

July 2018 - Monthly Briefing

6th August 2018

European buyers resume strong TMT deal activity in July

In the largest global TMT deal announced in July, Broadcom, a semiconductor device supplier to the wired, wireless, enterprise storage, and industrial end markets, agreed to acquire CA Technologies, one of the world's leading providers of IT management software and solutions, for an enterprise value of \$18.4 billion. In the 12 months to 31 March 2018, CA reported revenue of \$4.2 billion and EBITDA of \$1.5 billion. Broadcom aims to build one of the world's leading infrastructure technology companies and expand its presence in the growing and fragmented infrastructure software market.

The top deal involving a European company was the acquisition of US-based, Syntel, a global provider of integrated information technology and knowledge process services, by the French IT services firm, Atos, in an all-cash transaction valued at \$3.6 billion. Syntel generated \$924 million revenue in 2017, of which 89% was in North America, with 25% operating margin. The transaction is a major step in the strategy of Atos to reach a global scale and significantly expand in both Digital Services and Business & Platform Solutions.

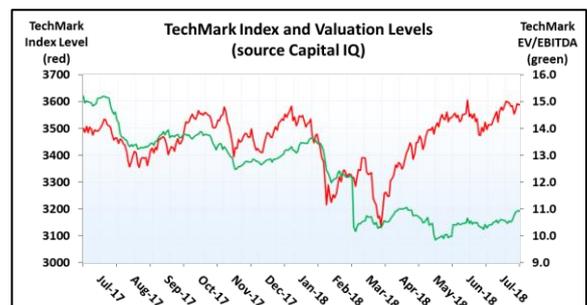
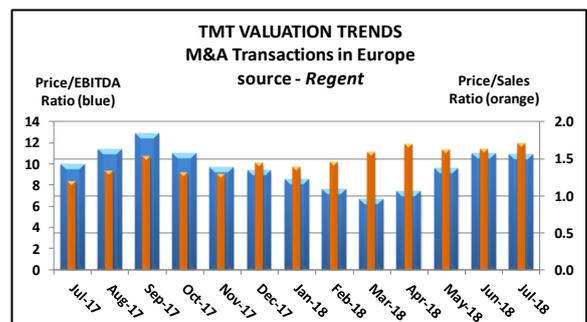
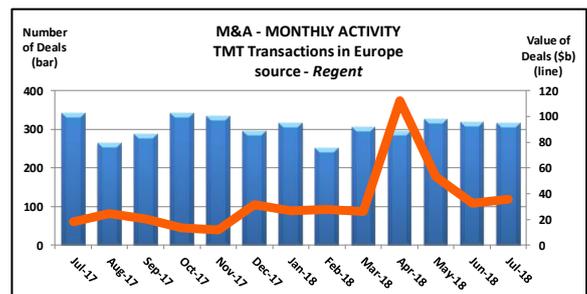
VEON, a Netherlands-based provider of connectivity and internet services, has agreed to sell its 50% stake in its Italian subsidiary, Wind Tre, for €2.5 billion to Hong Kong-based, CK Hutchison Holdings. After the acquisition, CK Hutchison will be sole owner of Wind Tre which provides fixed and mobile telecommunications, and data services in Italy.

Swedish telecoms company, Telia, had a busy and expensive month with the announcement of two large deals. In the first, Telia will acquire Get and its subsidiary, TDC Norway, from the Danish telecoms firm, TDC, for an enterprise value of \$2.6 billion. Telia will combine its mobile network with GET's supreme TV and fixed services to create a strong challenger in the Norwegian market with converged customer offerings. The purchase price corresponds to an EV/EBITDA multiple of 12.1x based on 2017 results. In the second deal, Telia acquired Bonnier Broadcasting, including brands TV4, C More and Finnish MTV, from Bonnier for \$1.1 billion on a cash and debt free basis, equivalent to an EV/EBIT multiple of 15.4x, based on last 12-month performance to 31 March 2018. The acquisition will combine Telia's leading mobile and fixed network with one of the most successful commercial media-houses in the Nordics.

The top deal involving a UK company was the sale of Micro Focus's SUSE enterprise-grade Linux operating system business to Swedish private equity firm, EQT Partners, for \$2.5 billion in cash. The deal represents an enterprise value of approximately 7.9x revenue and 26.7x adjusted operating profit for the SUSE business in the 12 months to 31 October 2017.

REGENT's View of the Month

European buyers resumed a strong position amongst the top global TMT deals in July. During the month there were seven deals valued at more than \$1 billion involving European TMT companies. Valuation multiples remained strong with the Price/Sales ratio up from 1.6 in June to 1.7 in July and the Price/EBITDA ratio was unchanged at 10.9. Listed technology companies, as represented by the UK TechMark index, gained 1.8% in July.



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