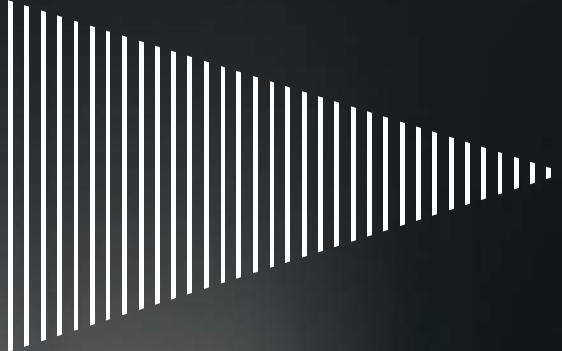


# Global technology M&A update

October-December 2010  
and year in review



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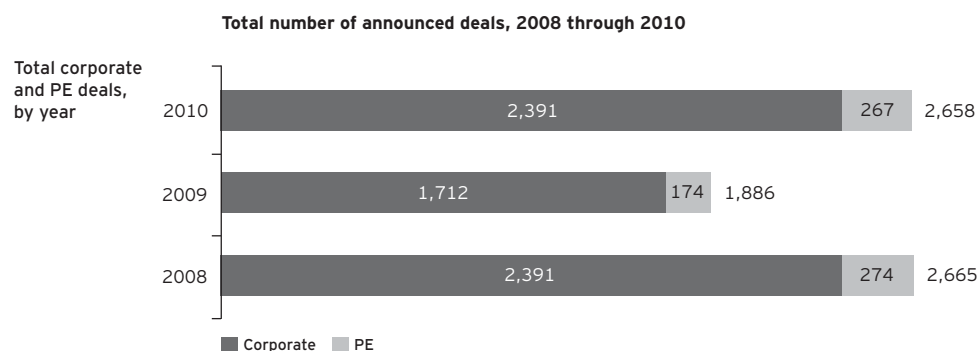
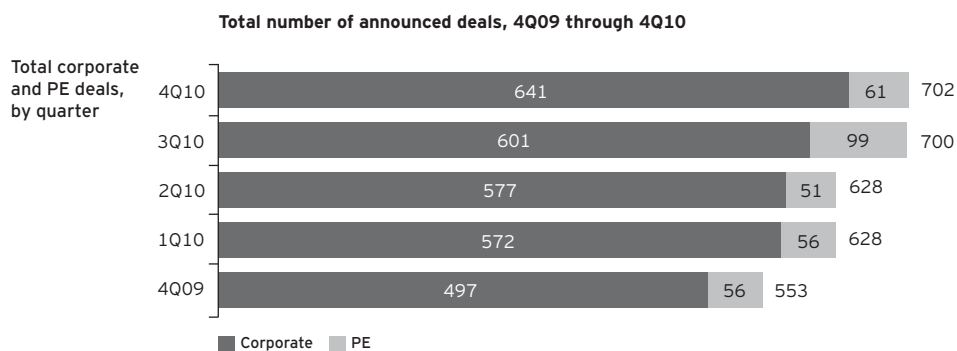
***“Global technology M&A growth will continue in 2011, pushed by truly exciting innovation in smart mobile technology, cloud computing and by the growing cash stockpiles that corporate boards are increasingly challenged to put to good use. We will see buybacks and dividends, and we’ll definitely see continued M&A – both for growth and for seizing strategic technologies.”***

Joe Steger  
Global and Americas Transaction  
Advisory Services Leader, Technology



## Highlights

- ▶ Global technology mergers and acquisitions (M&A) activity is up slightly from 3Q10 to 4Q10 – and has not seen a sequential quarterly decline since the first quarter of 2009.
- ▶ For the year, the total number of transactions increases 41% over 2009 but remains down 21% from the peak of 2007.
- ▶ Total deal value increases 26% in 2010, but average value per deal moderates, down 10% for the year, due in part to more, smaller deals.
- ▶ Disclosed value of private equity (PE) deals more than doubles to \$19.7 billion in 2010.
- ▶ Disclosed cross-border (CB) deal value rises to 41% of total deal value, up from 25% in 2009.
- ▶ Total cash, short- and long-term investments for the top 25 global technology companies hit \$528 billion in 4Q10, topping the half-trillion mark.
- ▶ M&A deal number growth fluctuated from quarter to quarter in 2010 – alternating between double-digit growth and no growth – but macroeconomic and industry trends suggest continued M&A growth in 2011.



Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

Note: all deal values quoted in this report are corporate and PE combined, unless otherwise noted, and are based on deals with disclosed values included in FactSet Mergerstat data, last accessed 5 January 2011. The number of deals with disclosed values can be found in Figures 4a and 4b, pages 16 and 17.

## Fourth-quarter and full-year picture unfolds

### Deal drivers

- ▶ Three words dominated the technology industry and its M&A drivers in 2010: mobile, social and cloud.
- ▶ Trends involving security, storage, e-commerce and business analytics, as well as trends in online and mobile games, advertising and marketing, all drove M&A transactions – especially when they intersected with one or more of the mobile, social and cloud trends.
- ▶ The pursuit of international expansion drove both big-ticket deals and – particularly in the internet sector – a multitude of small deals with undisclosed value.
- ▶ Even as the trends above increased cross-sector blur within the technology industry, cross-industry blur increased, too: 15% of 2010 total disclosed transaction value was purchased by non-technology companies.
- ▶ Private equity firms continued their resurgence, increasing from 10% of total value in 2009 to 17% in 2010 (though still below the 25% of 2007 – the last year before the global financial downturn).
- ▶ Deals (more than 130) involving health care information technology (HIT) and clean energy (more than 70), which emerged in 2009 inspired by new global social agendas continued in 2010 – although energy-related deals appeared to diminish toward the end of the year (less than a dozen in 4Q10).

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Three words dominated the technology industry and its M&A drivers in 2010:

mobile  
social  
cloud

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### Deal activity

- ▶ Global technology M&A deal numbers increased 27% in 4Q10 (702 deals) compared with its year-earlier counterpart (553 deals); sequentially, there were just two more deals in 4Q10 than in 3Q10 (700 deals) (Figure 4a, page 16). But 4Q10 is the seventh consecutive quarter without a sequential decline in deal numbers, beginning with 2Q09.
- ▶ Full-year deal numbers were up 41%, increasing to 2,658 deals from 1,886 in 2009 (Figure 4b, page 17). That nearly matches the 2,665 deals recorded in 2008, but remains down 21% from 2007, which had 3,345 deals.
- ▶ Technology M&A activity continues to correlate with the NASDAQ composite index: despite some dramatic swings, the NASDAQ was up 17% from the close of 2009 to the close of 2010, while 2010 technology M&A deal numbers were 41% higher than in 2009.



## Deals getting done

- ▶ Sequential quarterly growth in the total number of deals announced fluctuated in 2010 after a year of increasing acceleration (from a dismal start) in 2009. Sequential growth was +14% in 1Q10, zero in 2Q10, +11% in 3Q10 and up less than a half percent in 4Q10.
- ▶ Corporate deal-making numbers rose at least slightly each quarter as follows: 572 deals in 1Q10, 577 in 2Q10, 601 in 3Q10 and 641 in 4Q10. PE activity, however, was up and down as follows: 56 deals in 1Q10, 51 deals in 2Q10, 99 deals in 3Q10 and 61 deals in 4Q10.
- ▶ Corporate deal-number growth varied significantly by sector in 4Q10 compared with 4Q09. Three sectors rose and two fell, as follows: communications equipment, +96% (+27 deals); computers and electronics, +102% (+44 deals); IT services and internet, +95% (+130 deals); semiconductors, -31% (-15 deals); and software, -17% (-42 deals) (Figure 7a, page 20).
- ▶ PE deal numbers in 4Q10 increased slightly YOY in each sector except IT services/ internet, which declined 17% (-4 deals). Sequentially, PE deal numbers declined in every sector except communications equipment, which was flat at four deals each in 3Q10 and 4Q10.
- ▶ For the full year, corporate and PE deal numbers both climbed in every sector except for the semiconductors sector, where the total number of deals declined (-18%, Figure 7b, page 21).

Corporate deal number growth varied significantly by sector in 4Q10 compared with 4Q09.

## M&A drivers

1. **Cross-border expansion:** Global technology companies' thirst for growth is driving acquisitions, including international expansion deals, causing a surge in CB M&A.
2. **Innovation:** The pursuit of strategic technologies in support of converging technology industry megatrends (smart everything\*, mobile everything and the blurring of everything) is a primary driver of deals. M&A is being used to complement or replace R&D (e.g., M&A as R&D labs).
3. **Blur:** As technology increasingly enables innovation in other industries, other industries also are participating more in technology M&A. Non-technology companies increased their share of the growing pool of transaction value from 8% in 2009 to 15% in 2010. Health care and clean energy (solar) deals increase.
4. **Cloud computing:** A paradigm shift in the delivery of technology is driving deals in every sector and stimulating storage deals.
5. **Smart mobility:** Industry M&A activity reflects the demand for mobile infrastructure, applications, content and services as smartphones, tablets and other mobile devices proliferate.
6. **Social networking:** Though business adoption is still just beginning, social networking is already disrupting business models in multiple industries and stimulating M&A in technology. Related online gaming and video over the internet are also on the rise.
7. **Security:** Information security emerges from the news headlines to drive many deals, including the largest of the year.
8. **Transformation:** Businesses are being transformed by technology and are in turn transforming their operations, strategies and models, which is driving deals in a variety of areas: e-commerce, business analytics, online payment and processing, online advertising and marketing analytics.

\*Smart everything refers to information becoming a greater part of the value of all products and services.

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Total announced  
deal value was

**\$30 billion**  
**in 4Q10**

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#### Deal value

- ▶ Total announced deal value was \$30 billion in 4Q10, compared with \$46.2 billion in 3Q10 (-35%) and \$35.4 billion in 4Q09 (-15%). However, that \$30 billion was slightly higher than the average for 2010 (\$29.8 billion) and well above the 2009 average (\$23.7 billion).
- ▶ Full-year total M&A value was \$119 billion, a 26% increase compared with \$94.8 billion in 2009 (which was a 2% drop from \$96.3 billion in 2008). The 2010 total is still 36% less than the \$185.5 billion in total value posted in 2007.
- ▶ Twenty-six deals rose above \$1 billion in 2010, compared with 19 in 2009 and 14 in 2008. Six occurred in 4Q10, 11 in 3Q10, 7 in 2Q10 and 2 in 1Q10.
- ▶ Of deals with disclosed values, there were 61 deals above \$100 million in 4Q10 – just one less than in 3Q10 (which was the highest quarterly total since 2007). There are 216 deals above \$100 million for the year, 64% higher than the 132 such deals in 2009.
- ▶ Total announced value of corporate technology M&A was \$99.3 billion, 17% higher than \$85 billion in 2009 and 21% higher than the \$82.3 billion in 2008 – but still 33% less than the \$148.9 billion recorded in 2007.
- ▶ Total announced PE value was \$19.7 billion for the year, slightly more than double the \$9.8 billion in 2009 and 41% higher than the \$14 billion in 2008 – but still 46% less than the \$36.6 billion recorded in 2007.
- ▶ The average value of deals in 4Q10 was \$121 million, down 22% YOY and down 31% compared with the previous quarter.
- ▶ For the full year, the average value of deals fell 10% to \$131 million from \$145 million in 2009, but was 36% higher than the \$96 million in 2008. The average value of corporate deals fell 15% YOY, while PE grew 39%.



### Cross-border deals

- ▶ CB deal numbers grew 56% in 2010, noticeably faster than in-border (IB) deals (+34%).
- ▶ The faster CB growth came primarily from corporate buyers: corporate CB deal numbers increased 56% in 2010 over 2009, while corporate IB deal numbers increased 32%. PE deal numbers, meanwhile, increased by almost identical percentages in both: 55% in CB and 53% in IB.
- ▶ For 4Q10, CB deal numbers continue strong YOY growth for the third consecutive quarter, increasing 49% compared with 4Q09, while all deals (CB plus IB) increase 27%.
- ▶ For the year, CB deals grew to 34% of all deals, compared with 31% in 2009 (Figure 9b, page 31).
- ▶ CB deals retreat to 26% of total announced value in 4Q10, down from 51% in 3Q10. For the full year, though, CB total value of \$49.4 billion is 41% of all disclosed value, up from 25% in 2009 and 31% in 2008.
- ▶ In terms of average value, CB deals fall further in 4Q10 than deals overall, decreasing 59% sequentially and 36% YOY, compared with drops of 31% sequentially and 22% YOY for all deals.
- ▶ For the year, however, the average value of CB deals increased 14% to \$139 million, while the average value of all deals (CB plus IB) fell 10% to \$131 million.

### Initial public offerings (IPOs)

- ▶ There were 53 global technology IPOs in 4Q10, raising a total of \$5.8 billion – the strongest quarter of 2010 in both number and value. For the full year, the number of technology company IPOs more than tripled to 180, compared with 55 in 2009.<sup>1</sup>

### Notable adjacent deals

Two deals that were in the telecommunications industry but that will clearly influence the technology industry are AT&T Inc.'s purchase of mobile spectrum from Qualcomm, Inc., and The Carlyle Group's plan to take private Syniverse Technologies, Inc.\*

Carlyle-Syniverse is the larger of the two, as Carlyle is spending \$2.6 billion on the provider of telecommunications interoperability services, including mobile roaming and messaging solutions to more than 800 mobile operators, cable and internet providers, and enterprises in more than 160 countries.<sup>2</sup> In brief, Syniverse's services enable roaming and are also behind the ability to send text messages from one carrier's network to another's.

AT&T, meanwhile, has agreed to pay \$1.9 billion for spectrum in the 700-megahertz frequency band, which years ago was reserved for broadcast television use.<sup>3</sup> AT&T plans to deploy this spectrum as part of its high-speed "4G" network in support of the voracious bandwidth thirst of mobile applications on smartphones, tablet computers and other mobile devices. Qualcomm uses the spectrum for its FLO-TV mobile video network, which the company announced it is shutting down in March 2011.

\*Deal closed 17 January 2011.

2010 has had a full-year increase of 41% in deal numbers and a 26% increase in total value.



## A year of sustained M&A growth

After a 2009 that included a first quarter with the lowest number of global technology M&A transactions since 1998 (long before the dot-com bust), 2010 has had a full-year increase of 41% in deal numbers and a 26% increase in total value. Even better, the concentration of total value in the top 10 deals of the year has decreased to 28% from 42% in 2009, suggesting that deal-making strength and confidence is spreading more widely throughout the technology industry. The value of PE deals more than doubled in 2010, heralding the return of PE activity from the doldrums of the credit-market freeze of 2008 and 2009, and CB deals surged. However, deal number growth fluctuated in 2010, alternating between double-digit growth and no growth, and total quarterly value fell 15% YOY and 35% sequentially in the fourth quarter to \$30 billion, after peaking in 3Q10 at \$46.2 billion – a level not seen since before the financial downturn began late in 2007.

