UK Technology M&A Review

January 2021

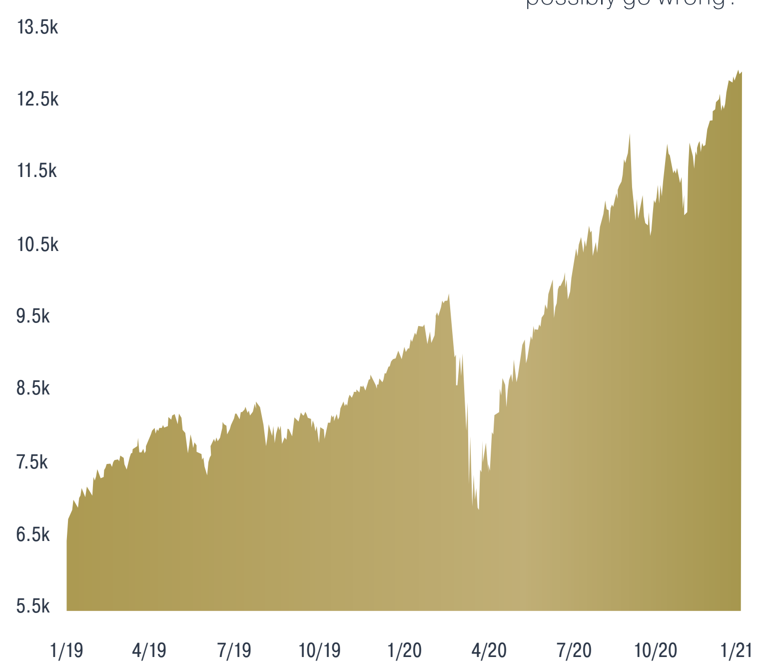
ICON | GLOBAL TECH BANKING

Contents

Key Findings

- The strangest of years but massive government stimulus in response to COVID-19 – whatever it takes
- Interest rates fell to record lows and squeezed valuations even higher
- Wave of cheap money fuelling strong equity markets -NASDAQ up 43% last year. FANG+ doubled
- Retail investors created bubbles in the likes of Bitcoin, Tesla and US Cloud software IPOs
- Lots of UK Technology M&A activity, over 700 deals. Q4 was up 6% YoY – near record volume
- UK valuations rose again, 5x revenues is increasingly common
- Overseas buyers are still key in UK, and accounted for a record 48% of deals in 2020
- Consolidation in Payments, Logistics, Legal, Property, Education and digital transformation
- Busiest acquirers in UK in 2020 were PE backed – such as Advanced, Access, Clearcourse but also included new buyers from Australia and Scandinavia
- We have a vaccine, Donald has gone, Brexit is behind us – what can possibly go wrong?

NASDAQ - WHAT CRISIS?



Key M&A Statistics

No. GLOBAL TECH M&A DEALS Q4
2,534
+9%
2019 2326 / 2534 2020

No. GLOBAL TECH M&A DEALS YEAR
8,696
-8%
2019 9465 / 8696 2020

No. UK TECH M&A DEALS YEAR
711
-19%
2019 877 / 711 2020

No. UK TECH M&A DEALS Q4
223
+6%
2019 210 / 223 2020

UK PRICE to EBIT (x) 12mth AVERAGE
18.4
2019 16.2 / 18.4 2020

UK PERCENTAGE of CROSS BORDER DEALS
48%
2019 37% / 48% 2020

Key Macro Statistics

NASDAQ
12,890
+43%
DEC 31 2019 9006 / 12890 DEC 31 2020

FTSE
6,472
-14%
DEC 31 2019 7542 / 6472 DEC 31 2020

FTSE techMARK
4,070
-2%
DEC 31 2019 4167 / 4070 DEC 31 2020

NYSE FANG+
6,311
+103%
DEC 31 2019 3111 / 6311 DEC 31 2020

US$/£ EXCHANGE RATE
1.36
+3%
DEC 31 2019 1.33 / 1.36 DEC 31 2020

UNICORNS
513
+17%
DEC 31 2019 438 / 513 DEC 31 2020

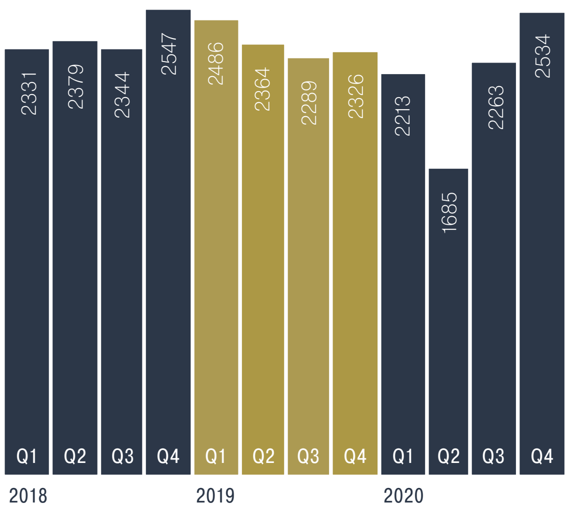
BITCOIN (US$)
29,000
+302%
DEC 31 2019 7217 / 29000 DEC 31 2020

Highlights

2020 was the strangest of years, clearly COVID-19 has had a massive impact, disrupting life globally. Health has risen to the top of the agenda but with mass vaccinations being rolled out in 2021, there is light at the end of the tunnel. Microsoft Teams/Zoom and digital working have clearly boosted the Tech sector, accelerating digital transformation by years and enabling Tech M&A activity to continue relatively unaffected. The report showcases the wide selection of UK tech M&A deals that closed in 2020.

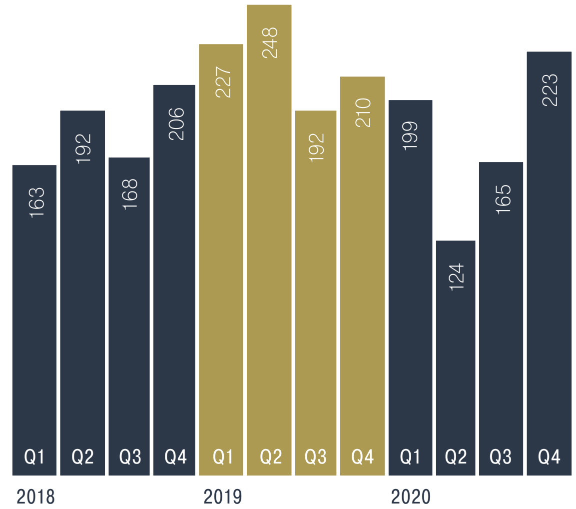
Central Banks are doing "whatever it takes" to reduce the economic impact of the pandemic. As a result, interest rates are at record lows and look set to remain at near zero for the foreseeable future. Many bonds are now negative yielding, which has pushed more money into riskier assets. The Technology sector has again been a prime beneficiary. So, while the FTSE fell 14% last year, remarkably the NASDAQ was up over 40% and the FANG+ index doubled. While bond yields stay super low, lofty valuations of growth stocks are likely to persist. US 10-year bond yields are currently 1%. The last tech market wobble in 2H18 was caused when these yields increased to 3%. So, the key to stretched valuations is low interest rates.

GLOBAL TECH M&A DEALS (No.)



"Global tech deals bounce back to near record levels in Q4"

UK TECH M&A DEALS (No.)



"UK tech deals also bounce back to near record highs – up 6% in Q4"

There is clearly **a bubble led by private investors in some assets. Just look at bitcoin and valuations of Tesla, Airbnb, Zoom, Snowflake**. Although the NASDAQ PE of 25 is high, it is nowhere near dotcom bubble valuations. IPO volumes remain quite subdued but there have been a few huge successes with record valuations (Snowflake on 150x revenues) and the emergence of the SPAC which raised a whopping $79bn in 2020. On top of this wave of cash, driven by FOMO, US companies borrowed a record $2.5tn last year, driving leverage to an all-time high. There is simply a tsunami of cheap funding looking for a home. Many used these funds to plug the hole created by COVID, while others used the funds for M&A. As a result, there were 4,700 global tech M&A deals in 2H20, up 4% YoY and three of the largest US deals were at valuation of more than 30x revenues.

In UK there were 711 Tech M&A deals in 2020. Despite all the Brexit and COVID uncertainty, that is similar to both 2017 and 2018 and only a slight drop on 2019, which was a record year. In fact, the recovery was so strong that 4Q20 was up 6% YoY in UK. The acceleration in digital working in the M&A process with video-conferencing, virtual data-rooms and Cloud computing has been key.

