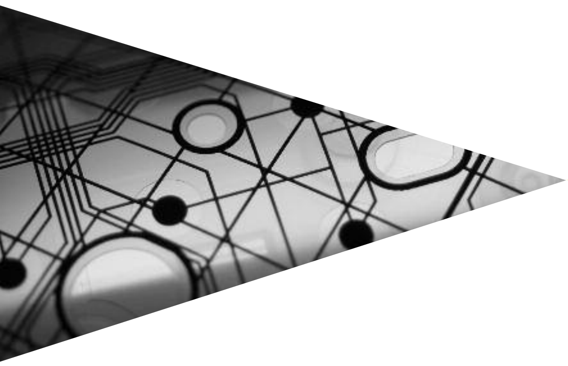
Issue 16

Global technology M&A update

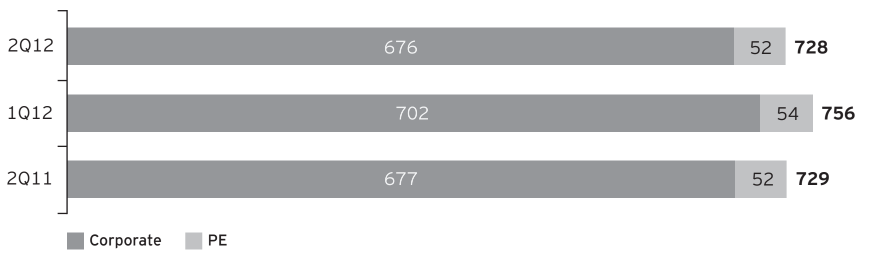
April–June 2012



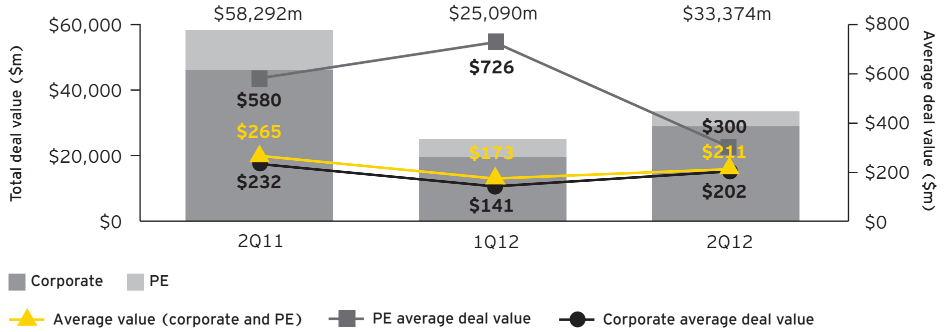
Highlights

- Aggregate value of all disclosed-value deals falls 43% year-over-year (YOY) to $33.4 billion, but is up 33% sequentially
- Deal volume decreases by one deal YOY but falls 4% sequentially to 728 deals
- Private equity (PE) deal value declines 63% YOY and 22% sequentially to $4.5 billion; PE volume is flat YOY and -4% sequentially
- Cloud/software as a service (SaaS), social networking, advertising/marketing, "big data" and patents were significant deal drivers
- Cross-border (CB) deal value surges to $17.4 billion (52% of all aggregate value – for the first time since we began collecting data for this report)
- Europe, Canada and Japan buyers drive CB value growth as US deal-makers decline 54% sequentially in CB disclosed value

Total number of all announced deals



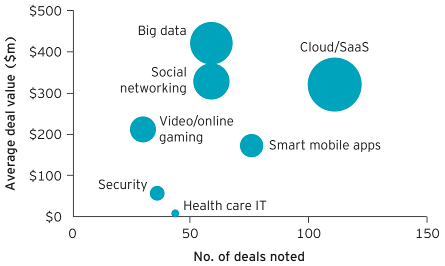
Total and average deal values ($m) for deals with disclosed values



Note: all dollars are US$ unless otherwise indicated.
Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Ernst & Young
Quality In Everything We Do

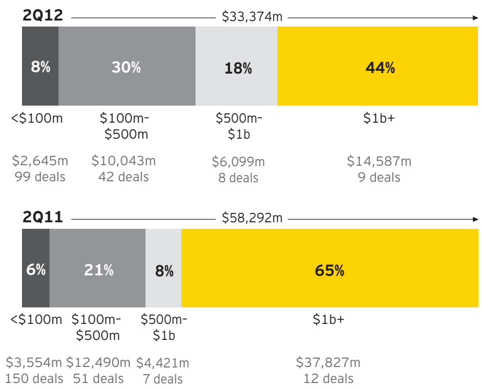
A directional view of select 2Q12 deal-driving trends



The higher level of SaaS deal volume and value separated cloud/SaaS deal-making from the rest of the pack for the second consecutive quarter. Big data and social networking saw sequential increases in disclosed value, while health care IT deal values dropped.

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

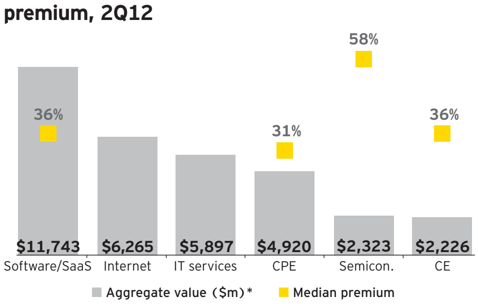
Aggregate value of announced deals by deal size, 2Q12 vs. 2Q11



The value of big-ticket deals ($1 billion or more) decreased by 61% YOY even though overall value decreased only 43%. Deals in the $500 million-to-$1 billion range bucked the downward trend, growing 38% YOY on a dollar-value basis to 18% of aggregate value for the quarter.

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

Deals by sector based on value and median premium, 2Q12



Disclosed-value deals were more evenly spread among sectors in 2Q12 than in 1Q12, when software/SaaS had nearly half the aggregate value (compared to a third in 2Q12). Sequentially, all sectors saw increased value except CE (-67%).

CE = Communications equipment
CPE = Computers, peripherals and electronics

* Based on sector of target (deals >$100m)

Note: Premium for CE is based on one deal only; there was no reported premium data for internet and IT services deals.
Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Second quarter picture unfolds

Deal drivers

- Many 2Q12 deals involved technologies that combine two or more of the five long-term deal-driving megatrends we've observed — smart mobility, cloud computing, social networking, big data and cross-sector and cross-industry "blur" and convergence.
- Patents were involved in more than $2 billion worth of deals.
- An increasingly diverse mix of technology and non-technology buyers targeted advertising/marketing technologies.

Deal activity

- 2Q12 volume (728 deals) stayed right around the quarterly average of about 730 we've seen for the last six quarters. It was down just one deal YOY (from 729 in 2Q11) and 4% sequentially from 756 deals in 1Q12.
- Corporate deal volume dropped by one deal YOY in 2Q12 (676 vs. 677 in 2Q11), while PE volume was flat at 52 deals in both periods.
- Sequentially, corporate and PE volume fell 4% each, from 1Q12 levels of 702 deals for corporate and 54 deals for PE.
- Our observed long-term directional correlation with the NASDAQ Composite Index continues: the NASDAQ dropped 5% in 2Q12, compared with the 4% decline in technology M&A volume.

Deal value

- 2Q12 aggregate announced value was $33.4 billion, up 33% from $25.1 billion in 1Q12, but down 43% YOY from $58.3 billion in 2Q11. That follows a smaller 12% YOY decline in 1Q12.
- The YOY decline was almost inevitable: the year-ago period included Microsoft's Skype purchase ($8.5 billion) and nearly $11 billion in two semiconductor consolidation deals (Texas Instruments-National Semiconductor and Applied Materials-Varian).
- Average value per deal increased sequentially (+22%) to $211 million in 2Q12 but fell 20% YOY from $265 million in 2Q11.
- At $28.9 billion, aggregate value of corporate deals increased 50% sequentially, but declined 37% YOY; average value increased 43% sequentially, but declined 13% YOY.
- PE deal values declined after a particularly strong first quarter start. Aggregate value declined 22% sequentially and 63% YOY to $4.5 billion, and average value per deal declined 59% sequentially and 48% YOY to $300 million.

Deals getting done

- Sector volume growth varied depending on the sector. Communications equipment (CE) and internet were up sequentially and YOY, while computers, peripherals and electronics (CPE) and IT services were down both sequentially and YOY. Semiconductors was down YOY and up sequentially, while software/SaaS was down sequentially and up YOY.
- Average value by sector was also mixed (see Figure 12, page 22).

Cross-border deals

- After a restrained start in 1Q12, cross-border (CB) deal-making saw strong growth in volume and value. In 2Q12, CB aggregate value was 52% of all aggregate value.
- Unusually, the US sat out CB growth. The value of CB deals with US buyers declined 54% sequentially (see Americas snapshot, page 14).

"There were several surprises in the second quarter, with US buyers 'sitting out' a sequential increase in transaction value that was driven out of Europe, Canada and Japan. But despite macroeconomic uncertainty that just won't go away, the disruptive megatrends of 'social-mobile-cloud' and big data analytics continue to drive strategic transactions and enable innovation throughout the global economy. So in the near-term look for smaller, strategic technology deals. Caution around executing large technology deals will persist until macroeconomic conditions improve — but the long-term outlook for global technology M&A remains strong."

Joe Steger
Global Technology Industry
Transaction Advisory Services Leader
Ernst & Young

Contents

Ernst & Young has identified five long-term "megatrends" that are generating disruptive innovation in technology and leading to technology-enabled innovation in other industries.

The five are:

- Smart mobility
- Cloud computing
- Social networking
- Big data analytics
- Growing sense of blur and convergence as technology sectors come together and the technology industry enters other industries as enabling innovation

Disappointing numbers – but transformative impact

Resurgent worldwide macroeconomic uncertainty put the brakes on global technology M&A deal-making in the second quarter of 2012. But the deals that did get done suggest significant technology-enabled business transformations coming soon through the converging action of the five megatrends we have been following — smart mobility, cloud computing, social networking, big data and blur (see sidebar at left).

Global aggregate deal value down 43%

The numbers for 2Q12 were disappointing. The aggregate value of all disclosed-value deals for the quarter was $33.4 billion, down 43% YOY (see Figure 3, page 7). Average value was $211 million, down 20% YOY. Sequentially, aggregate and average value increased 33% and 22%, respectively. But it's important to note that the comparison is to 1Q12 — and first quarters have posted aggregate value far lower than the other three quarters in every year since we began publishing these reports in 2008. And while technology M&A was stronger YOY than all industries in the first quarter of 2012, it has fallen behind year-to-date. For example, published reports say M&A value for all industries declined 14% YOY for the first six months,[1] compared with a 33% decline for global technology M&A based on our data (to $58.5 billion in 2012 from $86.8 billion in 2011).

