US technology deal insights

Analysis and trends in US technology M&A activity 2014

February 2014

At a glance

Deal volume and value declined 18% and 3%, respectively, to dip below 2009 recession levels despite a rising stock market and robust IPO activity.

Stabilization of the US political and economic environment resulted in improved M&A markets during the second half of the year.

Positive momentum at the end of 2013 and recent deal announcements point toward an elevated level of activity in 2014.

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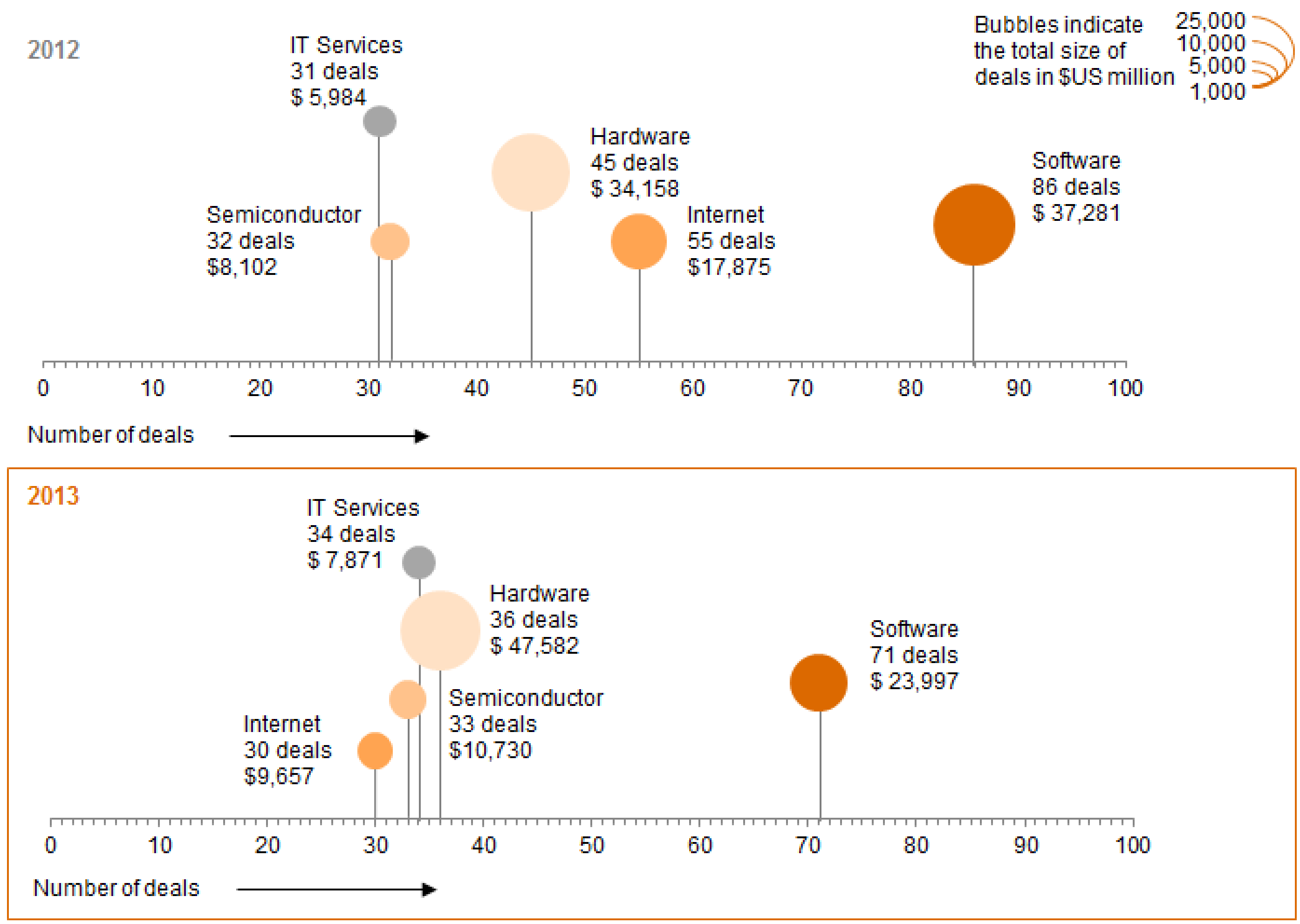
US technology deals by volume by sector*



*excludes undisclosed & <$15m

Source: Thomson Reuters

Introduction

In with a whimper. After a 2012 filled with uncertainties, 2013 witnessed a slow rebuilding of confidence and, perhaps, the charting of a path toward growth. After a first half that saw quarterly technology deal volume drop below 2009 recession levels, optimism took hold with a doubling of activity in the second half. In the end, technology deal activity finished the year 18% lower, amidst IT spending growth of less than 1%. Equity markets and IPO pricings sounded a consistently contrarian note, soaring to long-forgotten highs. These leading indicators of spending and deal growth provide promise for 2014.

On the political and economic fronts, the US made headlines as Congress battled over the debt ceiling in October, resulting in a temporary government shutdown. With much of the federal government at a standstill, parties pushed the next fight to early 2014 while borrowing continued. In December, the US Federal Reserve curtailed its bond buying program after months of investor speculation, signaling positive expectations for the US economy as a whole. Yet interest rates remained at near-historic lows as lending continued to be tempered and corporate giants held onto accumulated stockpiles of cash. The low interest rate environment and growing consumer confidence have continued to bolster the US housing market, surpassing pre-recession prices in many markets. Unemployment has remained low, and inflation is expected to remain in check, despite quantitative easing, until wage rates start to rise.

Abroad, Europe played a more active role in technology M&A; however, confidence abroad has not been without bumps in the road. GDP in the European Union stagnated after falling 0.5% in 2012. With modest GDP growth expectations in the 1-2% range for 2014, unemployment in Europe is still expected to remain at 11-12%. Ongoing conflicts in Syria and North Korea's threat of war caused tension and spurred both political and economic uncertainty for multinational enterprises. China's economic growth slowed to the weakest level since 1999, at 7.7%, but a 7.4% projected growth rate in 2014 for the second largest economy in the world bodes well for value creation throughout the globe. China and the other BRIC countries, with rising wage rates and a growing middle class, still remain a focal point for US and European businesses as economists project growth rates in high single digits.

US equity markets continued to set record highs, with the Dow Jones, NASDAQ, and S&P 500 rising 26.5%, 38.3%, and 29.6%, respectively, during 2013. With most of the growth occurring in the second half of the year, technology M&A and IPO pricing followed suit.

In 2013, technology giants claimed three of the top five spots for most valuable companies by market cap, with Apple exceeding $500 billion and both Google and Microsoft (down from its 1999 peak) exceeding $300 billion. These and other technology high-flyers pushed average EBITDA multiples across the top 25 US technology companies from 8.5x in 2012 to 11.3x in 2013.

IPO activity in 2013 was strong, the most active year since 2007, with Twitter amongst several other notable newcomers. In total, there were 51 technology IPOs, a substantial increase over the 39 posted a year earlier. Technology IPOs continued to remain a main driver in the market, representing roughly 16% of IPO value and 21% of IPO volume. Proceeds from new pricings exceeded $9 billion, and year-to-date performance returns approximated 51%, both factors that continue to reaffirm the long-term outlook for the industry as a whole.

IT spending posted meager growth in 2013, with industry analysts predicting accelerated IT spending in 2014 to well outpace GDP growth. Continuing the trend of recent years, cloud offerings, mobile devices, data analytics, and industry-specialized applications and services are likely to represent key focus areas for IT investment. Data storage and networking are expected to keep pace, leveraging more virtualization offerings. The demand for software in satisfying this growth is partly evidenced by its continued prominence in 2013 deal activity, representing over a third of deal volume in the industry for yet another year, which we expect to continue in 2014.

Yet as IT spending resumes, PC sales will continue to decline, challenged by the inexorable rise of mobile devices and other cloud-centric usurpers. The robust IPO market will continue to create competition for acquirers of mid- to large-size companies, forcing technology acquirers to the low (tech and talent) and high (mega-deal) ends of the deal spectrum.

This, then, is the way the 2013 tech M&A year ends: What came in with a whimper goes out with a bang. As we consider the almost $350 billion in cash and securities on hand at the top 25 technology companies, not to mention record levels of private equity fund raisings, 2014 looks well positioned to resurrect the headier days of technology M&A. As evidenced by the number of billion-dollar transactions already announced in the new year, 2013's strong finish is clearly resonating into 2014.

Outlook for 2014

Deal activity focused on analytics, software differentiation, mobile, and security

While 2013 started off weak for technology M&A relative to other industries, deal value declined by only a modest 3% for the year due to resurgence during the second half and the closing of the industry's largest transaction since 2007, with the SilverLake-Dell deal. We saw a decline in large platform acquisitions during the year and an increase in the level of divestitures, both indicative of companies focusing on their core businesses. In PwC's recent 17th Annual Global CEO Survey, technology CEOs expressed confidence in their companies' revenue and talent growth prospects through 2017, as well as a need to focus on R&D and innovation to drive success. As companies continue to look to talent, technology, and portfolio additions to keep up with the pace of change, we expect to see the recent strength of activity in the closing months of 2013 carry forward into 2014, but with subdued levels of large-platform acquisitions.

One thing is certain: disruptive technologies continue to drive change and opportunities at an increasing rate. While some companies have publicly stated their intent to pull away from a pure M&A focus and drive more organic growth, rapid change and short product lifecycles drive a need for continuous innovation, and we expect to see technology M&A play the critical role for larger technology enterprises.

We believe several areas of innovation will drive increased M&A in 2014, where the key theme will be to enable intelligence for everything, across industries. User experience, new revenue models, and process efficiencies will be at the heart of what technology companies want to accomplish.

- ***Analytics evolves***. 'Big Data' has been one of the most prominent buzz words for several years now and an active driver of technology M&A. With large amounts of accumulated data, companies are evolving their approach to turn big data exhaust into actionable intelligence and improve user engagement with the business.

- ***Building social, mobile and cloud platforms***. A focal point to drive more features, use cases, and user engagement, home-grown platforms are often desired due to strategic and profit motives, but not all ecosystems are winners. As a result, companies continue to expand with proven platforms via acquisition in order to improve their offerings in cloud, social and mobile.

