

Global Sector Overview

Technology, Media & Telecommunications

Trend Report

H1 2017



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Data analysis

This Time Is Very Different

The first half of 2017 could best be described as a departure from business as usual, with the emergence of a new world order as defined by Brexit and the Trump presidency. These structural changes across the globe have begun to break down and reshape not only traditional political identities, but also long-standing industries, to a growing degree brought on by the prevalence of technology in our daily lives. As advances in artificial intelligence, robotics, and autonomous vehicles, among other areas, become increasingly undeniable realities, giving rise to economic anxiety for some, the world of tomorrow now seems closer than ever.

Some of this has already made itself evident in the dealmaking environment. In the first half of the year, despite a solid economy with low inflation, low unemployment, and plenty of highly-anticipated innovations underway, the Technology, Media & Telecommunications (TMT) sector recorded 1,482 M&A transactions globally worth a total of US\$ 175.9bn – a 20.9% value drop with 84 fewer deals compared to H1 2016 (US\$ 222.3bn, 1,566 deals), leading TMT to rank as the fourth sector globally by value.

By deal count, however, TMT saw the second-highest number of deals after Energy, Mining & Utilities, boosted by the Computer Software sub-sector. Of total M&A activity globally, Software recorded 747 deals worth a total of US\$ 62.6bn, and was responsible for 50.4% of TMT's overall deal count in H1 2017 while accounting for 35.6% of the sector's total value. With its burgeoning imprint on such long-standing sectors as Financial Services,

Industrials, and Medical, the number of Software deals is only expected to increase.

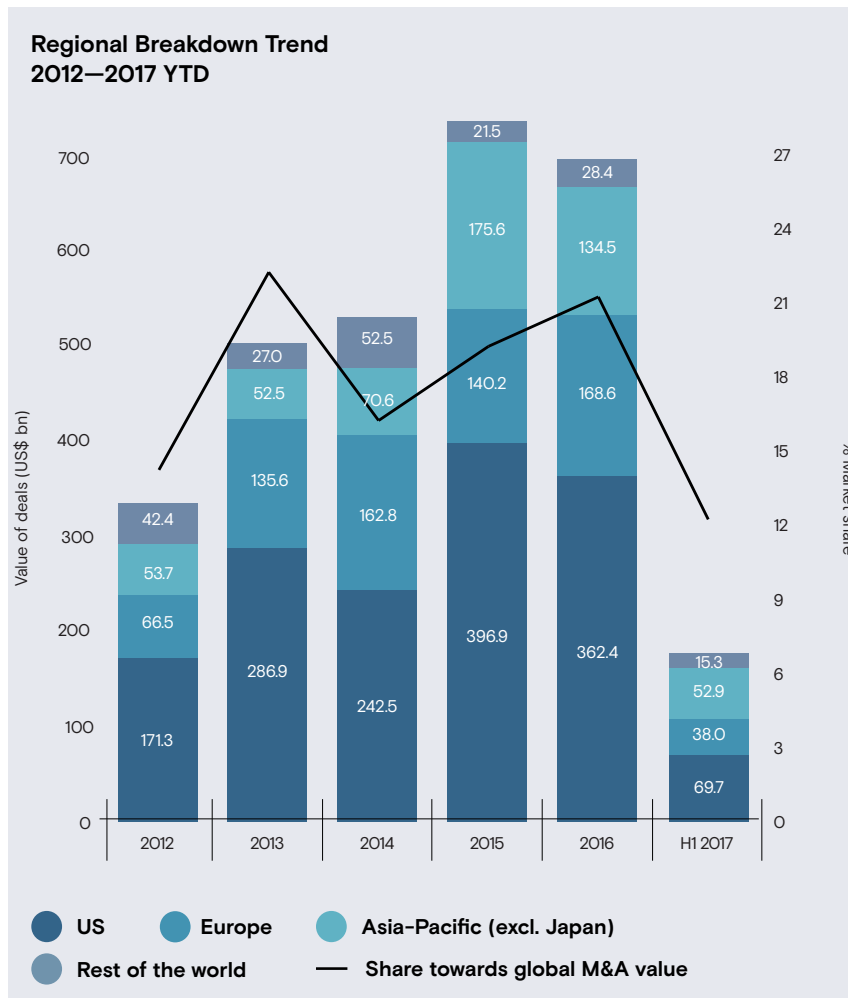
Technology: The Internet of absolutely everything

While new fields such as AdTech, EdTech, MedTech, IndustrialTech, and ConsumerTech emerge thanks to new technologies making recent waves, many are still in their nascent stages and yet to evolve into sophisticated companies with a seat at the dealmaking table. Further, political uncertainty, some of which was, arguably, the indirect result of the growing role of technology in economies around the world, led some dealmakers to be cautious in these first six months of 2017.

