US technology M&A insights

Analysis and trends in US technology M&A activity 2013

February 2013

At a glance

Uncertainties of the political, economic and IT spending variety made for a sombre year in technology M&A.

Deal volumes and values both suffered declines of roughly 20%, with Semiconductor and IT Services hardest hit.

A continuation of these subdued trends is expected for 2013, with the possible exception of tech divestitures of non-core assets which could provide the fuel to fire a return to headier times.

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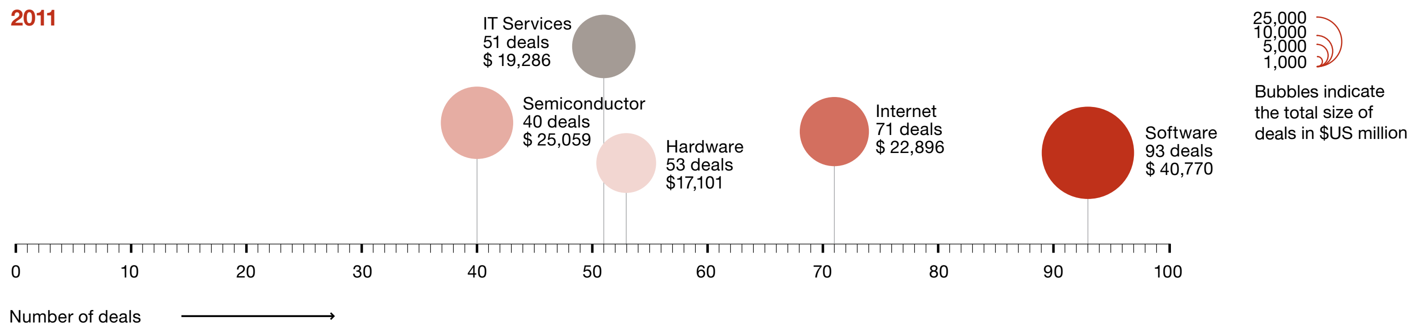
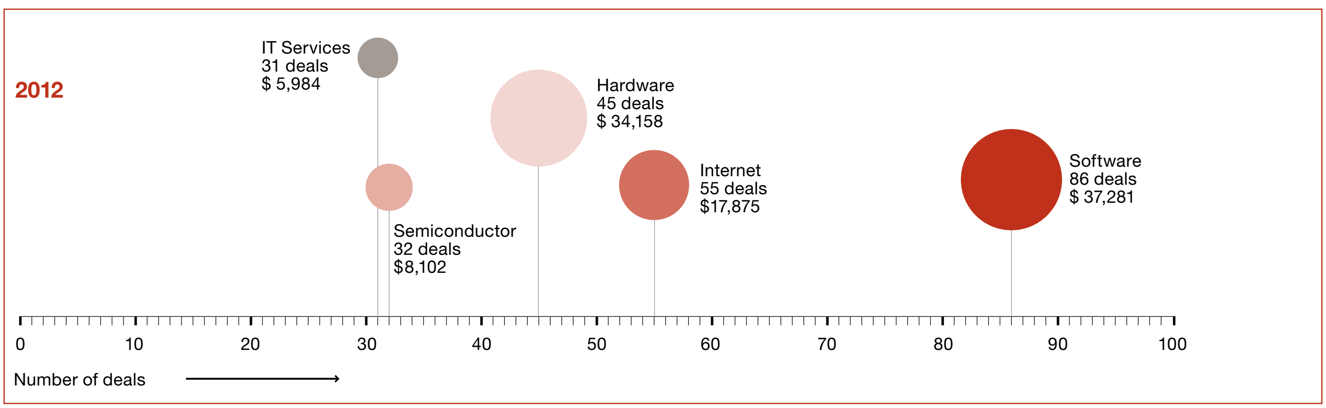
US technology deals by volume by sector*





*excludes undisclosed & <$15m

Source: Thomson Reuters

Introduction

Uncertainty. If 2012 were to be summed up in one word, uncertainty would be an outstanding candidate. In the technology sector, this uncertainty manifested itself in significantly curtailed spending both by technology consumers and technology acquirers. Overall IT spending growth finished the year at an anemic 1.2% while technology deal volumes and values dropped by just under 20% from the prior year.

Perhaps the single-most significant uncertainty in 2012 was the US Presidential election. With candidates presenting starkly different visions for American economic policy, technology companies spent ten months of the year attempting to divine which of the many pundits might be right in their predictions of the outcome and its knock-on effects to the economy. Yet even though an answer to the first question was evident on the morning of November 7, a fresh uncertainty quickly filled the void: the dreaded “fiscal cliff”. In an unfortunate display of déjà vu, the last two months of 2012 were spent on political brinksmanship only this time it wasn’t an 11th but rather a 13th hour compromise complete with a promise of further battles over the debt ceiling.

As both election camps watched with bated breath, the US economy continued to sputter along with slow but consistent monthly jobs growth and housing starts. A roller coaster ride of fuel prices peaked in the Summer months, putting a temporary crimp in consumer sentiment and resuscitating calls for accelerated adoption of alternative energies (with new-found natural gas topping the list). Meanwhile, the global economy wasn’t faring so well, with a continued lack of significant progress on the European debt crisis coupled with notable slowing across the BRICs countries. China in particular spent much of the year coming to grips with a maturing economy amidst the backdrop of a once-in-a-decade change in guard, a previously unimaginable public political scandal and an increasingly vocal constituency looking for additional liberties. The addition of saber-rattling, both real and political, across Syria, Egypt, Gaza, North Korea and disputed Sino-Japanese islands in the Pacific provided constant reminders that old grudges, as well as new leaders with something to prove, can easily disrupt fragile global supply chains.

Yet, in the face of all this uncertainty, US equity markets took a contrarian view, shaking off the torpor of 2011 to rise through the first three quarters before giving back slightly in Q4 to settle in on year-over-year gains of 7.3%, 13.4% and 15.9% for the Dow Jones, S&P500 and Nasdaq, respectively. Notable among the drivers of these gains, Apple became the most valuable company by market cap ever with shares peaking at $705 and Google reached a historic market cap high of $250 billion, passing that of Microsoft for the first time. These gains helped to push average EBITDA multiples across the top 25 technology US tech companies from 8.0x in 2011 to 8.5x in 2012.

IPO activity began the year strong but gradually declined as the aforementioned uncertainties took their toll. In total, IPOs just barely held even with the prior year, although still off their 2010 resurgence highs, posting 49 for the year (vs. 51 a year earlier). Technology continued to lead the way, representing roughly 60% of total activity and providing boosts in each of the last three quarters on the backs of the much-anticipated (although sometimes disappointing) listings by Facebook, Palo Alto Networks and Workday.

After a disappointing year for IT spending in 2012, both Gartner and Forrester are predicting a recovery in 2013 followed by, in Forrester’s estimation, accelerated growth in 2014. Key drivers of future growth are the (now) usual suspects; SaaS, mobile devices, analytics and big data applications while the historical standard bearers of the industry (PCs and IT services) continue to slow. These trends are already evident in the segmentation of deal volumes posted in 2012 (with over 57% in the software and internet sectors) and are expected to continue in 2013.

Amidst these opportunities, the technology industry continues to face specific challenges. While the demand for software and cloud-based services continues to grow, PC sales are stagnant, tablet and other mobile device-related margins are shrinking and IT departments are unlikely to return to the consumption levels of the past. Consolidation over the past several years has resulted in a small group of technology majors that are vying for position as the dominant ecosystem for both the enterprise and consumers. This has both reduced the available supply of mega-deal candidates and fueled the volume of smaller, IP-driven deals in the sector.

In spite of these challenges and the overall lackluster industry performance in 2012, technology companies continued to add to their unprecedented cash hoards. By year end the top 25 US technology companies had amassed over $330 billion of cash and marketable investments. At the same time, many of the more prolific historical acquirers used the year to reassess their core markets and the portfolio of products and services on offer and began the process of refocusing resources and, in some cases, initiating divestitures of non-core assets. With a renewed focus and plenty of investment capital, these companies stand poised to turn the uncertainty of 2012 into the opportunity of the future.

Outlook for 2013

Deal activity focused on the new "core" of mobile, social, analytics and security

While 2012 was a strong year for technology M&A relative to other industries, deal value was nonetheless down 19% for the year. As companies continue to focus on core businesses, digest strategic acquisitions of the last decade, and work to scale these already acquired offerings, we may see a similarly subdued environment in 2013.

That said, more than in any other industry, the pressure of disruptive innovation has technology companies constantly looking for their next competitive differentiator. That means investing in new talent, new technologies, R&D and M&A as a means to all three. Thus, even if 2013 is similar to 2012 in terms of declining deal value, there will no doubt be some exciting deals that will shape the technology landscape over the course of the year.

Just as we believe the pace and value of deals will continue to mimic that of 2012, we also expect that deals will tend to focus on similar categories of Cloud, Mobile, Social, Analytics and Security, albeit with changes in focus within these areas.

- ***Cloud powered, software-defined.*** While cloud has been a key focus for tech M&A over the last several years, there has been a more recent focus on extending the power of virtualization across other hardware categories. Software-defined businesses are now looking to disrupt data networking and other traditionally hardware-based solutions, making them likely deal makers or targets.

- ***Mobile reach continues unabated.*** Just as software-defined businesses are opening up new ways of delivering services and transforming the way people work, so too has mobile. One of the most powerful trends to follow cloud computing and the explosion of mobile devices has been the need to transform software product development and the new market opportunities in the App Economy. Expect to see unprecedented activity in mobile app development, start-up creation and subsequent M&A activity as a means of working new solutions into established portfolios.

- ***The power of social and local.*** Developments in mobile computing have enhanced and accelerated the growth and importance of social networking, and in particular, the local component of social. Always-connected mobile devices, continuously transmitting user information and location, make social/local capabilities, not to mention mobile advertising, key components of doing business. We expect continued innovation in the retail and consumer industries, social discovery applications, and health care capabilities among many others.