- ***Software-defined and the industrialization of hardware***. As it becomes more and more difficult to generate a competitive advantage building hardware, software continues to bring intelligence to bear by automating tasks, increasing technological capabilities, and democratizing complex technology processes. Expect to see more software acquisitions that enable users to orchestrate traditional hardware tasks with software.

- ***Context awareness is key***. As services continue to dominate the technology offering landscape, understanding how, when, where, and why a user is using the service is increasingly important. Such areas as local and social software, sensor technology, and mobile applications are among the components that will continue to drive acquisition interests.

- ***Technology is pervasive across industries***. While convergence is a long-running trend, increasingly, technology is a key differentiator across various industries in the economy. Technology companies of all shapes and sizes will focus on driving more industry-specific solutions across healthcare, retail, banking, and industrial products, among others. Acquisitions will be a key vehicle for this activity.

- ***Security concerns continue unabated***. This theme continues and grows in importance each year. Today, we hear about security breaches on what seems to be a daily basis. Whether we're talking about government information or retail chain customer data, it's clear that more needs to be done to secure information – especially with the continued move to cloud and mobile technologies. Look for 2014 to show continued progress for large technology companies acquiring new security capabilities.

- ***Interface technologies and endpoints***. The number of digital connections in our lives seems to grow by the day. Whether you think about media consumption, transportation, energy usage, or any number of things, increasingly our "things" are connected. The ways in which we interact with these things is also evolving (touch, voice, facial recognition, etc.). 2014 will continue to focus on innovations in these areas, with large technology companies looking for new capabilities.

2013 by the numbers

A slow start turns into a strong finish

While the first half of 2013 started off with some of the lowest levels of deal activity seen in years, the second half of the year recovered strongly and rounded out the year with deal value on par with 2012. We saw a declining trend over the course of 2011 and 2012, with value being maintained by large deals like Google-Motorola Mobility and HP-Autonomy. 2013 was no different. Volume declined 18% from 2012, but notable headline deals like Dell's take-private transaction by Silver Lake and founder Michael Dell kept total deal value on par with previous years.

Quarterly deal value during 2013 was volatile. The first and second quarters each dropped below $15 billion, while recovering strongly at $28 and $47 billion during the third and fourth quarters, respectively. Cumulative technology deal value for 2013 closed at $99.8 billion, a 3% decrease from 2012. A blossoming IPO market and growing valuations impacted mid-market deal volume as we saw a decline in transactions valued less than $500 million. While overall value for the year was upheld by deals larger than $500 million, the volume of closed transactions declined 18% from 249 in 2012 to 204 in 2013, mirroring the 19% decline from 2011 to 2012. With an increase in the average value of billion-dollar deals, primarily the Dell transaction, and the aforementioned dip in mid-market volumes, average deal size increased from $415 million in 2012 to $489 million in 2013.

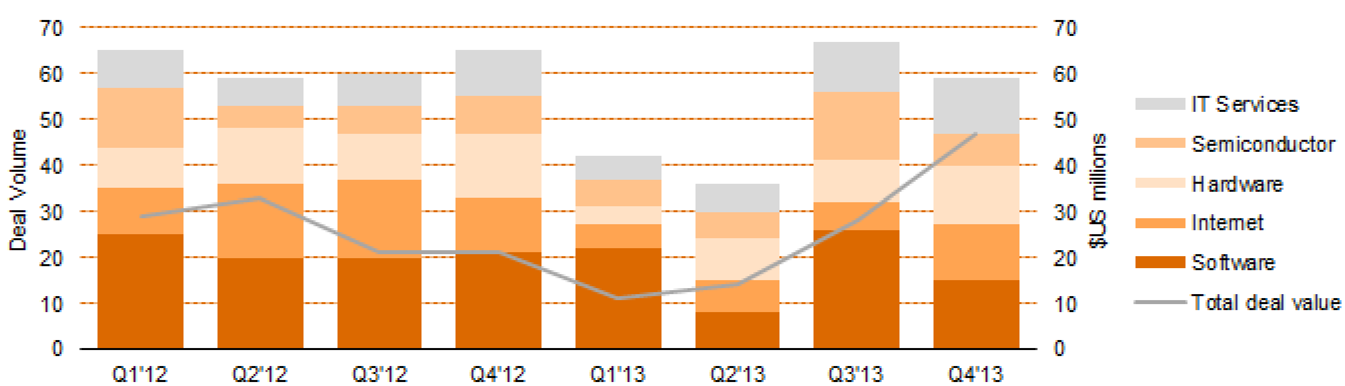
With technology companies continuing to expand into the cloud, mobility continuously growing, and companies across sub-sectors seeking to leverage big data analytics, software remains at the forefront of deal activity, accounting for 35% of technology M&A volume in 2013. And the lines between the Software and Internet sectors continue to fade. Although Internet transactions declined, hitting their lowest levels since 2008, Internet-enabled software offerings kept Software deals high. Cumulative value for Software and Internet deals represented 34% of total 2013 deal value, a decrease from 53% in 2012 (again, impacted by the Dell transaction).

The Hardware sector met mixed results, with the volume of transactions declining 20% but cumulative deal value increasing by 39%, largely driven by the Dell transaction. Without considering the Dell deal in 2013 or the Google-Motorola Mobility deal in 2012, cumulative deal volume still declined, but value increased 5%.

Despite declines in other sectors, Semiconductors and IT Services showed strength in 2013. With several large deals in the Semiconductor sector and a 3% increase in closed deal volume for the year, the sector continues to experience consolidation. The Avago-LSI transaction announced just before year end provided further evidence of movements in the sector. After several years of decline since its peak in 2010, IT Services has similarly shown growth in 2013, with a 10% increase in volume and 32% increase in value.

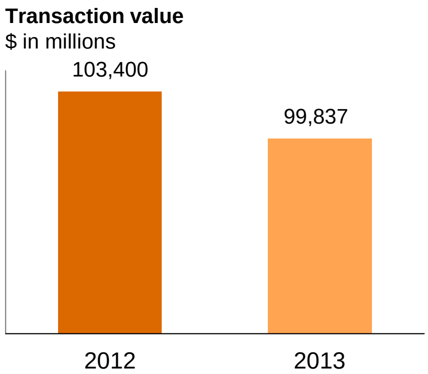
Monthly deal volumes and values picked up significantly during the second half of the year, averaging 21 deals per month and closing 126 transactions in the second half of the year, as compared with only 78 closed in the first half and an average of 13 deals per month. With significant growth in technology deals during the second half of the year, the stage is set for a strong start in the new year.

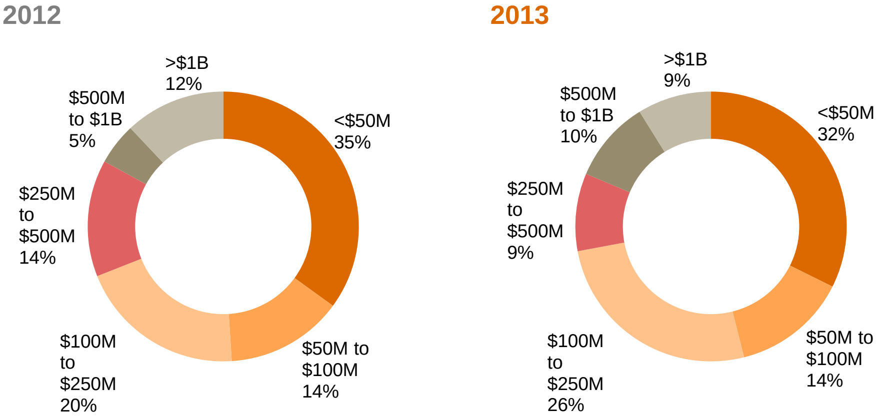
Quarterly deal volume by sector and total deal value



Source: Thomson Reuters

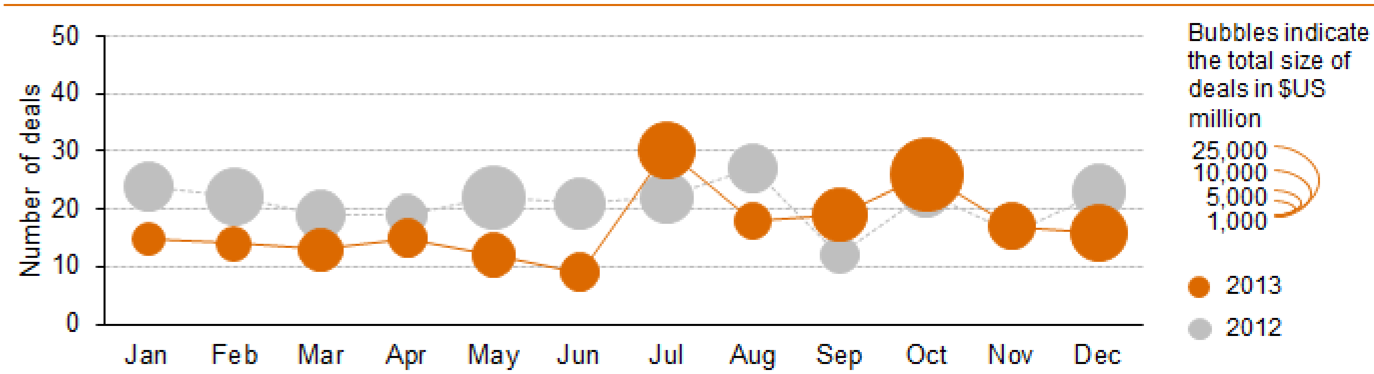
US technology deals by volume and value





In $US millions, except # of deals	2012 Number of deals	2012 Total deal value	2013 Number of deals	2013 Total deal value
<$50M	86	$2,639	66	$1,710
$50M to $100M	35	$2,399	28	$1,927
$100M to $250M	51	$8,003	53	$7,688
$250M to $500M	36	$12,638	19	$6,663
$500M to $1B	12	$8,110	20	$14,738
>$1B	29	$69,611	18	$67,110
Total	**249**	**$103,400**	**204**	**$99,837**