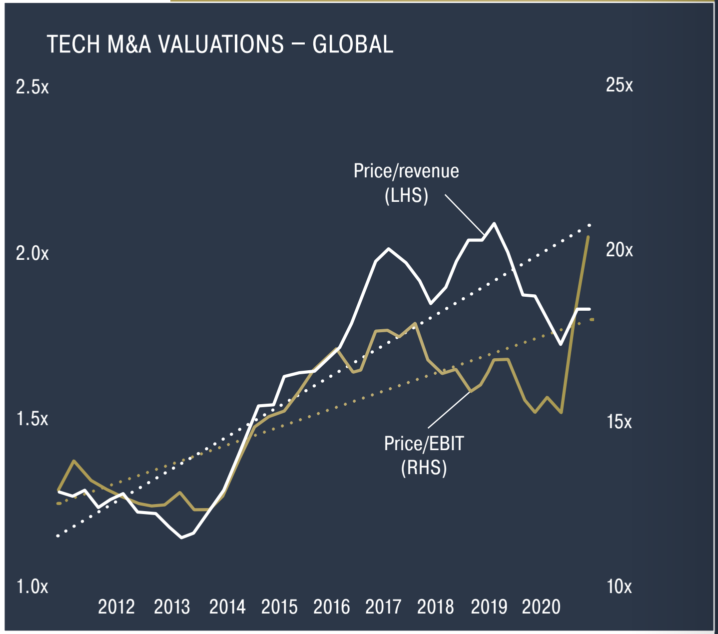
UK Tech valuations continue to climb towards 20x EBIT. Some valuations are significantly higher, particularly for higher growth, Cloud-based software businesses, with Keysight, Byggfakta, RELX, Elmo, Tracsis and Broadridge, Ideagen and Aptean all paying over 5x revenues for UK targets.

Accelerating digitalisation is ongoing and is at the core of much of the UK M&A activity. In addition there are three main drivers in UK Tech M&A:

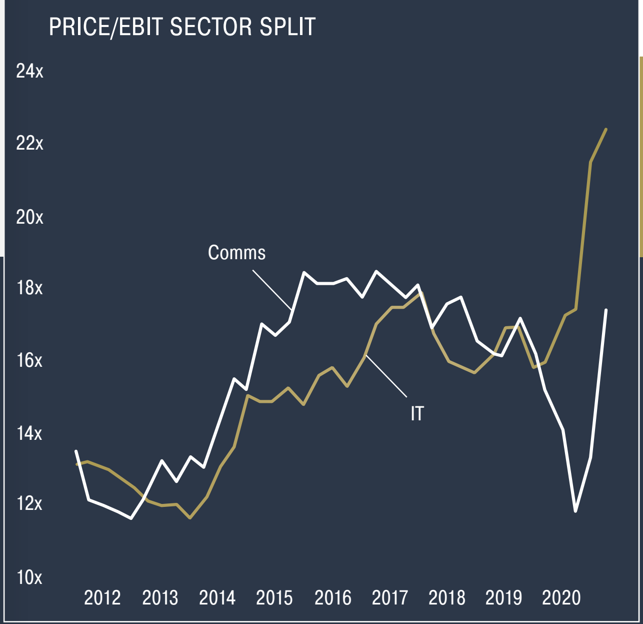
- **Overseas acquirers now account for a record high, representing 49% of all Tech deals in UK** (up from 37% last year). Throughout 2020 we saw significant activity in the UK from Aptean, MRI Software, Descartes, HelpSystems, Microsoft, Broadridge, Accenture and Keysight, alongside some newer names like Byggfakta (Scandinavia) ELMO (Australia) and MessageBird (Holland).
- **Private equity funded buy-and-build programs** continued at pace, notably: ClearCourse Partnership, Juniper Education, Advanced, Access Group, Iris and Civica. They seem to be pigging out on a wave of cheap money.
- **Restructuring**. A series of restructurings started before COVID-19 hit and is likely to continue as businesses refocus. For example, in the UK Babcock sold its cyber arm, BT sold Tikit, and European operations, and Capita have exited its Education and Legal software businesses to reduce debt. Elsewhere Sage, Equiniti, Admiral and Cobham have all sold non-core divisions.

Those who follow the Chinese zodiac will know that last year was the Year of The Rat, an animal known to be highly adaptable to external changes – which is pretty handy in COVID. 2021 is the year of the Metal Ox, and its message couldn't be clearer: Success will come to those who work hard. Really hard. Oxen are reliable and strong working animals. That sounds encouraging, if a little dull.

"Global Valuations jump above 20x EBIT"

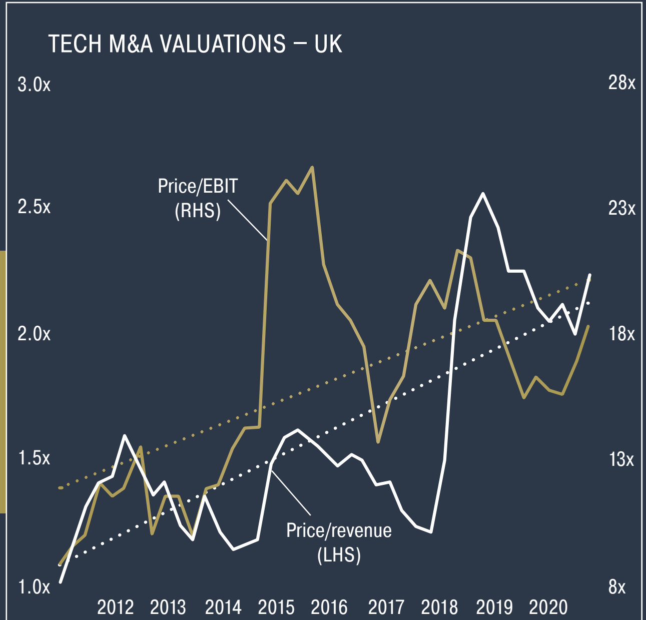


We have a vaccine and we no longer have to deal with uncertainty of Brexit or 'The Donald'. Consequently, stock markets have rallied globally. Yet the pandemic is worsening and political tension is rising in the US. What can possibly go wrong in 2021? Best to keep your head down and work hard.



"Tech valuations disconnect from Comms sector"

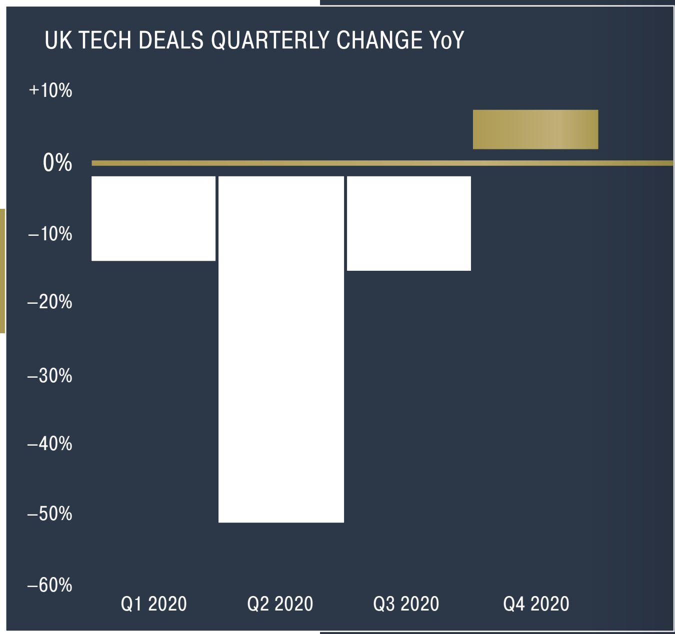
"UK Valuations also jump – now approaching 20x EBIT"



UK Tech M&A

2019 was a record year for UK Technology M&A activity with the number of deals up a massive 20%. So, against a very strong base, it is remarkable that, despite endless Brexit uncertainty and COVID lockdowns, activity recovered so quickly during 2020. Having fallen by 50% YoY in Q2, by Q4 the market had fully recovered; remarkably Q4 was 6% higher than 2019, making it one of the most active quarters for UK tech M&A deals ever.

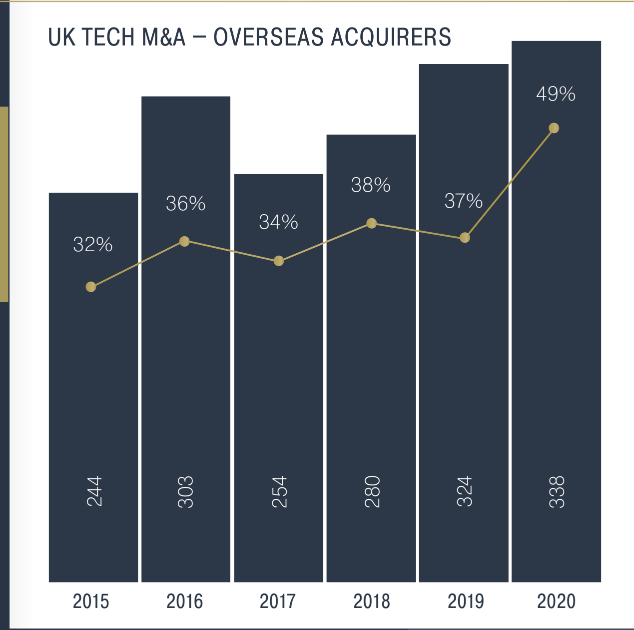
"Bouncebackability"