### **Industry trends are integrating into the global economy**

We believe 2011 will be a robust year for global technology industry M&A, given simultaneous technology innovations evolving in areas such as mobility, cloud computing, social networking and internet video, and the way in which technology innovation is influencing other industries and the rest of the economy. In brief, the global economy needs technology innovation in order to grow. To expand on that thought: information is an increasing portion of the value of all products and services, business organizations everywhere are increasing their workforce mobility, consumer adoption of smart mobility technology is already high, and technology is enabling innovation in all industries – as evidenced by the increase in technology transaction value purchased by non-technology companies from \$7.5 billion in 2009 (8% of that year's total value) to \$17.3 billion in 2010 (15% of total deal value). In the past, we called these three megatrends smart everything, mobile everything and the blurring of everything. In 2010, social networking and cloud

computing also are having widespread influence on global business, and both are represented by a substantial number of 2010 transactions.

### **A year of many big and many more small, strategic deals**

Although big-ticket deals returned after 1Q10, which we labeled “a quarter of small, strategic deals,” the pattern of companies making multiple small acquisitions and weaving them together to address strategic business initiatives grew stronger throughout the year. So 2010 had 26 deals above \$1 billion and 216 deals above \$100 million, compared with 19 and 132, respectively, in 2009 – but the average value per deal actually fell 10% in 2010 (Figure 4b, page 17) because there was an even bigger increase in smaller deals.

### **Many converging trends drive deals, including security, smart mobility, social networking and cloud computing**

Many industry trends motivated those deals, beginning with information security, which made headlines at the beginning of the year due to multiple cyber attacks on a

An M&A deal is not really “done” until the value of the transaction has been delivered.

broad swath of companies and government institutions around the world. We saw at least 75 deals touching on security, crossing through every technology sector. About half of the security-related deals occurred in 4Q10, but they were mostly small, totaling \$695 million in disclosed value. The big quarter for security deal value was 3Q10, in which Intel announced its intention to acquire McAfee for \$7.3 billion, Safran SA bought authentication technology company L-1 Identity Solutions, Inc. for \$1.6 billion (completed) and HP bought intrusion-detection software company ArcSight, Inc., for \$1.5 billion (completed).

However, smart mobility drove more than twice as many deals – including the second-largest deal of the year by dollar value, SAP-Sybase (\$5.6 billion), which was motivated by Sybase's leading position in mobile carrier infrastructure software and mobile applications support.<sup>4</sup> SAP-Sybase was

also the largest CB deal of the year. In fact, most mobile-related deals also align with other trends we have discovered, and a large number of them are discussed in the context of those trends throughout the rest of this report.

Other powerful deal drivers include cloud computing, storage (especially for cloud computing), e-commerce, business analytics, social networking, health care, advertising and marketing technologies, online gaming, online video and solar energy technologies. Many of these categories drove more than 100 deals each, though differentiating among the drivers of these deals is as much art as science because of the way they weave together. For example, many of these deal drivers have a mobile counterpart; and online games, advertising and marketing technologies all can have mobile, e-commerce, cloud and business analytics angles – simultaneously.

*Technology companies are eager to put the global downturn behind them and get on with the business of continuous innovation and the reshaping of society.*

## *Achieving synergies defines a transaction's success*

In late 2010, average premiums for public technology company M&A in the US approached levels not seen since early 2000, before the dot-com bubble burst.<sup>5</sup> Acquirers have begun taking a much more aggressive stance in pursuit of revenue and cost synergies. "Given today's fast-paced business environment, coupled with the increased purchase premiums, a deal's success is becoming dependent on the ability of the two companies to integrate and achieve both their cost and their revenue goals – and the faster they achieve sustainable synergies, the more successful the transaction," says Erika Schraner, Americas Operational Transaction Services Leader for Technology at Ernst & Young.

An M&A transaction is not "done" until the value of the deal has been delivered. Thus, a proper assessment of how companies integrate the target's business to achieve cost and revenue synergies is critical. It should start during up-front target assessment and continue through transaction execution after the close – where accountability becomes critical to measuring transaction effectiveness.

A disciplined and tailored integration approach – such as having an end-to-end transaction playbook, a defined integration strategy that clearly ties back to the deal value drivers and an integration process where the transaction goals are set, tracked and accounted for – increases the probability of success.

"In today's deal environment and in many deals, synergies provide the only tangible justification for making an acquisition," says Erika. "Particularly in today's market, when companies are paying much higher premiums, they must be prepared to capture maximum revenue gains and cost reductions in order to achieve ROIC."

However, overestimating potential revenue and cost savings is one of the key culprits of a failed transaction. To address this challenge effectively, assumptions must be validated by the business units responsible for delivering both the cost savings and revenues before closing a transaction. This embeds accountability and transparency from the very beginning of the integration process. Identifying and validating cost synergies such as head count reduction, elimination of surplus facilities, reducing overhead and increasing purchasing power are typically more straightforward than the revenue upside. When assessing combined revenues, companies are often forecasting for new or unfamiliar markets, how complementary products will sell together or cross-selling into a new customer base. In such cases, revenue synergies become dependent on third-party reactions to the deal and the resulting behavior of employees, customers, resellers and competitors. Thus, revenue synergies and the timing of their achievement become even more difficult to forecast and have a higher uncertainty of success.



The pool of cash and investments of the top 25 global technology companies

**tops a half-trillion dollars**

### Multiple deals to enhance mobile competitiveness

Many 4Q10 deals demonstrated the growing importance of mobile platforms and vendors' desire to respond to their customers' increasing use of smart mobile applications, whether for business or personal use. In 4Q10, Research In Motion, Inc. (RIM) paid \$119 million for The Astonishing Tribe AB, a developer of user interfaces for mobile devices. Combined with its 2Q10 purchase of QNX Software Systems Ltd., a developer of mobile device operating system software, RIM's deals appear to be aimed at improving the competitiveness of the company's mobile software vis-à-vis other mobile platforms.<sup>6</sup> Both deals are completed.

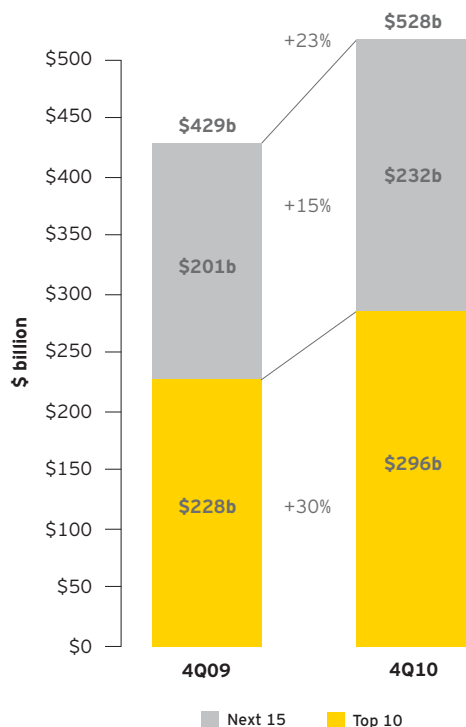
Also in 4Q10, another major example of mobile-related deals came from semiconductor company Broadcom Corporation, which announced three. It acquired Beceem Communications, Inc., a maker of chips for high-speed "4G" Long Term Evolution (LTE) and WiMax mobile devices<sup>7</sup>, for \$316 million; Gige Networks, Inc., whose chips enable distribution of high-definition video and audio via a home's power lines<sup>8</sup>, for \$83 million; and Percello, Ltd., which makes system-on-a-chip

solutions for femtocells (essentially, personal mobile phone towers for your home), for \$97 million. All three deals are completed. Of note, the wireless driver continues in the semiconductor sector in 2011: In early January, Qualcomm, Inc. announced a plan to buy Atheros Communications, Inc. – the world's second-largest maker of WiFi chips – for \$3.1 billion.<sup>9</sup>

### M&A as technology R&D laboratory

Large companies viewing small companies and start-ups as a giant R&D laboratory has always been a deal driver for global technology M&A. In 2010, however, this factor seemed to "jump" out of the data, perhaps because rapid technology innovation is occurring simultaneously in so many dimensions. From Google, Inc., to CA, Inc., IBM Corporation, Facebook, Inc., and Salesforce.com, Inc., many companies made multiple acquisitions of related technology.

This factor may be increasing because technology companies realize that they have to evolve more rapidly than ever before, because consumers and businesses are embracing new technology products and services faster with each successive new wave.



**Figure 1: Total cash, short- and long-term investments of the top 25 technology companies**

As the pool of cash and investments of the top 25 global technology companies\* passes the half-trillion-dollar mark, shareholders are applying increasing pressure on companies to put those assets to work.<sup>10</sup> With interest rates near zero, that means dividends, buybacks, investing in organic growth or geographic expansion – or strategic M&A. However, many companies have limited flexibility over how they deploy their cash. The majority of that cash (56%) is concentrated in the top 10 companies, 7 out of 10 of which are US-based (only 5 of the "next 15" are US-based). In the US, the technology industry's cash stockpile has been reported as far higher than any other industry.<sup>11</sup> Several of those companies have more than half their cash overseas.<sup>12</sup> Combined US federal and state taxes of 40% when repatriating overseas earnings may limit the US-based companies' options.<sup>13</sup>

The top 10 companies increased cash and investments 30% in 4Q10 compared to the prior-year period, while the "next 15" increased 15% – combining for 23% growth for the top 25 overall. Sequentially, the current figures represent increases over the 3Q10 tally of 7% for the top 10, 10% for the "next 15" and 9% overall.

\*Top 25 companies identified are based on average ranking of market value and sales as of 1 January 2010.

Source: Ernst & Young analysis of Capital IQ data, last accessed on 20 January 2011.

### Deploying M&A in pursuit of multiple business initiatives

Google may have made headlines in 4Q10 for the deal that wasn't – a rumored \$6 billion acquisition of deal-of-the-day web business Groupon, Inc., which has subsequently been reported as pursuing an IPO with a valuation of \$15 billion or higher<sup>14,15</sup> – but analyzing the 28 deals that Google did announce in 2010 is also interesting. Those deals, the most of any technology company, bunch around social networking, online and mobile video and mobile advertising, e-commerce and payment technologies. They range from infrastructure technology for compressing digital video to social filtering (i.e., one application for searching your social network and another allowing your social network to filter your news), social games, mobile games, document collaboration and photo sharing.

### Cloud computing and business analytics among major drivers

Many companies from different sectors pursued multiple transactions involving cloud computing in 2010. BMC Software, Inc., Citrix Systems, Inc., Dell Inc., EMC Corporation and CA, for example, all acquired companies to position themselves within the cloud computing/SaaS market or to enhance existing cloud/SaaS offerings. CA's \$350 million (completed) purchase of Nimsoft, Inc., was the largest of six SaaS-related deals that CA struck in 2010. In 4Q10, two cloud-related storage deals made the top 10 list for the quarter (Figure 3a, page 14): EMC's completed \$2.2 billion acquisition of Isilon Systems and Dell's \$879 million pending purchase of Compellent Technologies, Inc. Also in 4Q10, Dell announced the pending purchase of Boomi, Inc., which provides a cloud services platform for integrating in-house enterprise IT infrastructure with cloud services, for an undisclosed amount.



### Unsolicited deals

One more deal in 4Q10 brought the number of notable unsolicited offers in 2010 to four, including HP's victorious bid for 3PAR and the offer that put Novell on the block, eventually ending in one of the year's top 10 deals.

The \$1.8 billion offer that put local area networking software pioneer Novell on the selling block came in 1Q10 from hedge firm Elliot Associates LP; it was rejected by Novell, but the company said it would consider other alternatives.<sup>16</sup> Rumors swirled all year, and it was widely reported that VMware, Inc., would buy the company to obtain virtualization technology from Novell's SUSE variant of the Linux operating system.<sup>17</sup>

On 22 November 2010, however, it was Attachmate and its three private equity owners that announced an agreement to acquire Novell for \$2.1 billion.<sup>18</sup> This pending deal – which is included in our 4Q10 data because, unlike Elliot's initial approach, it is not unsolicited – includes \$450 million from a consortium of companies including Microsoft, Apple, Oracle and EMC.<sup>19</sup> In return, the consortium, CPTN Holdings, LLC, will obtain 882 Novell patents.

Attachmate's motivation appears simple: it has a large enterprise IT customer base using its legacy system modernization and system management products, and adding Novell's enterprise products gives it the opportunity to leverage its customer relationships for a larger "share of wallet."<sup>20</sup> The deal is structured in such a way that Novell survives as a wholly owned

subsidiary<sup>21</sup>, so Attachmate also gets the Novell brand – a "household name" among enterprise IT professionals.

Since the announcement, however, news sites, web blogs and social networks have been humming with conjecture about this deal, and the open source community has protested against the transfer of Unix- and Linux-related patents to CPTN Holdings.<sup>22</sup> It turns out that Novell, which once owned the Unix operating system, has been embroiled in related intellectual property disputes for at least six years.<sup>23</sup> The deal remains pending as our report goes to press.

The new 4Q10 unsolicited deal occurred in early December, when Japanese automated test equipment company Advantest Corporation made an unsolicited \$735 million offer to buy US-based rival Verigy Ltd. – which had already announced in mid-November its plan to buy competitor LTX-Credence Corporation for \$421 million.<sup>24</sup> Later in December, Advantest upped its bid to \$900 million.<sup>25</sup> Again, as this report went to press there was no final outcome.

The only other unsolicited deal (besides HP-3PAR, reported on elsewhere in this report) was VeriFone Systems, Inc.'s 3Q10 offer to acquire Hypercom Corporation, which makes a variety of specialized mobile payment devices and software for specific industries, including health care. Hypercom rejected the original bid but has since accepted a sweetened \$406 million offer, and the deal is pending.

In all, PE firms announced 61 deals in 4Q10 with disclosed

**value of  
\$5 billion**

IBM's 15 deals in 2010 bunch around cloud computing, business analytics and online advertising and marketing analytics. IBM's two biggest deals of the year were the completed purchases of Netezza, Inc. (\$1.7 billion) and Sterling Commerce, Inc. (\$1.4 billion) from AT&T, Inc. Netezza specializes in data warehouse "appliances" – devices that combine high-capacity storage and business analytics software – and Sterling provides business-to-business e-commerce solutions. In 4Q10, IBM announced two deals to buy companies that provide governance systems to large corporations, one related to governance policy development and the other for technology that enables monitoring the execution of that policy. We will continue to monitor activity in governance systems in future reports.

#### Social networking emerges as a deal driver

Social networking emerged in 2010 from two directions: social networking companies like Facebook and Twitter, Inc. began making multiple acquisitions, and other companies began acquiring social networking technologies to add those elements to their existing products. After making one acquisition each in 2009, Facebook had 10 deals in 2010 and Twitter had 4. Both companies appear to be buying very small companies in the early stages of developing innovative technology that either enhances

their existing capabilities or adds new functions. Only 1 of the 14 deals had a disclosed value, Facebook's \$15 million (completed) acquisition of Hot Potato, Inc., a New York company that develops online chat applications for live events. Also worth noting: in 4Q10 Facebook acquired the fb.com domain from the American Farm Bureau Federation as one of several transactions that appear related to Facebook's new messaging service offering. More specifically, since Facebook users can now have "Facebook.com" email addresses, the company decided to buy "fb.com" to use as the email address for its employees.<sup>26</sup> Social networking companies are continuously looking at how they can extract maximum value from their user bases, and likely will continue to invest in and acquire new technology and services toward that end.

