

Global Sector Overview

# Technology, Media & Telecommunications

# Trend Report

Q1-Q3 2017



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## Data analysis

### How are we going to prepare for the robot revolution?

The Singularity will be here in 30 years, according to Masayoshi Son. To prepare, the CEO of SoftBank and billionaire investor launched his Vision Fund last year, which closed with US\$ 93bn, and has been rapidly buying up stakes in cutting edge ventures ever since.

Numerous investors have followed suit. In Q1-Q3 2017, though the total disclosed value of dealmaking in Technology, Media & Telecommunications (TMT) fell by almost a quarter to US\$ 299.5bn compared to US\$ 391.1bn during the same period last year, overall deal count remained more or less steady at 2,370 transactions, while falling in most other sectors.

Much of this boost was driven by Technology transactions. Where Media and Telecom lost ground in terms of volume as both sectors struggle to reinvent themselves in a rapidly digitizing world, Tech made up the difference, with such gains likely to continue through the rest of the year.

#### The SoftBank Model

SoftBank's buys have been fairly representative of a market share grab taking place throughout the industry, and have ranged from medical testing start-ups (Guardant Health) to budding autonomous vehicle companies (Nauto) to artificial intelligence (Appier; Petuum) and robotics firms (Boston Dynamics; Schaft). Investments have especially picked up following the Vision Fund's formation.

To date this year, the company has already engaged in a record 27 transactions, more than 3x the number for the whole of last year, and with only one transaction having lapsed – a US\$ 1.8bn attempt to acquire Luxembourg-based satellite provider Intelsat in the first half of the year.

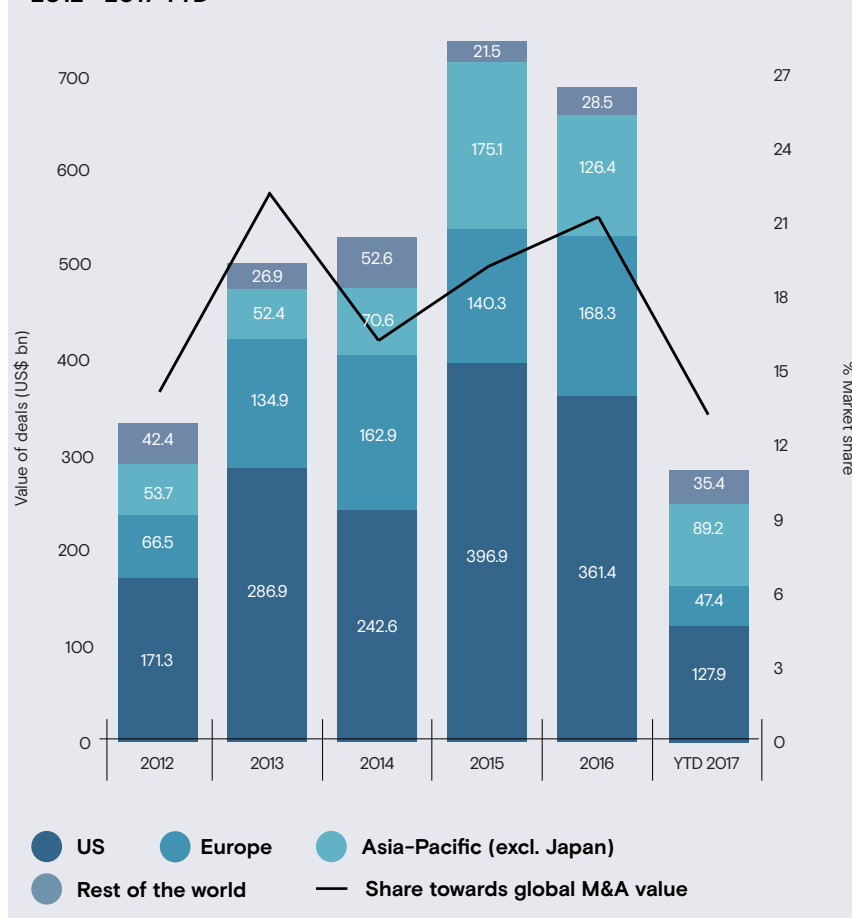
Deals that have closed over just the last few months have included such ventures as a US\$ 250m bid with Accel for popular messaging platform Slack, a US\$ 114m bid with Qualcomm Ventures for autonomous robot company Brain Corporation, a bid as part of a consortium of sponsors for an undisclosed consideration of indoor farming start-up Plenty, and the full-on acquisition of US cyberdefense company Cybereason, also for an undisclosed consideration, among many others.

Most of SoftBank's bids have been as part of various consortia – altogether, they have taken stakes in companies worth a combined US\$ 22bn.

