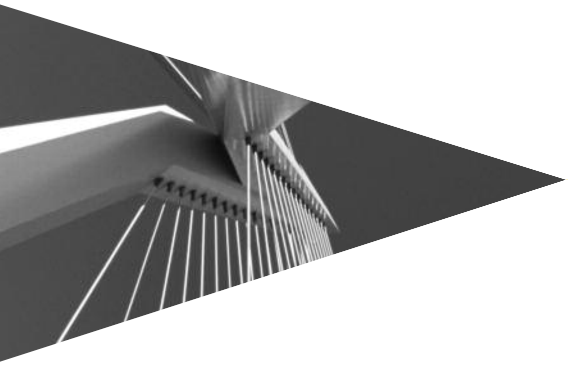
Issue 12

Global technology M&A update

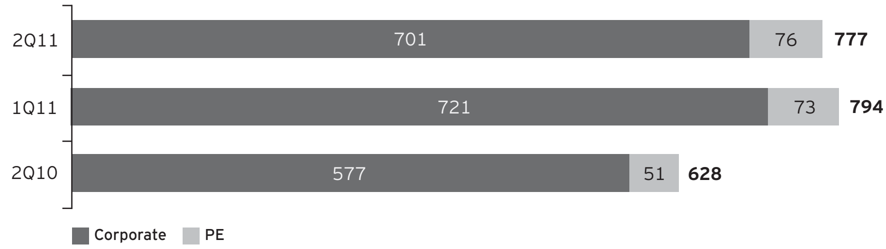
April–June 2011



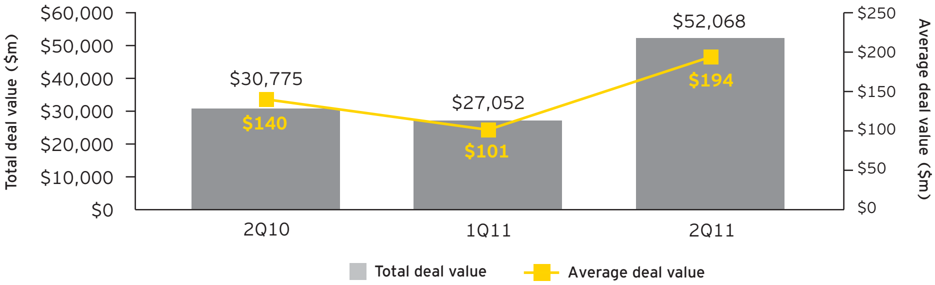
Highlights

- Total value of all disclosed-value deals increases 69% year-over-year (YOY) and 92% sequentially to $52.1 billion — the highest quarterly aggregate value since 2007, before the beginning of the global downturn
- However, deal volume declines 2% sequentially to 777 deals, breaking a string of eight quarters without a decline
- Average value hits $194 million — the highest level since the first quarter of 2000, at the tail end of the dot-com boom
- At $8 billion, private equity (PE) aggregate value is the highest since 2007
- Cross-border (CB) deals grew faster than in-border (IB): sequentially, aggregate disclosed CB deal value grew 118% and volume grew 16%, while IB deal value grew 75% and volume declined 11%

Total number of all announced deals



Total and average deal values ($m), for deals with disclosed values



Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

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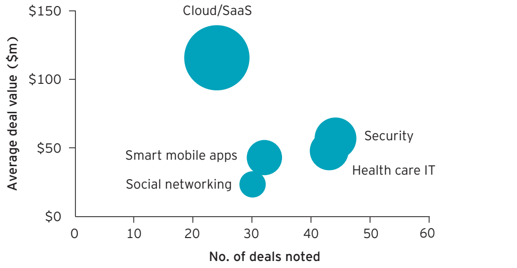
Quality In Everything We Do

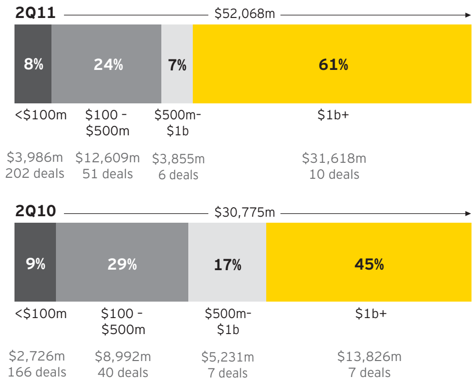
A directional view of select 2Q11 deal-driving trends



Cloud/SaaS deals had the highest average values among top deal-driving trends; security and health care information technology had the highest deal volume.

Note: *average deal value* is based on the value of disclosed value deals, while *number of deals* includes both disclosed and non-disclosed value deals noted for the given trend.

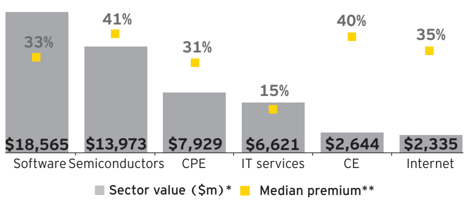
Total value of announced deals by deal value, 2Q11 vs. 2Q10



This breakdown by value shows that 2Q11 was all about the big-ticket deals ($1 billion or more), which increased 129% in value YOY compared with 69% overall. Still, every other deal-size category also grew (20% or better) except for deals between $500 million and $1 billion, which decreased by 1 deal and dropped 26% in value.

Note: values above differ due to rounding.

Deals by sector based on value and median premium, 2Q11



Based on available data, semiconductor and communications equipment companies received the highest premiums in 2Q11.

CE = Communications equipment
CPE = Computers, peripherals and electronics

* Based on sector of buyer, except PE and non-technology buyers (deals aligned by sector of the seller).
** For deals greater than $100m involving the acquisition of a public target; internet is based on one deal only.

Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

Second quarter picture unfolds

Deal drivers

- Security technologies led the pack of deal-driving trends from a volume perspective, crossing a wide range of applications from on-chip solutions to health care to mobile device management.
- Technologies relating to health care information technology (HIT), smart mobility, social networking, cloud computing and video also were at the top of deal-driving trends in 2Q11.
- Internet and mobile video technologies led from a value perspective in the software sector due entirely to the $8.6 billion Microsoft-Skype deal. In fact, online video was not included in the chart at left because we counted only eight other deals, just five of which had disclosed values (averaging $9 million per deal).
- Recent deal trends in smart grid and solar energy technologies also manifested in big-ticket deals in 2Q11 (Figure 1, page 5).
- We continue to watch business intelligence/analytics deals, four of which came in above $100 million; most (around a dozen or so) had non-disclosed values and focused on analyzing internet advertising/marketing data.

Deal activity

- 2Q11 ends an eight-quarter streak without a sequential volume decline: it drops 2% to 777 deals from 794 deals in 1Q11.
- YOY, deal volume grew 24% (from 628 deals in 2Q10).
- PE volume grew sequentially in 2Q11 – by 3 deals – to 76 deals, while corporate volume dropped 20 deals to 701.
- Our observed long-term directional correlation with the NASDAQ Composite Index continues in 2Q11: the quarter's 2% decline in deal volume corresponds to a slight decline (0.3%) in the index for the same period.

Deal value

- Aggregate announced deal value is $52.1 billion in 2Q11 – 69% higher YOY than the $30.8 billion in 2Q10 and the highest total for any calendar quarter since 2007.
- At $194 million, the average value of deals is the highest in 11 years – since the first quarter of 2000 (just before the dot-com bubble burst).
- Average value increases 39% YOY from $140 million in 2Q10 and 92% sequentially from $101 million in 1Q11.
- Aggregate value of corporate deals rises 71% YOY to $44 billion in 2Q11 from $25.8 billion in 2Q10; average value of corporate deals rises 41% YOY to $180 million in 2Q11 from $128 million in 2Q10.
- Aggregate value of PE deals increases 61% YOY to $8 billion in 2Q11 – the highest quarterly total since 2007. Average value of PE deals increases 21% to $335 million in 2Q11 from $277 million in 2Q10.

Deals getting done

- The number of deals announced (combined corporate and PE) grew YOY in every sector.
- Sequentially, all sectors declined in volume except software, which saw an 8% increase to 282 deals in 2Q11 from 260 deals in 1Q11.