Best exemplifying the other social networking direction – and the intersection of social and cloud trends – may be Salesforce.com. Three of the company's four deals appear to center on enhancing existing offerings with social networking components, while the fourth increases Salesforce.com's stake in its partially owned Japanese subsidiary; all but the Japanese deal have been completed. The largest deal occurred in 4Q10: the \$212 million purchase of Heroku, Inc., which provides

**Figure 2a: Deals by month, October through December 2010 versus 2009 (corporate and PE)**

	Deal volume			Disclosed value		
	Deal volume comparison	4Q10 # deals	4Q09 # deals	% change deal value	4Q10 deal value (\$m)	4Q09 deal value (\$m)
October	↑	234	189	↓	\$8,919	\$14,654
November	↑	215	200	↓	\$10,736	\$16,249
December	↑	253	164	↑	\$10,339	\$4,530
<b>Total</b>	<b>27%</b>	<b>702</b>	<b>553</b>	<b>-15%</b>	<b>\$29,994</b>	<b>\$35,433</b>

Fourth quarter deal numbers were up in every month compared with the year-earlier month, as was the case for all 2010 months. In fact, the lowest monthly total in 2010 was equal to the highest monthly total of 2009: the 200 deals recorded in September 2010 was the lowest of any 2010 month, and the 200 deals in November 2009 was the highest for any month in 2009.

Total value, however, slipped from the previous year's strong fourth quarter. The highest monthly total of 2010 was in August, which recorded \$20.9 billion in total value (\$8.7 billion of which came in two Intel acquisitions, of McAfee and of Infineon Technologies' wireless solutions business). That's the highest monthly total since the beginning of the financial downturn.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

a cloud platform service based on Ruby-on-Rails, a popular language for the development of cloud and social networking applications. Salesforce.com paid \$142 million for Jigsaw Data Corporation, which offers a contact-matching service, and for an undisclosed amount acquired eTacts, Inc., whose software shows you the social web activity and communication history of your email contacts.<sup>27</sup>

**PE deals align with major trends; value more than doubles YOY**

PE firms were in the thick of the strategic action in 2010, especially with The Carlyle Group's 4Q10 completed deal to take CommScope private for \$3 billion, the second-biggest PE deal of the year. CommScope's fiber-optic technology underpins high-speed data networks. The largest PE deal of the year occurred in 3Q10, when Advent International and Bain Capital partnered to acquire RBS WorldPay, an online payment processor with mobile payment offerings, from the Royal Bank of Scotland for \$3.2 billion (completed). Other major PE deals that aligned with the year's major trends included a \$1.1 billion deal to take private Skillsoft, an e-learning software and cloud services company, by a consortium of three PE firms, and Apex Partners' announced plan to buy Sophos, a UK-based security services provider, for \$827.4 million. Both deals remain pending.

As usual, other PE deals ran a diverse gamut, including additional security technologies and outsourcing deals, as well as online payment processing technologies, content offerings, call center software, solar photovoltaic technologies and HIT. In all, PE firms announced 61 deals in 4Q10 with a total disclosed value of \$5 billion, bringing the full-year PE total to 267 deals and \$19.7 billion (Figures 4a and 4b, pages 16 and 17). For the quarter, deal numbers increased 9% YOY while value increased 42%, but both deal numbers (-38%) and value (-36%) fell sequentially from 3Q10.

The 2010 full-year PE performance was a big increase over 2009: deal numbers grew 53% and disclosed value grew 102%. Compared with 2007 – before the global financial downturn – PE 2010 deal value is down 46%.

*The 2010 full-year PE performance was a big increase over 2009: deal numbers grew 53% and disclosed value grew 102%.*



**Figure 2b: Deals by quarter, 2010 versus 2009 (corporate and PE)**

	Deal volume			Disclosed value		
	Deal volume comparison	2010 # deals	2009 # deals	% change deal value	2010 deal value (\$m)	2009 deal value (\$m)
1Q	↑	628	405	↑	\$12,100	\$4,931
2Q	↑	628	440	↑	\$30,774	\$23,229
3Q	↑	700	488	↑	\$46,154	\$31,158
4Q	↑	702	553	↓	\$29,994	\$35,433
<b>Total</b>	<b>41%</b>	<b>2,658</b>	<b>1,886</b>	<b>26%</b>	<b>\$119,022</b>	<b>\$94,751</b>

Comparing all of 2009 and 2010 by quarter brings into focus the bigger picture of global technology M&A growth for this period. Deal numbers, after dropping every quarter in 2008, have climbed sequentially in almost every quarter since the first quarter of 2009 – although growth appears to be fluctuating in 2010, alternating between double-digit growth and no growth. Total quarterly value has climbed to an average of \$29.8 billion per quarter.

Both deal numbers and total value are still substantially below 2007, however, which had 3,345 deals and averaged \$46.4 billion in total value per quarter – which is slightly higher than the peak quarter since (3Q10).

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

Full-year total value of CB deals more than doubled in

# 2010 to \$49.4 billion

### Health care and solar power spur deals

For several years we've seen increasing incidence of HIT and clean energy technology deals, apparently inspired by related new global social agendas. Both continued in 2010: health care deals generated \$5.8 billion in disclosed value and 27% of the 130+ deals we counted came in the fourth quarter, while clean energy deals generated \$2.5 billion in disclosed value – \$1.3 billion in solar power-related deals and \$1.2 billion in smart grid deals – but only 15% of the deals occurred in 4Q10.

The largest HIT deal of the year occurred in June when Allscripts-Misys Healthcare Solutions, Inc., a majority-owned company of UK-based Misys Plc, said it would acquire Eclipsys Corporation for \$1.3 billion (completed), with the aim of combining Allscripts' electronic health record software for physicians and Eclipsys' enterprise

health care systems into a unified end-to-end HIT offering.<sup>28</sup> The second-largest HIT deal was also in 2Q10: Oracle plans to acquire Phase Forward, Inc., whose technology manages clinical trials and regulatory submissions for pharmaceutical companies, for \$740.7 million.

In 4Q10, the largest HIT deals involved two non-technology companies. Medco Health Solutions, Inc., the US-based mail-order pharmacy company, acquired United BioSource Corporation, developer of an interactive voice response system and web-based technologies for clinical drug trials, for \$730 million; and Aetna, Inc. completed a \$500 million deal for Medicity, Inc., which provides health information exchange technology.

The largest clean energy deal of the year was the completed \$1 billion purchase by Swiss-based ABB Ltd. of Ventyx, Inc., of

**Figure 3a: Global top 10 deals, October through December 2010 (corporate and PE)**

Buyer name	Disclosed value (\$m)	Announced	Status	Deal type
The Carlyle Group LLC buys CommScope, Inc.	\$2,984	27 October	Completed*	PE
EMC Corporation buys Isilon Systems, Inc.	\$2,248	15 November	Completed	Corporate
Attachmate Corporation to acquire Novell, Inc.	\$2,143	22 November	Pending	Corporate
GCF International buys Division 5 Technology	\$1,200	17 December	Completed	Corporate
Nippon Telegraph and Telephone Corporation (NTT) buys Keane, Inc.	\$1,200	29 October	Completed	Corporate
Atos Origin SA to acquire Siemens IT Solutions & Services GmbH division from Siemens AG	\$1,149	14 December	Pending	Corporate
Oracle Corporation buys Art Technology Group, Inc.	\$949	2 November	Completed	Corporate
Caisse des Dépôts et Consignations <sup>29</sup> to acquire minority stake in STMicroelectronics NV from Areva SA	\$887	16 December	Pending	PE
Dell Inc. to acquire Compellent Technologies, Inc.	\$879	13 December	Pending	Corporate
Dover Corporation's subsidiary company Knowles Electronics LLC to acquire the business and assets of the sound solutions business of NXP Semiconductors Austria GmbH, a subsidiary of NXP Semiconductors NV	\$853	22 December	Pending	Corporate

\*Completed January 2011.

Six of the top 10 largest deals by dollar value in 4Q10 broke \$1 billion, down from 11 in 3Q10. Several important technology deal-driving trends are represented, including three deals that underscore cloud computing: the EMC-Isilon Systems, Dell-Compellent Technologies and GCF International-Division 5 Technology deals. The first two deals involve cloud storage systems, while the last includes encryption technology that enables data to be securely managed in the cloud. The NTT-Keane deal is NTT's second big-ticket deal of the year in pursuit of international expansion in IT services, while the Atos Origin-Siemens IT Solutions & Services deal aims to consolidate their operations into a new European IT services "champion."<sup>30</sup>

The Carlyle Group's bid to take CommScope private buys critical fiber-optic cable technology that underpins high-speed data networks, and Dover's acquisition of NXP Semiconductor's sound solutions business – which makes sound systems for mobile devices – is an example of a non-technology buyer pursuing mobile device growth.

The aggregate value of the top 10 deals represents 48% of the total value disclosed in 4Q10, down from 55% in 3Q10, 54% in 2Q10 and 49% in 1Q10.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

Luxembourg, bringing smart grid software technology that allows a more efficient use of energy networks.<sup>31</sup> The largest solar technology deal was Hanwha Chemical Corporation's \$339 million (completed) deal for China-based Solarfun Power Holdings Company Ltd., a manufacturer of solar photovoltaic cells and modules. In 4Q10, however, solar deals decreased: there were approximately 45 deals in the first nine months, but we found only four in 4Q10. Smart grid technology deals picked up in 4Q10, however: we saw seven such deals in 4Q10 out of less than two dozen on the year.

#### Deals for geographic expansion continue

Similar to the way in which many companies aggregated transactions in pursuit of related technology, other companies have pursued geographic expansion with multiple deals. We saw this in 2009 and right up through 4Q10. Groupon and Zynga, Inc.

each had multiple deals focused on international expansion. In 4Q10, Groupon bought companies in China, Singapore and Taiwan; in 3Q10, it bought companies in Russia and Japan (all deals are completed, none with disclosed value). Zynga's eight 2010 acquisitions included three completed deals for international expansion, buying companies in China, Japan and Germany. Zynga's other transactions brought additional game-development talent into the company.

There were also big-ticket deals for geographic expansion, exemplified by NTT's purchase of two large IT services companies. In 4Q10, NTT acquired US-based Keane for \$1.2 billion, and in 3Q10, it acquired Dimension Data Holdings, based in South Africa, for \$3.2 billion. Both deals are completed.



**Figure 3b: Global top 10 deals, January through December 2010 (corporate and PE)**

Buyer name	Disclosed value (\$m)	Announced	Status	Deal type
Intel Corporation to acquire McAfee, Inc.	\$7,293	19 August	Pending	Corporate
SAP AG buys Sybase, Inc.	\$5,646	12 May	Completed	Corporate
Advent International Corporation and Bain Capital, LLC buys a majority stake in RBS WorldPay, a subsidiary business of The Royal Bank of Scotland Group plc	\$3,234	6 August	Completed	PE
Nippon Telegraph and Telephone Corporation (NTT) buys Dimension Data Holdings Plc	\$3,229	15 July	Completed	Corporate
The Carlyle Group LLC buys CommScope, Inc.	\$2,984	27 October	Completed*	PE
EMC Corporation buys Isilon Systems, Inc.	\$2,248	15 November	Completed	Corporate
Attachmate Corporation to acquire Novell, Inc.	\$2,143	22 November	Pending	Corporate
Hexagon AB buys Intergraph Corporation	\$2,125	7 July	Completed	Corporate
Hewlett-Packard Company buys 3PAR Inc.	\$2,065	23 August	Completed	Corporate
Visa Inc. buys CyberSource Corporation	\$1,830	21 April	Completed	Corporate

\*Completed January 2011.

Smart mobility, information security, storage for cloud computing and cross-industry blur were the trends best represented in the top 10 deals by dollar value for 2010.

The largest deal, Intel-McAfee, underlines the trend in information security that drove many deals throughout 2010, and also touches on mobility and cross-sector blur, as it is one of several deals by Intel that diversify the company beyond semiconductors. Also touching the smart mobility trend was the SAP-Sybase deal, motivated by Sybase's leading position in mobile carrier infrastructure software and mobile applications support.<sup>32</sup> EMC-Isilon Systems and HP-3PAR were the two largest of many storage-for-cloud computing deals seen all year.

The Advent/Bain-RBS WorldPay and Visa-CyberSource deals involve online payment processing services, including mobile payments – and the latter is another example of the many non-technology buyers in 2010.

The top 10 deals of 2010 by dollar value totaled \$32.8 billion, or 28% of the total value of all disclosed 2010 deals. That compares with \$39.7 billion in 2009, which represented 42% of that year's smaller total value.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.



### Pursuit of growth and strategic technologies causes CB deals to surge

Driven by companies' international expansion efforts, and their willingness to look globally for strategic technologies to satisfy customers' needs, the full-year total value of CB deals more than doubled in 2010 to \$49.4 billion (from \$24 billion in 2009). This was despite a relatively weak 4Q10 (\$7.7 billion, compared with \$9.7 billion in 4Q09). As a result, CB value as a percentage of total value for all deals increased to 41% in 2010 from 25% in 2009.

Deal numbers, meanwhile, surged to 246 deals in 4Q10 (+49% YOY) and to 907 deals for the year (+56% versus 2009). At a macro level, it was notable that the US and Europe switched positions in 2010, with Europe becoming a net buyer (+\$6.2 billion) after being a net seller in 2009 and the US becoming a net seller (-\$9.5 billion) after being a net buyer in 2009 (Figure 11b, page 35).

Many CB deals were notable because of the way they aligned with the industry's major trends. For example, SAP-Sybase (Germany-US, \$5.6 billion), the largest CB deal of the year by dollar value, aligns with the smart mobility trend (as already discussed on page 9). Also, two US communications equipment companies that

offer mobile telecommunications gear were acquired by European vendors seemingly, in part, for their customer relationships with large US mobile network operators. Swiss-based Tyco Electronics Ltd. announced plans to buy ADC Telecommunications, Inc., and Nokia Siemens Networks BV is in the process of buying Motorola Inc.'s telecommunications equipment business as part of Motorola's restructuring into two separate companies. Both deals have been valued at approximately \$1.2 billion; the Tyco-ADC deal has been completed while the Nokia Siemens-Motorola deal is pending – and may be held up by a lawsuit. Huawei Technologies, Inc., China, whose equipment has been resold by Motorola for many years, is suing to delay the transaction on the grounds that it would improperly transfer Huawei's intellectual property.<sup>33</sup>

Looking deeper into the 2010 data, it is interesting to note the way in which CB deal numbers grew compared with in-border (IB) deals. The 628 deals of 1Q10 were comprised of 446 IB deals and 182 CB deals. However, IB deals actually dropped in 2Q10 while CB deals surged, and then both grew for the rest of the year. As a result, the 702 deals of 4Q10 were comprised of 456 IB deals (just 10 more than in 1Q10, or +2%) and 246 CB deals (64 more than in 1Q10, or +35%).