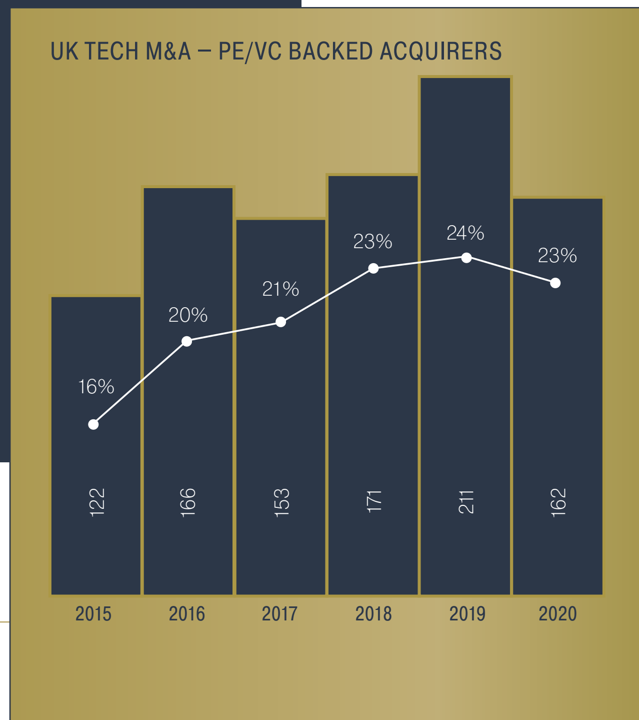
"Foreign buyers jump to nearly 50% of UK deals – a record"

Despite COVID, Brexit, lockdowns and travel restrictions, cross-border deals accounted for a record high 48% of all deals in UK in 2020. Normally in economic downturns overseas buyers tend to pull up the draw-bridge and re-focus. However, that was far from the case in 2020. In fact, the breadth of overseas buyers has broadened considerably with significant new buyers from Australia, Scandinavia and Europe in addition to the normal wave of US buyers.

Private equity funded acquisitions also remain one of the key drivers behind tech M&A activity in 2020. The total VC/PE backed acquisitions accounted for 23% of all deals in 2020, which is similar to the last two years. With interest rates remaining low and significant funds raised yet to be spent, this is set to remain a key driver. We have seen a wave of PE backed buy-and-build deals in the past few years and that is unlikely to change in 2021.



Interest from buyers of UK Tech companies remains very strong. We ran an ICON Snap Survey in the midst of lockdown in May 2020. We asked all the Top UK acquirers of 2019 what their appetite for acquisitions was in 2020. Surprisingly, 100% of those responding indicated that they were still interested in acquiring Tech businesses in 2020. They weren't kidding. It was a busy year, despite its challenges.



Largest UK Tech M&A Targets in 2020

EV £m	PURCHASER	TARGET	EV / T/o (x)
34,000	S&P Global Market Intelligence	IHS Markit	9.2
30,000	NVIDIA	arm	22.0
2,078	TOSCAFUND	TalkTalk	1.4
890	EA Electronic Arts	Codemasters	9.4
850	RWS	SDL	2.3
650	Future	gocompare.com	4.6
543	Cisco	IMImobile	3.4
508	ZPG	Confused.com	4.5
400	Montagu private equity	Capita Education software solutions	4.0
235	Cognizant	NewSignature	3.3
265	Keysight Technologies	eggplant	8.7
110	BlackLine	Rimilia	13.8
107	accenture	context	4.1
104	Dematic	DAI	3.0
73	Byggfakta Group	Glenigan	6.1

FinTech

The biggest deal of the year was the announcement that **S&P Global** was to acquire **IHS Markit** for £34bn or 9x revenues. Consolidation in financial information is leading to ever larger deal sizes, beating the £24bn acquisition of Refinitiv by London Stock Exchange last year. IHT Markit started life as Information Handling Services, offering aerospace engineers product catalogue databases. It is fair to say that it has moved on since then. The fact that the deal is an all-share merger around current share prices shows you where we are in the cycle though. Late.

Broadridge has acquired **FundsLibrary**, a leader in fund document and data dissemination from Hargreaves Lansdown. FundsLibrary's services link fund managers to distributors and investors to provide information supporting fund sales. The solution helps fund managers increase distribution opportunities and comply with both UK domestic and EU regulations such as Solvency II and MiFID II. The cost of £53m equates to an impressive 7x revenues or nearly 30x profits.

All the 2020 headlines in the payments space were taken by mega deals from **Worldine and Nexi** (see below). In the UK, payment solutions firm **Paypoint** acquired card payments and terminal leasing businesses **Handepay** and **Merchant Rentals** enabling it to reach into new SME sectors - including groceries, hospitality, food services and auto trade. At £70m the valuation was over 4x revenues.

M&G acquired Royal London's platform business **Ascentric**, a leading digital wrap and wealth management platform for advisers, with Funds Under Management of £14bn. It has around 1,500 adviser relationships and over 90,000 underlying customers. The acquisition gives M&G the capability to offer third-party fund management services, as well as ISA, SIPP and GIA wrappers on a single platform. Shareholders clearly approved, as the shares jumped after the announcement.

Interactive Investor acquired **The Share Centre** in a cash and shares deal worth around £62m, the two companies had been in talks for some time. Again, it's about gaining scale to sustain profits with continued investment in the platform technology. Shareholders will be happy as it's a 41% premium to the pre-deal share price. Share Centre executive chairman Gavin Oldham said it would "transform" its business and work towards "a more egalitarian form of capitalism" in the coming years.

Australian listed **Bravura** acquired **Delta Financial Systems** for up to £23m which is 3.8x revenues for the business that is growing 20-30%. Delta provides technology to power complex pensions administration to support the administration of SIPPs and SSASs. Bravura is on a roll, having acquired two companies in 2019 - FinoComp, extending microservices offering to a broader wealth management market, and Midwinter which has developed financial planning software 'AdviceOS'.

> "Crowdfunders are merging"

Other deals that are notable are **Euromoney Institutional Investor** acquiring **WealthEngine** for $14.5m. WealthEngine was a software-as-a-service (SaaS) platform that offered intelligence and predictive analytics to wealth managers, luxury brands and not-for-profit organisations. In addition, there were deals from **Infront AB**, who acquired order management software **NB Trader**, and **Crowdcube** acquired **Seedrs**. Ironically the crowdfunders are merging, rather than raising new capital!

Legal and Compliance

> “Ideagen – 3 deals and shares up 40% in 2020”

Acquisitive AIM-listed, compliance and risk management software specialist **Ideagen** had a very busy 2020. Firstly, it acquired health & safety e-learning brand **Workrite** from ergonomics company Posturite for a net cash consideration of £6.8m. That equates to about 4x revenues or about 10 forward profits. Its SaaS-based e-learning courses and applications help employers meet legal regulations, including first aid, equality and diversity. Ideagen then acquired quality management software provider **Qualsys** for £15m in August and although it is a punchy valuation at over 5x ARR, it reflects its strong momentum (ARR is growing at nearly 40% pa) and the fact that there are cost synergies. Ideagen have now made over 20 acquisitions, following others such as **Redland Solutions**, (RegTech) and **Optima Diagnostics** (compliance) in 2019. To close the year with a bang, having raised nearly £50m to fund more deals in December, they went Xmas shopping paying £28m or 2.8x revenues on **Huddle**, a collaboration and workflow platform for regulated industries. The shares rose an impressive 40% in 2020.

Mitratech, a US provider of legal and compliance software, acquired **ClusterSeven** to boost its data privacy and information governance efforts. ClusterSeven, based in London, provides a solution for discovering, managing and monitoring “Shadow IT” – the hidden, sensitive End User Computer (EUC) applications, spreadsheets, data assets and other applications that lie outside of IT’s control.

Access acquired **Capita**’s Eclipse Legal Systems, for £56m. It had pre-tax profit of £5.5m last year, so looks like an earnings multiple of 10, although oddly they announced it was quite a bit better at 14x adjusted EBITDA. That shows how buyer and seller can see the same deal differently.

The money from the sale will be used to strengthen Capita’s balance sheet. **Access** also acquired legal specialist, **DPS Software** who were founded way back in 1988 and provide SaaS-based Practice Management software for legal practices and In-house legal departments. Access didn’t stop there as they also acquired three businesses in Asia (a division of **Sage** for £90m or 2x revenue, **Unleashed Software** and **Attache**) all in financial/accounting and payroll. Access Group is another successful PE owned buy-and-build factory focused mainly on the mid-market and is performing well with revenues and profits up nearly 50% last year. They completed eight deals in 2020 up from six the prior year, backed by Hg Capital and TA Associates.

> “Advanced is moving forward”

BT has sold its legal, accounting and professional services software business **Tikit**, which it acquired for more than £64m back in 2012. It was a strange deal at the time and looks to have found a better home in **Advanced**, who acquired Tikit in March. It is clearly non-core for BT and continues the trend of large corporates exiting non-core assets to re-focus. Advanced received funding in 2019 from PE (BC Partners, with Vista Equity Partners remaining an investor) and this has accelerated their acquisitions having acquired Careworks, Kirona and Oyez, to name a few.

