US technology deal insights

Analysis and trends in US technology 2015

From PwC's Deals Practice

February 2015

At a glance

A banner year in technology M&A, deal volume and value increased 36% and 62%, respectively.

Continued strength in the US economy was reflected in the upward trajectory of both the M&A and IPO markets which accelerated late in the year.

This strong momentum, coupled with several large spin and/or sale transactions in the works, point toward a similarly active 2015.

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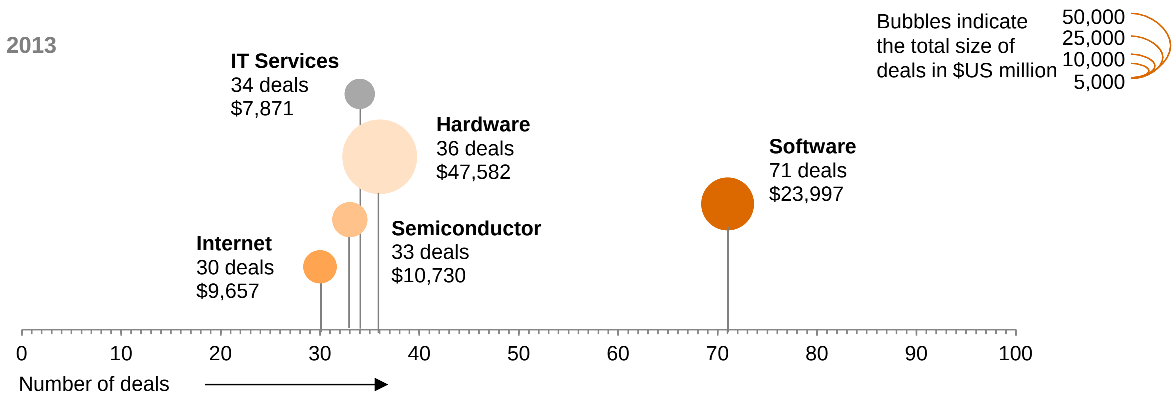
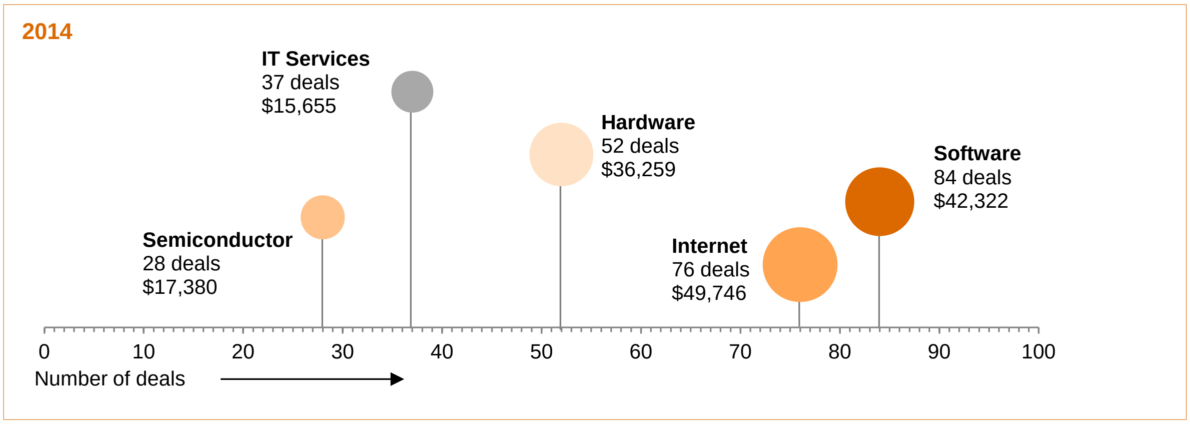
US technology deals by volume by sector*





US technology deal concentration by geography*

*excludes undisclosed & <$15m
Source: ThomsonReuters

Introduction

Out with a bang! Simply put, 2014 was a banner year for the technology sector. Alongside broader economic growth in the US, technology set records not seen since the dot com era. Deals remained active throughout the year, peaking in the fourth quarter as many corporate and financial investors closed large, transformative deals. In the end, technology deal activity closed out 2014 36% higher, amidst IT spending growth of less than 2%. Equity markets and IPO pricings similarly soared to new highs, and deal makers have not signaled any intent to slow down.

Domestically, continued recovery in the US has been strong and the US trade deficit declined to the lowest level in decades, even in light of a strengthening dollar. The housing market continued to improve, with new housing starts at the highest level since 2007. Consumer confidence increased further and interest rates remain near record lows, each contributing to that overall growth. While the Fed is expected to increase rates in September, the US was the only major economy to receive an increase in its 2015 GDP growth forecasts by the IMF's most recent estimates. In labor markets, unemployment fell to a post-recession low of 5.6% and wage rates are anticipated to increase in the new year; however the labor participation rate hit a 30-year low of 62.7%, signaling an increase in long-term unemployment. On the political front, the US continues to make headlines. The nation's debt ceiling issue remains unresolved, and with a newly elected GOP-run Congress, the battles over immigration reform and healthcare are escalating.

Abroad, Europe was the focus of cross-border technology acquisitions; however, growth estimates in the Eurozone have continually been cut throughout the year, with the IMF now projecting 1.2% GDP growth in 2015. The outlook for the UK is generally favorable, though challenged by the uncertainty within the Eurozone, for which the saga of Greece's membership in the EU continues. Russia, on the other hand, is anticipated to enter a recession more severe than that of 2008, as ongoing conflict in Ukraine, dropping oil prices, and a steep decline in the ruble lead the nation toward an economic crisis. In China, economic growth slowed to the weakest level since the Tiananmen Square sanctions of 1990, at 7.4%, and is projected to decline further below 7% in 2015, as the nation trends to a more "normal" pace of growth amid broader restructuring toward a consumption-based economy. The IMF now projects 4.3% 2015 GDP growth in developing countries, challenged by weak external demand; however, growth is expected to quickly follow recovery in the world's developed nations.

US equity markets continued to set record highs, with the Dow Jones, NASDAQ, and S&P 500 rising 7.5%, 13.4%, and 11.4%, respectively, during 2014. While there was some volatility that caused immediate pull-back by lenders for a few weeks in the fourth quarter, technology M&A and IPO pricings generally mirrored the activity and valuation of the broader markets. Leading technology companies continue to remain some of the most valuable in the world, with Apple, Google, and Microsoft each holding three of the top five spots by market cap. These and other technology high-flyers have helped to maintain impressive average EBITDA multiples, with the top 25 US technology companies touting approximately 11x in 2014.

IPO activity in 2014 continued to increase to the next level, becoming the most active year since 2000. In total, there were 60 technology IPOs, an increase over the 51 posted in 2013, which was already the most active year since the last recession. Technology IPOs continued to remain a key driver in the market, representing roughly 40% of IPO value and 20% of IPO volume (20% of value excluding the $21.8 billion Alibaba IPO). Proceeds from new pricings neared $35 billion, and year-to-date performance returns approximated 22%, both factors that continue to reaffirm the long-term outlook for the industry as a whole.

IT spending in 2014 posted a growth rate just under 2%, lower than prior estimates given exchange rate movements, while projections anticipate an increase to approximately 2.4% growth in 2015. Cloud offerings, mobile devices, and enterprise software have remained the focal points for IT investment over the past few years, and 2015 is expected to continue along a similar path. Enterprise software is anticipated to remain the area of highest growth potential, though challenged by increasing price pressure and competition as cloud and traditional providers battle for customers. Mobile devices are expected to remain a key growth area and focal point of IT to enable their organizations, while some expect that PCs may make a comeback.

In an already active deal market throughout 2014, technology M&A certainly flexed its muscle to round out the year and raise expectations for what may come. As we consider the almost $350 billion in cash and securities on hand at the top 25 technology companies, record levels of private equity dry powder waiting to be deployed, and see indications of full pipelines from every angle of the market, 2015 promises to be another exciting year in technology M&A.

Outlook for 2015

Deal activity focused on new technologies and the continuing development of cloud, mobile, and security

The technology landscape in 2015 will continue to be reshaped by several themes whose genesis in software and Internet applications will also impact the demand for hardware and semiconductors. Some of these are relatively new and exciting developments such as virtual reality, robots, drones, and, more broadly, the Internet of Things (IoT). 2015 will see these solutions deployed outside of niche segments – and thus begin to attract greater attention from corporate deal-makers. Technologies that have captured the imagination of investors and entrepreneurs will make their way into consumer and enterprise markets. As more established players acquire some of these innovations, their deployment will accelerate.

It is common in the technology sector for trends to emerge as cutting edge differentiators but then quickly become a table stakes expectation. Recent trends moving into this category include cloud computing, social, mobile, and data analytics. These technologies are moving from the turbocharged high-growth phase to the merely high-growth phase and will be deployed broadly across devices, platforms and ecosystems.

With such a diverse range of emerging capabilities and technologies, large technology companies will continue to rely on M&A to ensure that their portfolio remains competitive.

- ***Hello, Second Machine Age: robots, drones, machine learning***. "The Second Machine Age," which came out in 2014, introduced a wider public to the accelerating advances in both software and hardware that are ushering in a new world where machines – whether in the form of robots and drones or advanced algorithms – will automate greater realms of tasks. Robots and drones are becoming cheaper and more capable. Machine learning is increasingly capable of tackling complex problems. At the same time, virtual reality is expected to extend beyond gaming into solutions for real-world challenges. Expect large technology companies to make acquisitions in 2015 to extend their capabilities in many of these areas.

- ***The Internet of Things***. The combination of sensors and wearables, increased connectivity, new manufacturing methods (like 3D printing), and improved data mining capabilities are both enabling and driving the IoT forward. While the industrial side has been building out for several years, wearables and "smart" household appliances have placed IoT center stage to the consumer. 2015 will continue to focus on innovations in these areas, with large technology companies looking to bolster their capabilities.

- ***Cloud goes mainstream***. Cloud computing is still in a relatively early phase of deployment and will likely outpace traditional IT spending for the next several years. Demand for greater mobile access, as well as greater integration and collaboration capabilities are also driving the call for greater enterprise cloud adoption. Large tech companies have focused on SaaS, PaaS, and IaaS through both internal investment and acquisitions, and will continue to expand, and in some cases consolidate, in these areas during 2015.