Figure 4a: Global technology transactions scorecard, 4Q10

Deals announced	4Q10	4Q09	YOY % change	3Q10	Sequential % change
<b>Corporate</b>					
Number of deals announced	641	497	29%	601	7%
Number of deals with disclosed values	232	211	10%	228	2%
Total value of deals with disclosed values (\$m)	\$24,997	\$31,903	-22%	\$38,312	-35%
Average value of deals with disclosed values (\$m)	\$108	\$151	-28%	\$168	-36%
<b>PE</b>					
Number of deals announced	61	56	9%	99	-38%
Number of deals with disclosed values	15	18	-17%	34	-56%
Total value of deals with disclosed values (\$m)	\$4,997	\$3,530	42%	\$7,842	-36%
Average value of deals with disclosed values (\$m)	\$333	\$196	70%	\$231	44%
<b>Corporate and PE</b>					
Number of deals announced	702	553	27%	700	0%
Number of deals with disclosed values	247	229	8%	262	-6%
Total value of deals with disclosed values (\$m)	\$29,994	\$35,433	-15%	\$46,154	-35%
Average value of deals with disclosed values (\$m)	\$121	\$155	-22%	\$176	-31%

Fourth quarter deal numbers increased compared with the year-earlier period, but value slumped both YOY and sequentially. After continuously accelerating sequential growth throughout 2009 in terms of deal numbers, 2010 sequential quarterly growth has fluctuated, alternating between double digits and no growth: it was 14% in 1Q10, zero in 2Q10, 11% in 3Q10 and three-tenths of a percent in 4Q10 (+2 deals). Although PE figures slumped sequentially, they remain relatively strong – the 61 PE deals in 4Q10 are higher than in any other quarter since 2007 except for 3Q10. Corporate deal numbers have increased sequentially in every quarter – even if by just 1% – since 2Q09.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

### Does more M&A growth lie ahead?

Technology companies are eager to put the global downturn behind them and get on with the business of continuous innovation and the reshaping of society. They are helping their cause with new waves of innovation around smart mobility, cloud computing and social networking, all of which constitute the latest round of technology that is influencing innovation throughout the global economy and, thus, increasing cross-industry blur.

At the same time, companies across all industries have begun to look past lingering economic uncertainty to address their long-term growth prospects.<sup>34</sup> Financial analysts in early 2011 are predicting

“a perfect storm for strong M&A volumes.”<sup>35</sup>

These conditions should boost corporate and PE deal making alike, making 2011 another year of solid growth for global technology M&A, assuming credit markets remain open.

Regardless of macroeconomic events or whether global technology M&A stalls or grows, each individual organization should be prepared to recognize and seize transaction opportunities as they develop. It's best to measure each emerging opportunity against your corporate strategy – for growth, to meet your customers' needs or to gain access to leading technology or technology markets, globally.

*Corporate deal numbers have increased sequentially in every quarter – even if by just 1% – since 2Q09.*



**Figure 4b:** Global technology transactions scorecard, 2010 versus 2009

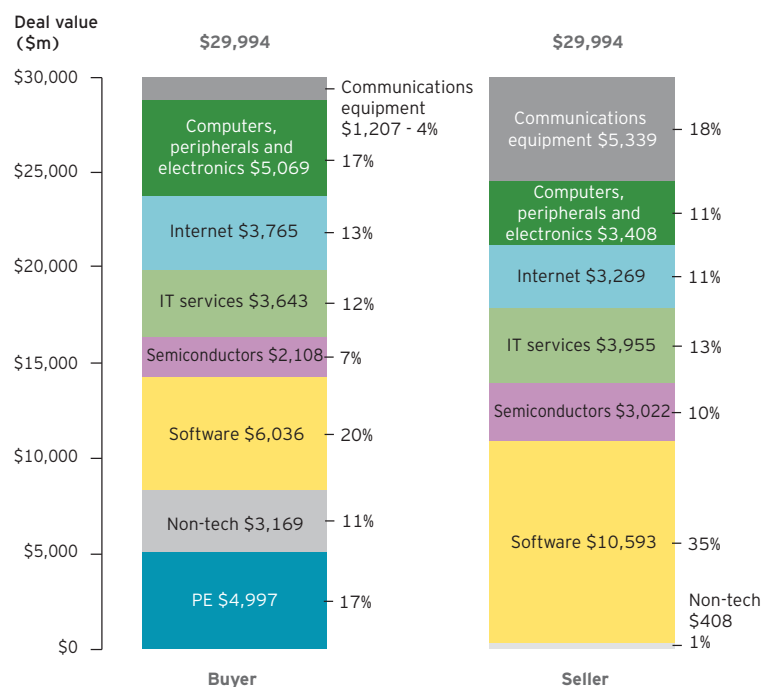
Deals announced	2010	2009	YOY % change
<b>Corporate</b>			
Number of deals announced	2,391	1,712	40%
Number of deals with disclosed values	827	599	38%
Total value of deals with disclosed values (\$m)	\$99,299	\$84,978	17%
Average value of deals with disclosed values (\$m)	\$120	\$142	-15%
<b>PE</b>			
Number of deals announced	267	174	53%
Number of deals with disclosed values	81	56	45%
Total value of deals with disclosed values (\$m)	\$19,723	\$9,773	102%
Average value of deals with disclosed values (\$m)	\$244	\$175	39%
<b>Corporate and PE</b>			
Number of deals announced	2,658	1,886	41%
Number of deals with disclosed values	908	655	39%
Total value of deals with disclosed values (\$m)	\$119,022	\$94,751	26%
Average value of deals with disclosed values (\$m)	\$131	\$145	-10%

The full-year comparison shows a strong rebound in 2010 that brings the year's total deal numbers to within 7 deals of 2008 (2,665 deals) after dropping to 1,886 in 2009. The corporate deal numbers of 2,391 is identical to 2008, while the PE deal numbers of 267 is 7 deals less than in 2008. In terms of value, corporate value was 17% higher than 2009 and 21% higher than 2008, while PE value was slightly more than double that of 2009 and 41% higher than in 2008.

Given the way growth fluctuated during 2010, the key question is will these attributes grow again in 2011 back to the higher levels seen in 2007, or will they plateau?

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 5a: Global technology transactions value flow by sector, 4Q10**

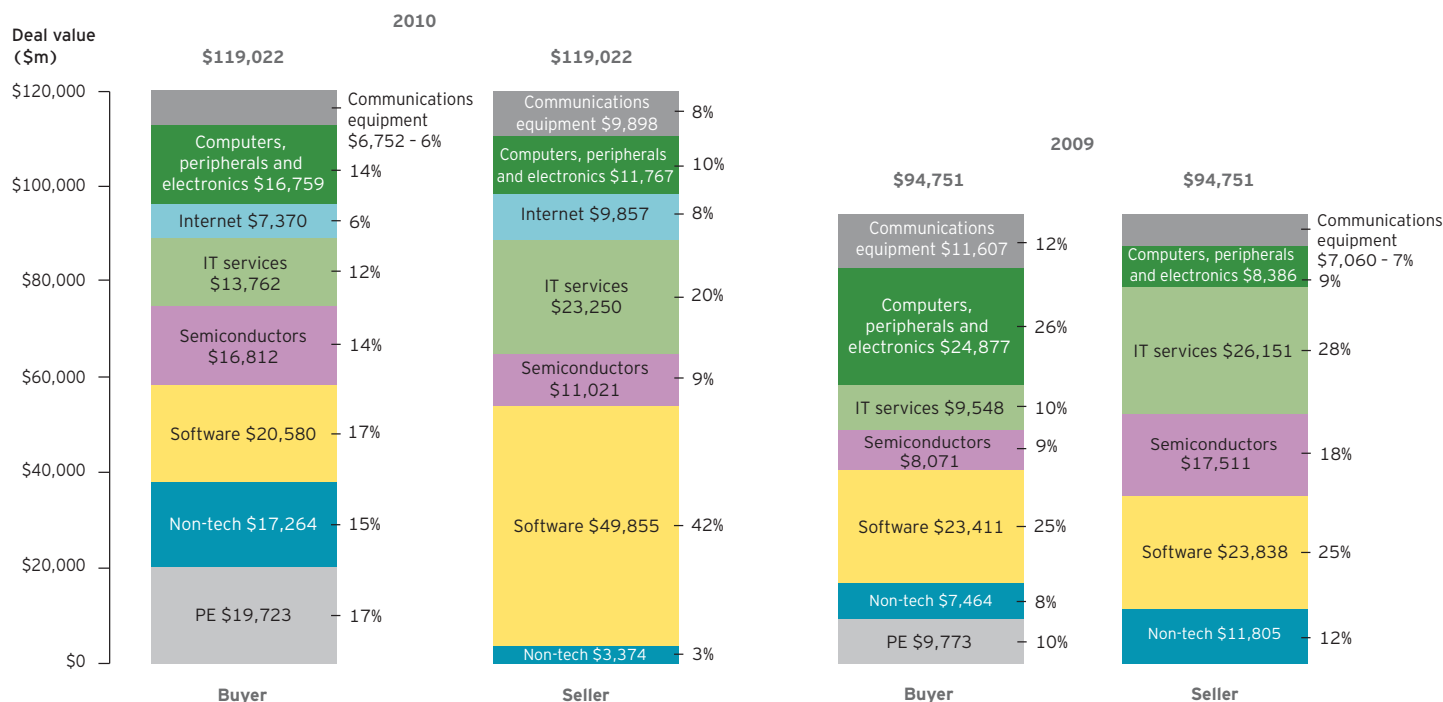


The software and communications equipment sectors were the two biggest net sellers of transaction value in 4Q10, due in part to big-ticket deals in each sector: EMC's \$2.2 million completed purchase of Isilon Systems for its cloud storage software and The Carlyle Group's \$3 billion completed deal for CommScope (Figure 3a, page 14). Non-technology buyers fell back below PE buyers in 4Q10, after buying more than PE firms in 3Q10 – for the first time since we've tracked these statistics. This is the first quarter of 2010 in which the internet sector was a net buyer.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 5b: Global technology transactions value flow by sector, 2010 versus 2009**



For the year, only the semiconductor and computers, peripherals and electronics sectors were net buyers. The former was driven primarily by Intel's diversification deals (the largest of which is bigger than the net in question), although also by consolidation around flash memory and other components for smart mobile devices also played a role. Net buying by computers, peripherals and electronics sector companies was largely related to the cloud computing trend. As is often the case, the software and IT and computer services sectors were the largest net sellers, because they are often the focus of M&A activity by buyers in other sectors.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 6: Global technology transactions buyer-seller matrix by sector, 2010**

Value acquired by buyer sector	Value sold by seller sector							
	Communications equipment (CE)	Computers, peripherals and electronics (CP&E)	Internet	IT services	Semiconductors	Software	Non-tech	Total (\$m)
CE	\$4,228	\$685	-	\$160	\$135	\$829	\$715	\$6,752
CP&E	\$426	\$8,647	-	\$457	\$218	\$6,524	\$487	\$16,759
Internet	-	-	\$4,686	\$115	-	\$2,456	\$113	\$7,370
IT services	\$12	\$39	\$506	\$8,750	\$20	\$3,326	\$1,109	\$13,762
Semiconductors	\$287	\$622	-	-	\$7,896	\$7,412	\$595	\$16,812
Software	\$203	\$22	\$624	\$1,186	\$311	\$17,879	\$355	\$20,580
Non-tech	\$1,129	\$1,639	\$1,263	\$7,145	\$1,315	\$4,773	-	\$17,264
PE	\$3,613	\$113	\$2,778	\$5,437	\$1,126	\$6,656	-	\$19,723
<b>Total</b>	<b>\$9,898</b>	<b>\$11,767</b>	<b>\$9,857</b>	<b>\$23,250</b>	<b>\$11,021</b>	<b>\$49,855</b>	<b>\$3,374</b>	<b>\$119,022</b>

Percentage of value acquired by buyer sector								
CE	63%	10%	-	2%	2%	12%	11%	100%
CP&E	3%	52%	-	3%	1%	39%	3%	100%
Internet	-	-	64%	2%	-	33%	2%	100%
IT services	-	-	4%	64%	-	24%	8%	100%
Semiconductors	2%	4%	-	-	47%	44%	4%	100%
Software	1%	-	3%	6%	2%	87%	2%	100%
Non-tech	7%	9%	7%	41%	8%	28%	-	100%
PE	18%	1%	14%	28%	6%	34%	-	100%
<b>Total</b>	<b>8%</b>	<b>10%</b>	<b>8%</b>	<b>20%</b>	<b>9%</b>	<b>42%</b>	<b>3%</b>	<b>100%</b>

Percentage of value acquired by buyer sector within seller sector								
CE	43%	6%	0%	1%	1%	2%	21%	6%
CP&E	4%	73%	0%	2%	2%	13%	14%	14%
Internet	-	-	48%	-	-	5%	3%	6%
IT services	-	-	5%	38%	-	7%	33%	12%
Semiconductors	3%	5%	-	-	72%	15%	18%	14%
Software	2%	-	6%	5%	3%	36%	11%	17%
Non-tech	11%	14%	13%	31%	12%	10%	-	15%
PE	37%	1%	28%	23%	10%	13%	-	17%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Figure 6 brings cross-sector deal-making trends into focus – and the big story this year is the rise in the cross-industry acquisition trend as well. First, a word about reading this figure: The top matrix shows the actual dollars spent by each sector on M&A transactions, distributed based on the sectors in which the dollars were spent. The other matrices show two different percentages represented by those dollar values: the middle matrix shows each value as a percentage of all dollars spent by the sector named at the left, and the bottom one shows each value as a percentage of all dollars sold by the sector named at the top.

In 2010, as the bottom matrix shows, non-technology companies purchased 15% of all disclosed value for the year, just slightly shy of the 17% purchased by PE firms. In fact, non-technology companies outspent PE firms in 3Q10 for the first time (21% versus 17%), but fell back below PE in 4Q10 when PE firms purchased 17% of the value sold and non-technology companies purchased 11%.

