

## The sector M&A landscape

During the Perth 2017 Globalscope conference, the network's global Technology, Media & Telecoms (TMT) sector team met to discuss recent transactions and the evolving underlying structural drivers of the global sector M&A landscape.

A key theme is the establishment of venture capital arms by larger firms in order to nurture novel technologies. More details can be obtained from team members or regional heads.

### Sector themes

#### PE Buyers are Setting the Tone in the Market

Between direct and bolt-on acquisitions, private equity buyers are forecast to purchase c. 900 technology companies in 2017. Private equity remains a favoured asset class for institutional investors and the recycling of distributions from successful exits into new capital has led to a fundraising surge, generating substantial dry powder.

#### Cloud Transformation Fuels Activity in Software

As the enterprise market continues to slowly transition to the cloud, the requirement to support hybrid IT environments will drive M&A activity as larger players seek to broaden and deepen their product/service portfolios.

#### Chinese Buyers Continue to Make Presence Felt

As part of the country's One Belt, One Road initiative, China continues to support and modernise its traditional manufacturing industries through the acquisition of Western technology companies. This aggressive strategy has seen several deals fall foul of national regulators, such as the decision to block the €780m sale of German chip equipment maker Aixtron to a consortium of Chinese investors.

#### Automotive M&A Expected to Accelerate

The automotive sector has rapidly emerged as a key technology battleground, that has seen established players acquiring competence at all stages of the value chain.

### Notable recent transactions

#### Amazon Acquires Online Retailer Souq.com

Amazon has sought to strengthen its e-commerce footprint with expansion into the Middle Eastern market through the acquisition of Souq.com for \$580m in cash. The deal gives Amazon a strong footing in a relatively untapped market.

#### HPE Acquires Hyper-Converged Player Nimble

HPE has agreed to acquire flash-optimised storage vendor Nimble Storage for *circa* \$1bn in cash. Nimble had never turned a profit since its inception in 2008 and the price tag reflects the value to HPE of broadening their flash portfolio.

#### Eventbrite Profits from Pandora Misfire

Eventbrite has acquired leading ticketing platform Ticketfly from Pandora for \$200m. This deal comes only 2 years after Pandora acquired Ticketfly for \$450m, in a deal that was hailed as a landmark transaction linking music streaming data with ticket sales.

### Lower-mid market observations

#### Rejuvenated Funding Market for Deep Tech

Investments in IP-based technology companies have significantly increased in volume, across traditional sectors such as semiconductors (e.g. Graphcore, Kalray, UltraSoC), as well as more visionary areas such as flying cars (e.g. Lillium), microsatellites (e.g. ICEYE) and simulated worlds (e.g. Improbable). This environment seems likely to produce significant M&A targets in the near future, that would be expected to command high strategic prices.

#### Corporates Seek to Raise Visibility Over Targets

It is becoming increasingly common for trade buyers to establish venture capital arms, as a means of enhancing their visibility and understanding of the innovation taking place in their operating markets, as well as to deepen their pipeline of M&A targets. A nominal co-investment can often prove a cheap way of obtaining optionality over whether to acquire a potential target.

# M&A trends & market analysis

The following data are compiled specifically for the TMT sector, with valuation trends over time in the first chart based on semi-annually averaged transactional data and regional and sub-sector comparisons in the second and third charts based on listed companies data as at mid August 2017.

