



# M&A Predictor: Global Technology, Media & Telecommunications

**2018 Annual Report/Sector Report**

Includes 2018 Q1 Update  
May 2018

**KPMG International**  
Deal Advisory

[kpmg.com/predictor-tmt](http://kpmg.com/predictor-tmt)



# Technology, media & telecoms



**Cyrus Lam**

*Global Technology Co-Lead and  
Managing Director*

KPMG Corporate Finance in the US

Cyrus is an investment banker specializing in software and services businesses and has more than two decades of cross-border M&A experience on both the buy and sell side.



**John Paul (JP) Ditty**

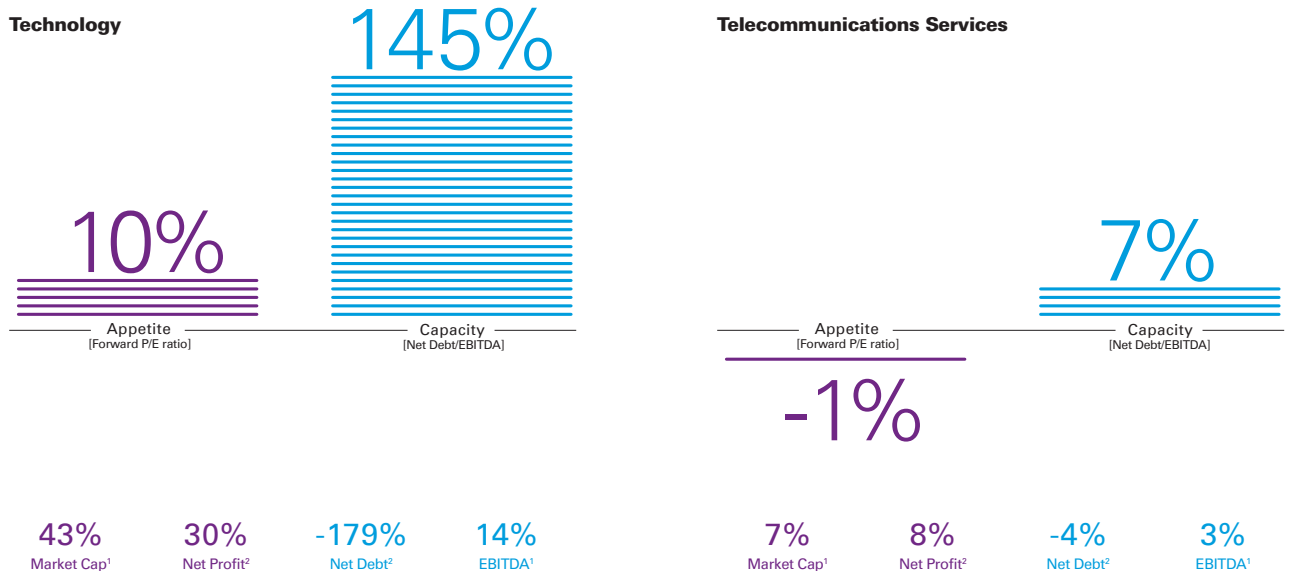
*Global Technology Co-Lead and  
Managing Director*

KPMG Corporate Finance in the US

JP is an investment banker with more than 17 years of experience in the Technology sector focused on mergers and acquisitions and private capital raises.

*“Despite the continuing abundance of ‘dry powder,’ whether private equity funds continue to have this impact in 2018 will partly be determined by what happens to interest rates.”*

~ Cyrus Lam, Global Technology Co-Lead



We expect the Technology and Telecoms sector to continue its strong M&A performance in 2018, following another year of significant activity that was fueled by a flurry of 2017 deal-making in the US.

According to the M&A Predictor, corporate appetite for M&A deals – as measured by forward P/E ratios – is expected to rise by 10 percent in the Technology sector versus 2017, while remaining flat in the Telecoms sector. The capacity of corporates to fund M&A growth – as measured by net debt/EBITDA – is expected to increase by 145 percent in Technology and by 7 percent in Telecoms.

Activity during Q1 2018 for Technology, Media and Telecoms (TMT) supports our outlook. The year got off to a strong start in Q1 with the total value of deals doubled to US\$247 billion versus Q1 2017. Volume of deals in Q1 2018 was down 8 percent versus Q1 2017 and average deal size was US\$87 million.

“There’s a lot of money sitting on the sidelines, a trend that has prevailed for the last few years,” says Cyrus Lam, Global Technology Co-Lead, noting the 2018 M&A Predictor’s outlook for capacity in Technology to increase by 145 percent.

