

October 2009 - Monthly Briefing

10th November 2009

The Big Deals Continue as Trans-Atlantic Activity Increases

It's been a busy month for Cisco in Europe. It started with a \$3 billion bid for the Norwegian video-conferencing specialist Tandberg, which recorded revenues of \$808 million in 2008. Cisco operates mainly at the high end of the market whereas the acquisition of Tandberg will extend the reach downstream. However the deal, which represented an 11% premium on Tandberg's share price the previous day, has hit a snag with 24% of Tandberg shareholders declaring that they would not accept the offer. Cisco may have to reconsider its valuation.

Then later on in October, Cisco announced that it is acquiring the cloud-based security service provider, ScanSafe, for \$183 million in cash and retention-related incentives. Cisco's stated strategy is to operate the UK-based ScanSafe's enterprise service in its current form for the present and to integrate the services over time. ScanSafe reported revenues of \$23 million in its last financial year.

Towards the end of the month, the French-based Dassault Systèmes SA announced that it had agreed to pay \$600 million for IBM's sales and client support operations of its product life-cycle management (PLM) software as well as customer contacts and related assets. Dassault's acquisition, its biggest ever, will enable it to expand its services to clients, many of whom already use its three-dimensional design software to plan their projects.

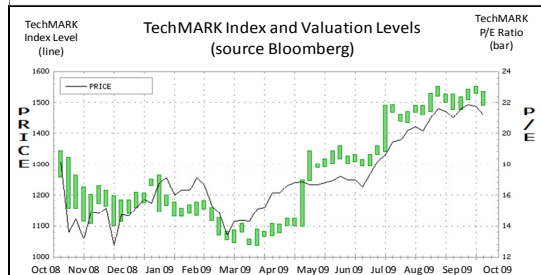
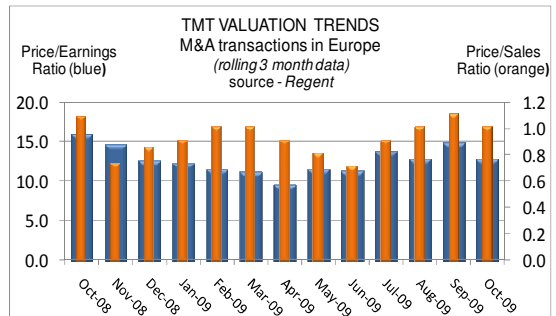
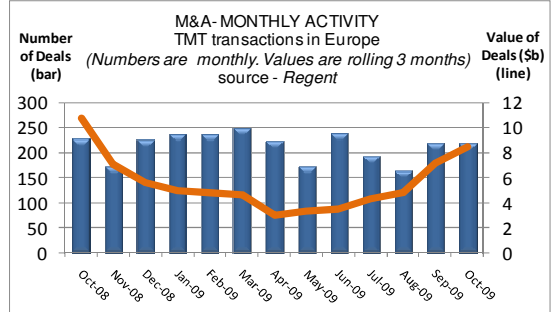
Electronic hardware and software design company Mentor Graphics Corporation signed a merger agreement that will see it acquire productivity improvement software developer Valor in 2010. The acquisition of Valor by Mentor is scheduled to be completed during the first calendar quarter of next year for an aggregate sum of approximately \$82 million (£51.7 million) and follows news of Mentor's acquisition of Logivision in August.

On the continent, five years of legal wrangling ended happily for Norwegian telecoms firm Telenor and Russian-based Altimo when they announced a merger deal to form a mobile provider for emerging markets. Telenor and Altimo, the telecoms arm of Alfa Group, put aside their differences over control of major Russian mobile operator VimpelCom to create a new jointly-owned company.

Meanwhile, various regulators are beginning to show their muscles. The proposed acquisition of Ernst & Young's tax compliance software business by Thomson Reuters has been blocked by the Australian competition authority that ruled the deal would have a negative impact in the markets for the supply of income tax and fringe benefits software, as the two companies are one another's closest competitors. In Europe, the EU Competition Commission has announced that Oracle has so far failed to produce evidence to ease concerns that its purchase of Sun Microsystems would be anti-competitive.

REGENT's view of the month

Although the number of TMT deals across Europe stayed the same at 218 compared to September, there was a marked increase in trans-Atlantic activity with US buyers accounting for 12% of all deals. The combined valuation of \$8.8 billion, remained strong, albeit slightly down on the previous month. Valuation multiples for the quoted sector and M&A deals edged down in the month although early indications for November suggest a resumed improvement.



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