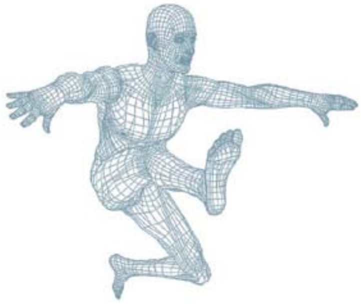
TECH M&A REVIEW 2014

KEY STATISTICS	31 Dec 2013	31 Dec 2014	Change
FTSE	6,749	6,566	-2.7%
FTSE Techmark	3,197	3,522	+10.2%
NASDAQ	4,172	4,736	+13.6%
US$ / £ exchange rate	1.65	1.56	-5.5%
Tech M&A deals Vol. (No.)	4,428	4,939	+11.5%
Tech M&A deals Val ($bn)	213	221	+4.2%
Price to EBIT (x) 12m average	21.3	23.5	+10.3%
Price to revenue (x) 12m average	1.92	2.65	+38.0%



1. A MACRO VIEW

Markets had a tougher time in 2014 as the pace of world growth stuttered along. Interest rates remain very low, reflecting a continued low growth, low inflation world. The big fall in oil prices in 2014 should boost growth in 2015, but inevitably interest rates will start rising (albeit modestly) at some point. We are in an extended period of muddle along economics.

UK shares ended 2014 down, but technology stocks (as reflected by the Techmark) made a pretty solid 10% rise. It is a similar tale in the US, where the NASDAQ powered on with a 13% rise, helped by a rise of over 40% in Apple shares.

In the US, we saw the successful listing of Alibaba, the massive Chinese on-line retailer, raising a staggering $25bn, by far the biggest IPO ever. Other notable big US tech IPOs included Lending Club, (FinTech), OnDeck (FinTech), Markit (FinTech), GoPro (cameras), GrubHub (coupons) and King Digital (gaming). Most did well.

In the UK, there was an initial wave of wannabe tech IPOs but the enthusiasm waned as the year progressed. There have been a number of smaller IPOs but the privatisation of larger tech companies like Advanced Computer Software, Daisy, CSR and Micro Focus was the bigger story.

2014 was a pretty volatile period for several higher growth listed UK technology companies. Blinkx, Digital Barriers, Blur, Mobile Streams, Outsourcery and especially Quindell all saw their share prices collapse as market expectations raced some way ahead of the fundamentals.

In the absence of a crystal ball, forecasting is always tough but most wizards expect a continued period of low growth and low interest rates ahead. So we may see the current M&A cycle, which is into its sixth year, extended further. However, hold onto your hats as volatility may well increase as interest rates, ebola, Russia and elections have an impact.

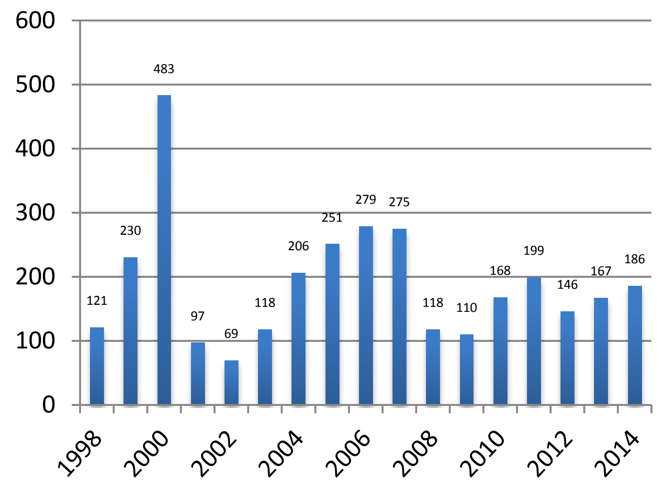
In a world where inflation is so low and growth so difficult there is a push towards increased efficiency, working smarter and embracing technology to boost corporate profits. This trend looks set to continue for a while.

The Technology M&A market had a great year in 2014 with an increase in both the number of deals and value of deals. Hot sectors are payments, cyber security, video, mobile, internet of things and wearables. However, the bulk of M&A deals are focused around enabling organisations to work smarter. Google was top acquirer again, with a staggering 35 deals in 2014, as it continues to spread its pixie dust in search for the next piece of magic.