Source: CapitalIQ and KPMG Analysis  
1. As at December 31, 2017 vs as at December 31, 2016 2. December 31, 2017 to December 31, 2018 vs December 31, 2016 to December 31, 2017

“Every year, private equity funds report increases in reserves of ‘dry powder’ despite spending record amounts in the previous year on acquisitions. They seem to have an unending supply of capital. The low-interest-rate environment and abundant availability of debt is also letting private equity play a significant role in acquiring technology companies.”

Over the past five years, private equity firms have become increasingly important buyers among Technology deals primarily, both from a global and US perspective.

“Despite the continuing abundance of ‘dry powder,’ whether private equity funds continue to have this impact in 2018 will partly be determined by what happens to interest rates – which are expected to rise in 2018 – and how new tax legislation will impact a private equity fund’s deal economics,” says Cyrus.

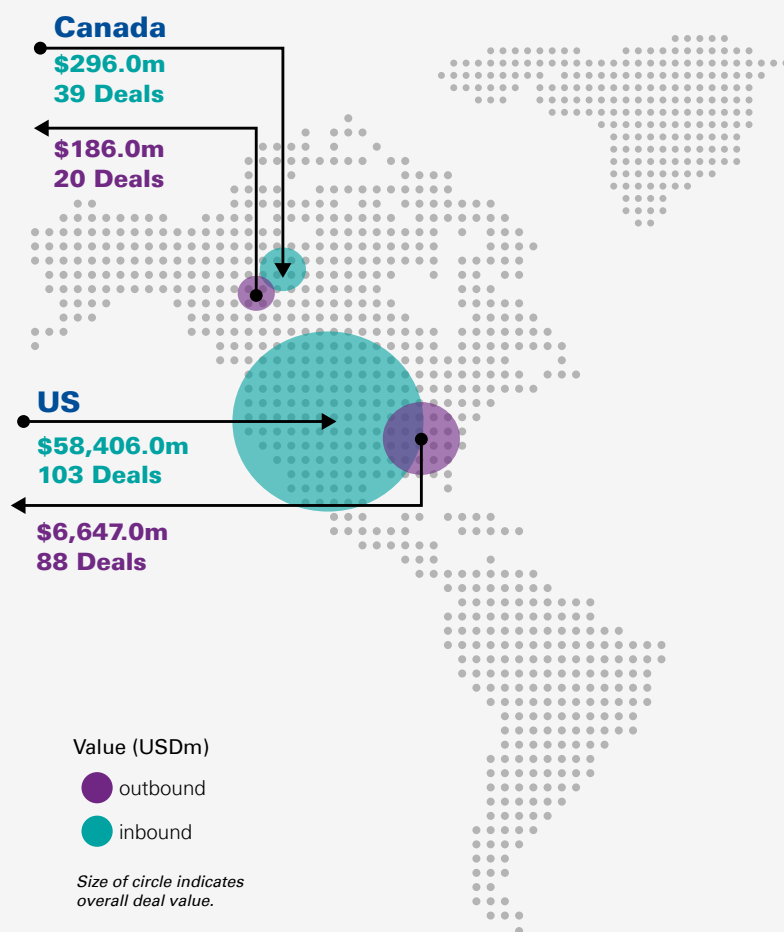
Cross-sector deals are expected to continue at a healthy pace as technology stalwarts attempt to disrupt traditional business models, while incumbent companies look to defend their business models and

retain competitive advantages by acquiring technology.

“Anything that allows existing firms to differentiate their products or services from new competitors is the goal,” says JP Ditty, Global Technology Co-Lead and Managing Director, KPMG Corporate Finance in the US, adding that on cross-border deals, we can expect much ongoing interest being directed at US firms, primarily by global players in China, Japan and India. All of these countries appear on KPMG’s list of Top Countries for Deals in 2017.

