

October 2016 - Monthly Briefing

8th November 2016

Global semiconductor industry consolidation continues

The largest European TMT deal in October was the acquisition of Dutch chip maker, NXP Semiconductors, by US based Qualcomm. NXP is a leader in high-performance, mixed-signal semiconductors, with leadership positions in automotive, broad-based microcontrollers, secure identification, network processing and RF power. NXP reported revenue of \$6.1 billion in 2015 and the deal values the business at \$47 billion. The combined company is expected to have annual revenues of more than \$30 billion, serviceable addressable markets of \$138 billion in 2020 and leadership positions across mobile, automotive, IoT, security, RF and networking.

Austrian sensor and semiconductor manufacturer, ams, announced the acquisition of Heptagon, a Singapore based manufacturer of micro-optics and optical sensing solutions for consumer mobile devices. ams will pay \$64 million in cash, \$570 million in shares and an earn-out of up to \$285 million. Heptagon's current 12-month revenue run rate is around \$90 million. The combination of ams and Heptagon forms the clear worldwide leader in end-to-end optical sensing solutions with global scale and the ability to define and drive technology trends and innovation.

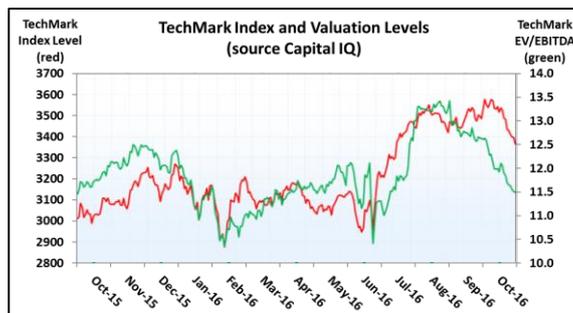
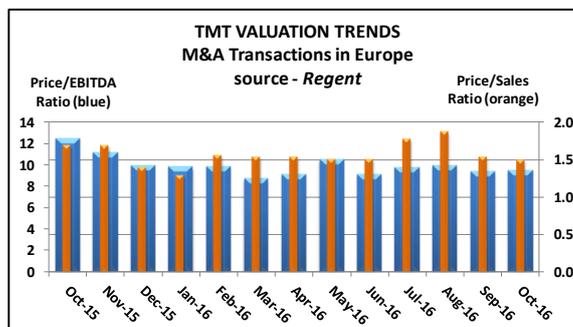
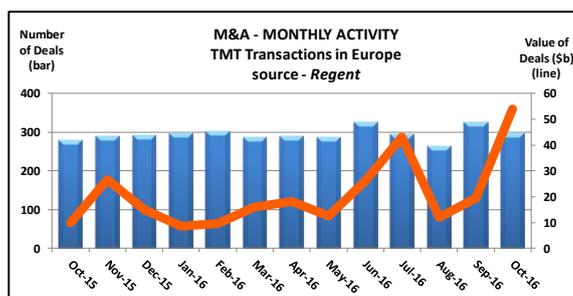
The largest global TMT deal in October was the acquisition of Time Warner by AT&T for a total equity value of \$85.4 billion and a total transaction value of \$108.7 billion. The deal combines Time Warner's vast library of content and ability to create new premium content that connects with audiences around the world, with AT&T's extensive customer relationships, the world's largest pay TV subscriber base and leading scale in TV, mobile and broadband distribution. Time Warner has annual revenues of about \$28 billion. The deal will combine complementary strengths to lead the next wave of innovation in the converging media and communications industry.

Also in the US, CenturyLink is acquiring Level 3 in a transaction valued at approximately \$34 billion. The deal will create the second largest US domestic communications provider serving global enterprise customers. The combined company will have significantly improved network capabilities, with approximately \$19 billion in pro forma business revenue and \$13 billion in business strategic revenue, for the trailing twelve months ended June 30, 2016.

In Europe, private equity firms, Cinven, Permira and Mid Europa, will acquire Poland-based, Allegro Group, from South Africa-based internet and entertainment group, Naspers, for \$3.25 billion. Allegro provides an online marketplace for companies and private sellers to sell their products to consumers, resulting in total sales of more than 850 thousand items a day.

REGENT's View of the Month

European TMT deal flow was slightly lower in October but remains around 300 transactions per month. The aggregate value was boosted by the \$47b NXP deal. Valuation multiples were almost unchanged with the Price/Sales ratio staying at 1.5 and the Price/EBITDA ratio up to 9.5 from 9.4. Listed technology companies, as represented by the UK TechMark index, had a poor month with a fall of 3.4% in October.



James Calvert
Managing Partner
jcalvert@regent.com

Dr David Scurr
Research Director
dscurr@regent.com

Hana Glanville
Business Development Director
hglanville@regent.com