- ***Bigger focus on big data analytics.*** Big data grew up in 2012, credited with anything from selling advertising to winning elections. But 2013 could be the year when it moves from differentiator to cost of doing business, as more companies find compelling ways to extract insights from data for more profitable returns. While there has been a great deal of activity in this space already, most companies still lack the capabilities to handle their data sprawl. We expect to see continued M&A activity here.

- ***Security a key concern.*** With the proliferation of mobile devices, the melding of enterprise and personal data, increasing adoption of cloud services and social networks, the risk of security breaches and loss of privacy has never been higher. Innovation will continue to take place in security and will drive further deal activity.

- ***Technology core to all industries.*** Increasingly, non-technology businesses are either being disrupted by new technology-based delivery models, or they are finding better ways to engage customers by using technology. Technology companies are acquiring industry vertical expertise to speak to these changes, and non-technology companies are acquiring capabilities, and in some cases technology companies themselves, to keep pace.

- ***The global fallout of patent wars.*** With patent lawsuits wrapping up between major tech companies in 2012, companies see the ever-growing importance of intellectual property. Companies with strong patent portfolios continue to be likely targets for future acquisitions, as modern competitive pressures force businesses to acquire – and defend – intellectual property rights.

- ***Mobile payments continue to evolve.*** Despite delayed product and service launches, 2012 saw a great deal of progress in partnerships and product positioning for the mobile payments and mobile wallet markets. With adoption taking hold in 2013, we expect consolidation in the market given a host of overlapping products and services.

2012 by the numbers

Uncertainty takes its toll as deal activity declines

While 2011 saw a drop in deal activity from 2010, the value of transactions managed to hold strong as large deals like HP-Autonomy and Microsoft-Skype kept the value of transactions elevated throughout the year, never dropping below $25 billion per quarter. Over the past year, however, quarterly deal values declined, dropping to nearly $20 billion in the latter half of 2012, the lowest cumulative deal value for a quarter since 2009. Cumulative technology deal value for 2012 closed at $103.4 billion, a decrease of 17% from 2011. Economic and political uncertainty played their part in driving down deal volumes which decreased 19% from 2011 and ended the year at 249 closed transactions after the previous year's decline of 21%.

The volume of transactions decreased proportionally across the deal spectrum. Volume drops among deals valued at $500 million or less resulted in such transactions comprising 84% of deal volume in both 2011 and 2012. The most noticeable shift in activity was among deals valued in excess of $1 billion, which outpaced 2011 levels by 16%. Last year, the technology industry saw 25 deals closed, while 2012 saw 29 deals closed above $1 billion, headlined by the Google-Motorola Mobility transaction for $12.9 billion, announced in 2011 and closed in the second quarter of 2012. The Google deal represented the largest technology transaction closed since HP's acquisition of EDS for $13.9 billion in 2008. With the increase in billion-dollar-plus transactions, average deal size increased from $406 million in 2011 to $415 million in 2012.

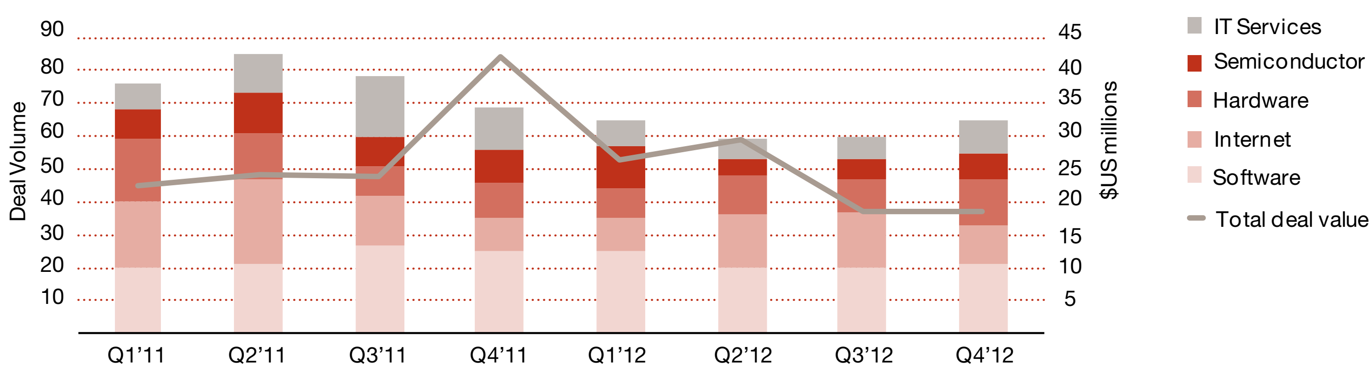
Deals in 2012 continued to highlight a noticeable shift in technology M&A away from hardware-focused transactions to software and Internet transactions, largely the result of a marked industry focus on cloud-based technologies. Software and Internet deals represented 57% of transactions closed in 2012, a figure that has steadily grown over the last two years. Cumulative value for software and Internet deals represented 53% of total 2012 deal value, an increase from 51% in 2011.

The hardware sector met mixed results, with the volume of transactions declining 15% but cumulative deal value increasing by 24% without considering the Google-Motorola Mobility deal (cumulative deal value increased 100% including Google-Motorola Mobility). Acquisitions by Cisco (NDS for $5 billion) and Western Digital (Viviti Technologies for $4.8 billion) helped to keep cumulative value high for the hardware sector. Semiconductor companies showed a lackluster performance in terms of M&A with a mere 8% of transaction volume (32 deals) and cumulative deal value of $8.1 billion, a 68% drop from 2011.

In an economy largely moving from manufacturing to services, surprisingly, IT services has seen year-over-year declines in transaction activity since 2010. In 2010, IT service transactions comprised nearly a quarter of deal volumes and almost the same level of deal value for the year. The following year saw that volume and value decline 46% and 22%, respectively. The past year has been no different, with volume and value decreasing 39% and 69%, respectively, resulting in 31 deals closed and less than $6 billion in deal value.

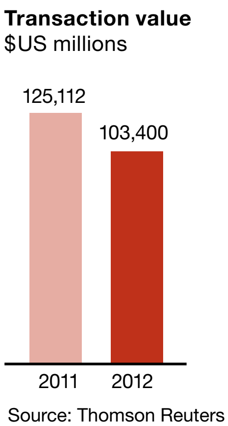
Monthly deal volumes remained relatively even between the first half and second half of the year, averaging 21 deals per month and closing 124 transactions in the first half of the year compared to 125 in the second half. The first and last quarters of the year generated 65 deals each with the second and third quarters coming in at lower levels of 60 and 59 transactions, respectively. With large transactions tapering off in the latter half of the year, activity in 2013 remains to be seen.

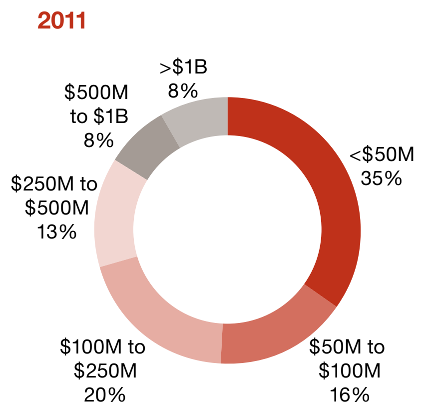
Quarterly deal volume by sector and total deal value

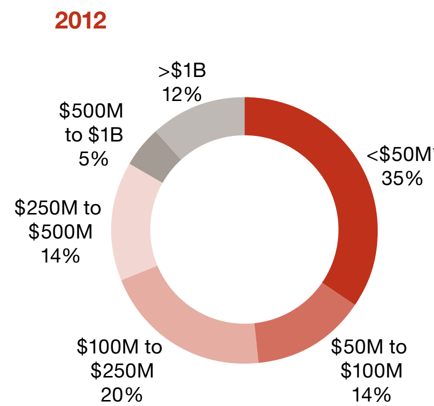


Source: Thomson Reuters

US technology deals by volume and value



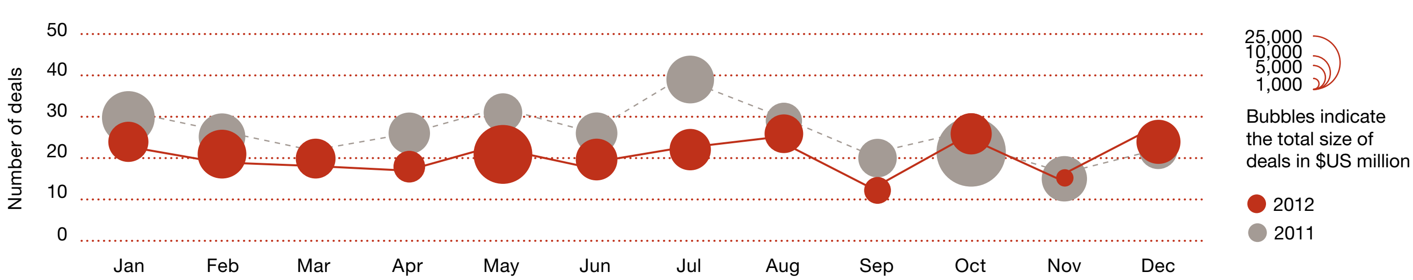




	2011		2012	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
< $50M	107	$3,042	86	$2,639
$50M to $100M	50	$3,548	35	$2,399
$100M to $250M	61	$9,665	51	$8,003
$250M to $500M	41	$13,953	36	$12,638
$500M to $1B	24	$16,310	12	$8,110
> $1B	25	$78,594	29	$69,611
Total	**308**	**$125,112**	**249**	**$103,400**

Source: Thomson Reuters

US technology deals by month



Source: Thomson Reuters

Top 10 deals of 2011 and 2012

Top 10 deals of 2012

	Target & region	Bidder & region	Sector & geography	Acquired %	Value ($US mil.)	Closed	Announced
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