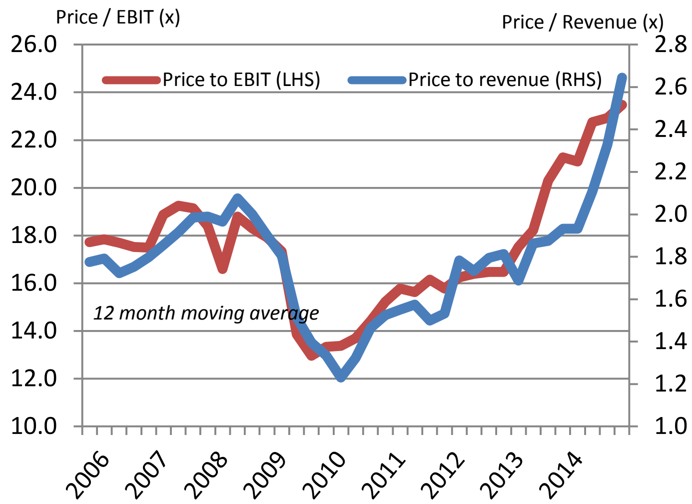
US Acquirer	2012	2013	2014
Google	11	18	35
Yahoo	3	27	22
Apple	3	13	8
Facebook	9	8	8
Oracle	11	6	8
Microsoft	5	7	9
Cisco	11	10	4
IBM	9	9	4
Twitter	8	9	8
HP	0	0	2
Dell	6	1	1
	76	**108**	**109**

2. TRENDS AND VALUATIONS

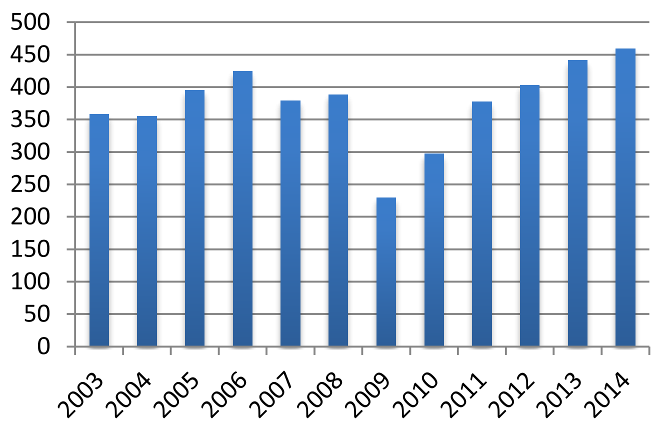
Global Technology IPOs (No.)



Technology M&A Valuations



No. of M&A Deals with UK Technology Targets



The global IPO market has sprung into life resulting in 186 Tech IPOs globally. In the UK we have seen the listing of quite a few e-commerce businesses such as **AO World, Just Eat, Zoopla** and **MySale** but the number of more traditional Technology IPOs still remains quite modest. **Servelec** (health and controls) raised £122m and video group **Righster** raised £20m in 2013. In 2014 we have seen **FDM** (IT services) and **Rosslyn Analytics** (big data) IPO but the enthusiasm for IPOs in general has not translated into a wave of UK IPOs in the Technology sector. Not yet anyway.

Markit chose to list in the US, despite it being started in a shed in St Albans. A classic high growth FinTech company, it focuses on off-market pricing of financial trading and is now worth nearly $5bn on NASDAQ. In the other direction, the US university technology incubator fund, **Allied Minds** (with over 20 investments) has risen over 80% since its UK IPO in early summer.

The valuation of Technology M&A deals are heading into record territory. Median price to revenue multiples are back over 2.0x and EBIT multiples are over 20. Note this is the aggregate of all deals and does not suggest that all companies will be valued at these multiples. Values are trending higher due to a combination of factors, including more cross-border strategic deals and less distressed/restructuring transactions. There have also been more acquisitions of start-ups and in high growth sectors such as social media, e-commerce, big data, digital marketing and niche software, where multiples of revenues paid are pretty exciting. More young, innovative, high value M&A deals inflates the overall valuation and there is strong interest for these higher growth businesses in a low growth world.

M&A activity is cyclical and dropped markedly after the credit crunch in 2008/9. However, the global M&A market has come roaring back to life with the number of M&A deals globally up 6% in 2014. The values grew even faster on the back of gargantuan deals like Comcast/Time Warner.