PE deal value declines more than corporate

Despite a strong start in 1Q12 (when PE posted its highest quarterly aggregate value since at least 2008), 2Q12 PE aggregate value declined 63% YOY and 22% sequentially to $4.5 billion. At $28.9 billion, corporate aggregate value was down 37% YOY, but increased 50% sequentially. The only caveat to the 2Q12 declines was the many unusually large big-ticket deals that occurred in 2Q11, making for a tough YOY comparison. Those 2Q11 deals included Microsoft's $8.5 billion acquisition of Skype Technologies SA and two semiconductor sector consolidation deals that summed to nearly $11 billion (Texas Instruments Incorporated/National Semiconductor Corporation and Applied Materials, Inc./Varian Semiconductor Equipment Associates, Inc.). Last year, such big-ticket deals continued into 3Q11.

Cross-border deal value surges despite decline in US CB value

A surprise in the 2Q12 data came from CB deals. CB aggregate value surged 58% sequentially to $17.4 billion, which represented 52% of all-deal (CB plus in-border (IB)) value for the quarter (compared with 44% in both 1Q12 and 4Q11). This surge came despite a 54% sequential decline in US CB deal value, to $4.1 billion from $9 billion in 1Q12. Europe, Japan and Canada all saw substantial growth in CB transaction value (detailed looks into regional and CB deal-making begin on page 14). At $4.5 billion, the announced SAP-Ariba transaction represented 62% of Europe's acquired CB value.

Deals that are getting done shed light on coming technology and business transformations

Deal volume for 2Q12 dropped by one deal YOY, to 728 deals, and managed to stay right around the 730-deal quarterly average we've seen for the last six quarters. And many 2Q12 deals were illuminating, in that they involved trends that are likely to change technology markets and perhaps even the way business is done in other industries. The largest dollar-value deal of 2Q12 was a pending acquisition of SaaS technology that could greatly impact supply chain management for business-to-business (B2B) companies. But there was also a multitude of deals for advertising/marketing technology being targeted by an increasingly diverse range of technology and non-technology buyers, perhaps driven by the increasing use of ad-supported business models beyond traditional media and entertainment companies. Social networking deals had higher disclosed value than in the past, with a growing focus on integration of social functions into enterprise applications. There was an increasing role for big data analysis technologies in all of these deals and many more besides. In addition, patent deals remained prominent, as in 1Q12, but with far greater disclosed value in 2Q12.

SAP-Ariba deal illustrates the growth of online B2B exchanges

Starting at the top with the largest dollar-value deal of the quarter, SAP's $4.5 billion announced acquisition of Ariba involves more than "just" the fast-growing cloud/SaaS trend. Thirty-five percent of Ariba's revenue in its most recently reported quarter came from its Commerce Cloud, a business collaboration network — and that 35% is growing nearly twice as fast as the company's SaaS revenue.[2] The Commerce Cloud represents one realization of the web-based B2B exchange business vision thought dashed in the dotcom bust of the early 2000s. In fact, Ariba survived that dotcom bust by refocusing on SaaS procurement offerings, while developing its B2B trading network more slowly.[3] SAP is betting that such networks have an integral role to play in the future of supply chain management — and Ariba's is reportedly the largest online collaborative trading network.[4]

For SAP, this deal is the latest in a string of acquisitions focused on four strategic technologies (cloud/SaaS, smart mobility, database and analytics), the largest of which was its May 2010 purchase of Sybase, Inc., for $5.7 billion.[5]

Three more cloud deals among 2Q12 top 10

There were three other cloud-driven deals among the top 10 (Figure 1, below). Two of the three further the trend of non-technology companies buying data centers to offer cloud services, and both round to $1.1 billion: Digital Realty Trust's completed deal for UK-based Sentrum and the plan by Canada's BCE Inc. (also known as Bell Canada Enterprises), backed by a trio of PE investors, to buy Q9 Networks.

Figure 1: Global top 10 deals, 2Q12 (corporate and PE)

Buyer	Disclosed value ($m)	Announced	Status	Deal type	Multiple of TTM EV/Revenue	Multiple of TTM EV/EBITDA	Premium offered
SAP AG to acquire Ariba, Inc.	$4,500	22-May	Pending	Corporate	x8.6	x156.7	30%
CGI Group Inc. to acquire Logica plc	$2,663	31-May	Pending	Corporate	x0.5	x11.8	33%
Microsoft Corporation to acquire Yammer, Inc.	$1,200	25-Jun	Pending	Corporate	N/A	N/A	N/A
Digital Realty Trust, Inc. acquired data center portfolio from Sentrum	$1,100	26-Jun	Completed*	Corporate	N/A	N/A	N/A
PE-backed investment group (Ontario Teachers Pension Plan, Providence Equity, Madison Dearborn, BCE Inc.) to acquire Q9 Networks Inc.	$1,068	2-Jun	Pending	PE	N/A	N/A	N/A
Microsoft Corporation acquired 800 patents and related applications from AOL Inc.	$1,056	9-Apr	Completed	Corporate	N/A	N/A	N/A
Apax Partners and JMI Equity to acquire Paradigm Ltd.	$1,000	11-Jun	Pending	PE	N/A	N/A	N/A
Dell Inc. acquired Wyse Technology Inc.	$1,000	2-Apr	Completed	Corporate	x2.7	N/A	N/A
Facebook Inc. to acquire Instagram Inc.	$1,000	9-Apr	Pending	Corporate	N/A	N/A	N/A
Cerberus Capital Management L.P. acquired the Advertising Solutions and Interactive divisions of AT&T Corporation	$950	9-Apr	Completed	PE	x0.3	N/A	N/A

Cloud computing drove 4 of the top 10 deals of the quarter. In the software/SaaS sector was SAP-Ariba, the largest dollar-value deal of 2Q12, which continued the trend of big-ticket SaaS deals which began in 4Q11. There were two IT services sector deals, Digital Realty-Sentrum and BCE (et al.)-Q9 Networks, as non-technology companies continued to buy cloud data center assets. And there was a CPE deal in which Dell acquired Wyse Technology, maker of thin-client hardware and desktop virtualization software.

Deals involving integration of social network functions into enterprise software have been prominent for a year or so, but the Microsoft-Yammer deal is the first to enter the top 10. Another 2Q12 social networking milestone: Facebook appears on the top 10 list for the first time, with its announced deal for Instagram.

Rounding out the top 10 were CGI-Logica, driven by geographic expansion; Microsoft-AOL, in which Microsoft acquired a portfolio of internet patents; Apax-Paradigm, which offers software for oil and natural gas companies; and Cerberus-AT&T, in which the former acquired 53% of the latter's print, online and mobile Yellow Pages advertising business.

*Completed July 2012.

Note: announced deal values are often subject to change at the time of close, due to subsequent revisions to the terms of the deal.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012, and select multiple premium data accessed via Capital IQ to round out the completeness of the table.

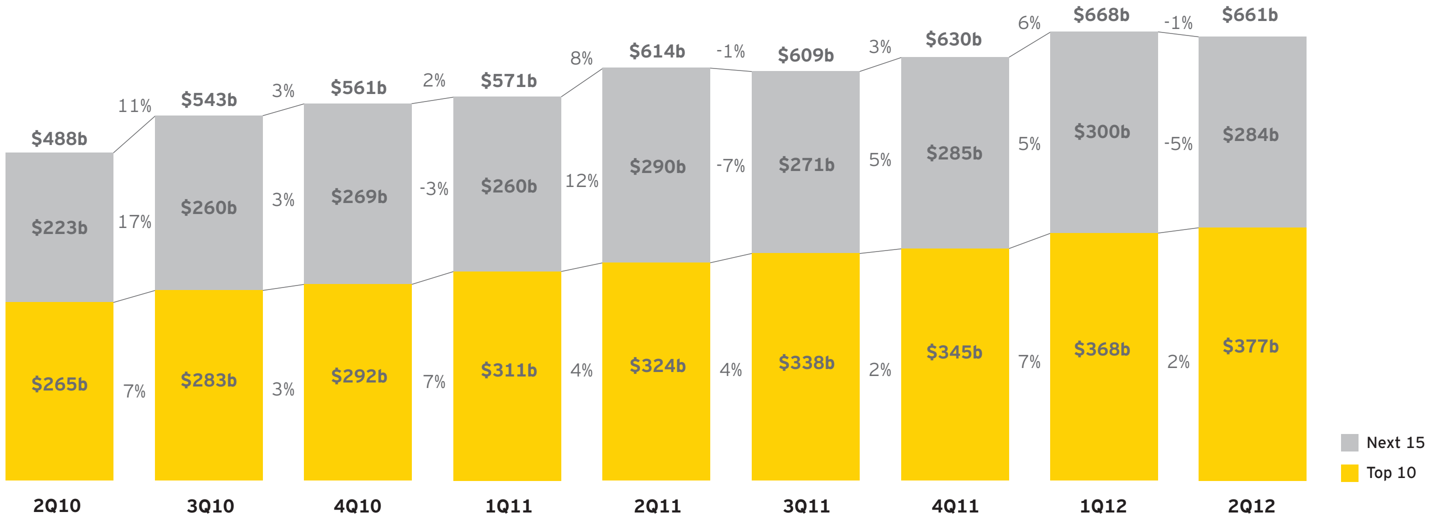
At $1 billion, Dell's purchase of Wyse Technology is notable as one of three 2Q12 deals that help build out the company's cloud strategy. Wyse brings thin-client hardware and virtualization software, including support for smartphones and tablets (and the related "bring your own device," or BYOD, trend).[6] Dell also purchased two small software companies for non-disclosed values, both of which offer so-called application modernization capabilities that make it easier to re-host existing legacy applications in the cloud.

Advertising/marketing technology targeted by diverse players

All five disruptive technology megatrends appeared to come together to drive dozens of advertising/marketing technology transactions in 2Q12 with both technology and non-technology industry buyers. Many deals involved big data technology to analyze customers' or prospects' social networking activity, such as Oracle Corporation's acquisition of Collective Intellect (which had no disclosed value). Salesforce.com Inc. announced a $689 million deal for Buddy Media, Inc., whose software helps companies manage and target advertising and marketing in social media and also includes an analytical component. Other targeted technologies analyze direct customer interaction to help optimize online and mobile marketing campaigns, including IBM's announced acquisition of Tealeaf Technology, Inc., Experian plc's deal for Conversen Inc. and Intuit, Inc.'s acquisition of Demandforce, which provides marketing automation SaaS for small businesses in the US and Canada. Only the Intuit-Demandforce deal had a disclosed value: $424 million.

In a related top 10 deal, PE firm Cerberus Capital Management acquired the Yellow Pages online, mobile and print local advertising business from AT&T for $950 million. Among other non-technology buyers, we counted four advertising agencies that acquired seven targets, mostly technologies for optimizing mobile or online campaigns. WPP Group did three

Figure 2: Aggregate cash, short- and long-term investments of the top 25 technology companies, 2Q10 through 2Q12



The aggregate stockpile of cash, short- and long-term investments of the top 25 global technology companies* made a rare sequential decline (-1%) in 2Q12. YOY, it was up 8%, which represented a slowing of YOY growth (e.g., up 17% in 1Q12). Technology companies appeared to be using their cash during 2Q12 in share buybacks, to pay off debt and to pay dividends. Dividends have become more common in the last year, as several technology companies have either begun paying dividends for the first time or increased their dividends. The top 10 technology companies actually increased their cash sequentially by 2%, while the "next 15" declined 5%.