- ***Consumer-oriented, technology-enabled models proliferate***. Many consumers are ready to abandon traditional models in healthcare, banking, and other personal services, following similar moves already visible in retail, entertainment and transportation. The Millennial generation is leading this charge with distinctive attitudes towards privacy, convenience and sharing. As a result, prepare for more traditional industries to look and feel like recently disrupted consumer-oriented, technology-enabled industries. With greater signs that finance, healthcare and hospitality (to name a few) are open for disruption, large technology companies will use acquisitions to join, and in some cases drive, this revolution.

- ***Security concerns rise in priority***. While cybersecurity has been a multi-year theme for the technology sector, the unprecedented level of high-visibility breaches at companies culminated in the well-publicized hacking of Sony towards the end of the year. Building on a base of concern surrounding the growing adoption of web based applications, the demand and urgency for security solutions, which could be an integrated part of the overall enterprise software package in the near future, will be elevated. Encryption as a service will grow, and larger software companies will either partner with companies offering security solutions or acquire them outright.

2014 by the numbers

An active deal market accelerates to finish the year with a bang

Simply put, 2014 was a record year in technology. While we saw resurgence in mid-2013 and a steady level of deal flow thereafter, the fourth quarter of 2014 closed out the year with a record in closed deal value. Only marginally below the volumes of 2011, this was a year of transformational deals with an active mid-market. Similar to the past several years, mega-deals skewed transaction values, such as Facebook's $22 billion acquisition of WhatsApp in 2014, but the number of billion-dollar transactions more than doubled that of 2013. The result was a 62% increase in deal values to $161.4 billion. Overall volumes increased 36% to 277 in 2014 from 204 in 2013, albeit still falling short of the 308 deals in 2011.

Quarterly deal volumes ranged between 63 – 71 transactions and $27.8 - $29.8 billion in value during the first three quarters of 2014, peaking during the fourth quarter with 76 transactions for $74.9 billion. Amid a booming IPO market and hefty valuations, deal volume increases were focused on those greater than $250 million. Overall deal values were elevated by a record of 36 billion-dollar transactions closed in 2014. As a result, average deal values increased 19%, from $489 million in 2013 to $583 million in 2014.

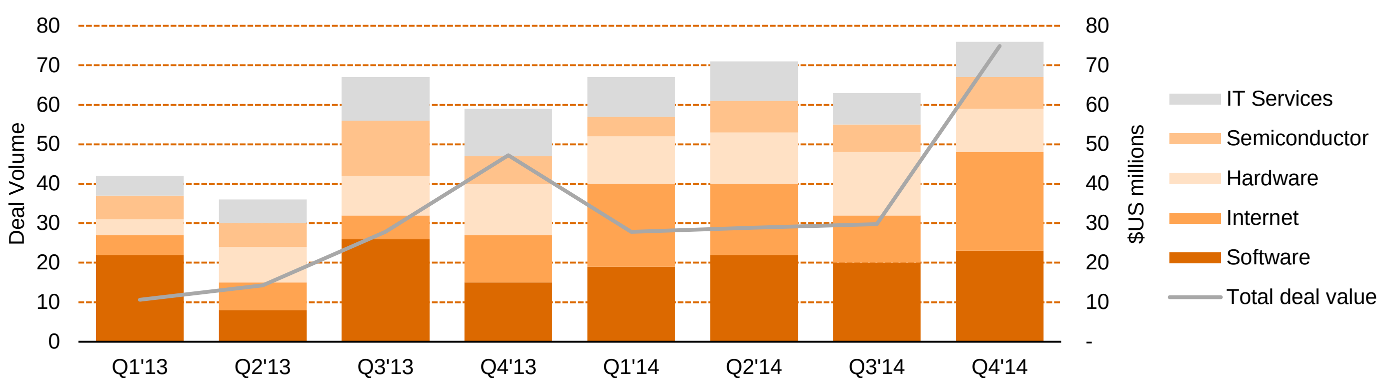
With the market continuing to expand by way of cloud, social, mobile, and data analytics, IoT and other niche technologies, software continues to remain at the forefront of deal activity, accounting for 30% of technology M&A volume, and internet followed closely behind, accounting for 27% in 2014. Software and internet similarly accounted for an aggregate 57% of cumulative deal values.

While we have continued to see the lines blur between software and internet, IoT has stepped to center stage and stands as a notable driver of hardware transactions as well. The hardware sector grew substantially during 2014, with the volume of transactions up 44%. Typically characterized by the largest average transaction size in technology, cumulative hardware deal value decreased 24%; however values would have increased by 60% were we to exclude the acquisition of Dell in 2013, a $24.9 billion outlier.

Though not as significant as the other sectors, IT services also demonstrated some growth in 2014, with volume increasing 9% and values doubling due to several large transactions. The one sector exhibiting a decline in deal volume during 2014 was semiconductor, wherein volumes decreased 15%, while values increased 62% due to Avago's $6.6 billion acquisition of LSI.

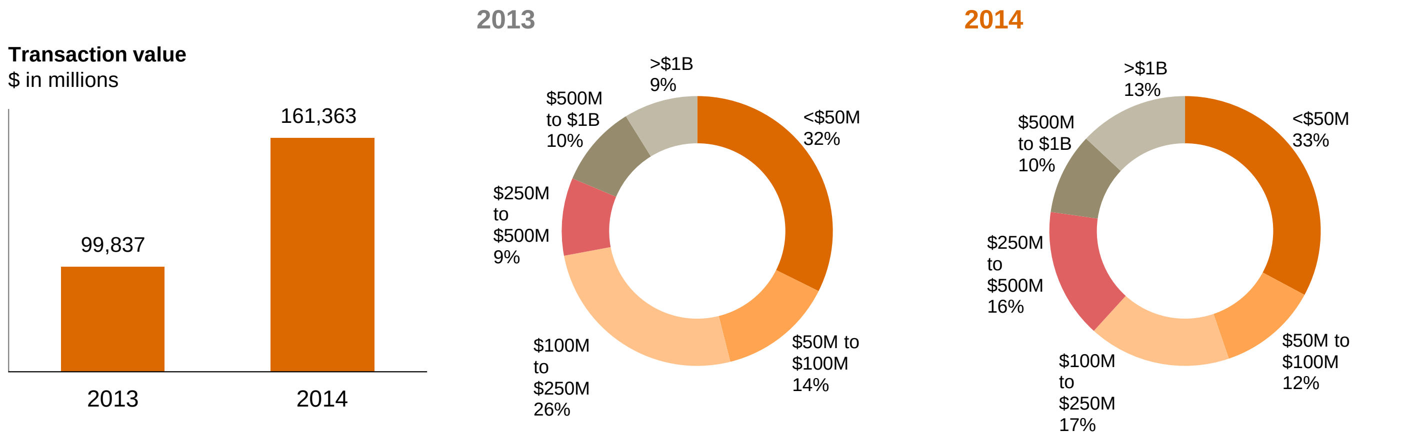
Monthly deal volumes remained steady during the first half of the year, slowing moderately during the third quarter, and quickly accelerated pace during the fourth quarter. The result was a fairly even split between the first and second half of the year, with 138 and 139 deals, respectively. In 2014, technology averaged 23 deals per month and 69 deals per quarter, approximately 10% behind the volume of 2011, the most active year in terms of volume since the last recession. With the number of transformative, billion-dollar transactions in 2014, we expect a steady stream of middle market deals as competitors follow suit under new competitive threats, and acquirers shed non-core assets of the recently purchased businesses.

Quarterly deal volume by sector and total deal value



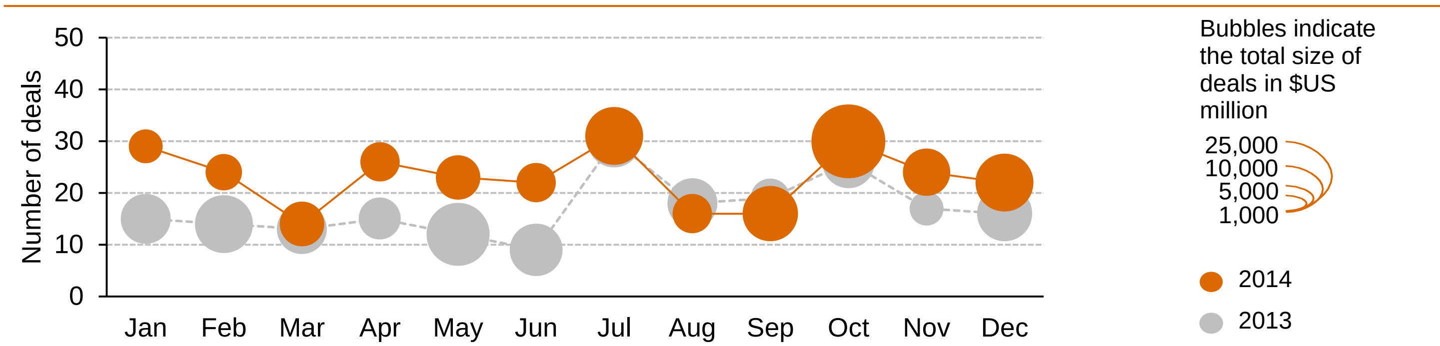
Source: Thomson Reuters

US technology deals by volume and value



In $US millions, except # of deals	2013 Number of deals	2013 Total deal value	2014 Number of deals	2014 Total deal value
<$50M	66	$1,710	91	$2,584
$50M to $100M	28	$1,927	33	$2,432
$100M to $250M	53	$7,688	47	$7,776
$250M to $500M	19	$6,663	43	$15,309
$500M to $1B	20	$14,738	27	$18,549
>$1B	18	$67,110	36	$114,713
Total	**204**	**$99,837**	**277**	**$161,363**