As the middle matrix shows, each sector made the largest share of its purchases in its own sector – and the software sector was every other sector's second choice. Non-technology and PE firms both spent the largest share of their dollars in the IT and computer services and software sectors.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 7a: Global technology corporate and PE transactions scorecard by sector, 4Q10**

	4Q10		4Q09		YOY % change		3Q10		Sequential % change	
	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)
<b>Corporate deals by sector (based on buyer sector)</b>										
Communications equipment	55	\$97	28	\$426	96%	-77%	37	\$189	49%	-49%
Computers, peripherals and electronics	87	\$128	43	\$412	102%	-69%	73	\$217	19%	-41%
IT services and internet*	267	\$101	137	\$51	95%	98%	255	\$135	5%	-25%
- Internet	106	\$185	-	-	N/A	N/A	110	\$67	-4%	176%
- IT services	161	\$67	-	-	N/A	N/A	145	\$181	11%	-63%
Semiconductors	33	\$130	48	\$130	-31%	0%	43	\$453	-23%	-71%
Software	199	\$100	241	\$68	-17%	47%	193	\$75	3%	33%
<b>Total</b>	<b>641</b>	<b>\$108</b>	<b>497</b>	<b>\$151</b>	<b>29%</b>	<b>-28%</b>	<b>601</b>	<b>\$168</b>	<b>7%</b>	<b>-36%</b>
<b>PE deals by sector (based on seller sector)</b>										
Communications equipment	4	\$1,141	2	\$479	100%	138%	4	\$66	0%	1,629%
Computers, peripherals and electronics	5	-	-	-	N/A	N/A	6	-	-17%	N/A
IT services and internet*	20	\$27	24	\$252	-17%	-89%	43	\$414	-53%	-93%
- Internet	9	\$78	-	-	N/A	N/A	23	\$238	-61%	-67%
- IT services	11	\$10	-	-	N/A	N/A	20	\$706	-45%	-99%
Semiconductors	4	\$445	3	\$114	33%	290%	7	\$1	-43%	44,400%
Software	28	\$96	27	\$115	4%	-17%	39	\$91	-28%	5%
<b>Total</b>	<b>61</b>	<b>\$333</b>	<b>56</b>	<b>\$196</b>	<b>9%</b>	<b>70%</b>	<b>99</b>	<b>\$231</b>	<b>-38%</b>	<b>44%</b>
<b>Total technology deals by sector, corporate and PE</b>										
Communications equipment	59	\$213	30	\$429	97%	-50%	41	\$177	44%	20%
Computers, peripherals and electronics	92	\$128	43	\$412	114%	-69%	79	\$206	16%	-38%
IT services and internet*	287	\$98	161	\$83	78%	18%	298	\$179	-4%	-45%
- Internet	115	\$181	-	-	N/A	N/A	133	\$106	-14%	71%
- IT services	172	\$64	-	-	N/A	N/A	165	\$236	4%	-73%
Semiconductors	37	\$196	51	\$129	-27%	52%	50	\$418	-26%	-53%
Software	227	\$99	268	\$71	-15%	39%	232	\$77	-2%	29%
<b>Total</b>	<b>702</b>	<b>\$121</b>	<b>553</b>	<b>\$155</b>	<b>27%</b>	<b>-22%</b>	<b>700</b>	<b>\$176</b>	<b>0%</b>	<b>-31%</b>

For the second consecutive quarter, the semiconductor and software sectors acquired fewer companies than in the year-earlier period despite significant overall deal number growth for all sectors – of 27% in 4Q10 and 43% in 3Q10. For the semiconductor sector, this reflects both a quiet year in deal-making activity<sup>36</sup> and lingering effects of a methodology change we instituted in 1Q10 in which a few companies classified previously in the semiconductor sector are now classified in the computers, peripherals and electronics sector (see Methodology, page 38). However, faster growth in the communications equipment, computers, peripherals and electronics and IT and computer services and internet sectors makes sense given several trends seen throughout 2010, particularly the increasing focus on cloud computing, mobile communications, social networking and internet-connected video. The deal value comparisons with 4Q09 are skewed a bit by large-dollar deals during the year-earlier period in the communications equipment (Cisco-Tandberg, \$3.4 billion; Cisco-Starent Networks, \$2.5 billion) and computers, peripherals and electronics (Innolux Display-Chi Mei Optoelectronics, \$5.1 billion; HP-3Com, \$3.1 billion) sectors.

\*Note: we began separating IT services and internet in our 1Q10 report. This line approximates the historical basis for comparison.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 7b: Global technology corporate and PE transactions scorecard by sector, 2010 versus 2009**

	2010		2009		YOY % change	
	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)
<b>Corporate deals by sector (based on buyer sector)</b>						
Communications equipment	147	\$118	104	\$221	41%	-47%
Computers, peripherals and electronics	273	\$144	106	\$450	158%	-68%
IT services and internet*	961	\$106	501	\$68	92%	56%
- Internet	383	\$85	-	-	N/A	N/A
- IT services	578	\$118	-	-	N/A	N/A
Semiconductors	151	\$215	198	\$125	-24%	72%
Software	859	\$95	803	\$103	7%	-8%
<b>Total</b>	<b>2,391</b>	<b>\$120</b>	<b>1,712</b>	<b>\$142</b>	<b>40%</b>	<b>-15%</b>
<b>PE deals by sector (based on seller sector)</b>						
Communications equipment	13	\$516	5	\$165	160%	213%
Computers, peripherals and electronics	16	\$28	3	\$0	433%	N/A
IT services and internet*	95	\$274	71	\$229	34%	20%
- Internet	39	\$198	-	-	N/A	N/A
- IT services	56	\$340	-	-	N/A	N/A
Semiconductors	21	\$161	12	\$475	75%	-66%
Software	122	\$202	83	\$83	47%	143%
<b>Total</b>	<b>267</b>	<b>\$244</b>	<b>174</b>	<b>\$175</b>	<b>53%</b>	<b>39%</b>
<b>Total technology deals by sector, corporate and PE</b>						
Communications equipment	160	\$155	109	\$218	47%	-29%
Computers, peripherals and electronics	289	\$140	109	\$450	165%	-69%
IT services and internet*	1,056	\$122	572	\$86	85%	42%
- Internet	422	\$98	-	-	N/A	N/A
- IT services	634	\$136	-	-	N/A	N/A
Semiconductors	172	\$211	210	\$142	-18%	49%
Software	981	\$106	886	\$101	11%	5%
<b>Total</b>	<b>2,658</b>	<b>\$131</b>	<b>1,886</b>	<b>\$145</b>	<b>41%</b>	<b>-10%</b>

In this full-year comparison of 2010 and 2009, deal numbers and average deal value moved in opposite directions – although there were some variations by sector. The number of deals grew 41% overall and in every sector except semiconductors (which had a quieter-than-usual year in M&A<sup>37</sup>), while average values fell 10% overall despite increasing in 3 out of 5 sectors.

The communications equipment and computers, peripherals and electronics sectors saw steep declines in average values in part because a handful of large-dollar deals (some of which are mentioned in the caption for Figure 7a, page 20) skewed their 2009 averages.

\*Note: we began separating IT services and internet in our 1Q10 report. This line approximates the historical basis for comparison.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.



Smart mobility, information security, storage for cloud computing and cross-industry blur were the trends best represented in the top 10 deals by dollar value for 2010.



## Look ahead

Watch for the evolution of the following trends to shape technology industry M&A activity in the coming quarters:

- ▶ Sequential average deal values plunged again in 4Q10, continuing a yearlong seesaw of soaring one quarter and then plummeting the next. Will average values stabilize and grow consistently, or continue to go up and down?
- ▶ Will M&A deal-making strength continue to spread more widely through the industry, as evidenced in 2010 by the decreasing concentration of total value in the top 10 deals of the year (from 42% in 2009 to 28% in 2010)?
- ▶ Cloud computing and social networking emerged as significant deal drivers in 2010 – yet both are only beginning their adoption curves among businesses and consumers. Will the extremely fast growth expected for these innovations drive rapid increases in deal making as well?
- ▶ 2011 is shaping up as a transition year to “4G” technologies for much higher-speed mobile networks. How long will it take for higher speeds to translate into applications that take advantage of those speeds, and will that drive mobile M&A even higher?
- ▶ Regulators delayed one or two deals in 2010, but their increased scrutiny didn’t appear to affect deal making. Will regulatory scrutiny increase or decrease in 2011?
- ▶ Technology companies have been lobbying for the US to reduce its effective 40% tax rate on repatriated foreign earnings (Figure 1, page 10). Will 2011 be the year that the US reduces those taxes, freeing the funds to be used (potentially) for M&A?
- ▶ The growth imperative unleashed cross-border deal activity with both large and small dollar values in 2010, as companies sought international expansion. Will these CB deals grow again in 2011?
- ▶ Driven by the way technology is increasingly enabling innovation in other industries, non-technology company participation in global technology M&A accelerated in 2010, hitting 15% of disclosed value. Will it continue to climb in 2011? Or will technology companies increase their acquisition of non-technology businesses?
- ▶ Will technology company cash, including short- and long-term investments, continue to rise? And in turn, how will this influence a company’s capital agenda?
- ▶ Will M&A accelerate in developing economies, or will trade imbalances, political pressures and currency volatility impact deal activity?

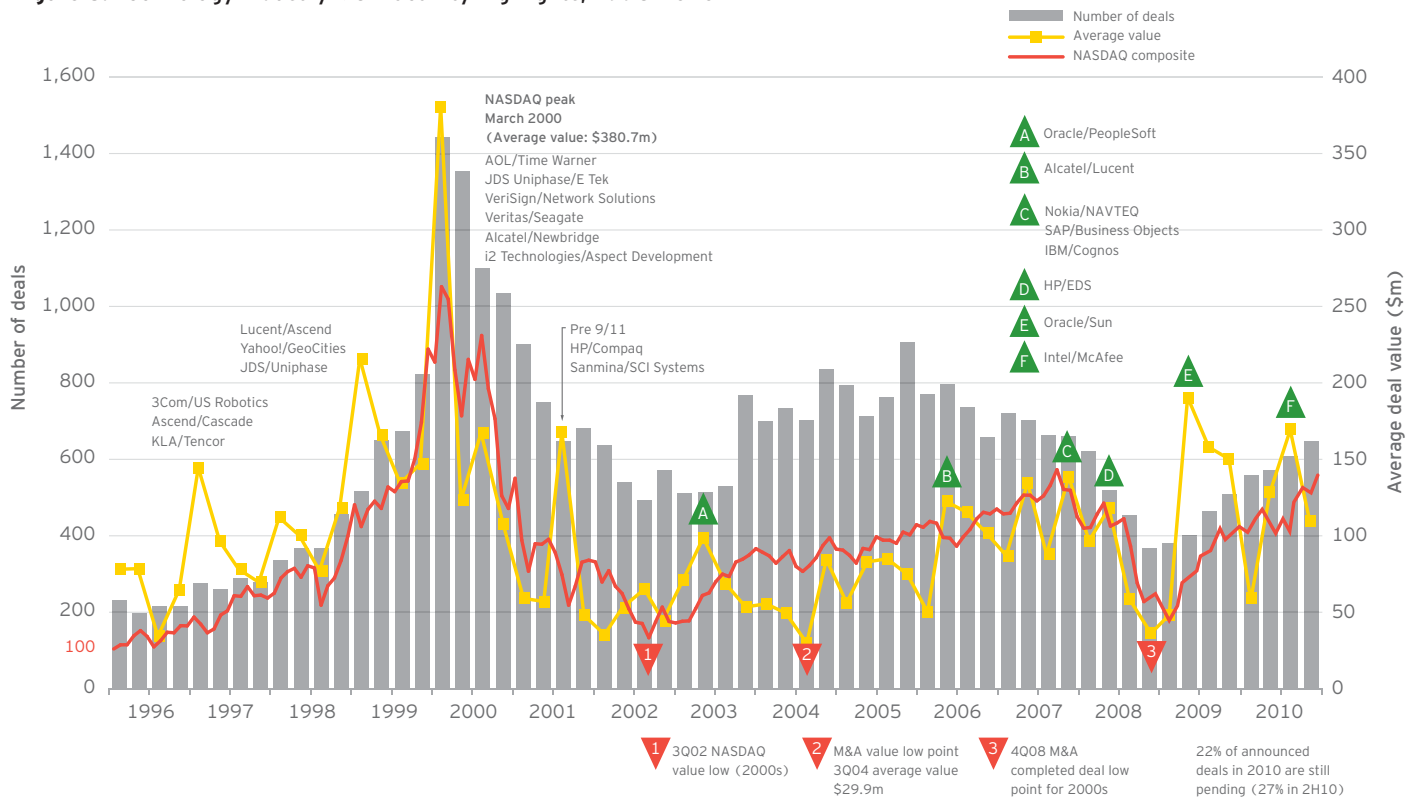


## Technology sector snapshots and additional data charts

Following are additional data charts and highlights of our latest technology M&A trend and data analysis for:

- ▶ Communications equipment
- ▶ Computers and peripherals
- ▶ IT services and internet
- ▶ Semiconductors
- ▶ Software

**Figure 8: Technology industry M&A activity highlights, 1996-2010**



The synchronicity with which the number of global technology deals per quarter rises and falls together with the NASDAQ composite index over the past 14 years is striking. The average quarterly transaction value (of completed deals with disclosed values) also moves in synchronization with the NASDAQ, except when skewed by big-ticket deals. This suggests the influence – both rational and psychological – that macroeconomic factors hold over technology industry M&A activity.

Note: we overlaid the NASDAQ information composite on this chart tracking completed deal activity and value (1996-2008). Since 2008 we are showing announced deals less canceled deals to correspond to the deals we have published. The composite is indexed to 100 starting on 29 December 1995. To show correlation between the NASDAQ and technology industry M&A activity, we aligned the index starting point to 100 on the deals axis. All currency references are in US\$.

Source: Ernst & Young's analysis of FactSet Mergerstat data, last accessed 6 January 2011. NASDAQ composite index from Factset Exshare, accessed 4 January 2011.

# Sector snapshot

## Communications equipment

Insatiable demand for fixed and mobile broadband connectivity continues to be the big M&A driver for this sector. In 2010, the clearest trends manifesting that demand growth were the rise of internet TV, mobile video and cloud computing and the ongoing proliferation of new client devices. As we saw in 2009, the strategies of sector companies in 2010 also tended to group around core network infrastructure (for example, the two fiber-optic related deals in the top five deals below) or diversification into content and services, which typically results in smaller deals.

The sector had 160 M&A deals in 2010, 59 of which (37%) were in the fourth quarter. Sector companies acquired \$6.8 billion of disclosed value in 2010 and sold \$9.9 billion.

### Trends and drivers

- ▶ Smartphones and other smart mobile devices continued their rapid growth in 2010, and tablet computers exploded onto the scene.
- ▶ Mobile and online content, particularly games, social networking and mobile advertising and payment technology, were important acquisition targets. Nokia continued to make such acquisitions in 2010, and Qualcomm purchased iSkoot Technologies, whose software enables mobile carriers to provide social networking services to mobile phone users.
- ▶ Fiber optics – both core technology and in-place fiber networks – were key targets, exemplified by the sector's largest deal of the year, Carlyle-CommScope; by the SunCorp-Top Match deal (Top Match operates a fiber network connecting many large Chinese cities<sup>38</sup>); and by Cisco's \$99 million acquisition of CoreOptics.
- ▶ Cloud computing's impact on connectivity demand was seen as a driver of deals for core network infrastructure<sup>39</sup>, but also drove diversification into services (for example, Motorola's purchase of Zector, provider of two cloud-based services: a storage service that appears as if it were a device's local drive, and another that enables any PC to function as a cloud server for its user).
- ▶ Geographic expansion was also a driver, exemplified by Swiss-based Tyco Electronics' purchase of ADC Telecommunications and the Nokia Siemens Networks purchase of Motorola's telecommunications equipment business.
- ▶ Sector leaders cut down on big-ticket deals in 2010. Best exemplifying this trend is Cisco, which made six acquisitions in 2010 but announced only \$99 million in disclosed value, compared with \$6.8 billion of disclosed value in seven 2009 acquisitions.