US technology deals by month



Source: Thomson Reuters

Top 10 deals of 2012 and 2013

	Target & region	Bidder & region	Sector & geography	Acquired %	Value ($US mil.)	Closed	Announced
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	IBM Corp US	SoftLayer Technologies Inc, US	IT Services Domestic	100%	$ 2,020	7/8/2013	6/4/2013
Top 10 deals of 2012							
1	Motorola Mobility Holdings Inc. US	Google Inc. US	Hardware Domestic	100%	$12,900	5/22/2012	8/15/2011
2	NDS Group Ltd. Europe	Cisco Systems Inc. US	Software Cross-border	100%	$ 5,000	7/31/2012	3/15/2012
3	Viviti Technologies Ltd. US	Western Digital Corp. US	Hardware Domestic	100%	$ 4,831	3/8/2012	3/7/2011
4	Ariba Inc. US	SAP AG Europe	Software Cross-border	100%	$ 4,300	10/1/2012	5/22/2012
5	NetLogic Microsystems US	Broadcom Corp US	Semiconductor Domestic	100%	$ 3,678	2/17/2012	9/12/2011
6	Success Factors Inc. US	SAP AG Europe	Internet Cross-border	100%	$ 3,400	2/23/2012	12/3/2011
7	Novellus Systems Inc. US	Lam Research Corp. US	Hardware Domestic	100%	$ 3,385	6/4/2012	12/14/2011
8	Quest Software Inc. US	Dell Inc. US	Software Domestic	100%	$ 2,421	9/28/2012	7/2/2012
9	Dako Denmark A/S Europe	Agilent Technologies Inc., US	Hardware Cross-border	100%	$ 2,200	6/21/2012	5/17/2012
10	JDA Software Group Inc. US	RedPrairie Corp. US	Software Domestic	100%	$ 1,935	12/21/2012	11/1/2012

Source: Thomson Reuters

Cross-border deals

Stabilizing uncertainty in global economies paves the way for growth in cross-border deal activity

After a multi-year decline in the level of international transactions, and substantial amounts of cash held abroad by US technology companies, 2013 showed mixed results. Domestic transactions comprised 62% of deal volume and 81% of deal value in 2013, compared with 71% of deal volume and 76% of deal value in 2012. Despite an 18% decrease in overall technology deal volume, cross-border deal activity increased during 2013, coinciding with stabilizing political issues in the US and improved economic conditions in Europe. However, the size of cross-border transactions dropped, resulting in a 28% decline in cross-border deal value.

While the volume of inbound activity (i.e., foreign entity acquiring a US target) remained constant at 32 transactions in both 2012 and 2013, deal value declined 33% and the geographical mix of acquirers shifted substantially. Interest from acquirers in Europe grew substantially as deal volume increased 83%, yet value declined 17% as the amount of billion-dollar deals decreased. Japanese acquirers were disadvantaged by depreciating currencies, making large transactions more expensive to fund during 2013.

Outbound activity (i.e., a US entity acquiring a foreign target) in 2013 consisted of 45 acquisitions at an average deal size of $215 million, compared with 42 acquisitions at an average deal size of $291 million in 2012. While on par with 2012 volume, outbound activity in 2013 continued activity in Europe as well as growth in both Asia and Israel, while transactions shifted away from Canada. Deal value in Asia and Rest of World grew as a result of several large transactions, such as Micron–Elpida and Google–Waze, respectively. At the same time, 2013 deal value in Europe declined due to the absence of large deals that were prevalent in 2012.

The decline in total cross-border deal value in 2013 is due to fewer large transactions, in terms of both volume and value. There were seven transactions valued at over $1 billion in 2012, compared with only four in 2013. The aggregate $6.2 billion value of the two largest deals in 2013 (ASML-Cymer and Micron-Elpida) was surpassed in 2012 by SAP transactions (acquiring both Ariba and SuccessFactors), which totaled $7.7 billion.

Activity in 2014 looks promising as corporate and private equity buyers look to emerging markets for higher returns and accelerated growth trajectories and economic conditions improve in Europe, building on the positive momentum of 2013. While we expect both cross-border and domestic deals to grow in 2014, signs point toward continued strength in Europe and increased investment in Asia, if diverging currency movements do not negatively impact price decisions.

US cross-border technology deal value

	2012					2013				
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	175	32	42	10	249	127	32	45	13	204
Total deal value	$76,494	$14,676	$12,230	($2,446)	$103,400	$80,373	$9,795	$9,669	($126)	$99,837
Average deal value	$437	$459	$291	N/A	$415	$633	$306	$215	N/A	$489
US as a target										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	12	11	6	3	32	22	8	-	2	32
Total deal value	$10,803	$2,875	$487	$511	$14,676	$9,211	$483	$ -	$102	$9,795
Average deal value	$900	$261	$81	$170	$459	$419	$60	$ -	$51	$306
US as an acquirer										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	24	7	8	3	42	26	13	-	6	45
Total deal value	$10,103	$718	$957	$452	$12,230	$3,375	$3,844	$ -	$2,450	$9,669
Average deal value	$421	$103	$120	$151	$291	$130	$296	$ -	$408	$215

Source: Thomson Reuters

Private equity

Financial buyers make larger acquisitions during a year of declining deal volume

Technology-focused private equity deal activity in the first half of 2013 certainly did not live up to previous expectations. Despite the continued availability of cheap high-yield and leveraged financing and buoyant equity markets, deal volume declined for the first time since 2009. The push to get deals done in 2012 prior to the change in tax rates certainly contributed to low volume in early 2013, but the primary culprits for the overall annual decline were high valuations and fewer attractive targets. On the positive side, average deal size increased, driven by the size of deals greater than $500 million. Additionally, private equity fundraising also increased during the year, demonstrating strong investor demand for continued private equity activity in the sector.

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) declined relative to overall technology transaction activity in 2013. Private equity deals comprised 31% of total technology deals with disclosed values in 2013, compared with 34% in 2012. While private equity transaction volume declined 23% over last year, average deal size increased relative to the smaller bolt-ons seen in 2012, even exclusive of the $24.9 billion Silver Lake-Dell transaction.

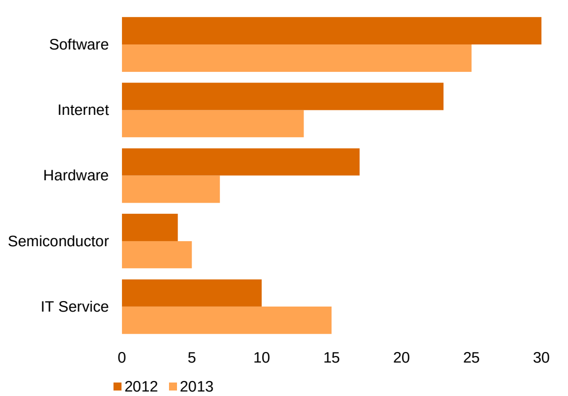
Financial investors continue to remain attracted to the sticky cash flows of the software space. Software and Internet transactions remained at the forefront of private equity deals, comprising 59% of volume and 71% of value in 2013 (40% of value when including the Dell transaction).

The largest direct private equity acquisitions of new portfolio companies in 2013 included the following:

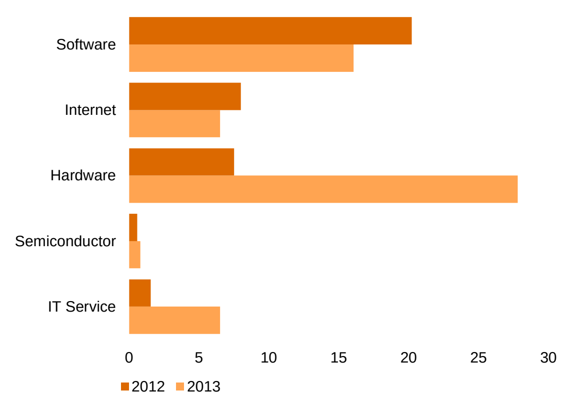
- Silver Lake Partners and Michael Dell took private Dell Inc., the well-known computing hardware and service provider, for $24.9 billion in the fourth quarter.
- An investor group led by Bain Capital and Golden Gate Capital acquired publicly traded BMC Software, an enterprise management software and application provider, for $6.9 billion in the third quarter.
- Apollo Global Management acquired McGraw-Hill's Education unit, a provider of integrated software and online education platforms, for $2.4 billion in the first quarter.
- Berkshire Partners acquired Lightower Fiber Networks, a provider of networking infrastructure and services, for $2.0 billion during the second quarter.
- Thoma Bravo acquired Intuit's Financial Services division, newly named Digital Insight, for $1.0 billion in the third quarter.

Lending rates continue to remain low by historical standards, and debt-multiples are at levels not seen since 2008. Coupled with the high level of dry powder awaiting deployment, 2014 appears to have strong fundamentals for an increase in private equity deal volume. However, competition between financial and strategic buyers for high-quality assets will remain. Given the inherent ability of strategic buyers to justify higher valuations from synergies, expect the trend of more private equity investments in the form of growth investments and add-on acquisitions to continue in 2014.

Private equity deal volume by sector



Private equity deal value by sector, $US millions



Source: Thomson Reuters

Divestitures

Divestiture activity remains strong as technology companies optimize their portfolio strategies

Divestiture transactions (the sale or spin-off of a piece of a company, not the entire company) increased 3% in 2013 for the technology industry, nearing levels seen in 2009 and 2010 as companies continue to prune their portfolios and focus 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 increase in technology divestitures (321 in 2013 versus 311 in 2012), despite an overall decline in acquisition deal volume, demonstrates the importance of portfolio optimization and the market for strategic assets. Aside from a slight dip in the second quarter, divestiture activity remained relatively constant through 2013, averaging 27 deals per month. Technology divestitures as a percent of total technology M&A volume rose from an average of 20% in 2012 to 22% in 2013.

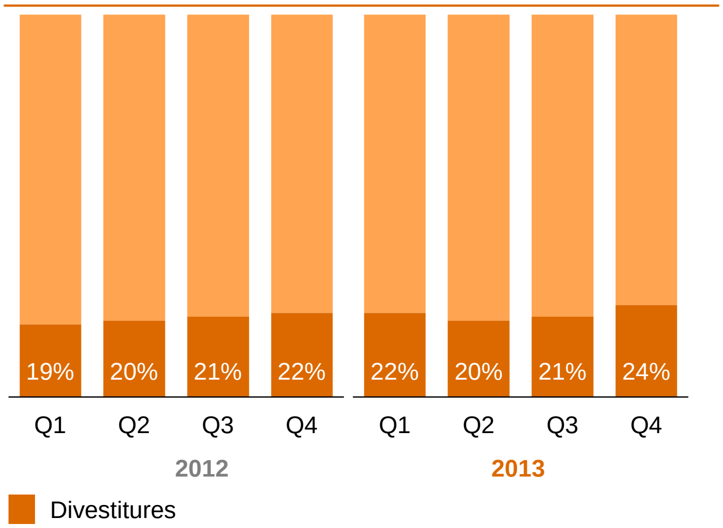
Overall technology deals in 2013 were potentially influenced by the broader IPO market trends for the year, which hit the highest level in six years. Periods of high IPO activity tend to limit mid-cap private equity buys and divestitures as the equity markets provide incremental financing and another exit opportunity for investors.