US technology deals by month



Source: Thomson Reuters

Top 10 deals of 2013 and 2014

	Target & region	Bidder & region	Sector & geography	Acquired %	Value ($US mil.)	Closed	Announced
Top 10 deals of 2014							
1	WhatsApp Inc US	Facebook Inc US	Internet Domestic	100%	$22,000	10/06/2014	2/19/2014
2	Concur Technologies Inc US	SAP Europe	Software Cross-border	100%	$ 9,081	12/4/2014	9/18/2014
3	Nokia's Devices & Services business unit, Europe	Microsoft Inc US	Hardware Cross-border	100%	$ 7,200	4/25/2014	9/3/2013
4	LSI Corp US	Avago Technologies Ltd, US	Semiconductor Domestic	100%	$ 6,600	5/6/2014	12/16/2013
5	MICROS Systems Inc US	Oracle Corp US	Software Domestic	100%	$ 5,328	9/8/2014	6/23/2014
6	TIBCO Software Inc US	Vista Equity Partners US	Software Domestic	100%	$ 4,100	12/5/2014	9/29/2014
7	Comdata Inc US	FleetCor Technologies Inc US	Software Domestic	100%	$ 3,450	11/17/2014	8/12/2014
8	Motorola Solutions' Enterprise business US	Zebra Technologies Corp US	Hardware Domestic	100%	$ 3,450	10/27/2014	4/15/2014
9	Nest Labs Inc US	Google Inc US	Hardware Domestic	100%	$ 3,200	2/7/2014	1/3/2014
10	Beats Electronics LLC US	Apple Inc US	Hardware Domestic	100%	$ 3,000	8/1/2014	5/28/2014
Top 10 deals of 2013							
1	Dell Inc US	Silver Lake Partners & Michael Dell US	Hardware Domestic	100%	$24,900	10/29/2013	2/5/2013
2	Molex Inc US	Koch Industries US	Hardware Domestic	100%	$ 7,200	12/9/2013	9/9/2013
3	BMC Software Inc US	Investor group US	Software Domestic	100%	$ 6,900	9/10/2013	5/6/2013
4	Cymer Inc US	ASML Holding NV Europe	Semiconductor Cross-border	100%	$ 3,700	5/30/2013	10/17/2012
5	Sourcefire Inc US	Cisco Systems Inc US	Hardware Domestic	100%	$ 2,700	10/7/2013	7/23/2013
6	Elpida Memory Inc Asia	Micron Technology Inc, US	Semiconductor Cross-border	100%	$ 2,516	7/31/2013	5/6/2012
7	McGraw-Hill Education Inc US	Apollo Global Management, US	Software Domestic	100%	$ 2,400	3/22/2013	11/26/2012
8	ExactTarget Inc US	Salesforce.com Inc US	Software Domestic	100%	$ 2,200	7/11/2013	6/4/2013
9	Acme Packet Inc US	Oracle Corp US	Hardware Domestic	100%	$ 2,020	3/28/2013	2/4/2013
10	SoftLayer Technologies Inc US	IBM Corp US	IT Services Domestic	100%	$ 2,020	7/8/2013	6/4/2013

Source: Thomson Reuters

Cross-border deals

US companies prove the most popular targets as global economic positions improve

Despite the broad growth in deal volume and value throughout technology, cross-border deal activity continued to demonstrate mixed results in 2014. Foreign acquirers exhibited a keen interest in US targets; however, the increased investment interest was not matched by US acquirers who have historically been more acquisitive. Domestic transactions comprised 70% of deal volume and 73% of deal value in 2014, compared with 62% of deal volume and 86% of deal value in 2013. Overall technology deal volume increased 36% in 2014, and inbound deals demonstrated similar growth (31%). In contrast, outbound deal volume declined 7%, which is contrary to the belief that many feel overseas cash held by US corporates would provide ample powder for favorable foreign acquisitions.

The volume of inbound activity (i.e., foreign entity acquiring a US target) increased 31% from 2013 to 2014, with 32 and 42 transactions, respectively. Average deal values more than doubled, from $306 to $648 million. European investment in the US remained relatively flat, with SAP's $9.1 billion acquisition of Concur Technologies driving most of the value growth. Asia demonstrated the most notable increase, with Lenovo acquiring both Motorola Mobility and IBM's x86 server business for $2.9 and $2.3 billion, respectively.

Outbound activity (i.e., a US entity acquiring a foreign target) in 2014 declined 7% to 42 acquisitions at an average deal size of $378 million. While a marginal decline on an absolute basis, this decline comes in light of a 36% volume increase in technology deals and strengthening US dollar. US investment in Europe was the focal point of outbound activity in 2014, while investments throughout the rest of the world demonstrated a moderate decline. Even exclusive of Microsoft's $7.2 billion acquisition of Nokia's devices and services business, deal values nearly doubled in Europe; the investment focus corresponds with improving economic forecasts in the Eurozone.

Cross-border deal activity in 2015 will largely be influenced by broader macroeconomic trends. While the strengthening economic outlook and low interest rate environment in the US is likely to continue to support US corporations and financial investors, the improving economic conditions in the Eurozone will similarly attract buyers. Deal-makers in Asia have continued to demonstrate strength and investment interest abroad, a trend likely to continue. While cross-border deal activity grew only marginally compared to that of the broader deal market, and is still a far cry behind what we saw in 2011, we expect transaction activity to maintain its current pace, if not increase, in 2015.

US cross-border technology deal value

	2013					2014				
In $US millions, except #	Domestic	US as target	US as acquirer	Net import/ (export)	Total	Domestic	US as target	US as acquirer	Net import/ (export)	Total
Number of deals	127	32	45	13	204	193	42	42	-	277
Total deal value	$80,373	$9,795	$9,669	($126)	$99,837	$118,285	$27,204	$15,875	($11,329)	$161,363
Average deal value	$633	$306	$215	N/A	$489	$613	$648	$378	N/A	$583
US as a target										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	19	8	3	2	32	18	14	7	3	42
Total deal value	$7,976	$483	$1,235	$102	$9,795	$15,536	$8,905	$2,573	$190	$27,704
Average deal value	$420	$60	$412	$51	$306	$863	$636	$368	$63	$648
US as an acquirer										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	19	13	7	6	45	23	10	2	7	42
Total deal value	$2,675	$3,844	$701	$2,450	$9,669	$12,488	$2,599	$87	$702	$15,875
Average deal value	$141	$296	$ 100	$408	$215	$543	$260	$43	$100	$378

Source: Thomson Reuters

Private equity

Financial investors increase exits, while investing focuses on middle-market bolt-on acquisitions

In a year when liquidity flowed into the market, firms raising capital were turning away would-be investors, and an active technology deal market set new records, financial investors focusing on technology outpaced the market in terms of both deal volume and value. The continued availability of cheap high-yield and leveraged financing enabled financial investors to inch debt-ratios higher. While lending rates continue to remain near historic lows, private equity's role in the majority of the billion-dollar deals was that of the seller; large corporate acquirers were the primary buyers, able to realize synergies that leverage alone could not attain. This upward pressure on valuations has placed greater emphasis on private equity to identify value creation opportunities pre-close, as well as more frequent use of co-investors.

Private equity deal volume (i.e., direct acquisitions of new portfolio companies by private equity firms, mergers of new businesses into existing portfolio companies, and sales of portfolio businesses) increased relative to overall technology transaction activity in 2014. Private equity deals comprised 38% of total technology deals with disclosed values in 2014, compared to 31% in 2013. Volume increased 63% as compared to 36% for the broader technology sector. Average deal size decreased, potentially due to increasing competition on high-profile assets, driving financial investors to look toward creating value through their current portfolio companies with incremental bolt-on acquisitions.

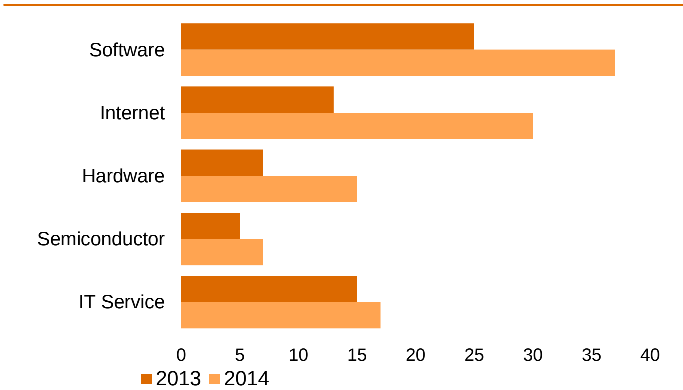
Similar to the past several years, financial investors continue to remain attracted to the sticky cash flows of the software space that help to ease volatility and risk profiles. Software and internet transactions continued to remain at the forefront of private equity deals, comprising 63% of volume and 66% of value in 2014.

The largest direct private equity acquisitions of new portfolio companies in 2014 included the following:

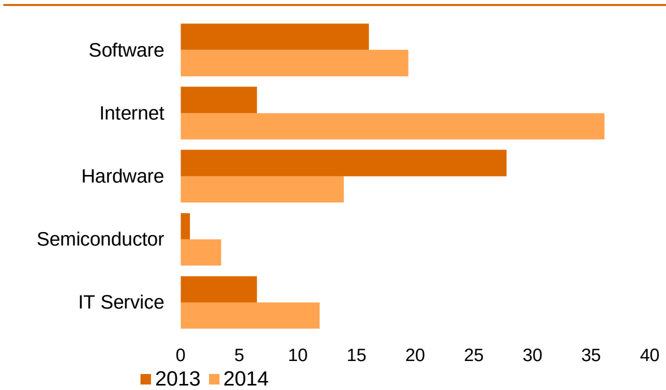
- Vista Equity Partners acquired TIBCO Software, a provider of middleware and infrastructure software, for $4.1 billion in the fourth quarter.
- KKR acquired a majority stake in Sedgewick Claims Management Services, a provider of tech-enabled insurance claims processing management services, for $2.4 billion in the first quarter.
- Thoma Bravo acquired Compuware, an application performance management software developer, for $2.4 billion in the fourth quarter.
- Hellman & Friedman acquired Scout 24, an e-commerce services provider, for $2.0 billion in the first quarter.
- Hellman & Friedman and JMI Equity acquired Applied Systems, a provider of insurance software, for $1.8 billion in the first quarter.

With debt multiples remaining near 2008 levels, and financial investors continuing to hold significant amounts of dry powder alongside a list of LPs waiting for the opportunity to invest even more, we expect 2015 to continue at a similar level as 2014 despite expected interest rate increases. Competition between financial and strategic buyers may focus more on mid-market transactions and would-be bolt-on opportunities. And the ongoing shift in the IT landscape toward cloud and SaaS pricing models will continue to present opportunities for business transformations by way of take-private deals in 2015, enabling business transformations outside the bright lights of public shareholder expectations.

Private equity deal volume by sector



Private equity deal value by sector, $US millions



Source: Thomson Reuters

Divestitures

Divestiture and spin-off activity increases as companies optimize portfolios, while IPOs hit record highs

Divestiture transactions (the sale or spin-off of a piece of a company, not the entire company) increased 11% in 2014 for the technology industry, reaching a similar level seen during 2009 and 2010 when companies were rampantly reevaluating their product portfolios and focusing on core growth strategies. Because many divestitures are private transactions, we track divestiture activity with both disclosed and undisclosed deal values in order to have a more complete view of the industry's market activity.