### Top 5 communications equipment deals, 2010

	Disclosed value (\$m)	Announced	Status	Deal type
1. The Carlyle Group LLC buys CommScope, Inc.	\$2,984	27 October	Completed*	PE
2. Tyco Electronics Ltd. buys ADC Telecommunications, Inc.	\$1,237	13 July	Completed	Corporate
3. Nokia Siemens Networks BV, a joint venture between Nokia Oyj and Siemens AG, to acquire the telecommunications equipment business of Motorola, Inc.	\$1,200	19 July	Pending	Corporate
4. Dover Corporation's subsidiary company Knowles Electronics LLC to acquire the business and assets of the sound solutions business of NXP Semiconductors Austria GmbH, a subsidiary of NXP Semiconductors NV	\$853	22 December	Pending	Corporate
5. SunCorp Technologies Ltd. to acquire Top Match Holdings Ltd. from Wealth Grange Holdings Ltd.	\$639	14 June	Pending	Corporate

\*Completed January 2011. Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.



## Sector snapshot

# Computers, peripherals and electronics

Having diversified via acquisition in 2009 into one-stop shops for enterprise IT customers, large hardware companies appeared to focus 2010 M&A activity on shoring up any gaps in their offerings, especially with regard to their cloud computing strategies. The cloud trend drove big-ticket storage deals in 2010 and a hundred more deals across this sector and others. Information security and mobile-related needs in security, e-commerce and other applications also drove deals in the sector. There were 289 deals in the sector in 2010, 92 of which (32%) took place in the fourth quarter. Sector companies acquired \$16.8 billion of disclosed value in 2010 and sold \$11.8 billion.

### Trends and drivers

- ▶ For the second consecutive year, the thirst of enterprise IT customers, internet businesses and consumers for storage led to an epic M&A battle. There were several bidding rounds for cloud storage vendor 3PAR before HP acquired the company. EMC's purchase of storage vendor Isilon Systems was the sector's top-dollar deal; Dell's purchase of Compellent Technologies was the third-largest storage deal and the sector's eighth-largest overall.
- ▶ Cyber attacks hit a variety of companies and institutions worldwide, making information security top-of-mind. HP's purchase of ArcSight for its network intrusion detection software was the big-ticket security deal for this sector.
- ▶ PC manufacturers began offering smartphones and tablet computers in earnest. HP purchased Palm for its WebOS mobile software and installed base, and plans to offer a WebOS-based tablet computer.<sup>40</sup>
- ▶ The proliferation of other network-attached devices continues, including netbooks, e-readers, mobile video, multimedia content servers, videophones, set-top boxes and internet-attached standard and 3-D TVs. These trends likely will lead to future M&A activity.
- ▶ The proliferation of network-attached devices also is fueling data center demand for computer servers, storage servers and virtualization technology, which led to related deals in 2010 and likely will continue to do so.
- ▶ New motion-sensing controllers for video games are beginning to seep into other business and consumer applications.<sup>41</sup>
- ▶ Sector companies strove to increase the flexibility of their supply chain ecosystems, leading to deals in which manufacturing plants were sold to third parties. (Contract manufacturer Hon Hai Precision Industry Company was the acquirer in five such deals, including three Sony manufacturing plant acquisitions deals.)

### Top 5 computers, peripherals and electronics deals, 2010

	Disclosed value (\$m)	Announced	Status	Deal type
1. EMC Corporation buys Isilon Systems, Inc.	\$2,248	15 November	Completed	Corporate
2. Hexagon AB buys Intergraph Corporation	\$2,125	7 July	Completed	Corporate
3. Hewlett-Packard Company buys 3PAR Inc.	\$2,065	23 August	Completed	Corporate
4. Hewlett-Packard Company buys ArcSight, Inc.	\$1,506	13 September	Completed	Corporate
5. Hewlett-Packard Company buys Palm, Inc.	\$962*	28 April	Completed	Corporate

\*\$1.2 billion per Hewlett-Packard's press release ("Deal snapshot: HP CLOSES PALM ACQUISITION," M&A Navigator, 20 July 2010, via Dow Jones Factiva, © 2010 M2 Communications). FactSet Mergerstat recognized \$962 million of disclosed value for this deal. FactSet Mergerstat database methodology automatically subtracts cash acquired, net of debt, from enterprise value. Deal closed 1 July 2010.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

# Sector snapshot

## IT services and internet

For the year, deal numbers in this sector grew more than twice as fast as global technology M&A overall (85% vs. 41%) – which is not surprising, given that it is influenced by every major growth-driving trend: smart everything, mobile everything, cross-industry blur, cloud computing and social networking. IT services or internet companies are the ones providing services to proliferating fixed and smart mobile client devices, and they are in the thick of payment processing, e-commerce, business analytics and, of course, cloud services. In addition, roughly 35% to 40% of the health care-related deals we saw in 2010 were in this sector. There were 1,056 deals in the sector, 287 of which (27%) occurred in the fourth quarter. Non-technology and PE buyers heavily targeted the sector.

### Trends and drivers

- ▶ Sector companies were buyers of \$14.1 billion of the disclosed value sold by the sector, while PE firms acquired \$8.2 billion and non-technology companies acquired \$8.4 billion – which amounted to 48% of all the value purchased by non-technology companies.
- ▶ Certain internet companies made multiple acquisitions in pursuit of a business initiative. Google did 28 deals, grouping them for different objectives, most notably to build its social networking initiative and to enhance video streaming. Groupon, Inc. and Zynga, Inc. each had several deals focused on international expansion. Facebook had 10 deals that brought in different technologies, such as messaging or enhanced photo sharing. AOL had seven deals that helped further its new content-focused strategy. In most cases, the deals were small, without disclosed values.
- ▶ International expansion was also a factor for big-ticket deals. The NTT-Dimension Data Holdings deal in the chart below was one of three such deals by NTT. And fellow Japanese company DeNA Co. Ltd., a maker of mobile games, bought US-based iPhone game maker ngmoco, Inc., for \$400 million (pending).
- ▶ Consolidation was a factor for smaller IT services companies, in order to build more mass for provision of cloud computing services.
- ▶ Large companies also purchased smaller companies offering cloud-related technologies to enhance their existing positions in cloud services. IBM's purchase of Cast Iron Systems, Inc. for an undisclosed value is an example.
- ▶ Three of the top five deals involved e-commerce: IBM-Sterling Commerce, Visa-CyberSource and Advent/Bain RBS WorldPay – the latter two of which involved payment processing services for fixed or mobile buyers.
- ▶ Technology-enabled innovation in health care IT was a major M&A driver. There were more than 130 such deals on the year, with more than three dozen in the fourth quarter.



\* Historically, we included in the IT services sector any internet deals that offer a technology (i.e., software or hardware) value-add component. Going forward, IT services and internet will be monitored as separate sectors.

### Top 5 IT services deals, 2010

	Disclosed value (\$m)	Announced	Status	Deal type
1. Advent International Corporation and Bain Capital, LLC buys a majority stake in RBS WorldPay, a subsidiary business of The Royal Bank of Scotland Group plc	\$3,234	6 August	Completed	PE
2. Nippon Telegraph and Telephone Corporation (NTT) buys Dimension Data Holdings Plc	\$3,229	15 July	Completed	Corporate
3. Visa Inc. buys CyberSource Corporation	\$1,830	21 April	Completed	Corporate
4. International Business Machines Corporation buys Netezza Corporation	\$1,695	20 September	Completed	Corporate
5. International Business Machines Corporation buys Sterling Commerce, Inc. from AT&T Inc.	\$1,400	24 May	Completed	Corporate

Note: there were no internet deals that fell into the top 5 deals category for this sector snapshot table.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.



## Sector snapshot Semiconductors

Consolidation, solar power and diversification of market leaders were the dominant 2010 drivers of M&A in the semiconductor sector. The biggest acquisition for this sector – and the largest dollar-value deal for any sector – was Intel’s \$7.3 billion (pending) acquisition of security software supplier McAfee. Intel was also the buyer in the second-largest sector deal and a seller in the third. There were 172 deals in the sector, 37 of which (22%) took place in the fourth quarter.

### Trends and drivers

- ▶ Sector companies bought 72% (\$7.9 billion) of the value sold by their own sector – more than in any other sector (Figure 6, page 19). That figure does not include the Intel-McAfee deal, which was sold by the software sector.
- ▶ Consolidation, especially among memory chipmakers, continued to drive M&A in 2010 as companies plugged product line gaps, obtained technology or simply expanded into new product areas. Top five deal examples include Micron-Numonyx, which brings together two different kinds of flash memories (NAND and NOR) and Microsemi-Actel, which adds Actel’s FPGA business to Microsemi’s analog semiconductor business. Beyond the top five deals was Hynix Semiconductor Inc.’s \$437 million pending purchase of the portion it didn’t already own in Hynix-Numonyx Semiconductor Ltd., and ON Semiconductor, Inc.’s completed \$377 million purchase of Sanyo Semiconductor Co. from Panasonic.
- ▶ Demand for “green” products, especially photovoltaic modules that collect solar power and convert it to usable energy, accounted for nearly a quarter of all sector deals. But it waned in the fourth quarter, in which only roughly 10% of sector deals were related to solar power.
- ▶ Diversification was a major theme, evidenced in Intel’s half-dozen deals. In addition to the McAfee deal, which envisions embedding key information security algorithms into microchips,<sup>42</sup> Intel’s half-dozen 2010 deals include Infineon’s 3G wireless chip business; Texas Instruments, Inc.’s set-top box business (pending); and CognoVision Solutions, Inc., which makes technology for digital advertising signs (completed). Intel’s diversification transactions began in 2009 with the purchase of embedded software supplier Wind River Systems, Inc.
- ▶ Ongoing development of networked video technologies drove deals, exemplified by Intersil, Inc.’s pending \$401 million acquisition of Techwell, Inc.
- ▶ High capital requirements for semiconductor deals continue to hold back sector M&A, which declined again this year in number of deals – the only sector to do so.\*

\* Part of the drop in deal numbers may be due to a methodology change we instituted in 2010 (see Methodology, page 38).

### Top 5 semiconductors deals, 2010

	Disclosed value (\$m)	Announced	Status	Deal type
1. Intel Corporation to acquire McAfee, Inc.	\$7,293	19 August	Pending	Corporate
2. Intel Corporation to acquire the wireless solutions business of Infineon Technologies AG	\$1,400	30 August	Pending	Corporate
3. Micron Technology, Inc. buys Numonyx B.V.	\$1,339	9 February	Completed	Corporate
4. Caisse des Dépôts et Consignations <sup>43</sup> to acquire minority stake in STMicroelectronics NV from Areva SA	\$887	16 December	Pending	PE
5. Microsemi Corporation buys Actel Corporation	\$522	4 October	Completed	Corporate

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

# Sector snapshot

## Software

The software sector was hot in 2010. The aggregate disclosed value of deals sold by the sector more than doubled (+109%) from approximately \$23.8 billion in 2009 to about \$49.9 billion in 2010 (Figure 6, page 19), even though the total value for all sectors increased just 26%. The reason for this is clear: having the right software is critical to the megatrends sweeping through the technology industry today, from smart everything to mobility, cloud computing, social networking and the blurring of technology into other industries. There were 981 deals in the sector, 227 of which (23%) took place in the fourth quarter.

### Trends and drivers

- ▶ Smart mobility drove many dozens of deals. These included the sector's largest dollar-value deal, SAP-Sybase, motivated by Sybase's leading position in mobile carrier infrastructure software and mobile applications support.<sup>44</sup> Mobility also drove deals involving applications ranging from marketing and advertising technology (Apple-Quattro Wireless, Inc.) to mobile commerce and video.
- ▶ The "app store" approach expanded beyond smartphones to embrace all manner of software in 2010. Accessibility to app store distribution supports the emergence of large numbers of small developers, which could lead to significant M&A in the future.
- ▶ We counted roughly 60 cloud computing software sector deals, including multiple transactions by Oracle, BMC Software, Inc., and all six acquisitions by CA, Inc., for the year. There was also a \$525 million deal involving a non-technology buyer: Roper Industries, Inc.'s pending acquisition of iTradeNetwork, Inc., which provides SaaS solutions to the food industry.
- ▶ Information security drove about three dozen software deals, including two of the top five: Safran-L-1 Identity Solutions (with a non-technology company buyer) and Symantec-VeriSign's identity and authentication business.
- ▶ About half of the more than 130 deals involving health care IT were software deals, with Oracle's pending \$741 million acquisition of Phase Forward, Inc., being the largest such deal by dollar value.
- ▶ Social networking software companies emerged as acquisition targets in 2010. Salesforce.com, Inc., exemplified a developing trend by buying three social networking companies. The largest deal is the purchase of Heroku, Inc., which provides a cloud platform service based on Ruby-on-Rails, a popular language for the development of cloud and social networking applications.<sup>45</sup>
- ▶ Non-technology companies spent \$4.8 billion buying software companies in 2010, 28% percent of all the value they acquired.