Cumulative divestiture deal value for transactions with disclosed values totaled $17.9 billion in 2013, compared with $31.2 billion in 2012, a decrease of 42%. The top 10 divestitures of 2013 represented 81% of this value, an increase from 2012, when nearly 60% of total disclosed divestiture value was represented by the top 10 divestitures.

While overall divesture value declined, volume increased across technology sectors, with the exception of hardware. The software sector continued to generate the most divestiture activity, consistent with overall M&A in the technology space. In part due to established software companies facing pressure from continued SaaS growth, expect software to remain a category leader in divestitures activity in the near term.

Divestitures are likely to remain at a similar level in 2014, pulled downward by the level of IPO activity but offset by the ongoing desire of many companies to reduce the size of their portfolios and focus attention on assets core to their growth strategies. Despite several years of industry consolidation, technology companies continuously adapt and realign their portfolios as they focus on new strategic needs in a dynamic landscape. While corporate cash balances remain strong, financial buyers may be able to find profitable investment opportunities with more favorable valuations among divestitures in the coming year.

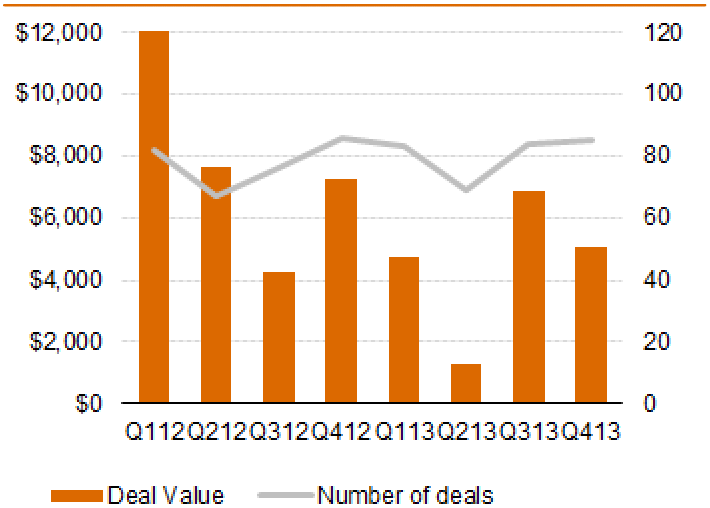
Divestitures as a % of total deal volume*



Includes transactions with undisclosed deal values

Source: Thomson Reuters

Divestiture volume and value*



Includes transactions with undisclosed deal values

Transactions with undisclosed deal values

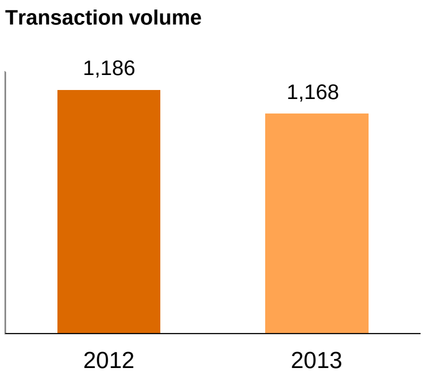
Share of undisclosed value transactions continues to play a prominent role

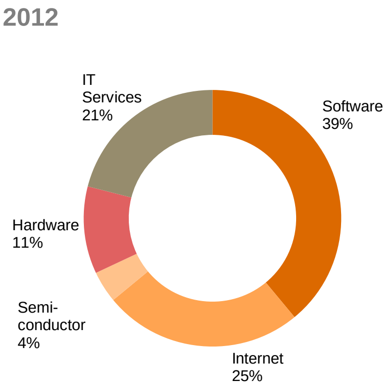
During 2013, we witnessed the continuation of an ongoing trend as undisclosed transactions continued to make up a larger portion of overall transaction volume. In 2012, undisclosed transactions comprised 83% of total technology deal volume, an increase from 81% in 2011 and 75% in 2010. In 2013, the percentage of undisclosed transactions increased again, to 85%. This trend can largely be attributed to a general focus on smaller talent and technology deals meant to bolster existing product offerings, which tend to continue even in periods where larger platform acquisitions have declined.

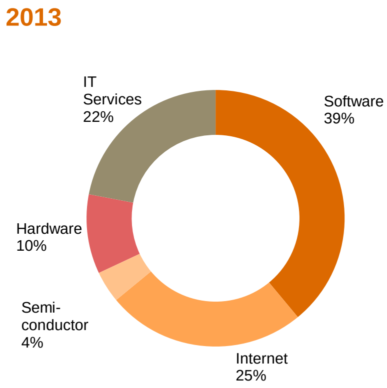
Technology companies engaged in 1,168 acquisitions with undisclosed deal values during 2013, a 2% decline from the 1,186 in 2012. Similar to 2012, transactions in 2013 with undisclosed values were largely dispersed amongst technology buyers, with the top 20 corporate acquirers comprising less than 13% of total undisclosed deal volume. Yahoo! challenged Google in 2013, becoming two of the most active acquirers in terms of reported volume in the technology industry, with each company completing more than 20 transactions. Other active corporate acquirers included Thomson Reuters, IBM, Intel, Apple, and Twitter, all closing multiple deals with undisclosed deal values. Similar to previous years, private equity also played a role, adding to existing portfolio companies and enabling business transformations as private companies.

Mirroring disclosed deal activity, undisclosed deal volume was largely concentrated in the software sector, an area filled with attractive talent and the technology desired to bolster performance across sectors. Transactions with undisclosed deal values tend to be transactions with values lower than thresholds for financial reporting disclosure by corporate buyers and private equity acquirers that keep deal terms confidential. As technology companies continue to focus on enhancing core products in a competitive market, we expect to see talent and technology deals continue to play an active role, generating similar levels of undisclosed deal activity in 2014.

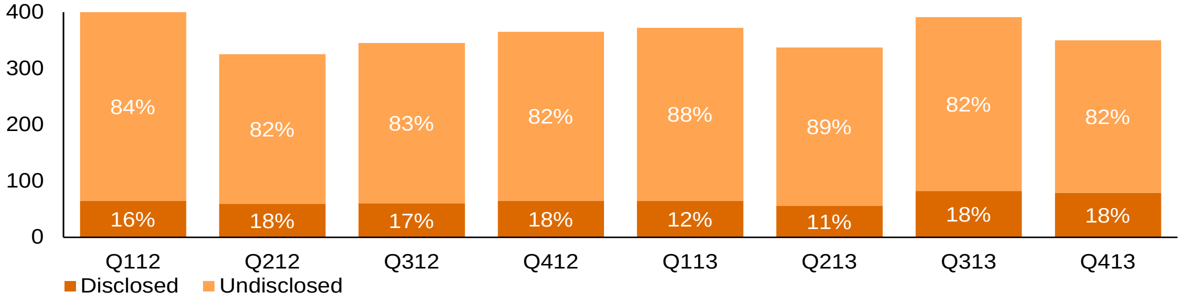
Undisclosed deals by volume







Disclosed and Undisclosed Share of Deals *Volume of transactions*



Source: Thomson Reuters

Software

Software deals remain a key focus for technology M&A, and outlook remains strong despite a drop in volume

Software remains a focal point of technology, enabling firms to differentiate themselves and heighten the competitive landscape. Data analytics and cloud have become everyday topics of discussion at most technology companies, and newfound data intelligence is being utilized to create paths to differentiation in a competitive market. Software has consistently been an active sector for acquisition, as acquirers from all industries seek to leverage technology as a competitive strength. Software transactions represented over a third of 2013 technology deals, generating 35% of deal volume and 24% of deal value for the year (31% of deal value excluding the Dell acquisition). The level of software deal activity is similar to that of 2012, in which software transactions represented 35% of deal volume and 36% of deal value.

Although software once again remained the most active sector in 2013, the number of large acquisitions decreased during the year, closing four deals in excess of $1 billion compared with 2012, a banner year, which closed 14 deals over a billion dollars. This year saw 71 deals close with cumulative deal value of $24.0 billion, compared with 86 deals closed in 2012 and cumulative deal value of $37.3 billion. Although volume and value in 2013 represent a 17% and 36% decrease, respectively, compared with 2012, software companies continue to remain attractive targets across industries and clearly a priority of growing technology acquirers.

Monthly deal volume for software transactions was volatile throughout the year, averaging 6 transactions per month and ranging from 8 to 26 deals per quarter. Average deal value of $338 million for the year was 22% lower than the 2012 average of $433. While average deal size increased within nearly all tranches of deal size during 2013, the decline in the abundance of software deals in excess of $1 billion during 2013 drove the decrease in overall average deal size. In fact, closed deals in excess of $1 billion accounted for 53% of deal value in 2013 (4 deals), whereas billion-dollar deals accounted for 71% of deal value in 2012 (14 deals).

The largest software transactions closed during the year included:

- The $6.9 billion acquisition of BMC Software, an enterprise management software and application provider, by an investor group consisting of Bain Capital, Golden Gate Capital, GIC Special Investments, and Insight Venture Partners.
- Apollo Global Management's $2.4 billion acquisition of McGraw-Hill Education, a provider of integrated software and online education platforms.
- Enterprise cloud computing and solutions giant Salesforce.com's $2.2 billion acquisition of ExactTarget, a digital marketing software provider.
- The $1.2 billion acquisition by Davis + Henderson, a financial technology services provider, of Harland Financial Solutions, a software solutions provider to lending and banking institutions.
- The acquisition of Websense, a provider of cybersecurity and data protection services, by Vista Equity Partners for $1.0 billion.

