

MERGERMARKET

TMT Trend Report

Q1-Q3 2015

Data analysis

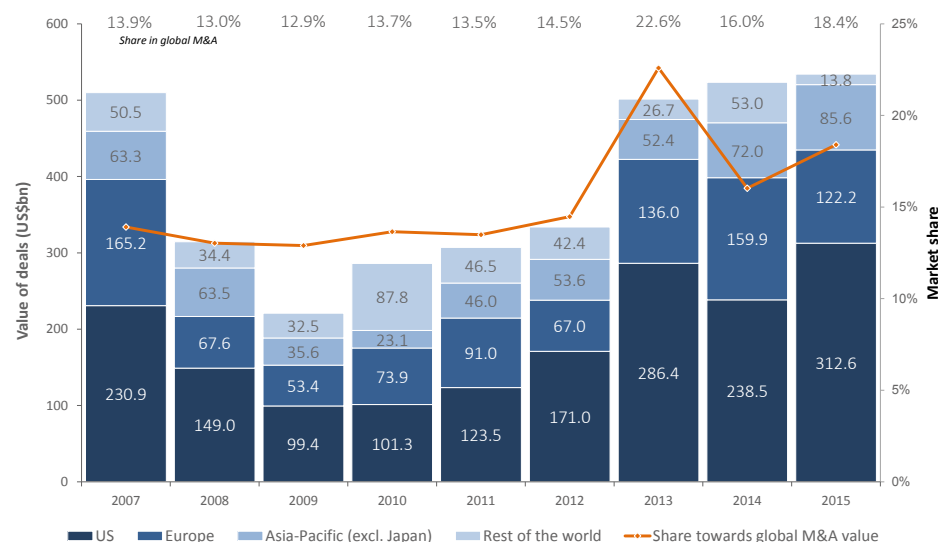
TMT activity during Q1-Q3 2015 has reached the second highest annual value on Mergermarket record (since 2001) with transactions valued at US\$ 534.2bn, only beaten by 2006's full-year total at US\$ 600.9bn. Compared to the whole of 2014, Q1-Q3 2015 accounts for 804 fewer deals (2,168 vs. 2,972), but has already seen a US\$ 10.8bn higher deal value (vs. US\$ 523.5bn).

The global M&A environment reached a Q1-Q3 record value in 2015 at US\$ 2.87tn, up 24% compared to Q1-Q3 2014. The market share of global TMT increased by 2% and is now at 18.4%. Areas within the industry are still growing such as cross-overs between the sub-sectors and the targeting of new technologies from other industries, along with an increase in cross-border acquisitions, soaring 30% from US\$ 196bn in Q1-Q3 2014 to US\$ 255.2bn Q1-Q3 2015.

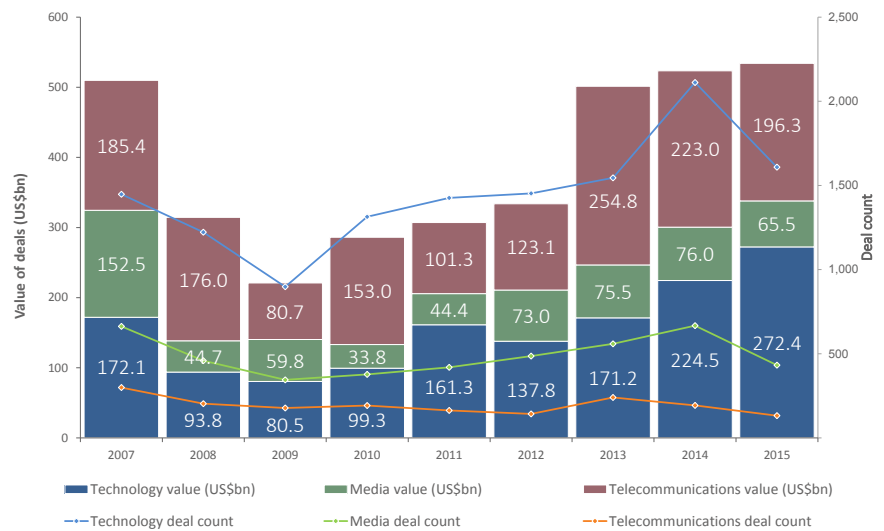
Total M&A targeting US firms has already topped every other annual total on record with US\$ 1.42tn-worth of announcements, and still with three months to go. TMT activity was a driving force behind the record, contributing 22.0% towards the country's total activity. The US was the most targeted country, representing 58.5% of TMT's global market share so far this year. Four out of five TMT top deals have US targets, with the highest valued seeing Time Warner Cable being acquired by Charter Communications for US\$ 77.8bn. The US's domestic deal making (US\$ 205.9bn) was also the main driver behind global domestic activity reaching its highest level since 2006 with US\$ 279.3bn-worth of deals.