The 11% increase in technology divestitures (356 in 2014 versus 321 in 2013) moved back in line with historical levels, albeit at a slower growth rate than the broader deal market, which increased 36%. However, typically we see an increase in divestiture activity during a declining deal market, when 2014, to the contrary, was characterized by increased transaction volumes, higher valuations, and a booming IPO market. This inverse trend is one aspect highlighting deal makers' focus on the importance of portfolio optimization to bolster competitive strengths. Aside from a slight dip in the third quarter, divestiture activity remained relatively constant throughout 2014, averaging 30 deals per month, or 89 deals per quarter. Technology divestitures as a percent of total technology M&A volume was 24% in 2013 to 21% in 2014.

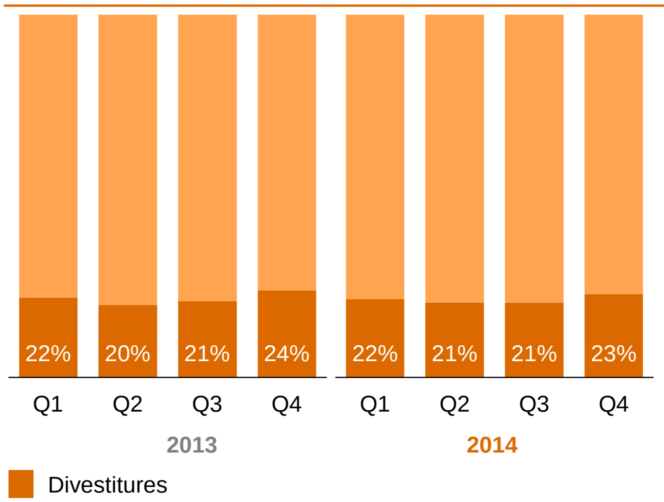
Cumulative divestiture deal value for transactions with disclosed values totaled $50.7 billion in 2014, compared with $17.9 billion in 2013, a 183% increase due to an increased number of billion-dollar transactions. The top 10 divestitures of 2014 represented 58% of this value, a decrease from 81% in 2013, due to a three-fold increase in billion-dollar transactions in 2014. Amongst the technology sectors, divestiture activity showed mixed results. Software and semiconductor exhibited a slight decline, while hardware showed a 51% increase. The proportional sector mix of divestitures generally mirrored that of the broader M&A market.

On the capital markets front, technology IPOs reached the highest level since 2000. Even exclusive of the $21.8 billion Alibaba IPO, value increased 40%, and volume increased 18%. Although a slower growth rate than the 36% volume increase in the broader M&A market, the disproportionate increase in value reflects investor confidence in the technology sector, and potential enabler for public companies of late to leverage newfound capital for acquisitions to reach the next level.

Perhaps most notable in 2014 was the announcement of splits and spin-offs by large corporates, such as HP, eBay, and Symantec. As more diversified tech corporates are evaluating the notably different growth profiles within their own portfolios, and activist investors continue to exert pressure, the need to consider such moves to maximize shareholder value is prevalent. Of course many, if not all, of the currently planned spin-offs could end up as acquisitions instead; yet the stage is still set for an interesting 2015 in either case.

With the number of large acquisitions over the course of 2014, many companies have acquired some assets that are expected to be divested over the coming year. An opportunity for both private equity and middle market buyers, expect a similar level of divestitures to continue in the coming year.

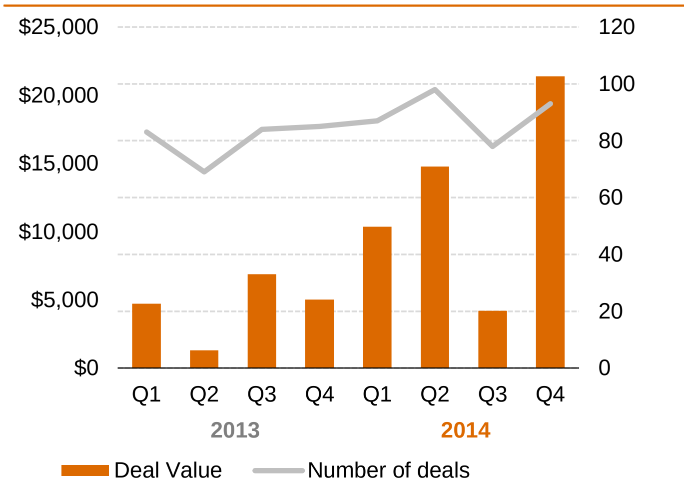
Divestitures as a % of total deal volume*



**Includes transactions with undisclosed deal values*

Source: Thomson Reuters

Divestiture volume and value*



**Includes transactions with undisclosed deal values*

Transactions with undisclosed deal values

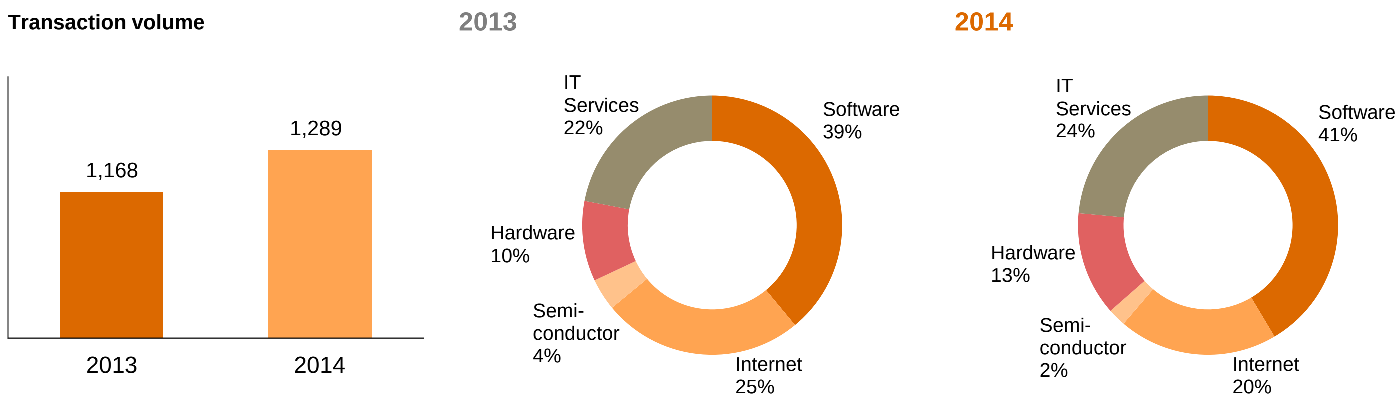
Undisclosed value transactions continue to play a significant role, with software leading the way

Throughout 2014, a significant portion of technology companies continued to engage in acquisitions without disclosing deal values. While we have seen an ongoing trend of undisclosed transactions comprising a larger portion of overall transaction volume over the past several years, 2014 results demonstrated a slight decline. In 2013, undisclosed transactions comprised 85% of total technology deal volume, an increase from 83% in 2012 and 81% in 2011. In 2014, the percentage of undisclosed transactions declined to 78%. While many deals in technology can be attributed to a focus on smaller talent and technology buys to bolster existing product offerings, with values lower than thresholds for financial reporting disclosures, 2014 was rampant with larger platform acquisitions. Further, increasing valuations required more companies to disclose transactions that may have been able to bypass such disclosures a few years earlier.

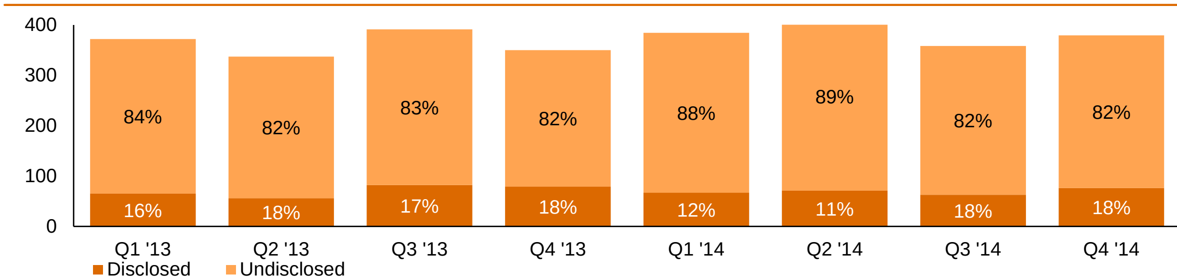
Technology companies engaged in 1,289 acquisitions with undisclosed deal values during 2014, a 10% increase from 1,168 in 2013. Similar to previous years, transactions were largely dispersed amongst technology buyers, with the top 20 corporate acquirers comprising less than 10% of total undisclosed deal volume. Google and Yahoo continued to remain the most active acquirers. Other active corporate acquirers included Dropbox, Microsoft, IBM, and Trimble, all closing multiple deals with undisclosed deal values. Similar to previous years, private equity also played a key role, adding to existing portfolio companies and enabling business transformations as private companies. Vista Equity Partners was the most active, completing as many technology deals as many large corporate acquirers.

Similar to disclosed deal volumes, undisclosed deals were concentrated in the software and internet sectors. Diverging from that trend, however, was IT services, comprising 24% of undisclosed deals as compared to only 13% of disclosed deals. With each sector representing a growth area in which top tier talent and next generation technology are even more critical, we are likely to see a similar concentration and level of activity continue through 2015.

Undisclosed deals by volume



Disclosed and Undisclosed Share of Deals *Volume of transactions*



Source: Thomson Reuters

Software

Both cutting edge and a competitive necessity, software deals lead technology M&A with a strong outlook

Whether it be industry specialization, mobile and cloud offerings, cyber security, or broader enterprise software, the sector remains a focal point of technology and is critical across all industries. Data analytics is no longer a game changer; it is a requirement. As cloud continues to grow, security becomes an ever more pervasive topic. Typically characterized by more middle-market transactions than other sectors, software represented nearly a third of 2014 technology deals, generating 30% of deal volume and 26% of deal value for the year. The level of software deal activity has remained consistent for the past several years, ranging between 30 – 36% of technology deal volumes since 2011.

Continuing to remain the most active sector in 2014, the mix shifted toward larger transactions. While we saw an 18% increase in deal volumes, from 71 in 2013 to 84 in 2014, growth in deal volume underperformed that of the 36% increase for the broader sector. Within that volume growth, the number of transactions in excess of $250 million doubled. In particular, billion-dollar deals drove much of the growth in deal values. There were 10 billion-dollar transactions in 2014, as compared to only four last year, which largely accounted for the 76% increase in cumulative deal values from $23.4 billion to $42.3 billion in 2013 and 2014, respectively.