Top 10 deals of 2011

	Target & region	Bidder & region	Sector & geography	Acquired %	Value ($US mil.)	Closed	Announced
1	Autonomy Corporation Europe	Hewlett-Packard Co. US	Software Cross-border	100%	$11,364	10/3/2011	8/18/2011
2	Skype Global Sarl Europe	Microsoft Corp. US	Internet Cross-border	100%	$8,500	10/13/2011	5/10/2011
3	McAfee Inc. US	Intel Corp. US	Software Domestic	100%	$7,643	2/28/2011	8/19/2010
4	National Semiconductor US	Texas Instruments US	Semiconductor Domestic	100%	$6,360	9/23/2011	4/4/2011
5	Varian Semiconductor Equip., US	Applied Materials, Inc. US	Semiconductor Domestic	100%	$4,900	11/10/2011	5/4/2011
6	CommScope Inc. US	The Carlyle Group LLC US	Hardware Domestic	100%	$3,900	1/14/2011	10/25/2010
7	Atheros Communications Inc., US	Qualcomm Inc. US	Semiconductor Domestic	100%	$3,100	5/24/2011	1/5/2011
8	Emdeon Inc. US	Blackstone Group LP US	IT services Domestic	100%	$3,000	11/2/2011	8/4/2011
9	SAVVIS Inc US	CenturyLink Inc. US	IT services Domestic	100%	$2,846	7/15/2011	4/27/2011
10	Syniverse Technologies, Inc., US	The Carlyle Group LLC US	Hardware Domestic	100%	$2,600	1/13/2011	10/28/2010

Source: Thomson Reuters

Cross-border deals

US buyers focus inward amid domestic economic softness and global uncertainty

After a tumultuous 2011 which saw a dip in international technology transactions, cross-border deal activity continued to decline in 2012. Domestic transactions comprised 71% of deal volume and 76% of deal value in 2012 compared to 62% of deal volume and 67% of deal value in 2011. In particular, outbound (i.e., US entity acquiring foreign target) deal activity decreased 43% and cumulative deal value dropped 64%, as political and economic uncertainties surrounding the November 6th elections and the "fiscal cliff" undermined business confidence.

Outbound activity in 2012 consisted of 42 acquisitions at an average deal size of $291 million, compared to 74 acquisitions at an average deal size of $455 million in 2011. Decline in 2012 outbound activity was evident across all regions. In particular, US acquisitions into Europe declined by 43% as prior year arbitrage transactions fuelled by 2011 economic concerns in Europe phased out and US-based companies opted to preserve cash in anticipation of domestic political resolutions in 2012.

Inbound activity (i.e., foreign entity acquiring a US target) also declined 27%, with lowered interest from acquirers in Europe, Canada and other regions. Despite an overall drop in inbound activity, Asia increased its deal volume and value into the US by 38% and 240%, respectively, in 2012. Asian acquirers capitalized on weaker confidence in the US economy and expanded into US markets, driven primarily by strategic investments.

Although inbound activity declined, inbound deal value increased 89% largely driven by two sizable acquisitions by SAP, Ariba for $4.3 billion and SuccessFactors for $3.4 billion. While outbound volume and value dropped, several large acquisitions closed during 2012, including Cisco's $5 billion acquisition of the UK-based NDS and Aglient's $2.2 billion acquisition of Dako Denmark.

Cross-border deal activity in 2013 remains dependent upon a resurgence of confidence as well-funded US tech companies strategize following recent political action to avoid the looming "fiscal cliff". While we expect cross-border deal activity to rebound across the board, we'll likely see Asian companies, in particular, continue their strategic investments in the US.

US cross-border technology deal value

	2011					2012				
In $US millions, except #	Domestic	US as target	US as bidder	Net import (export)	Total	Domestic	US as target	US as bidder	Net import (export)	Total
Number of deals	190	44	74	30	308	175	32	42	10	249
Total deal value	$83,697	$7,771	$33,654	$25,883	$125,122	$76,494	$14,676	$12,230	-$2,446	$103,400
Average deal value	$441	$177	$455	N/A	$406	$437	$459	$291	N/A	$415
US as a target										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	24	8	9	3	44	12	11	6	3	32
Total deal value	$5,094	$847	$1,121	$710	$7,771	$10,803	$2,875	$487	$511	$14,676
Average deal value	$212	$106	$125	$237	$177	$900	$261	$81	$170	$459
US as an acquirer										
In $US millions, except #	Europe	Asia	Canada	Rest	Total	Europe	Asia	Canada	Rest	Total
Number of deals	42	16	9	7	74	24	7	8	3	42
Total deal value	$26,612	$2,855	$3,382	$806	$33,654	$10,103	$718	$957	$452	$12,230
Average deal value	$634	$178	$376	$115	$455	$421	$103	$120	$151	$291

***Excludes deals with undisclosed values & <$15m.**

Source: Thomson Reuters

Private equity

Amid declining technology deal activity, private equity buyers take a more prominent role

While still subdued compared to historical levels, financial buyers started 2012 stronger than 2011 as banks demonstrated a willingness to issue more high yield and leveraged financing, and private equity firms still held war chests of dry powder. However, activity slowed in the fourth quarter as the eurozone recession deepened, and firms anticipated spending cuts and tax increases.

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 2012. Private equity deals comprised 34% of total technology deals with disclosed values in 2012 compared to less than 25% in 2011. While private equity transaction volume increased 9% over last year, average deal size declined relative to the larger platform acquisitions seen in 2011.

While more diverse in previous years, sticky cash flows lured financial buyers away from other technology sectors to predominately focus on software and Internet buys. While 2011 volume and value was largely evenly spread across sectors, software and Internet transactions for private equity deals comprised 63% of volume and 76% of value in 2012.

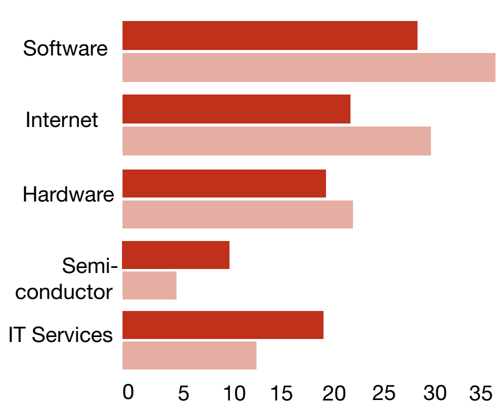
The largest direct private equity acquisitions of new portfolio companies in 2012 included:

- Advent and GS Capital acquired TransUnion, the widely known credit reporting agency, for $1.7 billion (excluding undisclosed assumed debt) in the second quarter.
- Permira acquired Ancestry.com, a genealogy website provider, for $1.6 billion in the fourth quarter.
- Permira and Technology Crossover Ventures acquired customer service software and contact center solution provider, Genesys Telecommunications Laboratories, from Alcatel-Lucent for $1.5 billion in the first quarter.
- Thoma Bravo and The Ontario Teachers' Pension Plan acquired Blue Coat Systems, a manufacturer and wholesaler of web-based security hardware appliances, for $1.3 billion in the first quarter.
- Veritas Capital Partners acquired the healthcare business of Thomson Reuters for $1.3 billion in the second quarter.

With some of the lowest credit rates in recent history and a significant stash of dry powder needing to be deployed in the coming year, tech-focused private equity firms are in a position to buy up technology businesses so long as valuation expectations from would-be sellers don't hamper expected returns.

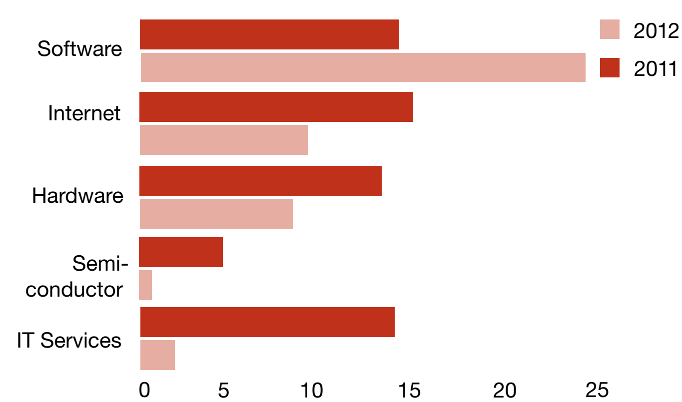
As we were concluding our 2012 roundup, and in particular considering the seemingly rich opportunities in 2013 for private equity funds, our forecasts were validated by the go private announcement from Dell. At $24 billion, the proposed transaction ranks among the largest private equity transactions in US history and while there are many chapters to yet be written before the transaction closes, the combination of slower growing enterprise and consumer technology companies and the need to adjust to the different paradigm required by cloud and mobile technologies should present a host of opportunities for private equity led turnarounds to be accomplished outside the bright lights of public shareholder expectations.

Private equity deal volume by sector



Source: Thomson Reuters

Private equity deal value by sector, $US millions



Source: Thomson Reuters

Divestitures

Divestiture activity increases as corporate buyers evaluate past acquisitions, plan for the future

Divestiture transactions (the sale or spin-off of a piece of a company, not the entire company) increased 59% in 2012 to near 2010 levels as overall M&A activity declined. 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 (311 in 2012 versus 201 in 2011) moved back in line with historical trends which point to rising divestitures in a declining deal market. The rise in divestiture activity in the latter half of 2011 continued into 2012 resulting in at least 19 divestitures, and as high as 35, in each month of 2012. Technology divestitures as a percent of total technology M&A volume rose from a low of 4% in the first quarter of 2011 to 22% in the fourth quarter of 2012.

