Highlights

With the first half in the record books, 2015 looks likely to challenge 2000 as the biggest blockbuster year ever for global technology M&A. Driving growth are consolidation megadeals (above $10 billion), “blur” between tech and other industries experiencing disruptive tech transformations, increasing demand for cybersecurity and yet another burst of growth from cloud and mobile technology.*

- 2015 aggregate value hit $127.2 billion, higher than any quarter since 2000. That’s up 65% sequentially and 142% year-over-year (YOY). Fifteen deals topped $1 billion, including three above $10 billion.
- Quarterly deal volume inched above 1Q15 – and above 1,000 for the first time since 4Q 2000 – to set a sixth consecutive post-dotcom-bubble record of 1,014 deals.
- Strategic technology deal drivers remained strong (especially security), but it was consolidation that drove transformative megadeals in semiconductors and communications equipment.
- Cross-border (CB) aggregate deal value set a new quarterly record of $43.6 billion, up 257% YOY and 35% sequentially.

Deal drivers

Tech companies large, small and in between sought greater scale and breadth in 2015 to position for a future of ongoing digital disruption and associated explosive growth.

- Big data analytics topped the chart in average deal value on the strength of the largest technology take-private deal so far this year.
- Most of the technologies shown (excluding big data analytics) drove one-third more to double the number of deals in 1H15 compared with 1H14.
- In terms of YTD aggregate value, security, internet of things (IoT), health care IT (HIT) and cloud/SaaS have already surpassed their full-year 2014 values.

Deal size

Despite being squeezed by skyrocketing big-ticket deal values, deals below $1 billion increased in value YOY and compared with the 2014 quarterly average.

- Deals above $1 billion had $103.7 billion in aggregate value, nearly double the 1Q15 total (which nearly tripled the 4Q14 total).
- Mid-size deals (from $100 million to $1 billion) rose 7% YOY to $20.2 billion, and also were 7% above the 2014 quarterly average ($18.8 billion).
- But small deals (below $100 million) fell 11% YOY to $3.3 billion, below the 2014 quarterly average of $3.4 billion.

*All values in this report are of disclosed-value deals only, and all dollar references are in US$ unless otherwise indicated.
Global technology M&A update

Multiple disruptions drive new blockbuster era

2015 is about to replace the dotcom boom as the benchmark for future global technology dealmaking. Here’s why:

- $127.2 billion in disclosed deal value for 2Q 15 alone tops the full-year aggregate value for four of the last eight years.
- $204.3 billion in first-half 2015 aggregate value tops all historical full-year aggregate values except for 2000 and 2014.

With 2015 only half over, key industry trends driving disruptor and disrupted tech companies to increase M&A are still young. Technology disruption continues accelerating, driving new customer behaviors that demand strategic shifts from some tech companies, while placing others in the cross hairs of disruptive start-ups or activist investors. And digital transformations disrupting multiple industries are in their infancy, increasing the already blurry boundaries between technology and other industries.

Consequently, technology and non-tech companies alike are turning to tech M&A to keep up with the accelerating pace of change.

- Three megadeals above $10 billion exemplified consolidation in semiconductors and communications equipment (CE) as those segments adjust to important shifts induced by the cloud and mobile disruptions, including what EY terms “stack to solution.”

- Non-tech buyers acquired the highest-value 2Q 15 corporate deals targeting security, IoT, internet, and advertising and marketing technologies.

- Big data analytics was targeted in the highest-value take-private tech deal of the year so far. We believe this technology is about to join cloud/SaaS and smart mobility as a kind of “background radiation” behind tech M&A.

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**Figure 5: Global top 15 deals, 2015**

We expanded the top 10 deals to 15 in this report in order to accommodate all 15 deals above $1 billion.

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Target</th>
<th>Disclosed value ($m)</th>
<th>Announced</th>
<th>Deal type</th>
<th>Multiple of TTM EV/revenue</th>
<th>Multiple of TTM EV/EBITDA</th>
<th>Premium offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avago Technologies Ltd.</td>
<td>Broadcom Corporation</td>
<td>$37,000</td>
<td>28 May</td>
<td>Corporate</td>
<td>4.2x</td>
<td>39.1x</td>
<td>N/A</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>Altera Corporation</td>
<td>$16,700</td>
<td>1 Jun</td>
<td>Corporate</td>
<td>8.3x</td>
<td>28x</td>
<td>18%</td>
</tr>
<tr>
<td>Nokia Corporation</td>
<td>Alcatel-Lucent SA</td>
<td>$16,505</td>
<td>15 Apr</td>
<td>Corporate</td>
<td>0.9x</td>
<td>20.7x</td>
<td>16%</td>
</tr>
<tr>
<td>Permira Funds/Canada Pension Plan Investment Board</td>
<td>Informatica Corporation</td>
<td>$5,335</td>
<td>7 Apr</td>
<td>PE</td>
<td>4.4x</td>
<td>24.5x</td>
<td>14%</td>
</tr>
<tr>
<td>Verizon Communications Inc.</td>
<td>AOL Inc.</td>
<td>$4,400</td>
<td>12 May</td>
<td>Corporate</td>
<td>1.6x</td>
<td>10x</td>
<td>28%</td>
</tr>
<tr>
<td>Cox Automotive</td>
<td>DealerTrack Holdings Inc.</td>
<td>$4,000</td>
<td>15 Jun</td>
<td>Corporate</td>
<td>5.1x</td>
<td>35.3x</td>
<td>49%</td>
</tr>
<tr>
<td>Capgemini Group</td>
<td>IGATE Global Solutions Ltd.</td>
<td>$4,000</td>
<td>27 Apr</td>
<td>Corporate</td>
<td>3.5x</td>
<td>17.4x</td>
<td>14%</td>
</tr>
<tr>
<td>Equinix, Inc.</td>
<td>TelecityGroup plc</td>
<td>$3,616</td>
<td>29 May</td>
<td>Corporate</td>
<td>6.7x</td>
<td>16x</td>
<td>30%</td>
</tr>
<tr>
<td>Unisplendour Corporation Ltd.</td>
<td>H3C Technologies Co. Ltd., Hewlett-Packard Company’s China-based networking business</td>
<td>$2,300</td>
<td>21 May</td>
<td>Corporate</td>
<td>0.7x</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>ARRIS Group, Inc.</td>
<td>Pace plc</td>
<td>$2,110</td>
<td>22 Apr</td>
<td>Corporate</td>
<td>0.8x</td>
<td>7.1x</td>
<td>22%</td>
</tr>
<tr>
<td>Hua Capital Management/CITIC Capital Holdings/GoldStone Investment Co.</td>
<td>OmniVision Technologies, Inc.</td>
<td>$1,900</td>
<td>30 Apr</td>
<td>PE</td>
<td>1x</td>
<td>11.9x</td>
<td>12%</td>
</tr>
<tr>
<td>Beijing Jiankuang Asset Management Co., Ltd.</td>
<td>RF power business of NXP Semiconductors NV</td>
<td>$1,800</td>
<td>28 May</td>
<td>PE</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>LinkedIn Corporation</td>
<td>lynda.com, Inc.</td>
<td>$1,500</td>
<td>9 Apr</td>
<td>Corporate</td>
<td>10x</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Raytheon Company</td>
<td>Websense, Inc.</td>
<td>$1,300</td>
<td>20 Apr</td>
<td>Corporate</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>EMC Corporation</td>
<td>Virtustream, Inc.</td>
<td>$1,200</td>
<td>26 May</td>
<td>Corporate</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Cross-border (CB) dealmaking set a new aggregate value record ($43.6 billion) on the strength of consolidation, take-private and divestiture deals. US targets continued to be popular, and China accounted for 86% of Asia-Pacific and Japan (APJ) dealmaking value (see regional snapshots, pages 12, 14 and 16; and cross-border value flow, page 18).