Dye & Durham (legal software), who only recently listed in Toronto, acquired **Property Information Exchange** (“PIE“), for £31m. Operating under the trade name “poweredbypie” it offers a Cloud-based real estate due diligence platform for conveyancing. PIE was majority owned by MML Capital Partners. Matt Proud, Chief Executive Officer of Dye & Durham, said: “in an increasing virtual business world, the dependency on mission critical Cloud-based software like PIE’s has never been greater, as more and more people work from home.” Also ULS Technology PLC sold **Conveyancing Alliance** for £27.3m to conveyancing client **O’Neill Patient Solicitors** LLP. The valuation of 3x revenues at 11x EBITDA is solid but unspectacular, perhaps reflecting the sale to a large customer rather than a tech buyer.

In other deals: **Levine Leichtman** acquired **BigHand** (law firm workflow and productivity) from Bridgepoint and LDC. **Thomson Reuters** acquired **CaseLines** which has a platform that provides a single, secure home in which to manage all types of legal evidence (400,000 trials have used it). This effectively digitises court processes by essentially eliminating paper and creating digital court files. Finally, Tenzing’s portfolio company **CTS** has acquired two legal specialist managed service providers, **Sprout IT** and **City Business Solutions** (CBS). Nigel Wright, CEO of CTS, commented: “These acquisitions underline our commitment to the sector and to our mission to become a legal sector powerhouse”.

Property Related

> “Getting a lot Bygga”

LDC and the Royal Institute of British Architects (RIBA) have sold **NBS** to Swedish based **Byggfakta Group**, a data and software provider to the European construction industry. Byggfakta are backed by private equity firms Stirling Square Capital Partners and TA Associates. This was their first UK deal. Headquartered in Newcastle, NBS combines the best content and connectivity for anyone involved in the design, supply and construction of the built environment. NBS previously acquired SCL Schumann and EzySpec in Australia. Hard on the heels of this deal, Byggfakta acquired **Glenigan** arm of Ascential for £73m in December. Glenigan focuses on sales leads and marketing information, market analysis, forecasting, and company intelligence for the construction sector. Valuation was 6x revenues and a reasonable-sounding 11x adjusted EBITDA.

Westbridge acquired the bulk of **Eque2** in December for £46m buying out LDC and others. Eque2 supplies business management software to more than 2,700 customers in the construction, housebuilding and contracting industries. Eque2 made three acquisitions recently: Miracle Dynamics, JNC Solutions and CliP IT Solutions. It also apparently developed the first Cloud-based job costing system in the construction industry.

> "Here's to digital twins advancement"

US giant, AEC software vendor **Bentley Systems** announced twins as it acquired Reading based **GroupBC**. Simon Horsley, UK regional executive for Bentley Systems, said: "Our many UK users, projects, and owners, in common with GroupBC, will gain a lot from our joining forces to advance Common Data Environment (CDEs) through digital twins". Wes Simmons, CEO of GroupBC, added: "Here's to BC CDE and digital twins advancement!".

GroupBC has an interesting back story. Formerly known as Business Collaborator, it launched over 20 years ago as part of Enviros Environmental Consulting. It has since been owned by CodaSciSys, then demerged, and acquired by Unit4 Agresso before a YFM funded £4m MBO in 2014. YFM Equity Partners generated a return "well in excess of 3x" for its investors.

Although Barclays CEO, Jes Staley, said: "The notion of putting 7,000 people in a building may be a thing of the past", no-one seems to have told **MRI Software** which is fast becoming a leader in real estate software solutions, through an aggressive acquisition programme. In March it acquired **Orchard Information Systems**, a provider of software solutions for the UK social housing sector, with locations in Newcastle and Donegal. Shortly before being acquired Orchard, itself previously unacquisitive, made a rare purchase, buying Internetalia, a maintenance software business. **MRI Software** then acquired **Castleton**, the UK listed social-housing focused software provider. Castleton has revenues of £23m (down 12%) and so the £83m price equates to 3.6x revenues and a 40%+ premium on its share price. That seems a pretty full price for a business with falling revenues that is still migrating to the Cloud. Having made over 30 acquisitions, funded by PE investors including TA Associates and Vista, MRI is approaching $300m in revenues. Competitors face a tough decision to compete or sell to them.

Transport And Logistics

> "Aptean makes a significant move"

US based **Aptean**, made a significant move in March, acquiring Dorking based **Paragon Software Systems**, a market-leading provider of transportation management software solutions serving the food and beverage, distribution and retail industries. Its software manages routing, logistics, scheduling, and home delivery.

Founded in 1991, Paragon has more than 4,700 systems deployed globally and is growing rapidly. William Salter, Managing Director of Paragon, said: "In joining the Aptean family, we are excited by the opportunity to accelerate innovation, advance product development, expand geographically and tap into its best practice frameworks". Aptean was formed by the merger of CDC and Consoma back in 2012 and is now focused on supply chain, ERP and compliance software. It has developed a healthy appetite for acquisitions having bought seven companies in the past two years including UK-listed **Sanderson** for just over £90m (2.5x revs). Aptean is ultimately controlled by funds managed by TA Associates and Vista Equity Partners.

Logistics and supply chain automation is hot. **Dematic** acquired **Digital Applications** for £104m in March with £85m in cash paid at closing. Further payments of £20m will be made over a period of 3.5 years. It equates to 3x revenues. Digital Application developed logistics software Matflo but has taken a while as it was founded back in 1971. Digital Applications and Dematic (previously Demag) know what they are getting into as they have worked together for 25 years. Dematic is part of £5bn German listed group Kion.

Two years ago, LDC made a £20m investment in **Mandata** who provide software solutions for the transport and logistics industry. The company offers transport management software that manages road haulage business and has fleet tracking, telematics as well as other related solutions. In June, Mandata made their first acquisition acquiring Essex based **ReturnLoads** which is an online marketplace for hauliers and freight forwarders. The platform helps hauliers improve their productivity by reducing the amount they travel without cargo.

In February, US listed **Descartes Systems** acquired **Peoplevox**, a Cloud-based ecommerce warehouse management solution. Jonathan Bellwood founded Peoplevox in 2009 following eight years at Zebra Technologies. Based in London they serve B2C ecommerce customers connecting webshop front ends. The business translates order information into a mobile-driven pick and pack process within the warehouse and then feeds parcel delivery systems for shipment execution. Descartes paid £19m.

In June **Descartes** acquired Newcastle-based **Cracking Logistics** (aka **Kontainers**) for £9.5m (circa 6x revenues) of which 50% was paid upfront, with the balance to be paid in a two year earn-out based on future revenues. Kontainers digital freight platform offers quoting, booking, tracking and dashboard analytics. "The last few months have shown how quickly the world can change, and the shift to digitization is accelerating as a result," said Edward J. Ryan, Descartes' CEO.

> "Descartes get a cracking deal"

UK-listed, transport software and services company **Tracsis** acquired **iBlocks** for a maximum of £21m, which is a very attractive looking 7x revenues or 19x profits. iBlocks, established in 2000, specialises in the provision of a full-cycle of smart ticketing solutions, including the development of mission critical back-office systems used by the Rail Delivery Group, the wider community of train operating companies (TOCs), and the rail supply chain. The acquisition consideration comprised an initial cash payment of £12.5m plus a three year earn-out paying a further £8.5m on reaching profit targets. In a post Covid-19 world, smart ticketing and contactless payment will only accelerate.

In September, London based **GoMedia** was acquired by Icomera, (which is owned by **ENGIE** the large French energy group). GoMedia provides passenger Wi-Fi for public transport and was founded in 2015 by former Sky executives Matt Seaman and Roger Matthews. GoMedia has rapidly established itself as the world's leading provider of onboard infotainment for public transport. However, with so many people working from home, it is a tough time to be in the public transport sector right now.

With the wave of M&A activity in the sector, it is perhaps a surprise that **Kerridge Commercial Systems** (KCS) did not join the party in 2020. Previously, KCS (ERP and supply chain solutions) had made 11 acquisitions since Accel-KKR's investment in 2015. Notable deals included Electronic Data Processing (EDP) for £12m, Insphire (heavy plant software) and MAM Software for $155m.

Good Energy Group, the 100% renewable electricity supplier and energy services provider has taken control of Zap-Map's parent company, Next Green Car. **Zap-Map** is an app for the UK's fast-growing 300,000 electric vehicle (EV) drivers - planning routes, identifying charge points, checking their availability, and sharing power. With more than 250,000 app downloads, and 100,000 registered users, Zap-Map (based in Bristol) is used by a significant amount of the fully electric EV market.

MOST ACTIVE SECTORS – 2020

- Cloud Comms
- Payments
- Ed Tech
- Prop Tech
- Legal Tech
- IT Managed Services
- Payments
- Data Analytics
- CX
- Logistics / Supply chain

Hardware

Much has been written about Softbank's proposed sale of **ARM** to **Nvidia** in a complex deal for circa £30bn ($40bn), having only acquired it in 2016 for $31bn. Despite its WeWork losses, Softbank actually recovered strongly in 2020 with its shares at near record highs as a result of its portfolio shuffling and aggressive tech investing. This is the largest semi-conductor deal ever, pipping the Broadcom deal back in 2016. A UK markets regulator review could yet derail it.