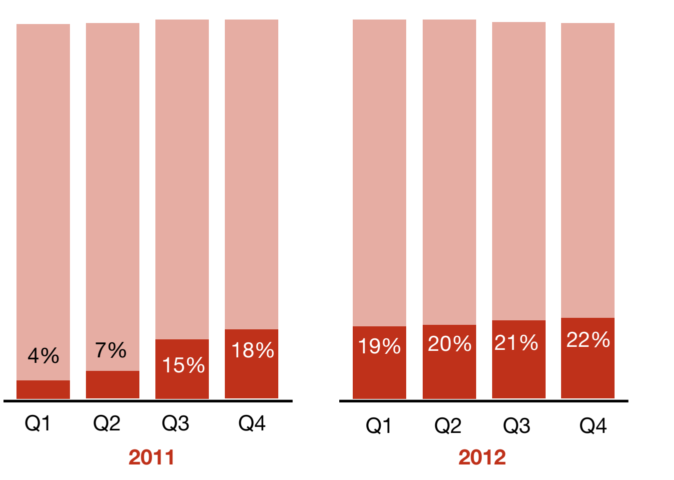
While 2011 divestiture activity seemed to be partially impacted by robust IPO activity, 2012 witnessed a decline in IPOs for the technology space in the latter part of the year. The decline in IPO activity may have helped contribute to a resurgence in divestitures. Cumulative divestiture deal value for transactions with disclosed values totaled $31.2 billion in 2012 compared to $18.5 billion in 2011, an increase of 95%.

The top 10 divestitures of 2012 represented nearly 60% of "this value, a decrease from 2011, when 80% of total disclosed deal value were represented by the top 10 divestitures.

Divestiture activity increased across technology sectors, with the software and Internet sectors generating the most divestiture activity, consistent with overall M&A in the technology space.

The pace of divestitures is likely to continue, if not increase, in 2013. After essentially a decade long industry consolidation, technology companies are poised to engage in what could be a significant surge in divestitures activity as they shed lackluster acquisitions and unwanted assets as a result of strategic realignment and adjustments to adapt to today's shifting technological landscape. In our October 2012 informal poll of technology Fortune 1000 companies, 75% reported expectations of divestiture activity in 2013. With technology corporate cash balances continuing to grow and a large amount of capital held by private equity funds waiting to be deployed in the coming year, we expect 2013 to be an important year for technology divestitures. For a further discussion of divestiture trends, please see our January 2013 whitepaper: "US Technology M&A Insights: Is the industry poised for a wave of divestitures?"

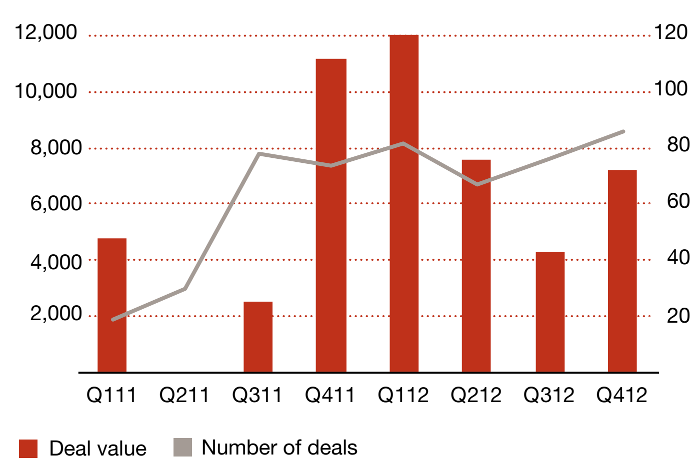
Divestitures as a % of total deal volume*



*Includes transactions with undisclosed deal values

Source: Thomson Reuters

Divestiture volume and value*



*Includes transactions with undisclosed deal values

**No deal values disclosed on Q211

Source: Thomson Reuters

Transactions with undisclosed deal values

Share of undisclosed value transactions increases as general deal volumes decline

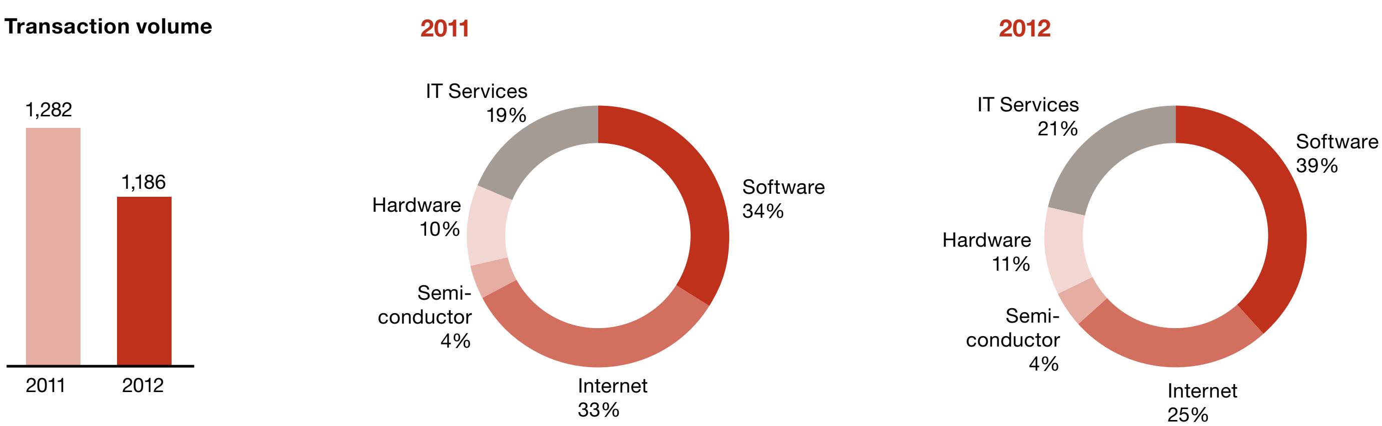
Throughout 2012, technology businesses continued to engage in a healthy level of acquisitions with undisclosed deal values, albeit at lower levels than 2011, ending the year with 1,185 transactions closed during the period. Although the number of transactions decreased 8% from 1,282 in 2011,undisclosed transactions made up a larger portion of overall transaction volume during the year.

In 2011, undisclosed transactions comprised 81% of total technology deal volume, an increase from prior year of 75%. In 2012, the percentage of undisclosed transactions increased again, this time to 83%. This trend can largely be attributed to a general decline in large scale M&A while technology players continued to maintain a focus on talent, critical IP and smaller portfolio acquisitions.

In 2012, transactions with undisclosed values were largely dispersed amongst technology buyers, with the top 20 corporate acquirers only comprising 10% of total undisclosed deal volume. Google, ever an active acquirer of both large and small companies, completed over 53 transactions (both acquisitions and purchases of intangible assets) with all, except the Google-Motorola Mobility transaction, undisclosed in terms of deal value. Other active corporate acquirers included Thomson Reuters, Groupon, IBM, and Facebook, all closing multiple deals with undisclosed deal values. Private equity club deals continued to play a role, despite being outpaced by corporate players.

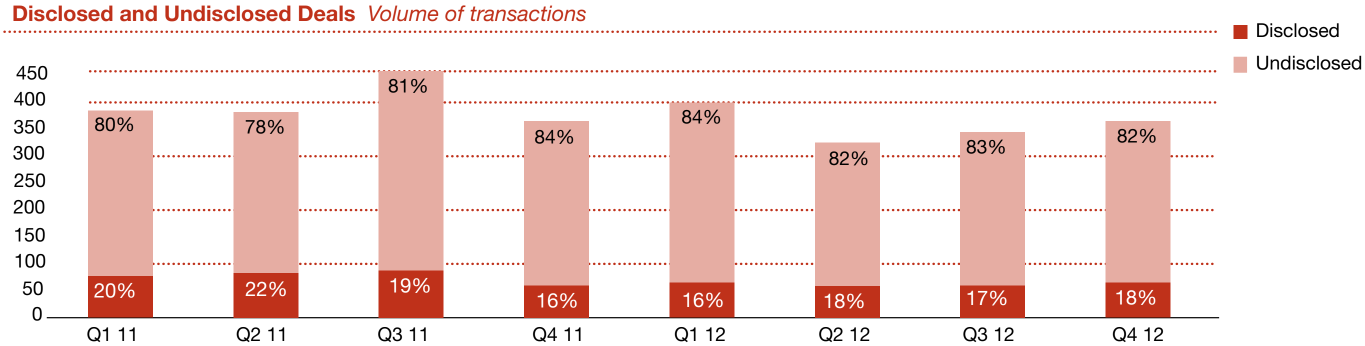
Similar to disclosed deal volumes, undisclosed deal volume was largely concentrated in the software and Internet sectors. Transactions with undisclosed deal values tend to be transactions with values lower than thresholds for financial reporting disclosure by corporate buyers and private equity acquirers that keep deal terms confidential. With the constant need for cutting edge technologies in a fast-paced environment, we expect to see M&A continue to play a critical role for technology businesses and see similar levels of undisclosed deal activity in 2013.

Undisclosed deals by volume and value



Source: Thomson Reuters

Disclosed and Undisclosed Deals *Volume of transactions*



Source: Thomson Reuters

Software

Sticky revenue, higher margins and a shift to the cloud push software deals ahead

Highlighting a broader shift in technology M&A away from hardware-focused transactions to cloud-based technologies, the software sector closed 2012 ahead of all other technology sectors. Software deals represented over a third of 2012 technology deals, generating 35% of deal volume and 36% of deal value for the year. The growth in software deal activity represents an increase from already elevated levels in 2011, in which software transactions represented 30% of deal volume and 33% of deal value.

On the heels of a high-volume, high-value year in 2011 for the software sector, which saw 93 total deals closed and cumulative deal value of approximately $40.8 billion, the software sector ended 2012 with 86 deals closed and cumulative deal value of $37.3 billion. Although volume and value in 2012 represent an 8% and 9% respective decrease compared to 2011, the software sector showed the most resilience amongst technology sectors amid a broader market of lower overall M&A activity.