Education and video technology targets saw significant volume and value increases.

In related signs of technology disruption, more spin-offs were announced in 2Q 2015. The first of those spin-offs announced last year actually occurred and a $9.3 billion semiconductor consolidation deal announced nearly two years ago was canceled due to regulators antitrust concerns.

Deal value soars
$127.2b
2Q 2015
+142% YOY
+65% sequentially

Figure 6: Global technology transaction scorecard (corporate and PE), 2015

<table>
<thead>
<tr>
<th>Deals announced</th>
<th>2Q14</th>
<th>2Q15</th>
<th>Sequential % change</th>
<th>YOY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>806</td>
<td>937</td>
<td>1%</td>
<td>16%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>205</td>
<td>202</td>
<td>10%</td>
<td>-1%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$46,588</td>
<td>$112,857</td>
<td>63%</td>
<td>142%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$227</td>
<td>$559</td>
<td>47%</td>
<td>146%</td>
</tr>
<tr>
<td>PE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>66</td>
<td>77</td>
<td>35%</td>
<td>17%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>22</td>
<td>24</td>
<td>20%</td>
<td>9%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$5,857</td>
<td>$14,308</td>
<td>85%</td>
<td>144%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$266</td>
<td>$596</td>
<td>54%</td>
<td>124%</td>
</tr>
<tr>
<td>Corporate and PE</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>872</td>
<td>1,014</td>
<td>3%</td>
<td>16%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>227</td>
<td>226</td>
<td>11%</td>
<td>0%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$52,445</td>
<td>$127,165</td>
<td>65%</td>
<td>142%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$231</td>
<td>$563</td>
<td>48%</td>
<td>144%</td>
</tr>
</tbody>
</table>

2Q15 by the numbers

While corporate tech, non-tech and PE buyers all contributed to 2Q15 value growth, it was megadeals by corporate tech buyers that fueled the record-shattering increase over 1Q15’s own post-dotcom-bubble record.

- At $127.2 billion, only one deal stands between 2Q15 and the all-time quarterly record for technology M&A aggregate value (the $160 billion AOL-Time Warner deal announced in 1Q 2000). But 2Q15 still has the largest-ever deal with a technology buyer and seller, since that earlier deal had a media-and-entertainment industry target.

- Three deals topped $10 billion in 2Q15, making five YTD for 2015 – compared with six in the entire previous decade.

- At 1,014 deals, 2Q15 set a sixth consecutive post-dotcom-bubble volume record and topped 1,000 deals for the first time since 4Q 2000.

- Separating the corporate numbers in Figure 6 between tech and non-tech, we see tech buyers soared 141% YOY to $102 billion in 2Q15 aggregate value. Non-tech buyers increased by a higher percentage (157%) but posted “only” $10.9 billion.

- PE buyers posted the third-highest quarterly aggregate value in the eight years we’ve produced these reports, including deals taking companies private that are “in the cross hairs” of disruptive technologies and activist investors.

- Average value per deal, which even during the dotcom bubble never quite reached $400 million, soared to a new all-time high of $563 million.

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### Figure 7: Global technology transactions value flow by sector, 2Q15 vs. 1Q15

#### 2Q15

**Target $127.2b**

- Software/SaaS 17%
- Semiconductors 46%
- IT services 9%
- Internet 9%
- CE 17%

**Buyer $127.2b**

- PE 11%
- Non-tech 9%
- Software/SaaS 3%
- Semiconductors 43%
- IT services 9%
- Internet 7%
- CE 16%

#### 1Q15

**Target $77.1b**

- Non-tech 18%
- Software/SaaS 13%
- Semiconductors 18%
- IT services 29%
- Internet 10%
- CE 11%

**Buyer $77.1b**

- PE 10%
- Non-tech 25%
- Software/SaaS 10%
- Semiconductors 18%
- IT services 7%
- CE 12%

CE = Communications equipment  CPE = Computers, peripherals and electronics

Note: percentages may not total to 100% due to rounding.

Largest 2Q15 deals build scale and breadth for the future

Three deals above $10 billion exemplify tech companies’ use of M&A to build scale and end-to-end solutions to position for a future of explosive growth in IoT devices, continued smart mobility expansion and the need for high-performance cloud data centers to handle the data storage and processing load required by those trends.

• At $37 billion, Avago–Broadcom is the largest pure technology deal in history (i.e., with a tech company buyer and seller). It expands and diversifies the companies’ product sets across multiple industries. 2

• Intel–Altera ($16.7 billion) targets strategically important programmable chip technology that could enhance Intel’s position in mobility and in data center server and networking gear. 3 Intel plans to integrate Altera’s programmable technology into high-end microprocessors for data center applications and lower performance microprocessors for IoT use. 4

15 deals topped $1 billion in 2Q15, including 3 above $10 billion.

Figure 8: Aggregate cash and short- and long-term investments for the top 25 technology companies, 2Q13–2Q15 ($b)

Nokia’s $16.5 billion deal for Alcatel-Lucent creates a European total solutions provider that has sufficient scale to compete with other leading global telecom equipment suppliers. In the words of Alcatel-Lucent CEO Michel Combes, “To compete in the future you will need end-to-end solutions across the whole portfolio.”

