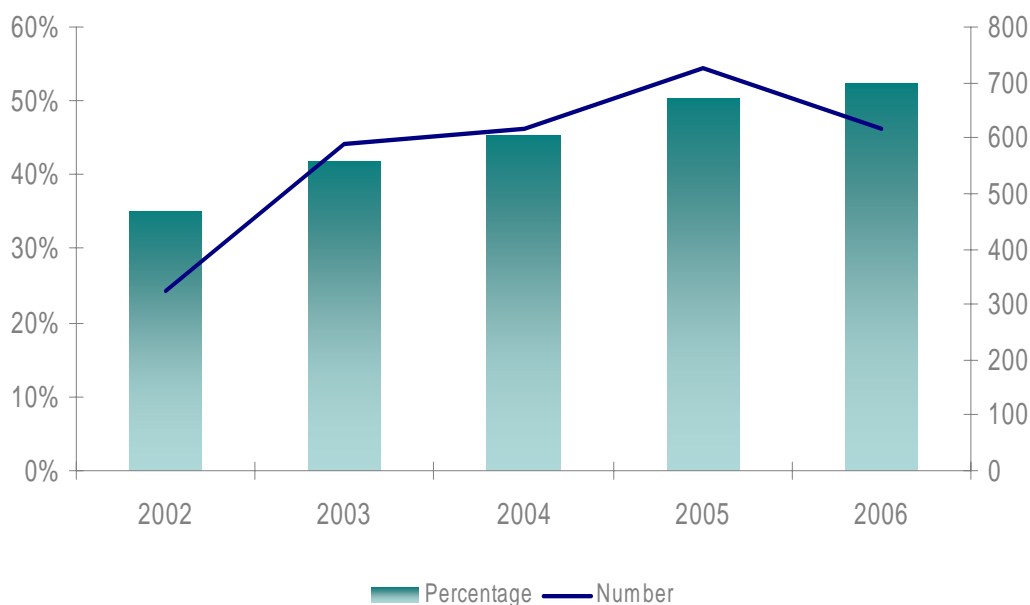




The overall mergers and acquisitions feast of 2006 has been spectacular with activity levels ahead 30% on last year and exceeding those at the height of dotcom mania six years ago. The technology sector has had a good year for M&A in 2006 but not a spectacular one, there are few signs of the feeding frenzy seen in other sectors. This time, the market activity is more widespread across various sectors and has been funded by waves of private equity cash which has been fed by low interest rates worldwide

One of the major features of 2006 in the technology sector in UK has been the continuation of the increase in cross-border activity levels, particularly in US but increasingly also from India. In total, some 52% of all technology mergers and acquisition activity in UK was cross-border in 2006. At ICON we have seen even stronger trends with four of our last five trade sales being to overseas acquirers. In fact, in our most recent sale all four bidders were overseas technology businesses. On the funding side we are also seeing increased cross-border activity and we start 2007 with several European clients.

Cross Border UK Technology Deals



In the UK technology sector Sage was the second busiest trade acquirer in 2006 and showed a healthy appetite for US deals, including Emdeon a healthcare software business for which it paid over £300m. LogicaCMG was also looking overseas, acquiring WM Data in Scandinavia and Unilog in France for over £1bn in total. The largest technology deal in 2006 was also cross-border; the sale of the old Marconi telco equipment business to Ericsson for £1.2bn. Foreign buyers seem to justify premium valuations (particularly for recurrent income streams) and one of the most attractive deals of 2006 was cross-border, namely the sale of telco software business Cramer Systems to US listed Amdocs for a healthy 5 x historic sales. Indian buyers were also active, including Subex who acquired telco software business Azure Solutions for £77m or 4 x sales.



Top UK Technology Acquirers in 2006

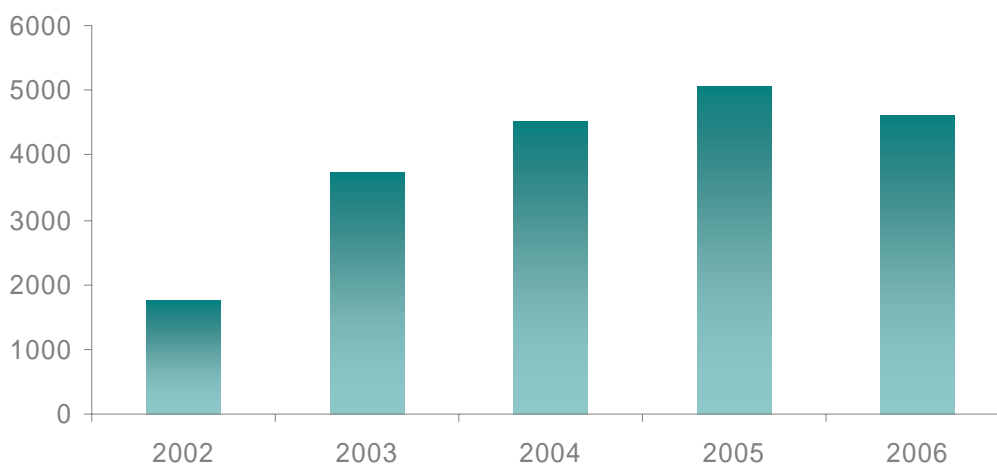
Acquirer Name	No of Acquisitions
Experian	6
Sage	5
British Telecom	4
Vodafone	4
Pipex Communications	4
Maxima	4
LogicaCMG	4
The Innovation Group	4
Computer Software Group	4