Monthly deal volumes for software remained relatively even throughout the year with deal volumes typically hovering at 8-9 transactions per month and averaging just over 20 per quarter. Average deal value of $433 million for the year was slightly lower than 2011 levels of $438 million, but an increase in the number of deals in excess of $500 million helped to keep average deal values high. In fact, 2012 saw 18 deals (21% of volume) in excess of $500 million closed, the majority of which closed in the latter half of the year. Fourteen deals greater than $1 billion closed in 2012, an increase of 8 deals (133%) over 2011.

The largest software transactions closed during the year included:

- Cisco's acquisition of NDS Technologies, a provider of content management software to the satellite television industry, for $5 billion in the third quarter of 2012 (Cisco's largest acquisition since 2006).
- German enterprise software giant SAP's acquisition of Ariba, a cloud-based business commerce network provider based in California, for $4.3 billion in the fourth quarter.
- Dell's $2.4 billion acquisition of Quest Software, a developer of application and database management utilities, in the third quarter.
- The $1.9 billion acquisition by RedPrarie, a Georgia-based developer of logistics management software, of JDA Software, a supply chain and merchandising software provider based in Arizona, in the fourth quarter.
- The acquisition of SunGard Higher Education from SunGard Data Systems by Datatel (Hellman & Friedman) for $1.8 billion in the first quarter of 2012.

Additional billion-dollar-plus acquisitions by key technology players include IBM's $1.3 billion acquisition of Kenexa, VMWare's $1.3 billion acquisition of Nicira, and Microsoft's $1.2 billion acquisition of Yammer. Continued interest by both large and small technology firms in cloud technologies and high-margin software solutions remain a key contributor to software M&A.

Software deals outlook

Software companies will continue to push harder to integrate mobile and social into their product platforms in 2013. In conjunction with this move, software companies will continue to focus on industry vertical specialization. To the extent that mobile and social software capabilities can be coupled with an industry specific solution in mind, the more likely these capabilities will be acquired.

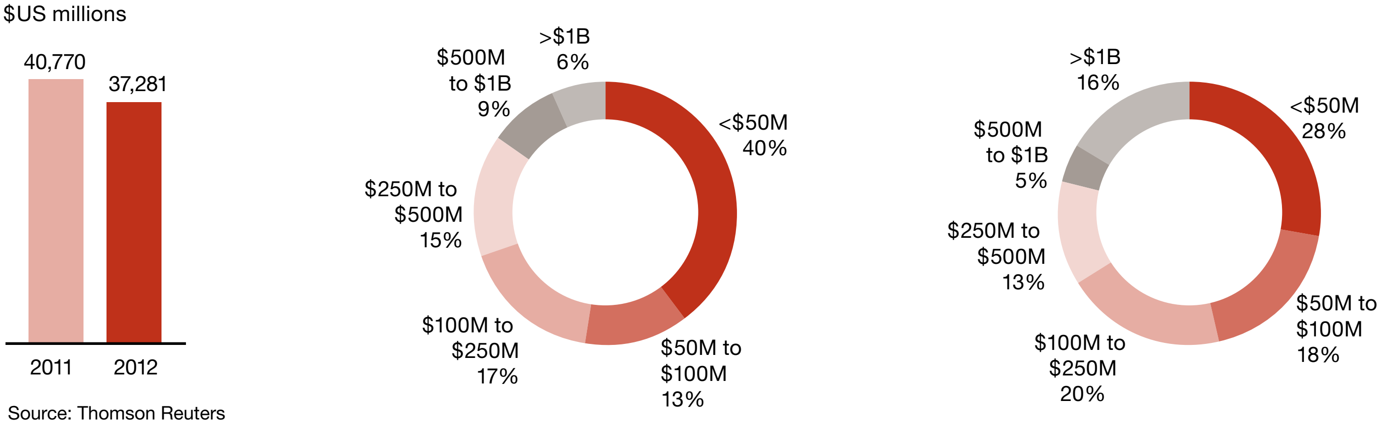
Likely to continue is a focus on plugging analytics gaps in software portfolios. While we have seen a big move from large integrated software vendors such as IBM and HP, there are still a number of significant companies that are looking to attach Big Data and data analysis features to their current platforms in order to make their offerings more attractive to clients. Look for Big Data to drive M&A in 2013 as well.

Software companies having a hand in as many parts of an ecosystem is sure to be an on-going trend in the coming year as companies look to control as many interaction points with core products as possible. This means, software companies will continue to look at hardware, services, supply chain, media and other content properties in order to increase their relevance and stickiness with customers.

Finally, there has been a recent trend toward software-defined businesses. Software is increasingly disrupting traditional hardware-based businesses and driving the delivery of the traditional hardware-based solution as a software based service. We saw this most prominently with the VMWare acquisition of Nicira. Look for this trend to continue in 2013.

Software sector deals by volume and value

Transaction value
$US millions

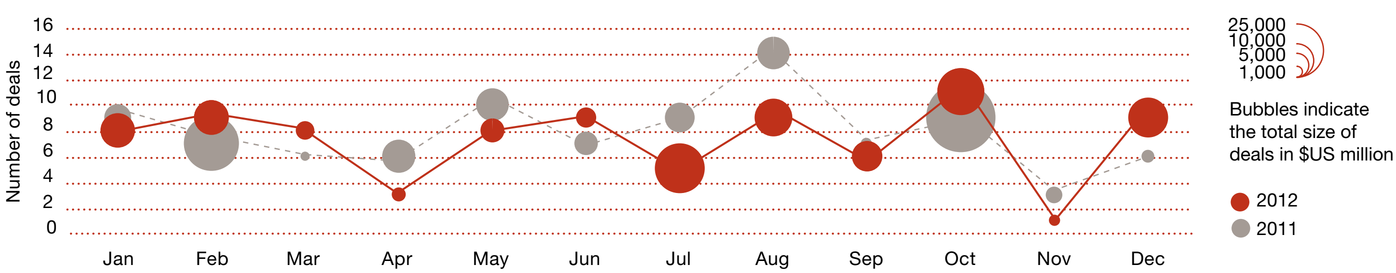


Source: Thomson Reuters

In $US millions, except # of deals	2011 Number of deals	2011 Total deal value	2012 Number of deals	2012 Total deal value
< $50M	37	$1,126	24	$746
$50M to $100M	12	$877	16	$1,046
$100M to $250M	16	$2,392	17	$2,891
$250M to $500M	14	$4,546	11	$3,754
$500M to $1B	8	$5,884	4	$2,420
> $1B	6	$25,946	14	$26,423
Total	**93**	**$40,770**	**86**	**$37,281**

Source: Thomson Reuters

Software sector deals by month



Source: Thomson Reuters

Internet

Proliferation of internet access points to drive deals

After several years of successive growth, the Internet sector saw its first annual decline coinciding with the overall technology sector. Following 2011,- the most active year in Internet M&A since the Great Recession—with 71 deals closed and an aggregate $22.9 billion in deal value, Internet deal activity declined in 2012 to 55 deals closed and $18 billion in deal value. The decline in volume and value represented a 23% and 21% reduction, respectively, for 2012 and was on par with the overall decline in M&A across the technology industry.

With deal value heavily weighted toward activity in the first half of the year, Internet monthly deal value declined from an average of $515 million during the first half of the year to $160 million during the second half while averaging 4-5 transactions per month. Average deal value for the full year increased slightly from $322 million in 2011 to $328 million in 2012.

Deals in excess of $1 billion caught the most attention wherein cumulative deal value decreased slightly by 5% from $12.2 billion in 2011 to $11.6 billion in 2012 and volume doubled from three to six transactions over the same period. Last year's deal value benefited from the large Microsoft-Skype transaction closed in the last quarter of 2011 for $8.5 billion. While billion-dollar deals were more prevalent, representing 11% of total deal volume in 2012 compared to 4% in 2011,they were not as sizable. The largest Internet transactions closed during the year included:

- SAP's $3.4 billion acquisition of Success Factors, a cloud-based human capital management solution provider, in the first quarter of the year.
- Oracle's $1.9 billion acquisition of Taleo Corp, a talent management cloud offering based in California, and direct competitor with Success Factors, during the second quarter.
- Oracle's $1.8 billion acquisition of RightNow Technologies, a cloud-based customer relationship management offering, during the first quarter.
- The $1.7 billion acquisition of TransUnion, by private equity firms Advent International and GS Capital in the second quarter.
- The acquisition of genealogy website provider, Ancestry.com, by private equity firm Permira Advisors for $1.6 billion in the fourth quarter of 2012.

The number of Internet transactions remained a large portion of deal activity in 2012, representing 22% of deal volume and 17% of deal value, relatively flat with 2011 levels. Internet deals continue to feed into a vast array of business strategies, from social networking and gaming, to cloud offerings and structured data. Proliferation of the number of Internet access points, the need for structured data to sustain competitive advantages, and the talent resident at Internet start-ups are likely to continue to provide M&A opportunities for Internet companies going forward.