These deals exemplify many that aim for increased scale to prepare for future growth that we see playing out as a result of IoT, cloud, mobile and cybersecurity disruptions.

Non-tech buyers accelerate blur, especially in security and internet

YTD, non-tech buyers have accumulated $30.4 billion in disclosed-value tech deals, already 27% ahead of their full-year 2014 total ($23.9 billion).

The largest cybersecurity deal was defense contractor Raytheon’s $1.3 billion bid for Websense. In a trend we refer to as “hunting for hidden gems,” Raytheon plans to apply security skills it developed working with the military to the private sector by acquiring 51% of the already-established enterprise security provider and creating a joint venture.

In all, security technology was targeted in nearly 90 2Q 2015 deals with aggregate disclosed value of $4.2 billion. YTD security value is $13.8 billion, already 34% higher than full-year 2014. 2015 buyers included Baidu, Inc., BlackBerry Ltd., CA Technologies, Cisco Systems, Inc., Salesforce.com Inc. and Synopsys, Inc.

Non-tech buyer Verizon’s $4.4 billion deal for AOL was notable in that the target comes with over-the-top video and online and mobile ad-serving platforms.

Overall, internet targets had the strongest YOY volume growth of any technology segment, up 76% YOY to 178 deals. In Europe, internet target value was dominated by online food delivery platforms’ geographic expansion (see Europe, Middle East and Africa (EMEA) snapshot, page 16). In the US, education was a popular internet target, exemplified by LinkedIn’s $1.5 billion deal for Lynda.com, which specializes in educational video.

Education targets were in demand in 2Q 2015: we counted more than 40 deals and roughly $2.6 billion in disclosed value. That brings the YTD total to $3 billion – just shy of $3.1 billion for all of 2014.

IoT deals also accelerate cross-industry blur

IoT plays a key role in accelerating blur because it drives integration of digital sensors, processing, connectivity and security into virtually every industry’s products.

The largest IoT deal was a China-based PE firm’s $1.9 billion bid for OmniVision Technologies, a US semiconductor sensor manufacturer (see APJ snapshot, page 14).

But the largest with a corporate buyer was auto parts maker Continental’s $687 million deal for embedded software technology involved in assisted driving (see EMEA snapshot, page 16).

While primarily about cybersecurity, Cisco’s $635 million deal for OpenDNS has an IoT aspect. Because OpenDNS’ security approach involves specialized Domain Name Servers (DNS) that encrypt traffic flowing through the internet’s core, it can play an important role in securing machine-to-machine/IoT networks.

Intel continued a push into wearable IoT technology by acquiring a maker of technology-enabled eyewear that displays relevant data while the user is engaged in a sporting activity.

In all, IoT technologies were targeted in nearly 40 deals with disclosed value of approximately $3 billion. YTD, we’ve seen about 75 deals and a value of $17.3 billion – already one-third ahead of full-year 2014 in both volume and value.

Add analytics to cloud/SaaS and mobility background radiation

While advertising and marketing technology was targeted in more deals (approximately 130), the roughly 90 2015 big data analytics deals we identified were far more diverse: analytics aspects were a part of deal targets found in virtually all industry segments and other deal-driving trends. That, and businesses’ growing dependence on data analysis, leads us to believe big data analytics is about to join cloud/SaaS and smart mobility (which were aspects of about 340 and 220 2015 deals, respectively) as a kind of background radiation in global technology M&A.

The largest analytics deal of 2Q 2015 was also the largest technology take-private deal of the year, Permira-Infor matica ($5.3 billion). The target’s enterprise data integration and analysis software can play a role across multiple industries’ analytics.
But the next two analytics deals by dollar-value targeted advertising and marketing technology: MasterCard Inc.’s $600 million deal for Applied Predictive Technologies, Inc. and Twitter Inc.’s $533 million deal for TelApat, Inc. Roughly a quarter of all analytics deals involved advertising and marketing.

Regardless of industry, a trend is emerging where buyers appear to be using analytics not only to improve customer insights, but also to develop new business models based on analyzing the “information exhaust” produced by large numbers of online and mobile transactions.

Despite many years of growth, cloud/SaaS-targeted dealmaking is accelerating in 2015. 1Q 15 volume was nearly 40% higher than the 2014 cloud/SaaS quarterly average, and 2015 volume was more than 55% higher. At nearly $37 billion, YTD aggregate value of cloud/SaaS deals is nearly one-third higher than full-year 2014.

While five of the deals above $1 billion had cloud/SaaS aspects, most notable were Equinix-TelecityGroup and EMC-Virtustream. The former exemplifies many deals we saw involving data center consolidation and scale-building to meet future demand, and the latter exemplifies dealmaking to build end-to-end solutions for cloud and hybrid cloud business customers.

Mixed growth for gaming and payment and financial technology deals

Of the deal-driving trends we track closely, only gaming and payment and financial technologies are not contributing to the 2015 blockbuster.

Gaming volume is only 20% ahead of its 2014 quarterly average and the disclosed value of deals (roughly $3.6 billion YTD) is 76% lower than the 2014 quarterly average. While mobile videogame targets continue growing, the overall value decline results from a round of real-money gaming and casino technology consolidation in 2014 that drove full-year aggregate value to nearly $30 billion.

The payment and financial technology story is different. Volume is 41% ahead and aggregate value (nearly $12 billion) is only 4% lower than their respective 2014 quarterly averages. Among the largest deals were Capgemini’s $4 billion deal for US-based iGate Solutions (transaction processing and business process outsourcing) and two by Playtech, a gaming company expanding into currency trading (see EMEA snapshot, page 16).

PE dealmaking returns, with a security focus

For PE dealmakers, 2015 was the third-highest-value quarter in the eight years we’ve produced these reports, following a temporary lull in 1Q15.

The 2015 tally of $14.3 billion boosted PE YTD aggregate value to $22 billion ~ 17% ahead of YTD 2014 despite a below-average first quarter.

Five of the top 10 highest-value PE acquisitions were by Chinese firms, including two divestitures discussed later (see page 10).

A dozen PE deals targeted security, more than any other deal-driving trend except cloud/SaaS (30) and mobility (16), which are broadly applicable and overlap with other trends. Network “sniffing” and identity management technologies were targeted in multiple deals. The highest-value PE security deal was $240 million.

The highest-value PE deals overall targeted big data analytics (Informatica, $5.4 billion) and IoT (OmniVision, $1.9 billion).