#### Chips in crisis

SoftBank's buying frenzy was not the only notable activity out of Japan this year. In September, Toshiba Corporation agreed to sell a 59.8% stake in its prized microchip unit for US\$ 10.6bn (with an enterprise value of US\$ 17.8bn) to a consortium led by Bain Capital and which included such investors as Apple, Dell, and Kingston Technology after struggling to stem the losses from its failed investment in the nuclear unit of US-based Westinghouse.

Regional Breakdown Trend  
2012–2017 YTD



## Data analysis continued

However, Toshiba's SanDisk joint venture partner Western Digital, which had previously been part of a potential bid for the microchip unit along with KKR prior to the Bain deal being inked, sought to block the latter transaction claiming Toshiba's violation of the terms of an arbitration settlement last summer. Such terms had stated that any sale by Toshiba of its microchip unit was to be publicly disclosed to Western Digital at least two weeks before signing.

Cross-border chip deals between APAC and the US also faced a different kind of hurdle in the case of Chinese buys of US semiconductor firms. In September, US President Donald Trump blocked China-backed, US-based Canyon Bridge Capital Partners' US\$ 1.2bn takeover bid of Lattice Semiconductor Corporation following a recommendation to do so by the Committee on Foreign Investment in the US (CFIUS) due to national security concerns, the second of two such lapsed semiconductor transactions between China and the US to date this year worth a total of US\$ 3.1bn. The committee had previously blocked Ingenic Semiconductor's US\$ 1.8bn bid for OmniVision Technologies and a 94.3% stake in China-based Superpix Micro Technology.

Aside from these, so far this year, Chinese firms have signed deals to acquire 48 US companies across all sectors for a combined US\$ 7.2bn, four of which are in the semiconductor space and altogether worth US\$ 1.2bn.

### US leads global activity

Despite this, APAC's dealmaking activity in

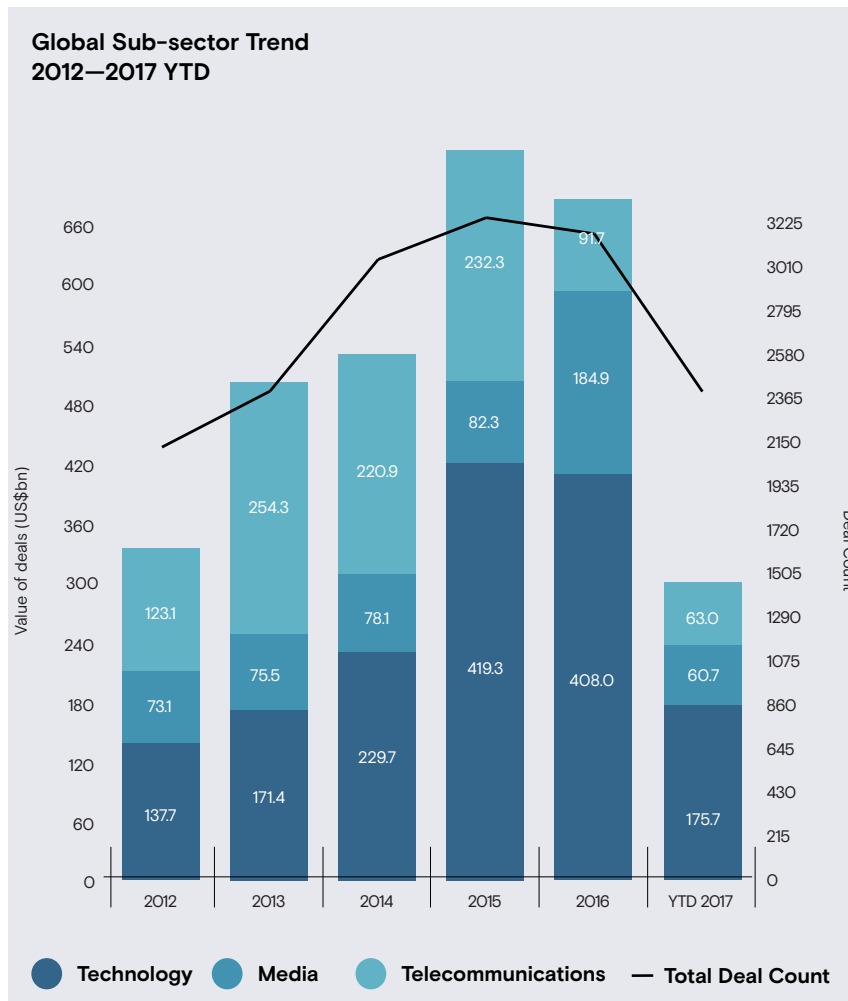
the TMT sector has grown, setting a regional record of a 35% market share by value already in the first three quarters of the year compared to all previous years in full. Total deal value reached US\$ 103.4bn and 515 deals, with the region also capturing the three out of the top five transactions for the period globally.