Cross-border deals

- At 311 deals, CB volume was 40% of all 2Q11 deals, up from 34% in 1Q11 and all of 2010 and 31% in 2009.
- Total value of CB deals was $24 billion, or 46% of all aggregate value in the quarter, compared with 40% in 1Q11, 41% for all of 2010 and 25% for 2009.
- The average value of CB deals increased faster than that of all deals for the second consecutive quarter. It grew 49% YOY to $229 million in 2Q11 from $154 million in 2Q10, while the average value of all deals (CB+IB) grew 39% YOY.

Second quarter M&A focused on strategic growth

After making a strong start in the first quarter, second quarter 2011 global technology M&A deal-making kicked up to a level not seen since 2007. It was a quarter dominated by big-ticket deals done by established companies placing key bets on future strategic growth, reflecting trends we've seen developing for several quarters. Cloud computing, smart mobility, sector consolidation, the smart grid, solar energy, and internet and mobile video were the trends behind 2Q11's 10 $1 billion-plus transactions. Those and more — especially security, social networking, business analytics and HIT — sparked hundreds of smaller deals.

"The high aggregate and average values of global technology industry M&A transactions in the second quarter are a testament to the power of the disruptive technology innovations occurring today and the high levels of confidence in the future that's held by many technology executives."

Joe Steger
Global Technology
Transactions Advisory Services Leader

Deal values soar
Aggregate disclosed values of global technology M&A transactions in 2Q11 soared 92% sequentially and 69% YOY to $52.1 billion (Figure 3, page 7). That's the highest quarterly aggregate value since 2007, before the beginning of the global downturn. As a result of the big-ticket deals, the average value per deal also increased 92% sequentially (and 39% YOY) to $194 million — the highest level since 1Q 2000. That was an historic quarter: in 1Q00, the NASDAQ Composite Index peaked at an intraday high of 5132.52 just before the dot-com bubble burst. In the same quarter, global technology M&A volume rose above 1,400 deals for the only time and average value rocketed to $380.7 million — and has not risen above $190 million again until now.[1]

Deal volume ticks down
Deal volume, however, fell sequentially by 2% (17 deals), to 777 deals from 794 in 1Q11, breaking a string of eight consecutive quarters without a volume decline dating back to 1Q09. YOY, deal volume grew 24% in 2Q11 from 628 deals in 2Q10. Of note, we've observed a pattern since 1Q10 in which consecutive quarters alternate between double-digit growth and being flat. This pattern matches the quarterly ups and downs of the NASDAQ Composite Index, with just one exception. The exception is 4Q10, in which the NASDAQ climbed 12% but deal volume was flat (technically, up 2 deals from 700 to 702).

PE aggregate value hits four-year high
We noted in our 1Q11 report that PE deal-makers had a slower start to the year from a value perspective than corporate buyers, but we suspected it might simply be a matter of timing given the strategic alignment with major trends seen in the quarter's PE deals. We were prescient: PE aggregate value was slightly more than $8 billion in 2Q11, its highest level since 2007. That figure represents 323% sequential growth over $1.9 billion in 1Q11 and 61% YOY growth over slightly less than $5 billion in 2Q10. PE average value also grew significantly, 219% sequentially and 21% YOY, but even at $335 million in 2Q11 falls short of previous PE records for that metric.

Cross-border deal volume and value grows faster than in-border
We watched CB deals trend upward in volume and value throughout 2010, then pause in 1Q11 at roughly the same averages as 2010 (34% of all deals and 40% of aggregate value). But in 2Q11, CB deals once again grew faster than IB in both metrics. CB deal volume was 40% of all deals (311 deals) and 46% of aggregate value ($24 billion). CB deal volume in 2Q11 was 16% higher sequentially, compared with an 11% decline in IB deals, and 32% higher YOY, compared with a 19% increase for IB.

The increasingly global nature of the world's economies certainly is a factor in the rise of CB deal-making; we continue to note several companies pursuing international expansion via M&A. For example, in past reports we've cited Groupon, Inc., the deal-a-day social e-commerce company, for just such an approach. The company continued in 2Q11 with two more deals, one that expands its operations in Australia and a second that allows it to enter the Indonesian market.

Does cash hoard play a role in CB deal growth?

Another factor may be at work to increase the attractiveness of CB deals over IB, particularly for US companies — which often dominate CB deal-making. In 2Q11, for example, US companies did 34% of deal volume and bought 56% of the aggregate value that crossed borders. The top 10 technology companies — 7 of which are based in the US — have aggregate cash and investments of $321 billion, much of which is "held" outside the US due to the high tax cost of repatriating it.[2]

Thus, under current US regulations, it is logical that US-based technology companies with overseas cash reserves can obtain more value per dollar buying non-US companies than can be had by repatriating that cash to the US.

Big trends drive big-ticket deals

The biggest story for 2Q11 M&A is how trends that have been developing for several quarters yielded multibillion-dollar deals. Established companies made key consolidation plays and placed bets on cloud computing, smart mobile software, the smart grid and solar energy. And the biggest deal of the quarter was for internet and mobile video technology.

Online video motivates largest deal of 2Q11

We noticed in 1Q11 that the internet and mobile video trend, which has been developing for some time, drove dozens of deals in many sectors, ranging from semiconductors to internet. However, the aggregate dollar value of that 1Q11 activity ($314 million) is just one-twenty-seventh the size of Microsoft's pending deal to buy Skype, a global leader in voice and video communications over the internet and mobile devices. Of note, at $8.6 billion the Microsoft-Skype deal is the largest global technology transaction since HP bought Electronic Data Systems Corporation in May 2008 for $12.6 billion. The deal is Microsoft's largest acquisition ever and the 20th-largest technology transaction of all time.[3]

Across-the-board video integration

The long-term strategic growth opportunity inherent in video technology may well be commensurate with the deal size. The use of internet and mobile video has begun to soar for entertainment, business conferencing and personal video calling, which are the trends that drove the burst of video-related M&A cited last quarter. Given the range of uses, it's not surprising that Microsoft has stated its intention to integrate Skype's capabilities throughout its product line, including Xbox video game hardware, Office software, Windows Phone and Lync.[4, 5] After the deal announcement, Facebook (in which Microsoft has a small equity investment) announced that it would integrate Skype into its social network as a video chatting feature.[6]

We also saw multiple smaller video technology deals in several sectors in the second quarter. These included Polycom, Inc.'s $89 million announced deal to buy HP's videoconferencing business, and Google's acquisition (for an undisclosed amount) of SageTV, whose set-top box software is expected to enhance the GoogleTV offering announced last year.[7] There were also deals to incorporate video technology into internet advertising or marketing platforms.

Software to make mobile networks smarter

Another one of the top 10 transactions that was related to smart mobility was in the communications equipment sector. Ericsson announced a $1.2 billion deal for Telcordia, a maker of software that helps fixed-line and wireless network operators manage network traffic more efficiently. Ericsson is already the world's largest supplier of network equipment to public carriers, which are anticipating ongoing huge data traffic growth as wireless mobile devices proliferate — and Telcordia's software can help them manage that growth through more efficient network utilization.[8]

Figure 1: Global top 10 deals, April-June 2011 (corporate and PE)

Buyer name	Disclosed value ($m)	Announced	Status	Deal type	Multiple of TTM EV/Revenue	Multiple of TTM EV/EBITDA	Premium offered
Microsoft Corporation to acquire Skype Technologies SA	$8,554	10 May	Pending	Corporate	10.6x	48.9x	N/A
Texas Instruments Incorporated to acquire National Semiconductor Corporation	$6,071	4 April	Pending	Corporate	4.0x	10.9x	74%
Applied Materials, Inc. to acquire Varian Semiconductor Equipment Associates, Inc.	$4,751	4 May	Pending	Corporate	3.9x	13.8x	35%
Toshiba Corporation acquired Landis+Gyr AG from Landis & Gyr Holdings Pty Ltd	$2,289	19 May	Completed**	Corporate	1.5x	N/A	N/A
CenturyLink, Inc. acquired SAVVIS, Inc.	$2,278	27 April	Completed*	Corporate	3.0x	12.8x	15%
Golden Gate Capital and Infor Global Solutions acquired Lawson Software, Inc.	$1,841	1 May	Completed*	PE	2.4x	13.2x	12%
Providence Equity Partners LLC acquired SRA International, Inc.	$1,826	1 April	Completed*	PE	1.0x	10.4x	11%
Seagate Technology Plc to acquire the hard-disk drive business of Samsung Electronics Co. Ltd.	$1,490	19 April	Pending	Corporate	0.6x	3.4x	N/A
Schneider Electric SA to acquire Telvent GIT SA from Abengoa SA and other shareholders	$1,368	1 June	Pending	Corporate	1.8x	11.5x	24%
Telefon LM Ericsson to acquire Telcordia Technologies, Inc. from Providence Equity Partners LLC and Warburg Pincus LLC	$1,150	14 June	Pending	Corporate	1.6x	N/A	N/A

*Completed July 2011.
**Completed August 2011.

