Technology companies’ drive for scale and end-to-end solutions returned with a vengeance in October as tech buyers positioned for a rapidly changing landscape – including tech blurring together with the industries it enables. Corporate tech buyers slowed in 3Q15 after setting a new post-dotcom-bubble aggregate value record in 2Q15, but these same corporate buyers have now eclipsed their entire 2Q15 value in just the one month of October. However, October’s total disclosed value narrowly missed topping 2Q15’s overall quarterly record because private equity (PE) and non-tech buyers – though very active – didn’t match the corporate tech buyers’ huge spike.

- **Value soars, volume also rises**: in a year of multiple volume and value records, October’s aggregate value more than doubled the previous post-dotcom-bubble record monthly high; volume is second highest.
- **Tech buyers**: sought scale for the cloud era and increased breadth of solutions (in the trend we call “stack to solutions”).
- **Blur**: non-tech buyers had their second-highest volume month of the year but disclosed value moderated.
- **PE buyers**: posted an above-average $6.3 billion in disclosed value but below-average deal volume.
- **Hidden gems**: divestiture volume continued at the same high pace seen all year, though without the big-ticket deals.
- **Deal drivers**: cloud/SaaS dominated deal drivers in terms of volume and value. But payments and financial services built on earlier momentum with their strongest value month of the year so far, and big data analytics and online video also made large contributions. Security and internet of things (IoT) dealmaking slowed from a value perspective, but IoT deal volume accelerated while security volume held steady. Health care IT (HIT), advertising and marketing, gaming and education technology dealmaking slowed.

Note: dollar references are in US$ unless otherwise indicated.
Cloud/SaaS, storage and semiconductor consolidation drive skyrocketing tech M&A disclosed value; positioning 2015 for a run at year-2000 value record

October’s top deal marks the second time this year we can report monthly aggregate deal value soaring on the back of the largest-ever M&A deal with a technology buyer and seller. And this is not due to just one megadeal. Even subtracting the $67 billion Dell-EMC deal, October still would be the highest-value month of the year for tech company buyers (i.e., excluding non-tech buyers), with an aggregate disclosed value of $51.7 billion versus $50.4 billion in May. Three deals above $10 billion (driven, in order, by the cloud disruption and consolidation in search of seeking broader solutions in storage and semiconductors) bring the 2015 total to eight. That’s two more than the six deals above $10 billion in the entire decade before 2015. YTD to end of October, 2015 aggregate value was $396.4 billion – close enough to the year-2000 all-time record of $412.4 billion that should easily be broken before year end.

Global top 10 deals, October 2015

<table>
<thead>
<tr>
<th>Disclosed value ($m)</th>
<th>Buyer</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>$67,000</td>
<td>Dell Inc.</td>
<td>EMC Corporation</td>
</tr>
<tr>
<td>$19,000</td>
<td>Western Digital Corporation</td>
<td>SanDisk Corporation</td>
</tr>
<tr>
<td>$10,600</td>
<td>Lam Research Corporation</td>
<td>KLA-Tencor Corporation</td>
</tr>
<tr>
<td>$5,200</td>
<td>Intercontinental Exchange, Inc.</td>
<td>Interactive Data Corporation</td>
</tr>
<tr>
<td>$4,500</td>
<td>Silver Lake Partners/Thoma Bravo, LLC</td>
<td>SolarWinds, Inc.</td>
</tr>
<tr>
<td>$4,335</td>
<td>Alibaba Group Holding Ltd.</td>
<td>Youku Tudou Inc.</td>
</tr>
<tr>
<td>$3,416</td>
<td>Ctrip.com International Ltd.</td>
<td>Qunar Cayman Islands Ltd.</td>
</tr>
<tr>
<td>$1,468</td>
<td>WEX Inc.</td>
<td>Electronic Funds Source LLC</td>
</tr>
<tr>
<td>$900</td>
<td>Apollo Global Management, LLC</td>
<td>Xchanging plc</td>
</tr>
<tr>
<td>$700</td>
<td>Leshi Internet Information &amp; Technology Corp. Beijing</td>
<td>Yidao Yongche</td>
</tr>
</tbody>
</table>


“Disruptive digital technology is leading to widespread business model disruption, driving tech companies to change all aspects of how they go to market. Tech M&A is rising in response, as companies prepare for the end-to-end solutions that customers increasingly demand.”

Jeff Liu
Global Technology Industry Leader
Transaction Advisory Services
EY
Multiple transformations drive top deals

Data centers and networks are becoming software-defined; server, storage and network hardware are converging; mobility is changing enterprise application development models; and security concerns are impacting all technology devices and networks. In addition, perhaps the biggest ongoing transformation of all is the move from corporate data centers to public and hybrid clouds. While driving much innovation and new revenue growth, these waves of transformation slowed or stalled growth in some traditional segments, placing incumbent companies in the crosshairs of activist investors and disruptive technology start-ups. Several incumbents took action in October, consolidating to increase the breadth of solutions and share strengths – and, in some cases, to eliminate public-market scrutiny.

2015 is year of semiconductor consolidation

Semiconductor consolidation built momentum slowly in previous years but rocketed upward in 2015, with yet another deal above $10 billion in October. Semiconductor deals above $1 billion averaged $2 billion per deal in seven deals for all of 2014. But so far this year, eight deals above $1 billion have averaged $10.8 billion per deal.

Payments and financial services, big data analytics and online video contribute to October value growth

Besides cloud/SaaS, payments and financial services technologies ($8 billion in disclosed value), big data analytics ($5.8 billion) and online video ($4.3 billion) also made big contributions to October’s record aggregate value. For payments and financial services targets, October was the highest-value month of the year so far. Big data analytics and online video did not top their previous monthly highs, but their October values were well above their monthly averages for the first nine months of 2015. Security targets posted $1.8 billion in disclosed value, which was flat compared with the prior 2015 monthly average.

PE: volume low, value high

With only 17 PE deals, October was well below the 24-deal prior monthly average for 2015, but $6.3 billion in PE disclosed value was well above the $4.2 billion monthly average. Of note, PE dealmakers played more of a role in the October record than their official value number implies: a PE firm supported the month’s top deal although it was a corporate acquisition.

Cross-border dealmaking has third-slowest month

CB disclosed deal value continued a second-half slowdown in October, posting only $4.3 billion, after a strong first half. Recent past years have been notably stronger in the second half, but 2015 so far reverses that pattern. CB volume (120 deals) was slightly above the prior 2015 monthly average of 115.

YTD non-tech-buyer value of $48.8b is +104% over full-year 2014.

YTD payment & financial tech value of $33.9b is +38% over full-year 2014.

PE disclosed value of $6.3b is 50% above 2015 monthly average.

Cross-border deal value of $4.3b continues second-half CB slowdown.

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 5 November 2015 via The 451 Group Research M&A KnowledgeBase), and dollar references are in US$ unless otherwise indicated.
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