*Top 25 companies identified are based on average ranking of market value and sales as of 31 December 2011.

Note: numbers in above chart differ from published reports due to date Capital IQ database was accessed for this chart.

Source: Ernst & Young analysis of Capital IQ data, accessed 30 July 2012.

(one through its JWT subsidiary), Publicis Groupe did two and McCann Worldgroup and Omnicom Media Group did one each. None had disclosed values. Singapore Telecommunications Ltd. also made two such acquisitions (see Asia-Pacific and Japan snapshot, page 16).

Enterprise software integration and patent-related deals drive up social M&A value

We've watched the integration of social functions into enterprise software grow as a deal-driving trend for several quarters. But Microsoft's $1.2 billion announced plan to acquire Yammer, Inc. marks the first time such a deal has entered the quarterly top 10. The second-largest social networking deal of the quarter is Facebook's pending acquisition (with an announced value of $1 billion) of Instagram Inc., a popular mobile photo sharing application and service. Facebook has said it will operate Instagram independently and continue to allow sharing of photos with other social networks.[7] And the third social-related deal by dollar value was Facebook's $550 million acquisition of internet patents from Microsoft as part of its "ongoing process of building an intellectual property portfolio to protect Facebook's interests over the long term."[8]

Our dataset includes several other 2Q12 Facebook asset purchase and business acquisitions, none with a disclosed value. All involve mobile capabilities, ranging from enabling discovery of nearby people who share like interests to a smartphone-enabled customer loyalty retail system. Perhaps most notable was the plan to purchase Face.com, whose facial recognition software can identify and tag people in digital photos.

Patent-related deals involving diverse technologies top $2 billion

The internet patents Microsoft sold to Facebook were part of an 800-patent portfolio Microsoft purchased earlier in 2Q12 from AOL for $1 billion. But these two related deals were just the largest of more than a dozen patent transactions that drove the aggregate disclosed value of patent-related deals well

Aggregate disclosed value for global technology deals falls 43% YOY to

$33.4 billion

Figure 3: Global technology transactions scorecard, 2Q12

Deals announced	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change		YOY % change	
Corporate							
Number of deals announced	677		676	-4%	▼	0%	▼
Number of deals with disclosed values	199		143	4%	▲	-28%	▼
Total value of deals with disclosed values ($m)	$46,104		$28,868	50%	▲	-37%	▼
Average value of deals with disclosed values ($m)	$232		$202	43%	▲	-13%	▼
PE							
Number of deals announced	52		52	-4%	▼	0%	-
Number of deals with disclosed values	21		15	88%	▲	-29%	▼
Total value of deals with disclosed values ($m)	$12,187		$4,506	-22%	▼	-63%	▼
Average value of deals with disclosed values ($m)	$580		$300	-59%	▼	-48%	▼
Corporate and PE							
Number of deals announced	729		728	-4%	▼	0%	▼
Number of deals with disclosed values	220		158	9%	▲	-28%	▼
Total value of deals with disclosed values ($m)	$58,292		$33,374	33%	▲	-43%	▼
Average value of deals with disclosed values ($m)	$265		$211	22%	▲	-20%	▼

Despite sequential increases in aggregate and average value for 2Q12, all scorecard metrics decreased YOY. The sequential increases are expected, as the first quarter of every year has always recorded the lowest levels of aggregate value for each year since we began publishing these reports in 2008. The 43% YOY decline in disclosed value is more concerning. It encompasses both corporate and PE transactions, and suggests that macroeconomic uncertainty has finally caught up with, and put the brakes on large technology M&A deals.

There is a note of counterpoint in the fact that 2Q11 saw several unusually large dollar-value deals, including Microsoft's $8.5 billion acquisition of Skype Technologies SA and two semiconductor sector consolidation deals worth a combined $11 billion. So the unusual strength of 2Q11 big-ticket deal-making made it harder for 2Q12 to match. Combining 1Q12 and 2Q12 data shows that aggregate value was down 33% for the first six months, to $58.5 billion for 2012 versus $86.8 billion for 2011.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

above $2 billion for the quarter. By comparison, while 1Q12 included about the same number of patent deals, only one had a disclosed value and that was $160 million. Intel did three deals that included patents: it purchased 3G, LTE and wireless intellectual property (IP) from InterDigital, Inc., for $375 million, and from Aware, Inc. for $75 million, and high-performance interconnect IP from Cray, Inc. That last deal also involved other assets, including employees, and had a disclosed value of $140 million.

Other patent purchases included wireless IP acquired in separate deals by Google[9] and Nvidia[10] (neither with disclosed values), several voice-over-IP (VoIP) patent portfolios, as well as audio processing, email filtering and semiconductor "bumping" patents (notable because they were sold by IBM).

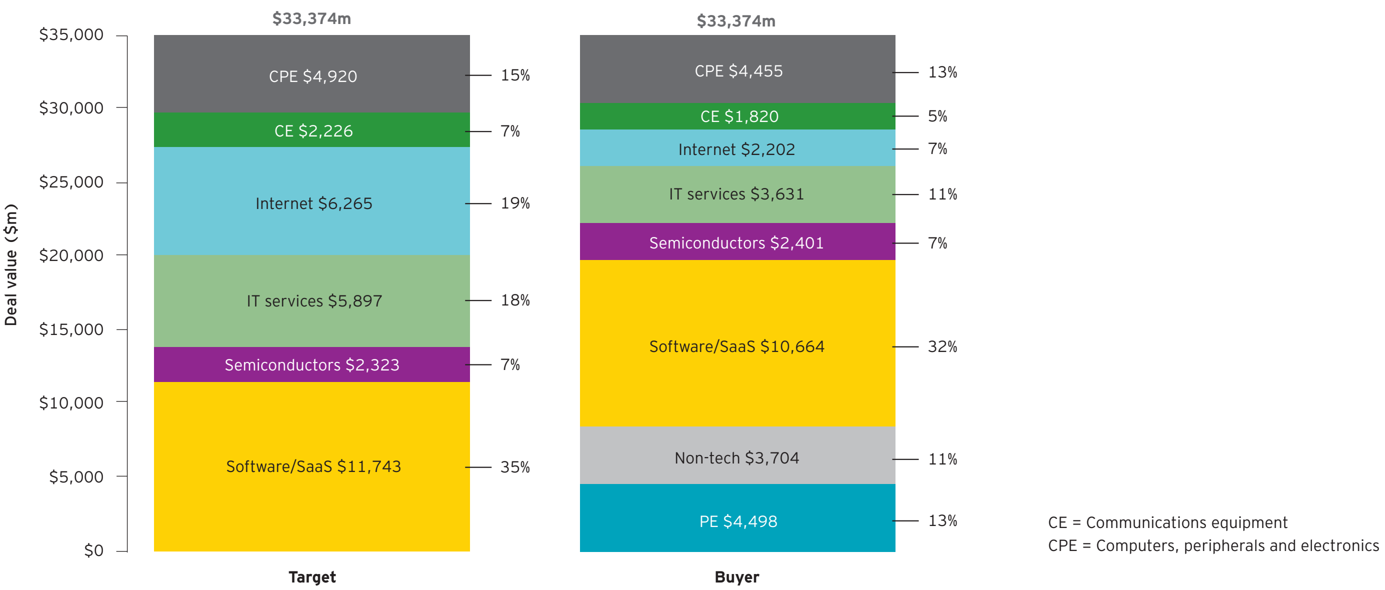
Mobile payments and productivity

Also among the five non-disclosed-value Google deals in our dataset were its acquisitions of TxVia, Inc. and Quickoffice, Inc. The former offers a mobile payments platform intended to strengthen Google Wallet,[11] while the latter enables smartphone users to view and edit Microsoft Office productivity documents and will be integrated with Google Apps.[12] Similarly, Intuit announced the acquisition of AisleBuyer to support Intuit's GoPayment mobile commerce platform.[13] And, interestingly, Yammer had purchased OneDrum, whose software enables multiple users to work together on Office documents in real time, just before it was acquired by Microsoft.

Cloud drives high-performance computing deals

Of note, Intel's acquisition of processor interconnect technology was among a handful of deals that appear to envision future blurring between high-performance computing (HPC), typically the domain of research scientists and defense agencies, and cloud data centers. Interconnect components shuttle data among the large numbers of processors that comprise supercomputers.

Figure 4: Global technology transactions value flow by sector, 2Q12



Deal-making targets were much more spread out among the six technology sectors in 2Q12 than in the previous quarter. Software/SaaS companies were targeted in deals representing nearly half (46%) the aggregate value of 1Q12, but only 35% in 2Q12, as shown above. This quarter, aggregate value appears to have been spread more evenly throughout the remaining sectors.

Looking further into the data, buying patterns reveal increasing blur among the sectors. A couple of years ago it was the norm for sector companies to buy 75% or more of the value sold by their own sector. In 2Q12, however, only semiconductor buyers passed that threshold, buying 97% of the $2.3 billion sold by sector targets. CPE buyers bought 71% of CPE sector value sold, software/SaaS buyers bought 70% of their sector value, IT services companies 55%, CE companies 51% and internet companies just 30%. The largest share of internet target value was acquired by software/SaaS companies (36%).

Note: dollar values may not add to totals and percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Advanced Micro Devices, Inc.'s $334 million 1Q12 acquisition of SeaMicro, Inc. involved similar technology. Meanwhile, in 2Q12, both EMC Corporation and SanDisk, Inc., acquired flash-based technology that accelerates data center applications performance. EMC purchased XtremIO Ltd., which offers a high-performance flash array that acts like an external storage device.[14] And SanDisk, known for consumer flash devices, purchased Schooner Information Technology Inc., which provides software-based acceleration for enterprise-class flash storage arrays.

However, the largest 2Q12 semiconductor sector deal by dollar value was Microchip Technology Inc.'s $939 million pending purchase of Standard Microsystems Corporation (SMSC). According to published reports, Microchip was attracted to SMSC's patent portfolio and its wireless audio and other mixed-signal connectivity products for the automotive industry.[15]

Alternative input technologies — beginning of a trend?
Facebook's Face.com deal was one of several 2Q12 transactions involving alternative input technologies. This small group of deals caused us to wonder if we might be witnessing the beginning of a new trend, driven by the rise of technologies like touch, voice recognition and facial recognition that have evolved to a new threshold of accuracy. Among these deals was Gores Group LLC's $380 million purchase of the touch screen display assets of TE Connectivity Ltd. (formerly Tyco Electronics Ltd.), two deals for voice recognition technologies and another that involves handwriting recognition.

