

September 2017 - Monthly Briefing

9th October 2017

Seasonal slowdown continues in September

Globally, the top two deals in the TMT sector were consolidations in the US defence electronics sector. In the largest of these, United Technologies acquired Rockwell Collins for an equity value of \$23 billion and a total transaction value of \$30 billion, including net debt. Rockwell Collins, with revenues of about \$6 billion, is a leader in aviation and high-integrity solutions for commercial and military customers and is globally recognized for its leading-edge avionics, flight controls, aircraft interior and data connectivity solutions.

In the second of these deals, Northrop Grumman acquired Orbital ATK, a global leader in aerospace and defence technologies, for approximately \$7.8 billion in cash, plus the assumption of \$1.4 billion in net debt. In the twelve months to 2 July 2017, Orbital ATK had revenues and EBITDA of approximately \$4.5 billion and \$0.6 billion respectively.

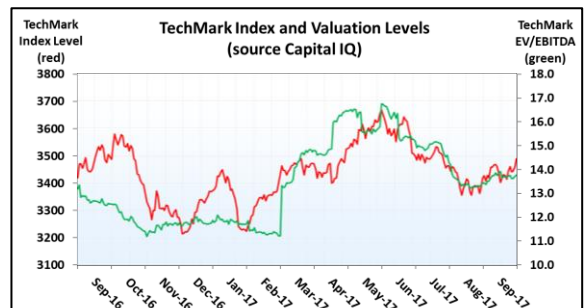
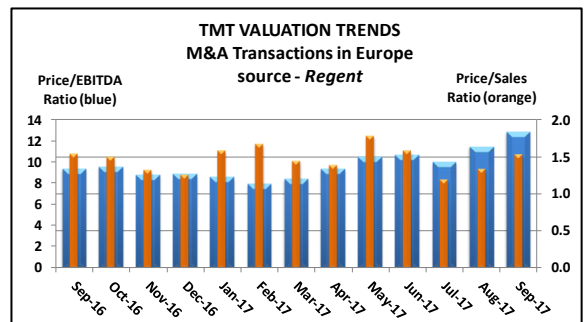
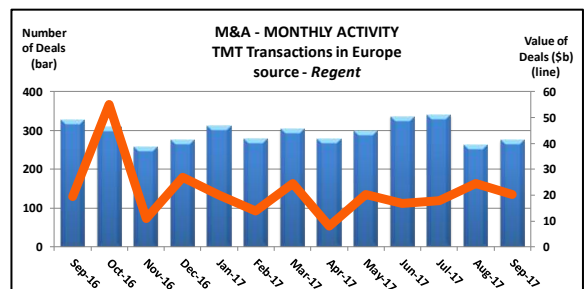
The largest deal involving a European TMT company, was the acquisition of the Danish listed company, Nets, by a consortium of investors led by Hellman & Friedman for approximately \$5.3 billion. Nets provides digital payment services and related technology solutions across the Nordic region. Nets sits at the centre of the digital payments ecosystem and operates a deeply entrenched network, which connects merchants, corporate customers, financial institutions and consumers enabling them to make and receive payments as well as, increasingly, utilise value-added services to help them improve their respective activities. In the year to 31 December 2016, Nets had revenues of approximately \$1.2 billion and EBITDA of \$0.3 billion.

French listed group, Schneider Electric, announced that Schneider Electric Software is to acquire UK based, Aveva Group, in a reverse merger. Schneider Electric will make a cash payment of £550 million and will contribute Schneider Electric Software Holdings Singapore, Schneider Electric Software LLC and Schneider Electric Software Holdings Netherlands. The deal will create a global leader in industrial software, with scale and relevance in key markets and an extensive technology portfolio with combined revenues of about £658 million.

US private equity firm, Canyon Bridge, has agreed to acquire the UK based embedded microprocessor company, Imagination Technologies, for £550 million. At the same time Imagination is selling its MIPS arm to Tallwood Venture Capital for \$65 million. Imagination shares fell heavily earlier in the year when Apple announced it would not continue to use Imagination's graphic chips. Canyon Bridge currently has about \$1.5 billion of funds under management which has been committed by Canyon Bridge's initial anchor limited partner, Yitai Capital, a Chinese state-owned enterprise.

REGENT's View of the Month

The recovery from the summer slow-down in European TMT deal flow was very weak in September with only a 5% increase in the number of transactions. The aggregate deal value fell from \$25 billion in August to \$20 billion in September. However, valuation multiples continued to increase with the Price/Sales ratio at 1.5 from 1.3 in August and the Price/EBITDA ratio at 12.8 from 11.4. Listed technology companies, as represented by the UK TechMark index, gained 2.1% in September.



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