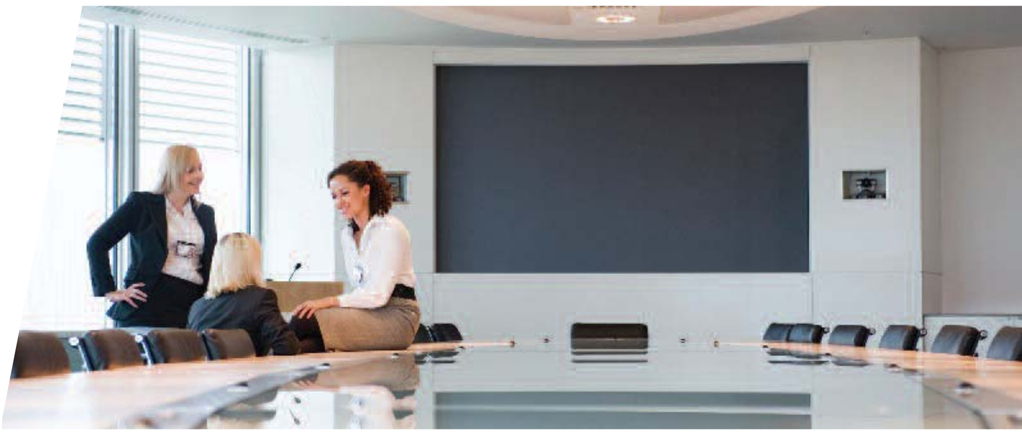
The cloud computing, smart mobility and smart grid trends sparked big-ticket deals in 2Q11, which was only the second time since we began producing this report in 2008 that all top 10 quarterly deals broke above the $1 billion mark. In fact, at $31.6 billion, the sum of top 10 deal value was 61% of all 2Q11 aggregate value, reversing a trend we saw last year in which the top 10 was a decreasing portion of aggregate value.

Microsoft's planned Skype acquisition is expected to result in the integration of voice and video communications in multiple Microsoft products, including its mobile software platform. Also in smart mobility, Ericsson's pending Telcordia acquisition brings software to help fixed and mobile network operators manage network traffic more efficiently. CenturyLink's SAVVIS deal continues a trend seen last quarter in which large telecom carriers are buying cloud computing service providers. The acquisitions by Toshiba and Schneider Electric buy them smart power meters and software designed to make electric power grids more efficient, respectively, while the Varian deal advances Applied Materials' solar energy product line. Texas Instruments-National Semiconductor is one of the largest semiconductor consolidation deals ever, bringing together two veteran makers of analog circuits.

Figure 1 definitions:

TTM = trailing 12-months.
Multiple of TTM EV/Revenue is the transaction value multiple representing total transaction value over trailing 12-months of target revenue.
Multiple of TTM EV/EBITDA is the transaction value multiple representing total transaction value over trailing 12-months of target EBITDA (earnings before interest, taxes, depreciation and amortization).
Premium offered represents the percentage difference between the purchase price and the share price value 5-business days prior to announcement of the deal.

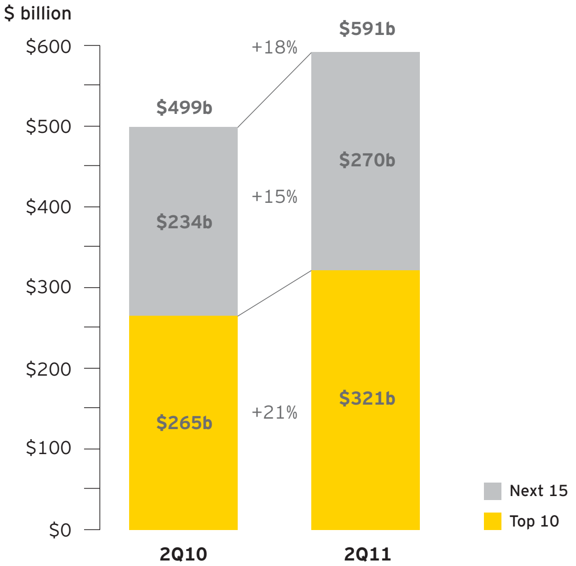
Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011; "Multiple" data accessed via Capital IQ and FactSet Mergerstat, 2 August 2011.



Smart mobility also drives small, strategic deals across multiple sectors
As seen in previous quarters, smart mobility drove deals in many sectors, from communications chips in the semiconductor sector to various mobile applications in the software sector. Research In Motion Limited (RIM) acquired a company that offers management and security solutions for smartphones and continued its campaign seen in 1Q11 to acquire mobile content and services businesses. RIM bought a mobile social games company and another that makes a meeting scheduling software tool. In the internet sector, Google acquired a company whose mobile app enables users to give immediate feedback to local businesses, and another that enables Android or BlackBerry smartphone users to access music libraries from iTunes or Windows Media Player. None of these deals had disclosed values.

Semiconductor sector consolidation
Two other top 10 deals represent $10.8 billion in semiconductor sector consolidation, although they come with different strategic motivations. Texas Instruments (TI) has focused on revenue growth opportunities in its analog chip business as a key factor behind its $6.1 billion planned acquisition of National Semiconductor. TI has a 14% share of analog semiconductor sales and 30,000 individual products, while National Semiconductor has a 3% share and 12,000 products.[9] The companies say their products are largely complementary, as customers

Figure 2: Total cash, short- and long-term investments of the top 25 technology companies



Despite big-ticket deals in 2Q11, growth in the pool of cash and investments of the top 25 global technology companies* continues. The group grew its aggregate cash and investments 9% sequentially to $591 billion from $544 billion in 1Q11, and 18% YOY from $499 billion in 2Q10. Top 25 cash growth has been consistent — that 18% YOY growth in 2Q11 is the same percentage as in 1Q11, and approximately the same as for all of 2010. Because 7 of the top 10 are US-based companies, much of their cash is "held" overseas and cannot be repatriated without a high tax burden — a circumstance that could encourage them to put their cash to use in cross-border M&A.

Cash and investments of the "next 15" grew at a slower rate than the top 10 in 2Q11, representing a return to the pattern we saw every quarter last year. The pattern was interrupted in 1Q11, when the top 10 grew 13% YOY, while the next 15 grew 25%.

*Top 25 companies identified are based on average ranking of market value and sales as of 1 January 2011.

Source: Ernst & Young analysis of Capital IQ data, accessed 25 July 2011.

use them for different purposes, and TI believes that its sales force, which is 10 times larger than National Semiconductor's, can increase sales significantly.[10]

Applied Materials' $4.8 billion deal for Varian Semiconductor Equipment Associates will unite two manufacturers of the gear necessary to fabricate semiconductors and silicon-based solar panels. The deal would fulfill two strategic objectives for Applied: Varian has leading positions in the market for ion-implantation gear, which Applied exited in 2008 due to a lesser market position, and in equipment for making high-efficiency solar energy panels.[11] Adding Varian would enhance Applied's position in solar-panel-making equipment, from which has come much of the company's recent revenue growth.[12]

Energy efficiency drives two top 10 deals

Different approaches to energy efficiency via smart grid technology drove two other top 10 deals: Toshiba's $2.3 billion purchase of Landis+Gyr and Schneider Electric's $1.4 billion deal for Telvent GIT. Telvent makes software designed to collect and present information so that power grid operators can manage their networks more efficiently. Landis+Gyr makes smart power meters that, similarly, provide power companies with information that enables them to adjust supplies and run more efficiently.