Strategic deal-making will continue, despite strong macroeconomic headwinds
Disruptive technology megatrends such as those described in this report demand strategic deal-making — no matter how difficult the economic context. Therefore, we'll continue to see smart mobility, cloud computing, social networking, big data and blur drive a multitude of deals in the foreseeable future. And we'll see new sub-trends continuously emerging, too, as companies continue to seek competitive advantages.

Cross-border disclosed deal value climbed 58% sequentially to

$17.4 billion

Unsolicited and notable deals

Bidding war
Dell Inc. won a bidding war for IT infrastructure management software provider Quest Software, Inc. Insight Venture Partners, LLC had agreed to acquire Quest for $2 billion in a deal that was among the top 10 in our 1Q12 report. But Dell announced in early July it had struck an agreement to acquire Quest for $2.4 billion.[1] We'll have more about this announced deal in our third quarter report.

Semiconductor partial equity transaction
In the semiconductor sector, MediaTek Inc. announced plans to acquire a smaller rival, MStar Semiconductor Inc., in a stock-and-cash deal that values MStar at $3.8 billion.[2] Both Taiwanese companies make chips used in televisions and phones, and the transaction is seen as improving pricing power and creating R&D efficiency.[3] Though announced in June, the deal is not in our 2Q12 data because it is being done in two stages; MediaTek is offering to buy up to 48% of MStar's stock now and the rest in a subsequent offer in early 2013, according to its press release.[4] At up to 48%, this deal just misses our 50% threshold for including a deal.

Unsolicited offer
A notable unsolicited offer came as US government budget cuts have forced consolidation among various industry segments that depend on government business. In one case, GeoEye. Inc. offered $792 million for DigitalGlobe according to reports published during 2Q12. Both companies provide high-resolution satellite imagery to government, military and private sector companies, including Google Maps, Garmin Ltd. and Nokia Oyj.[5] DigitalGlobe ultimately rejected the offer and countered with an offer to buy GeoEye, under a combined stock and cash transaction valued at approximately $900 million. The boards of directors at both companies unanimously approved the definitive merger agreement in July 2012.[6]

Look ahead

Global technology M&A volume increased YOY in the first half of 2012 by less than 0.5% — but at least it was up. Disclosed value fell 33% YOY and averaged only $29.2 billion for each of the first two quarters. Based on these first-half metrics, our prediction of quarterly averages of 730 deals and $40 billion in value for 2012 (made in our 1Q12 update report) is on track for volume, but is currently lagging in aggregate value.

The re-emergence of macroeconomic turmoil in Europe and its effect on the rest of the world, indications of slowing growth in China and other emerging economies, a sudden weakness in the IPO market and the pullback of US companies from big-ticket cross-border deals (see page 14) were just some of the hard-to-anticipate second quarter events that have taken the "wind out of the sails" of global technology M&A. And yet, the real value of technology M&A may not be down as much as our official methodology suggests, because even though all-deal volume held steady, there was a 33% reduction in the number that disclosed their deal values. There were 454 disclosed-value deals in the first half of 2011 (31% of all deals), but only 303 disclosed-value deals in the first half of 2012 (20% of all deals).

The flat performance of deal volumes while the disclosed value of deals and the number of deals with disclosed values both decline, suggest that technology companies are willing to do smaller deals to gain competitive advantage in the five megatrends we've identified. However, macroeconomic uncertainty and the technology industry's focus on organic growth suggest companies will be cautious before entering into larger or transformative deals.

Look for the following considerations to shape technology deal-making in the next few quarters:

- Valuations appeared to grow as the IPO market gained strength; will valuations moderate now due to a weakened IPO market?
- PE deal-makers started the year with a big increase in aggregate value in the first quarter and have now had a big decrease in the second quarter. Where will they go from here?
- Smart mobile device makers now range from disruptive leaders to weakening providers in search of turnarounds — and many in between looking for a "lever" to success. Is the stage set for a handful of very big-ticket deals?
- If the Eurozone economy continues to struggle, will potentially "undervalued" European companies be subject to opportunistic out-of-region buyers?
- Cloud/SaaS deals continued to feel like they were everywhere in our 2Q12 dataset, and the largest deal by dollar value was for a SaaS company that included a B2B trading network. Will SaaS deal-making continue to broaden?
- Big data deals were also ubiquitous in 2Q12, but continued in smaller deals than seen last year. When will big-ticket big data deals return?
- Will the increasing role of social functions in diverse consumer and enterprise contexts drive up the volume and value of social networking deals?
- How will the current patent race to bulk up patent portfolios affect deal-making this year — and how long will it last?
- Will technology company portfolio "rationalization" result in increasing divestiture deals (see page 12) and related opportunity for PE?
- Will technology's role in enabling innovation throughout the global economy continue to support M&A activity, regardless of the economic environment?
- At what point will macroeconomic concerns subside — and technology M&A accelerate?

"The second quarter decline in PE technology M&A may be a matter of timing. We continue to see mid-size deal strength in technology from PE relative to other industries, especially in enterprise software, for example. Larger deals might be looming."

Rodney Grebe
Transaction Advisory Services Leader
for the San Francisco Office
Ernst & Young LLP

Top-of-mind business issue and regional snapshot

Top of mind

Divestitures are a growing trend across the technology M&A landscape

Dean A. McCauley
Operational
Transaction Services
Ernst & Young LLP

Dean has over 25 years of transactions advisory experience and serves numerous technology and medtech clients globally. His international engagements have involved working with clients in the UK, France, Germany, Japan, the Netherlands, Saudi Arabia and Zambia. Dean has conducted hundreds of projects in the areas of corporate strategy, operations improvement and corporate transactions, including integrations, divestitures and joint venture start-ups. He has also been instrumental in driving the growth of the firm's global transaction operations practice to more than 450 practitioners. As a regular author, Dean has published over 120 articles in the areas of business strategy and M&A including his latest publication, "The Board's Role in Assessing Operational Deal Risk" (*The Deal*, 2012). He holds a BS in Engineering from Cornell University and an MBA from The Wharton School.

Global technology company divestitures are on the rise, especially judging by the number and value of such deals in the second quarter of 2012. A difficult macroeconomic environment likely is contributing to companies' desire to increase core focus through divestitures at this particular time, but the evolving nature of the technology industry also is a driver. Continuous rapid change, hyper-innovation, plus uncertainty about future directions are leading to increasingly diverse businesses and, therefore, increasing numbers of business pursuits that don't work out as envisioned.

Recent months have seen more than just simple divestitures via the sale of an operation to another company — though that option remains most popular. We've also seen unwanted business units being eliminated through carve-outs, spin-offs and joint ventures (JVs). (See source notes, page 26.) "More complicated divestiture mechanisms are being used, because in the last 18 months, macroeconomic pressure has reduced the number of willing buyers," explains Dean McCauley, Operational Transaction Services, serving technology companies for Ernst & Young LLP.

In 2Q12, we saw at least $2.6 billion in disclosed value related to divestitures, with the $950 million sale of AT&T's online, mobile and print Yellow Pages advertising business to PE firm Cerberus topping the list by dollar value. A close second is IBM's $850 million deal to sell its point-of-sale systems business to Toshiba. Other 2Q12 divestitures with smaller or no disclosed value included units sold by TE Connectivity Ltd. (formerly Tyco Electronics Ltd.), Nokia Corporation, Polycom Inc. and Google. Also in 2Q12, Microsoft participated in a carve-out with Barnes & Noble Inc. and moved a medtech business into a JV with GE.

Technology industry dynamics demand nimble corporate development

Companies in mature industries may have the opportunity to focus on just one strategic business priority. "But technology markets are changing fast. Subsectors are created, morphed and combined at rapid speeds, and it's harder to predict where things are headed," says McCauley.

Instead, McCauley continues, "Corporate development groups must be nimble enough to acquire businesses rapidly and, if they don't work out as envisioned, divest them with equal speed and efficiency. With this two-way street in mind, tight integration of new businesses should not be the default approach in all cases."

Benefits of divestiture include increasing shareholder return

Beyond technology companies' need to manage an uncertain future, other key benefits that drive divestitures haven't changed in decades. First is the opportunity for greater focus on distinct competitive advantages and strategic priorities — benefits that accrue to both the parent company and its divested business. Second is the optimization of resources, in terms of both financial and human capital. Third is increased transparency for shareholders, which enables them to better evaluate complex businesses.

Figure 5 shows how these benefits translate into increased total shareholder return. Our analysis of 48 spin-off transactions across all industries from 2005 to 2009 shows that, on average, the spin-off companies far outperformed the parent companies, which in turn outperformed the S&P 500 Index.

Key considerations for a successful divestiture

The results shown in Figure 5 are averages. In our experience helping companies with divestitures, we've seen the extremes of good and problematic divestiture execution.

Properly considering the following high-level guidelines and regularly communicating the results to all stakeholders (internal and external) can help companies avoid the "problematic" end of that spectrum.

- Start the divestiture process six-to-nine months before you hope to close — and don't set arbitrary deadlines
- Develop a well-thought-out human resources (HR) plan for talent retention
- Establish an effective executive steering committee and program management office to oversee the divestiture
- Develop a comprehensive transition services agreement (TSA)
- Proactively manage customer and vendor relationships

Give yourself enough time to divest
"Once the decision to divest is made, there aren't a lot of intellectually complex decisions in the rest of the process of setting up the new business, but there are on the order of 10,000 decisions to make," says McCauley. "So even if they are relatively simple, you can't make them in a month or two; you really have to start six-to-nine months prior to close."

In addition, many companies enter the divestiture process with a particular deadline in mind for closing, such as the end of a calendar year, fiscal year or a particular quarter. Such artificial deadlines can create problems. First, the artificial deadline may not leave enough time for all the aforementioned decisions to be made. Second, it can affect the negotiation process. "It can really hurt the seller if the buyer senses the need to hit a deadline and demands concessions as time gets short," explains McCauley.

Think through talent retention
A well-thought-out HR plan is critical to retaining key talent in the divested company, which will usually be smaller and less prestigious than the parent. Talented people have options, and may not stay with the divested business unless there is a clear value proposition for them. A common mistake made by many companies is to announce a sale before developing the messages for key employees. This issue is particularly important for technology companies because of the special difficulty of replacing key engineering talent.

The need for good steering and program management
Effective program management is important to getting those 10,000 decisions made on time. Two things are critical. First, the leaders on the executive steering committee must have the authority to make critical decisions and do so on a timely basis, according to McCauley. Second, the program management office must be populated with people who have strong program management skills and, even more importantly, experience in overseeing the specific challenges that comprise a complex divestiture. This is not the time for learning on the job.

