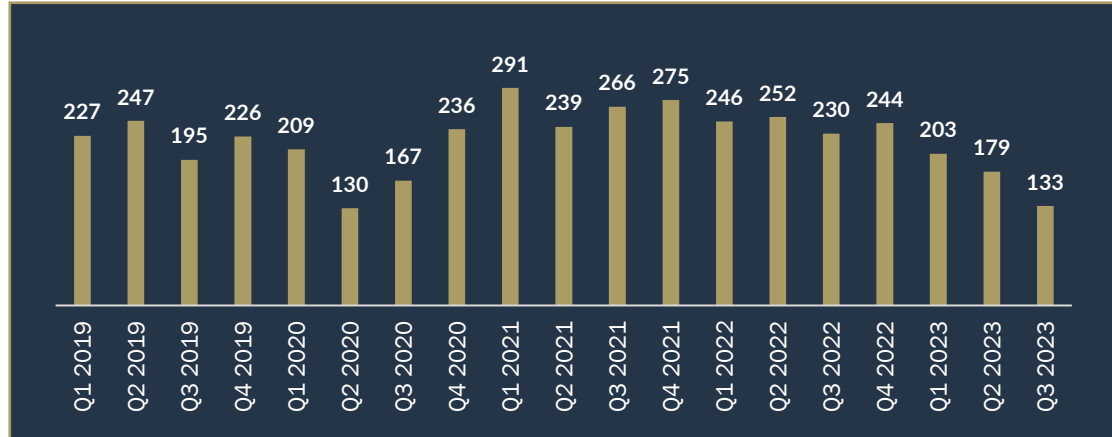


UK Technology M&A Snapshot Q3 2023



UK Tech M&A Transactions

UK Tech M&A deal count has weakened in 2023



Analysis of UK Tech M&A deals



515 transactions announced in 2023 YTD

Summers are quieter in M&A. This year was no different, despite the soggy weather. The biggest headwind though (to continue the weather analogy) was the fall in US bond markets. Although inflation is falling, it is still high and investors now believe rates will have to stay 'higher for longer'. As a result, rates are at 20-year highs and longer dated bond yields are over 100bp higher than 6m ago. Investors no longer expect significant rate cuts ahead, dampening the big US tech rally.

The number of UK Tech deals was down 25% in Q3. Since the peak in 2021, the biggest change has been a collapse in the number of PE led deals, which accounted for nearly half of all deals in 2021 but only 23% in Q3. Much higher funding costs have taken their toll.

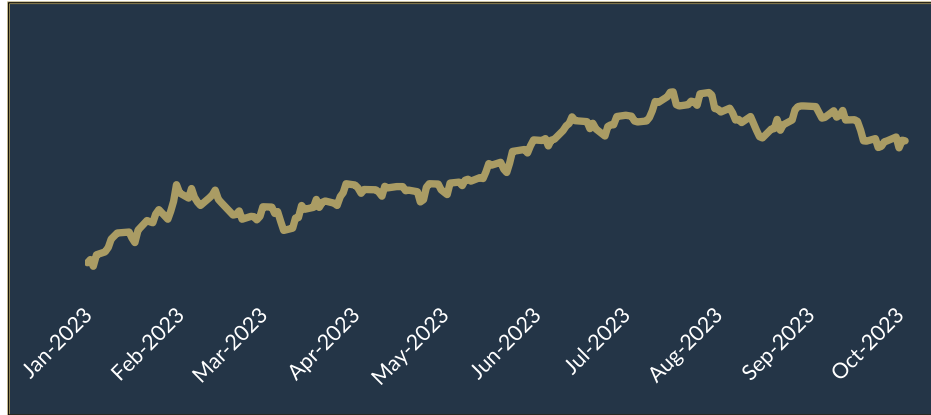
Cross border deals still account for over 40% of deals and remain a key driver. The key feature has been the on-going demand for DataTech and mid-market sized acquisitions in services (software engineering and ITMS) from large US corporates like **Accenture**, **Thomson Reuters**, **Informatica**, **Insight** and most recently **Ellucian**. These quality acquirers have lots of cash.

Although the frenzy of leveraged PE backed deals has cooled, it is still active, with for example: **Macquarie**, **CapVest** and **ECI** making notable acquisitions and AirtIT and Node4 continuing to do in-fill deals. Listed companies like **Gamma**, **dotDigital** and **idox** have also closed more deals with less PE competition.

