

MERGERMARKET

TMT Trend Report

H1 2016

Data analysis

The Technology, Media & Telecommunications (TMT) sector has experienced a rebalancing compared to the record M&A activity seen in 2015. During H1 2016, 1,363 deals worth US\$ 223.1bn represented a 41.6% decrease in value compared to H1 2015 (US\$ 382.3bn, 1,580 deals), and the weakest H1 deal value and count since 2013 (US\$ 173.5bn, 1,056 deals).

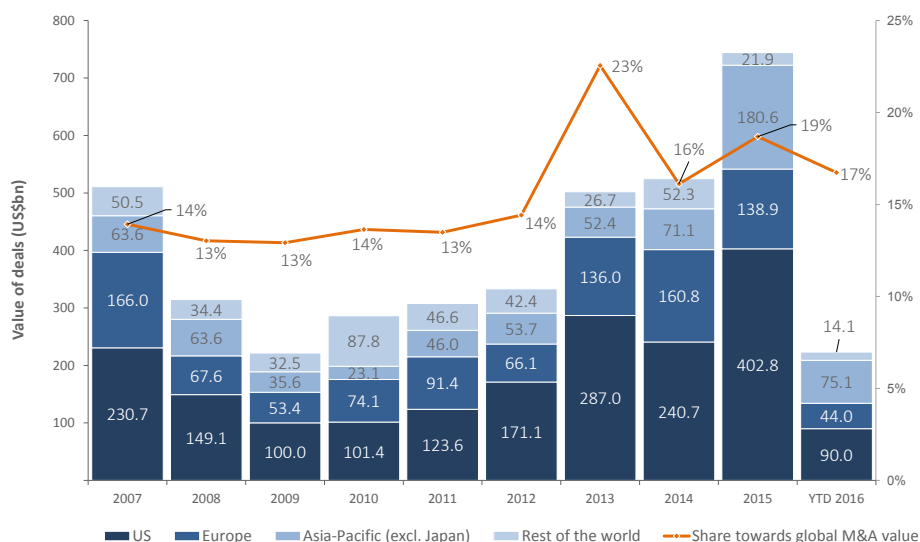
Reflecting this low activity, no megadeals (< US\$ 10bn) took place within the sector during H1 2016, compared to a record nine during the same period in 2015, with the highest valued deal of H1 – Chinese Internet giant Tencent Holding's acquisition of Finland's online gaming editor Supercell – valued at US\$ 8.6bn.

Following a spate of high valued deals seen over the past few years, Telecommunications M&A seems to be feeling the effects of an increasingly saturated market. The sub-sector saw just 78 deals worth US\$ 27.1bn during H1 2016, plummeting 82.4% by value compared to H1 2015 (US\$ 154.1bn, 100 deals), to reach the lowest half-year deal value since H1 2009 (US\$ 26.9bn, 77 deals).

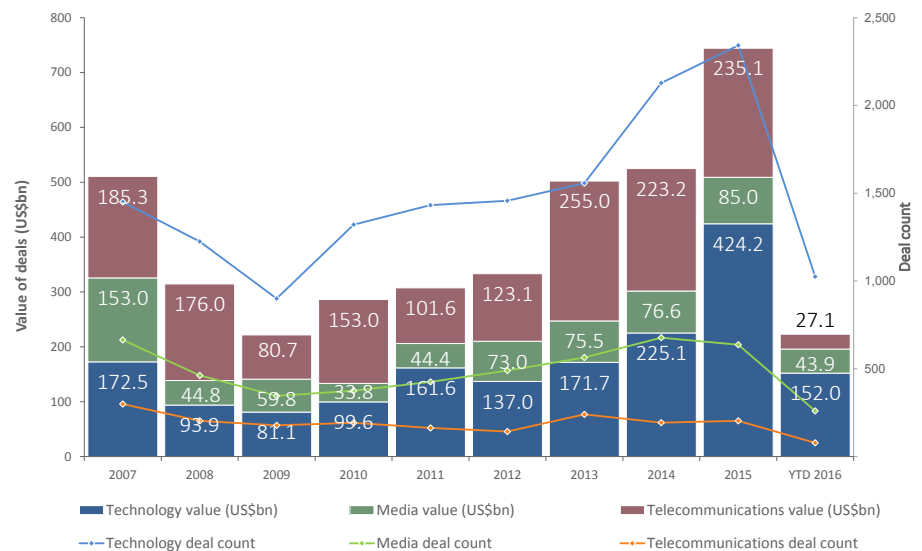
Many Technology companies are at the beginning of their innovation life cycle, and as a consequence less mature businesses are coming to market commanding smaller price tags. M&A targeting Technology during H1 (US\$ 152.0bn, 1,025 deals) highlights this trend, recording a 25.9% value decrease compared to H1 2015 (US\$ 205.2bn, 1,172 deals), while accounting for 147 fewer deals.