We also noted nine deals targeting advertising and marketing technology, five targeting HIT and four each targeting gaming, education, big data and IoT (including those already mentioned).

At $14.3 billion, PE value increases 85% sequentially and 144% YOY.
Divestitures grow on hunt for “hidden gems”

One aspect of the stack-to-solution trend mentioned earlier is that companies can rarely focus on more than one end-to-end solution. Consequently, even as many technology companies look to M&A to flesh out their total solutions and add scale, others are reviewing their portfolios and coring down.

- 2015 divestiture deals jumped to approximately 130 from just shy of 100 in 1Q15, after averaging about 75 deals per quarter in 2014. Put another way: divestitures grew to 13% of 2015 deal volume from around 9% in 2014.
- Overall, divestitures had slightly more than $8 billion in disclosed value.
- The two highest-value divestitures had Chinese buyers. HP divested 51% of its Chinese networking, server and storage businesses for $2.3 billion, and NXP Semiconductors NV sold its RF power unit to a Chinese PE firm for $1.8 billion (see APJ snapshot, page 14).
- Expedia, Inc. divested its majority share in a Chinese travel planning e-commerce business to a consortium of buyers led by rival Ctrip International (see Figure 11, page 15).
- HP also divested its Snapfish photo printing, storage and sharing service for an undisclosed value as it preps to split its operations.
- IBM divested three technologies in separate deals: supply chain business applications, telecom expense management software and self-service kiosks and middleware used in travel venues.

Deals target predicting, augmenting and virtualizing reality

A handful of small and undisclosed-value deals were notable because of the buyers, and the possibility they may represent the beginnings of important future trends.

- LinkedIn and Google Inc. were among buyers of predictive technologies – software that attempts to anticipate a user’s needs and responds before being asked.
- Google and Apple Inc. were among buyers of augmented and virtual reality technologies. Apple acquired technology capable of transforming real-world surfaces into virtual touchscreens. In separate deals, Google acquired microelectromechanical systems (MEMS) sensors, and virtual reality audio and “painting” technology.
- Facebook Inc.’s Oculus VR Inc. subsidiary acquired technology for real-time 3D mixed reality scene construction.
- Notable among mapping and location-tracking technology deals was Microsoft Corporation’s divestiture of Bing mapping assets to Uber Technologies Inc.

Spin-offs, offers and a canceled deal

Focus and breadth may seem contradictory, but only on the surface. We believe this time of unprecedented disruption requires that technology companies focus on their core competencies and then become total solutions providers in the context of those competencies. That’s why there are so many splits happening simultaneously with scale-building megadeals. Add macroeconomic and regulatory uncertainty, and the current dealmaking environment is tumultuous, to say the least.

- Two more tech companies announced plans to split in 2Q15: Computer Sciences Corporation and Emerson Electric Company (which will spin off its data center power business).12, 13
- eBay, Inc.’s Paypal unit began trading as an independent entity in early July, 10 months after the separation announcement.
- HP’s split is scheduled to happen in November.
- Meanwhile, activist investors continued applying pressure to many tech companies, suggesting more splits (and other strategic options) to come.
- Many takeover offers were announced and still pending during 2015. Such deals are not included in our data until they are accepted. However, many are unlikely to go forward: multiple offers to take China-based, US-listed companies private and then re-list in China have collapsed as China’s equity markets experienced increasing volatility beginning late in 2Q15.14
- Applied Materials, Inc.’s planned $9.3 billion merger with Tokyo Electron Ltd. was called off in April due to regulators antitrust concerns.15 It was announced in 3Q13.
Look ahead

Expect no slowdown in second half of 2015

The tech industry is transforming, fueled by cross-industry blur, the stack-to-solution trend, IoT and digital transformations and enabled by universal cloud adoption and a growing need to add cybersecurity to a wide range of products and services. 2015 will be another blockbuster year for tech M&A.

But can tech dealmaking post even bigger deal numbers than in 2Q 15? Yes, and no – probably.

Yes, volume will likely continue its steady growth. We see no let up in disruptive innovation; in companies’ need to broaden and scale to get to total, end-to-end solutions; in the need to divest hidden gems to unlock value; or in the need to go private to accelerate a strategic transformation when your organization is in the cross hairs of a disruptive start-up or an activist investor.

In terms of M&A value, however, topping 2Q15 is less certain. There will continue to be big-ticket, transformational deals. But even during the dotcom bubble, only one quarter – 1Q 2000 – ever rose above $100 billion in aggregate disclosed deal value. So even though we expect the next few quarters to deliver very high values, they will likely moderate from 2Q 15’s $127.2 billion high-water mark.

However: we consider the disruptions of the current new blockbuster M&A era to be much more real than during the dotcom bubble. Today’s innovative technology-enabled business models can be measured in terms of real revenue and profit. Consequently, transformative transactions will continue to be required to deal with these very real technology disruptions. So we’d only be mildly surprised if one of the next few quarters topped 2Q15 – not shocked.

Meanwhile, to help assess whether you’ll be buyer or seller in the next megadeal, we 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?
- Is there a hidden gem among our business units and other departments with the potential to drive greater value?
- Has disruptive technology placed our organization in the cross hairs of some upstart companies or activist investors?
- Are we doing all we can to provide comprehensive security in our offerings?

“The rise of the internet of things, combined with the cloud and mobile clients, foretells a future of vastly more information ripe for analytics, new business models built on ‘information exhaust’ and rapidly evolving security requirements.”

Jeff Liu
Global Technology Industry Leader
Transaction Advisory Services
EY
Americas aggregate deal value in 2Q 2015 more than doubled YOY on the strength of two semiconductor consolidation megadeals. Partly as a result, Americas buyers accounted for 66% of global disclosed value and volume, and an even higher proportion of strategic technology deal volume targeting cloud/SaaS, big data analytics, security, online video, education and HIT.

- Americas value leapt 106% YOY to $84.4 billion, due to the Avago-Broadcom and Intel-Altera deals (Figure 9, page 13). Americas buyers accounted for 9 of the quarter’s 15 $1 billion-plus deals. But at only $2.7 billion, Americas PE aggregate value was bested by both APJ and EMEA – for the first time ever.

