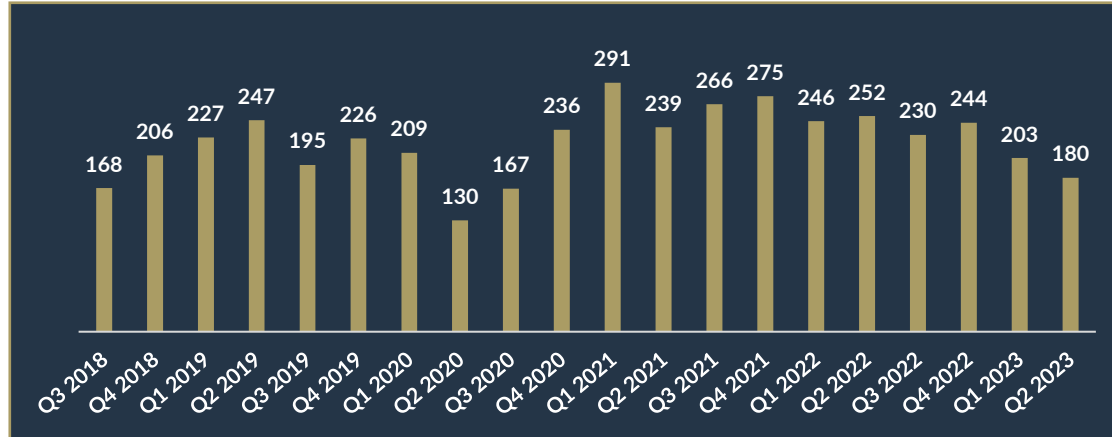


UK Technology M&A Snapshot Mid Year 2023

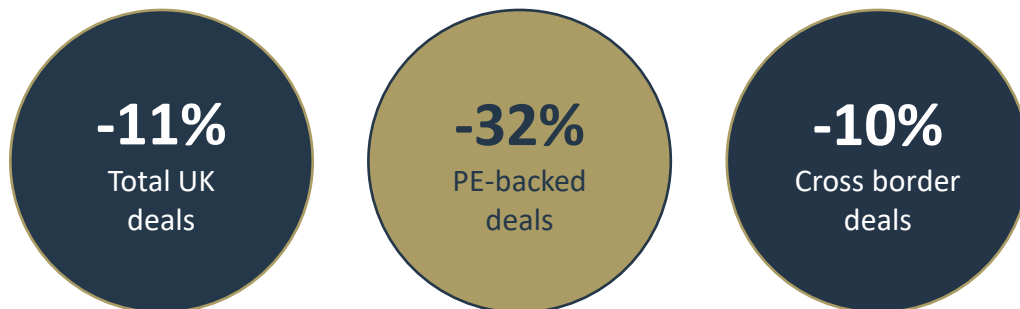


UK Tech M&A Transactions

UK Tech M&A count remains in line with pre-COVID levels



Analysis of Q2 2023 UK Tech M&A deals v Q1



383 transactions announced in H1 2023

2021 and 2022 look increasingly like the high-water mark for Tech M&A, at least for quite a while. Near-zero interest rates fuelled a wave of private equity-funded buyers. But zero interest rates don't look like returning any time soon with inflation looking sticky, particularly in UK.

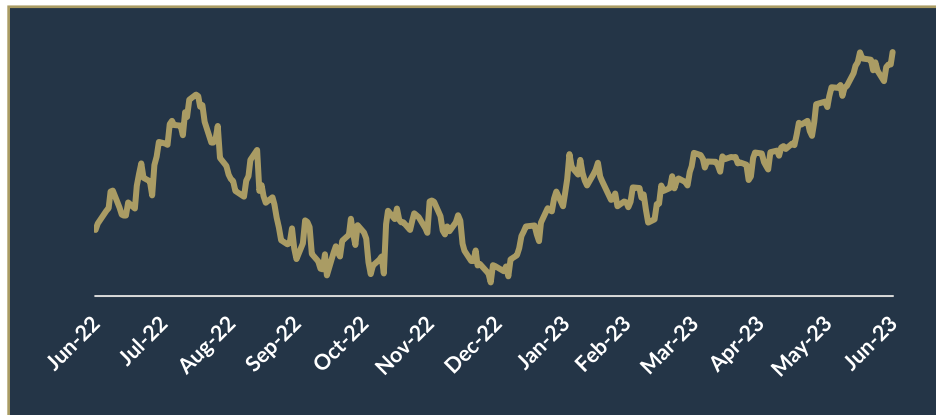
In Q2, the number of UK Tech deals was down 11% on last quarter but that was mainly due to a big fall in PE led deals, which were down 32%. Cross border deals were down only 10%, as bigger US buyers are still very active. Although 383 deals in the first half of 2023 is down on the 21/22 boom years, it is actually pretty comparable with pre-COVID numbers and looks increasingly like the "new normal". There is still lots of activity across both the software and services spaces.