Monthly deal volumes for software remained relatively even throughout the year, typically hovering at 6-8 deals per month and 21 per quarter. Average deal value of $504 million for the year was 49% higher than the 2013 average of $338 million. Reflective of the competition for high quality assets and attractive cash flow streams, average deal values reached a peak not seen in recent years, and private equity played a more active role in software than any other sector.

The largest software transactions closed during the year included:

- The $9.1 billion acquisition of Concur Technologies, a cloud computing software provider, by SAP in the fourth quarter.
- Oracle's $5.3 billion acquisition of MICROS Systems, a software solutions provider to the retail and hospitality industries, in the third quarter.
- The acquisition of TIBCO, a provider of middleware and infrastructure software, by Vista Equity Partners for $4.1 billion in the fourth quarter.
- The $3.5 billion acquisition of Comdata, an electronic payment solutions provider, by FleetCor, a provider of specialized payment products and services, in the fourth quarter.
- The acquisition of Compuware, a provider of application performance management software, by Thoma Bravo for $2.4 billion in the fourth quarter.

Additional billion-dollar transactions included Hellman & Friedman's $1.8 billion acquisition of Applied Systems, Oracle's $1.5 billion acquisition of Responsys, VMWare's $1.5 billion acquisition of Airwatch, Micro Focus International's $1.2 billion acquisition of Attachmate, and Hellman & Friedman's $1.1 billion acquisition of Renaissance Learning.

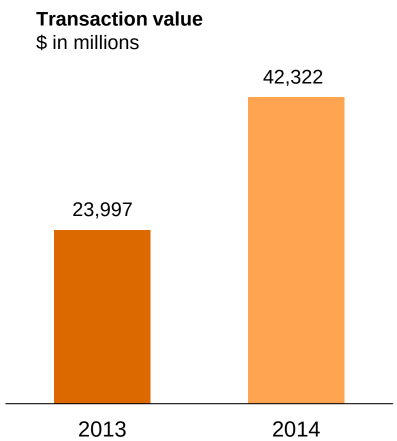
Software deals outlook

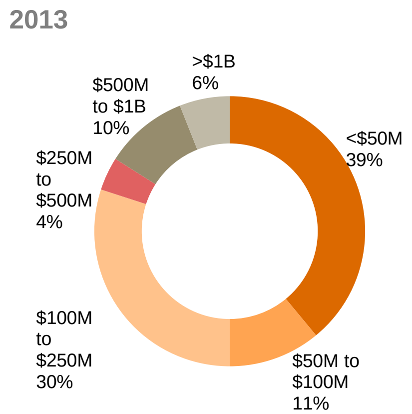
Cloud computing, despite being a feature of the tech landscape for a few years now, remains in a relatively early phase of deployment. Analysts expect spending on cloud to grow at five times the rate of overall IT spending through 2017. Demand for greater mobile access, as well as greater integration and collaboration capabilities are also driving calls for greater enterprise cloud adoption. Large tech companies such as IBM, Oracle and SAP have focused on cloud through both internal investment and acquisitions in recent years. The combination of fast anticipated growth and the presence of many relatively new companies in the space suggest that the number of cloud deals will continue to grow in 2015.

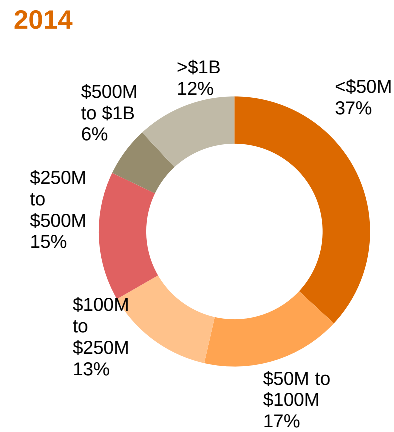
2014 saw an unprecedented level of high-visibility breaches at well-respected consumer-facing companies such as Target, JP Morgan and Home Depot. The trend culminated in the well-publicized hacking of Sony towards the end of the year. These incidents broadly build on a base of existing concern surrounding the growing adoption of web-based applications that will broadly increase the demand and urgency for security solutions to be an integrated part of the overall enterprise software package. Large software companies may either partner with companies offering these security solutions or acquire them outright.

In addition to security, big data and analytics remain important themes and are now becoming a familiar expectation instead of a novelty. The emergence of NoSQL and Hadoop is changing the traditional way of storing and analyzing data and has led to the rise of new applications. In 2015, security, data and analytics companies will be firmly on the acquisition radar for larger technology companies.

Software sector deals by volume and value

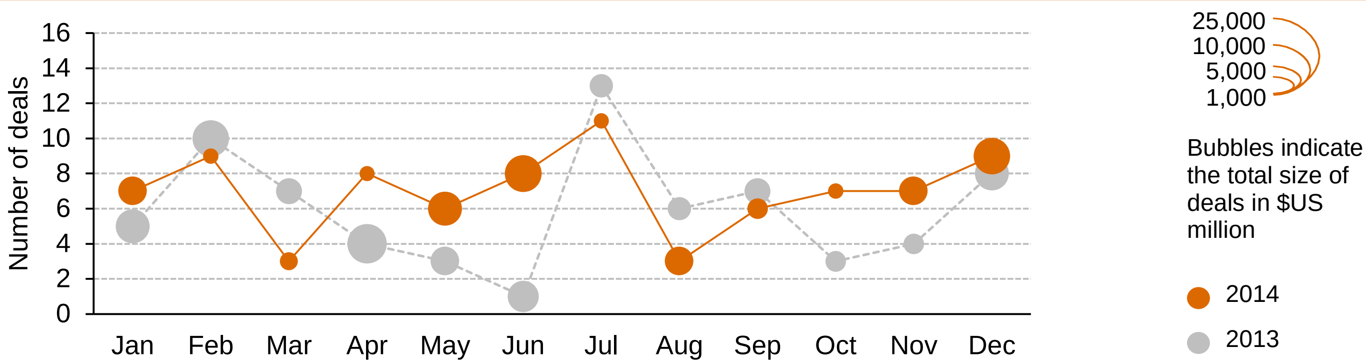






	2013		2014	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	28	$747	31	$874
$50M to $100M	8	$555	14	$960
$100M to $250M	21	$3,044	11	$1,792
$250M to $500M	3	$1,133	13	$4,268
$500M to $1B	7	$5,817	5	$3,011
>$1B	4	$12,700	10	$31,418
Total	**71**	**$23,997**	**84**	**$42,322**

Software sector deals by month



Source: Thomson Reuters

Internet

Internet fuels technology M&A to new levels, and serves to drive growth beyond 2015

2014 was a record year for the internet sector. At $49.7 billion, aggregate value of disclosed deals in 2014 dramatically increased 415% compared to $9.7 billion in 2013. The number of deals rose by 153%, from 30 deals in 2013 to 76 deals in 2014, a similar level as that of the 71 deals in 2011. Even excluding the $22 billion Facebook – WhatsApp deal, closed deal value still reached a high of $27.7 billion. Internet titans Google and Facebook led the way, expanding into new technologies such as virtual reality, artificial intelligence, satellite systems, and IoT.

E-commerce deals in automotive, real estate, hospitality and travel were prevalent in the market as acquirers competed to fill the gaps in their portfolio and expand geographic reach. Deals in online payment solutions, live-video streaming, on-demand video solutions and online & mobile video analytics that enable targeted ads were also active.

Closed deal values in the internet sector outpaced other technology clusters, representing 31% of deal value and 27% of deal volume, an upsurge from 10% and 15% in 2013, respectively.

Average deal value, excluding the WhatsApp deal, increased by 15% from $322 million in 2013 to $370 million in 2014, bolstered by the rise in number of billion dollar deals from four in 2013 to seven in 2014, and the number of deals above $500 million from six in 2013 to 19 in 2014. Both deal volume and value were heavily weighted towards fourth quarter and first quarter with January and October recording 11 and 13 deals respectively. Monthly deal value, excluding WhatsApp, averaged $2.3 billion in 2014 ($4.1 billion including WhatsApp) compared to $805 million in 2013, and the deal volume ranged from 12 to 25 per quarter compared to 5 to 12 per quarter in 2013.

The largest Internet transactions closed during 2014 included:

- Facebook's $22.0 billion acquisition of WhatsApp, a cross-platform smartphone mobile messaging company, in the fourth quarter.
- Priceline.com's $2.6 billion acquisition of Open Table, provider of online real-time restaurant reservation services, in the third quarter.
- Alliance Data Systems' $2.3 billion acquisition of Conversant, a digital marketing technology company, in the fourth quarter.
- Hellman & Friedman LLC's $2.0 billion acquisition of Scout24, a bundled online marketplace for auto, real estate and insurance, during the first quarter.
- Gannett's $1.8 billion acquisition of Classified Ventures, owner of cars.com and other rental and real estate websites, in the fourth quarter.

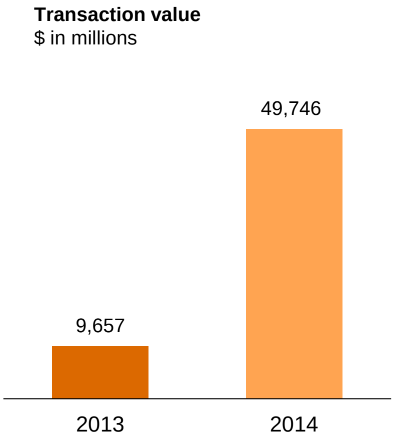
Internet deals outlook

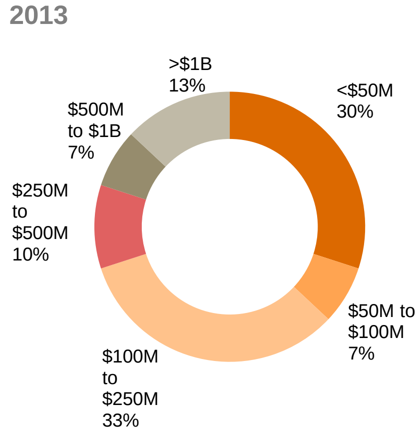
The internet sector is poised to deliver another banner year as businesses continue to migrate online to expand reach and address changing customer needs, driven by continued growth in mobile and social. The secular shift to online advertising budgets also continues, though the complexity of the advertising ecosystems is increasing. As advertisers are on a constant mission to maximize returns, advances in data analytics will drive buyers to programmatic and real time ad bidding to deliver more tailored and effective marketing campaigns. From a retail perspective, lines between offline and online will continue to converge as companies embrace an integrated omni-channel strategy, and the availability of same day delivery will enhance the overall shopping experience.