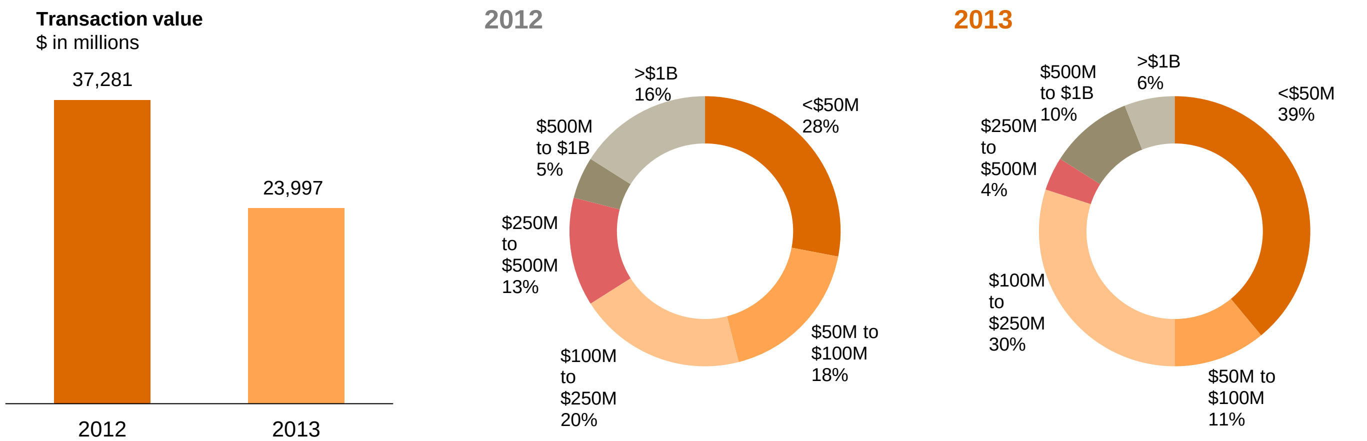
Software deals outlook

Software will remain at the forefront of deal activity in 2014 as industry-specific solutions continue to grow and users look toward software to increase productivity and enable growth. Just as enterprise software companies focused on industry verticalization over the last several years in order to make products more relevant to customers, technology companies of all shapes and sizes will focus on driving more industry-specific solutions across healthcare, retail, banking, and industrial products, among others. Expect to see industry-specific acquisitions accelerate growth and differentiated solutions drive M&A in 2014.

Expect continuously evolving analytics to continue to play an active role in M&A as well: 2013 proved to be a momentous year for creating and setting Big Data strategies. Now, with large amounts of accumulated data, companies must look toward creating actionable intelligence. With a growing field of data scientists, innovative solutions that help put analytics into action for growth are likely to spark acquirer interests.

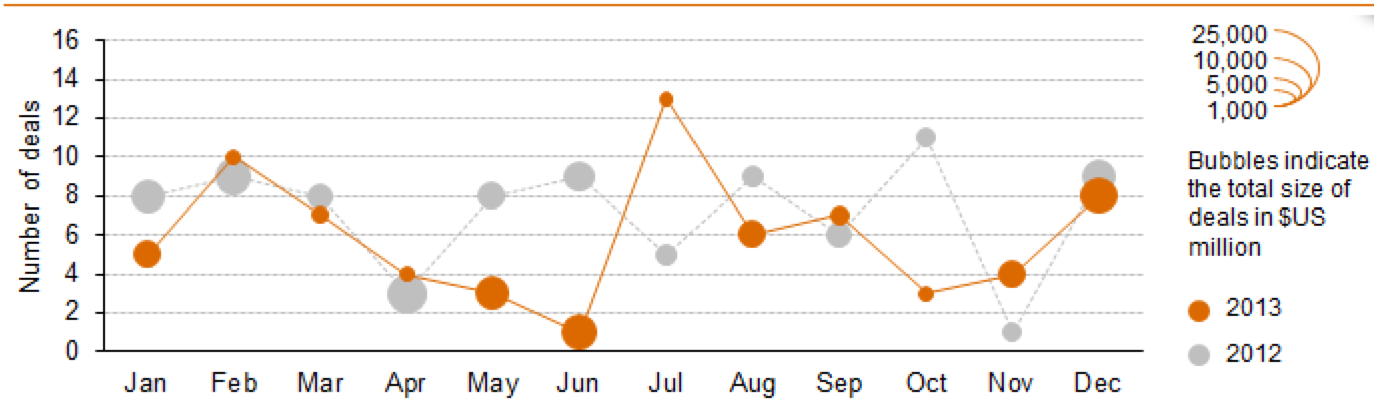
Lastly, with an ongoing shift in businesses toward online solutions, expect social, mobile, and cloud platforms to become ever more prevalent. As the consumerization of IT continues, companies will seek technology buys to enable and bolster productivity outside the office. This brings rise to increasing security concerns, which continued unabated in 2013. Indirectly providing growth through customer confidence, security remains an area of interest for large technology companies. Perhaps a sign of things to come, FireEye's acquisition of Mandiant in early 2014 highlights the potential for newly public companies to quickly engage in acquisitions and sets the stage for active growth in an industry ripe for disruptive innovation.

Software sector deals by volume and value



	2012		2013	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	24	$746	28	$747
$50M to $100M	16	$1,046	8	$555
$100M to $250M	17	$2,891	21	$3,044
$250M to $500M	11	$3,754	3	$1,133
$500M to $1B	4	$2,420	7	$5,817
>$1B	14	$26,423	4	$12,700
Total	**86**	**$37,281**	**71**	**$23,997**

Software sector deals by month



Source: Thomson Reuters

Internet

Internet deals decline to 2009 levels as lines blur between sectors and traditional deals decrease

The Internet sector saw a substantial decline for the second year in a row after several years of successive growth. Reaching a level not seen since 2009, Internet deal activity declined from 55 deals and $17.8 billion in value during 2012 to 30 deals and $9.6 billion in value during 2013. The decline in volume and value represented a 45% and 46% reduction, respectively, exceeding the overall decline in M&A across the technology industry. While some of this decrease may be driven by blurred lines between software and Internet solutions as cloud-based services become more prevalent, traditional Internet acquisitions in search, e-commerce, and (now) social media were certainly fewer and farther between in 2013.

Deal value was sporadically dispersed throughout the year, peaking in the second and fourth quarters, and volume was heavily weighted toward activity in the fourth quarter, comprising 40% of deal volume. Monthly deal values averaged $805 million, while volume ranged from one to six deals per month. Average deal value for the full year decreased slightly, from $325 million in 2012 to $322 million in 2013.

While volume declined at nearly all levels, deals in excess of $1 billion drove the headline decrease in the sector, wherein cumulative deal value decreased by 57% from $11.6 billion in 2012 to $4.9 billion in 2013, and volume declined 33%, from six to four deals over the same period. Last year's deal value benefited from several billion-dollar e-commerce and cloud platform transactions by SAP and Oracle, totaling $7.1 billion for just three transactions.

The largest Internet transactions closed during 2013 included:

- Priceline.com's $1.8 billion acquisition of Kayak Software, an online travel research and booking site, in the second quarter.
- Yahoo!'s $1.1 billion acquisition of Tumblr, an online blogging community and social networking service, during the second quarter.
- The $1.0 billion acquisition of Intuit Financial Services by private equity firm Thoma Bravo, during the third quarter.
- Fiserv's $1.0 billion acquisition of Open Solutions, a technology provider to banks, credit unions, and other financial firms, during the first quarter.
- Google's $1.0 billion acquisition of Waze, an Israel-based crowd-sourced traffic and navigation provider, in the second quarter.

The number of Internet transactions continued to decrease as a proportion of total deal activity in 2013, representing 15% of deal volume and 10% of deal value, a decline from 22% and 17% in 2012, respectively. Despite the decline in mid-size traditional Internet and e-commerce acquisitions, the sector drives growth across industries as an adjacent market. Large, established players continue to leverage strong market positions and focus on acquiring bolt-ons to strengthen their portfolio offerings.

Just as the year wrapped up, we saw Internet's largest player, Google, invest outside of traditional sector buys by investing in robotics companies as well as announce the $3.2 billion acquisition of Internet-connected device maker Nest Labs. As the Internet of Things starts to take shape, we can expect more interesting deals to come in 2014.

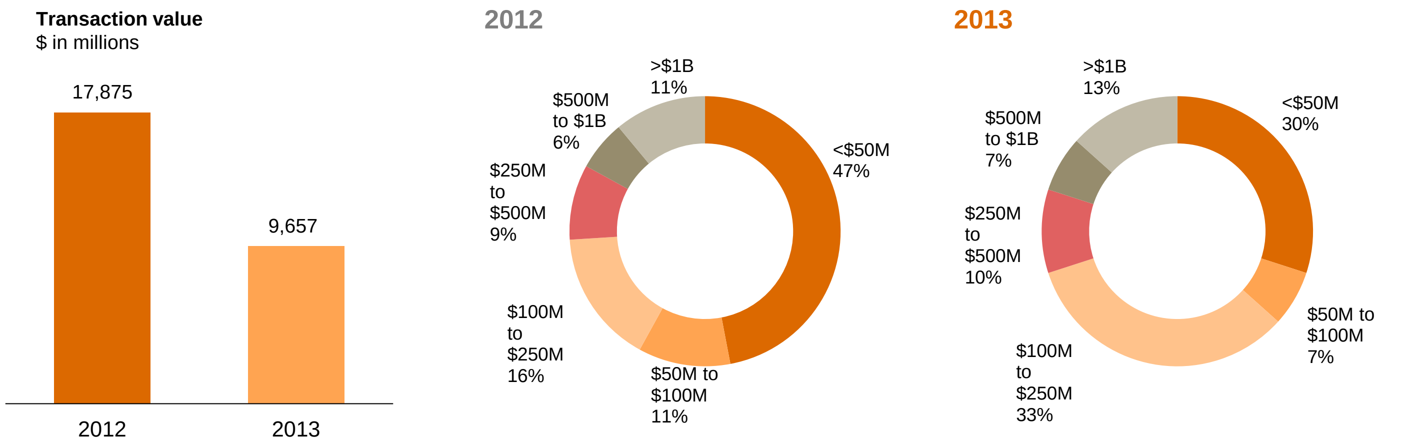
Internet deals outlook

The Internet sector is rampant with opportunity in the year ahead as sectors continue to converge online to build out their presence and exponential growth in mobile and social continues to drive innovation in the advertising world. Also, advertising ecosystems continue to evolve and become more sophisticated. Bolstered by advances in data analytics, targeted marketing becomes more advantageous and measurable for sellers. While the ever-increasing use of mobile presents both an opportunity and a challenge for online advertisers, mobile provides the chance to chase the holy grail of Internet advertising: connecting online ads with in-store purchases.

