

# TECHNOLOGY M&A HIGHLIGHTS

Q1 FY18

BDO's quarterly Technology M&A Highlights provides a targeted snapshot of M&A activity in the Asia region, with a detailed focus on Australia.

## ASIA M&A HEAT MAP



**Q1 FY17**  
**139 M&A**  
**TRANSACTIONS**  
**ACROSS ASIA**  
**\$39.2 BILLION**

**Q1 FY18**  
**134 M&A**  
**TRANSACTIONS**  
**ACROSS ASIA**  
**\$38.0 BILLION**

One of the largest transactions announced during the quarter took place in Japan. Being the third largest economy in the world, Japan houses many large corporate conglomerates such as Toshiba, Sony and Nintendo.

Toshiba, headquartered in Tokyo, provides a diverse range of products and services including consumer electronics, medical equipment, power infrastructure systems as well as information technology.

Toshiba fell into technical insolvency in December 2016 (negative shareholders equity) due to a significant impairment charge on its nuclear power business. Lenders agreed to continue supporting the group on the basis of asset disposals being made.



As part of a strategic review, Toshiba's management placed its prized memory chip unit up for sale. In September 2017, a deal was reached to sell a 60% equity stake to a consortium of investors led by US private equity firm, Bain Capital, for \$13.5 billion. The consortium included Apple, Dell Technologies, Seagate Technology, Japan's Hoya Corporation and South Korea's SK Hynix.

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## AUSTRALIA

### TECHNOLOGY M&A ACTIVITY

#### M&A activity decreased significantly in Q1 FY18

Although there was a large outlier transaction announced in Q1 FY17 of \$1.2 billion involving SAI Global, M&A activity was particularly low in Q1 FY18 by comparison.

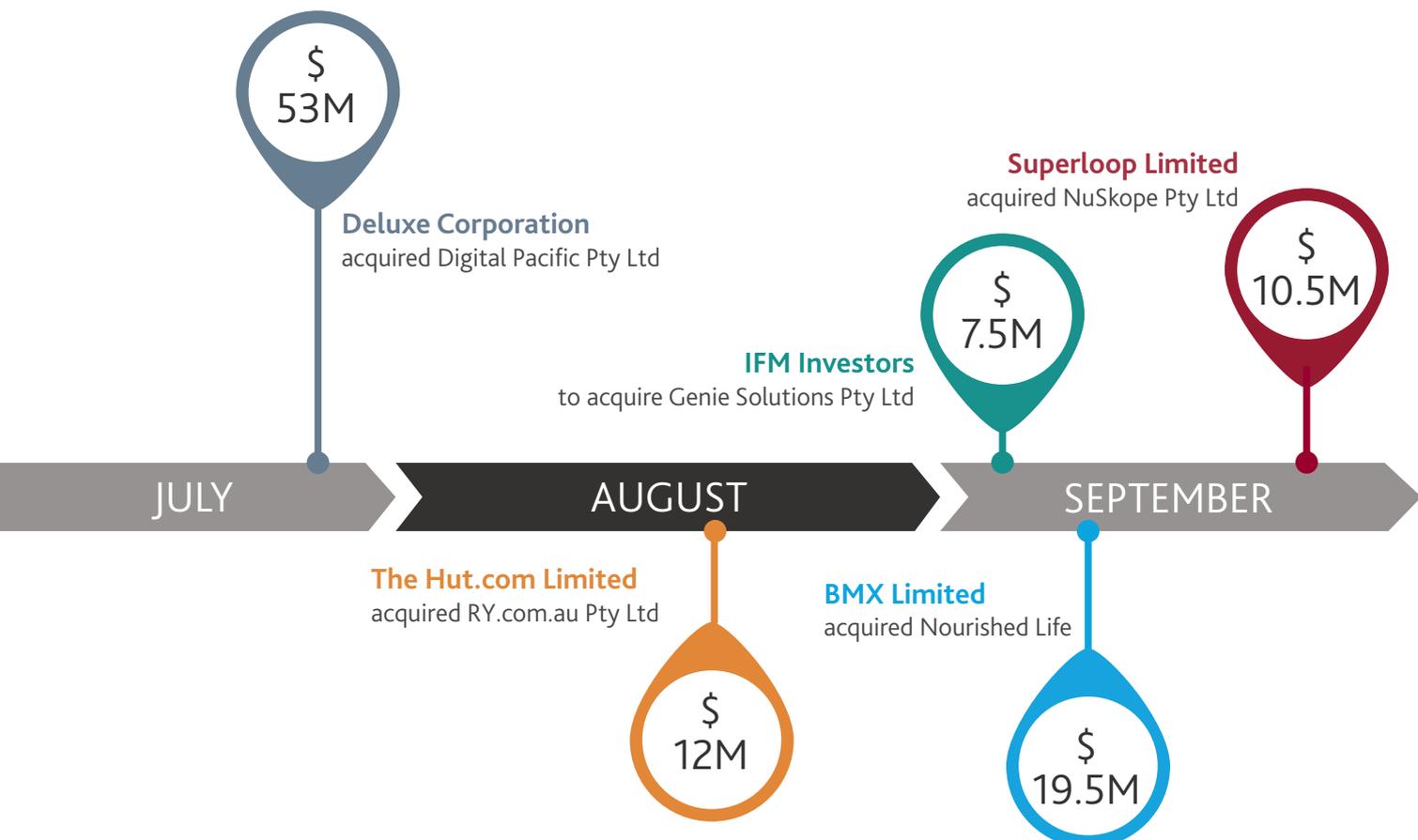
Frothy valuations in the technology industry globally have slowed capital investments in the sector. Investors are considering stable industries such as agriculture, consumables and infrastructure a safer bet for funds over the longer term at cheaper valuations.



\*Median EBITDA trading multiple for all ASX listed technology companies with market capitalisation greater than \$50 million.

### NOTABLE TRANSACTIONS

An interesting transaction announced during the quarter involved the acquisition of Digital Pacific, a data hosting company based in Australia by Deluxe Corporation, a wholesale web service provider headquartered in the USA. Global M&A activity is booming within the data hosting sector due to the ever expanding data storage needs of the consumer in today's technology enabled society. The industry is relatively fragmented with many smaller operators and investors are employing a "roll up" acquisition strategy to capitalise on opportunities.



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