Technology deal making has been fuelled with cross-sector negotiations where tech firms can solve problems in a range of industries including industrials and healthcare. As a result, it has not only remained the most targeted sector from last year, but it has also reached the highest annual total on Mergermarket record with 1,609 deals valued at US\$ 272.7bn. The

Sector share in global activity



Global sub-sector trend



sub-sector has witnessed a 21.5% increase by value compared to the whole of 2014, following a burst of activity in Europe and Asia.

Despite its financial instability and economic slowdown during the summer, China is still a big player in TMT and Asia hasn't yet witnessed any signs of being affected in this sector since the shutdown, likely because it would influence commodity companies rather than TMT. China alone has an 11.7% stake in global TMT activity with 288 deals worth US\$ 62.6bn. Asia has witnessed a tremendous level of activity throughout 2015 (US\$ 85.6bn) with values peaking compared to any other year. A highlight for the country has been Technology with 120 more announcements (432 deals vs. 312 deals), resulting in a 62% higher transaction value (US\$ 59.5bn vs. US\$ 26.7bn) compared to the same period last year.

In contrast to the Technology drive globally, there was a vastly different picture in the Telecommunications (US\$ 196.3bn) and Media (US\$ 65.5bn) sub-sectors compared to Q1-Q3 2014, where they saw a much slower growth at 1.6% and 8.2%, respectively.

Correlating with overall European M&A, the UK has the highest stake in its TMT value, contributing 10% towards global TMT activity with 159 deals worth US\$ 52.8bn. TMT M&A value in Europe dropped by a slight 5.5% to US\$ 122.2bn during Q1-Q3 2015 from US\$ 129.3bn during the same period in 2014. This can be attributed to a slowdown in the Telecommunications industry that was previously being driven by consolidation, and also in Media where both have seen a decline in deal value by more than 20%.

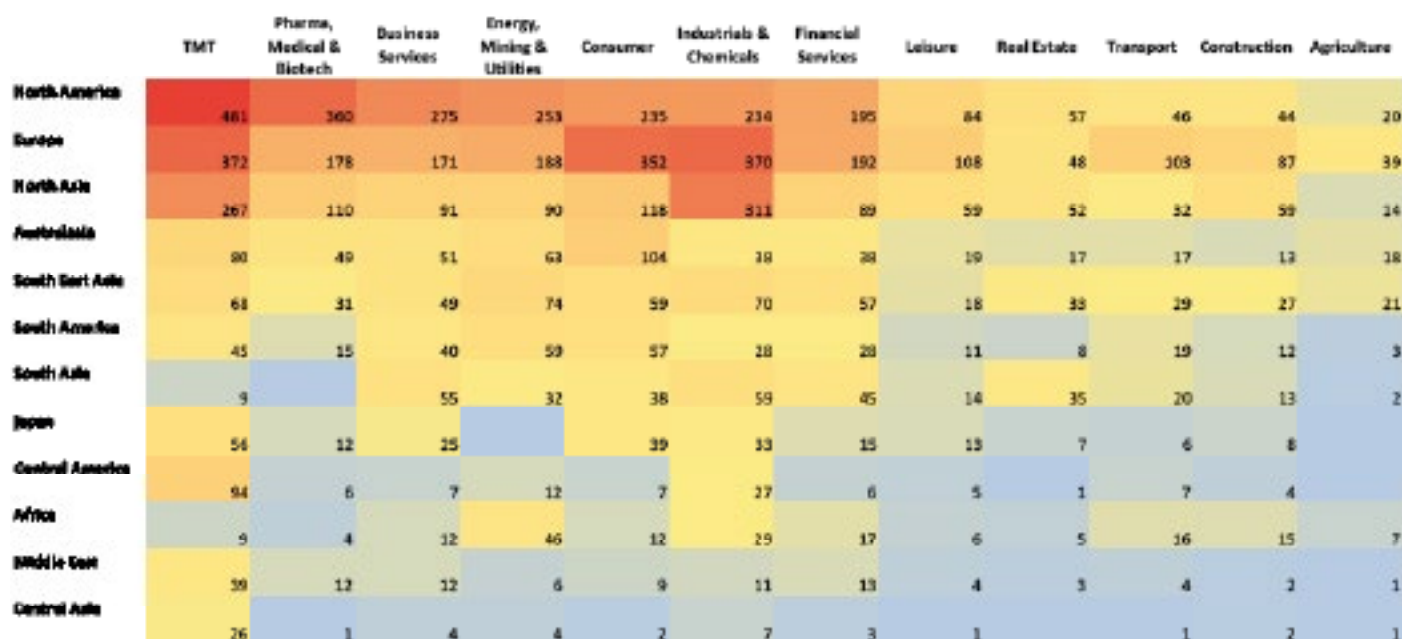
Goldman Sachs advised on 43 transactions in Q1-Q3 2015, including two out of the top five deals, securing the firm a lead position in the financial advisor rankings by value and by deal count worth US\$ 197.8bn.