In the Technology sector, the number of global M&A deals rose 11% to a new record and is the fifth year in a row that volume has risen. As the chart shows, the global trends have been mirrored in the UK, with the number of deals also reaching a record. Confidence is clearly pretty good but feels more like a continuation of a trend, rather than a bubble.

3. GLOBAL TECHNOLOGY M&A

The **WhatsApp** acquisition by **Facebook** was by far the biggest deal in 2014. While you can argue about the fact that it is not all cash and that part of it is deferred, nevertheless $19bn is a lot of money for a business with $20m in revenues and 50 staff. In fact it's about $380m per head! Not content with this, Facebook also paid $2.3bn or 100x revenues for a virtual reality headset business just two months later. The numbers sound mad but who is to say they will not be a success. In 2012 they paid $1bn for Instagram, a 2 year old business that has now passed a massive 300m users and on current valuations was a steal. Mad or not, shareholders love it and as a result Facebook shares rose over 40% in 2014.

Ignoring mergers like AOL/TimeWarner, then the Facebook/WhatsApp deal was the biggest technology trade deal of the past 15 years. Interestingly, of the Top 20 deals in the past 15 years only 3 were announced in 2014 - the sale of WhatsApp, Concur and Micros Systems. So actually there is not really a tsunami of mega deals in 2014. The market is not getting carried away, albeit with a few spectacular exceptions!

Before delving into a review of US M&A activity, some funding deals caught our eye:

- **Snapchat** is the annoying app where photo messages disappear 10 seconds after opening. Started in 2011 they famously rejected a $3bn offer from Facebook in 2013. A ballsy move and given that they raised equity valuing it at $10bn in 2014 may turn out to be a good call.
- A lot of technology groups claim they have developed "disruptive technology" but none have succeeded like **Uber**. The taxi hailing app brought a very different type of disruption to roads in many European cities in June following a protest by 30,000 taxi drivers. Its latest round of fund raising had been carried out at an extraordinary valuation of $18bn, which equates to about 100x revenues.
- Another disruptive app which is disruptive/annoying in more ways than one is **Yo** - an app that allows you to only send a Yo message. It passed 1m downloads 4 days after launch and 4m Yos were sent in one day. Not bad for an App that took less than a day to code and raised $1.5m in seed funding.
- **Xiaomi** the Chinese smartphone manufacturer received $1bn funding, valuing it at $45bn. Its founder is famous for saying that "even a pig will fly when it is hit by a tornado". It's pretty windy out there!

Largest US Technology Deals 2014

Date	Purchaser	Target	EV $000	EV / T/o	*Activity of Target*
Feb-14	Facebook	WhatsApp	19,000,000	950.0	*Messaging App. 50 staff*
Sep-14	SAP	Concur	8,300,000	11.9	*SaaS-based travel and expense software*
Jun-14	Oracle	Micros Systems	4,600,000	3.8	*E-commerce, POS systems to retail/leisure*
Sep-14	Vista Equity	TIBCO Software	4,000,000	3.7	*Infrastructure and BI software*
Oct-14	Publicis	Sapient	3,700,000	2.7	*IT services and digital consulting*
May-14	Zebra Tech	Motorola Solns	3,450,000	1.4	*Mobile computing and data capture*
Jan-14	Google	NestLabs	3,200,000	21.0	*Home automation products*
May-14	Apple	Beats	3,000,000	3.0	*Headphones*
Sep-14	Cognizant	TriZetto	2,700,000	3.8	*US healthcare IT*
Sep-14	Thoma Bravo	Compuware	2,400,000	2.5	*Software. IBM mainframe focus*
Jan-14	Lenovo	IBM x86	2,300,000	0.5	*IBM's x86 server business*
Jan-14	Lenovo	Motorola Mobility	2,300,000	0.5	*Mobile handset business sold by Google*
Apr-14	Facebook	Oculus VR	2,300,000	100.0	*Virtual reality headset*
Sep-14	Alliance Data	Conversant	2,300,000	4.1	*Digital marketing*

Looking at the list of major US deals, there is clearly a lot of interest in payments, IOT, big data, e-commerce, IT security and digital marketing. Valuations paid in these sectors remains pretty eye-watering. Key moves in 2014 included the following:

Oracle acquired Micros Systems for a hefty $4.6bn. Micros Systems provides e-commerce POS systems and related hardware, software and technology services to retail and leisure markets with over 330,000 locations. Interestingly, Micros had not that long ago acquired UK-based Torex. Given the flat revenues at Oracle, it is clearly finding it tough to grow the top line. This may explain why it has paid 3.8x revenues, its biggest acquisition since the 2010 purchase of Sun Microsystems. Maybe the value is in the retail data or maybe they are just very keen on the name Microsystems! In addition to this deal they have also acquired in big data, cloud services and collaboration.

In 2013, **IBM** acquired Trusteer (cyber security) for $1bn and SoftLayer Technologies (cloud infrastructure) for $2bn. 2014 was more modest for IBM with a couple of cloud security deals and Cloudant, a $500m deal for the database-as-a-service business at a hefty 50x sales. IBM's shares remain unimpressed having fallen 15% in 2014.

Google can afford to make a number of bets on next generation technology and that is exactly what it is doing, with 18 acquisitions in 2013 and a staggering 36 in 2014, mainly in the artificial intelligence, robotics, prediction and navigation spaces as they build exciting new products. The $3.2bn acquisition of home automation specialist, Nest Labs, is the highlight although having now completed over 170 deals in a myriad of sectors it is difficult to keep up with the activity.

Apple had amassed a mind boggling $160bn in cash and has started to use it by acquiring $45bn of its own shares in 2014 in a massive share buyback program. No wonder its shares performed so well last year. It has also cranked up acquisitions. Deals will complement new product development with the iWatch launch expected shortly. 13 acquisitions in 2013 was a step change and this year Apple made its biggest ever acquisition - the Beats headphones and music business for $3bn. Although much of the press focus was on owner rapper, Dr Dre, the real value may be the Beats music streaming service, which gives Apple extra firepower in its fight with rivals Spotify and Pandora.

HP shares rose over 40% in 2014 bouncing back to its 2011 levels when it acquired Autonomy for nearly 12x revenues. The ensuing mud-slinging with ex CEO Mike Lynch may rumble on but the shares have reacted positively to moves in 2014 to split the business in two.

Acquisitions have been core to growth at **Cisco** but with the exception of a few cloud business acquisitions it was a very quiet 2014. It is restructuring with 6,000 more jobs cut in 2014 taking total job losses to over 20,000.

Yahoo acquired over 20 companies in 2014 deploying some of the $9bn wealth created from its Alibaba shareholding. The focus is online advertising, mobile, video, photos and messaging. Marissa Mayer is reinventing the company and its shares have responded – up over 20% in 2014.

Microsoft are using acquisitions as a way of entering new and adjacent markets. They have made some odd looking deals such as Skype ($8.5bn), Yammer ($1.2bn), Nokia mobiles ($7.2bn) and this year Mojang the Swedish creator of Minecraft for $2.5bn. Minecraft is the most popular online game on Xbox with a huge number of passionate users and could well be a prelude to a future Xbox spin-off.

China based **Lenovo** is the world's biggest PC maker and they don't buy companies very often. Their previous big deal was acquiring IBM's PC business back in 2005. Then, rather like waiting for a London bus, two come along at once. In January 2014 they acquired both IBM's Intel based x86 server business and Motorola's handset business from Google for a combined cost of $4.6bn, paying under 0.5x revenues.

IPO's don't get any bigger than the record $25bn IPO of Chinese ecommerce group **Alibaba**. It listed in New York where there has also been listing of Markit, King Digital GrubHub and the very successful listing of Lending Club. While there are unlikely to be many $25bn floats in 2015, there are plenty of exciting companies that are timing their run including GoDaddy, First Data, Uber, Airbnb, Pinterest, Spotify, Snapchat and DropBox (who bought 8 companies in 2014 in a frantic bid to beef up ahead of its IPO).