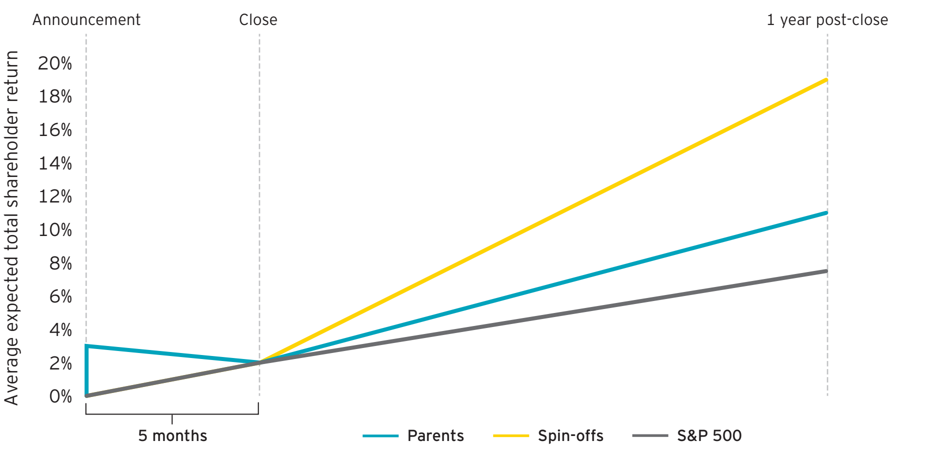
Transition service agreements
Often, a divested business continues to require services from the parent, such as accounting or IT support. And often, companies make the mistake of writing an informal TSA or leaving it to be defined post-close. This can set the stage for subsequent difficulties, as different expectations of service levels, duration and pricing can emerge between the parent and the divested business. A key issue for technology companies is to define which entity ends up owning relevant intellectual property (IP), including software code, and what are the permissible uses of that IP for each party. Though time-consuming to establish, a good TSA is critical to the success of a divestiture.

Managing customer and vendor relationships
Finally, customer and vendor relationships must be proactively managed. Critical for both is a clear communications plan that explains the separation, which entity is responsible for delivering what products and services, and new billing and collection processes. There is a corresponding set of issues on the vendor side. In addition, vendor relationships may be complicated if a vendor's products or services are split between the parent and divested business, resulting in loss of volume from a single customer that could increase costs.

In addition to all these factors, separating a parent and divested business can create complications around valuation, tax, accounting and operational issues.

In closing, McCauley's advice for technology companies considering a divestiture is, "Take control of the process, don't skimp on resources and give yourself enough time. In the most successful divestiture I've seen, the seller started 12 months ahead of the final sale and spent over $40 million on external process support — but ended up selling for several hundred million dollars more than expected. At the opposite end of the spectrum, I saw one company that started late, lost all but one buyer when it set a too-aggressive schedule to meet a reporting-driven deadline and ended up backed against the wall by a single buyer. That resulted in a deal structure they did not want and a price far less than they hoped for." Not a happy outcome, indeed.

Figure 5: Analysis of total shareholder return of 48 spin transactions from 2005 to 2009



Spin-offs (across all industries) far outperformed their parents and the S&P 500 Index in the first year after the separation.

Source: Ernst & Young analysis.

Regional snapshot: Americas

Results mixed as US declines in volume and value but Canada grows

Overall, Americas' deal-makers captured smaller shares of global deal volume and value in 2Q12 than in 1Q12 — but the bigger regional story for the quarter was Canada's strong growth. In addition, the region's buyers continued to buy a higher proportion of companies related to significant deal-driving trends than buyers in other regions.

"Disruptive technology in the five megatrends we've identified is fueling strategic deal-making in the Americas region, despite the uncertainty created by downward macroeconomic pressure and the upcoming election in the US."

Joe Steger
Global Technology Industry
Transaction Advisory Services Leader
Ernst & Young

Canadian buyers had two of the top five deals by dollar value for the quarter (Figure 6, page 15) and captured $5.1 billion, or 22%, of the region's aggregate disclosed value of $23.4 billion (Figure 7, page 15). Because Canadian companies purchased only $46 million in disclosed value in 1Q12, the country's sequential increase in aggregate value works out to an unusually large 11,070%. And because the largest of these deals traversed borders, Canada acquired $4.1 billion (23%) of the CB value transacted in 2Q12 — far higher in percent and value than any other quarter since we began tabulating country-by-country results three-and-a-half years ago in 1Q09.

However, the region slightly underperformed the global averages, overall. Comparing Figure 7 with Figure 3 on page 7 shows a larger sequential drop in volume (-6% versus -4% globally) and a smaller sequential increase in aggregate and average values (7% versus 33% globally and 8% versus 22%, respectively). Consequently, the Americas captured 73% of global volume (compared with 75% in 1Q12) and 70% of global aggregate value (compared with 87% in 1Q12).

The reason for the overall regional decline was an unusual sequential decline in US transaction value despite global increases, and a bigger decline in US volume than globally. US deal volume declined 8% sequentially (twice the global 4%). All-deal (IB plus CB) value declined 16% to $18.2 billion in 2Q12 from $21.7 billion in 1Q12. The entire decline came from a US pullback from CB deals, particularly in Europe. As a result, US deal-makers acquired only 23% of CB deal value in 2Q12 ($4.1 billion) compared with 81% in 1Q12 ($9 billion). US deal-makers acquired $8.2 billion worth of European disclosed value in the first quarter, but just $2.2 billion in the second. The decline in acquisitions of Europe-based companies may be driven by concerns valuations will fall further as the Eurozone crisis continues. Of note, US IB deal value increased 11% to $14.1 billion in 2Q12 from $12.7 billion in 1Q12.

The changes did not have much impact on the region's share of megatrends-related deals. For example, the region acquired a disproportionate share (83%) of the volume of cloud/SaaS deals we saw in the quarter. It also purchased 74% of the social networking deals, 85% of the big data deals and 89% of the information security deals. For the second consecutive quarter, the Americas purchased 95% of the health care information technology deals, which is not surprising considering the ongoing focus on health care reform issues in the US.

The region's largest dollar-value deal was the $2.7 billion announced purchase by Canada's CGI Group's of UK-based Logica plc. The deal appears to be motivated by scale and geographic diversification: almost all of CGI's revenue is North American, whereas almost all of Logica's is Western European.[1] Microsoft's Yammer acquisition was the largest of many deals involving technologies that integrate social functions within enterprise software. The Digital Realty-Sentrum and BCE (et al.)-Q9 Networks deals both involve non-technology buyers pursuing data center acquisitions to enhance their ability to provide cloud services. And Microsoft's acquisition of AOL patents was the largest patent deal of the quarter by dollar value.

Figure 6: Top five Americas deals, 2Q12 (corporate and PE)

Buyer	Disclosed value ($m)	Announced	Deal type	Premium offered
CGI Group Inc. to acquire Logica plc	$2,663	31-May	Corporate	33%
Microsoft Corporation to acquire Yammer, Inc.	$1,200	25-Jun	Corporate	N/A
Digital Realty Trust, Inc. acquired data center portfolio from Sentrum	$1,100	26-Jun	Corporate	N/A
PE-backed investment group (Ontario Teachers Pension Plan, Providence Equity, Madison Dearborn, BCE Inc.) to acquire Q9 Networks Inc.	$1,068	2-Jun	PE	N/A
Microsoft Corporation acquired 800 patents and related applications from AOL Inc.	$1,056	9-Apr	Corporate	N/A

Figure 7: Americas transactions scorecard, 2Q12

Deals announced	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change		YOY % change	
Corporate							
Number of deals announced	487		494	-5%	▼	1%	▲
Number of deals with disclosed values	144		98	-5%	▼	-32%	▼
Total value of deals with disclosed values ($m)	$35,245		$19,951	25%	▲	-43%	▼
Average value of deals with disclosed values ($m)	$245		$204	32%	▲	-17%	▼
PE							
Number of deals announced	35		38	-16%	▼	9%	▲
Number of deals with disclosed values	13		12	50%	▲	-8%	▼
Total value of deals with disclosed values ($m)	$8,145		$3,420	-41%	▼	-58%	▼
Average value of deals with disclosed values ($m)	$627		$285	-61%	▼	-55%	▼
Corporate and PE							
Number of deals announced	522		532	-6%	▼	2%	▲
Number of deals with disclosed values	157		110	-1%	▼	-30%	▼
Total value of deals with disclosed values ($m)	$43,390		$23,372	7%	▲	-46%	▼
Average value of deals with disclosed values ($m)	$276		$212	8%	▲	-23%	▼

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

The value of cross-border deals with US buyers declined

54%

sequentially from 1Q12

Regional snapshot: Asia-Pacific* and Japan

Deal volume and value grow sequentially; games technology is value driver

Deal volume jumped higher sequentially and YOY in the Asia-Pacific and Japan (APJ) region, while aggregate value climbed sequentially but fell YOY. Video games, including online mobile and social games, were the single greatest driver of deal value, but many small strategic deals focused on geographic expansion or technologies such as mobile audio and video streaming and flash memory acceleration.

"The seasonal effect of the Lunar New Year likely held down deal-making in the first quarter, making for a robust sequential increase in deal volume during the second quarter."

Alex Zhu
Transaction Advisory Services Leader for China, Ernst & Young member firms of Greater China, Ernst & Young

The large size of APJ's 73% sequential increase in deal volume may be the result of a seasonal effect of Lunar New Year celebrations in the region that could have held back deal-making in 1Q12. By comparison, both the Americas and EMEA regions experienced sequential volume declines in 2Q12 (pages 14 and 18, respectively). APJ volume also increased 30% YOY (Figure 9, page 17).

Aggregate value for APJ also grew sequentially by 25% but fell 62% YOY to $2.6 billion. Online mobile and social games deals drove 41% of APJ value, or about $1.1 billion, in four disclosed-value deals. Another 33% of APJ disclosed value for 2Q12 came from one deal, Toshiba's purchase of IBM's point-of-sales systems business for $850 million (Figure 8, page 17).

The second deal on the APJ top five list was a games deal. Chinese newspaper and online news company Zhejiang Daily Media Group announced it would acquire domestic online games company Hangzhou Bianfeng Network Technology for $498 million. Zhejiang did a second, smaller deal for a similar China-based online games company for $56 million. The other two game and game-related deals with disclosed values were notable because they crossed borders: NTT DoCoMo's $290 million planned purchase of Italy's mobile content provider, Buongiorno (mobile payment processing, content, music streaming technologies, as well as games), and Gree, Inc.'s plan to acquire US-based Funzio, Inc. for $210 million.[1]

NTT DoCoMo and Gree are both based in Japan, where technology acquirers did 17 of their 21 deals across borders in 2Q12. Japanese buyers drove 63% of the region's disclosed value for the quarter, all in CB deals. Besides the Toshiba and games deals already mentioned, there were a variety of geographic expansion deals, such as the NEC-CSG top five deal, which expands NEC's IT services capabilities in Australia.