Skadden Arps Slate Meagher & Flom advised three of the top five TMT deals, and therefore topped the legal advisor table by value, with 41 deals valued at US\$ 190.9bn.

Top deals

Value (US\$m)	Deal details	Advisory details
77,829	<p>Announcement date: 26-May-2015</p> <p>Target: Time Warner Cable Inc (USA)</p> <p>Bidder: Charter Communications Inc (USA)</p>	<p>FA to sell-side: Allen & Company; Centerview Partners; Citi; Morgan Stanley</p> <p>LA to sell-side: Latham & Watkins; Paul Weiss Rifkind Wharton & Garrison; Skadden Arps Slate Meagher & Flom; <i>Advising FA:</i> White & Case</p> <p>FA to buy-side: Bank of America Merrill Lynch; Credit Suisse; Goldman Sachs; Guggenheim Partners; LionTree Advisors</p> <p>LA to buy-side: Kirkland & Ellis; Wachtell, Lipton, Rosen & Katz; <i>Advising FA:</i> DLA Piper; Fried Frank Harris Shriver & Jacobson</p>
33,689	<p>Announcement date: 28-May-2015</p> <p>Target: Broadcom Corporation (USA)</p> <p>Bidder: Avago Technologies (Singapore)</p>	<p>FA to sell-side: Centerview Partners; Evercore Partners; JPMorgan</p> <p>LA to sell-side: Davis Polk & Wardwell; Morrison & Foerster; Skadden Arps Slate Meagher & Flom; WongPartnership; <i>Advising FA:</i> Paul Weiss Rifkind Wharton & Garrison; Sullivan & Cromwell</p> <p>FA to buy-side: Bank of America Merrill Lynch; Barclays; Citi; Credit Suisse; Deutsche Bank</p> <p>LA to buy-side: Allen & Gledhill; Latham & Watkins; <i>Advising FA:</i> Fried Frank Harris Shriver & Jacobson; Simpson Thacher & Bartlett</p>
19,048	<p>Announcement date: 05-Feb-2015</p> <p>Target: EE Limited (UK)</p> <p>Bidder: BT Group plc (UK)</p> <p>Seller: Orange SA (France); and Deutsche Telekom AG (Germany)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; Barclays; Citi; Morgan Stanley</p> <p>LA to sell-side: Clifford Chance; Norton Rose Fulbright; <i>Advising FA:</i> Cleary Gottlieb Steen & Hamilton</p> <p>FA to buy-side: Goldman Sachs; JPMorgan Cazenove; Perella Weinberg Partners</p> <p>LA to buy-side: Freshfields Bruckhaus Deringer</p>
16,578	<p>Announcement date: 17-Sep-2015</p> <p>Target: Cablevision Systems Corporation (USA)</p> <p>Bidder: Altice NV (Netherlands)</p>	<p>FA to sell-side: Bank of America Merrill Lynch; Guggenheim Partners; PJT Partners</p> <p>LA to sell-side: Debevoise & Plimpton; Mintz Levin Cohn Ferris Glovsky & Popeo; Richards Layton & Finger; Sullivan & Cromwell; <i>Advising FA:</i> Cravath, Swaine & Moore</p> <p>FA to buy-side: Barclays; BNP Paribas; JPMorgan</p> <p>LA to buy-side: Covington & Burling; De Brauw Blackstone Westbroek; Mayer Brown; Morris Nichols Arsht & Tunnell; Ropes & Gray; Shearman & Sterling; <i>Advising FA:</i> Simpson Thacher & Bartlett</p>
15,972	<p>Announcement date: 02-March-2015</p> <p>Target: Freescale Semiconductor Inc (USA)</p> <p>Bidder: NXP Semiconductors NV (Netherlands)</p>	<p>FA to sell-side: Morgan Stanley</p> <p>LA to sell-side: Houthoff Buruma; Skadden Arps Slate Meagher & Flom; <i>Advising FA:</i> Wilson Sonsini Goodrich & Rosati</p> <p>FA to buy-side: Credit Suisse</p> <p>LA to buy-side: De Brauw Blackstone Westbroek; Simpson Thacher & Bartlett; <i>Advising FA:</i> Davis Polk & Wardwell; White & Case</p>

Heat chart based on potential companies for sale



Drivers

Technology companies are increasingly overlapping into other sectors such as industrials, energy and healthcare. For example, industrial automation companies have expressed interest in technology providers to place sensors on oil drillers for the energy industry.