Guess who's coming to dinner

While by no means the largest deal, H1 2017 was noteworthy for at least one transformative deal stemming partially from the Tech industry: Amazon's US\$ 13.5bn bid for Whole Foods. Though technically falling under the Consumer sector, the deal caused a stir in both the Food and Retail industries due to implications that the Tech giant might leverage its status as an e-commerce behemoth to remake the Consumer sector as a whole.

As the likes of Amazon and e-commerce upstarts continue to alter the way people consume in response to a fundamental shift not only in technology, but also in habits, the future of brick-and-mortar chains becomes cloudier. The ever-growing popularity of mobile shopping, the "experience" economy, and direct-to-consumer e-retail has rendered this especially true for companies slow to embrace such changes.



Data analysis continued

Ridesharing & self-driving autos: speed bumps ahead?

Though Tech did see a drop in value, the sector was not without its share of high-profile activity in H1 2017. As Silicon Valley giants Alphabet, Apple, and Tesla, among others, engage in fierce competition to develop self-driving vehicle technology ready for market, a number of startups have already benefitted. In H1 2017, there were eight deals worth a total of US\$ 15.2bn for driverless car businesses, only two fewer than had been seen in the whole of 2016, which itself registered a total deal value of US\$ 10bn for driverless car technology. However, 86% of this had been due to Samsung's US\$ 8.6bn bid for Harman International, which closed in Q1 of this year.

Also taking place in the first quarter was Intel's announcement that it would buy Israel-based driver assistance algorithm company Mobileye for US\$ 15bn, with an expected completion this summer. The deal came two months after Sweden's Volvo and Autoliv agreed to form a US\$ 120m 50:50 joint venture to develop software for driverless vehicles. Later in Q2, Mitsubishi bought a 92.5% stake in fellow Japanese company Dynamic Map Planning Co. for US\$ 34m. Finally, Alphabet reached an agreement with rental car firm Avis Budget Group to manage its fleet of self-driving vans utilizing its Waymo software. However, safety and moral concerns have continued to plague the industry, most notably when a driver was killed in late June after ignoring warnings in one of Tesla's partly autonomous vehicles.

H1 2017's top transaction – and third-largest TMT deal overall – was the US\$ 5.5bn bid for

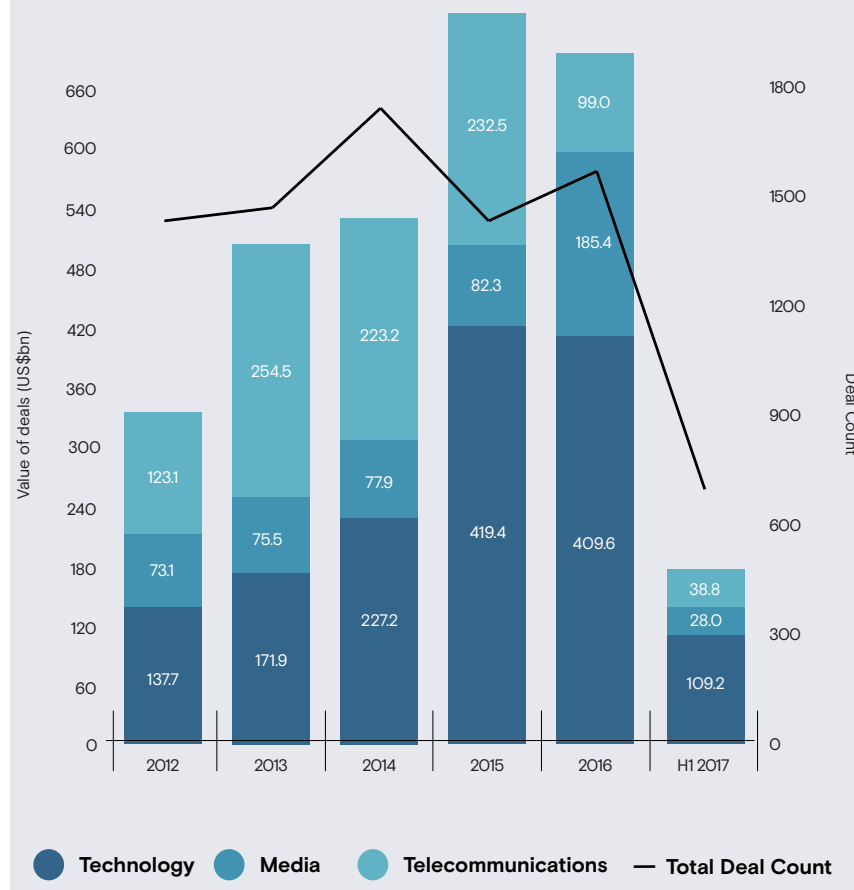
an undisclosed stake in China's ridesharing giant Didi Chuxing by a consortium of investors led by Japan's Softbank Group – which itself accounted for US\$ 5bn of the total investment. Didi Chuxing had itself been part of another consortium earlier this year, also including Softbank, which had invested in Brazil's own ridesharing start-up, 99Taxis, for a total of US\$ 200m. Last year, Didi Chuxing gained a significant advantage in the ride-hailing industry when Uber sold its Chinese operations to the company for US\$ 7bn.