Zero interest rates don't look like returning any time soon and so this may well be the 'new normal'.

Ripples over the pond

NASDAQ +27% 2023YTD



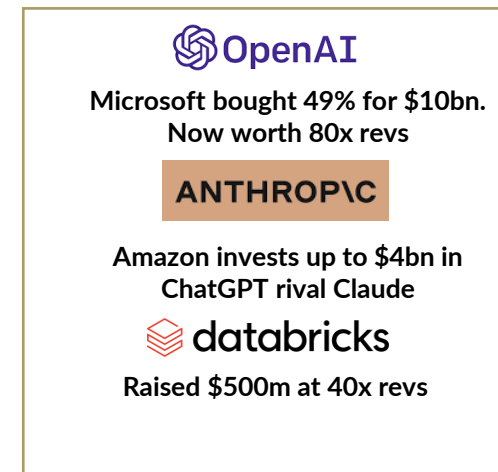
NASDAQ bounces 27% as investors seek AI inspired growth

- Nearly 50% of buyers of UK Tech companies are from overseas. So, it is perhaps no surprise that there is a correlation between what is happening over the pond and future UK M&A deal flow.
- NASDAQ remains a good barometer of buyer confidence. H1 2023 was the best first half performance in the NASDAQ since 1983, with a fantastic rise of +32%. It is still up 27% YTD as interest rate expectations adjust.
- There are signs that the higher equity values are starting to feed into the confidence with some mega M&A activity, for example Cisco's acquisition of Splunk for \$29bn or nearly 8x revs.
- The IPO market has been dead, but there are also some signs of life in Q3 with high profile listings of ARM and Instacart.
- Excitement over AI is reaching bubble territory with some eye watering valuations, albeit based on selling only a sliver of equity.