Likewise, all three deals from South Korea were CB. Among the top five deals was SK Hynix's $242 million deal for Link_A_Media, a maker of system-on-chip (SoC) controllers that enhance the speed and reliability of flash memory. The other two are non-disclosed-value deals both done by Samsung Electronics Co. Ltd. In the first deal, Samsung plans to acquire mSpot Inc., a US company whose music and video storage locker and streaming service is similar to capabilities offered by Apple, Inc., Amazon, Inc. and Google. Samsung reportedly plans to operate mSpot as a subsidiary and feature its services on Samsung smartphones.[2] The second deal is for Swedish low-power WiFi chip company Nanoradio AB.

India buyers did 17 deals, split between 9 IB and 8 CB. Most of the deals involved consolidation among domestic IT services providers or the acquisition of small IT services companies in other countries. In all, 31 of the 57 APJ deals, or 54%, were CB deals.

*Asia-Pacific and Japan includes India.

Figure 8: Top five Asia-Pacific and Japan deals, 2Q12 (corporate and PE)

Buyer	Disclosed value ($m)	Announced	Deal type	Premium offered
Toshiba TEC Corporation to acquire Retail Store Solutions (RSS) business from IBM Corporation	$850	17-Apr	Corporate	N/A
Zhejiang Daily Media Group to acquire Hangzhou Bianfeng Network Technology Co. Ltd.	$498	9-Apr	Corporate	N/A
NTT DoCoMo, Inc. to acquire Buongiorno S.p.A.	$290	14-May	Corporate	N/A
SK Hynix Inc. to acquire Link_A_Media Devices Corporation	$242	19-Jun	Corporate	N/A
NEC Corporation to acquire the Technology Solutions business of CSG Ltd.	$224	30-May	Corporate	N/A

Figure 9: Asia-Pacific and Japan transactions scorecard, 2Q12

Deals announced	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change		YOY % change	
Corporate							
Number of deals announced	42		55	72%	▲	31%	▲
Number of deals with disclosed values	19		15	67%	▲	-21%	▼
Total value of deals with disclosed values ($m)	$5,186		$2,551	25%	▲	-51%	▼
Average value of deals with disclosed values ($m)	$273		$170	-25%	▼	-38%	▼
PE							
Number of deals announced	2		2	100%	▲	0%	-
Number of deals with disclosed values	2		0	N/A	-	-100%	▼
Total value of deals with disclosed values ($m)	$1,606		$0	N/A	-	-100%	▼
Average value of deals with disclosed values ($m)	$803		$0	N/A	-	-100%	▼
Corporate and PE							
Number of deals announced	44		57	73%	▲	30%	▲
Number of deals with disclosed values	21		15	67%	▲	-29%	▼
Total value of deals with disclosed values ($m)	$6,792		$2,551	25%	▲	-62%	▼
Average value of deals with disclosed values ($m)	$323		$170	-25%	▼	-47%	▼

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Games technology drove

41%

of APJ value, or about $1.1 billion

Regional snapshot: Europe, the Middle East and Africa (EMEA)

EMEA technology deal value grows despite economic malaise

Regardless of Europe's struggle to emerge from economic malaise, quarterly global technology M&A purchased by EMEA companies continues to alternately rise and fall — and 2Q12 was an up quarter, growing fivefold over 1Q12. In terms of disclosed value, instead of being a prime target of US buyers as in the last quarter, European buyers targeted US companies in 2Q12.

"Other regions continued to target EMEA's disruptive innovators in 'social-mobile-cloud' and big data technologies during the second quarter, but European buyers also made big dollar-value purchases, overcoming the macroeconomic challenges."

Staffan Ekström
Transaction Advisory Services Leader
EMEIA
Ernst & Young

Aggregate disclosed deal value purchased by EMEA companies increased 501% over the previous quarter to nearly $7.5 billion. This was mainly due to two pending big-ticket deals targeting US companies: SAP's acquisition of Ariba for $4.5 billion and the Apax Partners/JMI Equity PE deal to acquire Paradigm for $1 billion (Figure 10, page 19). Paradigm is a big data software company targeting the oil and natural gas industries, whose software helps those energy companies analyze seismic and other drilling data. The top five EMEA deals represented 88% of all EMEA disclosed value.

Overall, however, the European deal market remains suppressed due to the economic consequences of the Eurozone economic malaise, such as austerity measures and reduced consumer and investor confidence. So technology deal volume, by EMEA buyers in 2Q12, declined 11% sequentially and 15% YOY to 139 deals (Figure 11, page 19), which was 19% of global deal volume.

In addition, the volume perspective shows a different picture than the value flow. European companies are attractive targets for non-European buyers due to lower valuations of European companies combined with a falling euro. Looking at 2Q12 deals in which the target was an EMEA company, 53% of the buyers were from EMEA and 47% were from other regions. In 42%, the buyer was from North America. Examples include CGI-Logica and Digital Realty-Sentrum (see Americas snapshot, page 14, and Figure 6 on page 15). Similarly, EMC purchased XtremIO, an Israeli manufacturer of enterprise-class flash memory arrays.

Looking at only cross-regional transactions, EMEA companies purchased 42 companies from other regions ("inbound" deals), while out-of-region buyers purchased 87 EMEA companies ("outbound" deals) — making for more than twice as many outbound as inbound deals. In this context, the inbound SAP-Ariba and Paradigm deals went against the trend.

Cloud/SaaS, smart mobility and big data were the drivers behind much of EMEA's 2Q12 deal volume. Of the EMEA inbound deals already mentioned, SAP-Ariba exemplifies cloud/SaaS and Apax/JMI-Paradigm exemplifies big data. Among outbound deals, an announced $201 million acquisition of Psion plc by Motorola Solutions Inc. (the public safety communications, advance data capture and wireless networking business, not the handset business that was spun off and sold to Google recently) is an example of a smart mobility deal.

Among the region's top 5 deals was UK-based aerospace and defense contractor Cobham's completed purchase of Danish satellite communications infrastructure company Thrane & Thrane. Fourth out of the five was French CAD/CAM software provider Dassault Systèmes' completed purchase of Gemcom Software International, a Canadian 3D modeling software company focusing on the mining industry. And rounding out the list was the pending acquisition of Grupa Onet, a Polish Web portal that provides videogames and business directories, by Swiss-based Ringier Axel Springer Media.

Figure 10: Top five Europe, the Middle East and Africa (EMEA) deals, 2Q12 (corporate and PE)

Buyer	Disclosed value ($m)	Announced	Deal type	Premium offered
SAP AG to acquire Ariba, Inc.	$4,500	22-May	Corporate	30%
Apax Partners and JMI Equity to acquire Paradigm Ltd.	$1,000	11-Jun	PE	N/A
Cobham plc acquired Thrane & Thrane A/S	$446	10-Apr	Corporate	N/A
Dassault Systèmes S.A. acquired Gemcom Software International Inc.	$360	26-Apr	Corporate	N/A
Ringier Axel Springer Media AG to acquire Grupa Onet.pl S.A.	$269	4-Jun	Corporate	N/A

Figure 11: Europe, the Middle East and Africa transactions scorecard, 2Q12

Deals announced	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change		YOY % change	
Corporate							
Number of deals announced	148		127	-15%	▼	-14%	▼
Number of deals with disclosed values	36		30	20%	▲	-17%	▼
Total value of deals with disclosed values ($m)	$5,674		$6,366	414%	▲	12%	▲
Average value of deals with disclosed values ($m)	$158		$212	324%	▲	34%	▲
PE							
Number of deals announced	15		12	50%	▲	-20%	▼
Number of deals with disclosed values	6		3	N/A*	▲	-50%	▼
Total value of deals with disclosed values ($m)	$2,436		$1,085	N/A*	▲	-55%	▼
Average value of deals with disclosed values ($m)	$406		$362	N/A*	▲	-11%	▼
Corporate and PE							
Number of deals announced	163		139	-11%	▼	-15%	▼
Number of deals with disclosed values	42		33	32%	▲	-21%	▼
Total value of deals with disclosed values ($m)	$8,110		$7,451	501%	▲	-8%	▼
Average value of deals with disclosed values ($m)	$193		$226	352%	▲	17%	▲

*Metrics for 1Q12 were reported as zero for deal volume and total and average values; while a percentage change cannot be calculated, each of these metrics reported a positive value in 2Q12.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Disclosed deal value purchased by EMEA companies increased 501% sequentially to

$7.5 billion

Appendix of additional charts

Deal volume trend was mixed, depending on sector; average value results were mixed YOY but up sequentially (with one exception)

Figure 12: Global technology corporate and PE transactions scorecard by sector, 2Q12

	Number of deals					Average value ($m)				
	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change	YOY % change	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change	YOY % change
Corporate deals by sector (based on target sector)										
CE	29		39	5% ▲	34% ▲	$92		$176	-56% ▼	91% ▲
CPE	30		29	-29% ▼	-3% ▼	$399		$324	177% ▲	-19% ▼
Internet	136		143	6% ▲	5% ▲	$383		$213	26% ▲	-44% ▼
IT services	160		150	-15% ▼	-6% ▼	$173		$185	444% ▲	7% ▲
Semiconductors	36		31	35% ▲	-14% ▼	$624		$166	93% ▲	-73% ▼
Software/SaaS	286		284	-2% ▼	-1% ▼	$107		$188	62% ▲	76% ▲
Total	677		676	-4% ▼	0% ▼	$232		$202	43% ▲	-13% ▼
PE deals by sector (based on target sector)										
CE	3		4	-20% ▼	33% ▲	$1,505		$110	358% ▲	-93% ▼
CPE	6		4	0% -	-33% ▼	$1,600		$380	676% ▲	-76% ▼
Internet	8		12	200% ▲	50% ▲	$258		$291	839% ▲	13% ▲
IT services	18		6	-60% ▼	-67% ▼	$370		$538	-68% ▼	45% ▲
Semiconductors	2		3	-25% ▼	50% ▲	$645		$5	N/A* ▲	-99% ▼
Software/SaaS	15		23	5% ▲	53% ▲	$332		$296	-78% ▼	-11% ▼
Total	52		52	-4% ▼	0% -	$580		$300	-59% ▼	-48% ▼
Total deals by sector										
CE	32		43	2% ▲	34% ▲	$418		$171	-52% ▼	-59% ▼
CPE	36		33	-27% ▼	-8% ▼	$484		$328	195% ▲	-32% ▼
Internet	144		155	12% ▲	8% ▲	$374		$224	42% ▲	-40% ▼
IT services	178		156	-19% ▼	-12% ▼	$203		$211	94% ▲	4% ▲
Semiconductors	38		34	26% ▲	-11% ▼	$625		$155	80% ▲	-75% ▼
Software/SaaS	301		307	-1% ▼	2% ▲	$124		$199	17% ▲	60% ▲
Total	729		728	-4% ▼	0% ▼	$265		$211	22% ▲	-20% ▼

CE = Communications equipment
CPE = Computers, peripherals and electronics

Volume increases and decreases were thoroughly mixed among the six sectors, both sequentially and YOY, whether for corporate or PE deal-makers. The overall trend, however, was slightly down — 4% sequentially and just one deal YOY. Quarterly volume for 2Q12 remained right around the 730 average we observed for the last six quarters.

