

Tech Companies and M&A Trends

By **Connie A. Porter**, Associate
Christopher P. Reuscher, Partner

One of this year's top trends in the mergers and acquisitions arena has been the pursuit of technology companies by private equity. At the end of the first half of 2016, tech companies accounted for 46% of all U.S. buyouts, the highest level it had been at since 1995, according to Dealogic. Private equity researcher Preqin reports that private equity firms have raised nearly \$83 billion for tech buyout and growth funds since 2010. Dell made headlines in 2013 with its going private deal, but other tech public companies, such as SolarWinds, Informatica, and Tibco, have also followed suit. On average, according to Dealogic, tech companies are being purchased for an average price-to-sales ratio of 2.9 since 2000.

What are the advantages of going with a private equity purchaser for a tech company versus the highly touted IPOs that had been the trend? Informatica's management team has provided interviews recently indicating that going private has been good for their customers because it allowed management to focus on business solutions and to spend more time with customers, rather than with Wall Street analysts. Rather than educating a multitude of public investors about new product offerings, the company can focus on educating customers. Tibco's management team has publicly stated that having private equity investors have allowed them to focus more on long-term goals. The trade-off for these advantages is that although these companies no longer have to answer to investors quarterly with short term profits and revenue, there may be some loss of media attention and customer familiarity with the company brand. However, in the highly competitive and innovative arena that defines the technology market, the ability to adapt quickly and to embrace innovation rather than short-term growth offers some definite competitive advantages.

Roetzel has experience in assisting sellers looking to partner with financial investors to grow their business, as well as representing private equity purchasers in this active area of the M&A market. Please contact one of the listed attorneys below if you have questions about the process of a sale or purchase of a tech company.

Authors

Connie A. Porter
caporter@ralaw.com

Christopher P. Reuscher
creuscher@ralaw.com

Media Contact

Ashley McCool
amccool@ralaw.com