

Software M&A Retains Strength in First Half of Year

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Mergers and acquisition activity in the software industry remained at a relatively high level through the first six months of the year, bucking a slowdown in M&A transactions generally. According to Mergerstat, the category of "computer software, supplies and services" was the largest industry segment for M&A transactions in the first half of 2002.

Driven by competitive pressures, technological convergence and market demand for integrated, enterprise-wide solutions, many software companies are seeking merger partners, while current valuations have made acquisitions more attractive. Successful completion of these transactions demands careful management of the risks inherent in M&A, as well as a comprehensive understanding of the specialized nature of the software business, including the importance of key personnel and intellectual property.

According to Global Securities, in the first half of 2002 six M&A transactions for software companies (SIC Code 7372) valued in excess of \$150 million were announced. As one of the nation's premier counsel to software companies, Hale and Dorr is proud to have advised clients in four of these six transactions:

On June 10, **SilverStream Software** (Nasdaq: SSSW), a leader in web services-oriented application development, announced that it had agreed to be acquired for \$221 million in cash by Novell (Nasdaq: NOVL), the leading provider of Net business solutions. The transaction, structured as a cash tender offer, is subject to regulatory and other customary conditions and is expected to be completed in July.

On June 10, **SkillSoft** (Nasdaq: SKIL) and SmartForce (Nasdaq: SMTF), both leading providers of e-learning solutions to the Global 5000, announced they had agreed to merge in a stock-for-stock transaction valued at \$413 million. Subject to regulatory and shareholder approvals and customary closing conditions, the transaction is expected to close in the third quarter of 2002.

On May 29, Mentor Graphics (Nasdaq: MENT), a world leader in electronic hardware and software design solutions, completed its \$156 million cash tender offer for **Innoveda** (Nasdaq: INOV), a worldwide leader in electronic design automation technology, software and services.

On May 14, **OTG Software** (Nasdaq: OTGS), a leading provider of data storage, data access and

email management solutions, was acquired by Legato Systems (Nasdaq: LGTO), a worldwide leader in enterprise storage management software, in a stock and cash merger valued at \$455 million.

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