South Korean listed **Hanwha Systems** acquired UK antenna maker **Phasor Solutions** out of administration in June. Phasor Solutions' proprietary technologies include flat electronically steered antennas for use on aircraft, maritime, trains and military vehicles. It's an exciting market, supporting connectivity over Low Earth Orbit satellites with wireless Internet services like video streaming on planes, and autonomous vehicle telematics. Phasor's parent was about to close a significant funding round in March but, unluckily for them, that was pulled due to COVID-19 and the resulting chaos in the airline sector.

Siemens has announced the acquisition of Cambridge, based **UltraSoC Technologies**, a provider of instrumentation and analytics solutions that put intelligent monitoring, cybersecurity and functional safety capabilities into the core hardware of system-on-chip (SoC). UltraSoC is a pioneer of embedding monitoring hardware into complex SoCs to enable 'fab-to-field' analytics capabilities, designed to accelerate silicon bring-up, optimise product performance, and confirm that devices are operating 'as designed' for functional safety and cybersecurity purposes.

Motorola acquired UK-listed **IndigoVision** for just under £30m which equates to 0.7x revenues and 17x EBIT. IndigoVision is based in Edinburgh and designs, develops, manufactures, and sells networked IP video security systems. The price of 405p a share seems really attractive given that it has spent most of the past six months at about half that valuation, so shareholders will be very happy - unless they were unlucky to have bought at the top of the dotcom bubble when it reached £13, albeit very briefly.

Cybersecurity

Founder Keith Bloodworth has sold **CNL Software**, which develops Physical Security Information Management (PSIM) software for the homeland defence sector. The 19-year-old company provides situation management and web-based video monitoring software to protect physical assets such as HQs. Its software offers risk management, security surveillance, facilities management, and environmental and danger zone monitoring services. It was acquired for £28m (approx. 3x revenues) by US based **Everbridge**, which is a $3bn listed US group that was founded in 2002 in the aftermath of the tragic events of 9/11 with the mission of 'helping to keep people safe amid critical situations'. They have a Critical Event Management platform. With the number of IoT devices expected to approach 75bn by 2025, Everbridge's Critical

Event Management platform enables organisations to utilise vast amounts of electronic data, including IoT sensors, to digitally transform how they manage the safety and security of their assets. It might have been useful on Capitol Hill recently!

> "Accenture is hungry, gobbling up another 28 companies in 2020"

In March, **Accenture** acquired **Context Information Security**, a UK-based cybersecurity consultancy from its parent company Babcock International Group. Context was founded in 1998 and has its HQ in London. Babcock acquired Context back in 2013 for £32m which equated to a heady 3x revenues back then and is still pretty high for a consulting business. They offer high-end cyber defence, intelligence, vulnerability research and incident response services. Babcock sold Context for £107m (4x revenues) making a chunky profit. Having grown to 250 staff at £0.4m per member of staff, it was no bargain and equates to an EBIT multiple of about 50x.

Accenture is an acquisition machine and acquired an impressive 28 companies in 2020 (24 in 2019) including **Symantec**'s **Cyber Security Services** business bought for $200m, adding 300 staff (or equivalent to £0.5m per member of staff). Although Accenture has revenues of $30bn it continues to acquire smaller digital consultancies with 50-100 staff to increase exposure to the digital economy.

HelpSystems has been an increasingly aggressive acquirer since it took Charlesbank and TA Associates onto its share register last year. In June they acquired **Boldon James** a data classification and secure messaging solutions business, from defence business Qinetiq. It was acquired for £30m which is a reasonable sounding 3.3x revenues and is actually similar to the amount that Qinetiq paid 13 years ago. In March, HelpSystems also acquired penetration testing software platform **Cobalt Strike** to expand the company's cybersecurity business. Cobalt Strike describes their business as threat emulation software, executing targeted attacks against enterprises with 'one of the most powerful network attack kits available to penetration testers. This is not compliance testing'. HelpSystems has been steadily beefing up its cybersecurity presence acquiring two companies last year – including Reading-based data loss prevention (DLP) provider **ClearSwift** (from RUAG).

Increased UK Government regulation over M&A activity in sensitive industries is set to increase. Legislation will enable the UK Government to review mergers involving foreign buyers in three sectors considered to be central to national security:

- Artificial intelligence (AI),
- Cryptographic authentication
- Advanced materials

The thresholds are very low with revenues of £1m and/or market share of 25%. Such a move is understandable (particularly as relationships with China/Russia cool). However, after the wave of foreign buyers shopping in the UK over the past decade, there is a feeling that the horse has not only bolted but the barn door has been left swinging!

> "The horse has not only bolted but the barn door has been left swinging"

Historically, UK Regulators have adopted a fairly liberal approach to Tech-based M&A activity, waving through major sales such as ARM without too much delay, although UK regulators have belatedly taken an interest in the ARM deal. Inevitably it may slow down deals in certain sensitive sectors, and it may make it tougher to do some cross-border trade deals with exotic buyers, but shouldn't impact many US/UK deals or private equity buyers.

IoT / AI and Machine Learning

Cognizant acquired **Inawisdom**, an Ipswich based AI and data analytics consultancy just before Christmas. Cognizant had a busy time acquiring nine companies in 2020 and, despite their huge size, acquired Inawisdom which has just 60 staff and £10m revenues. They are growing rapidly but importantly have their own Rapid Analytics and Machine Learning platform (RAMP), based on AWS.

IoT connectivity provider **Arkessa** was sold to **Wireless Logic** in December, giving ECI a 2.1x return in two years. Arkessa offers world-wide, world-class cellular connectivity services that make it easy to design, deploy and manage IoT devices securely, efficiently, and at scale, regardless of application or business model. During ECI's involvement, Arkessa acquired Netherlands-based Sim Services in August 2020.

Reading-based **Ascent Software** has acquired **Purepoint**, a London-based software development provider focused on the IoT market. At 1.5x 2020's estimated revenues, the multiples look quite low. Purepoint CEO Alex James, who founded the IoT business in 2011, has built it to over 25 people and joins Ascent as group CTO. It is another PE-backed buy-and-build of a relatively small business with sector specialism. Horizon Capital invested in Ascent, a provider of custom software development enabling digital transformation, in November 2019, backing CEO Stewart Smythe (ex Adapt which was acquired by Rackspace) in a £30m transaction.

> "Thingalytics. Is that a thing?"

In June, US listed **Keysight Technologies** acquired **Eggplant**, a software test automation platform provider that uses artificial intelligence (AI) and analytics to automate test creation and execution. It was acquired from The Carlyle Group for $330m which equates to a very attractive sounding 9x revenues. London headquartered Eggplant was founded by John Bates who might know a thing or two about IoT having written the book 'Thingalytics: Smart Big Data Analytics for The Internet of Things'. Eggplant enables organisations to test, monitor, analyse, and report on the quality and responsiveness of software applications across different interfaces, platforms, browsers and devices, including mobile, IoT, desktop, and mainframe.

In June **RWS Holdings** (IP support services and localisation) acquired **Iconic Translation Machines** and **Webdunia** for up to $41m of which $10m is deferred. Iconic is based in Dublin and specialises in developing neural machine translation (NMT) solutions. It uses machine translation (MT) and artificial intelligence (AI) in the application of language technology. Iconic was valued at 8-16x revenues, depending on earn-out. Webdunia a translations services business was valued at only 1.5x revenues, as it is more of a translation services business. Not content with that, shortly afterwards RWS acquired **SDL** in a large share-based deal worth £809m (around 2x revenues). The lowish valuation on SDL reflects its bigger services element – for example they own Donnelly Language Schools.

> "Build bot and automate, simples"

In May **Microsoft** acquired London based Robotic Process Automation (RPA) software provider **Softomotive** from investor Grafton Capital, which only invested less than two years ago. Softomotive has developed WinAutomate which helps more than 9,000 customers automate business processes across legacy and modern desktop applications. Together with Microsoft's Power Automate, WinAutomation will provide customers additional options for RPA desktop authoring, so anyone can build a bot and automate Windows-based tasks. As CEO Marios Stavropoulos explained: "Since less than two percent of the world population can write code, we believe the greatest potential for both process improvement and overall innovation comes from business end users". Build bot and automate, simples.

EdTech

With schools and universities everywhere being forced to move online, it has significantly accelerated the move to remote learning and attracted M&A activity as providers tussle to gain an edge. As a result, we have seen a wave of consolidation:

Capita has sold its Education Software Solutions (ESS) business to **Montagu Private Equity** for up to £400m, which is approximately 4x revenues, as it continues its clear out. Some had expected the price to be higher but, as Jon Lewis, Capita's Chief Executive Officer, said: "ESS is a business that Capita originally bought for £10m so we have created significant value over 25 years of ownership." Good point Jon. The SIMS management information system has apparently struggled to develop its Cloud-based proposition. Nonetheless, it has a massive market share of nearly 75%. It is facing increasing competition from Cloud-based offerings, and the big consolidation that is happening in the sector driven by M&A deals (see below). Interestingly, Montagu also bought **ParentPay** which focuses on school payments, income management, parental engagement and cashless catering. The synergies between the two are clear under owners with deep pockets.

