

May 2010 - Monthly Briefing

11th June 2010

Trade buyers take the headlines – but private equity is becoming increasingly active.

The biggest deal of the month, was the move by German software giant SAP to acquire Sybase, and its versatile mobile applications platform, for \$5.8 billion in cash. With Sybase, SAP can help customers derive more value from their existing mobile investments by extending applications across the full range of major mobile platforms. At the same time, Sybase gains access to SAP's in-memory database computing technology. The current plans are for Sybase to continue to operate as a standalone unit retaining its original management team. Even so, there are expected to be other cost savings which will mean that the combination will be earnings accretive from day one.

IBM has announced that it is set to spend \$1.4 billion in cash to buy B2B commerce and integration company, Sterling Commerce, from AT&T. The acquisition would fill a gap in the IBM WebSphere integration portfolio without taking it into the pure application space where IBM has declared that it will remain agnostic. Sterling Software, which later became Sterling Commerce, has existed since the mid 1970's and at one stage was one of the world's top 10 software companies. It was bought by telecoms giant SBC in 2000 at the height of B2B expectations for \$3.9 billion. SBC later morphed into AT&T which has now clearly decided that the business is non-core to its future activities.

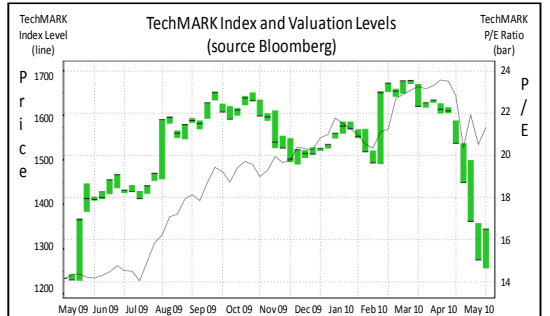
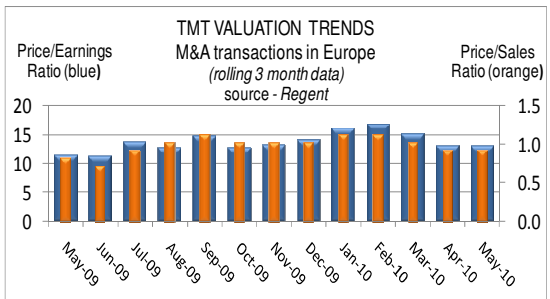
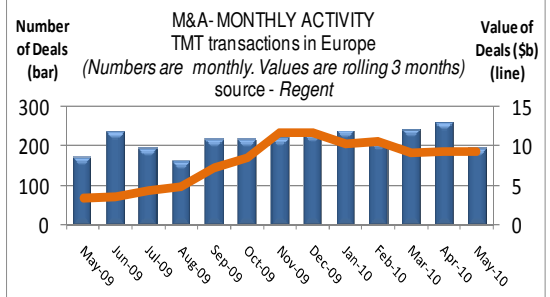
Meanwhile, computer security giant Symantec announced plans to acquire Verisign's identity and authentication business. In a deal worth over \$1 billion, Symantec picked up Secure Sockets Layer, Certificate and Public Key Infrastructure among other products. Symantec CEO, Enrique Salem, said that the combined products and reach of the two companies meant they were "poised to drive the adoption of identity security as the means to provide simple and secure access".

Swiss automation and power utilities group ABB has announced that it is acquiring US-based software firm Ventyx for over \$1 billion. ABB said that energy companies and industrial customers would gain from having a single supplier of enterprise-wide IT platforms and power automation systems because of the deal.

Finally, in one of the most unusual deals for some time, retail, hospitality, and entertainment software supplier, Clarity Commerce, is to acquire the IT service desk firm, Cyntergy – for a second time. In September 2003 Clarity bought the assets of two divisions of the helpdesk company. Later, as part of a financial restructuring in May 2008, Clarity sold the business to the management team. However, Cyntergy went into administration at the end of last year and Clarity Commerce, under new management themselves, has decided that it does want to be in the helpdesk business and has consequently re-acquired the business.

REGENT's view of the month

A seasonal decline in the number of acquisitions in May in Europe was more than compensated by a series of large deals that pushed the combined valuation to \$15.8 billion, the highest figure since July 2008. The monthly median price to earnings (P/E) ratio came in at 14.8, very close to the TechMARK historic P/E ratios which suffered a technical re-leveling brought about by improved profit performances that had already been factored in to the pricing calculations.



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