Figure 3: Global technology transactions scorecard, 2Q11

Deals announced	2Q10	2Q 3Q 4Q 1Q 2Q	2Q11	Sequential % change		YOY % change	
Corporate							
Number of deals announced	577		701	-3%	▼	21%	▲
Number of deals with disclosed values	202		245	-2%	▼	21%	▲
Total value of deals with disclosed values ($m)	$25,797		$44,039	75%	▲	71%	▲
Average value of deals with disclosed values ($m)	$128		$180	80%	▲	41%	▲
PE							
Number of deals announced	51		76	4%	▲	49%	▲
Number of deals with disclosed values	18		24	33%	▲	33%	▲
Total value of deals with disclosed values ($m)	$4,978		$8,029	323%	▲	61%	▲
Average value of deals with disclosed values ($m)	$277		$335	219%	▲	21%	▲
Corporate and PE							
Number of deals announced	628		777	-2%	▼	24%	▲
Number of deals with disclosed values	220		269	0%	–	22%	▲
Total value of deals with disclosed values ($m)	$30,775		$52,068	92%	▲	69%	▲
Average value of deals with disclosed values ($m)	$140		$194	92%	▲	39%	▲

Aggregate and average values (corporate and PE) both soared in 2Q11, sequentially and YOY. At $52.1 billion, aggregate quarterly value hit the highest level since 2007, before the global recession, as both corporate and PE values hit respective highs. However, average value is the bigger story: you have to go back more than 11 years to the first quarter of 2000 to find a higher average value than the $194 million posted in 2Q11.

Yet overall deal volume declined 2% sequentially to 777 — the first decline since 1Q09. This continues a pattern we've observed since 1Q10 of quarters alternating between flat and double-digit volume growth, although this is the first time we've seen a sequential decline in two years.

Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

However, Landis+Gyr's products fit into a broader, cloud-based "smart communities" vision that Toshiba has described and even struck an alliance with HP to deliver. It's a vision in which the cloud becomes a forum for integrating information from multiple "social infrastructure" systems that today operate separate, independent information systems, including utilities, water supply, transportation, telecommunications, medicine and public services.[13]

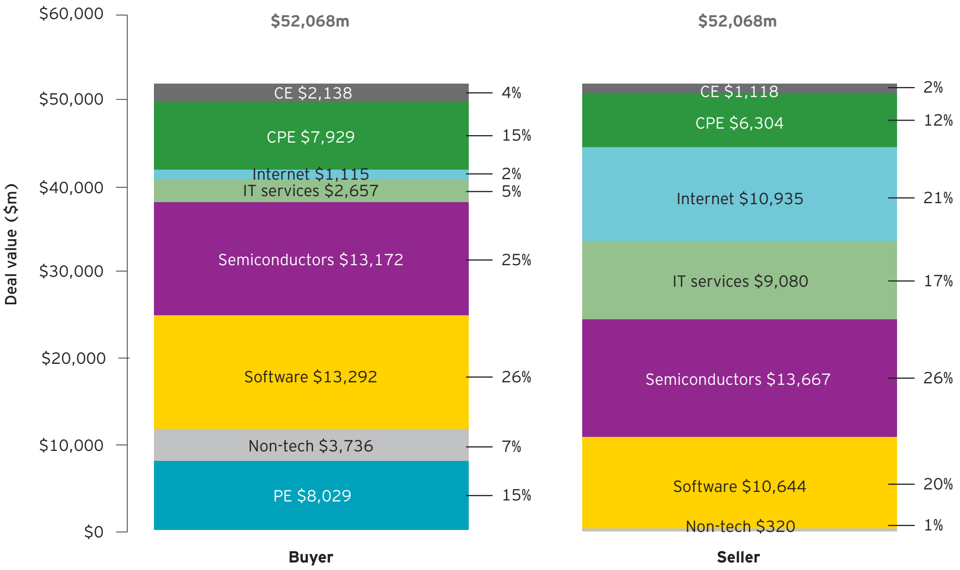
Telecom services get even more "cloudy"

Cloud computing continues to drive deals in all technology industry sectors – and beyond. In 2Q11, CenturyLink, the third-largest telecommunications services provider in the US, acquired enterprise cloud data center company SAVVIS for $2.3 billion.[14] This continues two major trends: the IT services sector's consolidation of cloud data centers and the acquisition of such data center operators by telecom services providers. In 1Q11, Verizon Communications Inc. announced a $1.3 billion deal to acquire Terremark Worldwide, Inc., and cable TV operator Time Warner Cable, Inc. announced a $211 million pending acquisition of NaviSite, Inc.

Multiple small, highly targeted cloud deals

Most other cloud-related deals were for specific technologies targeted by acquirers in many sectors. For example, Dell Inc. bought a maker of cloud memory software that enables pooling of the resources of multiple servers into a single virtual machine – a sort of "reverse" virtual hypervisor.[15] Also interesting is Software AG's pending acquisition of Terracotta, Inc., whose open source technology platform is

Figure 4: Global technology transactions value flow by sector, 2Q11



CE = Communications equipment
CPE = Computers, peripherals and electronics

2Q11's big-ticket deals drove some big swings in individual sectors. Pushed by sector consolidation, in 2Q11 the semiconductor sector sold more dollar value than any other sector for the first time in the five years we've been collecting this data. Most of the value was in two big-ticket deals, Applied Materials-Varian Semiconductor and Texas Instruments-National Semiconductor (see Figure 1, page 5).

It's also unusual for the software sector to be a net buyer instead of a net seller. Again, this is due to one big-ticket deal: Microsoft's deal to buy Skype for $8.6 billion.

Of note, three sectors were net buyers: CE, CPE and software. All sectors were net sellers last quarter because of the buying activity of PE firms and non-technology companies. However, non-technology companies slipped back to just 7% of aggregate value bought in 2Q11, roughly half the level of recent quarters, while PE firms remained around their norm for the last two years (roughly 15%).

Note: percentages may not total 100 due to rounding.
Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

expected to form the basis for Software AG's forthcoming cloud versions of its enterprise applications.[16] EMC Corporation's VMware Inc. subsidiary bought a maker of cloud-based software that can add social media functions, including microblogging and discussion forums, to enterprise applications such as Microsoft Outlook and SharePoint.[17] Autonomy Corporation Plc moved to strengthen its presence in cloud data management through the $388 million pending purchase of Iron Mountain Inc.'s digital archiving and eDiscovery operations.

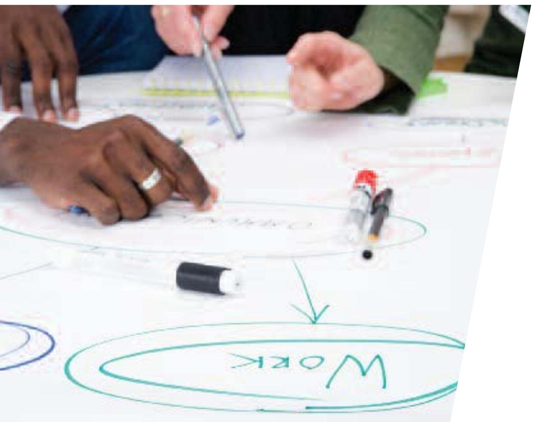
Social media, business analytics seen in internet and software sector deals

Integration of social media and business analytics functions were a key aspect of internet and software sector deals involving advertising and marketing technology platforms. Google did two non-disclosed value deals, buying PostRank, a maker of social media analytics software for advertisers, and Admeld, whose real-time analytics software helps publishers maximize revenue yield from their ad inventory. In the software sector, Oracle Corporation announced a deal to buy FatWire Corporation (for an undisclosed amount). FatWire offers content and other analytics that personalize users' experience of a company's online presence; its capabilities are meant to complement Oracle's customer relationship management (CRM) product and its ATG Web Commerce product (obtained via the $949 million 4Q10 acquisition of Art Technology Group, Inc.).[18]

Online games also drive internet transactions

Online games continued to be a major focus of internet sector transactions in 2Q11. The largest games deals were the acquisition of German gaming portal Bigpoint GmbH for $352 million by two PE firms, Summit Partners LP and TA Associates Inc., and Changyou.com Ltd.'s $101 million acquisition of Shenzhen 7Road Technology Co Ltd., creator of DDTank, one of the most popular multiplayer web-based shooting games in China.[19]

Social games maker Zynga, Inc. continued its campaign of small deals that appear to be largely talent acquisitions, doing five with non-disclosed values in 2Q11. That approach may change should the company have a successful IPO, for which it filed on 1 July 2011.[20] The ability to use stock shares as M&A "currency" can enable bigger strategic plays, as video game publisher Electronic Arts, Inc. demonstrated shortly after the close of 2Q11 with a $1.3 billion offer for PopCap Games Inc.[21] We also expect to see games-related technology deals increase in coming quarters due to the growing "gamification" trend — the use of game play approaches in non-game situations, especially marketing and advertising, to encourage desired behaviors or to increase usage of applications. A recent notable example is the awarding of points in location-based social networks to users who share their experiences.