However, it was the US, home to Silicon Valley and the entertainment industry, that ranked first across the globe, once again leading global TMT activity by capturing 43% of market share by value with 892 deals worth US\$ 127.9bn, and claiming the period's top deal – Discovery Communications' US\$ 14.4bn acquisition of Scripps Networks Interactive.

Europe, in turn, recorded not an insignificant number of deals, just behind the US with 813 transactions, though with smaller price tags – an aggregate US\$ 47.4bn, and reflecting a market share by value of 16%. The region, in the midst of Brexit negotiations, is on track to end the year with a record low market share.

### Let the streaming wars begin

Technology's growing prevalence in just about everything has also had an undeniable impact on neighboring sectors such as Media. With online streaming and the possibility of seemingly endless content available 24/7, the industry has seen added pressure to evolve beyond the traditional studios and platforms of the past. Subscription streaming services have chipped away at the market share of traditional cable and entertainment giants, forcing them to consider adopting similar services.



## Data analysis continued

Industry disruptor Netflix recorded a 32.3% increase in revenue to US\$ 8.4bn in the first three quarters of the year over the same period in 2016, according to its latest 10-Q filing with the SEC, and made its first-ever acquisition in August, of UK-based comic book company Millarworld, with further plans to boost its original content.

One day after the Millarworld acquisition, Disney announced that it would be pulling most of its movies from Netflix, including the Star Wars franchise and its Disney-branded and Pixar content, with the intent to launch its own streaming service as well as boost sports channel ESPN over the next couple of years.

Disney already owns stakes in Vice Media and Netflix rival Hulu, and recently bought a 42% stake, in addition to the 33% it already owned, in Major League Baseball online video provider BAMTech Media for US\$ 1.6bn.

Other notable Disney investments made recently include an undisclosed stake in SambaTV, a smart television analytics app, and interactive storytelling platform Playbuzz, also for an undisclosed stake.

Later in the month, Silicon Valley giants Apple and Facebook entered the fray, with the former announcing plans to invest US\$ 1bn in purchasing and developing original online content over the next year and the latter launching its video streaming platform Facebook Watch in early September, which includes some original content and allows users to watch full shows instead of just scrolling through clips.

As competition in the streaming space heats up, implications for the Media sector could mean a continued grab for original content and digital applications.

**“Every industry that mankind created will be redefined. The medical industry, automobile industry, the information industry of course. Every industry that mankind ever defined and created, even agriculture, will be redefined ... The definition of whatever the industry, will be redefined.”**

**-Masayoshi Son,  
CEO of SoftBank**

## 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
14,383	31-Jul-17	Scripps Networks Interactive Inc (USA)	Discovery Communications Inc (USA)	Allen & Company; Evercore; JPMorgan	Kirkland & Ellis; Weil Gotshal & Manges; <i>Advising FA</i> : Clifford Chance; White & Case	Goldman Sachs & Co; Guggenheim Partners; UBS Investment Bank	Debevoise & Plimpton; Sullivan & Cromwell; Wachtell, Lipton, Rosen & Katz; <i>Advising FA</i> : Davis Polk & Wardwell; Gibson Dunn & Crutcher
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
10,644	28-Sep-17	Toshiba Memory Corporation (59.8% Stake) (Japan)	Consortium led by Bain Capital LLC (USA)	Credit Suisse; Goldman Sachs & Co; Nomura Holdings Inc	Morrison & Foerster; Nishimura & Asahi	-	Akin Gump Strauss Hauer & Feld; Dechert; Nagashima Ohno & Tsunematsu; Ropes & Gray
9,253	21-Aug-17	China United Network Communications Limited (29.89% Stake) (China)	An investor group led by China Life Insurance Company Limited (China)	China International Capital	Freshfields Bruckhaus Deringer	-	Fangda Partners; Haiwen & Partners
7,100	18-Jul-17	Lightower Fiber Networks (USA)	Crown Castle International Corporation (USA)	Barclays; Citi; Evercore; JPMorgan; UBS Investment Bank	Ropes & Gray	Morgan Stanley	Cravath, Swaine & Moore

## Drivers & Heat chart

based on potential companies for sale

According to *Mergermarket* intelligence, an area that could see more investment on the horizon is the emerging FinTech market in Central & South America. Following a wave of payment startups, the next space to watch could be digital peer-to-peer lending platforms, particularly in Mexico and Brazil.

Another area that could see more dealmaking in the near future is the SpaceTech industry. Facebook has already come out and said that it is interested in building an “internet of the sky” to achieve scale while providing access to those in developing countries. Further, growing cybersecurity concerns, intelligence needs, and navigational capabilities could spur more interest in companies that provide such services.

