

November 2009 - Monthly Briefing

8th December 2009

Infrastructure Leads the Move from Recession – as it Always Does!

The network infrastructure industry dominated acquisition announcements in November. Just as Deutsche Telekom and France Telecom - the owners of T-Mobile and Orange respectively - signed the final merger agreement to combine their operations in the UK, Liberty Global in the US announced it was buying Unitymedia for \$3 billion in cash. The sale of Germany's second-biggest cable network by a shareholder group led by BC Partners and Apollo is worth \$5.2 billion including assumed debt and marks the largest private equity exit in Europe this year. The private equity group bought Unitymedia for €1.5 billion (\$2.2 billion) in 2003.

In the US, the stand-out transaction was the announcement of HP's bid to acquire 3Com for \$2.7 billion in cash and thereby increase the intensity of its battle in the networking arena with Cisco. 3Com is synonymous with Ethernet, which was invented by 3Com founder Bob Metcalfe. The move will strengthen HP's position in the data centre, where yet again, it will meet Cisco as it increases its server capability. An additional benefit to HP will be greater access to the Chinese market from which 3Com derives half of its revenues.

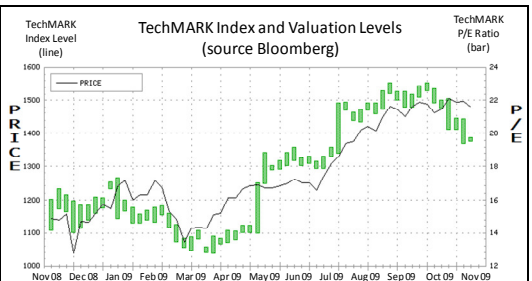
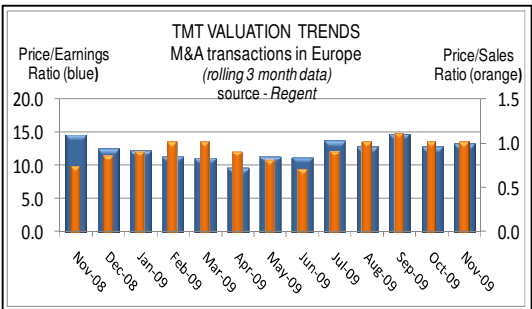
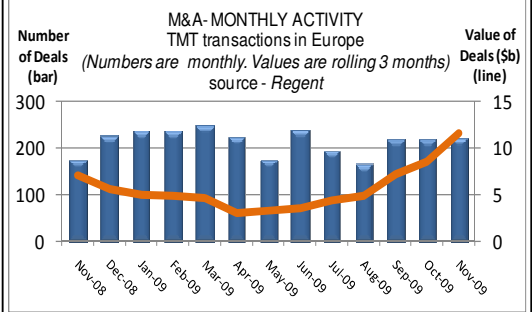
In the hardware product sector, we saw the Dutch copier and printer maker Océ become the target for Japanese-based Canon which has launched a €730 million offer for the company. This represents a 70% premium on the Océ share price just prior to the announcement. The transaction will be seen as classic market consolidation as most copier companies have seen sales slump in the downturn.

In software, JDA Software Group announced that it intends to acquire i2 Technologies for an estimated \$396 million as part of its plan to establish itself as an enterprise software firm with a focus on supply chain management. If the deal goes through, it is expected to create an entity with annual revenues of \$617 million. "Integrating i2's solutions and expertise will only expand our opportunity to build substantial new shareholder value over the coming years," commented Hamish Brewer, chief executive officer of JDA.

Meanwhile, in the online advertising sector, search giant Google made a successful bid for mobile display advertisement provider AdMob for a consideration of \$750 million in stock. The acquisition is expected to enhance Google's capabilities in mobile advertising, allowing marketers to take greater advantage of the search engine to sell their products and benefiting users by displaying more relevant advertisements. "Mobile advertising has enormous potential as a marketing medium and while this industry is still in the early stages of development, AdMob has already made exceptional progress in a very short time," commented Susan Wojcicki, vice-president of product management at Google.

REGENT's view of the month

The past three months have seen a very consistent number of TMT M&A transactions in Europe - 218 deals each month. However we are witnessing a ramp up in the size of deals which started in April 09 and has continued through November. This resulted in a combined value of TMT acquisitions last month of \$14.4 billion. Valuation ratios have been consistently above the lows of mid 2009 over the last three months although TechMARK ratios have been edging down.



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