- Volume grew more slowly than in other regions, continuing a long-term trend; it rose 7%, compared with 74% in APJ and 25% in EMEA. Americas’ 66% of global volume marks a downtrend from 68% in full-year 2014 and 72% in 2013.1

- As in 1Q15, Americas non-tech buyers led the global trend of blurring tech and non-tech industries. They accounted for 73% of global value by non-tech buyers, including the Verizon-AOL deal. An Americas non-tech buyer also did the largest global security deal: defense contractor Raytheon acquired majority ownership of data-loss-prevention software company Websense. Overall, the Americas accounted for nearly three-quarters of global security deals. These and other non-tech-buyer deals are discussed in the main report beginning on page 3.

- Cloud/SaaS factored into more than 250 Americas deals, generating 75% of global volume. In the largest, Cox Automotive broadened its industry-specific SaaS offerings with a deal for DealerTrack Holdings, whose offerings include an online credit application network and auto dealer management SaaS. Equinix-TeleCity was second largest. That deal ended UK-based TeleCity’s 1Q15 announced plan to merge with Intexion Holding NV to create the second-largest (to Equinix) European data center operator.2

- Online video technology was a factor in nearly 50 Americas deals, about 85% of the global total. Those deals included Verizon-AOL and the largest of nearly 30 Americas educational technology deals, LinkedIn-Lynda.com ($1.5 billion; see Figure 5, page 4).

- Americas buyers accounted for roughly 80% of global big data analytics deals, including nearly 20 of the region’s seven dozen deals targeting advertising and marketing technologies. In addition, the largest 2Q15 analytics deal targeted a US company (see EMEA snapshot, page 16).

- As is typical, US buyers accounted for the vast majority of global HIT volume and value: 85% and 97%, respectively.

- Location-based tracking and mapping technologies were targeted in more than 15 deals. In a notable undisclosed-value deal, ride-sharing service Uber Inc. acquired Microsoft technology and assets for collecting map imagery. III

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73% of global value with non-tech buyers was acquired by Americas companies.

“Whether they are established technology suppliers or non-tech buyers, Americas companies are taking significant steps through M&A to accelerate digital transformation and ensure continued growth.”

David Hedley
US Technology M&A Leader
Ernst & Young Capital Advisors, LLC*

*Ernst & Young Capital Advisors, LLC is a broker-dealer affiliate of Ernst & Young LLP and a member of FINRA (www.finra.org) providing sector-specific advice on M&A, capital markets and capital restructuring transactions.
### Figure 9: Top five Americas deals (corporate and PE), 2015

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Target</th>
<th>Disclosed value ($m)</th>
<th>Announced</th>
<th>Deal type</th>
<th>Premium offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avago Technologies Ltd.</td>
<td>Broadcom Corporation</td>
<td>$37,000</td>
<td>28 May</td>
<td>Corporate</td>
<td>N/A</td>
</tr>
<tr>
<td>Intel Corporation</td>
<td>Altera Corporation</td>
<td>$16,700</td>
<td>1 Jun</td>
<td>Corporate</td>
<td>18%</td>
</tr>
<tr>
<td>Verizon Communications Inc.</td>
<td>AOL Inc.</td>
<td>$4,400</td>
<td>12 May</td>
<td>Corporate</td>
<td>28%</td>
</tr>
<tr>
<td>Cox Automotive</td>
<td>DealerTrack Holdings Inc.</td>
<td>$4,000</td>
<td>15 Jun</td>
<td>Corporate</td>
<td>49%</td>
</tr>
<tr>
<td>Equinix, Inc.</td>
<td>TelecityGroup plc</td>
<td>$3,616</td>
<td>29 May</td>
<td>Corporate</td>
<td>30%</td>
</tr>
</tbody>
</table>

### Figure 10: Americas transactions scorecard, 2015

<table>
<thead>
<tr>
<th>Deals announced</th>
<th>2Q14</th>
<th>2Q15</th>
<th>Sequential % change</th>
<th>YOY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>581</td>
<td>616</td>
<td>0%</td>
<td>+6%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>141</td>
<td>106</td>
<td>3%</td>
<td>-25%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$36,738</td>
<td>$81,667</td>
<td>79%</td>
<td>+122%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$261</td>
<td>$770</td>
<td>74%</td>
<td>+195%</td>
</tr>
<tr>
<td><strong>PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>45</td>
<td>55</td>
<td>41%</td>
<td>+22%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>11</td>
<td>12</td>
<td>33%</td>
<td>+9%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$4,199</td>
<td>$2,698</td>
<td>-24%</td>
<td>-36%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$382</td>
<td>$225</td>
<td>-43%</td>
<td>-41%</td>
</tr>
<tr>
<td><strong>Corporate and PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>626</td>
<td>671</td>
<td>2%</td>
<td>+7%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>152</td>
<td>118</td>
<td>5%</td>
<td>-22%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$40,936</td>
<td>$84,365</td>
<td>72%</td>
<td>+106%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$269</td>
<td>$715</td>
<td>63%</td>
<td>+166%</td>
</tr>
</tbody>
</table>

Note: numbers may not add to totals due to rounding.
Regional snapshot

Asia-Pacific* and Japan (APJ)

APJ volume grew outpaced other regions, due primarily to rising M&A activity in Australia, China and India. Chinese buyers acquired the five largest deals and most deal value, including several deals targeting US or EMEA companies. Mobility, cloud/SaaS, advertising and marketing, and online gaming drove many deals.

- APJ volume climbed for the sixth sequential quarter and 74% YOY to 125 deals, 12% of global volume. Value rose sequentially for the fourth successive quarter and 141% YOY.

- Due largely to big-ticket deals by Chinese private and state-owned investment groups, PE buyers did four of the top five transactions and were backers in the fifth. PE value represented 54% of APJ 2Q 15 aggregate value.

- Chinese buyers acquired an extraordinary 86% of APJ value, including all the top 5 deals and 9 of the top 10. The majority of China's deal value and volume was in IB transactions, but the three largest deals targeted foreign-owned firms. China buyers accounted for 25 deals overall, 20% of APJ volume.

- India (41 deals), China (25) and Australia (23) together accounted for 71% of APJ volume. At 66 deals, India's YTD volume already surpassed full-year 2014 (62 deals). More than half India's 2Q15 deals were by internet companies targeting start-ups. Only one had disclosed value: the $120 million acquisition by IT services firm Infosys of US mobile app developer Kallidus Inc.

- Cybersecurity concerns have reportedly added to Chinese companies' preference for buying from locally owned suppliers, triggering the sale by HP of a majority share in H3C Technologies (HP's Chinese networking equipment unit) to a subsidiary of China state-owned Tsinghua Holdings. Following disclosures of US spying, China has increasingly imposed security restrictions that affect foreign-owned suppliers.