Some Q3 mega deals at punchy valuations



AI excitement

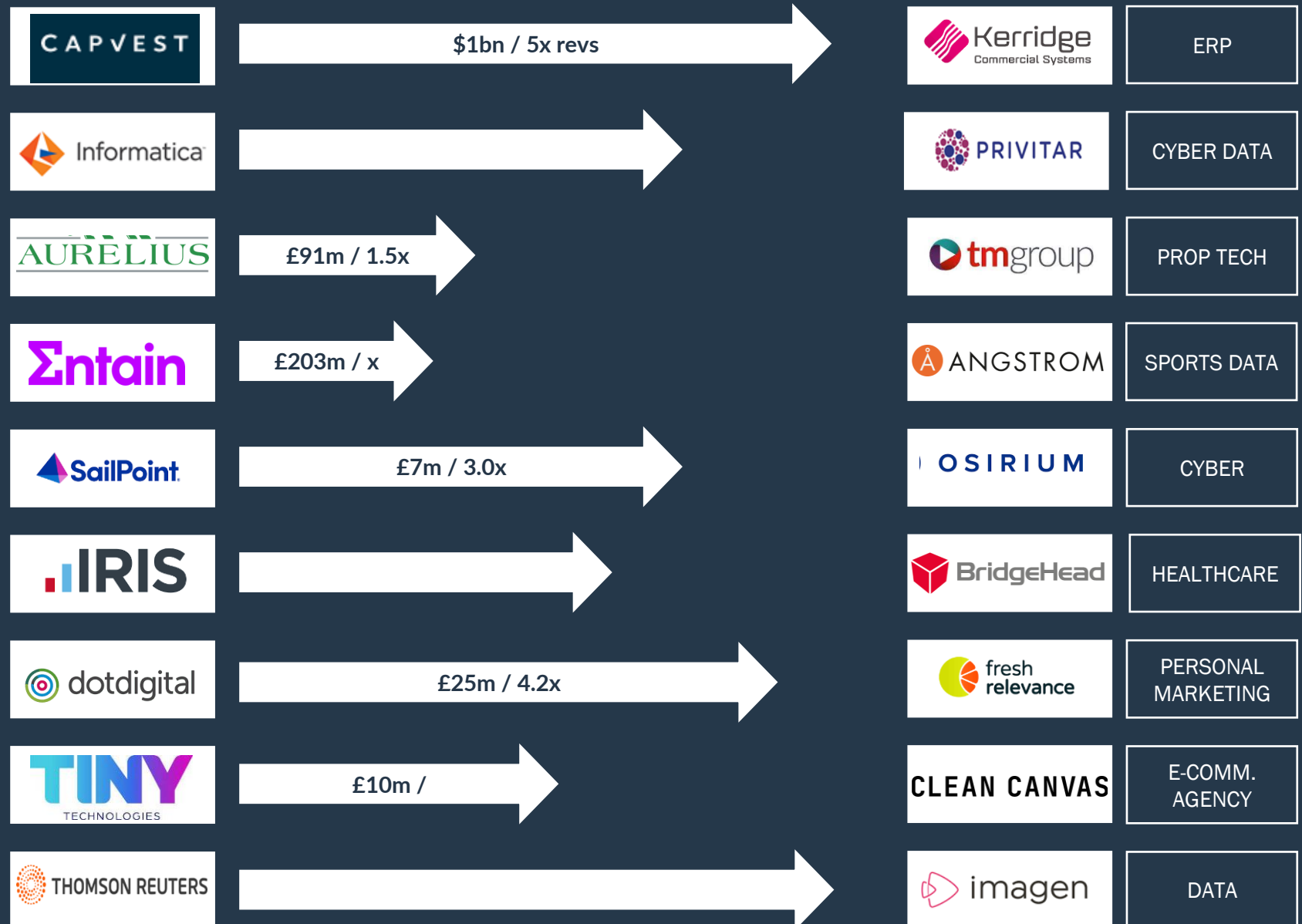


Uptick in IPOs



UK Software Q3

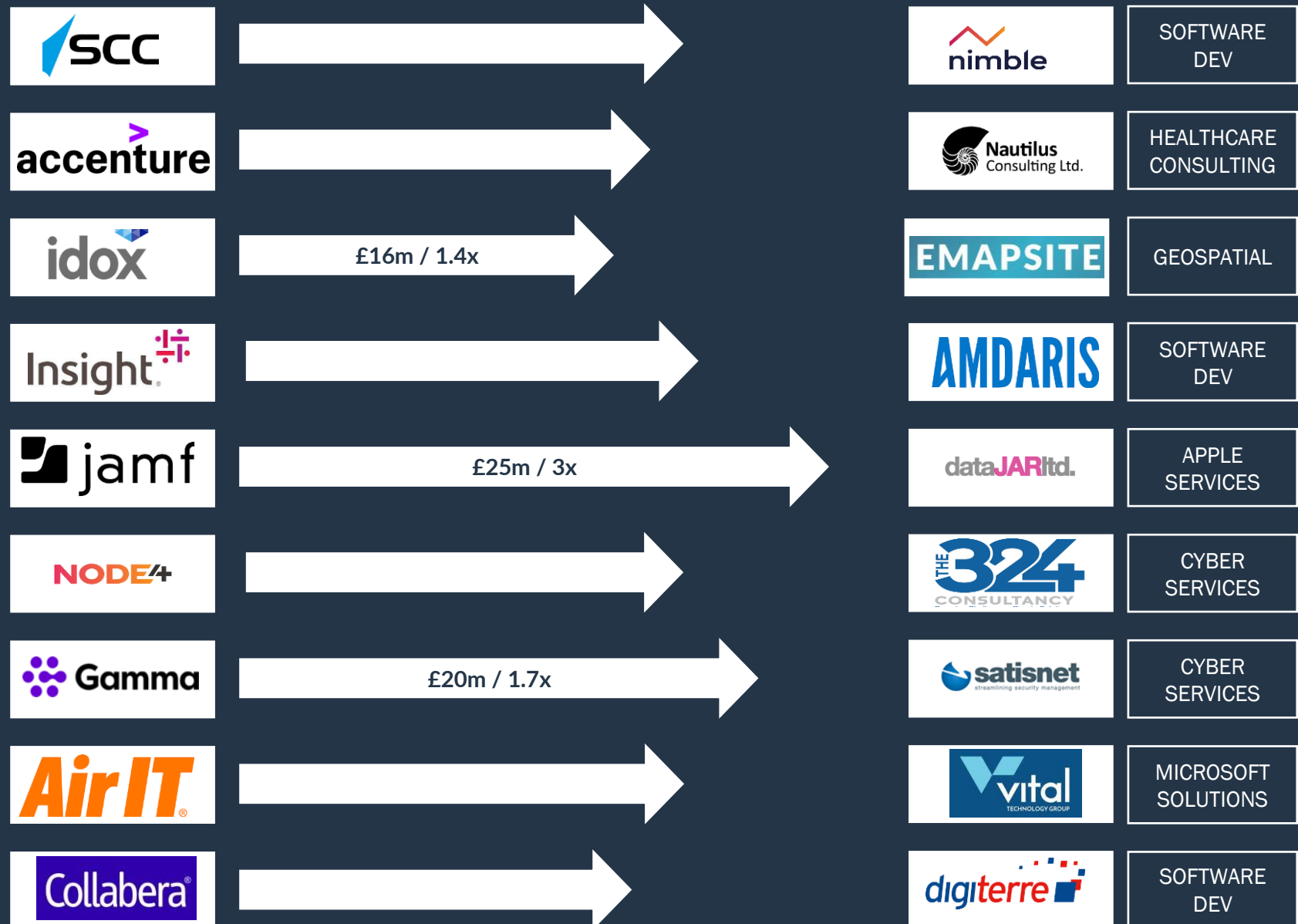
- Software M&A activity in Q3 was helped by large overseas corporate acquirers. Companies like **Accenture**, **Verisk**, **Thomson Reuters** and **Informatica** are taking up the slack as PE backed buyers digest the impact of higher interest rates.
- Having said that, **CapVest** acquired **Kerridge** from Accel-KKR in a \$1bn deal that valued the ERP software provider to distributors at circa 5x revenues. Kerridge themselves made 13 acquisitions, including Compiler just a few months ago.
- There is lots of interest in dataTech, which is at the heart of many deals. In particular, **Angstrom** sale of its sports data business to **Entain** for over £200m. **Thomson Reuters** acquired **Imagen** which has a media asset management platform that manages video content (which now accounts for 60% of all data). **Informatica** acquired **Privitar**, which protects data and manages privacy risk.
- TM Group** (property search) and **Emapsite** (GIS data) were sold to **Aurelius** and **idox** respectively at circa 1.5x revenues. That's lower than the 3-5x ARR we typically see in software, reflecting their services component.



