

ICON M&A Buyers Survey

Are Tech buyers still looking for deals?

The coronavirus pandemic has shaken confidence throughout the world. However, the Technology sector has been very resilient with the NASDAQ bouncing back to pre-Covid levels and encouraging 1Q results from many listed companies. Confidence (which is the bedrock of M&A) looks to be rebuilding.

So, what will this mean for UK Tech M&A activity in 2020? The year started pretty strongly with 192 deals in Q1, which is very similar to Q1 average in the past 3 years. In lockdown, there is still a lot going on remotely (we remain busy) but the deal completions in Q2 are bound to be lower than last year. So, for those owners considering selling their tech

business later in 2020 **what will be the appetite of buyers in Q3 and Q4?** We thought we would try and find out.

Survey of all the main UK Tech Buyers

Earlier this month, we contacted 30 of the most active acquirers of UK Technology companies and asked them to complete a brief survey to find out their appetite for further deals in 2020. This included all the busiest trade acquirers such as Access, Clearcourse, Iris, Advanced, Civica, Jonas, Bentley, Accenture and MRI and the main private equity acquirers including LDC, BGF, Horizon and Inflexion.

The results of the survey are very clear.

- Surprisingly, **100% of buyers that responded are still looking to acquire in 2020**. In fact, none of the buyers have reduced their appetite for deals this year
- Understandably 70% of Buyers think valuations will fall – but is that buyers wishful thinking?
- Key areas for expansion – Digital transformation, managed services, cyber security and enterprise software

Most Active Acquirers* (2018-20)

	18
	17
	11
	8
	6
	6
	4
	4
	4

ICON M&A Survey Results

0%

DECREASE IN APPETITE
FOR M&A COMPARED
WITH PRE-COVID

Buyers highlight they are looking for M&A deals in the following key sectors:

- Managed services
- Cybersecurity
- Digital transformation
- Cloud telephony/ collaboration
- Vertical specific software

100%

BUYERS LOOKING
FOR UK TECH
M&A IN 2020

70%

BUYERS EXPECTING
M&A VALUATION TO BE
LOWER IN 2020

Given the scale of the pandemic it is extraordinary that NO buyers have a reduced interest in acquisitions post lockdown. All the main buyers that responded are still looking for acquisitions. Given that the demand is so strong, they may therefore be disappointed if they think valuations will fall very far. Valuation tends to be a function of supply and demand!

Typical quotes are:

“We remain extremely active in the M&A market”

“We are beginning to emerge again on M&A and looking actively”

“We are very much open for business”

Digital transformation accelerating

Most of us agree, that once lockdown is fully lifted the “new normal” is unlikely to be the same as what was considered normal pre-Covid. It is likely that Technology will play an even bigger role in the post-Covid economy as remote working and digital commerce are sensible solutions to working through and beyond the global pandemic. Digital Transformation and the Modern Workplace were strong trends well

“Based on our survey, Tech M&A in UK looks like it’s very much open for business. Acquirors are continuing to look to accelerate their cloud based capabilities through M&A”

said **Brian Parker**,
Head of M&A at ICON

before we had heard of COVID-19 and they look set to accelerate. In fact, demand for cloud-based tech products and services has been one of the key drivers of strong UK Tech M&A activity in the past few years as business increasingly migrates to the cloud. That looks set to continue in the “new normal.”

May 2020

ICON CORPORATE FINANCE

London | San Francisco | Bristol
www.iconcorpfin.com

twitter.com/ICONcorpfin

[linkedin.com/company/icon-corporate-finance](https://www.linkedin.com/company/icon-corporate-finance)

ICON | GLOBAL TECH BANKING