Lower down the radar we also note that Kana (CRM) was acquired by **Verint** for 3.4x sales, **Oracle** acquired data specialist Datalogix for a similar price. Several UK companies made US forays such as **Cobham, MicroFocus, BAE** and **Blinkx.** Also **COLT** made a pretty significant move acquiring a connectivity services business in Japan for a reasonable looking 1x revs. Elsewhere **Wolters Kluwer** paid over 5x revenues for legal software provider Third Coast. Amongst serial acquirers **Blackbaud** (education) and **Accela** (public) acquired 6 companies and **J2Globa**l (cloud services), **LexisNexis** (legal), **Trimble** (GPS) and surprisingly **KPMG** all acquired 5 tech companies in 2014.

There was plenty of activity in Europe in 2014 such as:: **Rakuten** acquiring VOIP/messaging app Viber for €900m even though it only had $1.5m in revenues. **Exact** (ERP for SMEs) and **Nets** (payments) were each acquired by private equity for over 3x sales, **Sopra** and **Steria** merged to form a €3.5bn revenue French based IT services group. **Reed Elsevier** acquired FircoSoft which helps banks spot terrorists for €150m or a hefty 10x sales - its largest acquisition in 3 years. **John Wiley** bought French based CrossKnowledge in an $175m push into digital learning. Finally, **Dunnhubby** (owned by Tesco) bought Berlin based SociomanticLabs - a retail marketing big data specialist.

4. UK TECHNOLOGY M&A

In the UK, 2014 started promisingly with good appetite for e-commerce / crowd sourcing type listings such as **AO World** (fridges), **Just Eat** (take away food), **Zoopla** (property), **boohoo** and **MySale** (fashion) but IPO appetite faded as the year progressed as some performances have been mixed (MySale has dropped nearly 70%). More traditional tech IPOs included **Rosslyn Data Analytics** (which does what it says on the tin), **Actual Experience** (supply chain), **Imimobile** (mobile comms), **Matomy Media** (performance marketing) **Gamma Communications** (unified comms) and **Quartix** (GPS tracking). **Allied Minds** has been by far the best IPO of the year, nearly doubling.

One of the most successful and largest tech IPOs in recent years was that of **Servelec** (healthcare and automation) which listed in 2013 after breaking free from its Singapore parent (CSE Group). It is certainly enjoying its independence, making a number of acquisitions such as Tynemarch (water software), S3 ID (GPS tracking for 2.5x revenues) and in December Corelogic (social care) which was a sizeable deal of £23.5m (or 2.5x revenues).

The acquisition of **Advanced Computer Software** by private equity firm Vista for £725m was a surprise and the price paid of 2.8x revenues or 16x profits was accepted pretty swiftly by shareholders, who clearly recognise a good offer when they see one. Vin Murria will bag over £100m but few will complain as she has delivered a great return for shareholders since listing as a £32m health IT business in 2008. The buy-and-build model is not always a roaring success but Vin seems to have broken the mould acquiring a total of 16 companies (like Computer Software Holdings, Compass, Fabric, 365 and Cedar). The valuation paid was similar to that paid by other larger deals in accounting/business software such as Apax for **Exact Software** (3.6x revs and 16x EBIT) and Advent paid for **Unit4** (2.4x revs and 18x EBIT). For bigger deals it would seem that trade buyers cannot match private equity valuations fuelled by cheap debt.

It has not all been plain sailing in 2014, some companies have hit the buffers – big time. The most spectacular was **Quindell**, the insurance claims outsourcing technology business. The shares hit £6 in April but have subsequently fallen 90% as confidence in it and its founder Rob Terry has evaporated. Quindell has acquired nearly 30 companies and in brief seems to have grown too fast too soon.

Others that have stumbled include **Blur**, **WANdisco, Outsourcery EnablesIT and Blinkx** all having significant setbacks, with share prices falling by more than 50% as expectation got too far ahead of reality. Also **Cupid** the dating website got dumped by investors after a fake profile scandal last year led to a crisis of confidence.

In January **Google** paid $400m for DeepMind, a 2 year old artificial intelligence start up that has yet to even launch a product. It specialises in machine learning, advanced algorithms and systems neuroscience. It was founded by Demis Hassabis who has trodden the well-worn path from child chess prodigy to games programming and now artificial intelligence. Later in the year Google then acquired DarkBlue Labs an Oxford University spin off specialising in machine learning (and in particular to understand language) which is now part of DeepMind.

Zynga acquired Natural Motion (creator of CSR Racing and other mobile games based in Oxford) for $527m. Founder Torsten Reil, who runs NaturalMotion, used his zoology background to design software that could realistically animate 3D movement.