### Top 5 software deals, 2010

	Disclosed value (\$m)	Announced	Status	Deal type
1. SAP AG buys Sybase, Inc.	\$5,646	12 May	Completed	Corporate
2. Attachmate Corporation to acquire Novell, Inc.	\$2,143	22 November	Pending	Corporate
3. Safran SA buys L-1 Identity Solutions, Inc.	\$1,582	20 September	Completed	Corporate
4. TPG Capital, L.P. buys Vertafore, Inc. from Hellman & Friedman LLC	\$1,400	10 June	Completed	PE
5. Symantec Corporation buys the identity and authentication business unit of VeriSign, Inc.	\$1,280	19 May	Completed	Corporate

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

## Additional data charts

Figure 9a: Global corporate and PE deals by acquiring country: cross-border and in-border, 4Q10

Corporate deals: October through December 2010							Corporate deals: October through December 2009						
Top 10 countries			In-border (IB)		Cross-border (CB)		Top 10 countries			In-border (IB)		Cross-border (CB)	
	# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals		# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals
United States	275	43%	213	77%	62	23%	United States	222	45%	179	81%	43	19%
China/Hong Kong	44	7%	31	70%	13	30%	Japan	37	8%	29	78%	8	22%
France	39	6%	27	69%	12	31%	United Kingdom	32	6%	21	66%	11	34%
United Kingdom	37	6%	24	65%	13	35%	China/Hong Kong	31	6%	26	84%	5	16%
Japan	30	5%	22	73%	8	27%	France	21	4%	12	57%	9	43%
Sweden	26	4%	11	42%	15	58%	Canada	20	4%	12	60%	8	40%
Germany	23	4%	12	52%	11	48%	Germany	18	4%	10	56%	8	44%
India	18	3%	8	44%	10	56%	India	14	3%	7	50%	7	50%
Taiwan	16	2%	10	63%	6	37%	Taiwan	12	2%	7	58%	5	42%
Canada	15	2%	3	20%	12	80%	Australia	11	2%	8	73%	3	27%
Other	118	18%	50	42%	68	58%	Other	79	16%	40	51%	39	49%
<b>Total</b>	<b>641</b>	<b>100%</b>	<b>411</b>	<b>64%</b>	<b>230</b>	<b>36%</b>	<b>Total</b>	<b>497</b>	<b>100%</b>	<b>351</b>	<b>71%</b>	<b>146</b>	<b>29%</b>

PE deals: October through December 2010							PE deals: October through December 2009						
Top 10 countries			In-border (IB)		Cross-border (CB)		Top 10 countries			In-border (IB)		Cross-border (CB)	
	# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals		# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals
United States	34	56%	24	71%	10	29%	United States	33	59%	27	82%	6	18%
Netherlands	5	8%	2	40%	3	60%	Germany	5	9%	2	40%	3	60%
France	4	7%	4	100%	0	0%	China/Hong Kong	3	5%	1	33%	2	67%
Germany	3	5%	3	100%	0	0%	Singapore	2	3.5%	0	0%	2	100%
United Kingdom	3	5%	2	67%	1	33%	United Kingdom	2	3.5%	2	100%	0	0%
Denmark	2	3%	2	100%	0	0%	Other**	11	20%	5	45%	6	55%
Other*	10	16%	8	80%	2	20%							
<b>Total</b>	<b>61</b>	<b>100%</b>	<b>45</b>	<b>74%</b>	<b>16</b>	<b>26%</b>	<b>Total</b>	<b>56</b>	<b>100%</b>	<b>37</b>	<b>66%</b>	<b>19</b>	<b>34%</b>

Corporate dealmakers increased CB activity YOY in 4Q10, while PE firms decreased activity. China increased corporate CB deal numbers significantly, from 5 to 13 deals and from 16% to 30% of all its deals for the quarter. Other countries that increased CB deal making as a percentage of all their deals were: Canada, Germany, India, Japan, the UK and the US. PE deals decreased in number in every country except the US and the Netherlands.

\*Countries with 1 deal = Austria, Canada, China/Hong Kong, India, Italy, Luxembourg, Norway, Qatar, Russia and Sweden.

\*\*Countries with 1 deal = Austria, Belgium, Brazil, Canada, France, Hungary, Japan, Malaysia, Monaco, Norway and Switzerland.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 9b: Global corporate and PE deals by acquiring country: cross-border and in-border, 2010 versus 2009**

Corporate deals: 2010							Corporate deals: 2009						
Top 10 countries			In-border (IB)		Cross-border (CB)		Top 10 countries			In-border (IB)		Cross-border (CB)	
	# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals		# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals
United States	1,130	47%	891	79%	239	21%	United States	834	49%	678	81%	156	19%
United Kingdom	153	6%	92	60%	61	40%	Japan	129	8%	102	79%	27	21%
China/Hong Kong	132	6%	87	66%	45	34%	United Kingdom	101	6%	64	63%	37	37%
France	108	5%	65	60%	43	40%	China/Hong Kong	86	5%	66	77%	20	23%
Japan	102	4%	72	71%	30	29%	Canada	71	4%	35	49%	36	51%
Germany	84	4%	47	56%	37	44%	France	66	4%	36	55%	30	45%
Canada	83	3%	22	27%	61	73%	Germany	54	3%	23	43%	31	57%
India	58	2%	24	41%	34	59%	India	39	2%	16	41%	23	59%
Sweden	57	2%	28	49%	29	51%	Australia	34	2%	26	76%	8	24%
Australia	52	2%	38	73%	14	27%	Switzerland	29	2%	5	17%	24	83%
Other	432	18%	203	47%	229	53%	Other	269	15%	134	50%	135	50%
<b>Total</b>	<b>2,391</b>	<b>100%*</b>	<b>1,569</b>	<b>66%</b>	<b>822</b>	<b>34%</b>	<b>Total</b>	<b>1,712</b>	<b>100%</b>	<b>1,185</b>	<b>69%</b>	<b>527</b>	<b>31%</b>

PE deals: 2010							PE deals: 2009						
Top 10 countries			In-border (IB)		Cross-border (CB)		Top 10 countries			In-border (IB)		Cross-border (CB)	
	# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals		# of deals	% total deals	# IB deals	% IB deals	# CB deals	% CB deals
United States	139	52%	105	76%	34	24%	United States	94	54%	76	81%	18	19%
United Kingdom	24	9%	12	50%	12	50%	United Kingdom	16	9%	9	56%	7	44%
Germany	13	5%	10	77%	3	23%	Germany	9	5%	4	44%	5	56%
France	11	4%	9	82%	2	18%	France	9	5%	5	56%	4	44%
Russia	9	3%	6	67%	3	33%	Japan	7	4%	6	86%	1	14%
Canada	7	3%	4	57%	3	43%	Norway	5	3%	3	60%	2	40%
Netherlands	6	2%	3	50%	3	50%	Canada	4	2%	0	0%	4	100%
South Africa	5	2%	0	0%	5	100%	Hungary	3	2%	0	0%	3	100%
Denmark	5	2%	5	100%	0	0%	China/Hong Kong	3	2%	1	33%	2	67%
Japan	5	2%	4	80%	1	20%	Brazil	2	1%	2	100%	0	0%
Other	43	16%	24	56%	19	44%	Other	22	13%	13	59%	9	41%
<b>Total</b>	<b>267</b>	<b>100%</b>	<b>182</b>	<b>68%</b>	<b>85</b>	<b>32%</b>	<b>Total</b>	<b>174</b>	<b>100%</b>	<b>119</b>	<b>68%</b>	<b>55</b>	<b>32%</b>

In a year that saw deal numbers rise by 41%, corporate CB deal numbers rose faster still, to 34% of all deals in 2010 from 31% in 2009. Of the top countries for corporate technology M&A, every country increased its CB deal numbers except Switzerland, which was replaced in the top 10 countries list by Sweden.

Although CB deals by PE firms remained the same percentage from 2009 to 2010, PE still contributed to the strong growth of CB deals in 2010 because PE deal number growth was higher than corporate deal number growth – and PE CB growth was higher still. Overall (corporate plus PE) deal number growth was 41%, PE-only deal number growth was 53%, and PE CB deal number growth was 55%.

\*Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011

**Figure 10a: Cross-border corporate and PE transaction activity by sector, 4Q10**

	4Q10		4Q09		YOY % change		3Q10		Sequential % change	
	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)
<b>Corporate deals by sector (based on buyer sector)</b>										
Communications equipment	27	\$130	10	\$617	170%	-79%	16	\$439	69%	-70%
Computers, peripherals and electronics	39	\$59	15	\$216	160%	-73%	32	\$165	22%	-64%
IT services and internet*	80	\$128	38	\$19	111%	574%	68	\$178	18%	-28%
- Internet	31	\$120	-	-	N/A	N/A	26	\$28	19%	329%
- IT services	49	\$131	-	-	N/A	N/A	42	\$265	17%	-50%
Semiconductors	15	\$18	22	\$48	-32%	-63%	21	\$202	-29%	-91%
Software	69	\$47	61	\$62	13%	-24%	72	\$134	-4%	-65%
<b>Total</b>	<b>230</b>	<b>\$88</b>	<b>146</b>	<b>\$137</b>	<b>58%</b>	<b>-36%</b>	<b>209</b>	<b>\$187</b>	<b>10%</b>	<b>-53%</b>
<b>PE deals by sector (based on seller sector)</b>										
Communications equipment	1	\$0	1	\$0	0%	N/A	2	\$37	-50%	-100%
Computers, peripherals and electronics	1	\$0	0	\$0	N/A	N/A	1	\$0	N/A	N/A
IT services and internet*	3	\$10	8	\$50	-63%	-80%	16	\$622	-81%	-98%
- Internet	0	-	-	-	N/A	N/A	10	\$234	-100%	-100%
- IT services	3	\$10	-	-	N/A	N/A	6	\$1,397	-50%	-99%
Semiconductors	0	\$0	1	\$0	-100%	N/A	2	\$1	-100%	-100%
Software	11	\$61	9	\$206	22%	-70%	13	\$111	-15%	-45%
<b>Total</b>	<b>16</b>	<b>\$48</b>	<b>19</b>	<b>\$112</b>	<b>-16%</b>	<b>-57%</b>	<b>34</b>	<b>\$326</b>	<b>-53%</b>	<b>-85%</b>
<b>Total technology deals by sector, corporate and PE</b>										
Communications equipment	28	\$130	11	\$617	155%	-79%	18	\$389	56%	-67%
Computers, peripherals and electronics	40	\$59	15	\$216	167%	-73%	33	\$156	21%	-62%
IT services and internet*	83	\$124	46	\$26	80%	377%	84	\$289	-1%	-57%
- Internet	31	\$120	-	-	N/A	N/A	36	\$106	-14%	13%
- IT services	52	\$126	-	-	N/A	N/A	48	\$435	8%	-71%
Semiconductors	15	\$18	23	\$48	-35%	-63%	23	\$188	-35%	-90%
Software	80	\$49	70	\$72	14%	-32%	85	\$128	-6%	-62%
<b>Total</b>	<b>246</b>	<b>\$86</b>	<b>165</b>	<b>\$135</b>	<b>49%</b>	<b>-36%</b>	<b>243</b>	<b>\$212</b>	<b>1%</b>	<b>-59%</b>

CB average value fell below the average value for all deals (CB plus in-border) in 4Q10, after surging above all deals in 2Q10 and 3Q10. Growth in CB deal number, however, continued to outpace growth in the number of all deals, both YOY (49% for CB, 27% for all deals) and sequentially (1% for CB, three-tenths of a percent for all deals). Compared with all deals, CB deal numbers grew more YOY in all sectors except the semiconductor sector.

\*Note: we began separating IT services and internet in our 1Q10 report. This line approximates the historical basis for comparison.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 10b: Cross-border corporate and PE transaction activity by sector, 2010 versus 2009**

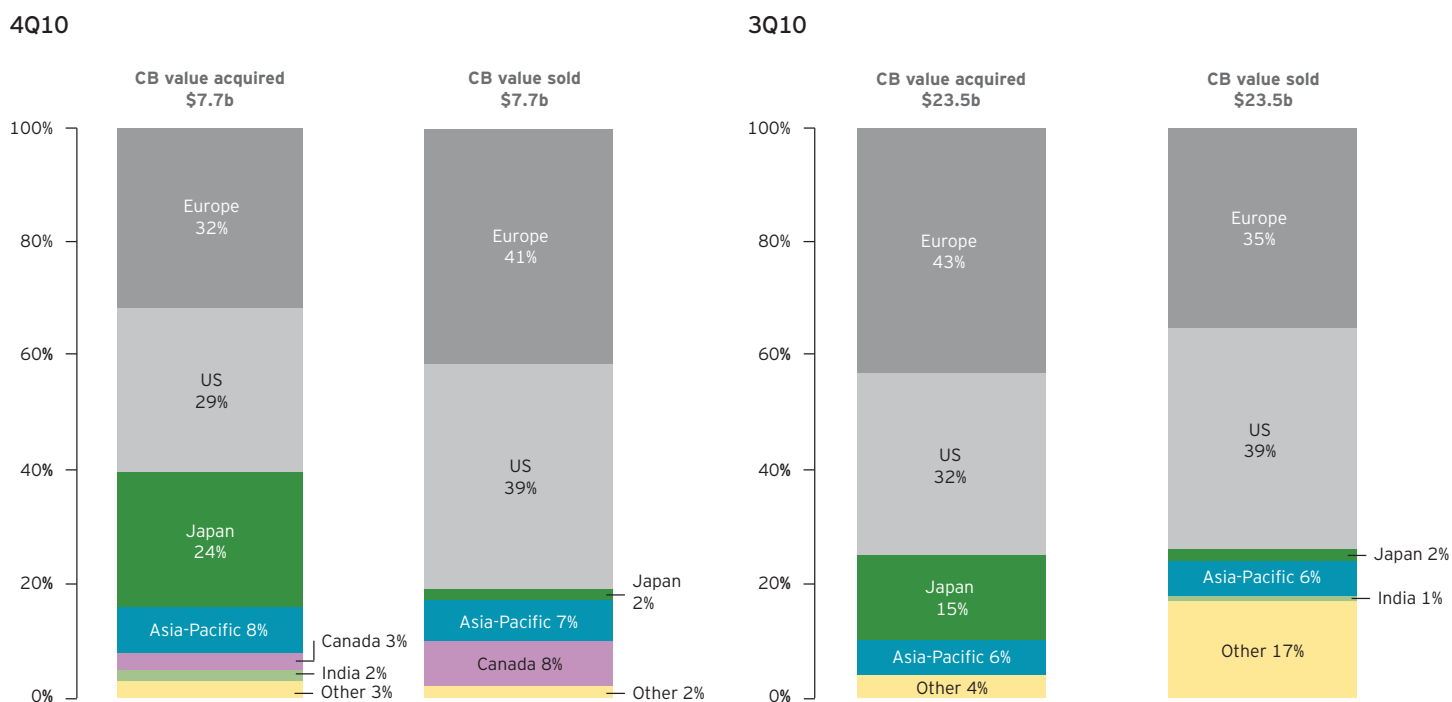
	2010		2009		YOY % change	
	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)	No.	*Avg. value (\$m)
<b>Corporate deals by sector (based on buyer sector)</b>						
Communications equipment	71	\$161	41	\$348	73%	-54%
Computers, peripherals and electronics	117	\$90	37	\$135	216%	-33%
IT services and internet*	267	\$132	133	\$60	101%	120%
- Internet	100	\$75	-	-	N/A	N/A
- IT services	167	\$168	-	-	N/A	N/A
Semiconductors	63	\$106	86	\$61	-27%	74%
Software	304	\$127	230	\$60	32%	112%
<b>Total</b>	<b>822</b>	<b>\$123</b>	<b>527</b>	<b>\$104</b>	<b>56%</b>	<b>18%</b>
<b>PE deals by sector (based on seller sector)</b>						
Communications equipment	7	\$27	2	\$0	250%	N/A
Computers, peripherals and electronics	3	\$0	1	\$0	200%	N/A
IT services and internet*	27	\$457	22	\$317	23%	44%
- Internet	12	\$227	-	-	N/A	N/A
- IT services	15	\$657	-	-	N/A	N/A
Semiconductors	9	\$77	4	\$1,057	125%	-93%
Software	39	\$185	26	\$131	50%	41%
<b>Total</b>	<b>85</b>	<b>\$273</b>	<b>55</b>	<b>\$356</b>	<b>55%</b>	<b>-23%</b>
<b>Total technology deals by sector, corporate and PE</b>						
Communications equipment	78	\$153	43	\$348	81%	-56%
Computers, peripherals and electronics	120	\$89	38	\$140	216%	-36%
IT services and internet*	294	\$176	155	\$99	90%	78%
- Internet	112	\$99	-	-	N/A	N/A
- IT services	182	\$226	-	-	N/A	N/A
Semiconductors	72	\$104	90	\$117	-20%	-11%
Software	343	\$135	256	\$64	34%	111%
<b>Total</b>	<b>907</b>	<b>\$139</b>	<b>582</b>	<b>\$122</b>	<b>56%</b>	<b>14%</b>

By comparing Figure 10b, above, and Figure 4b (page 17), the strength of CB deal numbers and average value becomes apparent. Above, we see that CB deal numbers grew 56% from 2009 to 2010 and average value per deal increased 14%. Figure 4b shows that overall deals (CB plus IB) grew more slowly, at 41%, and average deal value declined 10%. At \$139 million, the average value of CB deals was 6% higher than the average value of all deals in 2010, compared with 7% lower in 2009.