Top Global Technology Acquirers in 2006

Acquirer Name	No of Acquisitions
Microsoft	14
Oracle	13
KPN	13
IBM	12
HP	9
EMC	9
3M	9
Cisco	7
Verisign	7
Google	7

Experian was the hungriest of the UK buyers in 2006. Its £100m acquisition of ClarityBlue at a hefty 3.3 x historic sales in January was the first of six acquisitions in the year in a bid to bulk up its business ahead of its £6bn listing and demerger from GUS. Consolidation has been a popular theme on both sides of the Atlantic. In the UK, several of the smaller and medium sized software groups have each made 4 acquisitions to build market share; including Maxima, The Innovation Group, and Computer Software Group in their niches of Managed Services, Insurance and Not For Profit. Other consolidators include Civica and Calyx who have focused on relatively larger deals buying Comino and Network Partners respectively.

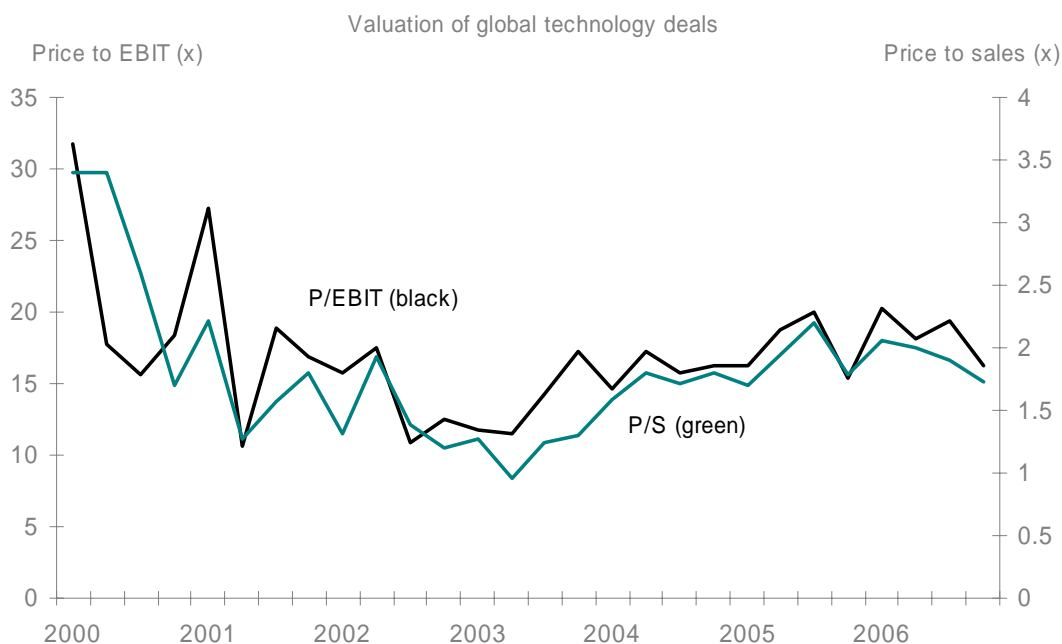
Global Technology Deals





Many will be surprised to learn that British Telecom have been so acquisitive. They have acquired a range of tech businesses from security software in US to online equipment sales (Dabs.com) and listed Plusnet for £67m. The telecoms sector in general recovered from the recent lows and activity accelerated with Sky acquiring Easynet for £211m, Pipex acquiring Caudwell for £100m, Vodafone acquiring Yes Telecom in UK (and several big overseas deals) and Kingston Communications acquiring managed services business Smart 421 for 2.2 times historic sales. Convergence is again a key focus in networks and new and old media is also converging with old style media companies like DMGT continuing to hungrily acquire digital assets.

The number of global deals in the technology sector has surprisingly fallen a little in 2006 compared with 2005 but with over 4,400 transactions it has been another busy year in the sector. The overall value of deals was very similar in 2006 compared with 2005 although, as the chart below shows, transaction valuation multiples in the sector are a long way from the previous market highs.



The largest global technology deal in 2006 was Alcatel's acquisition of Lucent at \$11.5bn. Other large transactions of note in the year included Cisco's acquisition of Scientific Atlanta for \$5.3bn, HP acquired Mercury Interactive for \$4.5bn, IBM acquired FileNet and ISS for a total of \$2.9bn, EMC acquired security software business RSA for \$2.1bn and Oracle acquired Stellant, Portal and Metasolv for a total of \$880m. However, inevitably memories of 2006 will focus on a few high profile deals and in particular Google's \$1.6bn all stock acquisition of YouTube at an eye popping 200x historic revenues.

2006

Technology
Sector M&A
Overview



The M&A party currently shows no sign of slowing (although it inevitably will) and so if you are thinking of a corporate finance transaction, now is a good time to finalise your plans and time your run before the fat lady starts to loosen her vocal chords.

On behalf of all of the ICON team, best wishes for a prosperous 2007.

December 2006

Note: The information and opinions in this report were prepared by ICON Corporate Finance Ltd. The data was provided by Zephyr, a Bureau Van Dijk database product and public sources. We have endeavoured to provide accurate and timely information but we cannot guarantee it. The brief sector overview is provided for information purposes only.

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FORTHCOMING EVENTS

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