Facebook acquired Ascenta a Somerset designer of solar powered drones for £12m. Facebook is going head-to-head with Google in a high-altitude race to connect the world's most remote locations to the internet. Facebook plans to beam broadband connections from the skies, using satellites, lasers and unmanned high-altitude aircraft.

It is striking this year how many MBO/private equity funded deals have completed. Not just the buyouts of technology businesses but also the acquisition by private equity funded businesses, as they seek to aggressively expand. Not only larger deals like **Pulsant** (data centre services), **Autodata** (motoring info) and **Metronet** (CCTV installer) but also smaller deals such as **Utiligroup** £16m (utility management), **Intelligent Office** £10m (document management), **Vista** £12m (network services) and **Acal** £10m (inventory management).

As Anthony Jenkins, CEO of Barclays recently said “technology is going to drive competitive advantage in the banking industry”. FinTech deals in 2013 included Alaric, Braintree, OB10, FfastFill and IT2 Treasury. This year has seen another clutch of deals. Biggest at £375m was **FIS**/Clear2Pay (3.4x revs), Open International which started as part of Misys and was then acquired by Towergate was acquired for £300m in an MBO, **Equifax** paid £200m or 11x revenues for TDX a debt collection platform. **eSure** acquired 50% of online insurance comparison website GoCompare valuing it at £95m. In December US based **SS&C** acquired DST (fund management software) for 2x revenues. **Innovation Group** and **Xchanging** also made chunky acquisitions in the insurance sector.

While BuyAnything may sound like the M&A strategy of several large US tech players, it is also the name of the mobile commerce platform at **Monetise**, the mobile payments business. They have spent up to £55m in equity (£24m upfront) acquiring MyVoucherCodes, which works with 60,000 brands and retailers, providing voucher, coupon and discount deals for 80% of the UK’s major online retailers. Paying in shares is a smart move by Monetise, particularly as their shares are rated at over 9x their 2014 sales.

If you are looking to maximise the value on exit then you sometimes need to think laterally and broaden the search beyond the normal technology stack. Examples this year are **Xchanging**, the outsourcer has spent £80m on insurance software, **Callcredit,** the credit reference agency, who (in the midst of their own refinancing) acquired Coactiva (big data analysis). Outsourcer **Equiniti** acquired Yorkshire based Pancredit Systems, an intelligent loans software supplier and **Liberata** rescued reseller Trustmarque. In a similar vein **St Ives** which has morphed from printer to digital marketing services added Realise for up to £40m, if they achieve their earn out.

In the broadcasting software space **Sintec Media** acquired listed **Pilat Media** for just under £50m in a deal that valued them at 2.7x sales. Elsewhere **Vislink** made a biggish move, for them, acquiring Pebble Beach Systems, which also has software for the broadcast and TV market but paid quite a bit less at 1.6x sales. **Dalet** acquired Amberfin (a broadcasting platform) and **Qumu** acquired Kulu Valley (video creation), **Rightster** raised £42m to acquire Base79 a YouTube rights specialist for £25-50m - not bad for a business with net revenues of £3m. Finally, in December **Blinkx** acquired video platform Adkarma for up to $20m.

The travel market has exploded with a string of deals. The **SAP/Concur** $8.3bn deal in the US was acquired on nearly 12x revenues but not all were as lucky with their timing. **Lastminute.com** – once the darling of the dotcom era which was worth as much as £800m when listed in 2000 and £577m when acquired by Sabre in 2005 was bought by Bravofly for just £75m. Elsewhere, **Anite Travel**, **Cheapflights**, **GoCompare**, **Griffin** and **Travel Counsellors** all changed owners.

In the **Public sector**, **Capita’s** acquisition spree rumbles on with a host of chunky deals, they have maintained their remarkable M&A activity with another 10 deals in 2014. **Civica** acquired Coldharbour (healthcare financials) and Keystone (social housing), continuing its acquisition record under new ownership, having themselves been acquired by Ontario Teachers a year ago. Elsewhere, **Symphony** bought the overseas arm of McKesson Health. It is also very interesting to see the break-up of **Northgate** under KKR ownership. Right at the end of the year they sold the public sector business to Cinven for £375m (2x revenues - a great price for public sector software).