Due to the relatively smaller number of big-ticket deals in 1Q12, average values climbed sequentially in 2Q12 for all sectors, with just one exception. CE average value dropped, primarily due to the $5 billion announced Cisco-NDS Group Ltd. deal of 1Q12. The YOY declines in average value can all be attributed to the unusual number of big-ticket deals in the prior-year quarter. In the CE sector, it was the $4.5 billion patent purchase from Nortel Networks Inc. by a consortium of technology companies (which was classified as a PE deal because the consortium was an investment vehicle). In CPE, it was Toshiba's $2.3 billion purchase of Landis+Gyr AG and Seagate Technology Plc's $1.6 billion purchase of Samsung's hard disk business; in internet, Microsoft's $8.5 billion Skype purchase; and in semiconductors, two consolidation deals: Texas Instruments' acquisition of National Semiconductor ($6.1 billion) and Applied Materials' purchase of Varian ($4.8 billion).

Note: average value based on deals with disclosed values. *For 1Q12, this metric reported a zero average value; while a percentage change cannot be calculated, this metric reported a positive value in 2Q12.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

CB deal volume and average value both increased sequentially but failed to reach the level of last year's second quarter peak

Figure 13: Cross-border corporate and PE transactions scorecard by sector, 2Q12

	Number of deals					Average value ($m)				
	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change	YOY % change	2Q11	2Q 3Q 4Q 1Q 2Q	2Q12	Sequential % change	YOY % change
Corporate deals by sector (based on target sector)										
CE	13		17	-15% ▼	31% ▲	$86		$269	-65% ▼	213% ▲
CPE	15		12	-37% ▼	-20% ▼	$559		$361	702% ▲	-35% ▼
Internet	38		45	55% ▲	18% ▲	$1,111		$53	-58% ▼	-95% ▼
IT services	55		50	22% ▲	-9% ▼	$164		$308	711% ▲	88% ▲
Semiconductors	18		12	20% ▲	-33% ▼	$94		$68	-51% ▼	-28% ▼
Software	109		106	0% -	-3% ▼	$135		$242	195% ▲	79% ▲
Total	248		242	8% ▲	-2% ▼	$263		$233	29% ▲	-11% ▼
PE deals by sector (based on target sector)										
CE	1		1	-50% ▼	0% -	$4,500		$0	-100% ▼	-100% ▼
CPE	1		1	0% -	0% -	$0		$0	N/A -	N/A -
Internet	4		3	N/A -	-25% ▼	$350		$0	N/A -	-100% ▼
IT services	4		2	-50% ▼	-50% ▼	$154		$0	N/A -	-100% ▼
Semiconductors	0		0	N/A -	N/A -	$0		$0	N/A -	N/A -
Software	6		6	50% ▲	0% -	$510		$573	-43% ▼	12% ▲
Total	16		13	18% ▲	-19% ▼	$900		$573	12% ▲	-36% ▼
Total deals by sector										
CE	14		18	-18% ▼	29% ▲	$1,558		$269	-56% ▼	-83% ▼
CPE	16		13	-35% ▼	-19% ▼	$559		$361	702% ▲	-35% ▼
Internet	42		48	66% ▲	14% ▲	$1,026		$53	-58% ▼	-95% ▼
IT services	59		52	16% ▲	-12% ▼	$163		$308	711% ▲	89% ▲
Semiconductors	18		12	20% ▲	-33% ▼	$94		$68	-51% ▼	-28% ▼
Software	115		112	2% ▲	-3% ▼	$168		$265	83% ▲	58% ▲
Total	264		255	8% ▲	-3% ▼	$317		$242	19% ▲	-24% ▼

CE = Communications equipment
CPE = Computers, peripherals and electronics

CB deal volume spiked 8% sequentially in 2Q12 even as IB volume fell 9%. The change mirrors similar growth in 2Q11 but did not reach quite as high, as seen by the fact that, YOY, CB volume saw a 3% decline. Last year's 2Q11 peak in CB volume was the culmination of an 18-month growth trend. As seen in the total volume micro-plotline in the chart above, the 2Q12 increase, at best, may be the start of a new CB growth trend, as it comes after a two-quarter slide in the second half of 2011 followed by a flat 1Q12. CB volume grew to 35% of all deals (CB + IB) from 31% in 1Q12.

Average value of CB deals increased 19% sequentially despite the somewhat surprising fact that US deal-makers purchased 54% less CB disclosed value in 2Q12 than in the first quarter. At $242 million, CB average value was 15% higher than the average for all deals, which was $211 million (see Figure 3, page 7). However, CB average values are still significantly lower than in mid-2011, as seen in the 24% YOY drop in the chart above. Given that the macroeconomic environment has grown increasingly difficult in the last year, particularly in Europe, lower YOY average valuations appear to be the result of bargain hunting and the falling value of the euro. Still, CB aggregate value represented 52% of all-deal aggregate value (see Figure 15, page 25).

Note: average value based on deals with disclosed values.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Of top 10 most acquisitive countries, only US and China do more corporate IB than CB deals

Figure 14: Global corporate and PE deals by acquiring country: cross-border and in-border, 2Q12

Corporate deals

Top 10 countries	*2Q11 deals*	*2Q12 deals*	*% total deals*	*No. IB deals* (2Q12)	*No. CB deals* (2Q12)
US	449	451	67%	344	107
UK	40	45	7%	20	25
Canada	37	39	6%	13	26
Japan	8	20	3%	3	17
India	11	16	2%	8	8
Switzerland	4	12	2%	4	8
France	20	12	2%	6	6
Sweden	8	11	2%	5	6
Germany	31	11	2%	3	8
China/Hong Kong	11	8	1%	7	1
Other	58	51	8%	21	30
Total	**677**	**676**	**100%**	**434**	**242**

PE deals

Top 10 countries	*2Q11 deals*	*2Q12 deals*	*% total deals*	*No. IB deals* (2Q12)	*No. CB deals* (2Q12)
US	33	35	67%	27	8
UK	8	7	13%	3	4
Canada	2	3	6%	3	0
France	0	2	4%	2	0
Other	9	5*	10%	4	1
Total	**52**	**52**	**100%**	**39**	**13**

Despite its 54% sequential decline in CB aggregate disclosed value, the US maintained the same 44% of corporate CB deal volume as it had in 1Q12. In CB PE deals, the US increased from 36% of 1Q12 volume to 62% of 2Q12 volume. Two other volume patterns seen in 1Q12 remained steady in 2Q12. First, Japanese deal-makers did 17 CB deals out of 21 total deals (including one PE deal) after doing 8 out of 9 deals across borders in 1Q12. And China was in the 10th position among the most acquisitive countries for the second consecutive quarter, after being near the top of the list throughout 2011.

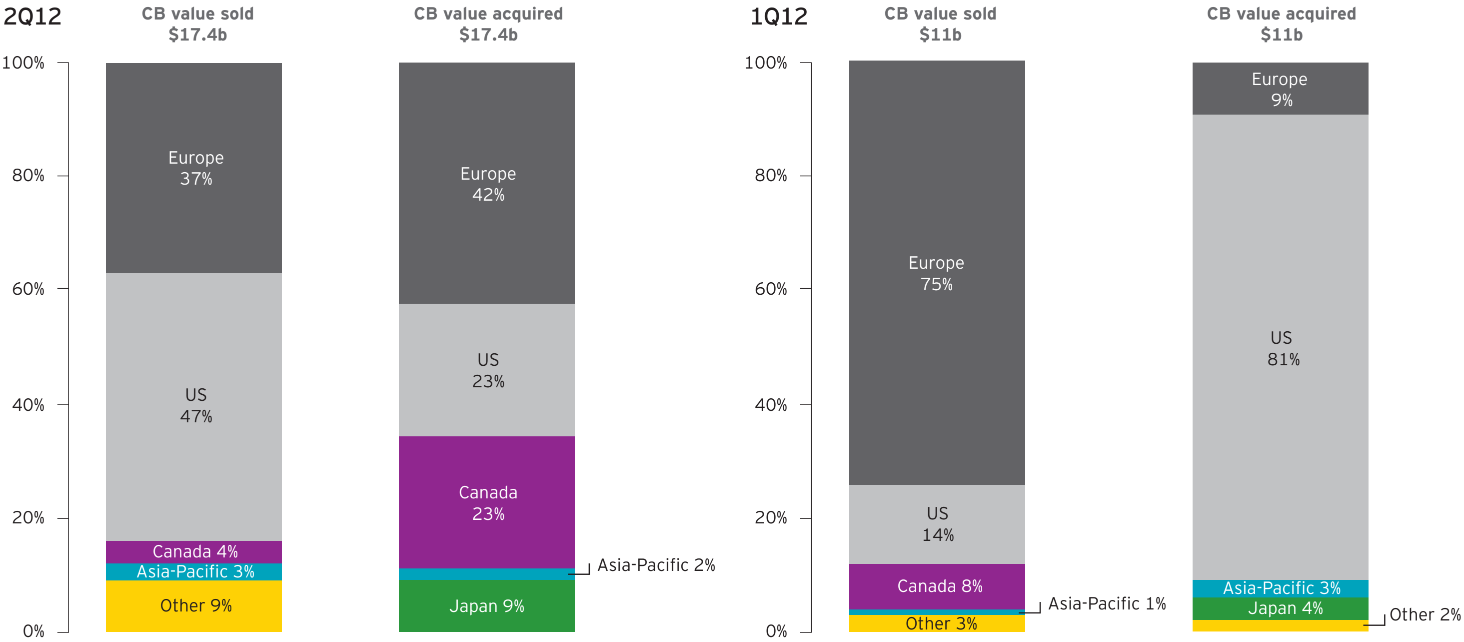
*Additional countries with one PE deal in 2Q12: India, Ireland, Japan, Netherlands and Sweden.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

Despite a 54% decline by the US, total CB value spiked to 52% of all 2Q12 disclosed value; Europe was biggest buyer

Figure 15: Cross-border deal value flow for technology deals (disclosed value), 2Q12 versus 1Q12



At $17.4 billion, disclosed CB deal value hit 52% of all aggregate value for the quarter — the first time it topped 50% since we began publishing these reports in 2008. Most surprisingly, this result was achieved while US technology companies acquired far less CB value than is their norm, declining 54% to $4.1 billion from $9 billion in 1Q12.

Also counterintuitive was European companies' acquisition of 42% of the value sold across borders despite the challenging and volatile Eurozone macroeconomic environment during the period. In fact, during the last four quarters Europe and the US have switched positions as net buyers and net sellers in every sequential quarter. Not coincidentally, Europe has been a net buyer for quarters in which SAP has made a multibillion-dollar acquisition of a US SaaS company ($3.4 billion for SuccessFactors in 4Q11 and $4.5 billion for Ariba in the current quarter).