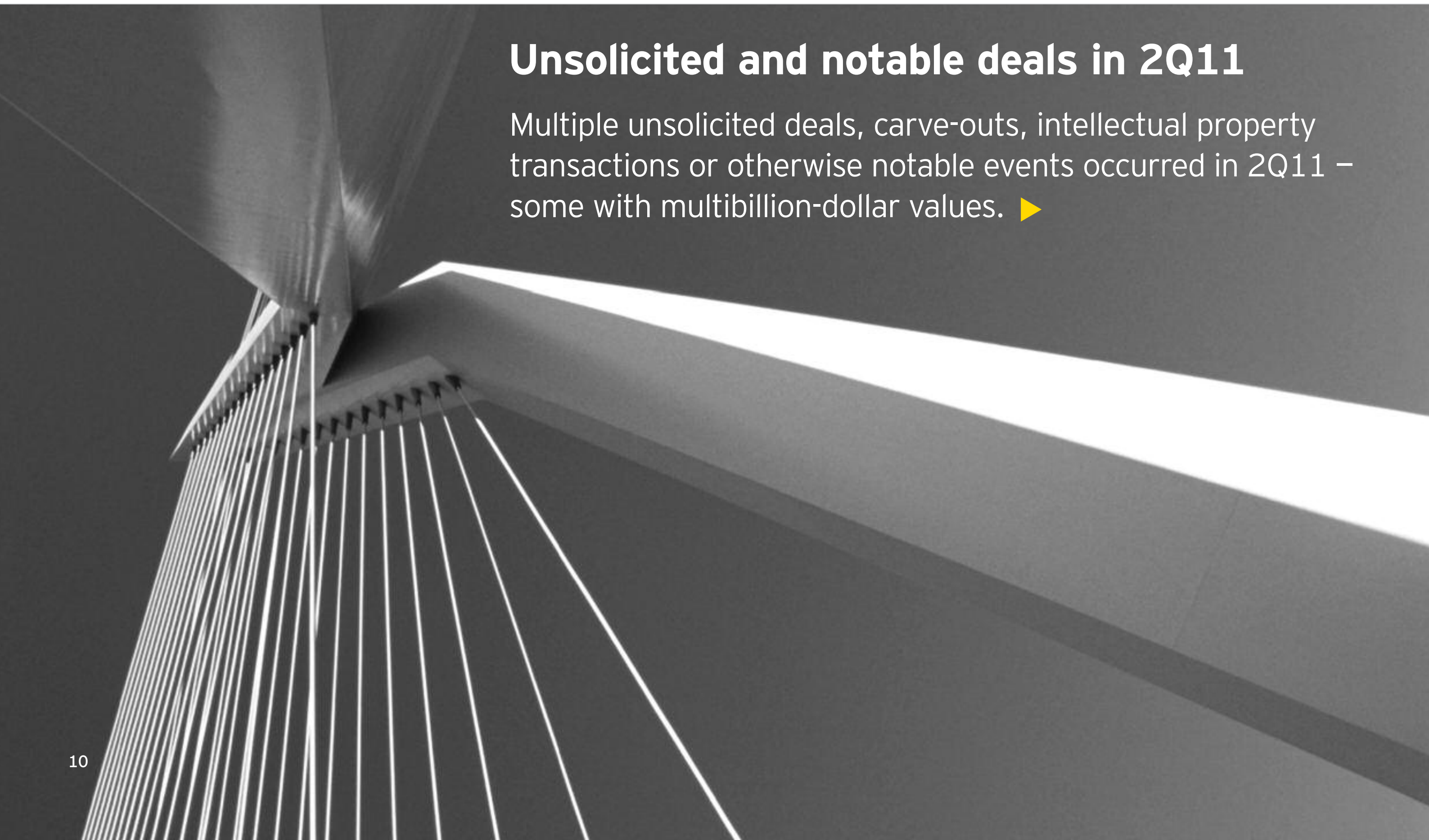


Security and smart mobility drive semiconductor sector M&A

The largest dollar-value deal of 2010 was Intel's $7.3 billion 3Q10 acquisition of McAfee — a deal that envisions embedding key information security algorithms into microchips, particularly for mobile devices.[22] That deal may well be influencing 2Q11 deal-making in the semiconductor sector. At least two deals involved on-chip security technologies: Rambus, Inc.'s pending $288 acquisition of Cryptography Research Inc. and Broadcom Corporation's completed $42 million deal for SC Square Ltd. In addition, the sector's top six largest dollar-value deals (after the two top 10 deals) all touched on mobility, beginning with NVIDIA Corporation's pending $364 million purchase of Icera, Inc., a maker of baseband processors. Together, the six deals totaled $1.8 billion in disclosed value (including the $288 million Rambus deal).

Health care IT deals seen in IT services and software sectors

Most of the approximately four dozen HIT transactions in 2Q11 were in the software and IT services sectors. Many of these deals related to monitoring, management, record-keeping and analytics — part of a larger trend we expect to grow as companies look to not only drive out inefficiencies, but also to make sense of the ever-increasing mass of data that is generated by business systems, mobile applications, social networking platforms and smart metering systems. Most of these factors affect health care information systems. Mobility, digital imaging and collaboration were also technologies involved in HIT transactions. Ten of the HIT deals in both sectors had disclosed values, aggregating to slightly less than $500 million.



Unsolicited and notable deals in 2Q11

Multiple unsolicited deals, carve-outs, intellectual property transactions or otherwise notable events occurred in 2Q11 — some with multibillion-dollar values.

PE firms make large software and IT services acquisitions

PE firms were behind several of the largest dollar-value software and IT services sector deals. Enterprise-level software and services companies were the primary targets. Golden Gate Capital partnered with Infor Global Solutions, a provider of enterprise resource planning (ERP) software, in the $1.8 billion acquisition of rival software company Lawson Software Inc. Also in the software sector, Apax Partners LLP announced plans to spend $1.7 billion buying two makers of distribution, service and retail industry software and merge them into one company. Apax plans to buy Activant Solutions Inc. ($890 million) and Epicor Software Corporation ($802 million); the combined company will use the Epicor name.

In the IT services sector, Providence Equity Partners Inc. completed a $1.8 billion deal for defense contractor SRA International Inc., part of an ongoing trend of acquisition and divestiture in government contracting — an industry facing shrinking budgets and changing priorities.[23]

What's next for global technology M&A?

In 2Q11, global technology M&A overcame unrest in the Middle East, debt crises in Europe, the debt limit debate in the US, and the aftereffects of the devastating earthquake and tsunami in Japan to post its highest deal-making aggregate value since 2007. In our 1Q11 report, we anticipated ongoing robust M&A growth, because technology companies continue to deliver new waves of innovation around smart mobility, cloud computing and social networking, and continue to influence innovation throughout the global economy. Transforming that innovation into economically actionable products and services often requires significant M&A activity.

However, global economic uncertainty increased during 2Q11 as noted above, potentially leading to short-term volatility that makes predicting the next couple of quarters especially difficult. We won't be surprised to see volume and values moderate in the coming quarter. Still, in the long run the disruptive technology megatrends described in the previous paragraph are certain to drive increasing strategic deal-making among global technology companies.

Consortium buys largest-ever patent portfolio from Nortel for $4.5 billion

As 2Q11 came to a close on 30 June, a consortium of six companies outbid Google to buy Nortel Networks Inc.'s portfolio of 6,000 patents and patent applications, many of which pertain to smart mobile technologies.[24] The companies involved in the winning consortium were Apple Inc., EMC, Ericsson, Microsoft, RIM and Sony Corporation.

Taiwan Government rejects $1.6 billion buyout

Kohlberg Kravis Roberts & Company LP and the founder of Taiwanese electronics company Yageo Corporation canceled their planned $1.6 billion buyout of Yageo after the deal was rejected by Taiwan's financial regulator. The government agency cited concerns over the debt the parties were taking on to complete the deal, but it may also reflect Taiwan's caution in allowing foreign investment in local companies.[25]

Yahoo carves out Hadoop business analytics unit

Yahoo! Inc. announced in June that it would carve out a group of 25 to 30 software engineers working on its Hadoop business analytics software into an independent software company named Hortonworks (after a Dr. Seuss character). Venture capital firm Benchmark Capital will take an equity stake in Hortonworks, and Yahoo will continue to own a small stake.[26] Financial terms of the deal have not been disclosed.