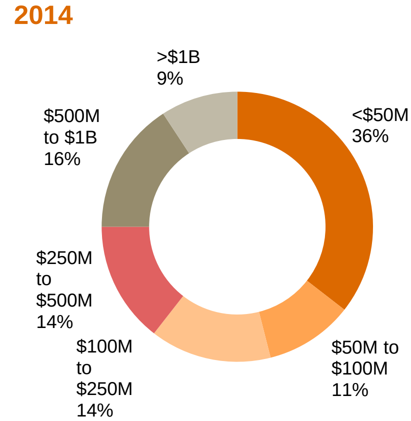
Emerging markets present attractive opportunities for internet companies due to their large addressable populations and room for further smartphone penetrations. Mobile will not only accelerate internet user adoption and help better connect people through free social messaging platforms, but also open the door to many exciting business opportunities abroad to fuel growth.

Emerging tech companies such as Airbnb, AngelList, Uber and Upworthy have generated disruptive new business models that are quickly gaining traction in the marketplace, and could radically revolutionize industries if they can successfully navigate through regulatory hurdles. More established internet companies will continue to look toward acquisitions to bolster their product portfolio and expand into new verticals.

Internet sector deals by volume and value

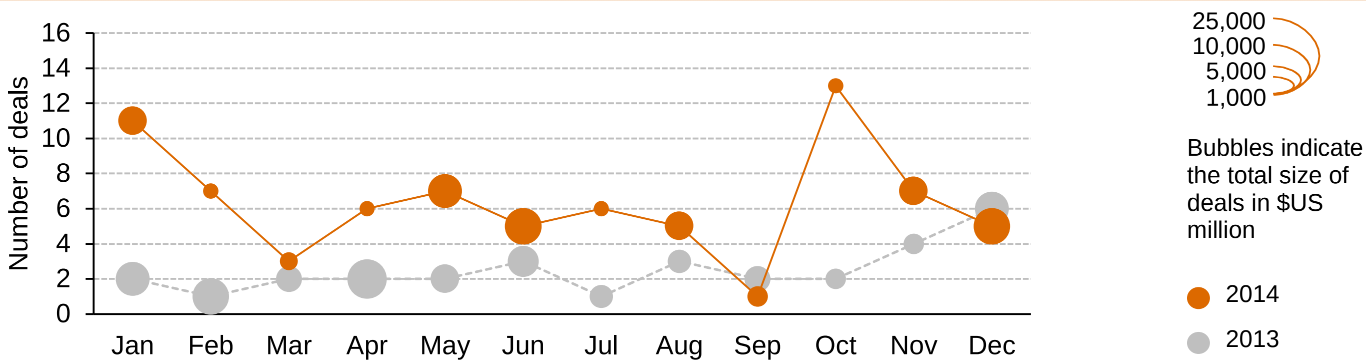






	2013		2014	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	9	$224	27	$744
$50M to $100M	2	$115	8	$604
$100M to $250M	10	$1,590	11	$1,778
$250M to $500M	3	$1,238	11	$3,883
$500M to $1B	2	$1,544	12	$9,201
>$1B	4	$4,946	7	$33,537
Total	**30**	**$9,657**	**76**	**$49,746**

Internet sector deals by month



Source: Thomson Reuters

Hardware and networking

Hardware deals accelerate as convergence with software and services reshape the sector

In years past, hardware and networking transactions were at the forefront of technology deals, yielding to software and cloud-based services as the technology landscape has continued to evolve. While software still remains the most active sector, deal-makers demonstrated renewed interest in hardware during 2014, running the gamut from tuck-ins to transformational transactions. Mobile devices, IoT, and consumer electronics took center stage as some of the largest transactions in hardware, while enterprise equipment and components dominated the middle market. Private equity exited a number of prominent investments during 2014, but such institutional investors were largely found absent from the buy-side, where corporate acquirers led the way.

Hardware transactions generated 19% of deal volumes and 22% of deal values in 2014. Volume growth outpaced the broader technology industry with a 44% increase, while deal values declined 24%. Despite having more billion-dollar transactions in 2014, the $24.9 billion acquisition of Dell elevated deal values in 2013, without which, deal values would have increased 60% year over year. Within hardware, the 10 largest transactions comprised 79% of the total $36.3 billion deal value.

The sector ended 2014 with a total of 52 deals closed at an average deal value of $697 million, as compared to 2013, in which 36 deals closed at an average deal value of $1,322 million ($648 million excluding the Dell acquisition). Deal volume remained fairly steady throughout the year, averaging 3-5 deals per month and 13 per quarter.

The largest hardware and networking transactions closed during the year included:

- Microsoft's $7.2 billion acquisition of Nokia's devices and services business in the second quarter.
- The $3.5 billion acquisition of Motorola Solutions' Enterprise business, a provider of scanners and wireless network devices, by Zebra Technologies, a provider of marking, tracking, and printing technologies, in the fourth quarter.
- Google's $3.2 billion acquisition of Nest Labs, an internet-connected maker of home devices, in the first quarter.
- Apple's $3.0 billion acquisition of Beats Electronics, an audio equipment maker and music subscription service provider, in the third quarter.
- Lenovo's $2.9 billion acquisition of Motorola Mobility from Google, and $2.3 billion acquisition of IBM's x86 server and maintenance business, both in the fourth quarter.

Additional billion-dollar transactions included Facebook's $2.3 billion acquisition of Oculus, TE Connectivity's $1.7 billion acquisition of Measurement Specialties, SanDisk's $1.3 billion acquisition of Fusion-io, and SoftBank's $1.3 billion acquisition of BrightStar.

Hardware and networking sector outlook

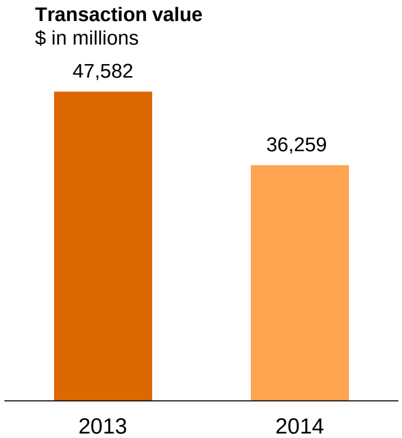
Hardware and networking continues to undergo a multi-year transition as enterprises pivot to the cloud and CTOs shift priorities toward software-based IT architectures. These changes have resulted in a consolidation and raised concerns over pricing. Facing a seismic shift in the tech landscape, hardware companies will seek to differentiate through increased innovation and augmented service-based solutions to meet customers' needs.

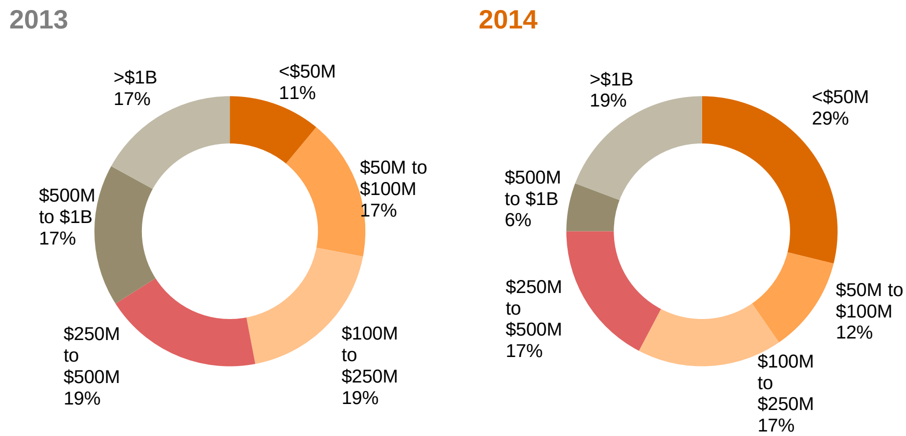
For data center and server companies, the growth outlook should improve on the back of a refresh cycle driven on the supply-side by Windows Server 2003 support expiration and the Intel Grantley server processor launch touting a lowered total cost of ownership. On the demand-side, the growing number of social, mobile and security applications are requiring datacenters to increase real time computing capabilities. As for networking, server virtualization and data growth will continue to fuel expansion for the sector.

The convergence of hardware, software and services under the cloud computing umbrella has broad implications for the IT sector. Service-based solutions around infrastructure, platform and software are emerging as long-term growth themes in the market and present new revenue stream opportunities for traditional hardware vendors.

While the market size is still relatively small in comparison to PCs, 3D printers and wearable devices are two rapidly growing categories within hardware. The increasing number of applications for both categories could radically disrupt businesses across industry verticals. As hardware companies evaluate their product portfolio and formulate their growth roadmap, deals will play an important role in bringing new product solutions to the market.

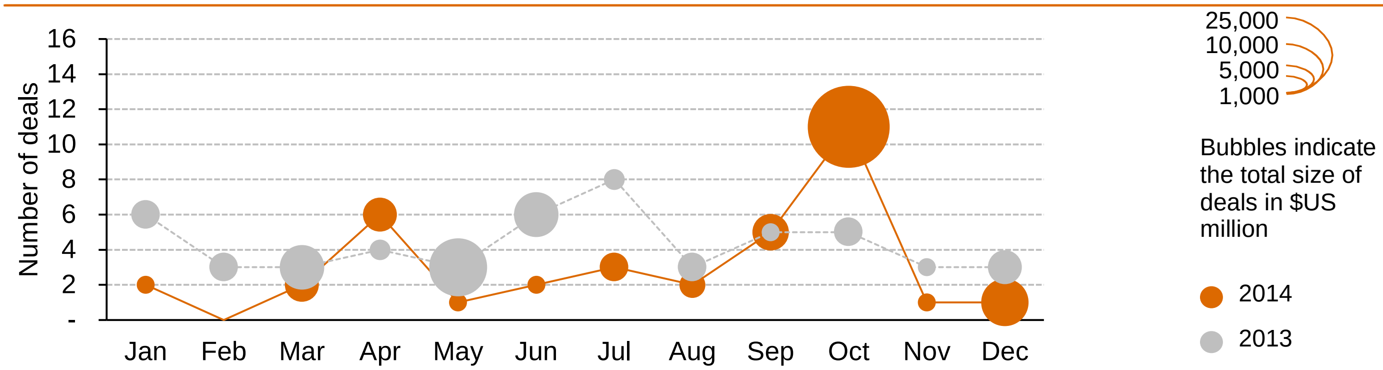
Hardware and networking sector deals by volume and value





In $US millions, except # of deals	2013 Number of deals	2013 Total deal value	2014 Number of deals	2014 Total deal value
<$50M	4	$86	15	$465
$50M to $100M	6	$394	6	$476
$100M to $250M	7	$877	9	$1,508
$250M to $500M	7	$2,448	9	$3,289
$500M to $1B	6	$3,930	3	$1,895
>$1B	6	$39,848	10	$28,627
Total	**36**	**$47,582**	**52**	**$36,259**

Hardware and networking sector deals by month



Source: Thomson Reuters

Semiconductor

Deals slip during an expansive deal market, while outlook remains promising to service industry trends

The most cyclical of the technology clusters, Semiconductor was the only sector to show a decline in deal volume during 2014, while the broader industry grew 36%. The industry has been challenged in recent years due to increased competition, constant pricing pressure, and shortening product life cycles in an industry that depends on scale. We have anticipated increased consolidation by semiconductor players over the past few years, and while we are seeing increases in the size of large transactions, deal volumes have steadily declined since 2010. While certain sub-sectors within semiconductor fared better than others, materials and solar were the most absent in 2014.