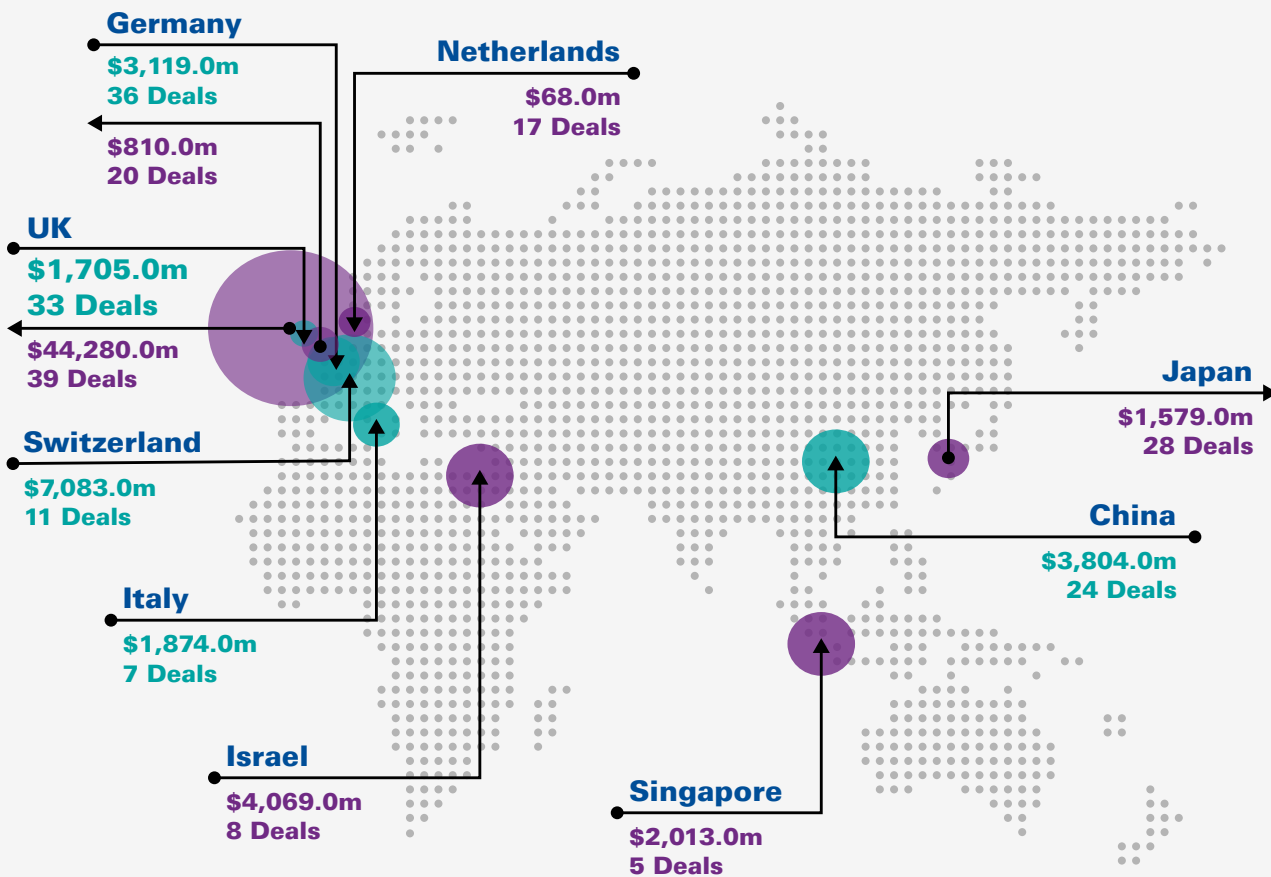
## Top Countries for Deals

LARGEST COUNTRIES OF ORIGIN	LARGEST DESTINATION COUNTRIES
BY \$	BY \$
<b>United Kingdom</b> \$44,280.0m	<b>United States</b> \$58,406.0m
<b>United States</b> \$6,647.0m	<b>Switzerland</b> \$7,083.0m
<b>Japan</b> \$6,153.0m	<b>China</b> \$3,804.0m
<b>Israel</b> \$4,069.0m	<b>Germany</b> \$3,119.0m
<b>Singapore</b> \$2,013.0m	<b>Italy</b> \$1,874.0m
BY #	BY #
<b>United States</b> 88	<b>United States</b> 103
<b>United Kingdom</b> 39	<b>Canada</b> 39
<b>Canada</b> 20	<b>Germany</b> 36
<b>Germany</b> 20	<b>United Kingdom</b> 33
<b>Netherlands</b> 17	<b>Japan</b> 28