In Q2, the key feature has been the on-going demand for mid-market sized acquisitions from large US corporates like **Accenture, Thomson Reuters, Aptean and CACI**. Buyers who we know really well at ICON, having closed deals with them all in the past. These quality acquirers, with lots of cash, seem to be taking some of the slack as some leveraged PE backed acquirers face headwinds with higher interest rates.

At ICON, we remain very active with live mandates in a range of sectors like Employee Comms, Unified Commerce, Fintech, Digital Services, AI & DataTech, Compliance and Proptech and as a result have expanded our team in UK and USA this year.

NASDAQ – A leading indicator of UK Tech M&A activity

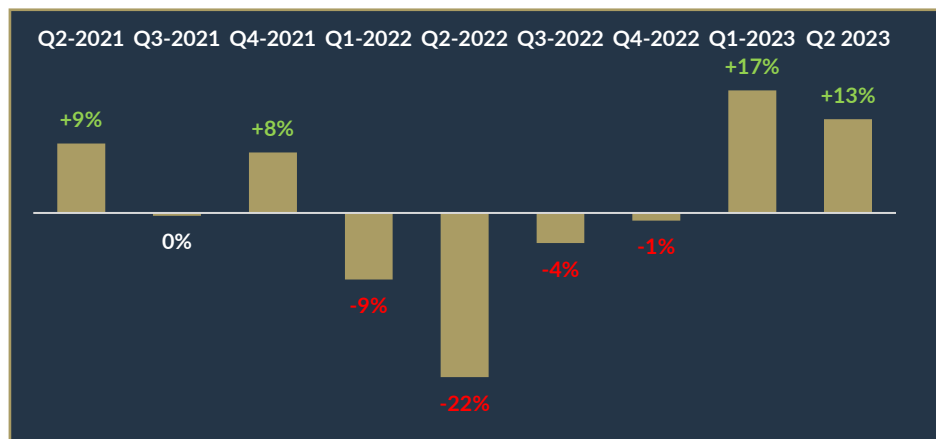
NASDAQ – best H1 in 40 years +32%



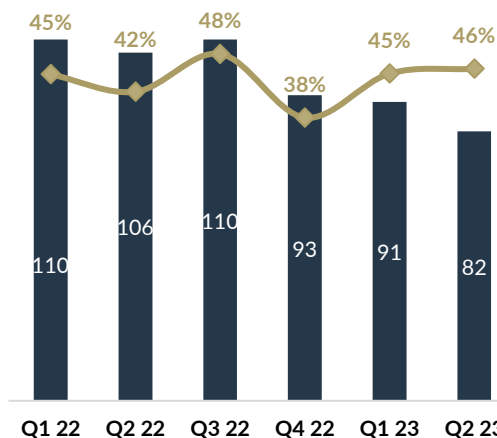
NASDAQ bounces 32% as investors seek AI inspired growth

- H1 2023 was the best first half performance in the NASDAQ since 1983, with a fantastic rise of +32%.
- Sadly, free money is no longer available, but US investors now believe that the interest rate cycle will peak soon and pivot next year. The yield curve may be significantly inverted, so economic growth may slow but for some corporates artificial intelligence is a game changer with substantial productivity benefits. Hence the jump in Big Tech since the start of the year ie (Apple (+54%), Microsoft (+53%), Alphabet (+42%), Amazon (+57%), Nvidia (+202%), Tesla (+154%).
- Given that 46% of buyers of UK Tech companies are from overseas, it is perhaps no surprise that here is a correlation between NASDAQ performance and future UK M&A deal flow. It remains a good barometer of buyer confidence and given very recent US M&A deals like Databricks/MosaicML at 65x revenue and Reuters/Casetext for \$650m, confidence in AI is sky high.