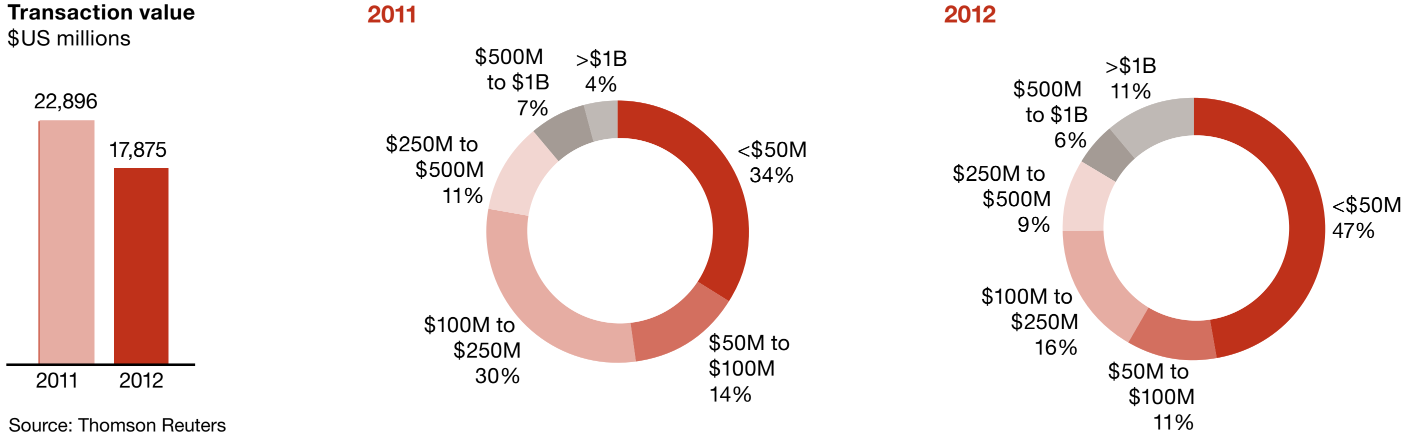
Internet deals outlook

Major Internet players will continue to build out their ecosystems in 2013, luring consumers through a combination of hardware and software, content and commerce. As an example of broad sector crossover by Internet majors, Google's recent acquisitions in e-commerce, the Motorola Mobility acquisition, Google's Fiber rollout, and Google Glass all provide evidence of such movements. As Internet heavyweights compete for consumers, they continue to build out their offerings, looking for what users will want 2, 5 and 10 years from now.

Driven by the success of social and mobile, local will get its share of attention in 2013, rounding out the Internet trifecta. Previous local acquisitions set the stage for early adopters to give way to mainstream consumption. Based on a combination of location, preferences, and social networks, local services will offer consumers coupons, recommendations, payment options, and more. Local small and medium businesses will benefit from the additional exposure and consumer insight, while Internet companies will in turn benefit from the relationship with local businesses, looking to turn their location service into additional ad revenue. Success with consumers will have more businesses looking for a presence in local consumption, most likely through social and mobile apps.

Finally, tech companies have always acquired start-ups, but over the past couple of years, some of the focus has shifted. Instead of being interested in the business assets, start-ups are just as often acquired for software and engineering talent. This now-common practice drives smaller acquisitions throughout Silicon Valley, as more established Internet companies absorb the talent for internal initiatives. We expect acqui-hires to continue to contribute to deal volumes for the Internet sector in 2013.

Internet sector deals by volume and value

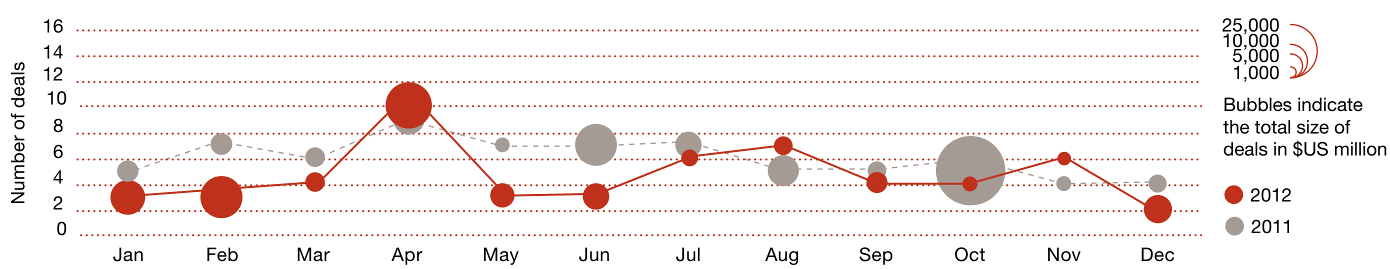


Source: Thomson Reuters

	2011		2012	
In $US millions, except # of deals	Number of deals	Total deal value	Number of deals	Total deal value
< $50M	24	$669	26	$738
$50M to $100M	10	$708	6	$451
$100M to $250M	21	$3,434	9	$1,367
$250M to $500M	8	$2,785	5	$1,712
$500M to $1B	5	$3,067	3	$1,971
> $1B	3	$12,232	6	$11,636
Total	**71**	**$22,896**	**55**	**$17,875**

Source: Thomson Reuters

Internet sector deals by month



Source: Thomson Reuters

Hardware and networking

Hardware looks to software to enhance user experience, build out ecosystems

Although the landscape for US technology deals in 2012 tilted away from traditional hardware businesses toward software and cloud-based services, the hardware and networking sector still closed 2012 with the second largest deal value, behind software. While deal activity declined, deals like Google's acquisition of Motorola Mobility at $12.9 billion, helped to buoy cumulative deal value resulting in a 50% increase over 2011. As a result, hardware and networking deals represented a third of total US technology deal value, while representing 18% of total technology deal volume in 2012.

The hardware and networking sector ended 2012 with a total of 45 deals closed at an average deal value of $759 million compared to 2011, wherein 53 deals closed at an average deal value of $323 million. Deal volume in 2012 was sporadically dispersed throughout the year with as few as one and as high as six deals closed in a given month and an average of 11 deals per quarter. While transactions were almost evenly split between the first and second half of the year, sizable transactions were largely closed in the first half of the year, representing 84% of total hardware and networking cumulative deal value in 2012. Even excluding Google's $12.9 billion acquisition of Motorola Mobility in the second quarter, the first half of the year represented 75% of remaining cumulative deal value.

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

- Google's acquisition of Motorola Mobility, a mobile technology solutions provider, for $12.9 billion in the second quarter.
- The $4.8 billion acquisition by Western Digital of California-based Viviti Technologies, provider of digital storage solutions, in the first quarter.
- Lam Research's acquisition of Novellus Systems, a manufacturer of chemical vapour deposition equipment, for $3.4 billion, in the second quarter.
- The $2.2 billion acquisition by Agilent Technologies of Dako Denmark, a Danish cancer diagnostics company, in the second quarter.
- Thoma Bravo's $1.3 billion acquisition of Blue Coat Systems, a provider of Web security and WAN optimization solutions, in the first quarter.

Additional billion-dollar-plus acquisitions by key technology players included Cisco's $1.2 billion acquisition of Meraki and VeriFone's $1.1 billion acquisition of Point International.

Hardware and networking sector outlook

For hardware and networking companies, 2013 begins right where 2012 left off. Facing increasing commoditization and more value add from software competitors, hardware and networking companies find themselves looking at more software and services offerings in order to better speak to customer demand and drive customer loyalty.

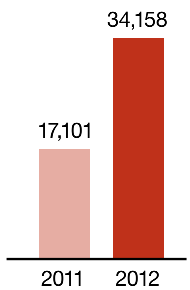
In fact, for data center customers, vendors are putting together converged infrastructure offerings in which many or all components can be bundled together and controlled via a single operating system and control panel. Here, the core functions of the data center all work together from the beginning and incorporate software and services on top of the hardware that is typically provided. We expect 2013 will bring more movement on this front as hardware vendors work to round out their converged data center offerings via continued M&A activity.

On a related note, very much like software companies, hardware vendors are focused on ecosystems as they work to drive value to their consumer customers. Companies like Apple, Samsung, Google, Microsoft and others have increasingly connected hardware, software and services to content, distribution and other key parts of the ecosystem in order to better control the user experience. We will continue to see this move forward in 2013 as traditional hardware companies look to remain relevant in the minds of fickle consumers.

Finally, from a networking and communications equipment perspective, we should continue to see consolidation in the telecommunication service provider market. Because of this we will see more disruption in pricing and relationships for networking and equipment vendors. This will force some consolidation in the hardware markets, but will also force vendors to look outside of their traditional core products to offer more value and entice customers to remain with them. Look for more M&A of the software and services that attach to networking platforms and potentially some consolidation of networking vendors in 2013.

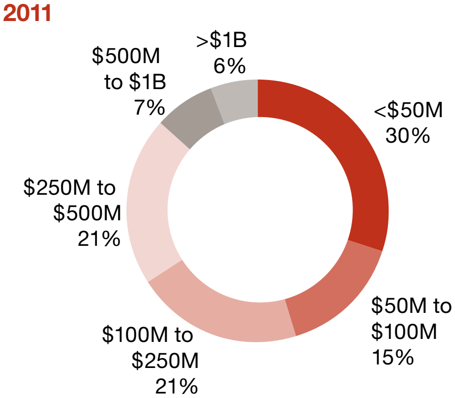
Hardware and networking sector deals by volume and value

Transaction value
$US millions

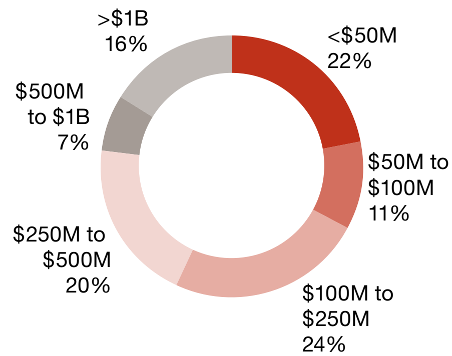


Source: Thomson Reuters

2011



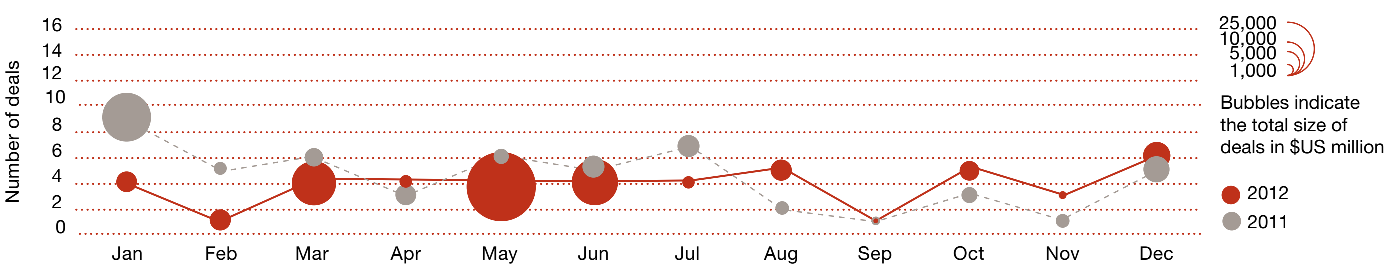
2012



	2011		2012	
In $US millions, except #	Number of deals	Total deal value	Number of deals	Total deal value
< $50M	16	$435	10	$279
$50M to $100M	8	$550	5	$339
$100M to $250M	11	$1,586	11	$1,645
$250M to $500M	11	$3,830	9	$3,015
$500M to $1B	4	$2,801	3	$2,006
> $1B	3	$7,900	7	$26,874
Total	**53**	**$17,101**	**45**	**$34,158**

Source: Thomson Reuters

Hardware and networking sector deals by month



Source: Thomson Reuters

Semiconductor

Deals take a back seat in 2012 as demand for semiconductors declines

After a year of somewhat elevated activity among chip manufacturers, the semiconductor sector once again returned to previously low deal levels. Over the past few years we have anxiously anticipated more robust activity from the semiconductor sector as both fab and fabless companies socked away cash and the market dynamics seemed ripe for robust consolidation amid strategic shifts in semiconductor technologies. While 2011 saw a total of 40 deals closed during the year with a cumulative deal value of $25.1 billion, 2012 dropped 20% and 68% on volume and value, respectively, resulting in 32 deals with cumulative deal value of $8.1 billion.

