

MWS Tracker Spotlight: NTT acquires Dimension Data

July 19, 2010

Financial Overview:

Transaction Value	Enterprise Value:
Revenue:	EV/Revenue:
EBITDA:	EV/EBITDA:
Deal Premium: 1 Day-	7 Day- 30 Day-

Deal Overview:

Nippon Telegraph & Telephone Corp. (TSE: 9432) said it will acquire Dimension Data Holdings plc (JSE: DDT) for \$3.2 billion in cash. Dimension Data specializes in IT services and solutions and helps their clients plan, build, support, and manage their IT infrastructures. Dimension Data will operate as a wholly own subsidiary, and the deal is expected to close by the end of October 2010. NTT said that the purchase price of \$3.2 billion will be funded by existing cash and debt. Dimension Data is headquartered in London and Johannesburg and posted sales of \$4.2 billion and EBITDA of \$268.2 million for the LTM period ending March 31, 2010. NTT's purchase price implies an Enterprise value to Revenue multiple of 0.7x and an Enterprise value to EBITDA multiple of 10.4x.

As NTT specializes in managed network services, data centers, system integration, and mobile services and Dimension Data in IT services, the acquisition has resulted in a combination of two companies with complementary services. NTT will not only be able to potentially provide its services to Dimension's 6,000 already existing clients (including 60% of the companies ranked in the Fortune Global 500 listing) but also provide Dimension's services to NTT's 3,000 global multinational clients. In addition, Dimension's geographic coverage extends to Africa, the Middle East, and Australia – areas where NTT currently does not reach.

10.7x EV/EBITDA represents 53% premium to the EV/EBITDA median multiple for similar large publicly traded IT Services Companies:

MWS Perspective:

With this acquisition, NTT will now be able to make a smoother transition into the quickly growing cloud computing services market, which according to TechSci Research is expected to more than double by 2014 from its current market of \$20 billion in 2009. In addition to acquiring Dimension Data's IT services component, NTT will also be able to expand its geographic reach to three new regions – Africa, the Middle East, and Australia.

Furthermore, since the two companies have little overlap in their services, they will be able to cross-sell their services to each of their newly acquired client bases. By doing so, NTT can expect significant growth in the future. In addition to revenue growth, the combined entity should expect significant cost savings through consolidating back-office operations and other redundant costs associated with running two large public companies.

About Martin Wolf Securities:

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