- Two deals accounted for 76% of the value acquired by Europeans (SAP-Ariba and Apax-Paradigm).
- Intra-European CB deals accounted for a further 15% of the European buyer total.
- Canada tied the US in 2Q12 as a CB buyer driven by two deals that accounted for 87% of the value acquired by the country (CGI-Logica and MacDonald, Dettwiler and Associates-Loral's space systems unit).
- The only US-initiated overseas buy to top $1 billion was Digital Realty Trust's $1.1 billion acquisition of three UK data centers from Sentrum.
- Japan acquired more than $1 billion in the US in two transactions (Toshiba-IBM's retail point-of-sale solutions business and Gree-Funzio).
- $1.1 billion was acquired in Israel (Stratasys-Objet and EMC-XtremIO).
- $195 million was acquired in Brazil.

Note: percentages may not total 100 due to rounding.

Source: Ernst & Young analysis of The 451 Group Research M&A Knowledgebase, accessed 6 July 2012.

As we went to press, the following deal was completed:

Digital Reality/Sentrum

"Digital Reality Completes Acqusition of Sentrum Portfolio in London," PR Newswire, 16 July 2012, via Factiva, © 2012 PR Newswire Association LLC.

Source notes

Disappointing numbers — but transformative impact

[1] "Markets Review & Outlook: Second Quarter: Economic Unease Curbs Deals Appetite," *The Wall Street Journal*, 2 July 2012, via Factiva, © 2012 Dow Jones & Company, Inc.

[2] "Ariba Reports Results for Second Quarter of Fiscal Year 2012," Business Wire, 26 April 2012, via Factiva, © 2012 Business Wire.

[3] "For an Online Marketplace, It's Better Late Than Never," *The New York Times*, 21 November 2010, via Factiva, © 2010 The New York Times Company.

[4] "SAP prepares to tap SMAC opportunity," *Information Week*, 10 July 2012, via Factiva, © 2012 UBM India Pvt. Ltd.

[5] "SAP Acquires Sybase," ENP Newswire, 1 September 2010, via Factiva, © 2010, Electronic News Publishing.

[6] "Dell buys Wyse Technology to expand cloud offerings," *Information Week*, 3 April 2012, via Factiva, © 2012 UBM India Pvt. Ltd.

[7] "Facebook to Acquire Instagram," ENP Newswire, 10 April 2012, via Factiva, © 2012 Electronic News Publishing.

[8] "Microsoft, Facebook Announce Patent Agreement," 23 April 2012 REDMOND, Wash. and MENLO PARK, Calif., Facebook press release issued 23 April 2012.

[9] "Google buys batch of patents from IBM," Flare, 15 February 2012, via Factiva, © 2012 Monthly Flare.

[10] "Nvidia and Intellectual Ventures Link to Acquire Portfolio of Wireless Patent Assets," Health & Beauty Close-Up, 20 May 2012, via Factiva, © 2012 Close-Up Media, Inc.

[11] "Google acquires TxVia," Financial Deals Tracker, 3 April 2012, via Factiva, © 2012 MarketLine.

[12] "Battle Nears for Office Apps," *The New York Times*, 11 June 2012, via Factiva, © 2012 The New York Times Company.

[13] "Intuit acquires AisleBuyer," Financial Deals Tracker, 12 April 2012, via Factiva, © 2012 MarketLine.

[14] "SOMETHING VENTURED: EMC's XtremIO Purchase Could Be Trigger For Flash Storage Consolidation," Dow Jones News Service, 16 May 2012, via Factiva, © 2012 Dow Jones & Company, Inc.

[15] "Microchip to buy SMSC, plotting new expansion," *EE Times*, 2 May 2012, via Factiva, © 2012 UBM Electronics.

Unsolicited and notable deals

[1] "Dell to Acquire Quest Software," ENP Newswire, 3 July 2012, via Factiva, © 2012 Electronic News Publishing.

[2] "Mediatek to acquire stake in MStar Semiconductor," MarketLine (a Datamonitor Company), Financial Deals Tracker, 22 June 2012, via Factiva, © 2012 MarketLine - an Informa plc business.

[3] "MediaTek to buy MStar Semiconductor; NATIONAL CHAMPION: The merger is set to create the worlds fourth-biggest chip designer with total annual revenue for last year of US$4.2 billion, more than Nvidia," *Taipei Times*, 23 June 2012, via Factiva, © 2012 The Taipei Times.

[4] "MediaTek Inc. Announces Tender Offer for MStar Semiconductor, Inc.," ENP Newswire, 25 June 2012, via Factiva, © 2012 Electronic News Publishing.

[5] "GeoEye Offers To Acquire DigitalGlobe In $792M Cash-And-Stock Deal," Dow Jones News Service, 4 May 2012, via Factiva, © 2012 Dow Jones & Company, Inc.

[6] "DigitalGlobe and GeoEye Agree to Combine to Create a Global Leader in Earth Imagery and Geospatial Analysis," ENP Newswire, 24 July 2012, via Factiva, © 2012 Electronic News Publishing.

Divestitures are a growing trend across the technology M&A landscape

The simplest way to divest a business unit is to sell the unit, in its entirety, to another company — but even that, of course, isn't always "simple." Beyond that, corporate executives are often confused by the different divestiture possibilities. Here are three simple definitions:

- Spin-off: a parent company separates an operation into a new corporate entity that is owned by the same shareholders as the parent.
- Carve-out: a parent company sells a minority stake in an operation through an IPO or other rights offering.
- Joint venture: two or more parties enter into a contractual business partnership in order to share strengths, minimize risks and increase competitive advantages in the marketplace. A new entity may or may not be formed; instead, a JV could take the form of a collaboration between or among the businesses contributing to the JV.

Regional snapshot: Americas

[1] "CGI to acquire Logica creating a global technology champion with significant presence throughout the Americas, Europe and Asia," ENP Newswire, 1 June 2012, via Factiva, © 2012 Electronic News Publishing.

Regional snapshot: Asia-Pacific and Japan

[1] "NTT Docomo takes over Italy's Buongiorno," Reuters News, 6 July 2012, via Factiva, © 2012 Reuters Limited.

[2] "Samsung Buys mSpot Cloud Locker, Will Become Featured App," *PC Magazine*, 9 May 2012, via Factiva, © 2012 Ziff Davis, Inc.

Methodology

- *Global technology M&A update: April–June 2012* is based on Ernst & Young's analysis of The 451 Group M&A Knowledgebase data for 2011 and 2012. Deal activity and valuations may fluctuate slightly based on the date the database is accessed.
- 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: CPE; CE; 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. In previous years, 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 dataset, 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 2012, unless otherwise noted.
- All dollar amounts 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.
- Beginning with our 1Q12 report cycle, Ernst & Young switched from using FactSet Mergerstat to The 451 Group M&A Knowledgebase database to obtain its technology M&A data for analysis. We want to assure our readers that this change in databases does not impact the content in our report, which remains directionally correct as always, even though the databases are not technically comparable.
- Definitions for "multiple of" and "premium offered":
  - "TTM" equals 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 30 days prior to announcement of deal; where data is unavailable from The 451 Group, premium data was accessed via Capital IQ.

Name	Telephone number	Email
Global Technology Center contacts		
Pat Hyek Global Technology Industry Leader	+1 408 947 5608	pat.hyek@ey.com
Guy Wanger Deputy & Americas Technology Industry Leader	+1 650 802 4687	guy.wanger@ey.com
Joe Tsang Asia-Pacific Technology Industry Leader	+86 10 5815 2902	joe.tsang@cn.ey.com
Yuichiro Munakata Japan Technology Industry Leader	+81 3 3503 1528	munakata-ychr@shinnihon.or.jp
Joe Steger Global Technology Industry Transaction Advisory Services Leader	+1 408 947 5488	joseph.steger@ey.com
Jeff Liu Group Head, US Technology Lead Advisory, M&A	+1 408 947 5588	jeffrey.liu@ey.com
Erika Schraner Americas Technology Operational Transaction Services Leader	+1 415 533 6669	erika.schraner@ey.com
Juan Higueros Global Technology Industry Transaction Advisory Services Resident	+1 415 894 8535	juan.higueros@ey.com
Transaction Advisory Services (TAS) key global technology contacts		
Alex Zhu TAS Leader, Greater China	+86 10 5815 3891	alex.zhu@cn.ey.com
Staffan Ekström TAS Leader, EMEIA	+46 8 520 593 90	staffan.ekstrom@se.ey.com
Satoshi Sekine TAS Leader, Japan	+81 3 4582 6696	satoshi.sekine@jp.ey.com
Dr. Carsten F. Risch Germany	+49 30 25471 21426	carsten.risch@de.ey.com
Ashish Basil India	+91 124 464 4590	ashish.basil@in.ey.com
Stephan Lauers The Netherlands	+31 88 40 71368	stephan.lauers@nl.ey.com
Neil Hutt United Kingdom	+44 1189 281535	nhutt@uk.ey.com
Simon Pearson United Kingdom	+44 20 7951 0418	spearson@uk.ey.com
Divestitures are a growing trend across the technology M&A landscape subject matter professional		
Dean A. McCauley	+1 415 378 3445	dean.mccauley@ey.com

In line with Ernst & Young's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

EYG no. DC0118 ED None.

Ernst & Young

Assurance | Tax | Transactions | Advisory

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Ernst & Young LLP is a member firm of Ernst & Young Global Limited serving clients in the US. For more information about our organization, please visit **www.ey.com**.

About Ernst & Young's Global Technology Center

The technology industry is in a constant state of change — driven by continuous innovation, shifting markets, converging industries, consumer demand and the need for first-mover advantage. Ernst & Young's Global Technology Center connects a worldwide team of more than 14,000 technology professionals to help you navigate the challenges of this continuous change. We provide assurance and tax guidance through a network of experienced advisors to help you manage risk, transform business performance and sustain improvement. We can help you deliver cost-effective innovation, balance product portfolios, maintain effective supply chains, and identify, execute and integrate strategic growth transactions. Our global technology network leverages our leading market share position in serving technology companies to provide you with timely, reliable information. Our teams use a cross-discipline, collaborative approach to help you achieve your business objectives. We encourage our people to use their ingenuity and initiative to help you develop approaches, create options and seize opportunities. It's how Ernst & Young makes a difference. **www.ey.com/technology**

About Ernst & Young's Transaction Advisory Services

How organizations manage their capital agenda today will define their competitive position tomorrow. We work with our clients to help them make better and more informed decisions about how they strategically manage capital and transactions in a changing world. Whether you're preserving, optimizing, raising or investing capital, Ernst & Young's Transaction Advisory Services bring together a unique combination of skills, insight and experience to deliver tailored advice attuned to your needs — helping you drive competitive advantage and increased shareholder returns through improved decision making across all aspects of your capital agenda.