

February 2017 - Monthly Briefing

7th March 2017

A quieter month for European TMT M&A

The largest European TMT deal in February was also the top global TMT-related transaction. US private equity firm, Blackstone announced plans to acquire UK based insurer, Aon's technology-enabled benefits and human resources platform, currently part of Aon Hewitt, for a cash consideration of up to \$4.8 billion, including \$4.3 billion at closing and an additional consideration of up to \$500 million based on future performance. The business is the largest benefits administration platform in the US and a leading services provider for cloud-based HR management systems.

In the US, Entercom Communications and CBS agreed to a merger between Entercom and CBS Radio valued at \$1.5 billion. The transaction will create a preeminent radio platform with a nationwide footprint of 244 stations, including 23 of the top 25 US markets, as well as robust digital capabilities and a growing events platform. The combined companies' pro forma revenue on a trailing 12 months basis was approximately \$1.7 billion, making it the second-largest radio station owner in the US, and adjusted EBITDA was nearly \$500 million including expected transaction synergies.

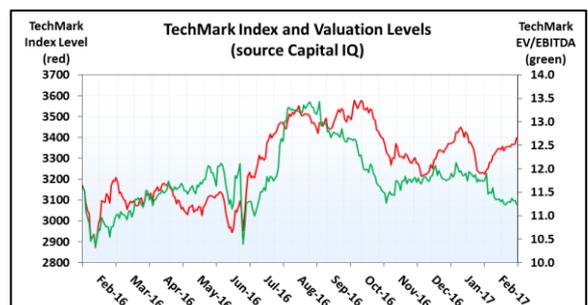
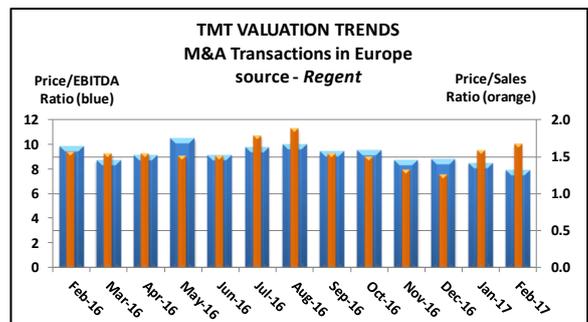
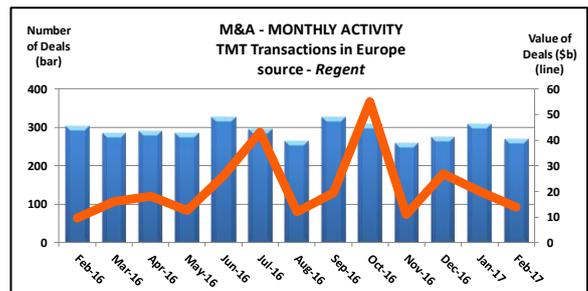
Swedish private equity company, EQT Partners, has acquired Lumos Networks in a deal valued at \$950 million. Lumos Networks is a leading fibre-based service provider in the US Mid-Atlantic region serving carrier, enterprise and data centre customers, offering end-to-end connectivity in 24 markets. In 2015, Lumos Networks generated revenues of \$204 million and EBITDA of approximately \$84 million.

US entertainment and communications technology company, ARRIS International, agreed to acquire Brocade Communication Systems' Ruckus Wireless and ICX Switch business from Broadcom for a cash consideration of \$800 million, plus the additional cost of unvested employee stock awards, following the closing of Broadcom's acquisition of Brocade. The deal adds a strong portfolio of wireless and wired networking products and key technologies to address rapidly growing wireless broadband markets for enterprise and service provider customers.

Hexagon, the Sweden-based provider of information technologies that drive productivity and quality across geospatial and industrial enterprise applications, is acquiring MSC Software, a US-based provider of computer-aided engineering (CAE) solutions, including simulation software for virtual product and manufacturing process development. The deal is valued at \$834 million. In 2016 MSC generated pro forma sales of \$230 million with strong profitability and a high percentage of recurring revenue.

REGENT's View of the Month

After a strong start to the year, February was a slower month for European TMT sector M&A. The number of deals was 14% lower and the aggregate value was 30% lower at \$14 billion. Valuation multiples in terms of the Price/Sales ratio increased from 1.6 to 1.7 while the Price/EBITDA ratio eased down from 8.5 to 7.9. Listed technology companies, as represented by the UK TechMark index, more than recovered from a 4.4% fall in January with a 5.4% gain in February.



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