Continued development in emerging markets presents additional opportunity for Internet companies. Whether that is to the benefit of e-commerce companies able to leverage better infrastructure, or social networking properties that gain traction early, these new markets present ample opportunity to drive growth abroad.

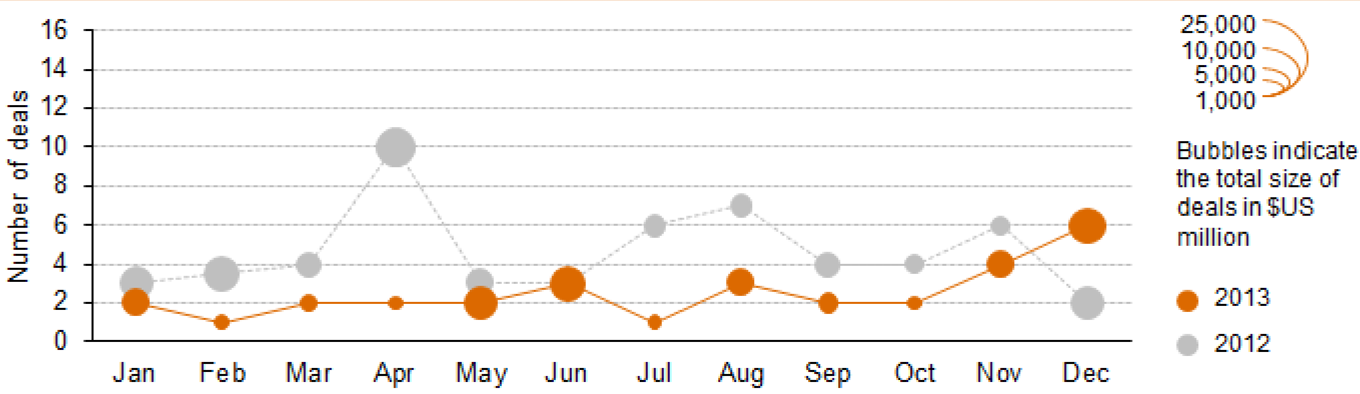
Recent trends in the development of two-sided markets are disrupting established business models. Whether it be travelers turning toward Uber and AirBnB, shoppers increasingly turning toward Etsy and similar sites, or borrowers and investors turning to peer-to-peer lending sites like Lending Club and Prosper, growth in new marketplaces will continue to play an active role and may attract additional interest from more established players.

Internet sector deals by volume and value



In $US millions, except # of deals	2012 Number of deals	2012 Total deal value	2013 Number of deals	2013 Total deal value
<$50M	26	$738	9	$224
$50M to $100M	6	$451	2	$115
$100M to $250M	9	$1,367	10	$1,590
$250M to $500M	5	$1,712	3	$1,238
$500M to $1B	3	$1,971	2	$1,544
>$1B	6	$11,636	4	$4,946
Total	**55**	**$17,875**	**30**	**$9,657**

Internet sector deals by month



Source: Thomson Reuters

Hardware and networking

Convergence between hardware, services, and software reshape the sector and drive growth

Hardware led the way in 2013 with the highest deal value of any technology sector since the Great Recession. More prevalent than other sectors, hardware and networking acquisitions range from technology and talent deals to some of the largest platform acquisitions in technology. While volume activity declined along with the broader industry, the $24.9 billion acquisition of Dell grew total cumulative deal value for the sector to $47.6 billion in 2013, a 39% increase over 2012 deal value of $34.2 billion. As a result, hardware and networking deals represented nearly half of total US technology deal value, while representing 18% of total technology deal volume in 2013.

The hardware and networking sector ended 2013 with a total of 36 deals closed at an average deal value of $1,322 million compared with 2012, in which 45 deals closed at an average deal value of $759 million. While deal value in 2013 was bolstered by the Dell transaction (average deal value of $648 million excluding Dell), 2012 was similarly elevated by Google's acquisition of Motorola Mobility. Deal volume steadily increased during the year, averaging nine deals per quarter, peaking in the fourth quarter. As several of the largest transactions of the year closed during the last quarter as well, 78% of total hardware and networking cumulative deal value in 2013 closed near the end of the year. Even excluding the Dell transaction, the fourth quarter comprised 53% of cumulative deal value during 2013.

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

- The aforementioned $24.9 billion take-private acquisition of Dell by Michael Dell and Silver Lake Partners in the fourth quarter.
- The $7.2 billion acquisition of Molex, a maker of electronics components for products such as the iPhone, by Koch Industries, a diverse industrial conglomerate, in the fourth quarter.
- Cisco Systems' $2.7 billion acquisition of Sourcefire, a provider of hardware and software cybersecurity solutions, in the fourth quarter.
- The $2.0 billion acquisition of Acme Packet, a session delivery network solutions provider, by Oracle, in the first quarter.
- Berkshire Partners' $2.0 billion acquisition of Lightower Fiber Networks, a provider of networking infrastructure and services, during the second quarter.

Although not yet closed, expect a strong start to 2014 with the expected closure of Microsoft's acquisition of Nokia's device and services business for $7.2 billion, announced in in the third quarter of 2013, as well as Lenovo's recent activity acquiring Motorola Mobility from Google for $2.9 billion and IBM's server business for $2.3 billion.

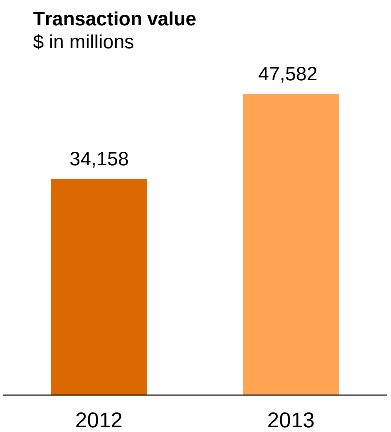
Hardware and networking sector outlook

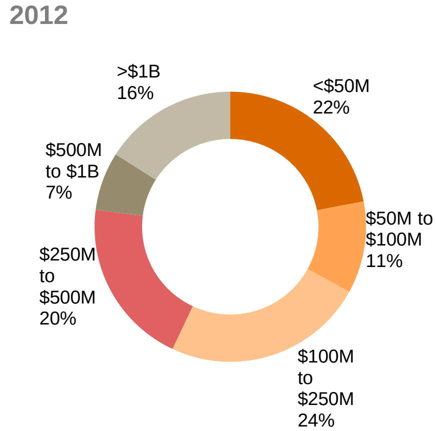
Continuing a trend from 2012, hardware and networking companies face commoditization concerns as technological advances and software-defined platforms make more efficient use of hardware components. Facing a need to differentiate, companies will continue to look toward software and other value-added services in order to meet growing customer expectations.

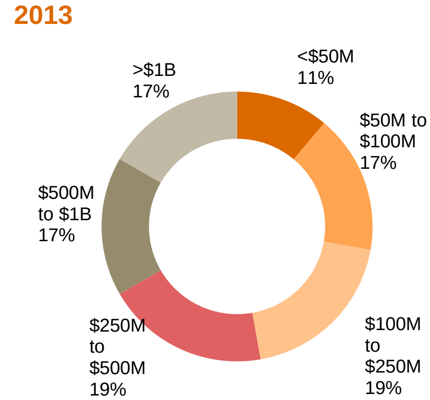
In the data center and server space, low power consumption continues to increase in importance as companies adopt greener policies coupled with a need to reduce costs. New platforms utilizing low-power x86 designs and ARM chipsets at affordable prices are a compelling offering. As data center growth continues to be increasingly managed by large-scale providers, the benefits of new innovation become noticeably more valuable. Expect technology buys to continue in line with growing cloud offerings and the ever-expanding size of data management.

As for networking, we expect to see growth and expansion as software, hardware, and IT services continue to converge. Increasing competition will force companies to add products and services to supplement their core offerings. As virtualization becomes increasingly prevalent in an arena historically dominated by advanced hardware, established hardware providers must evaluate the impact of software defined networking (SDN) on their businesses. While the SDN market is currently fragmented, creating opportunity for consolidation and deals, virtualization can be more cost effective to the consumer and challenge traditional hardware. Networking providers will evaluate the mix of their product portfolios and look toward new platform offerings and potential business model shifts.

Hardware and networking sector deals by volume and value

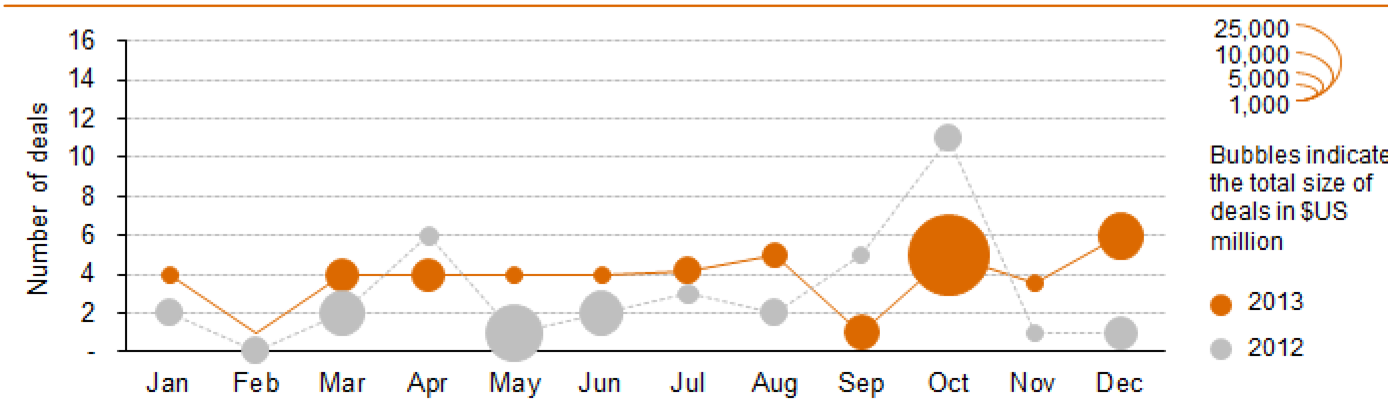






	2012		2013	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	10	$279	4	$86
$50M to $100M	5	$339	6	$394
$100M to $250M	11	$1,645	7	$877
$250M to $500M	9	$3,015	7	$2,448
$500M to $1B	3	$2,006	6	$3,930
>$1B	7	$26,874	6	$39,848
Total	**45**	**$34,158**	**36**	**$47,582**

Hardware and networking sector deals by month



Source: Thomson Reuters

Semiconductor

Recent deal activity points toward a consolidation cycle and diversification among industry leaders

Semiconductors are perhaps the most cyclical of the technology sub sectors. Albeit still a far cry from the rampant consolidation of 2011, the semiconductor sector showed strength in 2013, despite a decline in deal volume throughout the rest of the technology. While we have expected increased consolidation by semiconductor players over the past few years in light of strategic technological shifts and heavy war chests, deal activity in the sector significantly declined in early 2012 and began to rebound again in early 2013. Although not a historical driver of the top deal values in the sector, notably missing from 2013 was deal activity in the solar industry.