Daisy Group, the telecoms services provider, (which emerged from Pipex) has done over 20 acquisitions in its time. However, revenue growth has dried up, they were static in 2013/14. Having failed to land a £500m sale to Liberty Global, Matthew Riley and shareholders have accepted a similar offer from his MBO team (1.4x revenues), funded by Toscafund.

Newbury based **Micro Focus** has been in business longer than most. It started 30 years ago focused on COBOL but has since acquired Borland and parts of Progress and Compuware. Much of its work is around legacy mainframe systems and modernisation software. In an innovative deal they have merged with US based Attachmate (who own Novell SUSE and is focused on Linux operating system). This is a pretty big step tripling the size of Micro Focus and may be why they paid in shares, rather than cash.

14 years ago **Cambridge Silicon Radio** was a nine man spin out and received £6m funding. On the back of its success in bluetooth it listed in London ten years ago. CSR now offers complete AV, connectivity and location technology solutions. Like so many UK successes it was acquired by a US based acquirer, in this case Qualcomm for £1.5bn, being 1.5x revenues. Their CEO sees CSR as being at the heart of the drive for growth in “The Internet of Everything”.

ICON CORPORATE FINANCE

Top UK Technology M&A Targets

Purchaser	Target	EV £000	EV / T/o	*Activity of Target*
Qualcomm	Cambridge Silicon Radio	1,500,000	1.8	*Silicon chips / ics for wireless comms*
Vista Equity	Advanced Comp Soft	725,000	2.8	*Software for public, legal and accounting*
Access Industries	Perform Group	601,200	6.5	*Digital content for sports broadcasters*
Tosca/Penta	Daisy Group	500,000	1.4	*Voice and data provider. Unified comms*
FIS	Clear2Pay	375,000	3.4	*Payment solutions*
Cinven	Northgate Public sector	375,000	2.0	*Public sector software and services.*
Zynga	NaturalMotion	318,000	2.2	*Computer games software (CSR Racing)*
Montagu	Open International	300,000		*Insurance broking software*
Cirrus Logic	Wolfson Micro	291,000	2.8	*Semi-conductors for digital audio devices*
Solera	CAP Automotive	288,000	13.0	*Motor vehicle valuation online*
Summit	Masternaut	266,000	4.0	*Online fleet management*
Google	Deep Mind	242,000	242.0	*Artificial intelligence start up*
Equifax	TDX	200,000	11.6	*Debt collection and recovery software*
OakHill Capital	Pulsant	200,000	5.0	*Managed data centre services*
ACI Worldwide	Retail Decisions	142,000	4.0	*Online fraud prevention software as a services*
ATPI	Griffin Global Group	120,000	27.0	*Travel application*
HG Capital	Allocate Software	109,000	1.9	*Workforce compliance rostering - health software*
Capita	AMT Sybex	105,000	2.3	*Software and data management to Utilities*
Equistone Equity	Travel Counsellors	100,000	1.0	*Ecommerce - travel*
esure	GoCompare (50%)	95,000	1.7	*Comparison website*
Capita	Updata	80,000	2.0	*Network services*
Great Hill Partners	Cheapflights	80,000	3.0	*Airfare comparison website and meta search*
Bravofly	Lastminute.com	75,000	1.3	*Online travel booking*
Xchanging	Agencyport Software	64,100	3.4	*Healthcare insurance software*
SS&C	DST Global	60,722	2.0	*Investment management software*
Intertain	Mandalay Media	60,000	3.7	*Online bingo operator*
Monitise	Markco Media	55,000		*Myvouchercodes. Mobile vouchers*
Innovation Group	LAS/Crashworth	50,000	1.5	*Insurance claims management*
Rightster	Base79	50,000	15.2	*Online video. YouTube content provider. MCN*
ECI	Investis	50,000		*Corporate PR and website design*
SinTecMedia	Pilat Media Global	49,800	2.7	*Broadcasting software*