- Two top five deals exemplified China's continuing efforts to expand its semiconductor industry. One was the IoT-related PE deal to buy US-based OmniVision Technologies, whose image sensors are used in smartphones and other devices. The other was Dutch company NXP Semiconductors' sale of its RF Power business to a Chinese state-owned PE group, as part of NXP's effort to obtain regulatory approval for its 1Q 15 acquisition of Freescale Semiconductor. Without the sale, NXP and Freescale combined would have a dominant global share in RF power chips for cellular base stations and other applications.

- Mobility continued to be the most common APJ deal driver, factoring into about a third of deals.

- Advertising and marketing deals, many focusing on mobile advertising, drove 13% of APJ deal volume.

- Gaming deals accounted for 12% of APJ value. The largest was the PE acquisition of developer and publisher China Mobile Games and Entertainment Group.

*Asia-Pacific includes India.

"China's M&A buyers are staking out positions in key technologies that enable global digital transformation across many industries."

Ben Kwan
Transaction Advisory Services
Technology, Media & Telecom (TMT)
Market Segment Leader
EY Greater China
### Figure 11: Top five APJ deals (corporate and PE), 2Q15

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Target</th>
<th>Disclosed value ($m)</th>
<th>Announced</th>
<th>Deal type</th>
<th>Premium offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unisplendour Corporation Ltd.</td>
<td>H3C Technologies Co. Ltd., Hewlett-Packard Company’s China-based networking business</td>
<td>$2,300</td>
<td>21 May</td>
<td>Corporate</td>
<td>N/A</td>
</tr>
<tr>
<td>Hua Capital Management/CITIC Capital Holdings/GoldStone Investment Co.</td>
<td>OmniVision Technologies, Inc.</td>
<td>$1,900</td>
<td>30 Apr</td>
<td>PE</td>
<td>12%</td>
</tr>
<tr>
<td>Beijing Jianguang Asset Management Co., Ltd.</td>
<td>RF power business of NXP Semiconductors NV</td>
<td>$1,800</td>
<td>28 May</td>
<td>PE</td>
<td>N/A</td>
</tr>
<tr>
<td>Orient Hongtai (Beijing) Investment Management Co., Ltd.</td>
<td>China Mobile Games and Entertainment Group Limited</td>
<td>$703</td>
<td>18 May</td>
<td>PE</td>
<td>5%</td>
</tr>
<tr>
<td>Ctrip.com International/Keystone Lodging Holdings/Plateno Group/Luxuriant Holdings</td>
<td>eLong Inc.</td>
<td>$671</td>
<td>22 May</td>
<td>PE</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Figure 12: APJ transactions scorecard, 2015

<table>
<thead>
<tr>
<th>Deals announced</th>
<th>2014</th>
<th>2015</th>
<th>Sequential % change</th>
<th>YOY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>64</td>
<td>118</td>
<td>6%</td>
<td>84%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>25</td>
<td>38</td>
<td>19%</td>
<td>52%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$2,992</td>
<td>$5,005</td>
<td>-28%</td>
<td>67%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$120</td>
<td>$132</td>
<td>-39%</td>
<td>10%</td>
</tr>
<tr>
<td><strong>PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>8</td>
<td>7</td>
<td>75%</td>
<td>-13%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>7</td>
<td>6</td>
<td>50%</td>
<td>-14%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$1,526</td>
<td>$5,870</td>
<td>65%</td>
<td>285%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$218</td>
<td>$978</td>
<td>10%</td>
<td>349%</td>
</tr>
<tr>
<td><strong>Corporate and PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>72</td>
<td>125</td>
<td>9%</td>
<td>74%</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>32</td>
<td>44</td>
<td>22%</td>
<td>38%</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$4,518</td>
<td>$10,874</td>
<td>3%</td>
<td>141%</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$141</td>
<td>$247</td>
<td>-16%</td>
<td>75%</td>
</tr>
</tbody>
</table>

Note: numbers may not add to totals due to rounding. 
Regional snapshot

Europe, the Middle East and Africa (EMEA)

EMEA volume grew 25% but aggregate value soared 357% YOY on the strength of the Nokia/Alcatel-Lucent megadeal. Cloud/SaaS and mobility drove the most deals, followed by security, payments and financial technologies, and advertising and marketing. Non-tech buyers accounted for 18% of deal volume.

- 2015 marked the seventh consecutive quarter of YOY volume growth. However, the 218-deal total was slightly below the peak seen in 3Q14 and 4Q14.
- Value rose faster than any other region due to the $16.5 billion Nokia/Alcatel-Lucent deal. Even excluding that deal, value rose 121% YOY.
- The trend of big-ticket EMEA deals targeting US buyers continued. The IT services deal by France’s Capgemini to buy US-based IGATE Global Solutions makes North America Capgemini’s largest market, positioning the company to benefit further from US market growth and technology innovation.¹
- Big data analytics deals included the transaction by a UK-based PE group to take private US data integration software/SaaS company Informatica in the largest global technology buyout so far this year. Due to the size of that deal, EMEA buyers drove nearly three-quarters of global big data analytics deal value ($5.3 billion), though only 6% of the volume.
- IoT factored into about a dozen EMEA deals, the largest of which had a non-tech buyer. German tire and automotive components maker Continental acquired Elektrobit Automotive Group, a developer of embedded software for cars that formerly was a unit of Finnish company Elektrobit Corporation. Continental is building systems and software expertise as it seeks to expand further into systems for automated and technology-assisted driving.²
- IoT also drove the acquisition by UK-based microprocessor designer ARM Ltd of two low-power wireless communications technology companies. ARM is using those companies’ intellectual property to create a portfolio of licensable IoT technology.³
- The largest of about 20 EMEA security deals was also IoT-related and by a non-tech buyer: Allegion plc, an Irish provider of physical security systems, acquired a German provider of wireless digital locks for $235 million.
- Almost a third of global financial technology deals were by EMEA buyers. They included two by online gaming company Playtech, which is expanding into online currency trading and payments with the acquisition of Plus500 and Trade FX Ltd. for a total of $927 million. The European online gaming industry has come under pressure from higher taxes and greater regulation.⁴
- Deals by consumer-focused internet companies included several by online food-ordering services expanding internationally by acquiring similar businesses. UK-based Just Eat acquired an Australian service for $682 million, plus two in Italy with undisclosed values; Germany’s Delivery Hero paid $589 million for a Turkish company.
- Online video deals included the acquisition by French media and communications group Vivendi of 80% of Dailymotion, a video-sharing platform, as it seeks to boost growth and exploit synergies with its music and TV operations. Ⅲ

“European tech companies are using strategic M&A both to expand into faster-growing economies and to align with globally disruptive technologies such as IoT, big data analytics and online video.”