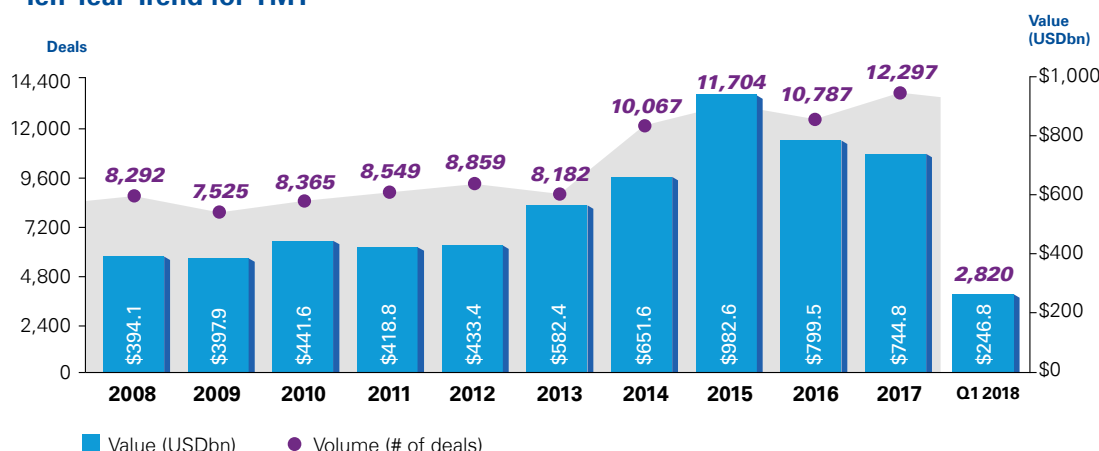


*“Although PE investors are complaining about how expensive things are on the buy side, they love the prices that their companies are garnering on the sell side and are generally selling anything not nailed to the floor.”*

~ JP Ditty, Global Technology Co-Lead



## Ten Year Trend for TMT



### Reviewing 2017

The sector in 2017 generally met expectations, with deal values and volume showing gains in the TMT sector.

The total value of deals in 2017 reached US\$745 billion, compared to US\$800 billion in 2016, while the number of 2017 deals increased to 12,297 from 10,787. Average deal size was lower at US\$60.6 million versus US\$74 million for 2016.

“Deal volumes and values were strong in 2017, with the US setting the pace amid a relatively flat global picture. We anticipate that trend continuing in 2018, with the US/ North America setting the pace on the number and value of deals,” Cyrus notes. “Overall technology deal

activity in the first three quarters of 2017 lacked the blockbuster deals seen in 2016 but this changed in the fourth quarter with the announcement of large public transactions.”

“Although PE investors are complaining about how expensive things are on the buy side,” JP adds, “they love the prices that their companies are garnering on the sell side and are generally selling anything not nailed to the floor. With that said – you always need a willing buyer and seller to complete a transaction, on both pricing and terms, so given the good volume, there is still equilibrium,” and this is expected to continue into 2018.

# Top deals

	Target Name (Stake %) Target Country	Bidder Name Bidder Country	Value (US\$ million)
1	<b>Sky plc (Bid No 2) (100%)</b> United Kingdom	<b>Comcast Corp</b> United States	<b>\$41,452.0</b>
2	<b>Ant Small &amp; Micro Financial Services Group Co Ltd (33%)</b> China	<b>Alibaba Group Holding Ltd</b> China	<b>\$19,800.0</b>
3	<b>Thomson Reuters Corp (Financial &amp; Risk business) (100%)</b> United States	<b>"Blackstone Group LP Canada Pension Plan Investment Board-CPIB GIC Pte Ltd"</b> United States	<b>\$17,500.0</b>
4	<b>TDC A/S (100%)</b> Denmark	<b>"PFA Pension Forsikrings A/S Pensionskassernes Administration A/S - PKA Arbejdsmarkedets Tillægspension - ATP Macquarie Infrastructure &amp; Real Assets Pty Ltd"</b> Denmark	<b>\$10,741.0</b>
5	<b>Microsemi Corp (100%)</b> United States	<b>Microchip Technology Inc</b> United States	<b>\$10,132.0</b>
6	<b>CSRA Inc (Bid No 1) (100%)</b> United States	<b>General Dynamics Corp</b> United States	<b>\$9,794.0</b>
7	<b>MuleSoft Inc (100%)</b> United States	<b>Salesforce.com Inc</b> United States	<b>\$6,807.0</b>
8	<b>Fuji Xerox Co Ltd (75%)</b> Japan	<b>Xerox Corp</b> United States	<b>\$6,100.0</b>
9	<b>NEX Group plc (100%)</b> United Kingdom	<b>CME Group Inc</b> United States	<b>\$5,864.0</b>
10	<b>DST Systems Inc (100%)</b> United States	<b>SS&amp;C Technologies Holdings Inc</b> United States	<b>\$5,619.0</b>

# How can KPMG help

At KPMG firms, we think like investors, looking at how opportunities to buy, sell, partner or fund a company can add and preserve value. Our teams of specialists combine a global mindset and local experience with deep sector knowledge and superior analytic tools to help you navigate a complex, fragmented process. KPMG professionals can help with business strategy, acquisition strategy, plans for divestments or for raising funds.

## Further reading

Please visit the Global Deal Institute to find the latest thought leadership around the complexity of today's deal environment, including:



### **M&A Predictor/2018 Annual Report with Q1 2018 update**

The full report contains a global overview and sector reviews for 4 other key global sectors. The online version also provides interactive charts for cross-regional and cross-sector deal tracking.

[kpmg.com/dealsinstitute](http://kpmg.com/dealsinstitute)



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