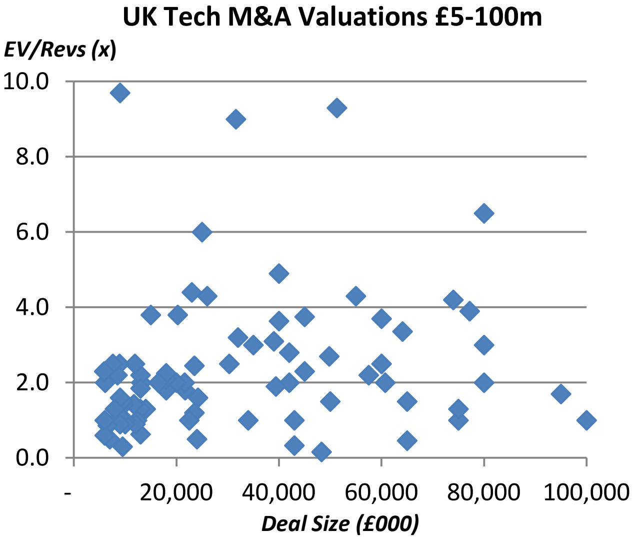
Another noticeable trend has been the ability of listed companies to raise additional capital to make in-fill acquisitions. Many smaller listed companies have taken advantage of better conditions to fund deals for example **Dillistone**/ISV Group (online testing), **GB Group**/Transactis (identity fraud), **Castleton** (previously Redstone) paid £3.8m for Montal, equivalent to about 10x pre-tax profits, **Incadea** raised £11m to acquire a German competitor in auto tech and in December **Ideagen** raised nearly £18m to acquire GRC (compliance) software provider Gael. It is also interesting to see **Microgen, IDOX** and **Scisys** all dipping their toes back in the water again after a wee break.

In the security space, in addition to the **Ideagen** deal (above which was valued at 2.3x revenues), **Accumuli** accumulated RandomStorm paying £8.9m or 2.5x revenues, **FuseMail** acquired MXSweep (email security), **Inside Secure** bought Metaforic and **Verisk** acquired Maplecroft (risk management) for £20m. However, **Digital Barriers** the loss making defence/security group have had a tough year with their shares falling more than 70% but it did secure additional funding in December. In cyber security services, in 2013 **Babcock** paid a high 3x sales for ContextIS and in 2014 **BAE** acquired SilverSky for a similar valuation.

In the UK, we still see really strong interest from **overseas acquirers** buying UK based assets - they account for over a third of deals. A few of the larger deals grab headlines, but below the radar they acquire smaller companies too. **Google** not only acquired DeepMind, they also made two other acquisitions in the UK, in retail software and advertising security. Other big acquirers making often quite small UK deals included: **Dun&Bradstreet, Genpact, IBM, Twitter** and **Deutsche Borse**. The strength of sterling certainly isn't putting them off.

There are pockets of euphoria around in the market but it is far from universal. In general, we see buyers still wanting well run, growing, innovative and profitable businesses with recurrent revenue models and buyers run a rigorous DD process. For every headline grabbing deal there are 100 that are under the radar at valuations that are more in line

with fundamentals. As the chart below shows, of UK tech deals in the £5-100m range there are an awful lot of UK tech businesses that sell for circa 2-3x sales.



5. OUTLOOK

In the UK we have seen an unprecedented rush to complete deals before the end of 2014. Deals are spread across various verticals but we see particular strength in data analytics, health, security/compliance, FinTech, managed services and travel.

Overseas acquirers have been a feature of the market in the past few years but private equity also remains very active in larger deals. We also see increased confidence amongst UK technology buyers (both listed and private equity owned) who have been behind the spurt of deals at the end of 2014.

WhatsApp and Alibaba were the key deals of 2014, this year it may well be the split of HP into two units and the separate listing of PayPal, 12 years after being bought by eBay.

With the Technology sector continuing to outperform the wider market there is a sense of optimism in viewing prospects for 2015. In a world where growth is likely to remain elusive, technology offers a rare oasis. The market has had a strong recovery and M&A cycles don't tend to last forever, so we would advise those looking to achieve an exit in 2015 to start planning their journey.

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Note: The information and opinions in this report were prepared by ICON Corporate Finance Ltd. The data was partly provided by Zephyr, a Bureau Van Dijk database product plus various public sources and includes estimates as often full financial info is not disclosed. We have endeavoured to provide accurate and timely information but we cannot guarantee it. The brief sector overview is provided for information purposes only and is based on deals announced in the period under review. Note EV referred above is Enterprise Value which is the value of the deal adjusted for the level of debt/cash held by the target.