Simon Pearson
TMT Corporate Finance Leader UKI
EY UKI

357% YOY rise in EMEA value.
### Figure 13: Top five EMEA deals (corporate and PE), 2015

<table>
<thead>
<tr>
<th>Buyer</th>
<th>Target</th>
<th>Disclosed value ($m)</th>
<th>Announced</th>
<th>Deal type</th>
<th>Premium offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nokia Corporation</td>
<td>Alcatel-Lucent SA</td>
<td>$16,505</td>
<td>15 Apr</td>
<td>Corporate</td>
<td>16%</td>
</tr>
<tr>
<td>Permira Funds/Canada Pension Plan Investment Board</td>
<td>Informatica Corporation</td>
<td>$5,335</td>
<td>7 Apr</td>
<td>PE</td>
<td>14%</td>
</tr>
<tr>
<td>Capgemini Group</td>
<td>IGATE Global Solutions Ltd.</td>
<td>$4,000</td>
<td>27 Apr</td>
<td>Corporate</td>
<td>14%</td>
</tr>
<tr>
<td>Playtech plc</td>
<td>Plus500 Ltd.</td>
<td>$703</td>
<td>31 May</td>
<td>Corporate</td>
<td>N/A</td>
</tr>
<tr>
<td>Continental Corporation</td>
<td>Elektrobit Automotive GmbH</td>
<td>$687</td>
<td>19 May</td>
<td>Corporate</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Figure 14: EMEA transactions scorecard, 2015

<table>
<thead>
<tr>
<th>Deals announced</th>
<th>2014</th>
<th>2015</th>
<th>Sequential % change</th>
<th>YOY % change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Corporate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>161</td>
<td>203</td>
<td>4% ▲</td>
<td>26% ▲</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>39</td>
<td>58</td>
<td>21% ▲</td>
<td>49% ▲</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$6,858</td>
<td>$26,185</td>
<td>55% ▲</td>
<td>282% ▲</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$176</td>
<td>$451</td>
<td>28% ▲</td>
<td>156% ▲</td>
</tr>
<tr>
<td><strong>PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>13</td>
<td>15</td>
<td>7% ▲</td>
<td>15% ▲</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>4</td>
<td>6</td>
<td>-14% ▼</td>
<td>50% ▲</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$132</td>
<td>$5,740</td>
<td>808% ▲</td>
<td>4,248% ▲</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$33</td>
<td>$957</td>
<td>963% ▲</td>
<td>2,800% ▲</td>
</tr>
<tr>
<td><strong>Corporate and PE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of deals announced</td>
<td>174</td>
<td>218</td>
<td>4% ▲</td>
<td>25% ▲</td>
</tr>
<tr>
<td>Number of deals with disclosed values</td>
<td>43</td>
<td>64</td>
<td>16% ▲</td>
<td>49% ▲</td>
</tr>
<tr>
<td>Total value of deals with disclosed values ($m)</td>
<td>$6,990</td>
<td>$31,925</td>
<td>82% ▲</td>
<td>357% ▲</td>
</tr>
<tr>
<td>Average value of deals with disclosed values ($m)</td>
<td>$163</td>
<td>$499</td>
<td>56% ▲</td>
<td>206% ▲</td>
</tr>
</tbody>
</table>

Cross-border value flow

2Q15 CB dealmaking sets new record

Big-ticket consolidation, take-private and divestiture deals drove 2Q15 CB dealmaking to its highest quarterly aggregate value in the eight years we’ve kept records.

- At $43.6 billion, CB value rose 257% YOY and 35% sequentially and was 33% higher than the prior record ($32.7 billion, set in 3Q14). Despite the value record, CB dealmaking took a lower-than-normal 34% share of all-deal value due to the number of bigger-ticket in-border deals.

- At $75.8 billion YTD, CB aggregate value already is only 6% short of the full-year 2014 total ($80.7 billion).

- Seven CB deals topped $1 billion, the same as in 1Q15. Their combined $35.3 billion represented 81% of all CB value.

- US targets continued to play a major role – in fact, only the US was a net seller and every other region (including “Other”) was a net buyer. Still, at $12.9 billion, deals with US targets slowed from a $24.9 billion peak in 3Q14.

- Three CB deals above $1 billion targeted US companies: UK-based Permira’s take-private of Informatica ($5.3 billion), Capgemini’s (France) $4 billion deal for IGATE Global Solutions and the $1.9 billion deal for Omnivision Technologies by a Chinese PE consortium. The trio comprised 87% of value sold by the US.

- Of the $7.1 billion acquired by US companies, 89% had European targets. Largest was Equinix’s $3.6 billion deal for Telecity Group, followed by ARRIS Group’s $2.1 billion deal for IPTV systems provider Pace.

- Intra-European CB deals were prominent, including the $16.5 billion (Nokia/Alcatel-Lucent) deal that consolidates the continent’s top two communications equipment makers. Intra-European CB deals totaled $19.2 billion and accounted for 65% of the $29.6 billion acquired by European tech companies.

- Three deals accounted for 87% of all value acquired by European companies: Nokia/Alcatel-Lucent ($16.5 billion), Permira-Informatica ($5.3 billion) and Capgemini-IGATE Global Solutions ($4 billion).

- Asia-Pacific was a net buyer by a wide margin thanks to two deals by China-based PE firms: the Omnivision Technologies deal mentioned above and another for NXP’s RF power semiconductor business ($1.8 billion), which was the largest divestiture of 2015. Together, those two deals represent a 69% share of the $5.4 billion value acquired by Asia-Pacific companies. China dominated APJ dealmaking in 2Q15 (see APJ snapshot, page 14).

Figure 15: Cross-border deal value flow for technology deals (disclosed value), 2015

2Q15

CB value sold $43.6b

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>63%</td>
</tr>
<tr>
<td>US</td>
<td>30%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>6%</td>
</tr>
</tbody>
</table>

CB value acquired $43.6b

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>68%</td>
</tr>
<tr>
<td>US</td>
<td>16%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>12%</td>
</tr>
<tr>
<td>Canada</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: percentages may not total to 100% due to rounding.
US CB dealmaking continued inching up for the second sequential quarter after two sequential declines. In 2015, it increased 6 deals to 130 (combined corporate and PE) after increasing 3 deals in 1Q15. Overall, the top 10 countries for corporate CB dealmaking remained the same as in 1Q15 but there were two fewer corporate CB deals. Germany (-6) and Canada (-3) declined for the second consecutive quarter, while the US (+1) increased again. Among other nations: Australia (+5), the UK (+5), France (+5), Sweden (+2) and “Other” (+2) gained, while China/HK (-1), India (-3) and Japan (-5) fell.