Momentum generated in 2011 carried into the first half of 2012, then tapered off into the second half of the year. Of the 32 deals closed in 2012, 18 (56%) closed in the first half of the year, comprising 75% of deal value. The semiconductor sector as a whole represented 8% of deal value in 2012 after a more proportional showing for semiconductor deals in 2011, wherein semiconductor transactions accounted for 20% of deal value.

The decline in cumulative deal value in 2012 can largely be attributed to a drop in large transactions for the sector. Last year, six deals closed in excess of $1 billion resulting in a cumulative deal value of $18.6 billion for these top transactions. This year, only one deal over $1 billion closed thanks to Broadcom's acquisition of NetLogic for $3.7 billion. As a result of this shift to the lower end of the deal spectrum, average deal size dropped from $626 million in 2011 to $253 million in 2012.

The largest semiconductor transactions closed during 2012 included:

- Broadcom's $3.7 billion acquisition of NetLogic, a fabless developer of high-performance processors for accelerating complex network traffic (e.g. streaming video), which closed in the first quarter.
- Provider of microcontroller, analog and Flash-IP solutions, Microchip Technology's acquisition of Standard Microsystems, a developer and manufacturer of connectivity solutions, for $939 million in the third quarter.
- The $495 million acquisition by Semtech, a supplier of analog and mixed-signal semiconductors, of Gennum, a developer of semiconductors for connectivity solutions, in the first quarter.
- Apple's $393 million acquisition of AuthenTec, a mobile security solutions firm, in the third quarter.
- LSI's acquisition of SandForce, a Provider of storage processors for flash and other data intensive applications, for $346 million in the first quarter of 2012.

Semiconductor sector outlook

After a disappointing turn for electronics and semiconductor demand in 2012, the semiconductor sector is largely left in the same position it was in at the close of 2011: unexpected weakness during the past year likely followed by moderate growth in the coming year. Whether or not this outlook changes as 2013 progresses remains to be seen. However, there are some fundamental trends that are likely to drive semiconductor vendors to M&A activity in 2013.

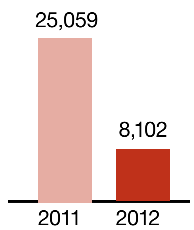
Traditional PC hardware for both consumer and enterprise environments continues to face a shift away from powerful, best of breed processing toward cheaper, more energy efficient chips. The obvious effect of this transition can be seen as earnings reports diverge among traditional architecture platforms and ARM-based mobile platforms, favorably benefitting the latter. We expect this trend will continue in the coming year and companies position accordingly in 2013.

We also expect to see continued activity along the intellectual property front for the semiconductor sector. After a number of high profile cases in 2012, we expect that semiconductor companies will continue to find patent and IP management an important focus area. Companies will continue to look for additions to their portfolios in order to bring in IP related to mobile technologies, emerging storage technologies, and potentially markets built upon the Internet of Things or machine-to-machine devices.

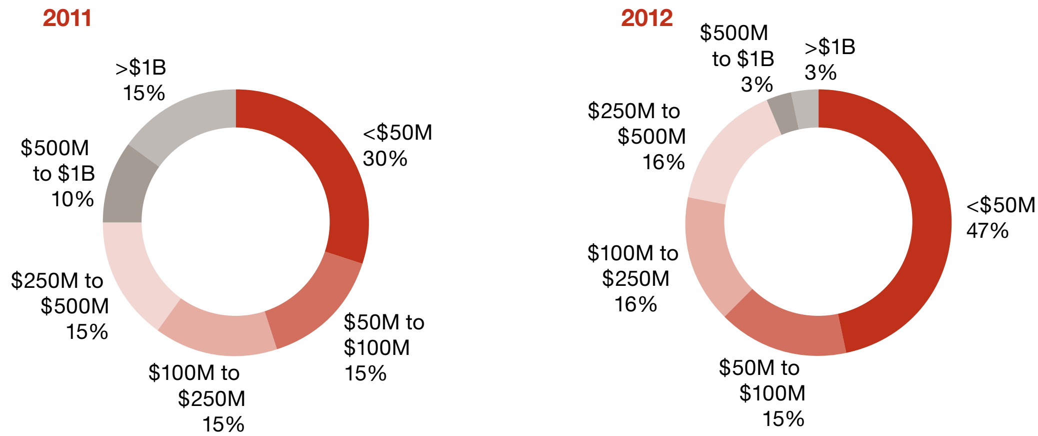
Finally, we are likely to continue to see communications markets drive growth faster than computing markets. While this has been the case for some time, given the tremendous growth of the smart phone and tablet businesses, we should continue to see vendors look to these areas to exploit growth through acquisition.

Semiconductor sector deals by volume and value

Transaction value
$US millions



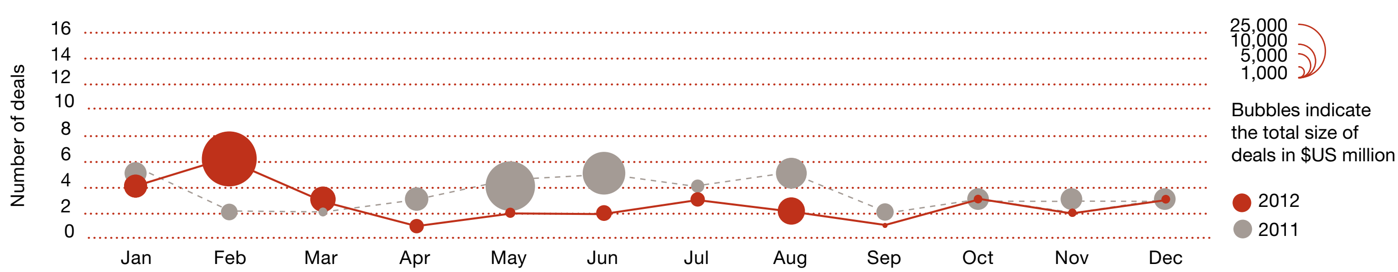
Source: Thomson Reuters



In $US millions, except # of deals	2011 Number of deals	2011 Total deal value	2012 Number of deals	2012 Total deal value
< $50M	12	$326	15	$509
$50M to $100M	6	$414	5	$347
$100M to $250M	6	$1,101	5	$778
$250M to $500M	6	$2,174	5	$1,851
$500M to $1B	4	$2,446	1	$939
> $1B	6	$18,597	1	$3,678
Total	**40**	**$25,059**	**32**	**$8,102**

Source: Thomson Reuters

Semiconductor sector deals by month



Source: Thomson Reuters

IT Services

Pending challenges create opportunities after a year of historic low deal activity

In yet another uncertain year and with the big players' bets on cloud services already placed, consolidation in IT services deals slowed, representing 12% of deal volume and 6% of deal value for 2012. IT services deals represented less than a third of the volume seen in 2011, in which IT services transactions contributed 17% of deal volume and 15% of deal value. IT services deals appeared to be lost in a fog of shifting priorities amongst key technology players looking to find solid footing in a largely software and Internet defined landscape.

With last year's activity already at a historical low with 51 total deals closed and a cumulative deal value of approximately $19 billion, the IT services sector ended 2012 with 31 deals closed and a cumulative deal value of $6 billion. Volume and value in 2012 showed a 39% and 69% respective decrease compared to 2011, the largest decrease amongst technology sectors.

Within the year, transactions averaged three per month and just over eight per quarter. There were very few large deals in the year with only one deal at $1 billion, compared to seven deals in excess of $1 billion in 2011. This drove a lower average deal value of $193 million for the year, about half of the 2011 average deal size of $387 million.

The largest IT services transactions closed during the year included:

- Equifax's acquisition of CSC's Credit Services business, for $1 billion in the last quarter of 2012.
- Amazon's acquisition of Kiva Systems, a robotics and automated warehouse solutions company, for $775 million in the second quarter.
- The acquisition of healthcare IT infrastructure provider maxIT by defense company SAIC for $487 million in the third quarter.
- NEC's acquisition of Convergys's global information management business for $449 million in the second quarter.
- Acer's acquisition of iGware, a cloud services provider, for $395 million in the first quarter.

IT services deals outlook

On top of a very difficult 2012 for IT services in terms of both volume and value, there still remain a number of challenges facing the industry as IT services firms look to remain relevant.