2014 volume declined 15% from the 33 deals we saw in 2013. Cumulative deal value in 2014 increased 62% to $17.4 billion, as compared to $10.7 billion in 2013. Deal volume remained steady, averaging seven deals per quarter during most of the year, though the first quarter began the year at a slower pace. The semiconductor sector as a whole represented 10% of total deal volume and 11% of total deal value.

Growth in 2014 deal value was largely due to Avago's $6.6 billion acquisition of LSI, without which, values would have remained flat. In total, there were four billion-dollar transactions during 2014, as compared to only two in 2013. Aside from billion-dollar deals, the number of transactions greater than $250 million increased during 2014, while there was a decrease in deal volume for transactions less than $250 million. As a result of this trend, average deal value for the full year increased 91%, from $325 million in 2013 to $621 million in 2014.

The largest semiconductor transactions closed during the year included:

- Avago Technologies' $6.6 billion acquisition of LSI, a provider of storage and networking semiconductors, in the second quarter.
- Analog Devices' $2.5 billion acquisition of Hittite Microwave, a designer and manufacturer of electronic components, in the third quarter.
- The $1.5 billion acquisition of Aeroflex, a wireless communications solutions provider, by Cobham, the UK aerospace and defense firm, in the third quarter.
- Supplier of products for purifying, protecting, and transporting semiconductor products, Entegris, acquired ATMI, a supplier of specialty semiconductor materials, for $1.2 billion in the second quarter.

While we saw more headline announcements in the semiconductor sector during 2014 than is represented here, several of the larger deals are still pending regulatory approval. Both Infineon Technologies $2.9 billion acquisition of International Rectifier, and RF Micro Devices' $1.6 billion acquisition of TriQuint Semiconductor were completed in early 2015. Applied Materials $9.4 billion announced acquisition of Tokyo Electron is still pending and expected to close in 2015 as well.

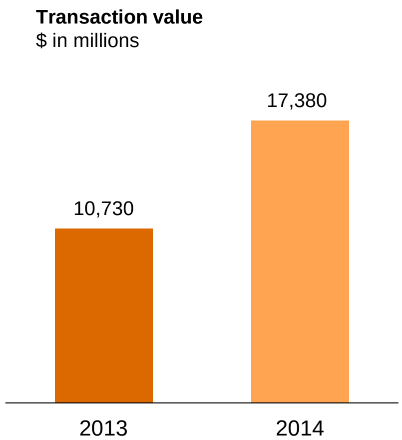
Semiconductor sector outlook

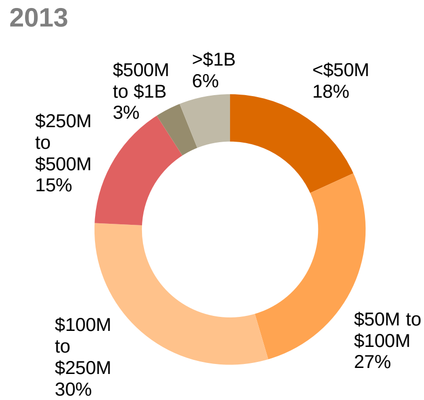
Strength in the communications, consumer electronics, industrial and automotive end-markets has been driving semiconductor growth, offsetting softness in the traditionally core PC market. These trends are likely to continue in 2015. As the shift from PC towards mobile continues, strengthening chipmakers with mobile capabilities at the expense of more PC-focused makers, expect the latter to look to acquisitions to boost their mobile capabilities. These trends are also pushing the sector towards the development of products which offer high processing speed, more functionality and reduced power consumption, which is leading to investment in new materials. There will most certainly be increased interest from buyers for companies with such capabilities.

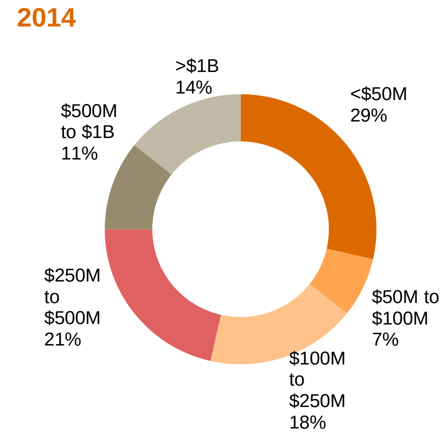
In 2015, the broader diffusion of new technologies, such as the IoT and wearables, will also create newer opportunities for the semiconductor industry. The IoT in particular, could deliver a significant boost, since it involves embedding "smart" capabilities into the vast universe of everyday tools such as thermostats, washing machines, security systems and automobiles. These rapid advances also pose challenges, however, as semiconductor companies struggle to keep up with the pace of innovation. Shortening product life cycles may mean that returns on R&D investment will trend lower.

Given these trends, deal activity in 2015 will be driven by the need for cost synergies, product portfolio enhancement, and optimizing R&D investment. Outside of the big players, look for mergers of smaller companies hoping to combat their larger competitors.

Semiconductor sector deals by volume and value

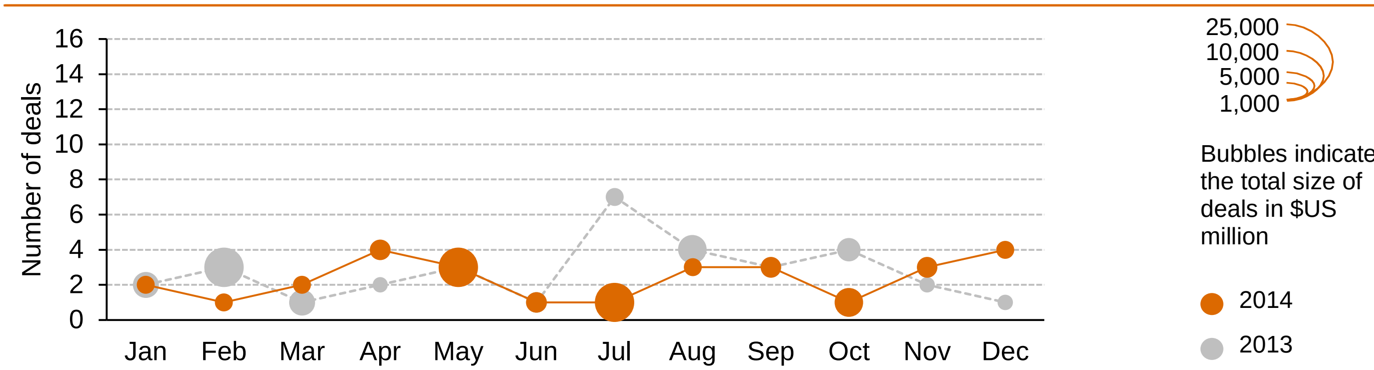






	2013		2014	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	6	$177	8	$233
$50M to $100M	9	$677	2	$144
$100M to $250M	10	$1,482	5	$783
$250M to $500M	5	$1,575	6	$2,481
$500M to $1B	1	$603	3	$2,068
>$1B	2	$6,216	4	$11,681
Total	**33**	**$10,730**	**28**	**$17,380**

Semiconductor sector deals by month



Source: Thomson Reuters

IT Services

Modest increase in deal activity underrepresents growth prospects of value-add services in a competitive market

After witnessing two consecutive years of restrained deal activity in IT services in 2012 and 2013, the sector showed modest growth in 2014, albeit far from the same level of resurgence seen in other sectors. Healthcare IT deals led the sector, followed by secure payment solutions, business process outsourcing (BPO) services, as well as data center, cloud and security solutions. IT companies are less interested in chasing yesterday's areas for revenue growth; rather, they are inspired to do deals in tomorrow's growth areas – artificial intelligence, IoT, automation, advanced analytics, cloud computing and data security, with a view to challenge the secular industry shifts.

In 2014, IT services closed 37 deals for a cumulative deal value of $15.7 billion. While the number of deals grew by a modest 9% compared to 34 deals in 2013, the value of deals virtually doubled compared to $7.9 billion of deal value in 2013. Growth in 2014 was principally driven by five significant billion-dollar deals with a cumulative deal value of $9.5 billion, representing 60% of the 2014 total deal value.

Averaging nine deals per quarter, those five billion dollar deals compared to just two in 2013, and there were nine deals with values between $500 million and $1 billion in 2014, as compared to six in 2013. As a result, average deal value increased 83%, from $232 million in 2013 to $423 million in 2014 signaling the corporate and private equity player's strong appetite and intent in boldly using acquisitions as a means to obtain new transformative capabilities that strengthen their integrated service-offerings to clients.

The largest IT services transactions closed during the year included:

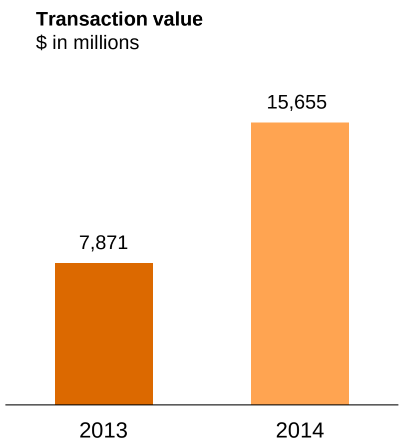
- Cognizant's $2.7 billion acquisition of Trizetto Corporation, a healthcare IT software and solutions provider, in the fourth quarter.
- KKR's acquisition of majority ownership of Sedgwick Claims Management Services, a provider of technology-enabled claims and productivity management solutions, for $2.4 billion in the first quarter.
- Vantiv acquired Mercury Payment Systems, a provider of payment processing services for $1.7 billion in the second quarter.
- Vista Equity Partners' acquisition of TransFirst, a provider of secure payment processing services, for $1.5 billion in the fourth quarter.
- Shaw Communications' acquisition of ViaWest, an IT infrastructure services provider of data center, managed services and cloud, for $1.2 billion in the third quarter.

