

## February 2018 - Monthly Briefing

6<sup>th</sup> March 2018

### European telecom sector is the focus of global TMT M&A in February

The battle to acquire Sky took a new turn in February with a proposal, but no firm offer, from Comcast which values the UK media company at £22 billion, a premium of 16% on the last offer from 21<sup>st</sup> Century Fox.

However, the main action was in Denmark where telecoms firm, TDC, announced a merger agreement to acquire MTG Nordics from Modern Times Group. The deal would bring together TDC's direct-to-consumer offering in mobile, broadband and TV services with MTG Nordics' content production, broadcasting and streaming services. The deal values MTG Nordics at \$2.5 billion. In 2017, MTG Nordics reported revenues of \$1.7 billion and EBITDA of \$225 million.

Later in the month, DK Telekommunikation, a company controlled by a consortium of investors and asset managers including PFA, PKA, ATP and Macquarie Infrastructure and Real Assets launched a recommended voluntary public takeover of TDC at an enterprise value of approximately \$10 billion but subject to the acquisition of MTG Nordics not being approved. As the TDC board has recommended the DK offer, it is unlikely the MTG deal will proceed.

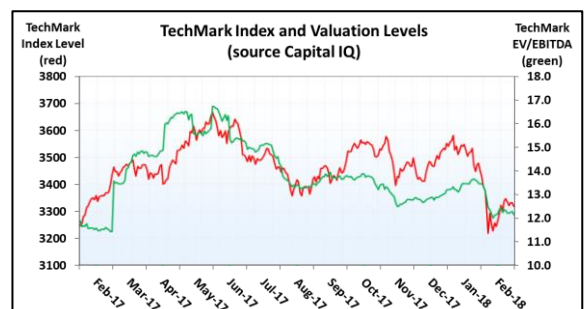
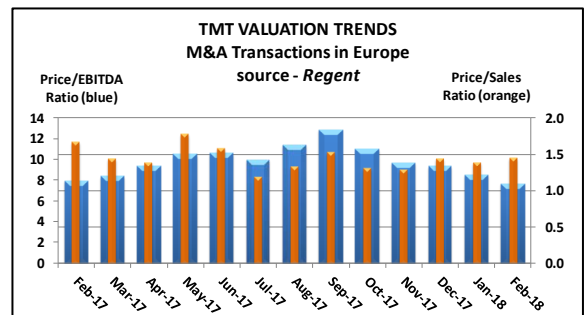
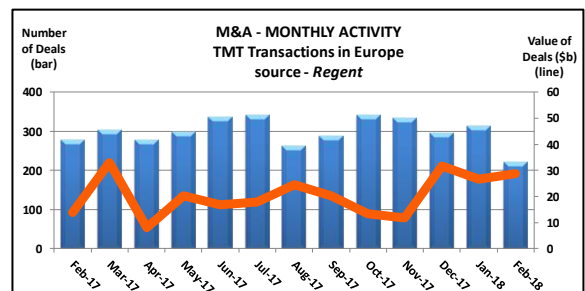
GTT Communications, a US-based global cloud networking provider to multinational clients, announced the acquisition of UK-headquartered, Interoute, the operator of one of Europe's largest independent fibre networks and cloud networking platforms, for approximately €1.9 billion in cash. For the 12 months ending 30 September 2017, Interoute reported revenues of €718 million and adjusted EBITDA of €165 million.

Swiss banking software company, Temenos, announced an agreement to acquire the UK based banking software firm, Fidessa, for £1.4 billion. The deal implies an enterprise value multiple of approximately 4.3x Fidessa's recurring revenue and 23.8x cash EBITDA for the year ended 31 December 2017. The acquisition marks a significant milestone in Temenos' goal to provide financial institutions, of any size, anywhere in the world, the software to thrive in the digital banking age.

The other significant deal in the month was the acquisition of US government focused IT solutions provider, CSRA, by US aerospace and defence company, General Dynamics. The transaction is valued at \$9.6 billion, including the assumption of \$2.8 billion in CSRA debt. CSRA's FY2017 (March) revenue was \$5 billion. The combined company creates the premier provider of high-tech IT solutions to the US Government Technology Services market with approximately \$9.9 billion in revenue and strong double-digit EBITDA margins.

#### REGENT's View of the Month

There was a 30% drop in the number of European TMT deals in February but the total value of deals was marginally higher. There were 16 deals valued at more than \$100 million, including 4 in excess of \$1 billion, which contributed to an aggregate value of \$29 billion in the month. Valuation multiples saw the Price/Sales ratio unchanged at 1.4 but the Price/EBITDA ratio was down from 8.5 in January to 7.6 in February. Listed technology companies, as represented by the UK TechMark index, fell 3% in February.



James Calvert Managing Partner <a href="mailto:jcalvert@regent.com">jcalvert@regent.com</a>	Dr David Scurr Research Director <a href="mailto:dscurr@regent.com">dscurr@regent.com</a>	Hana Glanville Business Development Director <a href="mailto:hglanville@regent.com">hglanville@regent.com</a>
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