Global technology M&A

Will record-setting technology M&A ever slow? Not soon, by our forecast, especially since 1Q15 set new post-dotcom-bubble records for quarterly value and volume. Technology-enabled digital transformations disrupting multiple industries is the primary force that drove the quarter’s strategic dealmaking, by corporate technology and non-technology buyers alike.

One result: further blurring of boundaries between tech and other industries. The quarter also featured a return of big-ticket corporate deals but a decline in private equity (PE) activity. In all, there were 15 deals above $1 billion.

Highlights

- 1Q15 aggregate value of disclosed-value deals hit $77.1 billion, higher than any quarter since 2000. That’s up 16% year-over-year (YOY) and 72% sequentially.
- Quarterly deal volume climbed to 981 deals in 1Q15. That’s up 29% YOY, 2% sequentially and a fifth consecutive post-dotcom-bubble quarterly record.
- The internet of things (IoT) and health care IT (HIT) were the biggest deal-value drivers of 1Q15, followed by cybersecurity, financial and payment technologies, smart mobility and the cloud. IoT accelerates cross-industry technology blur by adding network-enabled digital sensors to other industries’ everyday products.
- PE volume and value declined, while non-technology buyers increased value, again, after a strong 4Q14.
- Cross-border (CB) aggregate deal value more than doubled YOY and jumped 59% sequentially; it captured a 42% share of total quarterly value.

Note: all dollar amounts are US dollars.
Internet-of-things, security and payment and financial technology values (both average and aggregate) saw big growth in 1Q15.

“The ‘blur’ between tech and non-tech that we see in 1Q15’s record-setting technology M&A will accelerate. The internet of things shows why: it drives the integration of digital sensors, processing, connectivity and security into virtually every industry’s products. And that pushes tech companies to deliver more comprehensive solutions – increasing blur and spurring more M&A.”

Jeff Liu
Global Technology Industry Leader
Transaction Advisory Services
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Corporate buyers returned in force for 1Q15, propelling new post-dotcom-bubble records in M&A volume and value

After taking what turned out to be a one-quarter “breather” during 4Q14, corporate technology buyers returned to big-ticket deals in the first quarter of 2015. What makes this doubly worth comment is that until last year, first quarters typically were weakest for global technology M&A each year. But 1Q14 set a post-dotcom-bubble 1Q record – topped only once, in 1Q 2000 when the $160 billion AOL-Time Warner merger was announced. And now 1Q15 has climbed 16% above 1Q14, with aggregate value of $77.1 billion (the highest-ever post-2000 quarterly total). Meanwhile, PE buyers were mostly on the sidelines in 1Q15. They declined in volume and value both sequentially and YOY. But non-technology buyers more than took up the slack: at $19.5 billion, they more than doubled their 4Q14 total and increased more than six times over 1Q14.

Cross-border dealmaking starts strong in 1Q15

Strategic technologies and growth through geographic expansion launched CB dealmaking to the strongest start we’ve seen yet as we kick off this eighth year of global technology M&A reports. Seven CB deals topped $1 billion – including one above $10 billion. Unexpectedly, given the strength of the US dollar, the US was a net seller (by a wide margin). Europe also was a net seller, but by a difference so small that both buyer and seller values rounded to the same percent. But this was largely due to one $11.8 billion semiconductor consolidation deal with a European buyer and a US seller. In addition, Japanese companies acquired $6.1 billion in CB value, 89% of which came from European targets. In all, the 1Q15 CB aggregate value of $32.2 billion (+106% YOY and 59% sequentially) represented 42% of all-deal aggregate value. That’s slightly above the historical norm but less than 45% in 4Q14.

Outlook | Continued robust dealmaking

We expected a strong start for global technology M&A in 2015 – but not quite this strong. Non-technology buyers were the wild card: they usually start slow and build throughout the year, but they were a major factor in 1Q15. It’s a sign the “blur” we’ve talked about for years is taking off, fueled by IoT and digital transformation and enabled by universal cloud adoption and a growing need to add cybersecurity to a wide range of products and services. We see this setting the stage for another blockbuster year in 2015 for tech M&A. In this context, we again suggest technology executives test their organizations against these questions:

- Are we positioned to offer customers true solutions, or even “answers,” as opposed to just a point offering in the overall technology stack?
- Has disruptive technology placed our organization “in the crosshairs” of some upstart companies, or of activist investors?
- Are we doing all we can to provide comprehensive security in our offerings?
Our first look at 1Q15 global technology M&A

This report gives you a quick first look at first quarter 2015 global technology M&A. Our comprehensive quarterly report — including methodology — will be available shortly.

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