US-listed **John Wiley** acquired **mthree** from ECI Partners for £98m. mthree is a rapidly growing (20%pa) education services provider that addresses the IT skills gap by finding, training and placing job-ready technology talent in roles with leading corporations worldwide. Valuation was a healthy 3x revenues. "Wiley is committed to bridging the gap between education output and industry need," said Brian Napack, President and CEO of Wiley.

> "Big consolidation in EdTech"

Horizon Capital created **Juniper Education** when it acquired **EES for Schools** as a buy-and-build platform investment in July 2019. It is in a hurry, having previously tucked in **OTrack**, **Classroom Monitor** and **Maze Education**, all of which provide analytics platforms to help schools track pupil progress. In 2020 they acquired school management information system (MIS) and pupil analytics provider **Pupil Asset** and then in September announced the acquisition of **FS4S**, which provides schools, academies and trusts with finance, payroll and HR management services. Juniper then acquired **SISRA**, a specialist in data analytics for over 1,650 secondary schools, academies and trusts. Its analytics are used to evaluate exam performance. With the huge disruption to schools and students in 2020 due to COVID-19 these analytics will be in strong demand.

The Key claims it is now the second largest provider of MIS to schools in England, overtaking RM, but it is still a long way behind Capita's old division ESS. The Key acquired MIS provider **Arbor Education** which was founded in 2011 by James Weatherill and Emile Axelrad. The Key have already acquired **WebBased** (2016), **ScholarPack** (2018) and **GovernorHub** (2020). ScholarPack and Arbor service over 2,000 schools and have built scale rapidly in a fast-consolidating sector.

Civica announced the acquisition of digital learning management specialist **Agylia**. West Country-based, Agylia may be pretty small with circa 50 employees but it has an impressive client list including Health Education England, National Grid and Microsoft. The Learning Management System enables the delivery of both digital and blended learning and mobile apps. There would seem to be good synergy with a newly launched product to support a mobile workforce of carers with videos and podcasts given Civicas deep relationships in the Heath sector. Civica also acquired **Equiniti's HR and payroll business** which should add £6m revenue and £1.7m to its 2020 EBITDA.

IRIS Software acquired school management system provider **iSAMS** which supports core school functions including admissions, academic reporting and tracking, examinations, wellbeing, communication, HR, fee billing and accounting in over 1,000 schools.

Human Capital Management Tech

Advanced acquired employee engagement software **Clear Review**. Founded in 2016 by Sony's former International HR Director Stuart Hearn, Clear Review has a Continuous Performance Management platform that is tailored for a remote working environment to engage and support workforces wherever they are. Its Cloud HR solution now supports the entire employee lifecycle from recruitment to retirement.

Advanced also acquired £24m revenue workforce management software specialist **Mitrefinch** from LDC. Established way back in 1979, Mitrefinch provides products across T&A, payroll, HR and access control with analytic capability. The company supports 4,400 customers enabling them to increase productivity and manage their workforce effectively. Mitrefinch helps organisations spend their time on what matters most. Gordon Wilson, CEO of Advanced commented: “Digital technology provides accuracy of data to enable rapid decision-making in shifting market conditions which is a vital tool for companies managing shift patterns and measuring critical output.”

“ELMO’s on fire”

Australian listed **ELMO Software** acquired **Breathe** for a total of £22 million; an initial £18m in cash and shares plus an earnout for an additional £4m. Breathe develops and sells HR software to SMEs. It has more than 6,700 customers and targets the market direct and through HR Consultants. It recently launched a rota management solution to help small business juggling the challenges posed by COVID-19. The valuation is a significant 6x revenues but reflects the highly recurrent income and 30% growth rate.

Late in December ELMO also acquired Oxford based **Webexpenses**, (Cloud-based expense management) for £20m in a mix of cash shares and earn out. They focus on the mid-market. ELMO paid a max of 7.4x ARR and a punchy 33x EBITDA but they are also growing rapidly. ELMOs M&A team is on fire but the shares are pretty flat in the past three years.

In other deals, **Allocate Software** acquired Lincoln-based **Selenity**, which provides Cloud-based HR and finance process management software, in particular to health and care organisations. In July Field Service Management Software company **Totalmobile** acquired both **Lone Worker Solutions** (LWS) and **Software Enterprises** (known as Global Rostering System (GRS)). LWS provides access to safety alerts, status updates and locational information to support staff who are operating in high risk environments or undertaking sensitive activities, customers include Network Rail, Mitie and Centrica.

Cloud Software

Swedish based **Hexagon AB** acquired Farnham based **CAEfatigue**, a provider of mechanical fatigue simulation solutions used to improve manufacturing product design, quality, and reliability. Fatigue analysis of a digital twin enables manufacturers and engineers to predict in-service durability and improve quality before production starts. Its solutions are used by global manufacturers across automotive and aerospace and are interoperable with leading computer-aided engineering (CAE) packages. Hexagon President and CEO Ola Rollén said: “Not only do these technologies provide a valuable addition to our Smart Factory solutions portfolio, but they also enhance our portfolio of Smart Industrial Facility solutions”.

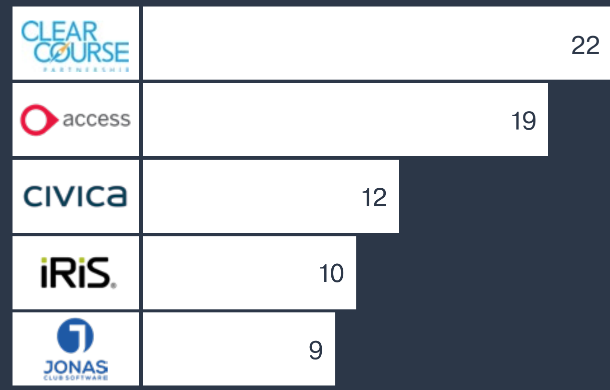
“ClearCourse – a clear winner”

ClearCourse Partnership is the most acquisitive company in UK, and to be honest it’s difficult to keep up with the number of deals they have done. Backed by US-based Aquiline Partners, their target companies are focused on membership organisations and they help their customers to manage their members and administer their business workflow. The plan is to automate and monetise their payment processes too. In 2020 deals included: **Felinesoft** (Microsoft software development) and **Hart Square** (CRM consultancy), **Assisi** (vet practice management), **FLG** a CRM provider for SMEs, **Swan** (retail management) and **Garage Data Systems** (workshops). That takes deals closed to 22 in two years, nearly one a month. Impressive, and we see no fall in their appetite.

“The Top 5 UK acquirers are all PE backed”

Jonas has been quietly acquiring companies for a number of years. Owned by Constellation the business focuses on verticals, particularly in public sector. It has now made 100 acquisitions in total. In 2020, in the UK, it acquired **Bluestar** (blue light software), and **Contronics** (lab monitoring).

TOP UK BUYERS SINCE JAN 2018



Information Management

Digitisation and the explosion of data from IoT, AI and ML has created strong demand for data intelligence solutions to capture, analyse and visualise huge amounts of information. This has created another wave of M&A activity and consolidation. Examples of key deals were:

In August **BAE Systems** strengthened its technology and data portfolio, buying **Techmodal**, a Bristol-based data consultancy and digital services company. With 120 employees and 30 associates, it has contracts with the MOD in support of the UK’s armed forces, particularly the Army, Strategic Command and Royal Navy. Its services include the Data Integration Platform to view, manage and exploit data provided by multiple systems on aircraft carriers.

In July, **Qinetiq** acquired Manchester based **Naimuri** (agile Cloud-based services and technology to the UK Intelligence and Law

Enforcement communities). At a cost of £25m it is 2.8x revenues (12x profits). The deal comes just a month after they sold **Boldon James**, a data classification and secure messaging solutions business to **HelpSystems**. It was acquired for £30m which is a reasonable sounding 3.3x revenues and is actually similar to the amount that Qinetiq paid 13 years ago.

"RELX and Aveva pay 10x revenues"

RELX is re-inventing itself from a publisher to a business and data information and analytics provider through a series of chunky and mainly US acquisitions. It sold Farmers Weekly, its last remaining trade magazine in 2019. In 1H20 they acquired Arizona-based **Emailage** (fraud prevention) for $480m and paid $375m to buy San Diego-based **ID Analytics**, adding to its earlier $817m deal for **ThreatMetrix** (digital identity). Using machine learning, its own data and its network of partner companies, Emailage can predict fraud using email addresses and online identities, while ThreatMetrix tracks around 1.2bn people worldwide, looking at digital patterns to assess risks. In August RELX also added **SciBite**, a semantic AI company headquartered in Cambridge, which helps life science customers make faster, more effective R&D decisions through advanced text and data intelligence solutions. It's a business that's not shy in paying up for targets, having paid £65m, which is over 10x revenues for SciBite.