Uber's activities have also sparked attention with regard to its business practices, bringing under scrutiny the company's, and Silicon Valley's, culture as a whole. Several scandals broke out at the company over the past year, including Alphabet's lawsuit over self-driving auto software Waymo, ruled by a federal judge to have been stolen by former Google software engineer and self-driving truck startup Otto co-founder Anthony Levandowski. The latter had become the self-driving vehicle unit head for Uber after the latter paid US\$ 680m for Otto in 2016. Uber ultimately fired Lewandowski.

Just wanna be a Silicon Valley girl

Uber continued to be plagued by troubles throughout H1 2017, finally culminating in the departure of CEO Travis Kalanick in June. His fall came after numerous issues at the company, including widespread allegations of sexual harassment by multiple female employees, sparking an internal investigation led by former US Attorney General Eric Holder. The investigation has resulted in various senior employees' resignations.

Global Sub-sector Trend
2012–2017 YTD



Data analysis continued

Uber's example has demonstrated the growing influence of Silicon Valley on contemporary culture, and therefore the unsurprisingly increased surveillance on the cultures of Tech giants and startups alike. The speed of communication via social media has further enhanced this social monitoring, and brought to light in the public discourse issues such as gender equality, equal pay, sexual harassment, "bro culture", and the representation of women in leadership. With the Valley taking on an increasingly larger role in shaping people's perspectives globally, such scrutiny is likely to continue.

Media: Mega-mergers giving way to stake shares and new forms of broadcasting content

Global Media M&A reached US\$ 28bn with 241 deals in H1 2017, down 35% in value with 45 fewer deals compared to H1 2016, which had seen US\$ 43.1bn and 286 deals. The largest, which was also the second-largest TMT transaction overall, was US-based Sinclair Broadcast Group's US\$ 6.6bn acquisition of the Tribune Media Company, currently still under regulatory review. While the US Federal Communications Commission has been explicit about its desire to be more hands-off when it comes to reviewing transactions, according to *Mergermarket* intelligence the real question is to what degree the Department of Justice will play a role in assessing broadcast deals. This uncertainty has led some players in the space to wait and see what will happen before engaging in more deals. Further, last year's US\$ 105bn AT&T and Time Warner deal also remains under review.

Meanwhile, the sub-sector did record some notable activity for the period. US radio broadcasting giant Sirius XM bid US\$ 480m for an undisclosed stake in US internet radio company Pandora, and US private equity firm TPG Capital bid US\$ 450m for an undisclosed minority stake in millennial-focused North American digital media and broadcasting company Vice Media, thus ending speculation that minority stake owner Disney might outright buy the company. In Q2, the Board of mass media giant Time Inc. ended their search for a buyer in an effort to turn its attention instead toward strategic growth. Finally, five months after debuting on the NYSE in January, social media firm Snap Inc. announced a deal with Time Warner Inc. to develop and produce content for 10 new streaming shows that will be broadcasted on the messaging app.

