, while deals driven by the internet of things (IoT), health care IT (HIT), big data analytics and payments and financial services trends continued at or above the blistering pace set in 1Q15.
- **Digital foundation**: cloud/SaaS and smart mobility technologies continued as a kind of “background radiation” to global technology dealmaking.
Volume

336 deals
sets 2Q15 on course for 1,000+ deals.

April disclosed value of
$39.4b
is already more than half the record-setting 1Q15 total.

Top deals in April 2015

<table>
<thead>
<tr>
<th>Disclosed value ($m)</th>
<th>Buyer</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$16,505</td>
<td>Nokia Corporation</td>
<td>Alcatel-Lucent SA</td>
</tr>
<tr>
<td>$5,335</td>
<td>Permira Funds/Canada Pension Plan Investment Board</td>
<td>Informatica Corporation</td>
</tr>
<tr>
<td>$4,000</td>
<td>Capgemini Group</td>
<td>IGATE Global Solutions Ltd.</td>
</tr>
<tr>
<td>$2,110</td>
<td>ARRIS Group, Inc.</td>
<td>Pace plc</td>
</tr>
<tr>
<td>$1,500</td>
<td>LinkedIn Corporation</td>
<td>lynda.com, Inc.</td>
</tr>
<tr>
<td>$1,300</td>
<td>Raytheon Company</td>
<td>Websense, Inc.</td>
</tr>
<tr>
<td>$840</td>
<td>Perfect Peony Holding Company Ltd.</td>
<td>Perfect World Co., Ltd.</td>
</tr>
<tr>
<td>$600</td>
<td>MasterCard Inc.</td>
<td>Applied Predictive Technologies, Inc.</td>
</tr>
</tbody>
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“The network effects behind market dynamics in many segments of the tech sector are driving technology companies to seek scale and end-to-end solutions through M&A, while non-tech companies are looking to disrupt their markets by acquiring enabling technologies. It’s a great time to be in technology M&A.”

Jeff Liu
Global Technology Industry Leader
Transaction Advisory Services
EY
April 2015 at a glance

Global technology M&A

Non-tech buying accelerates blur — again

Meanwhile, 45 deals with non-tech buyers maintained a high rate of cross-sector blur between technology and other industries. Buyers ran the gamut from defense contractors, telecommunications carriers and credit card companies to marketing agencies, textbook companies and health care providers. Companies in all these industries appear to be acquiring enabling technologies as more and more of their core value is delivered through information technology.

PE buyers return in force

We predicted PE's below-average volume and value in 1Q15 would be a temporary lull, "as there remain many disrupted companies in the crosshairs of disruptive technologies — and activist investors." So when April yielded the largest technology take-private deal of the year so far ($5.3 billion), we weren't surprised. PE buyers also continued to do deals for strategic technologies, including sensors for IoT uses. April volume and value put PE on course for a record-setting 2Q15, unless dealmaking slows significantly in May and June.

Hidden gems are enhanced or divested; security dealmaking accelerates

Increasing demand for cybersecurity technology and expertise continues to drive rising deal volumes, including two targets among April's top deals. Interestingly, the larger of those deals involves a defense company looking to enhance the value of its security expertise by expanding through its target into enterprise security for the private sector. Meanwhile, though no final deals have been announced, bidding wars appeared to emerge in April for hidden-gem assets of at least two established technology companies (involving content and mapping technologies).

IoT, HIT, financial services and big data analytics deal-driving trends continue at blistering pace

One month does not make a quarter, but April dealmaking suggests all the trends in our headline are on course for a blockbuster 2Q15. Of particular note was big data analytics, which drove about three dozen deals in April compared with roughly five dozen for all of 1Q15. Big data analytics technologies were aspects in many deals across other trends, especially HIT: a third of the HIT companies targeted in April offered analytics technologies.

81%, or $32b, of April M&A value came in CB deals.

45 deals ($3.5b) in non-tech-buyer value accelerates CB blur.

April PE disclosed value, at $9b, is already in the middle of PE's typical quarterly range.


Note: all data in this report is subject to final verification at the end of the quarter. All values are of disclosed-value deals only (accessed 4 May 2015 via The 451 Group Research M&A KnowledgeBase) and dollar references are in US$ unless otherwise indicated.
Our four-themes series to navigate unprecedented disruption includes:

1. Stack to solution – technology stacks being displaced by cloud-integrated solutions

2. In the crosshairs – challenges proliferating from upstarts and activist shareholders

3. Hunting for hidden gems – pockets of innovation and troves of data lying untapped within the company

4. Multifaceted security – vulnerabilities and threats multiplying amid technology transitions