

July 2017 - Monthly Briefing

10th August 2017

Strong European TMT deal flow but valuation multiples drop in July

The largest TMT deal globally in July was the \$14.6 billion acquisition of Scripps Networks Interactive by Discovery Communications in the US. Together, Discovery and Scripps will provide approximately 8,000 hours of original programming annually, be home to approximately 300,000 hours of library content, and will generate a combined 7 billion short-form video streams monthly. The combined company will have nearly 20% of ad-supported pay-TV viewership in the US.

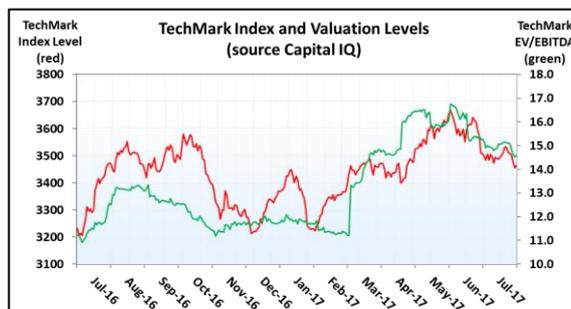
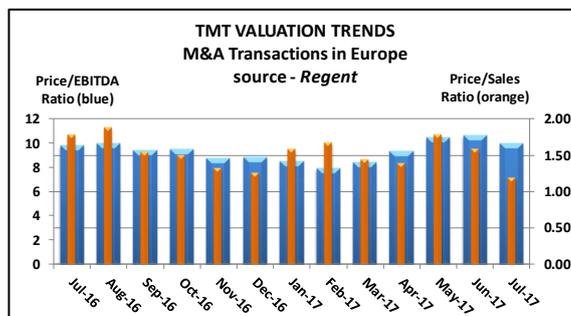
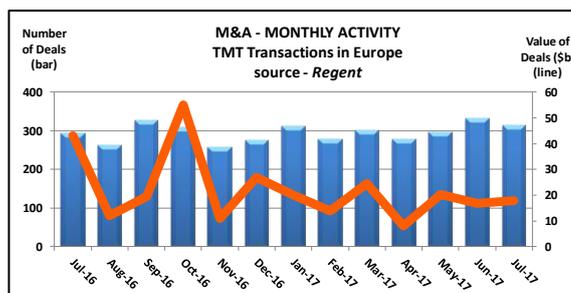
The top TMT deal in Europe was the €4.5 billion acquisition of the smart metering firm, ista International by the Luxembourg-based holding company, Lamarillo, a subsidiary of Cheung Kong Property Holdings. ista is one of the world's leading companies in the provision of energy management services for greater energy efficiency in buildings. ista helps property managers, home owners and tenants all over the world to measure, analyse, bill and manage individual energy and water consumption. ista employs a portfolio of modern hardware devices for energy data management including radio-based heat cost allocators, heat meters and water meters as well as the relevant communication systems. Moreover, ista contributes towards resident safety with radio-based smoke alarm devices and drinking water analyses. ista recorded sales of €850 million in 2016.

In the UK, the top deal was the acquisition of Civica by the Swiss private equity firm, Partners Group, for an enterprise value of just over £1 billion. The business was acquired from OMERS Private Equity based in Canada. Civica provides business critical software, digital solutions and technology-based outsourcing services to both public sector organisations and to commercial organisations in highly regulated sectors, in the UK and around the world. It has extensive capabilities and presence across local and central government, social housing, healthcare, education and public safety. Civica reported revenues of £268 million last year and generated £55 million in EBITDA.

Another UK company, Sage, announced its largest acquisition, buying the cloud-based provider of financial management systems, Intacct, for \$850 million. In the year to June 2017, Intacct, which is based in the US, generated revenues of \$88 million, over 90% of which is subscription based. The company has a three-year revenue CAGR in excess of 33%. The combination of Sage and Intacct's existing product portfolio, brand, resources and partners, will put Sage in prime position to establish itself as the leading provider of cloud Financial Management Solutions in North America in their chosen segments. The acquisition demonstrates Sage's strong affirmation to winning in the cloud, winning in the US and accelerates its strategic objectives.

REGENT's View of the Month

The number of European TMT sector M&A deals announced in July remained at around 300. There was an increase in the aggregate value from \$17 billion in June to almost \$18 billion in July. However, valuation multiples were lower in the month with the Price/Sales ratio down from 1.6 in June to 1.2 and the Price/EBITDA ratio down from 10.6 to 9.9. Listed technology companies, as represented by the UK TechMark index, also lost value with a fall of 1.2% in July.



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