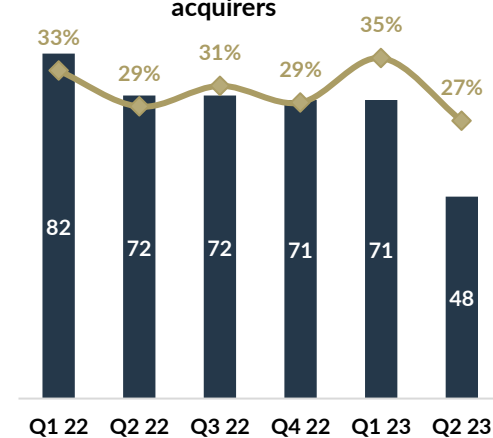
Quarterly % Δ in NASDAQ Q2-2021 – Q2-2023



UK Tech M&A - Overseas acquirers





















UK Tech M&A - PE/VC backed acquirers



UK Software Q2

- AI was thrust front and centre in Q1 2023, with the enthusiasm sparked following the rapid evolution of ChatGPT. In UK, the **InstaDeep** sale at nearly 20x revenues was the stand-out deal.
- Software M&A activity in Q2 was dominated by large overseas corporate acquirers. Buyers like **Accenture**, **Verisk**, **Thomson Reuters** (which has targeted \$10bn for acquisitions) and **Informatica** are taking up the slack as PE backed buyers digest the impact of higher interest rates.
- Two DataTech targets caught the eye. Data is the new gold and is a critical raw material for digital services. **Imagen** has a media asset management platform that manages video content (which now accounts for 60% of all data). **Privitar** protects data and manages privacy risk.
- Vin Murria snapped up five **Capita** software businesses at a very canny valuation of 1x revenue. Many other higher growth niches are still attracting high valuations like **SAI Global/Evotix** at 7x revenue.
- Accenture** acquired a 700 strong engineering team at **Objectivity**, similar to the **Cognizant/Mobica** deal in Q1 which was valued at 5x revenue.