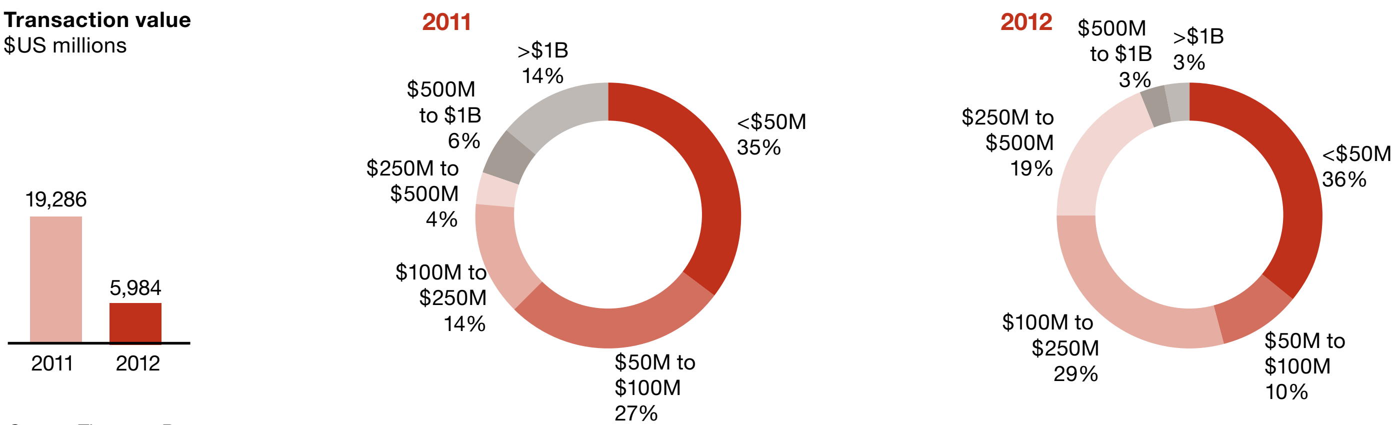
In the same way cloud is disrupting traditional packaged software and hardware-based businesses, cloud is also affecting professional services. As IT service firms work to find a place in this changing market, we are seeing continued middle-market acquisitions in areas such as cloud, mobile and social consulting.

In the same vein, IT service firms, like hardware and software vendors, are finding they still need to speak directly to industry vertical specifics in order to add value to clients. This could be another source of M&A activity as 2013 progresses, as firms pursue industry vertical expertise in order to remain relevant to clients. In particular, health care is an emerging opportunity where a great deal of spending will occur. While we have seen some movement in electronic health records, there is much more to do in terms of IT modernization and systems integration. Look for health care expertise to be a specific focus in 2013.

Also in an effort to remain competitive and relevant, IT service firms are looking to emerging markets for M&A in order to gain local market experience and expertise. While cost is still a driver, demand is also a growing factor as mature market firms look to expand internationally to drive growth and customer loyalty for large multinational company clients.

Finally, technology companies are increasingly looking to drive holistic solutions for clients. Broad-based technology businesses are continuously looking for value-added services to supplement existing product and service portfolios. Traditional IT services firms are expanding their reach to include other professional services that give them a more holistic offering for their clients. Management consulting at the operational and strategic level are increasingly a focus as firms look to drive client loyalty. Each of these factors will play a role in 2013 for technology M&A in the IT services space.

IT services sector deals by volume and value

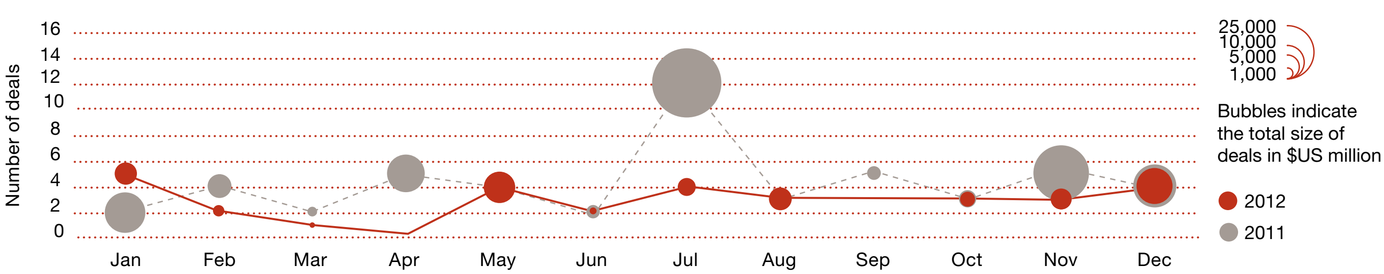


Source: Thomson Reuters

In $US millions, except #	2011 Number of deals	2011 Total deal value	2012 Number of deals	2012 Total deal value
< $50M	18	$486	11	$366
$50M to $100M	14	$1,000	3	$216
$100M to $250M	7	$1,152	9	$1,321
$250M to $500M	2	$617	6	$2,306
$500M to $1B	3	$2,112	1	$775
> $1B	7	$13,919	1	$1,000
Total	**51**	**$19,286**	**31**	**$5,984**

Source: Thomson Reuters

IT Services sector deals by month



Source: Thomson Reuters

Top 5 deals by sector for 2012

Top 5 software deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	NDS Group Ltd Europe	Cisco Systems Inc. US	100%	$5,000	7/31/2012	3/15/2012
2	Ariba Inc. US	SAP AG Europe	100%	$4,300	10/1/2012	5/22/2012
3	Quest Software Inc. US	Dell Inc. US	100%	$2,421	9/28/2012	7/2/2012
4	JDA Software Group Inc. US	RedPrairie Corp. US	100%	$1,935	12/21/2012	11/1/2012
5	SunGard Higher Education Inc., US	Datatel Inc. US	100%	$1,775	1/23/2012	8/5/2011

Source: Thomson Reuters

Top 5 Internet deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	SuccessFactors Inc US	SAP AG Europe	100%	$3,400	2/23/2012	12/3/2011
2	Taleo Corp. US	Oracle Corporation US	100%	$1,909	4/5/2012	2/9/2012
3	RightNow Technologies Inc. US	Oracle Corporation US	100%	$1,838	1/25/2012	10/24/2011
4	TransUnion Corp. US	Advent and GS Capital US	100%	$1,685	4/30/2012	2/17/2012
5	Ancestry.com Inc. US	Permira Advisers LLP US	100%	$1,554	12/28/2012	10/22/2012

Source: Thomson Reuters

Top 5 hardware deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	Motorola Mobility Holdings Inc. US	Google Inc. US	100%	$12,900	5/22/2012	8/15/2011
2	Viviti Technologies Ltd. US	Western Digital Corp. US	100%	$4,831	3/8/2012	3/7/2011
3	Novellus Systems Inc. US	Lam Research Corp. US	100%	$3,385	6/4/2012	12/14/2011
4	Dako Denmark A/S. Europe	Agilent Technologies Inc. US	100%	$2,200	6/21/2012	5/17/2012
5	Blue Coat Systems Inc. US	Thoma Bravo US	100%	$1,300	2/15/2012	12/9/2011

Source: Thomson Reuters

Top 5 semiconductor deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	NetLogic Microsystems US	Broadcom Corp. US	100%	$3,678	2/17/2012	9/12/2011
2	Standard Microsystems Corp. US	Microchip Technology Inc. US	100%	$939	8/2/2012	5/2/2012
3	Gennum Corp. Canada	Semtech Corp. US	100%	$495	3/20/2012	1/23/2012
4	AuthenTec Inc. US	Apple Inc. US	100%	$393	10/4/2012	7/27/2012
5	SandForce Inc. US	LSI Corp. US	100%	$346	1/4/2012	10/26/2011

Source: Thomson Reuters

Top 5 IT services deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	CSC Credit Services US	Equifax Inc. US	100%	$1,000	12/28/2012	12/3/2012
2	Kiva Systems Inc. US	Amazon.com Inc. US	100%	$775	5/1/2012	3/19/2012
3	maxIT Healthcare LLC. US	SAIC Inc. US	100%	$487	8/13/2012	7/17/2012
4	Convergys-Global Info Mgmt US	NEC Corp. Asia	100%	$449	5/16/2012	3/22/2012
5	iGware Inc. US	Acer Inc. Asia	100%	$395	1/12/2012	7/21/2011

Source: Thomson Reuters

Top 5 cross-border and private equity deals of 2012

Top 5 cross-border deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	NDS Group Ltd Europe	Cisco Systems Inc. US	100%	$5,000	7/31/2012	3/15/2012
2	Ariba Inc. US	SAP AG Europe	100%	$4,300	10/1/2012	5/22/2012
3	SuccessFactors Inc. US	SAP AG Europe	100%	$3,400	2/23/2012	12/3/2011
4	Dako Denmark A/S Europe	Agilent Technologies Inc. US	100%	$2,200	6/21/2012	5/17/2012
5	Ericsson Europe	Telcordia Technologies Inc. US	100%	$1,150	1/12/2012	6/14/2011

Source: Thomson Reuters

Top 5 private equity deals of 2012

	Target & region	Bidder & region	Acquired %	Value ($US mil.)	Closed	Announced
1	TransUnion Corp US	Advent and GS Capital US	100%	$1,685	4/30/2012	2/17/2012
2	Ancestry.com Inc. US	Permira Advisers LLP US	100%	$1,554	12/28/2012	10/22/2012
3	Genesys Telecom Labs Inc. US	Permira and Technology Crossover Ventures US	100%	$1,500	2/1/2012	10/19/2011
4	Blue Coat Systems Inc. US	Thoma Bravo LLC and OTPP US	100%	$1,300	2/15/2012	12/9/2011
5	Thomson Reuters-Healthcare Business US	Veritas Capital Partners LP US	100%	$1,250	6/6/2012	4/23/2012

Source: Thomson Reuters

About the data

We define M&A activity as mergers and acquisitions where targets are US-based companies acquired by 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, 2012, and supplemented by additional independent research. Undisclosed deal volumes are also based on completion date data provided by Thomson Reuters as of December 31, 2012. 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 others 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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