

ICON's Guide To Strategic M&A In DeepTech

Navigating Opportunity, Complexity & Uncertainty

February 2024

Action Ahead

Tech CEOs, VCs, corporate development personnel & lawyers alike are **expecting a significant uptick in M&A activity in 2024**

Our own conversations just in the past couple months point to a **major change in sentiment**

Deal activity in 2024 will be driven by:

- competitive forces surrounding AI,
- revival in public company valuations,
- declining interest rates,
- necessity caused by the drought in VC funding, &
- normalization in valuations

We expect an increase in activity among all acquirer classes, from publicly traded strategics, to PE & growth equity financial acquirers, sponsor-backed platforms & even an increase in unicorn M&A. **The biggest change in deal activity will be acquisitions in the \$50m to \$500m EV segment**

To that end, **ICON** has decided to openly share our proprietary playbook that has been proven to yield premium M&A valuations

M&A deals are inherently complex though, so if you have questions on how to proceed then please reach out to Ben Kolada at ben@iconcorpfin.com



AI boom forces tech companies to make M&A choice

Tomasz Tunguz
Venture Capitalist at Theory

Why Startup M&A in 2024 Will Rebound

FORTUNE
TERM SHEET

M&A to explode in 2024 as roughly 1,200 companies are expected to run out of money



MERGERS & ACQUISITIONS

2024: The Year for M&A Resurgence

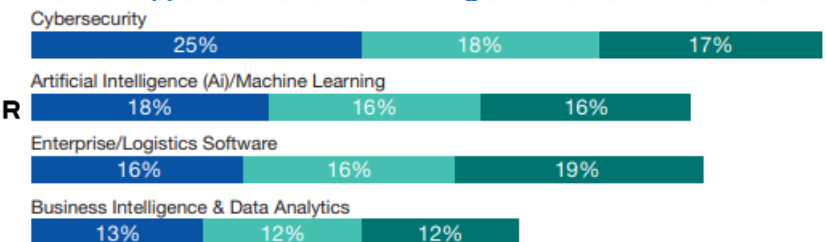


Analysts anticipate fresh wave of enterprise technology M&A

Gartner FORRESTER IDC

MORRISON
FOERSTER

Which of the Following Tech Subsectors Do You Expect to Present the Best Opportunities for Dealmaking over the Next 12 Months?



Premium Valuations Persist For DeepTech

- Financial performance is typically the greatest influencer on M&A valuations. However, in DeepTech sectors such as AI & DataTech, the value of a startup's technology & talent oftentimes rivals financial metrics
- This selection of 11 acquisitions in just one year highlights technical value: **more than \$3.1 billion spent for far less than \$150 million of revenue**
- Some notable details of this list:
 - DigitalOcean cofounder Jeff Carr invested in Paperspace
 - MosaicML cofounder Naveen Rao previously had a \$400m AI exit
 - BioNTech had previously invested in InstaDeep
 - Immerok was only 9 months old before being acquired by Confluent

RECENT SELECT PREMIUM-VALUED DEEPTech ACQUISITIONS

Acquirer / Target	Announced	EV (\$m)	Rev. (\$m)*	EV/Rev.*	Description
 databricks /  arcion	10/23/23	100	<5m	>20x	 CDC & data integration
 rubrik /  Laminar	8/8/23	225*	NA	NA	 Cloud data security
 DigitalOcean / <i>Paperspace</i>	7/6/23	111	<5m	>22x	 AI infrastructure
 databricks /  mosaic ^{ML}	6/26/23	1,300	NA	NM	 Generative AI platform
 THOMSON REUTERS /  casetext	6/26/23	650	<20m	>32x	 Generative AI for legal discovery
 snowflake /  neeva	5/24/23	150	<10m	>15x	 Enterprise search & generative AI
 IBM /  POLAR	5/16/23	60*	<5m	>12x	 Cloud data security
 snowflake /  LEAPYEAR	2/7/23	59	<3m	>20x	 Data privacy
 BIONTECH /  InstaDeep TM	1/9/23	GBP 362	NA	NA	 Multi-industry AI & AI research lab
 CONFLUENT /  IMMEROK	1/6/23	54.9	<3m	>20x	 Apache Flink streaming integration
 CERTARA ^o /  VYASA	1/4/23	29.3	<3m	>10x	 Pharma semantic analytics

*Includes ICON proprietary data, estimates & publicly reported deal values

Except for MosaicML & Arcion, EV excludes earnout & contingent milestone payment when such information is available


NA = Not Available; NM = Not Meaningful


Source: ICON research; Company reports; CapitalIQ; Pitchbook

Deal Strategy, Drivers & Killers


Strategies

 → “Reverse Buy-Side”