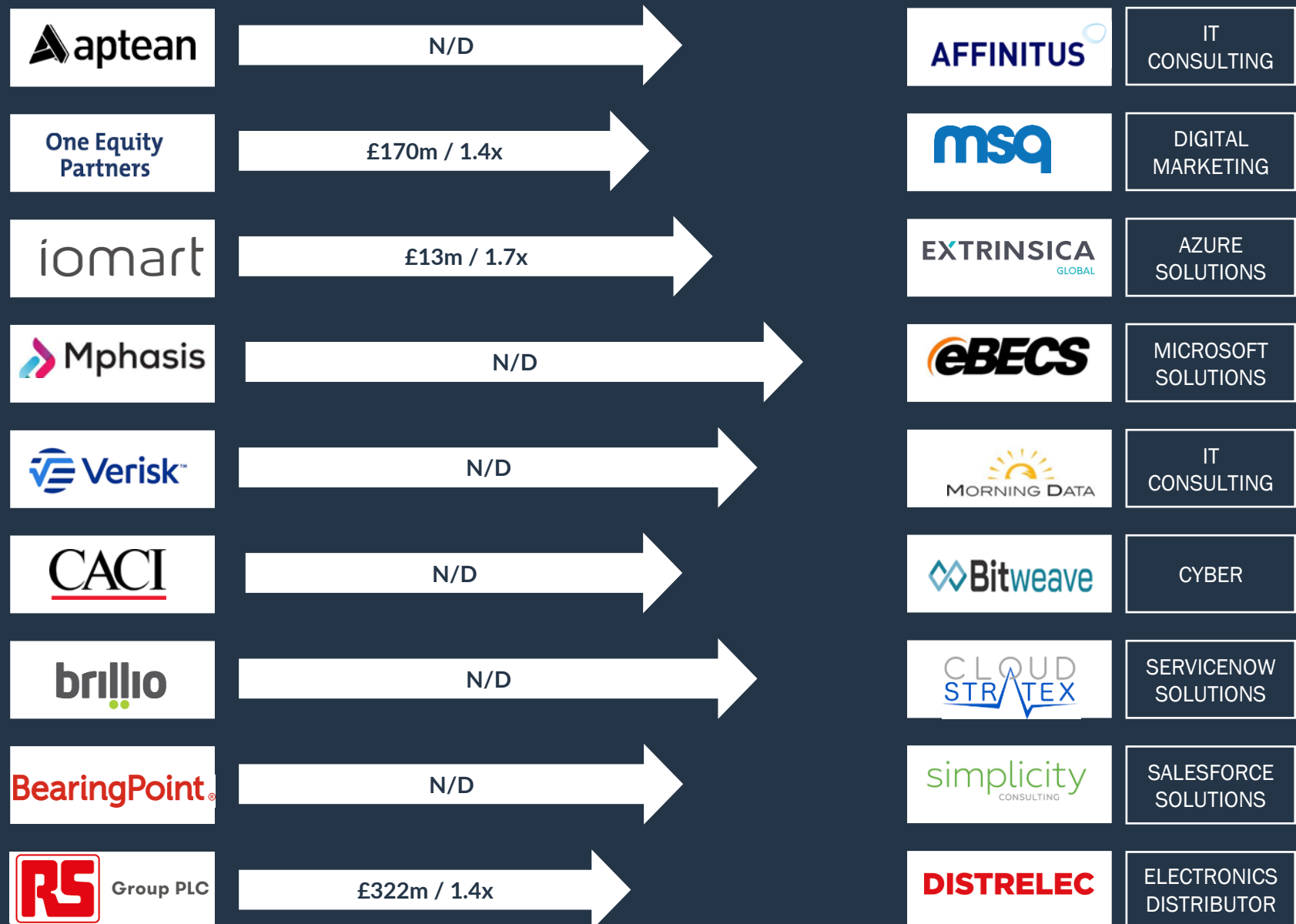
 THOMSON REUTERS	N/D	 imagen	DATA
 Informatica	N/D	 PRIVITAR	CYBER DATA
 AdvancedAdvT	£33m / 1x	 Capita	5 x SaaS
 Edenred	£1.1bn / 0.6x	 Reward Gateway	EE ENGAGEMENT
 accenture	N/D	 Objectivity	DIGITAL S/W
 cority	N/D	 Greenstone	ESG
 BC BETTER COLLECTIVE	£45m / 3x	 SKYCON	ADTECH
 SAI GLOBAL	£96m / 7x	 EVOTIX	COMPLIANCE
 cadence	£96m / 24x	 pulsic	IC DESIGN

N/D denotes details were not disclosed

Source: S&P Capital IQ; PitchBook; ICON Estimates

UK Services Q2

- Digital transformation continues to drive M&A activity across sectors. COVID accelerated the adoption of cloud services, and Microsoft Azure, AWS and Google are all still showing cloud revenue growth of 20%+. ServiceNow and Workday are also still growing rapidly. As a result, there is an ongoing shortage of skills in these cloud services, which is feeding M&A demand.
- In Q1, a lot of M&A transactions were both PE-backed and driven by the convergence of IT/Comms. Notably **Babble acquired Techquarters**
- In Q2 the buyers look much more global as major corporates like **Aptean, Mphasis, Verisk and CACI** add skilled UK resource in growth areas like cyber and cloud services.
- Brillio and BearingPoint** interestingly acquired ServiceNow and Salesforce consultancies respectively.
- 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.



ICON Recent Transactions

 <p>Acquired</p>  <p>AI Translation</p>	 <p>Acquired</p>  <p>Cloud Services</p>	 <p>Acquired</p>  <p>Low-code AI Platform</p>	 <p>Acquired</p>  <p>Document Management</p>	 <p>Acquired</p>  <p>Employee engagement platform</p>
 <p>Acquired</p>  <p>E-commerce DataTech</p>	 <p>Funded</p>  <p>DataTech</p>	 <p>Acquired</p>  <p>Testing Software</p>	 <p>Acquired</p>  <p>Digital Print</p>	 <p>Funded</p>  <p>Cloud Services</p>



Brian Parker
Head of M&A
brian@iconcorpfin.com
0777 5567335

Edward Oliver
Senior Analyst
edward@iconcorpfin.com
0790 0687989

ICON CORPORATE FINANCE
London | Bristol | San Francisco
www.iconcorpfin.com