Aveva shares have doubled since the start of 2019 and are now valued at just shy of £8bn. As a result, the valuation of the industrial software supplier is now approaching 10x revenues. It made a big move in August buying out Softbank and paying a chunky 10x revenues for **OSIsoft**, a real-time industrial operational data software supplier at a cost of $5bn. OSIsoft is a data driven business that makes software that captures data from ships, chemical boilers, power plants and other facilities in industries including oil and gas, mining, pulp and paper and water. "It will accelerate the Enlarged Group's role in the digitisation of the industrial world, which is being driven by a need for sustainability, the industrial internet of things, Cloud, data visualisation and artificial intelligence," Aveva's CEO Craig Hayman said.

Geospatial information provider **Envitia** has completed MBO to Maven valuing it at circa 2x revenues. It has been around for 30 years so is certainly well established with large defence clients and an ambitious growth agenda to expand into new sectors and further develop its data discovery platform using AI and Machine Learning.

eCommerce

Admiral sold **confused.com** and other assets to **ZPG** in a £500m cash deal that accelerates ZPG's consolidation of the sector, having acquired both Zoopla and USwitch. The valuation was a chunky at 19x profits or 4x revenues and is another restructuring as Admiral refocuses on its core insurance business. Given the impending FCA drive to end price walking it's potentially a good time to exit.

Future PLC, the UK listed media business has evolved from computer magazines to a portfolio of web content but still owns PC Gamer, Homes and Gardens and Golf Monthly. CEO, Zillah Byng-Thorne has overseen a period of significant growth including the £140m acquisition of **TI Media** (titles like Country Life and Cycling Weekly) in April. In November she launched a £594m bid for price comparison site **GoCo** and perhaps its no surprise that the deal is 75% payable in shares when the Future share price has nearly doubled from low in March and is valued at 8x revenues - almost double GoCo's valuation. Zillah aims to provide 'complementary insights that enable consumers to make informed choices in their passions, interests and key purchasing decisions'. It's a big move and re-invents Future, but shareholders seem less convinced looking at the recent fall in its share price.

Feedr (meal delivery to office workers) has been acquired by **Compass Group** for a rumoured $24m to use the platform to serve its own corporate client base. It was valued at just £2.8m prior to a crowdfunding round in June 2018. So it's a great price but lockdown would not have been good for Feedr's business.

"Just Eat – have they bitten off more than they can chew?"

Just Eat Takeaway.com was formed with an all-share merger of UK based Just Eat with Dutch based Takeaway.com for £10bn in January 2020. Then, in June, it acquired **Grubhub**, the US based online food delivery operator, for $7.3bn in shares to create a global online food delivery giant. That's tremendous timing given the COVID-19 crisis as people stay home, but it is an ambitious expansion programme. Have they bitten off more than they can chew?

HUT Group only listed in September but made a significant move in December, acquiring **Dermstore** a US skin care online retailer, and two smaller nutrition suppliers for a chunky $430m. Dermstore was acquired at 2x revenues and increases its US market share for the fast-growing online retailer.

"Pretty good timing"

Boohoo (online fashion retailer) was having a terrific lockdown and its shares bounced strongly having more than doubled since March, although things then soured a little with supply chain issues, showing that timing is everything. Taking advantage of the high shares, they raised more equity and tidied up their structure by acquiring the remaining 33% of **Pretty Little Thing** for £330m from founder Umar Kamani, valuing it at £1bn. That compares with the valuation of just £5m when Boohoo bought its original 66% of PrettyLittleThing back in 2014. Pretty nice.

Communications

In December, US-based **Dubber** acquired UK mobile recording business **Speik** for £20m or nearly 3x revenues. Speik is a leading provider of PCI compliance and call recording solutions and is a merger of Voxygen and Aeriandi. Aeriandi offers PCI compliance solutions, in conjunction with

Gamma and Vodafone. Voxygen supplied hardware recording solutions to O2 amongst others.

Also in December, UK-listed **Halma** acquired Wolverhampton-based **Static Systems** for £37m or nearly 2x revenues. It is a designer, manufacturer and installer of critical communication systems, which enables hospital patients to alert healthcare specialists in an emergency.

US-listed **Affluence** acquired Nottingham based **Flexiscale** and its platform Flexiant in June. As James Honan, Jr. Affluence's CEO explained: "Flexiant is a leading Cloud orchestration business and provides solutions aimed solely at helping (telco) service providers capture the Cloud market opportunity". Rajinder Basi, CEO of Flexiant said: "We believe that the Flexiscale technology will change the datacentre paradigm as we know it today. The technology is based on our nano nodes which enables the mass reduction in footprint so the datacentre can exist in a Nano-Cloud at the tower base station or be expanded to create micro-Clouds or metro-Clouds by stringing multiple nodes together using Flexiant, our edge orchestration software". Leading edge.

"Nano clouds in Nottingham"

Microsoft acquired London based **Metaswitch Networks** a virtualisation provider for telcos which has heavyweight investors such as Sequoia and Francisco. As Microsoft explained: "As the industry moves to 5G, operators will have opportunities to advance the virtualisation of their core networks and move forward on a path to an increasingly cloud-native future". The 800-strong team will help Microsoft's push into Cloud telephony. COVID-19 had minimal impact on Microsoft's performance; it delivered revenue growth of 15% in their Q3. Its commercial Cloud arm, including Azure, Office 365, Dynamics, was up 39%.

"Microsoft pushes deeper into Cloud telephony"

In February US-listed **Medallia** (CX management), acquired Liverpool based **LivingLens** for £20m. The video feedback platform is high growth and interesting as it 'humanises feedback and brings the voice of the customer and employee to life'.

LivingLens gives businesses insight into customers' and employees' feelings, wants and needs. "Video feedback is one of the most powerful innovations in experience management today. Video brings 6x more feedback signals than text responses," said Carl Wong, CEO. With 3.5bn smartphone users and 54% of all mobile brand experiences being video and image-based it is clearly a big potential market. Then, in April, Medallia completed the circle by acquiring the US speech-to-text platform, **Voci** Technologies. Voci's artificial intelligence (AI) and deep learning capabilities used by contact centres provides feedback from customer calls including emotion, sentiment and voice biometric identity.

UK-listed **TalkTalk Telecom** agreed a £1.5bn exit to PE group Tosca and others at a 26% premium to its share price or 1.4x revenues. It has a colourful history having been demerged from Carphone Warehouse, and having earlier acquired Tiscali and Pipex to build scale. It is yet another privatised UK company falling to overseas PE investors. In 2020, TalkTalk sold **FibreNation** to Goldman Sachs backed **CityFibre Infrastructure** for £200m. If CityFibre has ambitions to challenge the likes of Openreach and Virgin Media nationwide, then this will be a useful addition of scale on that journey. However, Harrogate, Ripon, Knaresborough and Dewsbury are not the heartbeat of the nation's fibre network. Good timing though, as the demand for home broadband in lockdown must have jumped.

Wiltshire-based **Vysiion Group** has been acquired by **Exponential-e**. The communications infrastructure and outsourced IT service provider has been taken over by Exponential-e, a Cloud, network and unified communications company. The deal sees the exit of BGF – which invested £4m in 2015 and returned over 3x their investment. Founder Bruce Brain said: "The business is well placed to further build upon its strategy of utilising its strong reputation within the utilities market of delivering and supporting Critical National Infrastructure (CNI)". Patience is sometimes a handy attribute and it certainly was here as Bruce Brain started Vysiion way back in 1971, which was the year the microprocessor was invented and the first pocket calculator was released by Texas Instruments.

BAE Systems acquired Collins Aerospace's Military GPS business for $1.9bn and Raytheon's Airborne Tactical Radios business for $275m. The GPS business is the leading provider of mission critical military GPS receiver solutions and has been a pioneer in US military GPS receiver markets for over 40 years. The valuation of 5x revenues or 15x estimated 2020 EBITDA reduces to 12x when adjusted for the tax benefit. The Radios business was expected to generate revenue of approximately $125mso valuation is a lot lower at nearer 2x revenues. It has strong growth potential underpinned by US Department of Defense and NATO mandates for cryptographic and anti-jamming modernisation of software defined radios.

"Cloud communications is hot"

Cisco acquired UK-listed Cloud communications provider **IMImobile** for £543m. Its Cloud communications platform is a CX provider helping businesses to communicate with their customers on mobile/WhatsApp and similar platforms; reaching beyond the contact centre and traditional routes which is increasingly important in a fragmented remote workplace. Valuation is 3.4x revenues and is yet another cross-border acquisition depleting the stock of sizeable UK listed tech companies. Shareholders will be happy as the shares jumped nearly 50% on the announcement.

