

October 2018 - Monthly Briefing

12th November 2018

IBM announces the most significant tech acquisition in 2018

In what was described as the most significant tech acquisition in 2018, IBM announced the acquisition of open source cloud software vendor, Red Hat, for an enterprise value of approximately \$34 billion. The “game-changer” acquisition brings together the best-in-class hybrid cloud providers and will enable companies to securely move all business applications to the cloud. The deal value equates to a revenue multiple of about 11x and an EBITDA multiple of about 56x.

There were two significant deals in the US aerospace and defence technology sector. Harris Corporation and L3 Technologies have agreed to combine in an all stock merger of equals to create a global defence technology leader. The combined company, L3 Harris Technologies, will be the 6th largest defence company in the US, a top 10 defence company globally and is expected to generate net revenue of approximately \$16 billion in calendar year 2018.

Aircraft component manufacturer, TransDigm Group, has acquired Esterline Technologies Corporation for total transaction value of approximately \$4.0 billion including the assumption of debt. Esterline is a leading worldwide supplier to the aerospace and defence industry specializing in three core business segments: Advanced Materials; Avionics & Controls; and Sensors & Systems. The deal enterprise value implies a revenue multiple of about 2x and an EBITDA multiple of about 15x.

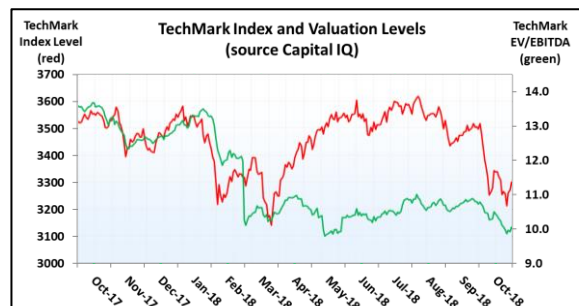
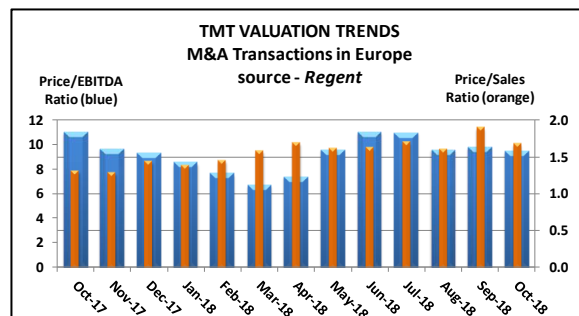
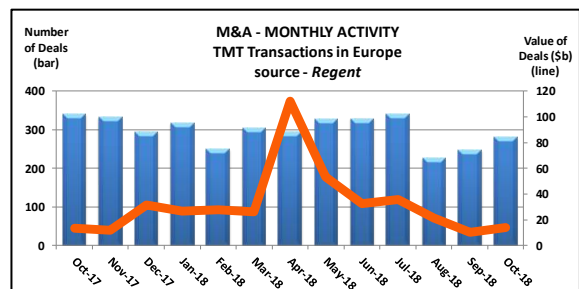
In Europe, the M&A focus was on semiconductor technology. China’s Wingtech Technology, the world’s largest smartphone contract manufacturer, plans to acquire control of Dutch semiconductor firm, Nexperia (formerly NXP Semiconductors), from a consortium of Chinese investors for about \$3.6 billion. Wingtech will indirectly own 75.86% of Nexperia as a result of the deals.

UK-based, Dialog Semiconductor, announced an agreement with Apple to license certain of its power management technologies and transfer certain of its assets and over 300 employees to Apple to support chip research and development. Apple will pay \$300 million in cash for the transaction and prepay \$300 million for Dialog products to be delivered over the next three years. The employees who are being transferred have worked closely with Apple for many years.

La Caisse de dépôt et placement du Québec and Generation Investment Management have announced the acquisition of General Atlantic and HIG Capital’s investment in FNZ UK, in a deal valuing the company at £1.65 billion. The acquisition is one of the world’s largest FinTech transactions this year. FNZ is a UK-based global FinTech firm, transforming the way financial institutions serve their wealth management customers.

REGENT’s View of the Month

European TMT M&A activity continued to recover from the summer lull in terms of both the number of deals and their aggregate value. Valuation multiples were slightly lower with the Price/Sales ratio down from 1.9 in September to 1.7 in October and the Price/EBITDA ratio down from 9.8 in September to 9.4 in October. It was a disappointing month for listed technology companies, with those represented by the UK TechMark index dropping 5.8% in October.



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