Europe suffered the largest regional fall in Technology M&A activity, with 305 deals worth US\$ 24.0bn marking a 44.3% drop in value compared to H1 2015 (355 deals, US\$ 43.0bn). The run up to the referendum slowed UK Technology M&A, with 75 deals worth US\$ 3.1bn announced in the first half of the year representing a 57.5% decrease by value compared to H1 2015 (74 deals, US\$ 7.4bn), and its third consecutive quarterly decline in deal value.

Regional breakdown



Global sub-sector trend



Under the spotlight is the UK's Tech M&A market, which faces uncertainty following the UK's decision to exit the European Union. A period of political turmoil could potentially lead to a slump in activity for UK Tech M&A, particularly within London, which has been established as a hub for Fintech investment.

Media, on the other hand, has seen impressive M&A growth year-on-year, with 260 deals worth US\$ 43.9bn up 90.7% by value compared to H1 2015 (308 deals, US\$ 23.0bn), despite accounting for 45 fewer deals. This wave of consolidation should persist further into 2016, according to Mergermarket intelligence, with major players both in China and the US said to be eyeing media content companies in order to enhance their offerings.

TMT M&A activity during H1 2016 was widely expected to continue the momentum gained during a record-breaking 2015. However, European political uncertainty coupled with a potential increase in US interest rates have taken their toll on M&A activity within the sector. Acquisitions within the media content space will continue to drive M&A within the second half of the year, while the Telecommunications sub-sector will continue to bear the brunt of an increasingly consolidated market.

Having advised on the Ziggo/Vodafone Libertel joint venture, and the Bluecoat Systems/Symantec deal, Goldman Sachs led the Financial Advisor League Table by deal value and count, having advised on 29 deals worth US\$ 50.8bn. As a result, the firm moved up from second position year-on-year.

Skadden Arps Slate Meagher & Flom maintained their position as the Legal Advisor mandated on the highest value of deals, with 27 deals worth US\$ 25.8bn announced. Meanwhile, Kirkland & Ellis advised on the highest volume of deals with 59 deals worth US\$ 18.0bn recorded.

Top deals

Value (US\$m)	Deal details	Advisory details
8,600	<p>Announcement date: 21-Jun-2016</p> <p>Target: Supercell Oy (84.3% stake) (Finland)</p> <p>Bidder: Tencent Holdings Ltd (China)</p> <p>Seller: SoftBank Group Corporation (Japan)</p>	<p>FA to sell-side: Morgan Stanley; Mizuho Financial Group; Raine Group</p> <p>LA to sell-side: Fenwick & West; White & Case; Hannes Snellman; Morrison & Foerster</p> <p>FA to buy-side: Bank of America Merrill Lynch</p> <p>LA to buy-side: Anderson Mori & Tomotsune; Avance Attorneys; Covington & Burling; Slaughter and May</p>
6,977	<p>Announcement date: 15-Feb-2016</p> <p>Target: Ziggo BV; and Vodafone Libertel BV (Netherlands)</p> <p>Bidder: Liberty Global Europe Holding BV/Vodafone International Holdings BV (Netherlands)</p> <p>Seller: Vodafone International Holdings BV; and Liberty Global Europe Holding BV (Netherlands)</p>	<p>FA to sell-side: Goldman Sachs; LionTree Advisors; Morgan Stanley; Robey Warshaw; UBS Investment Bank</p> <p>LA to sell-side: Allen & Overy; Freshfields Bruckhaus Deringer; Loyens & Loeff; NautaDutilh; Slaughter and May</p> <p>FA to buy-side: -</p> <p>LA to buy-side: -</p>
5,703	<p>Announcement date: 13-May-2016</p> <p>Target: Wanda Media Co Ltd (China)</p> <p>Bidder: Wanda Cinema Line Co Ltd (China)</p> <p>Seller: Investor group led by Beijing Wanda Investment Co Ltd</p>	<p>FA to sell-side: -</p> <p>LA to sell-side: -</p> <p>FA to buy-side: China International Capital Corporation</p> <p>LA to buy-side: Jingtian & Gongcheng</p>
4,759	<p>Announcement date: 25-Feb-2016</p> <p>Target: Greatwall Information Industry Co Ltd (China)</p> <p>Bidder: China Great Wall Computer Shenzhen Co Ltd (China)</p>	<p>FA to sell-side: Huarong Securities</p> <p>LA to sell-side: Hunan Qiyuan Law firm</p> <p>FA to buy-side: Haitong Securities</p> <p>LA to buy-side: King & Wood Mallesons</p>
4,650	<p>Announcement date: 12-Jun-2016</p> <p>Target: Blue Coat Systems Inc (USA)</p> <p>Bidder: Symantec Corporation (USA)</p> <p>Seller: Bain Capital LLC (USA)</p>	<p>FA to sell-side: Credit Suisse; Goldman Sachs; Jefferies; Morgan Stanley; UBS Investment Bank</p> <p>LA to sell-side: Ropes & Gray; Skadden Arps Slate Meagher & Flom; Wilson Sonsini Goodrich & Rosati</p> <p>FA to buy-side: Bank of America Merrill Lynch; Barclays; Citi; JPMorgan; Wells Fargo Securities</p> <p>LA to buy-side: Fenwick & West; Simpson Thacher & Bartlett; Advising FA: Davis Polk & Wardwell</p>