Hadoop is open-source business analytics software that Yahoo has been developing since 2005. Various internet companies use Hadoop to analyze large amounts of data, including Yahoo, Facebook, eBay and Visa, Inc., which uses it to detect fraud.[27] As "big data" analytics continues to rise, so does the market opportunity for Hadoop.

Internet fiber backhaul providers merge in $1.9 billion deal

Level 3 Communications Inc. announced in April that it would buy rival Global Crossing Ltd. for $1.9 billion.[28]

Both companies are fiber-optic network operators that survived the dot-com bust in 2000 that destroyed many so-called backhaul network providers. Their networks are crucial to supporting internet growth, but they lost pricing power in the face of a fiber glut. It has been estimated that fiber-optic networks were so overbuilt in 2000 that only 3% of the capacity was in use and that even today, utilization has not yet hit 50%.[29] The Level 3/Global Crossing deal is not reflected in the report's data because our methodology does not include transactions among telecommunications services providers.

Delivering on the promise of strategic acquisitions

"Strategic growth acquisitions require a clear vision, well-articulated and communicated to all stakeholders and employees, as well as a plan to deliver incremental value and the flexibility to listen and adjust to the market as necessary."

Erika Schraner
Americas Technology Transaction Services Leader, Ernst & Young

Integration has never been more challenging than it is today, as powerful megatrends including cloud computing, smart mobility and social networking are launching a new era of hyper-innovation. Organic growth isn't always fast enough for large technology companies to maintain their competitive edge, so they are using current capital for strategic acquisitions that position them for future growth. In 2Q11, such deals ranged from picking up key talent by buying a two-person company to 10 multibillion dollar deals.

Extraordinary discipline and a dual focus – with one eye on strategy and the other on operational execution – is required for the resulting transaction integration journey to deliver true incremental growth in shareholder value.

For example, from an operational perspective, companies must be prepared to address the impact on both organizations efficiently, capitalizing on synergies quickly. This means developing at a detailed level the operational blueprint that maps the "as is" to the "to be" operational model, capturing the difference in business models between the buyer and the target and identifying how the gaps will be addressed. While this is an onerous exercise, if done well, it will prevent unpleasant surprises down the road. Furthermore, immediate cost containment or opportunistic cost-cutting and operational improvements can be recognized and implemented rapidly through this process.

From a strategy perspective, companies must have clear objectives, deep understanding of both businesses and cultures and inherent flexibility – capable of addressing issues as they arise and making midcourse adjustments as necessary. For example, earn-out milestones defined as part of the initial transaction negotiation with many private company acquisitions sometimes conflict with the organization's subsequent strategic goals. How such conflicts are recognized and managed can be critical to a deal's ultimate success. Moreover, success in a strategic purchase requires the buyer to quickly identify key talent and intellectual property assets and take immediate and aggressive steps to protect and retain them.

Finally, growth transactions are not for the faint of heart. They are high-risk, high-reward propositions that require a clear vision, engaged leadership and frequent communication of expectations.

Figure 5: Technology industry deal-making integration issues arising from 2Q11 deal analysis

2Q11 deal-making situation	Major integration impact
1. **Technology trend-driven deals:** these include a broad spectrum of big-ticket as well as smaller deals designed to facilitate the technology trends we've watched develop over the past several quarters	Uncertainty is the biggest concern – about evolving standards, regulatory requirements and overall integration (sales force, product/services, marketing, human resources, IT, etc.). Also, complex integration of SaaS offerings (including back-office process, tax compliance and security risk management issues) must be considered. Finally, some of these are huge deals – with billions of dollars at stake – which places enormous pressure on value creation expectations.
2. **Globalization:** CB deals increase	CB deal integration requires special attention to culture, regulatory, security, tax and communication issues. An up-front understanding of the issues is vital. Clear and frequent communication is critical.
3. **China on the rise:** emerging market deal-making on the rise	Doing deals with China is complex and can pose special integration challenges due to cultural, business and political differences. Advance planning and gaining financial and operational control quickly in the post-deal environment are critical.
4. **Consolidation:** semiconductor consolidation continues	The need for cost containment and the merging of duplicate processes and systems, plus identifying and planning to leverage synergy (such as integrating sales channels in order to sell complementary products to improve market position and increase enterprise value).
5. **Strategic acquisitions:** companies positioning for future growth	Acquiring companies for their strategic value requires special attention to the retention of key talent and preservation of winning cultures and intellectual property. Safeguarding and creating incremental value for shareholders by maintaining or improving performance post-deal will require setting earn-out/milestone achievements at the outset of the integration process – but rapidly changing markets also require built-in flexibility.

Source: Ernst & Young analysis.

Look ahead

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

- Sequential average deal values spiked in 2Q11 after falling through 1Q11 from a mid-2010 peak. Will average deal value continue upward or, have we seen a near-term peak?
- CB deal-making grew faster than IB in 2010, and climbed again in 2Q11. Will CB deal growth continue to outpace IB deals in volume and value?
- US corporate deal-makers did 29% of their deals across borders in 2Q11 compared with 50% for the rest of the world. Will US companies increase CB deal-making in an attempt to realize more value from cash "held" overseas? And if not, how will increasing cash influence their capital agenda?
- "Big data" analytics is a rising trend as businesses attempt to make sense of the growing volume of data created by the daily interaction between businesses and customers via fixed-line and wireless networks. Will this drive growth in business analytics M&A?
- Will the emerging "gamification" trend drive future M&A between gaming companies and other technology companies or industries?
- A dramatic rise beginning last year in internet and mobile video usage by consumers and businesses has driven companies across all sectors into transactions involving video technologies. Will that trend continue upward?
- Will deals involving renewable energy and energy efficiency technologies continue to increase in volume and value?
- 2Q11 had the highest PE aggregate value since 2007 — will pent-up deal-making left over from the global recession, combined with favorable credit markets, drive further PE growth? Or will debt markets begin to tighten?
- 2011 is shaping up as a transition year to 4G technologies for much higher-speed mobile networks. When will higher speeds translate into applications that take advantage of those speeds, and will that drive mobile M&A even higher in 2011?
- Non-technology company participation in global technology M&A doubled from historical levels to roughly 15% of disclosed value for the last five quarters and then fell to about 7% in 2Q11. Is this trend pausing or reversing?
- Will semiconductor consolidation continue? Will we see continual consolidation in other sectors?

"Although macroeconomic volatility makes it hard to predict whether M&A transactions will continue to grow or take a pause in the short-term, the multiple disruptive technology megatrends occurring now make long-term transaction growth a relatively safe bet."

Joe Steger
Global Technology
Transactions Advisory Services Leader

Figure 6: Global technology corporate and PE transactions scorecard by sector, 2Q11

	Number of deals							Average value ($m)						
	2Q10	2Q 3Q 4Q 1Q 2Q	2Q11	Sequential % change		YoY % change		2Q10	2Q 3Q 4Q 1Q 2Q	2Q11	Sequential % change		YoY % change	
Corporate deals by sector (based on buyer sector)														
CE	32		44	-19%	▼	38%	▲	$107		$139	266%	▲	30%	▲
CPE	52		94	6%	▲	81%	▲	$110		$139	1%	▲	26%	▲
Internet	90		111	-12%	▼	23%	▲	$50		$79	-49%	▼	58%	▲
IT services	132		167	-2%	▼	27%	▲	$149		$99	18%	▲	-34%	▼
Semiconductors	37		44	-15%	▼	19%	▲	$79		$439	141%	▲	456%	▲
Software	234		241	5%	▲	3%	▲	$165		$196	284%	▲	19%	▲
Total	577		701	-3%	▼	21%	▲	$128		$180	80%	▲	41%	▲
PE deals by sector (based on seller sector)														
CE	3		4	-56%	▼	33%	▲	$40		$0	-100%	▼	-100%	▼
CPE	3		1	-83%	▼	-67%	▼	$57		$0	N/A	-	-100%	▼
Internet	6		10	0%	-	67%	▲	$157		$153	248%	▲	-3%	▼
IT services	11		16	0%	-	45%	▲	$246		$514	691%	▲	109%	▲
Semiconductors	6		4	300%	▲	-33%	▼	$95		$400	103%	▲	321%	▲
Software	22		41	32%	▲	86%	▲	$476		$354	234%	▲	-26%	▼
Total	51		76	4%	▲	49%	▲	$277		$335	219%	▲	21%	▲
Total deals by sector														
CE	35		48	-24%	▼	37%	▲	$103		$139	157%	▲	35%	▲
CPE	55		95	0%	-	73%	▲	$105		$139	1%	▲	32%	▲
Internet	96		121	-11%	▼	26%	▲	$58		$97	-34%	▼	67%	▲
IT services	143		183	-2%	▼	28%	▲	$156		$127	53%	▲	-19%	▼
Semiconductors	43		48	-9%	▼	12%	▲	$80		$437	140%	▲	446%	▲
Software	256		282	8%	▲	10%	▲	$193		$218	289%	▲	13%	▲
Total	628		777	-2%	▼	24%	▲	$140		$194	92%	▲	39%	▲