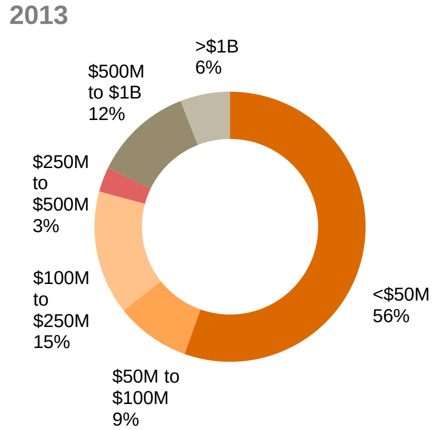
IT services deals outlook

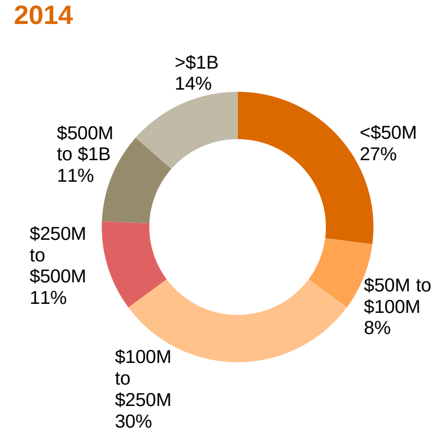
IT Services spending is expected to grow in 2015, though the outlook for the sector remains uneven. Cost management has historically been a core driver for IT services as companies strive to raise efficiencies and boost profit through process improvement and labor arbitrage. While cost continues to be a focus, organizations are increasingly leaning to IT service vendors to deliver solutions that can improve customer experience and drive revenue growth. The trend of business globalization is driving IT companies to expand their geographic presence and ramp up hiring to enable local execution to address clients' growing global needs. Cross-border deals will remain an integral growth strategy for multinational IT firms to acquire talent and expand niche capabilities. As companies become ever more sophisticated at evaluating their relationships with IT service providers, delivery and pricing models will progressively evolve from a pure cost plus basis toward one that is based on value creation.

The multi-year IT architectural shift from on premise to cloud computing poses structural headwinds for traditional IT systems and integration services as Software-as-a-Service (SaaS) and Infrastructure-as-a-Service (IaaS) solutions require less customization and integration. That being said, many new opportunities associated with IT consulting and training services are emerging as enterprise customers now seek advice on how to cope with new emerging technologies. The boom in digital business remains an important secular theme for the IT sector, and IT service companies will continue to invest in businesses with people and technology focused on social, mobile, analytics and cloud to capitalize on the growth opportunity.

IT services sector deals by volume and value

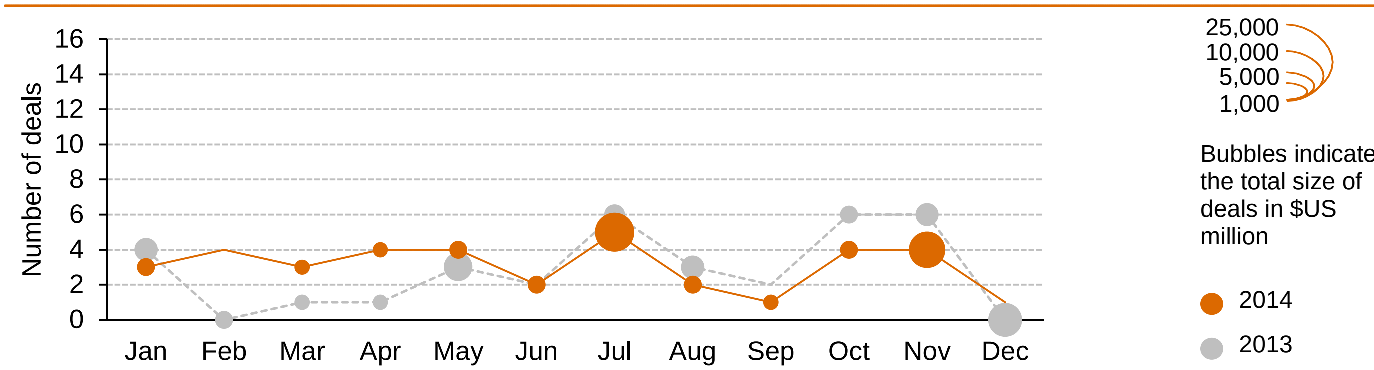






	2013		2014	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	19	$476	10	$278
$50M to $100M	3	$187	3	$249
$100M to $250M	5	$695	11	$1,916
$250M to $500M	1	$270	4	$1,388
$500M to $1B	4	$2,844	4	$2,375
>$1B	2	$3,400	5	$9,450
Total	**34**	**$7,871**	**37**	**$15,655**

IT Services sector deals by month



Source: Thomson Reuters

Top 5 deals by sector for 2014

Top 5 software deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Concur Technologies US	SAP Europe	100%	$ 9,081	12/4/2014	9/18/2014
2	MICRO Systems US	Oracle Corp US	100%	$ 5,328	9/8/2014	6/23/2014
3	TIBCO Software US	Vista Equity Partners US	100%	$ 4,100	12/5/2014	9/29/2014
4	Comdata US	FleetCor Technologies US	100%	$ 3,450	11/17/2014	8/12/2014
5	Compuware US	Thoma Bravo US	100%	$ 2,395	12/15/2014	9/2/2014

Top 5 Internet deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	WhatsApp US	Facebook US	100%	$ 22,000	10/6/2014	2/19/2014
2	Open Table US	Priceline.com US	100%	$ 2,600	7/24/2014	6/12/2014
3	Conversant US	Alliance Data Systems US	100%	$ 2,300	12/10/2014	9/11/2014
4	Scout 24 Europe	Hellman & Friedman US	Majority	$ 2,022	1/30/2014	11/21/2013
5	Classified Ventures US	Gannett Co US	Majority	$ 1,800	10/1/2014	8/5/2014

Top 5 hardware deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Nokia device & services Europe	Microsoft US	100%	$ 7,200	4/25/2014	9/3/2013
2	Motorola Solutions' Enterprise business, US	Zebra Technologies US	100%	$ 3,450	10/27/2014	4/15/2014
3	Nest Labs US	Google US	100%	$ 3,200	2/7/2014	1/13/2014
4	Beats Electronics US	Apple US	100%	$ 2,020	8/1/2014	5/28/2014
5	Motorola Mobility US	Lenovo Asia	100%	$ 2,910	10/30/2014	1/29/2014

Source: Thomson Reuters

Top 5 semiconductor deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	LSI US	Avago US	100%	$ 6,600	5/6/2014	12/16/2013
2	Hittite Microwave US	Analog Devices US	100%	$ 2,471	7/22/2014	6/9/2014
3	Aeroflex US	Cobham Europe	100%	$ 1,460	9/15/2014	5/20/2014
4	ATMI US	Entegris US	100%	$ 1,150	4/30/2014	2/04/2014
5	Jabil Circuit - Aftermarket US	iQor Europe	100%	$ 725	4/1/2014	12/17/2014

Top 5 IT services deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Trizetto US	Cognizant US	100%	$ 2,700	11/20/2014	9/15/2014
2	Sedgewick Claims Management Services US	KKR US	Majority	$ 2,400	2/28/2014	1/27/2014
3	Mercury Payment Systems US	Vantiv US	100%	$ 1,650	6/13/2014	5/12/2014
4	TransFirst US	Vista Equity Partners US	100%	$ 1,500	11/12/2014	10/13/2014
5	ViaWest US	Shaw Communications Canada	100%	$ 1,200	9/2/2014	7/31/2014

Source: Thomson Reuters

Top 5 cross-border and private equity deals of 2014

Top 5 cross-border deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Concur Technologies US	SAP Europe	100%	$ 9,081	12/4/2014	9/18/2014
2	Nokia device & services Europe	Microsoft US	100%	$ 7,200	4/25/2014	9/3/2013
3	Motorola Mobility US	Lenovo Asia	100%	$ 2,910	10/30/2014	1/29/2014
4	IBM x86 server business US	Lenovo Asia	100%	$ 2,300	10/1/2014	1/23/2014
5	Scout 24 Europe	Hellman & Friedman US	Majority	$ 2,022	1/30/2014	11/12/2013

Top 5 private equity deals of 2014

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	TIBCO Software US	Vista Equity Partners US	100%	$ 4,100	12/5/2014	9/29/2014
2	Sedgewick Claims Management Services US	KKR US	Majority	$ 2,400	2/28/2014	1/27/2014
3	Compuware US	Thoma Bravo US	100%	$ 2,395	12/15/2014	9/2/2014
4	Scout 24 Europe	Hellman & Friedman US	Majority	$ 2,022	1/30/2014	11/12/2013
5	Applied Systems US	Hellman & Friedman, JMI Equity US	100%	$ 1,800	1/24/2014	11/26/2013

Source: Thomson Reuters

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Smart deal makers are perceptive enough to see value others have missed, flexible enough to adjust for the unexpected, aggressive enough to win favorable terms in a competitive environment, and circumspect enough to envision the challenges they will face from the moment the contract is signed. But in a business environment where information can quickly overwhelm, the smartest deal makers look to experienced advisors to help them fashion a deal that works.

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About the data

We define M&A activity as mergers and acquisitions where targets are US-based companies acquired by either US or foreign acquirers or foreign targets acquired by US technology companies. We define divestitures as the sale of a portion of a company (not a whole entity) by a US-based seller.

We have based our findings on data provided by industry-recognized sources. Specifically, values and volumes used throughout this report are based on completion date data for transactions with a disclosed deal value greater than $15 million, as provided by Thomson Reuters as of December 31, 2014, and supplemented by additional independent research. Information related to previous periods is updated periodically based on new data collected by Thomson Reuters for deals closed during previous periods but not reflected in previous data sets.

Because many technology companies overlap multiple sectors, we believe that the trends within the sectors discussed herein are applicable to other sectors as well. Technology sectors used in this report were developed using NAIC codes, with the semiconductor sector being extracted from semiconductor and other electronic component manufacturing codes by reference to SIC codes. In certain cases, we have reclassified deals regardless of their NAIC or SIC codes to better reflect the nature of the related transaction.

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