In the future we could see more private equity transactions. “Entire private equity funds have formed in recent years around a tech acquisition strategy,” according to Mergermarket intelligence, highlighted by a 21.2% increase in the value of US Tech buyouts (US\$ 32.8bn) compared to the whole of 2014.

Private adtech companies are separating into four distinct groups, each with differing potential fortunes in the private and public markets. Public markets have been unfriendly to adtech companies over the past couple of years, with shares in the sector’s leaders steadily falling.

Nikkei, Japan’s largest business daily, agreed to acquire UK-based Financial Times for GBP 884m (US\$ 1.3bn) in July. The deal demonstrated that traditional Japanese firms are also aggressively pursuing global opportunities. The event, however, seems “sporadic” and other Japanese traditional media firms such as newspaper, magazine, TV, and radio companies are unlikely to follow suit. Other traditional media’s focus remains in the domestic market. The media sector’s advertising space is likely to be targeted by Japanese strategic investors.

China needs to upgrade its technological infrastructure to increase the efficiency in its economy. Chinese spending on cloud computing this year, for example, is estimated to be less than a tenth of the US’s.

“Acquisition activity in the telecom sector will be driven by carriers trying to be better at monetizing their networks, either through new technologies, valued-added content, or cost savings” according to Mergermarket intelligence. Among the top five deals, the premium paid of 13.8% and 22.3% for Time Warner Cable and Cablevision Systems Corporation operating in cable television networks confirmed the momentum within the industry and additionally, both companies were acquired by big players that provide cable television, internet, and telecommunications services.

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		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	2	Goldman Sachs	197,755	43	137,508	43.8%
2	1	Bank of America Merrill Lynch	186,076	27	168,239	10.6%
3	8	Credit Suisse	180,457	30	51,713	249.0%
4	5	JPMorgan	165,500	40	109,856	50.7%
5	11	Citi	161,662	23	39,720	307.0%
6	3	Morgan Stanley	159,746	36	130,778	22.2%
7	28	Centerview Partners	130,290	7	7,599	1614.6%
8	98	Guggenheim Partners	112,786	8	532	21,100.4%
9	51	LionTree Advisors	105,156	7	1,769	5844.4%
10	17	Allen & Company	87,050	8	18,580	368.5%

Financial advisor league table by deal count

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Deal count	Count change
1	1	Goldman Sachs	197,755	43	51	-8
2	3	JPMorgan	165,500	40	35	5
3	2	Morgan Stanley	159,746	36	40	-4
4	10	EY	2,352	35	23	12
5	5	Credit Suisse	180,457	30	33	-3
6	7	PwC	893	28	31	-3
7	9	Bank of America Merrill Lynch	186,076	27	27	0
8	4	Deutsche Bank	73,701	27	34	-7
9	11	Barclays	82,058	24	21	3
10	14	Jefferies	7,509	24	20	4

Legal advisor league table by value

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Value (US\$bn)	% Value change
1	4	Skadden Arps Slate Meagher & Flom	190,890	41	112,951	69.0%
2	18	Latham & Watkins	160,547	40	35,514	352.1%
3	41	Fried Frank Harris Shriver & Jacobson	132,630	13	12,719	942.8%
4	3	Sullivan & Cromwell	120,502	16	116,586	3.4%
5	33	Wachtell, Lipton, Rosen & Katz	119,010	17	21,946	442.3%
6	10	Paul Weiss Rifkind Wharton & Garrison	118,737	17	94,434	25.7%
7	21	Kirkland & Ellis	111,367	58	29,636	275.8%
8	11	White & Case	111,205	36	90,251	23.2%
9	37	DLA Piper	92,030	61	14,646	528.4%
10	6	Davis Polk & Wardwell	80,576	26	99,312	-18.9%

Legal advisor league table by deal count

Ranking		Company Name	Q1-Q3 2015		Q1-Q3 2014	
Q1-Q3 2015	Q1-Q3 2014		Value (US\$bn)	Deal count	Deal count	Count change
1	1	Fenwick & West	4,485	69	80	-11
2	3	DLA Piper	92,030	61	75	-14
3	5	Kirkland & Ellis	111,367	58	63	-5
4	8	Jones Day	16,898	56	55	1
5	2	Wilson Sonsini Goodrich & Rosati	54,822	50	78	-28
6	13	Skadden Arps Slate Meagher & Flom	190,890	41	39	2
7	7	Latham & Watkins	160,547	40	57	-17
8	10	Goodwin Procter	4,439	40	49	-9
9	11	Gunderson Dettmer Stough Villeneuve Franklin & Hachigian	1,566	37	46	-9
10	21	White & Case	111,205	36	27	9

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 being 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 either target, bidder, or seller.

Top deals: Based on the dominant sector of the target being TMT.

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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