Heat chart based on potential companies for sale

	Pharma, Medical, Biotech	TMT	Industrials and Chemicals	Consumer	Energy, Mining, Utilities	Business Services	Financial Services	Other
North America	633	508	309	282	444	313	177	239
Europe	212	439	521	619	315	226	296	527
North Asia	149	323	543	214	116	116	154	372
Australasia	51	101	42	80	90	63	72	128
South Asia	54	121	92	59	57	63	117	106
South East Asia	21	61	53	62	76	28	75	164
C&S America	21	64	60	89	102	54	20	79
Japan	42	73	49	39	14	17	12	43
Central Asia	0	2	6	5	17	1	2	5
Africa	8	13	35	20	56	12	20	49
Middle East	2	4	13	0	14	4	0	125

Drivers

Right now, in the tech space, everything is for sale. The move to the cloud and mobile, new operating systems, security risks and limited VC funding are having a considerable impact on all areas of Technology. M&A is an important way to adapt to these changes, and as tight credit markets loosen up and public equity markets come back to life, there is ample room for deal momentum to continue.

Recent moves by software giants to acquire companies in specific industry verticals could be a growing trend. "A lot of tech companies are picking verticals to focus on," said Jennifer Nason, global chairman of TMT banking at JPMorgan. In regards to Oracle's recent USD 551m acquisition of Opower, a provider of cloud-based software to the utility industry, Nason said: "Oracle is one of these that may want to go deep in a sector." One Tech company that is buying in the healthcare vertical is IBM, and in February IBM Watson Health announced it had acquired Truven Health Analytics, a company that offers information and analytic tools to the healthcare sector, for USD 2.6bn.

The crowded accounting software space is likely to see consolidation and expansion into adjacent spaces, as companies look to differentiate by building vertically integrated business platforms. The market will see consolidation among a few players as it reaches a point of saturation, said Sridhar Vembu, CEO of Zoho Corp, noting that more and more companies will likely look to acquire to bolster their product suite. Until that time, there remains a tremendous opportunity to capture a small business market of clients that do not currently use accounting software.

Apple is looking for potential acquisition candidates and is willing to pursue a larger deal than it has undertaken previously, according to CEO Tim Cook. "We continue to look and we stay very active in the M&A market," he said. A report by Mergermarket in January noted that Apple's sizeable cash position meant it was poised to remain an active player in the M&A space and could be tempted to deploy some of its capital on larger-size deals in 2016.

Unicorns - startups with billion dollar valuations - are expected to be acquired in greater numbers later this year thanks to a drop in their valuations. Last year, many unicorns raised capital at valuations ahead of what they could attain in a public listing according to David Locala, Managing Director and head of global technology M&A at Citi. That has started to reverse, with startups more commonly raising capital at a discount to where they would be if public, he said. Now, if startups need to raise capital their investors may prefer a sale rather than doing a down round. "I expect more private deals at more reasonable valuations," Locala said.

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as potential targets in the last six months.