UK Services Q3

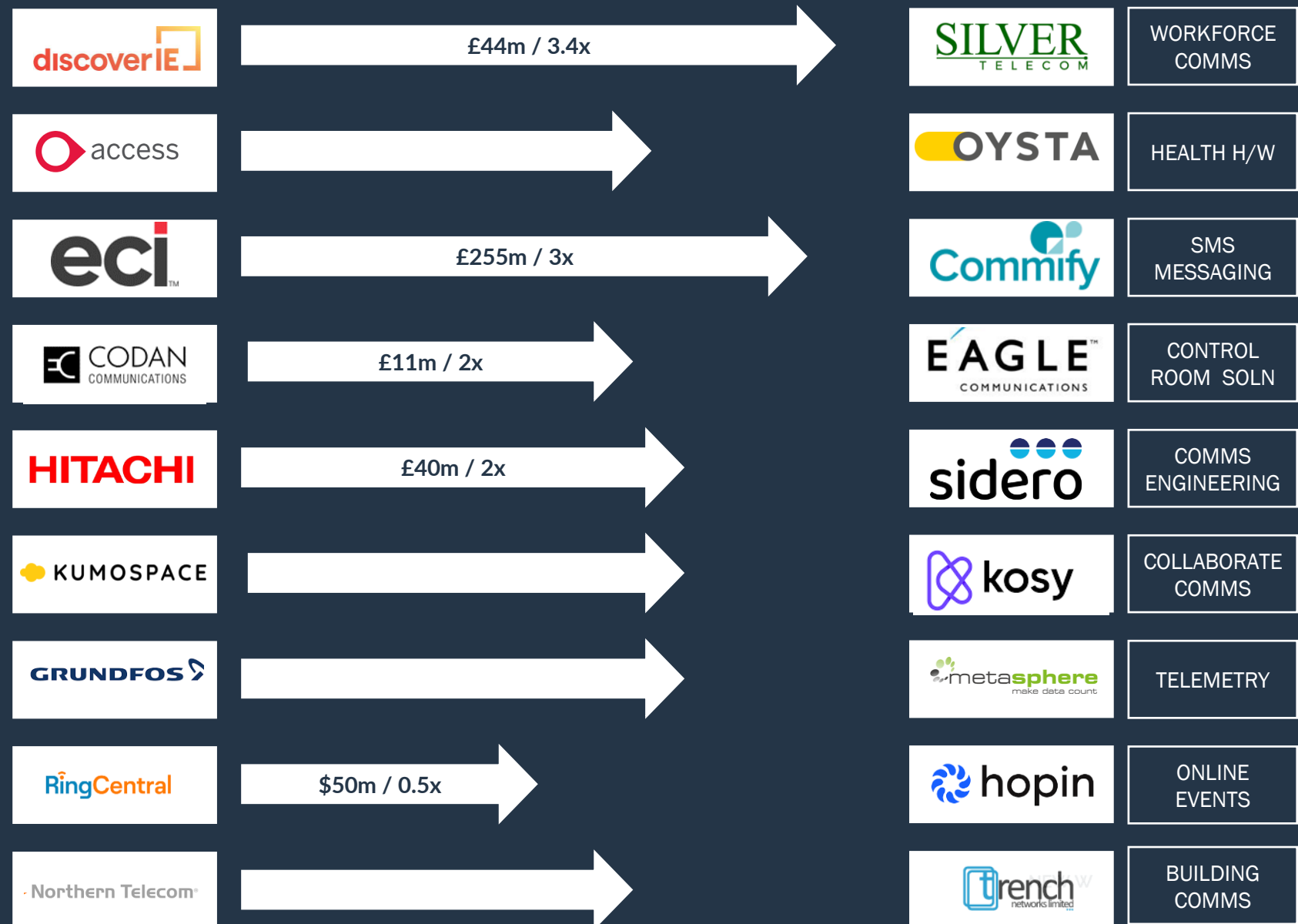
In Q1, there were quite a few Microsoft services deals; the acquisition of TechQuarters by Babble a notable example. In Q2 Brillio and BearingPoint interestingly acquired ServiceNow and Salesforce consultancies. Now in Q3 we see deals for Microsoft services but also Apple services (dataJAR). Other trends we see are:

- Ongoing demand for cyber services (**Satisnet**)
- Continued demand from overseas acquirers with **Accenture** buying again, **Insight** buying (BGF backed) **Amdaris** and Indian digital services player **Collabera** acquiring Fintech developer **Digiterre**. This is all following deals by **Aptean**, **Mphasis**, **Verisk** and **CACI** earlier in the year.
- Strong demand for customised software developers (Nimble/Amdaris) as buyers look to add new skills for digital transformation.
- Finally PE backed buy and build is far from dead with **AirIT** and **Node4** acquiring and **Zenzero** getting Macquarie backing.
- Most services valuations are in 1-2x revenue range with scale, growth and quality of revenue key. The good news with large cash rich US buyers is the deals are mainly structured in cash, plus a smaller retention mechanism.



UK Comms Q3

- It wasn't that long ago when the only way of getting in touch with someone was by post or a telephone that was stuck in a building. Things have moved on somewhat and the explosion in comms is shown by variety of Q3 UK M&A targets including video, SMS, messaging IoT and devices
- Highest profile exit was Hopin (online video conferencing and events) which was once valued at \$7.8bn sold for just \$50m to RingCentral. Ouch!
- There were several hardware deals such as: **Silver Telecom** – Welsh manufacturer of power over ethernet and telephony interfaces, **Oysta** – alarms and monitoring devices for social care, **Metasphere** – telemetry solutions to monitor water leakage and **Eagle** – mission critical command and control comms sold by NEC.
- ECI** acquired **Commify** from Hg for €300m or approx. 3x revenues. It is formed by an earlier merger of Mobyt and Esendex two leaders in corporate SMS messaging solutions.



ICON Recent Deals



Funded by



E-commerce Travel



Acquired



AI Translation



Acquired



Cloud Services



Acquired



Document
Management



Acquired



Employee
engagement platform



Acquired



Low-code AI Platform



Acquired



E-commerce DataTech



Funded



DataTech



Acquired



Testing Software



Acquired



Digital Print



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