

February 2009 - Monthly Briefing

10th March 2009

Large Deals Elsewhere – But a Quieter Month in Europe

Perhaps the biggest news of the month was the announcement that US-based processor giant Intel is set to inject \$7 billion (£4.8 billion) in the construction of advanced manufacturing facilities in the country. The cash, which is the biggest ever investment in a new process made by the company, will go towards the development of Intel's 32 nanometre manufacturing technology which will be used to build faster, smaller and more energy efficient chips.

Developments in the telecoms world saw Canadian security software firm Certicom finally agreeing to the takeover deal proposed by mobile phone manufacturer Research in Motion (RIM). The software company accepted a bid of C\$3 (£1.65) per share, representing a premium of over 250% on the firm's closing share price on December 2nd of last year. The move came after VeriSign, which had also lodged an offer for the firm, declined to match RIM's bid.

Movement was also evident in the Australian telecoms sector with the news that Vodafone and Hutchinson Whampoa have agreed to merge their operations in the field. Hutchinson Telecommunications has combined with Vodafone Australia to form a joint venture named VHA. The new firm will now be responsible for providing customers of both firms with mobile services. Under the terms of the deal, Vodafone expects to receive around A\$500 million (£226 million).

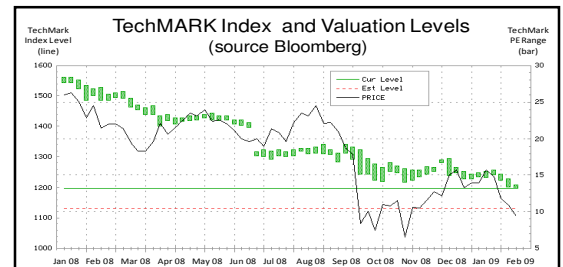
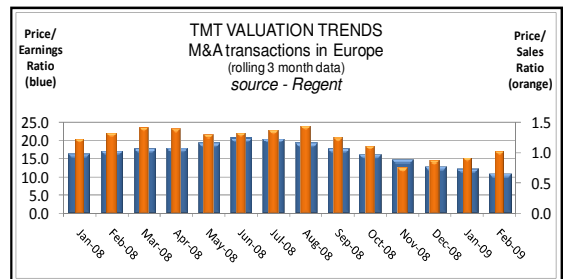
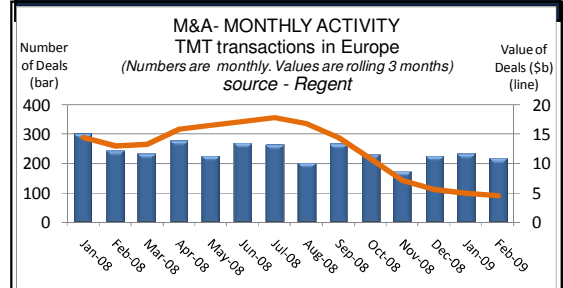
In the software sector last month, Ubisoft announced that it had acquired the Vancouver-based video games developer Action Pants, a move which follows the company's purchase of Brazilian firm Southlogic Studios in January. Meanwhile, the directors of UK-based games company Eidos, which is responsible for titles including the Tomb Raider series, have recommended the £84.4 million offer from Japanese rival Square Enix.

There were also two major deals in the hardware sector. The first saw Toshiba and Fujitsu sign a memorandum of understanding which will see the latter transfer its hard disk drive (HDD) business to the former. Under the terms of the agreement, Fujitsu will bring all of its HDD operation together in one company. Toshiba will then acquire an 80 per cent stake of the new entity, while Fujitsu retains a 20 per cent holding to facilitate the transfer. Ultimately, the HDD division will become a wholly-owned subsidiary of Toshiba.

Finally, it was revealed that Hitachi Global Storage Technological has purchased Fabrik, allowing the company to enter the external storage market. Financial details of the transaction, which is expected to be finalised by the third quarter of this year, have not been disclosed.

REGENT'S view of the month

Deal flow remained quite strong with 214 acquisitions of European technology companies in Feb 2009. The combined valuation of \$4.5b shows the lack of any large deals. Of course there are a number of distressed situations – but the good news is that there is plenty of cash in the market and many buyers that are willing to complete deals quickly. Valuations have stabilized after the declines of the past six months. Indeed, the median price to sales ratio has edged back to 1.0.



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