CE = Communications equipment
CPE = Computers, peripherals and electronics

The sector-by-sector story is primarily about average value, which increased dramatically overall (92% sequentially and 39% YOY), driven by 2Q11's big-ticket deals. Average value also increased in every sector, except where a big-ticket deal in a previous period makes for a tough comparison. For example, the 34% sequential decline (corporate and PE) for the internet sector was due to eBay's $2 billion acquisition of GSI Commerce in 1Q11. The CPE sector was flat sequentially despite several multibillion-dollar deals in this quarter due to the $4.3 billion Western Digital-Hitachi Global Storage deal in 1Q11. And the 19% YOY drop in average value for the IT services sector was the result of two 2Q10 deals that totaled $2.4 billion: Visa's purchase of CyberSource and Cincinnati Bell's purchase of Cyrus Networks.

Meanwhile, Microsoft's $8.6 billion Skype deal caused this quarter's software sector average value to soar, while Texas Instruments-National Semiconductor and Applied Materials-Varian Semiconductor, which together totaled $10.8 billion, had a similar effect on semiconductor sector average value.

In terms of deal volume, only the software sector was able to overcome the overall sequential decline to post an 8% increase in deal volume to 282 deals. YOY growth in deal volume was robust (24%).

Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

Figure 7: Cross-border corporate and PE transaction activity by sector, 2Q11

	Number of deals					Average value ($m)				
	2Q10	2Q 3Q 4Q 1Q 2Q	2Q11	Sequential % change	YoY % change	2Q10	2Q 3Q 4Q 1Q 2Q	2Q11	Sequential % change	YoY % change
Corporate deals by sector (based on buyer sector)										
CE	17		18	-5% ▼	6% ▲	$52		$280	459% ▲	438% ▲
CPE	23		44	5% ▲	91% ▲	$67		$270	23% ▲	303% ▲
Internet	26		36	-5% ▼	38% ▲	$105		$42	-26% ▼	-60% ▼
IT services	45		67	37% ▲	49% ▲	$154		$88	-2% ▼	-43% ▼
Semiconductors	15		20	-9% ▼	33% ▲	$68		$77	4% ▲	13% ▲
Software	94		100	37% ▲	6% ▲	$213		$361	375% ▲	69% ▲
Total	220		285	17% ▲	30% ▲	$143		$231	112% ▲	62% ▲
PE deals by sector (based on seller sector)										
CE	2		2	-33% ▼	0% -	$0		$0	N/A -	N/A -
CPE	1		0	N/A -	-100% ▼	$0		$0	N/A -	N/A -
Internet	2		3	0% -	50% ▲	$187		$320	6,300% ▲	71% ▲
IT services	2		6	0% -	200% ▲	$437		$138	886% ▲	-68% ▼
Semiconductors	3		1	N/A -	-67% ▼	$184		$0	N/A -	-100% ▼
Software	6		14	0% -	133% ▲	$322		$177	97% ▲	-45% ▼
Total	16		26	0% -	63% ▲	$315		$204	285% ▲	-35% ▼
Total deals by sector										
CE	19		20	-9% ▼	5% ▲	$52		$280	551% ▲	438% ▲
CPE	24		44	5% ▲	83% ▲	$67		$270	23% ▲	303% ▲
Internet	28		39	-5% ▼	39% ▲	$114		$134	173% ▲	18% ▲
IT services	47		73	33% ▲	55% ▲	$183		$90	6% ▲	-51% ▼
Semiconductors	18		21	-5% ▼	17% ▲	$77		$77	4% ▲	0% -
Software	100		114	31% ▲	14% ▲	$219		$331	324% ▲	51% ▲
Total	236		311	16% ▲	32% ▲	$154		$229	120% ▲	49% ▲

CE = Communications equipment
CPE = Computers, peripherals and electronics

If global technology M&A is an accurate indicator, there is little doubt about the increasing internationalization of the technology industry. The volume of corporate and PE CB deals has increased from 31% of all deals (IB and CB) in 2009 to 34% in 2010 and 37% year-to-date in 2011. The 2Q11 deal volume number above (311 CB deals) was 40% of all 2Q11 deals (777).

In addition, CB deals appear to be enjoying a premium. The average value of CB deals is increasing faster than all deals (Figure 3, page 7): up 120% sequentially, compared with 92% for all deals and up 49% YOY, compared with 39% for all deals.

Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

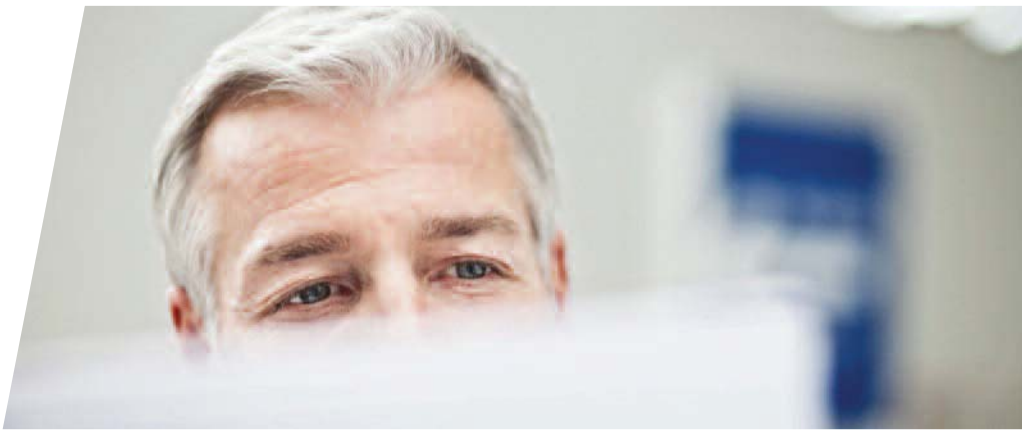


Figure 8: Global corporate and PE deals by acquiring country: cross-border and in-border, 2Q11

Corporate deals					
Top 10 countries	*2Q10 deals*	*2Q11 deals*	*% total deals*	*No. IB deals*	*No. CB deals*
United States	272	318	45%	226	92
China/Hong Kong	33	55	8%	36	19
United Kingdom	40	42	6%	19	23
Germany	19	40	6%	19	21
France	22	35	5%	22	13
Canada	21	30	4%	5	25
Japan	22	26	4%	15	11
Sweden	7	17	2%	9	8
India	19	16	2%	8	8
Taiwan	11	10	1%	7	3
Other	111	112	16%	50	62
Total	**577**	**701**	**100%**	**416**	**285**

PE deals					
Top 10 countries	*2Q10 deals*	*2Q11 deals*	*% total deals*	*No. IB deals*	*No. CB deals*
United States	26	42	55%	27	15
France	3	9	12%	7	2
United Kingdom	6	7	9%	1	6
Spain	0	3	4%	2	1
Brazil	0	2	3%	2	0
Denmark	0	2	3%	2	0
Norway	3	2	3%	2	0
Sweden	2	1	1%	1	0
Germany	1	1	1%	1	0
Other	10	7*	9%	5	2
Total	**51**	**76**	**100%**	**50**	**26**

For the second consecutive quarter, both corporate and PE buyers increased their CB deal activity YOY in 2Q11 as a percentage of their overall deal-making. CB deals were 40% of all deals for corporate buyers in 2Q11, compared with 38% in 2Q10. For PE buyers, CB deals were 34% of all deals in 2Q11, compared with 31% in 2Q10.