Financial advisor league table by value

Ranking			H1 2016		H1 2015	% Value change
H1 2016	H1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	
1	2	Goldman Sachs	50,774	29	163,214	-68.9%
2	5	Morgan Stanley	41,246	25	135,422	-69.5%
3	3	Bank of America Merrill Lynch	28,605	15	154,891	-81.5%
4	6	JPMorgan	23,435	22	123,864	-81.1%
5	24	UBS Investment Bank	21,772	20	11,377	91.4%
6	4	Citi	18,442	13	148,230	-87.6%
7	1	Credit Suisse	15,885	14	164,053	-90.3%
8	12	Barclays	15,085	12	51,991	-71.0%
9	25	China Renaissance Partners	13,603	16	10,119	34.4%
10	45	China International Capital	13,127	6	1,338	881.1%

Financial advisor league table by deal count

Ranking			H1 2016		H1 2015	Count change
H1 2016	H1 2015	Company Name	Value (US\$m)	Deal count	Deal count	
1	2	Goldman Sachs	50,774	29	28	1
2	5	Morgan Stanley	41,246	25	23	2
3	1	JPMorgan	23,435	22	29	-7
4	3	PwC	2,024	22	27	-5
5	72	UBS Investment Bank	21,772	20	3	17
6	10	KPMG	536	18	19	-1
7	32	Evercore Partners	12,084	17	7	10
8	11	China Renaissance Partners	13,603	16	17	-1
9	12	Deloitte	2,000	16	17	-1
10	9	Bank of America Merrill Lynch	28,605	15	19	-4

Legal advisor league table by value

Ranking			H1 2016		H1 2015	% Value change
H1 2016	H1 2015	Company Name	Value (US\$m)	Deal count	Value (US\$m)	
1	1	Skadden Arps Slate Meagher & Flom	25,800	27	176,091	-85.3%
2	10	Sullivan & Cromwell	23,685	16	83,512	-71.6%
3	13	Wilson Sonsini Goodrich & Rosati	20,247	29	52,444	-61.4%
4	6	White & Case	19,904	24	106,179	-81.3%
5	14	Simpson Thacher & Bartlett	19,146	20	39,568	-51.6%
6	7	Kirkland & Ellis	18,020	59	99,266	-81.8%
7	15	Morrison & Foerster	17,783	9	37,929	-53.1%
8	62	Fenwick & West	17,120	27	4,166	310.9%
9	146	Slaughter and May	15,833	5	616	2,470.3%
10	29	Cravath, Swaine & Moore	14,933	10	19,291	-22.6%

Legal advisor league table by deal count

Ranking			H1 2016		H1 2015	Count change
H1 2016	H1 2015	Company Name	Value (US\$m)	Deal count	Deal count	
1	3	Kirkland & Ellis	18,020	59	42	17
2	1	DLA Piper	4,759	55	61	-6
3	4	Jones Day	11,778	45	40	5
4	12	Latham & Watkins	11,328	35	25	10
5	17	Weil Gotshal & Manges	10,542	31	20	11
6	8	Cooley	3,599	30	29	1
7	5	Wilson Sonsini Goodrich & Rosati	20,247	29	39	-10
8	24	Morgan Lewis & Bockius	1,607	29	17	12
9	7	Skadden Arps Slate Meagher & Flom	25,800	27	32	-5
10	2	Fenwick & West	17,120	27	51	-24

Mergermarket criteria

All data is based on transactions over US\$ 5m and is based on the Mergermarket's M&A deals database. Deals with undisclosed deal values are included where the target's turnover exceeds US\$ 10m. Deals where the stake acquired is less than 30% will only be included if the value is greater than US\$ 100m. Click [here](#) for the full deal criteria.

M&A trend: Based on the dominant sector of the target company being Technology, Media & Telecommunications (TMT). The dominant geography of the target company is based on global activity or the region stated. Excludes lapsed and withdrawn bids.

Cross-border M&A: Based on a transaction involving at least two different countries between target and bidder.

Top deals: Based on the dominant sector of the target company being TMT. The dominant geography of the target company is based on global activity. FA refers to financial advisor. LA refers to legal advisor. Excludes lapsed and withdrawn bids.

League tables: Based on the dominant sector of the target company being TMT and the geography of the target, bidder or seller being global. The financial advisor tables *exclude* lapsed and withdrawn bids. The legal advisor tables *include* lapsed and withdrawn bids.

All values are in US\$.

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