Finally, as companies like Amazon, Walmart, and Target continue to compete for customers and grow their market shares in the ecommerce and retail industries, the logistics technology space could see an uptick in activity as businesses strive to deliver more efficiently to customers who are increasingly buying goods online. Tracking, delivery, and payment processing services could all be potential areas for investment.

Heat chart based on potential companies for sale

Sector	Industrials & Chemicals	TMT	Pharma, Medical & Biotech	Consumer	Energy, Mining & Utilities	Business Services	Financial Services	Leisure	Construction
North Asia	657	331	177	214	140	170	141	93	116
North America	366	627	507	386	389	269	210	61	44
Western Europe	413	451	167	383	149	210	203	119	82
South Asia	88	65	68	90	54	47	105	17	27
South East Asia	64	60	25	66	65	44	88	39	30
Australasia	55	117	65	103	108	69	60	35	10
C & S America	53	38	36	95	85	72	30	22	13
CEE	47	33	12	43	45	15	44	14	11
Japan	32	44	42	30	5	24	7	3	1
Africa	18	10	8	10	38	8	13	3	6
Southern Europe	16	19	6	19	12	4	5	9	3
Middle East	13	57	23	9	14	9	9	6	1
Nordics	7	11	2	1	7	4	1	2	2
Central Asia	1	1		1	6	1	6		

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			Q1-Q3 2017		Q1-Q3 2016	
Q1-Q3 2017	Q1-Q3 2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	5	JPMorgan	73,269	45	55,770	31.4%
2	1	Goldman Sachs & Co	69,780	34	102,335	-31.8%
3	3	Morgan Stanley	53,315	35	62,703	-15.0%
4	4	UBS Investment Bank	43,306	14	62,154	-30.3%
5	21	Evercore	34,335	22	14,463	137.4%
6	7	Credit Suisse	32,789	32	45,525	-28.0%
7	15	Citi	27,116	29	24,312	11.5%
8	2	Bank of America Merrill Lynch	23,271	14	65,619	-64.5%
9	33	Guggenheim Partners	21,933	6	5,394	306.6%
10	37	Rothschild	19,736	26	4,036	389.0%

## Financial advisor league table by deal count

Ranking			Q1-Q3 2017		Q1-Q3 2016	
Q1-Q3 2017	Q1-Q3 2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	10	EY	2,680	50	28	22
2	5	JPMorgan	73,269	45	36	9
3	3	Morgan Stanley	53,315	35	40	-5
4	2	Goldman Sachs & Co	69,780	34	43	-9
5	12	Credit Suisse	32,789	32	23	9
6	21	Citi	27,116	29	16	13
7	1	PwC	219	28	44	-16
8	13	Lazard	16,144	27	20	7
9	16	Jefferies	8,991	27	19	8
10	6	Deloitte	5,636	27	33	-6

## Legal advisor league table by value

Ranking			Q1-Q3 2017		Q1-Q3 2016	
Q1-Q3 2017	Q1-Q3 2016	Company name	Value (USD m)	Deal count	Value (USD m)	% Value change
1	10	Kirkland & Ellis	39,387	93	47,380	-16.9%
2	9	Wachtell, Lipton, Rosen & Katz	30,925	13	48,028	-35.6%
3	15	Weil Gotshal & Manges	30,643	45	35,840	-14.5%
4	2	White & Case	27,256	34	65,557	-58.4%
5	18	Latham & Watkins	27,144	64	32,726	-17.1%
6	12	Sullivan & Cromwell	25,460	17	40,552	-37.2%
7	5	Skadden Arps Slate Meagher & Flom	25,368	29	57,876	-56.2%
8	48	Clifford Chance	24,956	20	7,953	213.8%
9	47	Debevoise & Plimpton	24,080	7	8,414	186.2%
10	24	Gibson Dunn & Crutcher	23,789	19	18,049	31.8%

## Legal advisor league table by deal count

Ranking			Q1-Q3 2017		Q1-Q3 2016	
Q1-Q3 2017	Q1-Q3 2016	Company name	Value (USD m)	Deal count	Deal count	Count change
1	1	DLA Piper	17,170	109	114	-5
2	15	Goodwin Procter	5,482	97	39	58
3	2	Kirkland & Ellis	39,387	93	97	-4
4	4	Latham & Watkins	27,144	64	65	-1
5	8	Orrick Herrington & Sutcliffe	6,102	54	52	2
6	6	Cooley	7,409	53	57	-4
7	3	Jones Day	8,904	51	66	-15
8	12	Morgan Lewis & Bockius	13,213	49	48	1
9	7	Weil Gotshal & Manges	30,643	45	56	-11
10	14	O'Melveny & Myers	8,843	38	43	-5

## 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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