In all, CB volume increased by 7 deals sequentially, as PE CB volume reversed a 9 deal fall in 1Q15 with a 9 deal jump back to 20 deals in 2015. In terms of PE CB volume, the US (+5), UK (+2), China/HK (+1) and “Other” (+1) all increased sequentially.

*Additional countries with one deal in 2015: Bermuda, Cayman Islands, Denmark, India, Netherlands and Poland.

Note: percentages may not total to 100% due to rounding.

Semiconductors gave us the high and the low for this scorecard. The low: 23 deals is the smallest semiconductor deal volume in more than a year (1Q14 also had 23) and well below the 2014 quarterly average of 30 deals. CPE was the only other sector to see volume decline YOY, but it remained closer to its 2014 quarterly average of 69 deals. The high: we’ve never seen a higher average value than $4.9 billion in any sector — the result of two megadeals above $10 billion, driving a 1,138% YOY increase. CE, which had one megadeal, rose “only” 564% YOY.


| Figure 17: Global technology corporate and PE transactions by sector, 2Q15 |

<table>
<thead>
<tr>
<th>Number of deals</th>
<th>Average value ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2Q14</td>
</tr>
<tr>
<td><strong>Corporate deals</strong></td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>23</td>
</tr>
<tr>
<td>CPE</td>
<td>69</td>
</tr>
<tr>
<td>Internet</td>
<td>93</td>
</tr>
<tr>
<td>IT services</td>
<td>193</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>32</td>
</tr>
<tr>
<td>Software/SaaS</td>
<td>396</td>
</tr>
<tr>
<td>Total</td>
<td>806</td>
</tr>
<tr>
<td><strong>PE deals</strong></td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>2</td>
</tr>
<tr>
<td>CPE</td>
<td>4</td>
</tr>
<tr>
<td>Internet</td>
<td>8</td>
</tr>
<tr>
<td>IT services</td>
<td>19</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>1</td>
</tr>
<tr>
<td>Software/SaaS</td>
<td>32</td>
</tr>
<tr>
<td>Total</td>
<td>66</td>
</tr>
</tbody>
</table>

**Total deals**

| CE              | 25   | 39   | 34% ▲               | 56% ▲         | $167  | $1,109| 17% ▲               | 564% ▲         |
| CPE             | 73   | 66   | -6% ▼               | -10% ▼        | $420  | $62   | -89% ▼              | -85% ▼         |
| Internet        | 101  | 178  | 11% ▲               | 76% ▲         | $370  | $353  | 47% ▲                | -5% ▼         |
| IT services     | 212  | 261  | 14% ▲               | 23% ▲         | $78   | $244  | -50% ▼              | 213% ▲         |
| Semiconductors  | 33   | 23   | -34% ▼              | -30% ▼        | $395  | $4,890| 490% ▲              | 1,138% ▲        |
| Software/SaaS   | 428  | 447  | -2% ▼               | 4% ▲          | $167  | $234  | 76% ▲                | 40% ▲          |
| Total           | 872  | 1,014| 3% ▲                | 16% ▲         | $231  | $563  | 48% ▲                | 144% ▲         |
after being higher for the last three quarters, even though YoY CB average value growth of 186% was higher than the all-deal increase of 144%.

Figure 6, page 5). Volume growth by segment was mixed, with three up and three down. And average value ($501 million) fell below all-deal average value ($563 million)

CB dealmaking set aggregate and average value records in 2Q15, but CB volume growth trailed all-deal growth: 2% versus 3% sequentially and 8% versus 16% YoY (see Figure 6, page 5). Volume growth by segment was mixed, with three up and three down. And average value ($501 million) fell below all-deal average value ($563 million) after being higher for the last three quarters, even though YoY CB average value growth of 186% was higher than the all-deal increase of 144%.

Methodology

- Technology company M&A data was pulled from The 451 Group M&A KnowledgeBase based on the database’s own classification taxonomy and then deals were aligned to the following sectors: CE, CPE, semiconductors, software/SaaS, IT services and internet companies. Alignment was based on the sector of the target company.
- The data includes M&A transactions between two technology companies as well as non-technology companies acquiring technology companies.
- Joint ventures were not included.
- Corporate M&A activity data was analyzed based on the sector classification of the target company. Prior to 2012, we reported based on the classification of the acquiring company; the change enables a clearer picture of the technologies being focused on for acquisition.
- Equity investments that involved less than a 50% stake were not included in the data.
- PE M&A activity includes both full and partial stake transactions in excess of 50% 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 data set, unless the proposed bid was accepted and the deal closed based on data available at the time of analysis.
- The value and status of all deals highlighted in this report are as of 30 June 2015, unless otherwise noted.
- All dollar references are in US dollars, unless otherwise indicated.
- In this report, disclosed deal values may vary from other published values because The 451 Group database methodology automatically subtracts cash acquired, net of debt, from enterprise value. Additionally, announced deal values are often subject to change at the time of close, due to subsequent revisions to the terms of the deal and/or changing stock valuations to the extent stock was used as a deal consideration.
- As used in this report, “total value” refers to the aggregate value of deals with disclosed values for the period under discussion.
- Other definitions:
  - “TTM” stands for trailing 12 months.
  - “Multiple of EV/TTM revenue” is the transaction value multiple representing total enterprise value over trailing 12 months of target revenue.
  - “Multiple of EV/TTM EBITDA” is the transaction value multiple representing total enterprise 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 30 days prior to the announcement of the deal. Where data is unavailable from The 451 Group, premium data was accessed via Capital IQ.
Source notes

Multiple disruptions drive new blockbuster era

4. Ibid.
6. Ibid.
9. “Cisco Systems Inc.: Spending $635 Million to Join the Best Internet of Things Stocks: For just 7% of Cisco’s annual free cash flow, the networking giant adds a tried-and-true security arrow to its quiver,” The Motley Fool, 1 July 2015, via Factiva, © 2015 The Motley Fool.

Look ahead


Regional snapshot: Americas

2. Ibid.

Regional snapshot: APJ

2. Ibid.
4. Ibid.

Regional snapshot: EMEA

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