

November 2016 - Monthly Briefing

6th December 2016

Connected device technology drives global TMT M&A in November

In the largest global TMT deal in November, Korean electronics giant, Samsung, agreed to buy US based, Harman International, for an equity value of \$8 billion. The transaction will immediately give Samsung a significant presence in the large and rapidly growing market for connected technologies, particularly automotive electronics, which has been a strategic priority for Samsung, and is expected to grow to more than \$100 billion by 2025. Harman is the market leader in connected car solutions, with more than 30 million vehicles currently equipped with its connected car and audio systems, including embedded infotainment, telematics, connected safety and security. Approximately 65% of Harman's \$7 billion of reported sales during the 12 months ended September 30, 2016 are automotive-related, and its order backlog for this market at June 30, 2016 was approximately \$24 billion.

Singapore-based semiconductor firm, Broadcom, will acquire Brocade Communications Systems, a US-based leader in fibre channel storage area network (FC SAN) switching and IP networking in an all - cash transaction valued at approximately \$5.5 billion, plus \$0.4 billion of net debt. This strategic acquisition enhances Broadcom's position as one of the leading providers of enterprise storage connectivity solutions to OEM customers.

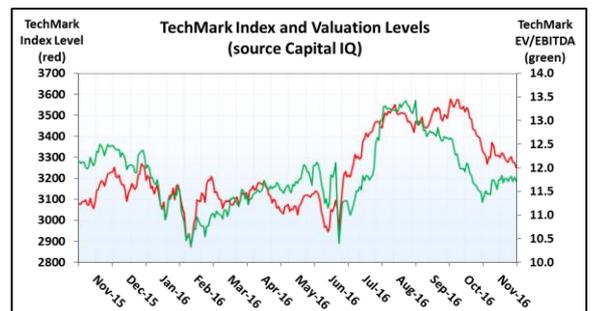
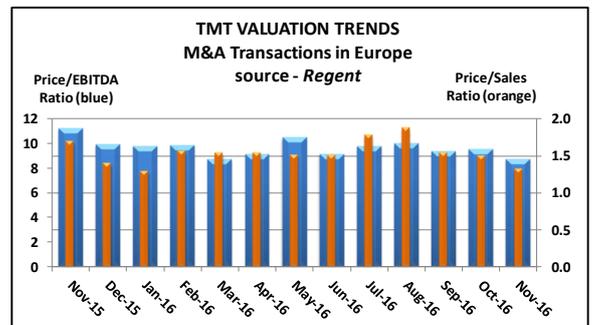
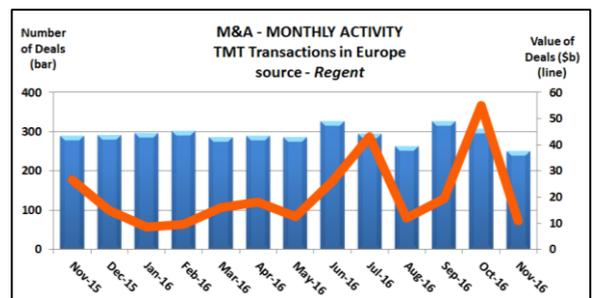
Canyon Bridge, a newly formed, global private equity buyout fund, headquartered in Palo Alto, CA, is acquiring US-based, Lattice Semiconductor, for \$1.3 billion inclusive of Lattice's net debt. Nasdaq-listed Lattice provides smart connectivity solutions to the consumer, communications, industrial, computing, and automotive markets worldwide. In the year ending January 2016, Lattice reported revenues of £406 million.

The largest deal involving a European TMT firm was the acquisition of design automation and industrial software provider, Mentor Graphics, by Siemens for an enterprise value of \$4.5 billion. This acquisition decisively extends Siemens' leading Digital Enterprise Software portfolio with Mentor's well established electronics IC and systems design, simulation and manufacturing solutions. These capabilities are essential for today's smart connected products such as autonomous vehicles. US-based Mentor has revenues of approximately \$1.2 billion.

Chinese online travel agent, Ctrip, is to acquire UK-based, Skyscanner, for approximately £1.4 billion. Skyscanner is a leading travel metasearch company that enables users to compare prices from hundreds of travel sites when searching for flights, hotels, and rental cars. It ranks as one of the top online travel brands based on search interest, serving 60 million monthly active users and available in over 30 languages. It has established leadership in Europe and a growing presence in APAC and the Americas.

REGENT's View of the Month

November saw a slowdown for M&A in the European TMT sector. There was a 16% drop in the number of deals making it the lowest monthly total so far this year. The aggregate deal value of \$11 billion was the lowest since February. Valuation multiples fell with the Price/Sales ratio down to 1.3 from 1.5 and the Price/EBITDA ratio down to 8.7 from 9.5. Listed technology companies, as represented by the UK TechMark index, fell another 3.4% in November.



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