\*Note: we began separating IT services and internet in our 1Q10 report. This line approximates the historical basis for comparison.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

**Figure 11a: Cross-border deal value flow for technology deals (disclosed value), 4Q10 versus 4Q09**



CB total value decreased to 26% of the 4Q10 total for all deals (CB plus IB) after spiking to 51% of total value in 3Q10. Europe was a net seller in 4Q10 after two quarters in which it was a net acquirer. The US, historically a net acquirer, was a net seller for the third consecutive quarter. Balancing out the US and Europe was Japan, which was a net acquirer for the third consecutive quarter.

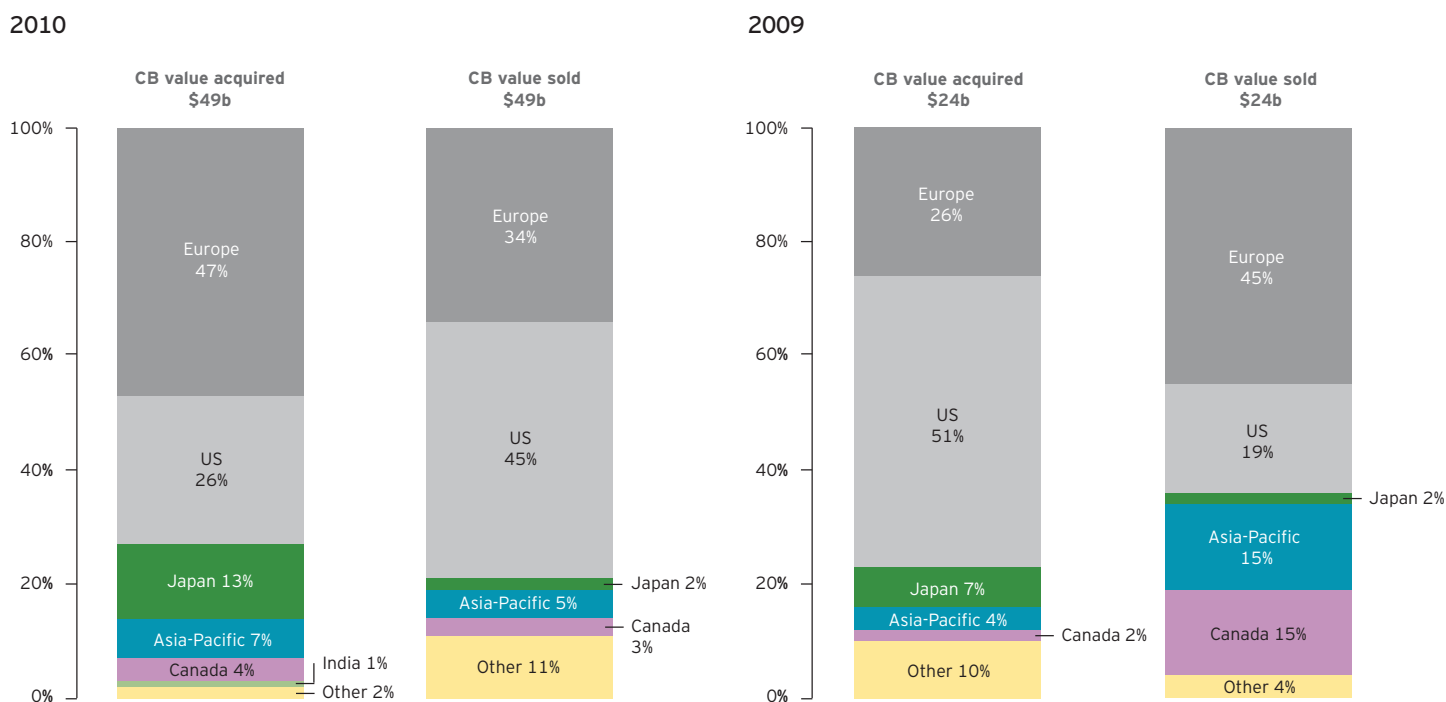
- ▶ 66% of Japan's CB value in 4Q10 came in one deal, NTT's \$1.2 billion completed purchase of US-based Keane. Likewise, in 3Q10 nearly all of Japan's acquired CB value (91%) came in NTT's \$3.2 billion completed acquisition of South Africa's Dimension Data Holdings.
- ▶ 42% (\$1.3 billion) of the European value sold remained within Europe's borders – primarily in one deal, Atos Origin's \$1.1 billion pending purchase of Siemens IT Solutions & Services.
- ▶ US companies purchased 43% (\$1.4 billion) of the European value sold, making the US the largest buyer of European technology companies.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011



**Figure 11b: Cross-border deal value flow for technology deals (disclosed value), 2010 versus 2009**



The big story seen above is about the US and Europe switching positions in 2010: the US became a net seller and Europe became a net buyer. The US acquired 26% of total value crossing borders in 2010, down from 51% in 2009, and sold 45%, up from 19% in 2009. Europe, meanwhile, bought 47% of 2010 CB value and sold 34%, compared with buying 26% and selling 45% in 2009. Japan and India remained net acquirers in 2010, while Asia-Pacific and Canada both switched to net acquirers.

- For the year, total CB value was 41% of total value, up from 25% in 2009.
- European companies had eight deals valued at \$1 billion or more, including the largest CB deal (SAP-Sybase, \$5.6 billion).
- Of value acquired by European companies, 73% (\$16.8 billion) was purchased from the US and 17% (\$3.9 billion) involved intra-European deals.
- NTT and its subsidiaries NTT Data and NTT DoCoMo accounted for 76% of the Japanese CB value acquired, including two \$1 billion-plus acquisitions (Dimension Data Holdings, South Africa, and Keane, US).
- Asia-Pacific companies were also net CB buyers in 2010, buying companies in many regions (Europe, 39%; intra-Asia-Pacific, 26%; US, 25%), although the average deal size of \$45 million was lower than in other regions.
- 95% of the \$5.2 billion value acquired from "Other" regions centered on 3 countries: South Africa accounted for 62% of other value sold via the \$3.2 billion NTT-Dimension Data Holdings deal; Brazil sold \$1.2 billion (24%) of the value acquired, mostly involving software and IT services sector companies sold to established global companies looking for expansion; and Israel sold \$457 million (9%) of the value acquired.

Source: Ernst & Young analysis of FactSet Mergerstat data, last accessed 5 January 2011.

The big story seen above is about the US and Europe switching positions in 2010: the US became a net seller and Europe became a net buyer.



## Source notes

As we went to press, the following pending deals were completed in January 2011:

### Carlyle Group/CommScope

"The Carlyle Group Completes Acquisition of CommScope," *Business Wire*, 14 January 2011, via Dow Jones Factiva, © 2011 Business Wire.

### Carlyle Group/Syniverse

"Carlyle Group completes acquisition of Syniverse for approximately \$2.6 billion," *Datamonitor News and Comment*, 17 January 2011, via Dow Jones Factiva, © 2011 Datamonitor Ltd.

### ON Semiconductor/Sanyo

"ON Semiconductor closes buy of SANYO's chip unit," *M&A Navigator*, 3 January 2011, via Dow Jones Factiva, © 2011 M2 Communications.

- <sup>1</sup> Ernst & Young analysis of Dealogic and Thomson Financial data, 27 January 2011
- <sup>2</sup> "DJ Carlyle Group Buys Syniverse Technologies For \$2.6 Bln," *Dow Jones Chinese Financial Wire*, 28 October 2010, via Dow Jones Factiva, © 2010, Dow Jones & Company, Inc.
- <sup>3</sup> "AT&T To Pay \$1.93 Billion For Qualcomm Spectrum," *Dow Jones Business News*, 20 December 2010, via Dow Jones Factiva, © Dow Jones & Company, Inc.
- <sup>4</sup> "SAP Buys Sybase For \$5.8 Billion," *CMP TechWeb*, 12 May 2010, via Dow Jones Factiva, © 2010 United Business Media LLC.
- <sup>5</sup> "M&A Analysis - Acquisitive Growth: The Tech Sector Strategy Of Choice," *Corporate Financing Week*, 2 November 2010, via Dow Jones Factiva, © 2010 Business Monitor International.
- <sup>6</sup> "Research In Motion Buys The Astonishing Tribe; No Terms," *Dow Jones News Service*, 2 December 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>7</sup> "Broadcom Buys 4G Chip Maker," *The Wall Street Journal*, 13 October 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>8</sup> "Broadcom To Buy Gigle Networks For Expected \$75 Mln," *Dow Jones News Service*, 22 November 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>9</sup> "Qualcomm Chips Away at Wi-Fi," *The Wall Street Journal Online*, 6 January 2011, via Dow Jones Factiva, © 2011 Network World, Inc.
- <sup>10</sup> "Apple Holders: Give Us Our Cash!" *The Wall Street Journal Online*, 18 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
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- <sup>12</sup> "Does Qualcomm Deal Raise Hope for Cash Homecoming?" *The Wall Street Journal*, 10 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
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- <sup>14</sup> "Advisers Vie to Take on Groupon IPO," *The Wall Street Journal Online*, 15 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
- <sup>15</sup> "Google Talks With Groupon Are Ended Without Deal," *The Wall Street Journal*, 4 December 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
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- <sup>17</sup> "VMware Is in Talks to Acquire Novell's Linux Software Unit," *Wall Street Journal Online*, 17 September 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
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- <sup>19</sup> "Apple, Oracle In Microsoft-Led Group Buying Novell Patents," *Dow Jones News Service*, 16 December 2010, © 2010 Dow Jones & Company, Inc.
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- <sup>28</sup> "Health-Care IT Providers to Merge in \$1.3 Billion Deal," *The Wall Street Journal Online*, 9 June 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>29</sup> "Areva may sell stake in STMicro to FSI," *ADPNews France*, 1 December 2010, via Dow Jones Factiva, © 2010 All Data Processing Ltd.
- <sup>30</sup> "Atos Origin To Buy Siemens AG's IT Unit In EUR850 Million Deal," *Dow Jones Business News*, 14 December 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>31</sup> "2nd UPDATE: ABB Buys Ventyx For More Than \$1B In Cash," *Dow Jones International News*, 5 May 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
- <sup>32</sup> "SAP Buys Sybase – but Why?" *The Register*, 16 May 2010, via Dow Jones Factiva, © 2010 The Register.
- <sup>33</sup> "Motorola Hit by Huawei Suit – Chinese Telecom-Gear Firm Seeks to Delay Unit Sale to Rival Nokia Siemens," *The Wall Street Journal*, 25 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
- <sup>34</sup> "M&A Ready to Join High-Grade Party," *The Wall Street Journal*, 11 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
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- <sup>36</sup> "Qualcomm's Purchase of Atheros Anticipates a Proliferation of Mobile Devices," *The New York Times*, 6 January 2011, via Dow Jones Factiva, © 2011 The New York Times Company.
- <sup>37</sup> Ibid.
- <sup>38</sup> "Suncorp (01063) buys China fiber optic network for HK\$4.98b," *ET Net News*, 5 August 2010, via Dow Jones Factiva, © 2010 ET Net Limited.
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- <sup>40</sup> "CES Notebook," *The Wall Street Journal Online*, 4 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
- <sup>41</sup> "Start-Up Behind Kinect Gesture Recognition Gets Funding," *Wall Street Journal Blogs*, 11 January 2011, via Dow Jones Factiva, © 2011 Dow Jones & Company, Inc.
- <sup>42</sup> "Intel-McAfee Deal A Bet On Building Security Into Hardware," *The Wall Street Journal*, 19 August 2010, via Dow Jones Factiva, © 2010 Dow Jones & Company, Inc.
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## Methodology

- ▶ *Global technology M&A update: October-December 2010 and year in review* is based on Ernst & Young's analysis of FactSet Mergerstat data for 2009 and 2010. Deal activity and valuations may fluctuate slightly based on the date the FactSet Mergerstat database is accessed.
- ▶ Technology company M&A data was pulled from the FactSet Mergerstat database based on the companies' respective standard industrial classification (SIC) codes for computers, peripherals and electronics; communication equipment; semiconductors; software; IT services; and internet companies.
- ▶ Beginning with our 1Q10 report, we evolved our sector listings and modified our dataset to be better aligned with the current marketplace, rather than with SIC codes.
  - Internet: we separated the internet sector from IT services for independent analysis.
  - Computers, peripherals and electronics: certain electronics companies not already included in the computers and peripherals sector have been added, and the sector renamed computers, peripherals and electronics. Added companies previously were classified as semiconductor companies but are manufacturers of components whose core value is not necessarily based on the semiconductor technology they contain.
  - Any effect on comparability of the sectors involved will be noted when it is material to our analysis.
- ▶ Technology deals included M&A transactions between:
  - Two technology companies
  - Technology companies acquiring companies in other industries
  - Non-technology companies acquiring technology companies, deals valued at over \$100 million
  - Management consulting companies acquiring technology companies (IT consulting deals valued at over \$500 million)
- ▶ Joint ventures were not included.
- ▶ Corporate M&A activity data was analyzed based on the classification of the acquiring company.
- ▶ For non-technology company acquirers, deals were classified based on the technology sector of the seller.
- ▶ Equity investments were included (corporate and PE).
- ▶ PE M&A activity includes both full and partial stake transactions and was analyzed based on acquisitions by firms classified as private equity, sovereign wealth funds, investment holding companies, alternative investment management groups, certain commercial banks, investment banks, venture capital and other similar entities.
- ▶ Unsolicited technology deal values were not included in the dataset, unless the proposed bid was accepted and the deal closed based on FactSet Mergerstat data available at the time of analysis.
- ▶ The value and status of all deals highlighted in this report are as of 31 December 2010, unless otherwise noted.
- ▶ All dollar amounts are in US dollars unless otherwise indicated.
- ▶ Only disclosed deal values (as per FactSet Mergerstat) are used in all value analyses.
- ▶ As used in this report, "total value" refers to the aggregate value of deals with disclosed values for the period under discussion.
- ▶ Disclosed deal values in this report may vary from published values because FactSet Mergerstat database methodology automatically subtracts cash acquired, net of debt, from enterprise value.



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