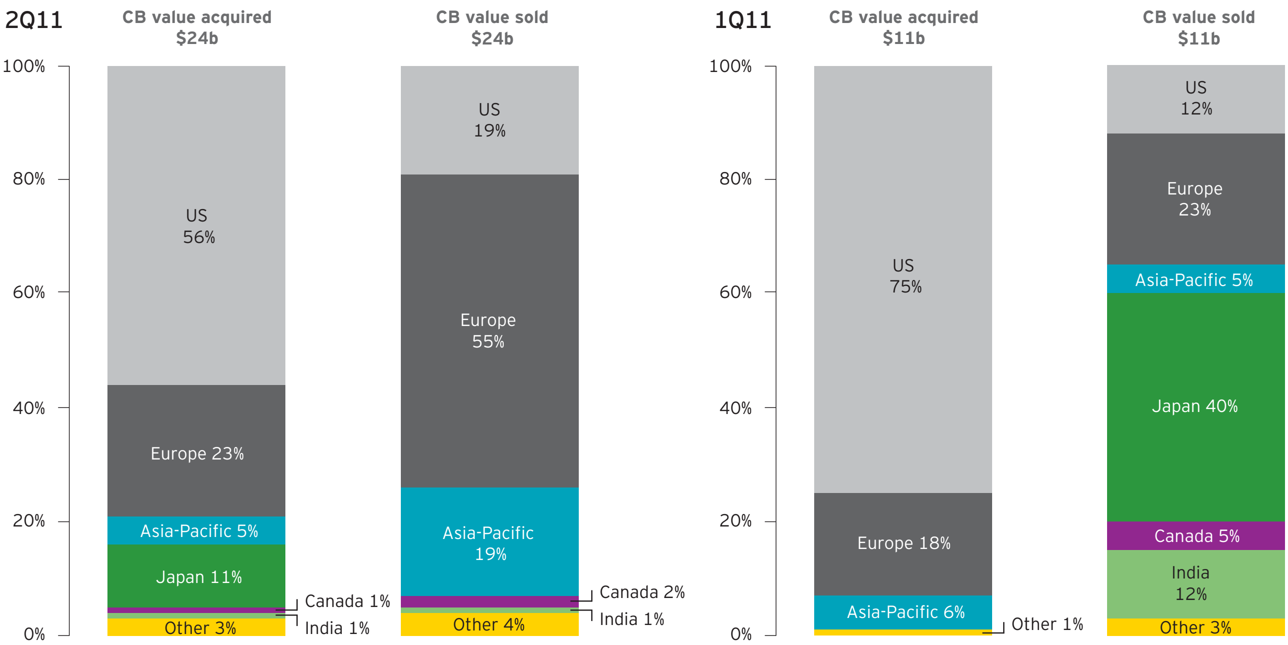
Despite the fact that the US is the dominant country buyer, with 45% of all transactions and 32% of CB transactions, the big country story continues to be China's rapid ascent. The 55 deals listed above, with 35% (19 deals) being CB, brings China's total number of deals so far in 2011 to 104 — compared with full-year totals of 132 deals in 2010 and 86 in 2009. China displaced the UK as the No. 2 corporate buyer in 4Q10 and has remained in that spot since.

On the PE side, France's nine deals are the most we've seen from that country in a single quarter. While the UK had two fewer deals than France in 2Q11, it still had more CB deals — six versus two for France. The US continues to dominate the PE list, with 58% of all PE CB deals (15 deals).

*Countries with one PE deal: Bahrain, Canada, China/HK, Poland, Russia, South Africa and Switzerland.

Note: percentages may not total 100 due to rounding.
Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

Figure 9: Cross-border deal value flow for technology deals (disclosed value), 2Q11 versus 1Q11



Despite speculation that the devastating earthquake and tsunami in March 2011 would diminish Japanese deal-making, Japan joined the US as a net buyer by a wide margin in 2Q11. Japanese companies purchased $2.6 billion in CB deal value and sold just $6 million; US companies purchased $13.4 billion and sold $4.6 billion. All other regions were net sellers in 2Q11.

Europe was the biggest net seller for the second consecutive quarter, selling $13.2 billion of CB deal value and acquiring $5.6 billion. The Microsoft-Skype deal accounted for 65% of the European value sold and 64% of the US value purchased. Intra-European CB deals amounted to roughly $2 billion — far higher than the $693 million intra-European CB deal value in 1Q11.

CB aggregate value continues to grow as a percentage of all value. The $24 billion in 2Q11 value that crossed borders represented 46% of all aggregate value for the quarter, up from 40% in 1Q11, 41% for all of 2010 and 25% in 2009.

- Aggregate CB deal value grew faster sequentially (118%) than IB deal value (75%)
- 77% of the value acquired by US companies was in Europe ($10.3 billion); 83% of that figure came in the one Microsoft-Skype deal
- Toshiba announced two deals accounting for all $2.6 billion of Japan's CB purchases: of Australia's Landis+Gyr ($2.3 billion, deal completed in August) and US-based Vital Images, Inc. ($264 million)
- Seagate Technology's $1.5 billion acquisition of Samsung's hard drive business accounted for 33% of the CB value sold by Asia-Pacific
- Two European CB acquisitions were greater than $1 billion: Schneider Electric-Telvent (France/Spain) and Ericsson/Telecordia (Sweden/US)
- In Asia-Pacific, China accounted for 70% ($912 million) in CB value acquired, followed by South Korea at 18%; the average value of Asia-Pacific deals increased from $28 million in 1Q11 to $54 million in 2Q11

Source: Ernst & Young analysis of FactSet Mergerstat data, accessed 6 July 2011.

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

CenturyLink/SAVVIS

"CenturyLink and Savvis Complete Merger; Creates a Premier Managed Hosting and Colocation Provider with Global Scale," PR Newswire, 15 July 2011, via Dow Jones Factiva, © 2011 PR Newswire Association LLC.

Golden Gate Capital and Infor Global Solutions/Lawson

"Infor and Golden Gate Capital Complete Acquisition of Lawson Software," *Computer Weekly News,* 21 July 2011, via Dow Jones Factiva, © 2011 *Computer Weekly News* via VerticalNews.com.

Providence Equity/SRA International

"Providence Equity Partners Completes Acquisition of SRA International," Business Wire, 20 July 2011, via Dow Jones Factiva, © 2011 Business Wire.

Toshiba/Landis+Gyr

"Toshiba Completes Acquisition of Landis+Gyr," ENP Newswire, 1 August 2011, via Dow Jones Factiva, © 2011 Electronic News Publishing.

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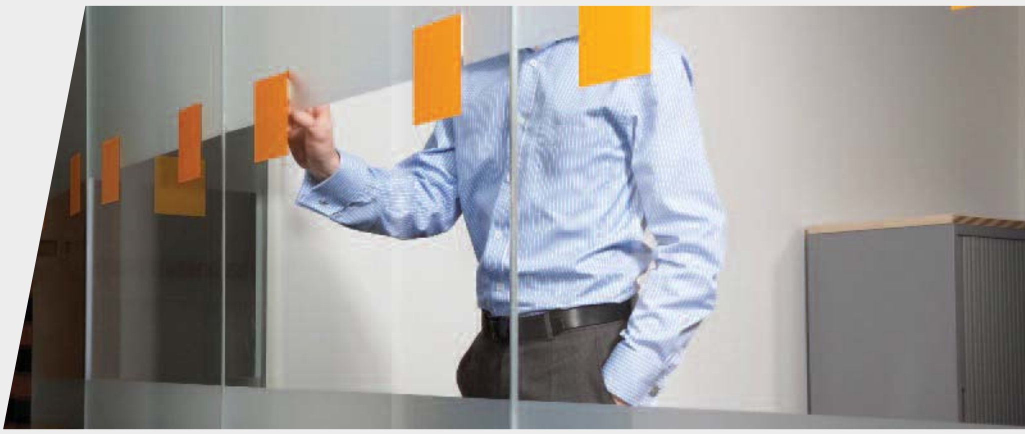
Methodology

- *Global Technology M&A update: April–June 2011* is based on Ernst & Young's analysis of FactSet Mergerstat data for 2010 and 2011. 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.
- 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 30 June 2011, unless otherwise noted.
- All dollar amounts are in US dollars unless otherwise indicated.
- Top 25 companies identified are based on average ranking of market value and sales as of 1 January 2011 (see Figure 2, page 6).
- 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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