 → “Padding The Bench”


 → Strategic BizDev


 → De-risk The Deal


 → Structured Auction


Drivers


 ↑ Overall: Performance, Product, People

 ↑ Growth Goals

 ↑ Competitive Dynamics


 ↑ Customer Demand


 ↑ Killer Technology

 ↑ Critical Talent


Killers


 ↓ Distraction >> Poor Performance

 ↓ Macroeconomic Uncertainty


 ↓ Poor Preparation

 ↓ Poor Relationship Development

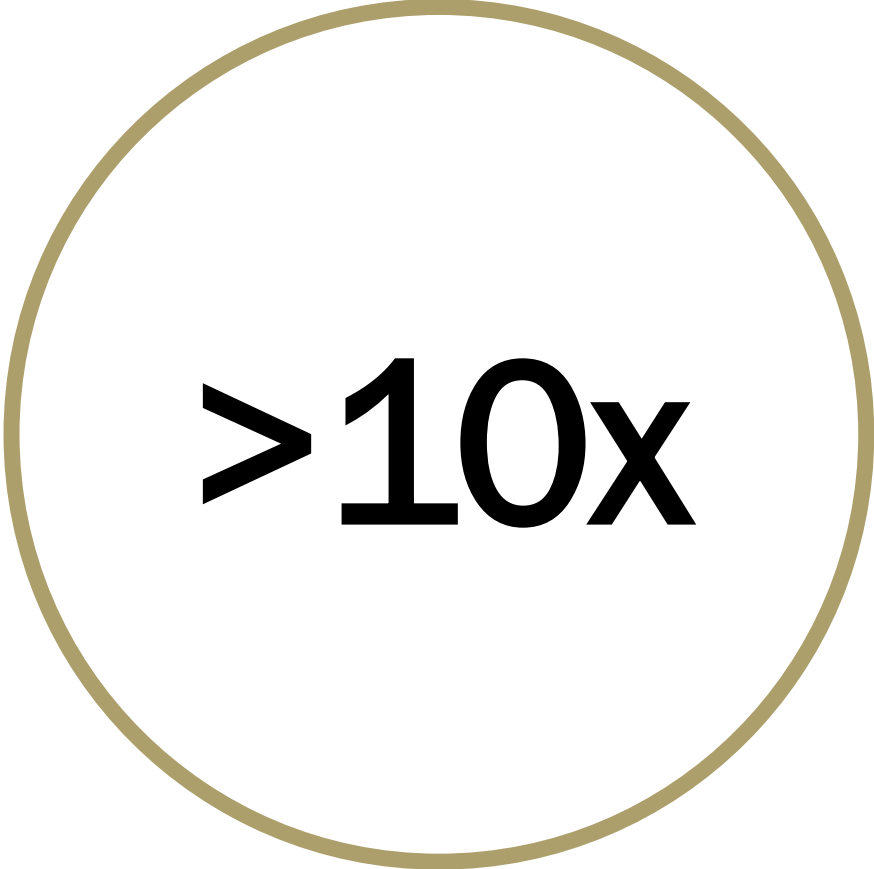
 ↓ Poor Messaging

 ↓ Poor Process Management

 ↓ Loss Of Credibility

 ↓ Uncovered IP & Legal Issues

ICON's Results



>10x

Average EV/ARR Valuation For ICON's
Recent DeepTech Transactions



**>300
Closed
Transactions**

**+50%
Rise From
Offers To
Close**

**>25x ARR
Acquisitions**

**Deals With
5-10+
All Cash
Offers**











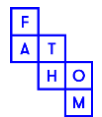












For further details,
please contact:



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Select ICON DeepTech Deal Experience

 VAULTSPEED FUNDED BY  octopus ventures Data Transformation	 equalum STRATEGIC ADVISORY  Integration	 TIMEXTENDER GROWTH EQUITY  Data Automation	 ForePaaS ACQUIRED BY  OVHcloud AI Platform	 flexis ACQUIRED BY  BlueYonder Supply Chain Mgmt.
 FATHOM STRATEGIC INVESTMENT  Moody's Weather Analytics	 juriba GROWTH EQUITY  BGF Cloud Migration	 Paragon ACQUIRED BY  aptean  VISTA EQUITY PARTNERS TA ASSOCIATES Logistics Analytics	 mosaic SMART DATA STRATEGIC INVESTMENT  J.P.Morgan  octopus ventures  CommerzVentures FinTech AI	 MATILLION FUNDED BY  YFM Equity Partners Data Integration

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