Telecommunications: Down, but not out

Though Telecom through the first six months of 2017 reached nowhere near the highs of H1 2014 (US\$ 158.5bn) and H1 2015 (US\$ 154.1bn), it was still 45.3% higher in value than H1 2016 (US\$ 26.7bn), which had been the lowest total value in the past 10 years. In fact, in the first half of 2017 Telecom was responsible for TMT's only mega-deal (>US\$10bn), which was also the overall sector's top transaction: India-based Idea Cellular Limited's US\$ 12.7bn merger with Vodafone India Limited. The deal accounted for 32.7% of the Telecom's total value in H1 2017 (US\$ 38.8bn). Including the aforementioned merger, Telecom saw seven deals break the US\$1bn mark in deal value, two more than in H1 2016, which had not recorded any deals over US\$ 10bn, or mega-deals.

Top deals

Deal Details				Advisor details			
Value (US\$m)	Announcement date	Target	Bidder	FA to sell-side	LA to sell-side	FA to buy-side	LA to buy-side
12,668	20-Mar-17	Vodafone India Limited (India)	Idea Cellular Limited (India)	Bank of America Merrill Lynch; Kotak Investment Banking; Morgan Stanley; Robey Warshaw; Rothschild; UBS Investment Bank	S&R Associates; Shardul Amarchand Mangaldas & Co; Slaughter and May	Axis Capital; Goldman Sachs & Co; JPMorgan	AZB & Partners; Bharucha & Partners; Vaish Associates
6,597	08-May-17	Tribune Media Company (USA)	Sinclair Broadcast Group Inc (USA)	Guggenheim Partners; Moelis & Company	Covington & Burling; Debevoise & Plimpton; Paul Weiss Rifkind Wharton & Garrison; <i>Advising FA:</i> Gibson Dunn & Crutcher; Latham & Watkins	JPMorgan	Fried Frank Harris Shriver & Jacobson; Pillsbury Winthrop Shaw Pittman; Thomas & Libowitz; <i>Advising FA:</i> Sullivan & Cromwell; <i>Advising Debt Providers:</i> Simpson Thacher & Bartlett
5,500	28-Apr-17	Didi Chuxing (China)	SoftBank Group Corp (Japan); Silver Lake Partners (USA); Bank of Communications Co Ltd; and China Merchants Bank Co Ltd (China)	-	Fangda Partners; Skadden Arps Slate Meagher & Flom	-	Morrison & Foerster
5,362	29-Jun-17	Visma AS (Norway)	GIC Private Limited (Singapore); HgCapital; Cinven Partners LLP; Intermediate Capital Group Plc; Montagu Private Equity LLP (UK)	JP Morgan; ABG Sundal Collier Holding; Morgan Stanley	Wiersholm; Simpson Thacher & Bartlett; Freshfields Bruckhaus Deringer	Arma Partners; Lazard	Latham & Watkins; Schjodt; Skadden Arps Slate Meagher & Flom; White & Case; Ropes & Gray; Freshfields Bruckhaus Deringer
4,963	09-May-17	West Corporation (USA)	Apollo Global Management LLC (USA)	Centerview Partners	Sidley Austin; Weil Gotshal & Manges; <i>Advising FA:</i> Cravath, Swaine & Moore	Credit Suisse; LionTree Advisors; Morgan Stanley	O'Melveny & Myers; Paul Weiss Rifkind Wharton & Garrison; Wachtell Lipton Rosen & Katz

Drivers & Heat chart

based on potential companies for sale

According to *Mergermarket* intelligence, US West Coast technology companies are expected to remain the driving targets for M&A transactions in the TMT sector. Bidders are likely to come from not only US firms across the country but also from Europe, Asia, and Canada, particularly North American strategics. Though huge mega-mergers are not highly anticipated by dealmakers given continuing uncertainty in the political environment, Software companies are still heavily sought-after assets with deal volume expected to continue picking up.

Growing concern over cyberattacks have led to an increase in interest in cybersecurity companies, with the high potential for more M&A in the industry this year. Concerns over state-sponsored hacking have led more and more government and political bodies to take notice. Further, corporate data hacks via ransomware, including the latest “WannaCry” attack, have caused a great deal of anxiety in the corporate world.

Digital innovations will likely continue to upend and recreate sectors, e.g. IndustrialTech, another promising area for entrepreneurial investment. Ongoing efforts in the automobile, robotics, artificial intelligence, and 3D printing industries, among others, stand to transform not only the automotive and manufacturing industries, but also areas such as construction and defense.