While 2012 saw a total of 32 deals closed during the year, with a cumulative deal value of $8.1 billion, 2013 grew 3% and 32% on volume and value, respectively, resulting in 33 deals with a cumulative deal value of $10.7 billion. Deal volume remained steady at six to seven deals per quarter during most of the year, although the third quarter peaked with 14 deals closed. The semiconductor sector as a whole represented 16% of total deal volume and 11% of total deal value.

Growth in 2013 was largely due to an increase in billion-dollar deals, contributing 97% of the overall $2.6 billion increase in deal value from 2012. There were two deals closed in 2013 over $1 billion, compared with only one deal in 2012. Aside from billion-dollar deals, the size of deals shifted from smaller deals in 2012, in which only 53% of deal volume was greater than $50 million, to over 80% in 2013. As a result of this trend, average deal value for the full year increased 28%, from $253 million in 2012 to $325 million in 2013.

The largest semiconductor transactions closed during the year help to highlight some of the industry consolidation and the trend in the semiconductors toward power management. Top deals for 2013 include:

- Provider of advanced semiconductor equipment ASML Holding NV's acquisition of Cymer, a supplier of lithography light sources used in semiconductor devices, for $3.7 billion in the second quarter.

- Micron Technology's $2.5 billion acquisition of Elpida Memory, a Japan-based provider of DRAM products, in the third quarter.

- The $603 million acquisition of Volterra Semiconductor, a provider of low-voltage power management chipsets, by Maxim Integrated Products, in the fourth quarter.

- Cadence Design Systems' $380 million acquisition of Tensilica, a provider of dataplane processing units, in the second quarter.

- Provider of mixed signal integrated circuits Dialog Semiconductor's acquisition of iWatt, a supplier of power management chips and convert modules, for $345 million in the third quarter.

Reinforcing the positive outlook in semiconductor deal activity as we head into 2014, two of the largest semiconductor deals in recent years made headlines in 2013, when Applied Materials announced a $9.4 billion acquisition of Tokyo Electron and Avago announced a $6.6 billion acquisition of LSI. As is often the case, the combination of these companies may prompt other businesses in the sector to follow suit in the coming year.

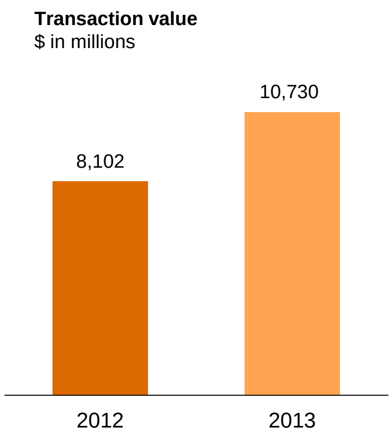
Semiconductor sector outlook

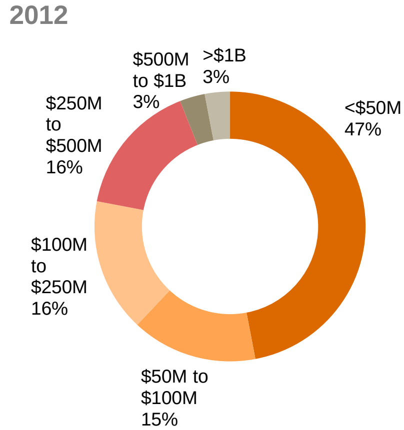
Historically driven by PCs and consumer electronics, the semiconductor sector has felt the annual decline in global computer shipments for several years. Yet coinciding with that decline, the explosion in mobile and tablet demand worldwide presents great opportunity for more traditional PC chip makers. ARM has seen substantial profits with their chips supporting much of the mobile growth, but competition is increasing. While the demand for cutting-edge chipsets in the PC industry declines, expect to see new alliances and transactions as large players look to play an active role in a growing mobile market.

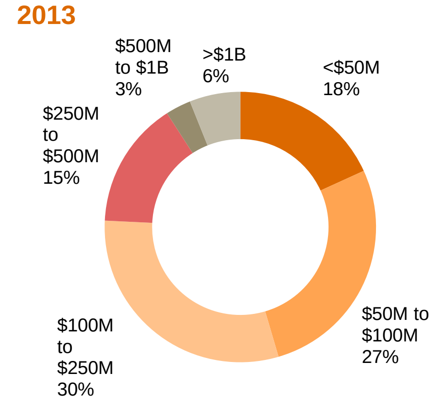
Diversification will not be limited only to mobile and tablet markets but will apply to the growing Internet of Things and specialized industry products as well. Many non-traditional industries are adapting technology to gain a competitive edge. As we see medical devices, automotive, and other industries continue to add high technology to their product offerings, volume growth may increase interest in suppliers of these more specialized offerings. Expect to see players in the industry look toward diversification via targeted industry products with sufficient growth trajectories.

Finally, despite earlier expectations of continued consolidation, solar was notably missing from US M&A activity in 2013. The emerging solar industry provides opportunities for new and existing players. Smaller technology and talent deals will continue to play an active role, but consolidation remains to be seen. Overcapacity and margin pressure may support global consolidation similar to 2012, but the allocation of profit has shifted toward services as providers import cheap commoditized panels from Asia.

Semiconductor sector deals by volume and value

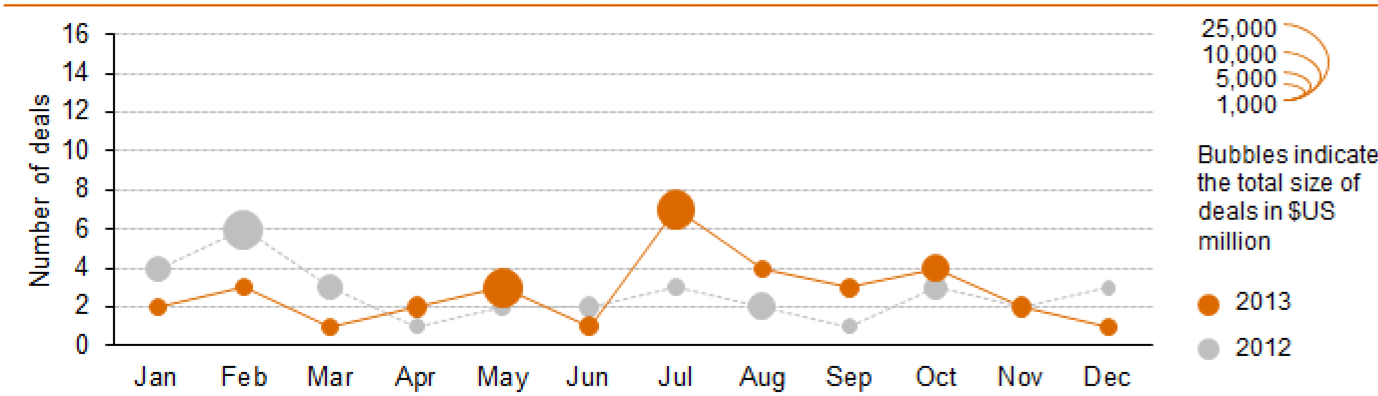






	2012		2013	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	15	$509	6	$177
$50M to $100M	5	$347	9	$677
$100M to $250M	5	$778	10	$1,482
$250M to $500M	5	$1,851	5	$1,575
$500M to $1B	1	$939	1	$603
>$1B	1	$3,678	2	$6,216
Total	**32**	**$8,102**	**33**	**$10,730**

Semiconductor sector deals by month



Source: Thomson Reuters

IT Services

Ripe with opportunity, industry specialization expected to drive growth in a competitive market

Yet still far below the level of deal activity of a few years earlier, deals in the IT Services sector grew in comparison with a beleaguered 2012. Just as we saw quick moves in the cloud services space prior to 2012, healthcare IT appears to be increasing in prominence. With service providers frequently looking toward software to provide a differentiated solution and increase their own stickiness to customers, IT services look to generate economies of scale with specialized solutions. IT services still appears to be an area with significant growth potential, given the market's shift to pay-as-you-go pricing models and the use of business process outsourcing (BPO) organizations, but IT services deal activity has yet to achieve the level of deal activity one would expect.

The IT services sector ended 2013 with 34 deals closed and a cumulative deal value of $7.9 billion. Compared with 31 deals closed and $6.0 billion of deal value in 2012, the sector showed growth of 10% and 32%, respectively. The growth bodes well for the sector, given the overall decline in the broader technology industry during 2013, being only one of two sectors to grow on both fronts.

Averaging three deals per month and eight per quarter, there were a few months that resulted in no deals closed for the sector. Most of the $1.9 billion growth in deal value was a result of an increase in the number of deals larger than $500 million. IT services closed six deals greater than $500 million in 2013, compared with only two deals in 2012. This shift increased the average deal size by 20%, from $193 million in 2012 to $232 million in 2013.

The largest IT services transactions closed during the year included:

- IBM's $2.0 billion acquisition of SoftLayer Technologies, a cloud computing infrastructure provider, in the third quarter.
- The acquisition of market intelligence and data analytics company RL Polk & Co. by business information provider HIS, for $1.4 billion in the third quarter.
- Experian's acquisition of Passport Health Communications, a provider of healthcare IT solutions, for $850 million in the fourth quarter.
- Simulation technology company CACI International's $820 million acquisition of cyber security and intelligence solutions provider Six3 Systems, in the fourth quarter.
- Vista Equity Partners' $644 million acquisition of Greenway Medical Technologies, a healthcare IT software and solutions provider, in the fourth quarter.

IT services deals outlook

With industry analysts projecting increased spending in 2014, the broader impact on IT services M&A remains to be seen.

