

August 2009 - Monthly Briefing

9th September 2009

The Beginning of the End? The Return of the Bigger Deals

Two stand-out deals in the last couple of weeks could represent the resumption of larger transaction activity in an industry that has been driven by smaller deals for the past year. In the field of content and entertainment, Spider-Man has joined forces with Mickey Mouse after Disney acquired comic book hero creators Marvel for \$4 billion. The surprise cash-and-stock deal could lead to new rides, movies, action figures and other outlets for Marvel's 5,000 characters, although Marvel already was aggressively licensing its properties for such uses. The deal is expected to close by the end of the year and marks Disney's biggest acquisition since it purchased Pixar Animation for \$7.4 billion in stock in 2006.

Then on 1st September eBay agreed to sell 65% of its Luxembourg-based Skype Internet-calling unit to an investor group led by Silver Lake for about \$2 billion to focus on reviving sales at its main e-commerce site. The buyers will pay \$1.9 billion in cash and will also give eBay a \$125 million note. eBay will retain 35% of the business. The other investors in the group are Andreessen Horowitz, a venture-capital firm headed by Internet pioneer Marc Andreessen, Index Ventures, the firm that invested in Skype, and Canada Pension Plan Investment Board. The sale, this year's biggest private-equity deal, values Skype at \$2.75 billion.

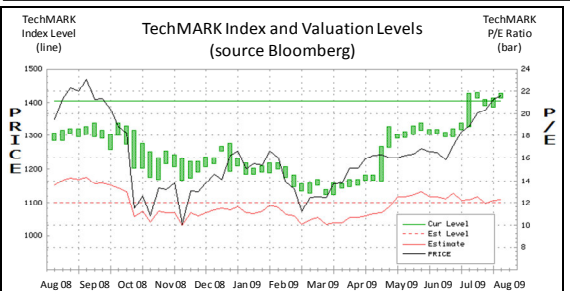
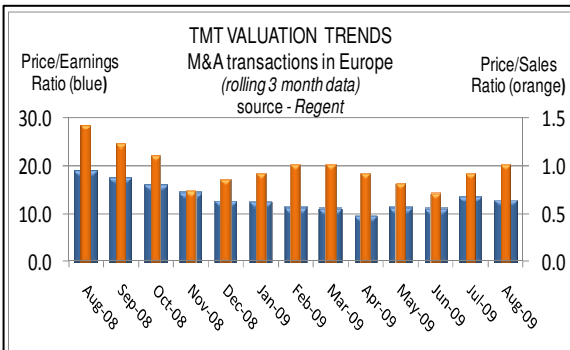
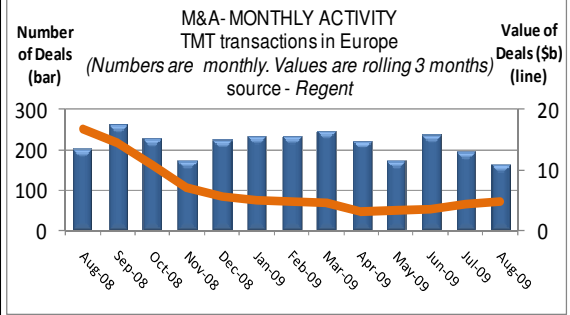
MySpace also entered into an agreement to acquire iLike for an undisclosed amount, bringing together two social networking sites. "The iLike acquisition advances our relentless pursuit of innovation and the need to create new distributed social experiences in music and beyond," commented Owen Van Natta, CEO of MySpace.

Meanwhile, Israeli company Scailex Corporation also announced that it had entered into a conditional agreement to acquire Hutchison Telecom's equity interest in Partner Communications for a consideration of \$1,381 million (£832 million). It is believed the transaction will see an estimated pre-tax gain of \$1 billion (£600 million) for Hutchison Telecom.

Towards the end of August, the Orange France Telecom Group announced the acquisition of the UK's largest exclusive digital advertising network, Unanimis, which has relationships with website brands including the AA, Ticketmaster, Gumtree and Shopping.com. The agreement is expected to drive up revenues in Orange's new growth areas, including digital advertising. "With the acquisition of Unanimis, Orange now has strong footholds in two of Europe's three main digital advertising markets - France and the UK - providing outstanding opportunities to pan-European advertisers and agencies," commented Paul Francois Fournier, executive vice-president of Orange Advertising. Regent Partners International was the exclusive advisor to Orange France Telecom in the transaction.

REGENT's view of the month

We should never read too much into the August announcements. The number of deals declined by 15% from the July numbers – smaller than the 24% decline this time last year. Combined valuations moved up 6% to \$5.2 billion, and that's without the \$2.0 billion Skype deal which was announced on 1st Sept and will be included in the next analysis. Valuation multiples have been edging up but have not kept pace with valuation increases of companies on the public markets.



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