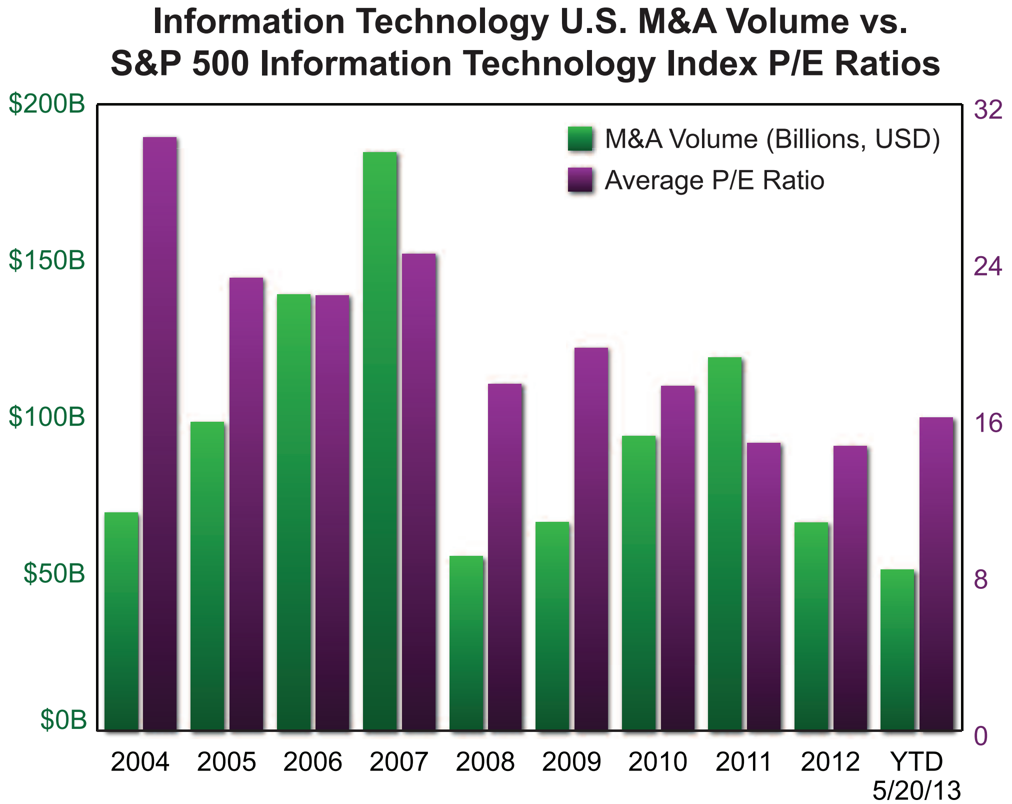
This Indicator Shows That Interest In Technology Companies Is Rebounding



Sources: Bloomberg and S&P Capital IQ.

View from the Observation Deck

1. S&P Capital IQ reported that $51.4 billion worth of U.S. mergers were announced so far in 2013 (thru 5/20) in the information technology (IT) sector, up from $17.9 billion at this point last year.
2. S&P estimates that IT deal volume in 2013 will approach $133.9 billion, the highest since 2007. From 2004-2012, the U.S. IT sector averaged $99 billion per year in M&A deal volume.
3. Since 2004, the biggest year for deal volume was the $184.6 billion registered in 2007. The weakest year for volume was the $55.8 billion announced in 2008, the first year of the recession.
4. Information Technology companies in the S&P 500 alone held $437.0 billion in cash and equivalents at the end of 2012, according to S&P Dow Jones Indices.
5. This is an indication that companies have the means to make acquisitions.
6. One of the takeaways from the chart is that technology companies are willing to pay up for acquisitions, as evidenced by the 24.25 average price-to-earnings (P/E) ratio in 2007 (see chart).
7. But they are much less expensive today. The trailing 12-month P/E on the S&P 500 Information technology Index is currently 15.99, well below its 10-year average of 22.07, according to Bloomberg.

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