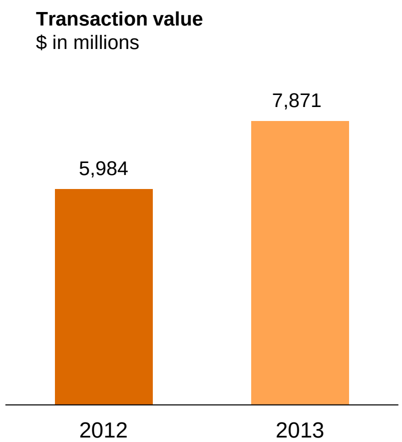
Companies have focused on cost management throughout much of the past several years and reached new levels of efficiency. Historically perceived by many as merely a cost driver, the changing demands of employees and perspective of organizations as a whole are shifting the view of IT services as a strategic growth platform if well managed. With renewed forward-looking growth strategies, organizations are expected to decrease outsourcing abroad and instead focus on nimble growth through accelerated adoption of on-demand cloud computing and specialized IT services.

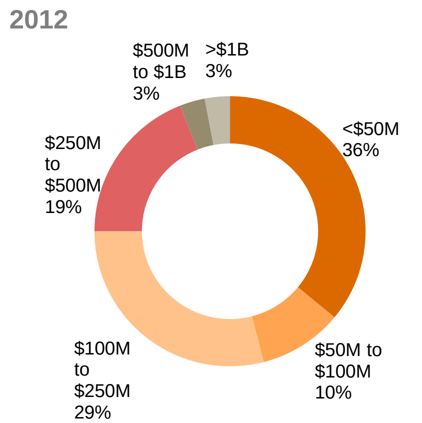
Competition from abroad for general IT services has depressed profitability in recent years. While this presents an opportunity for cross-border deal activity in order to leverage talent and relationships in emerging economies more broadly, multinational firms seeking growth abroad need service providers that already have a presence in the local market, or have the ability to expand them.

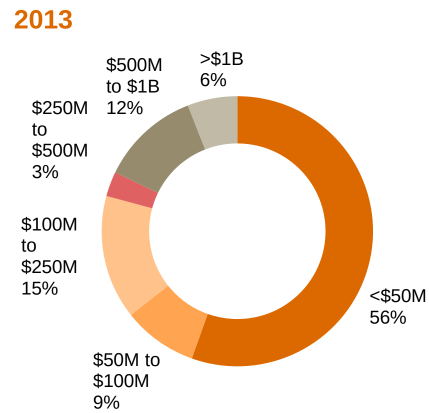
Domestically, we will continue to see an ongoing push toward industry specialization in order to add measureable value for clients. IT services companies must manage a constant balancing act between holistic and specialized services offerings. As a result, expect to see larger players in the sector focus on holistic offerings while adding specialized services that industry-focused customers demand. Smaller players are likely to find opportunities via specialized products with an industry focus in order to earn customer loyalty.

Lastly, expect healthcare IT services to continue to make headlines in the coming year. With the shift toward electronic health records and increasing regulation, healthcare is an industry undergoing significant changes that demand IT modernization. With its attractiveness to both corporate and private equity, look for heathcare IT services to be an ongoing area of focus in 2014.

IT services sector deals by volume and value

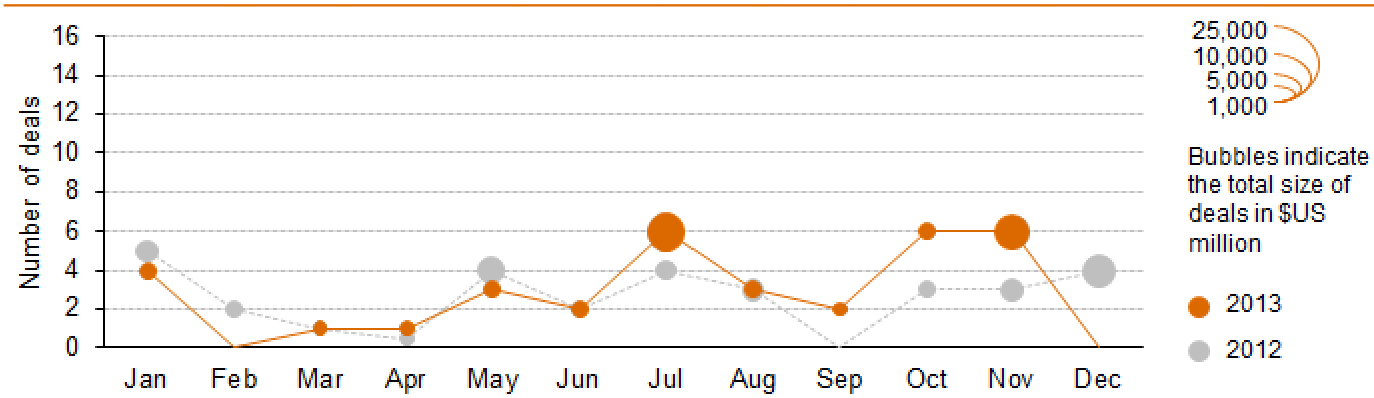






	2012		2013	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
<$50M	11	$366	19	$476
$50M to $100M	3	$216	3	$187
$100M to $250M	9	$1,321	5	$695
$250M to $500M	6	$2,306	1	$270
$500M to $1B	1	$775	4	$2,844
>$1B	1	$1,000	2	$3,400
Total	**31**	**$5,984**	**34**	**$7,871**

IT Services sector deals by month



Source: Thomson Reuters

Top 5 deals by sector for 2013

Top 5 software deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	BMC Software Inc US	Investor group US	100%	$ 6,900	9/19/2013	5/6/2013
2	McGraw-Hill Education US	Apollo Global Management US	100%	$ 2,400	3/22/2013	11/26/2012
3	ExactTarget Inc US	Salesforce.com Inc US	100%	$ 2,200	7/11/2013	6/4/2013
4	Harland Financial Solutions US	Davis + Henderson Canada	100%	$ 1,200	8/16/2013	7/23/2013
5	Websense Inc US	Vista Equity Partners US	100%	$ 986	6/25/2013	5/20/2013

Top 5 Internet deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Belo Corp US	Gannett Co Inc US	100%	$ 2,215	12/23/2013	6/13/2013
2	Kayak Software Corp US	Priceline.com Inc US	100%	$ 1,806	5/21/2013	11/8/2012
3	Tumblr Inc US	Yahoo! Inc US	100%	$ 1,100	6/20/2013	5/20/2013
4	Intuit Finance Services US	Thoma Bravo US	100%	$ 1,025	8/1/2013	7/1/2013
5	Open Solutions Inc US	Fiserv Inc US	100%	$ 1,015	1/14/2013	1/14/2013

Top 5 hardware deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Dell Inc US	Silver Lake Partners & Michael Dell, US	87%	$24,900	10/29/2013	2/5/2013
2	Molex Inc US	Koch Industries Inc US	100%	$ 7,200	12/9/2013	9/9/2013
3	Sourcefire Inc US	Cisco Systems Inc US	100%	$ 2,700	10/7/2013	7/23/2013
4	Acme Packet Inc US	Oracle Corp US	100%	$ 2,020	3/28/2013	2/4/2013
5	Lightower Fiber Networks US	Berkshire Partners US	Majority %	$ 2,000	4/11/2013	12/27/2012

Source: Thomson Reuters

Top 5 semiconductor deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Cymer Inc US	ASML Holding NV Europe	100%	$ 3,700	5/30/2013	10/17/2012
2	Elpida Memory Inc Asia	Micron Technology Inc US	100%	$ 2,516	7/31/2013	5/6/2012
3	Volterra Semiconductor US	Maxim Integrated Products Inc, US	100%	$ 603	10/1/2013	8/15/2013
4	Tensilica Inc US	Cadence Design Systems Inc., US	100%	$ 380	4/22/2013	3/11/2013
5	Dialog Semiconductor Europe	iWatt. US	100%	$ 345	7/19/2013	7/2/2013

Top 5 IT services deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	SoftLayer Technologies Inc US	IBM US	100%	$ 2,000	7/8/2013	6/4/2013
2	R&L Polk & Co US	HIS Inc US	100%	$ 1,400	7/16/2013	6/9/2013
3	Passport Health Communications Inc US	Experian PLC Europe	100%	$ 850	11/21/2013	11/6/2013
4	Six3 Systems Inc US	CACI International Inc US	100%	$ 820	11/15/2013	10/9/2013
5	Greenway Medical Technology Inc US	Vista Equity Partners US	100%	$ 644	11/4/2013	9/23/2013

Source: Thomson Reuters

Top 5 cross-border and private equity deals of 2013

Top 5 cross-border deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Cymer Inc US	ASML Holding NV Europe	100%	$ 3,700	5/30/2013	10/17/2012
2	Elpida Memory Inc Asia	Micron Technology Inc US	100%	$ 2,516	7/31/2013	5/6/2012
3	Harland Financial Solutions, US	Davis + Henderson Canada	100%	$ 1,200	8/16/2013	7/23/2013
4	Power-One Inc US	ABB Ltd Europe	100%	$ 1,028	7/25/2013	4/22/2013
5	Waze Ltd Rest of World	Google Inc US	100%	$ 966	6/11/2013	6/11/2013

Top 5 private equity deals of 2013

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Dell Inc US	Silver Lake Partners & Michael Dell, US	87%	$24,900	10/29/2013	2/5/2013
2	BMC Software Inc US	Investor group US	100%	$ 6,900	9/19/2013	5/6/2013
3	McGraw-Hill Education US	Apollo Global Management US	100%	$ 2,400	3/22/2013	11/26/2012
4	Lightower Fiber Networks, US	Berkshire Partners US	Majority %	$ 2,000	4/11/2013	12/27/2012
5	Intuit Finance Services US	Thoma Bravo US	100%	$ 1,025	8/1/2013	7/1/2013

Source: Thomson Reuters

About PwC's Deals practice

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.

PwC's Deals group can advise technology companies and technology-focused private equity firms on key M&A decisions, from identifying acquisition or divestiture candidates and performing detailed buy-side diligence to developing strategies for capturing post-deal profits and exiting a deal through a sale, carve-out, or IPO. With more than 9,800 deals professionals in 75 countries, we can deploy seasoned teams that combine deep technology industry skills with local market knowledge virtually anywhere and everywhere your company operates or executes transactions.

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For more information about M&A and related services in the technology industry, please visit **www.pwc.com/us/deals** or **www.pwc.com/technology**.

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, 2013, 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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