Heat chart based on potential companies for sale

Sector	Industrials & Chemicals	TMT	Pharma, Medical & Biotech	Consumer	Energy, Mining & Utilities	Financial Services	Business Services	Leisure	Construction
North Asia	672	342	174	188	122	174	153	81	97
North America	292	634	505	327	400	216	199	78	39
Western Europe	442	454	148	449	168	207	226	110	91
South Asia	101	90	88	89	66	130	59	19	28
CEE	61	47	22	55	47	53	14	13	8
C & S America	57	43	32	85	100	29	52	22	13
Australasia	54	112	49	110	98	62	74	40	15
South East Asia	50	50	40	64	69	83	47	42	40
Japan	41	45	38	35	6	15	28	10	1
Africa	23	10	3	9	47	14	4	7	2
Southern Europe	17	22	5	10	12	3	5	12	5
Middle East	14	46	16	6	17	9	8	7	2
Nordics	7	15	6	1	5	4	4	4	4
Central Asia	2				5	8			

Criteria of heat chart:

Mergermarket's sector heat chart is based on companies tagged as "Companies for sale" in the last six months.

League tables

Financial advisor league table by value

Ranking			H1 2017		H1 2016	
H1 2017	H1 2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	2	Morgan Stanley	39,636	22	41,371	-4.2%
2	1	Goldman Sachs & Co	27,028	18	47,285	-42.8%
3	4	JPMorgan	25,134	24	29,102	-13.6%
4	6	UBS Investment Bank	20,235	8	22,278	-9.2%
5	5	Credit Suisse	19,086	16	26,112	-26.9%
6	53	Rothschild	18,723	15	1,322	1316.3%
7	3	Bank of America Merrill Lynch	18,045	9	40,735	-55.7%
8	-	Kotak Investment Banking	12,756	2	-	-
9	-	Axis Capital	12,676	2	-	-
10	19	Robey Warshaw	12,668	1	6,977	81.6%

Financial advisor league table by deal count

Ranking			H1 2017		H1 2016	
H1 2017	H1 2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	8	EY	1,813	31	20	11
2	4	JPMorgan	25,134	24	25	-1
3	3	Morgan Stanley	39,636	22	25	-3
4	21	Citi	12,073	19	10	9
5	2	Goldman Sachs & Co	27,028	18	27	-9
6	20	William Blair & Company	5,745	18	12	6
7	32	GCA	748	18	8	10
8	5	Deloitte	5,357	17	22	-5
9	10	Credit Suisse	19,086	16	16	0
10	12	Rothschild	18,723	15	15	0

Legal advisor league table by value

Ranking			H1 2017		H1 2016	
H1 2017	H1 2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	4	Kirkland & Ellis	19,927	53	20,291	-1.8%
2	1	Skadden Arps Slate Meagher & Flom	19,207	17	25,950	-26.0%
3	3	Sullivan & Cromwell	18,924	12	23,705	-20.2%
4	9	Latham & Watkins	18,904	44	16,678	13.3%
5	16	Paul Weiss Rifkind Wharton & Garrison	17,032	18	14,041	21.3%
6	175	Shardul Amarchand Mangaldas & Co	15,601	7	441	3437.6%
7	109	AZB & Partners	13,926	7	1,345	935.4%
8	21	Wachtell, Lipton, Rosen & Katz	13,271	9	11,889	11.6%
9	-	Vaish Associates	12,778	2	-	-
10	14	Weil Gotshal & Manges	12,707	31	15,822	-19.7%

Legal advisor league table by deal count

Ranking			H1 2017		H1 2016	
H1 2017	H1 2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	2	Kirkland & Ellis	19,927	53	67	-14
2	1	DLA Piper	4,496	53	85	-32
3	15	Goodwin Procter	2,165	47	24	23
4	5	Latham & Watkins	18,904	44	44	0
5	10	Orrick Herrington & Sutcliffe	4,780	32	34	-2
6	7	Weil Gotshal & Manges	12,707	31	39	-8
7	4	Cooley	3,433	31	46	-15
8	8	Morgan Lewis & Bockius	6,958	30	39	-9
9	3	Jones Day	2,974	30	49	-19
10	9	White & Case	9,703	25	34	-9

Criteria

All data is based on transactions valued over US\$ 5m and is based on 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. 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 Technology, Media & Telecommunications. 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 Technology, Media & Telecommunications 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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