In a similar vein, **MessageBird**, the $3bn omnichannel Cloud communications platform acquired London-based real-time web technologies company **Pusher** for £26m or a very similar valuation to IMImobile at 3.3x revenues. Its focus is on in-app notifications and a developer-friendly API and SDKs built around 'push', for Facebook Messenger, WhatsApp, Line and WeChat. The company has delivered over 18 trillion messages across thousands of apps for its customers.

ICT Managed Services

With the acceleration of digital transformation, the managed service sector is very much at the forefront of the convergence between IT and Telecoms. With the forced adoption of IP telephony in lockdown, convergence is accelerating rapidly. As a result, Telecoms Service suppliers are seeking IT skills and vice versa. A wave of PE owned consolidators are also expanding aggressively with almost all the mid-tier PE houses backing portfolio companies to buy-and-build. Examples include: ECI/ITLab, Mayfair/GCI, Inflexion/Ridgewall, LDC/Babble and Horizon/Timico.

In January **Arrow Business Comms** took additional funding from MML and a £50m acquisition pot. They are not hanging around having acquired **Altinet**, a Leeds-based provider of IT security and storage services in July.

In August **Onecom**, a business telecommunications provider backed by LDC and Ares, acquired **Glamorgan Telecom Group** broadening its geographic footprint.

Deloitte acquired SAP-centric consultancy and product provider **Keytree**, who have secured significant digital transformation contracts. It follows EY's acquisition at end of 2019 of Oxford-based AgilityWorks, a consulting business that specialises in the deployment of HANA based SAP technology.

Cognizant has acquired Microsoft public Cloud specialist, **New Signature** which has 500 Cloud experts from the UK, the US and Canada offering across Microsoft's business Clouds: Azure, Microsoft 365, and Dynamics 365. It follows their acquisition of London-based **Contino** (DevOps and Cloud transformation specialists) at the end of 2019. They are one of the most aggressive acquirors of 2020. In September they also acquired Chicago-based **10th Magnitude**, a Cloud specialist focused exclusively on the Microsoft AzureCloud computing platform.

In June **Wipro** acquired Belgium-based **4C** – the largest independent Salesforce Platinum Partner in EMEA. Wipro paid €68m for the 350-employee business, which was 2.2x revenues.

There is, without doubt, a lot of PE backed buy-and-build activity using platform businesses. So, with demand being high it is no surprise that some are going a level down looking for smaller fish. For example, **LDC** has funded a three-way £30million merger to form **Kerv** - a next-generation 'customer-first, Cloud-first' managed services provider. DoubleEdge, Foehn and Metaphor IT are all delivering double-digit growth rates and now form yet another buy-and-build platform.

> "Big demand for Microsoft Teams specialists"

Gamma Telecoms acquired **Exactive** (a fast growth Scottish based provider of Microsoft-focused Unified Communications solutions) just before lockdown for around 2x revenues. Given the huge boost in video conference calls in the past few months as the world works from home, the timing of the purchase couldn't have been much better. Exactive helps customers to fast-track their digital transformation by helping them transition from legacy telephone systems to Cloud based Microsoft Teams telephony. It has also developed an exciting multi-tenant Microsoft Teams PSTN routing platform, Cloud UCX™, enabling customers to use the public telephone network direct from Teams. Scott Millar, Chief Executive of Exactive, commented: "Maximising our shareholder value was important, but getting the right cultural fit was also very important to us as owner/managers. Gamma ticked all the boxes". Exactive is one of the few independent Teams specialists (or was). It looks to have been a well-timed deal from Gamma.

Another example of strong demand for Microsoft skills was the **IT Lab** (now **ContentandCloud**) acquisition of leading Azure specialist, **Sol-Tec**, which is public sector focused and counts the DWP, HMRC and the DoE among its customers with revenues of £9m (down 9%). Nik Topham, CEO and founder of Sol-Tec commented: "IT Lab was the natural home for Sol-Tec, with its dedicated focus on Microsoft and the deep expertise already established across Modern Workplace and Dynamics 365". Since getting investment from ECI in 2016, IT Lab has completed four acquisitions, including SMB specialist, Mirus, in 2019 and leading Microsoft Office365 and SharePoint partner, Content and Code, in September 2018. Revenues are now around £85m. IT Lab is one of the very few partners able to provide services to its clients across all three elements of Microsoft's Cloud, Office 365 and Modern Workplace; Azure and Dynamics 365. To re-enforce the message, IT Lab has since changed its name to the slightly clunky sounding ContentandCloud.

Microsoft-focused systems integrator **Avanade** upped its acquisitions with the purchase of **Concert**, a Milan-based Microsoft Dynamics 365 and AX solutions provider. This is the company's third acquisition recently, compared with just five in the preceding six years. Other deals include Altius (data and AI solutions) and the German Alnamic, (Microsoft Dynamics 365).

> "Digital transformation accelerated"

AIM listed and digitally native tech group **The Panoply Holdings** (TPH) is starting to live up to its name. Panoply means 'an extensive or impressive collection'. Although not all of its deals are that impressive - Pontypool based technology services business **Arthurly** was acquired in June for a max of just £1.5m (and only £0.41m upfront) - it has now made 11 acquisitions in its short life. So, it's fair to say it's becoming increasingly 'extensive'.

TPH further added to the collection, buying business change consultancy **Ameo** for a total of £7m in April. That equates to 1x revenue or 7x EBIT in another part cash and shares deal. It also acquired healthcare-focused digital transformation consultancy **Difrent** in September for an initial consideration of £8.8m. Payable nearly half in cash and shares it equates to just over 1x revenues and an EBIT multiple of 10 - but these multiples can rise by 50% if earn out targets are met in the next two years.

Computacenter has started a steady overseas push. In 2018 it bought San

Francisco based, FusionStorm, (Sourcing and Professional Managed Services) for $70m plus an additional $20m depending on profit levels. That was followed by a Dutch business called Misco Solutions, a value-added reseller and service provider which had revenue of €134m. In 2019 they acquired Pathworks in Switzerland, (a tiddler) and in March 2020 announced their intention to acquire **BT France** which has circa £200m in revenues. Computacenter is a beneficiary of digital transformation and despite COVID - 19 its shares have made a strong recovery.

Sovereign Capital funded the acquisition of AIM listed **Murgitroyd Group** for £65m. The management team, led by Edward Murgitroyd, CEO, aims to deliver a greater global presence through a strategy of buy-and-build. That sounds familiar. The Group delivers patent and trademark legal advice together with a breadth of IP support services to meet the IP needs of its international client base. Established in 1975 in Glasgow by Edward's father, the business has grown to 300 staff and sold for a lowish 1.4x revenues.

London headquartered **ECS** was acquired by **Global Logic**, a US group owned and funded by CPP Investment Board and Partners Group. ECS has circa £75m in revenue and has numerous large customers in financial services and other highly regulated sectors. Interestingly, it is an Amazon Web Services / Advanced Consulting / Managed Services / DevOps Partner, and one of only three EMEA Amazon Connect Service Delivery Partners.

US based **Presidio** was acquired for $2.1bn in 2019 by BC Partners. Focused on digital infrastructure, Cloud and security solutions, it has acquired Dublin based **Arkphire** for $140m which equates to a not very exciting sounding 0.7x revenues. That valuation perhaps reflects its IT services nature which is aimed at supporting the EU IT needs of US Tech companies.

LDC exited **Babble** in a management buyout to Graphite which values the unified communications and cyber security services provider at £90m. LDC supported six acquisitions in six years jump-starting the growth. Babble provides unified technology solutions for more than 2,000 small and mid-sized businesses. The company's services include hosted telephony (VOIP), communications, cloud contact centres, mobile and enterprise connectivity.
In June they acquired Lancashire-based communications provider **Lake Technologies**, then in August they acquired **Corporate Management Telecom** which was established back in 1998 and based in Braintree.

Japanese raids on UK companies are infrequent although notably NEC acquired Northgate not that long ago. **Ricoh** is a name associated with image and printing. It is moving increasingly into services having acquired two IT service businesses in Europe earlier in 2020. They also acquired Godalming-based IT services provider, **MTI Technology** which haa revenues of circa £90m and focuses on cyber security, datacentre and managed services.

Sabio Group snapped up its fourth customer experience services firm of 2020, UK-headquartered Genesys specialist **Anana**, with over 100 employees. It is a Genesys Partner with a range of CX solutions and services. Sabio had already acquired two Genesys partners in 2020 in France and Spain. In March, Sabio also bought **DVELP**, a Cloud software product and consultancy company headquartered in London. Through adoption of AI and API technologies from Google and Twilio, DVELP offers solutions in customer service automation.

Timico, which is owned by Horizon, bought **Arcus Cloud Services** (ACS), the Amazon Web Services public sector consulting firm. ACS is a Cambridge-based Cloud native organisation focusing on public sector organisations and has been an AWS partner since 2011, previously part of the wider Arcus Global business. Managing Partner, Simon Hitchcock, at Horizon Capital, said: "ACS is the third acquisition we have made with Timico since our investment. This acquisition is a key enabler to creating a market leader in the digital transformation market".

> "Be Heard goes quietly"

MSQ Partners (which is backed by LDC) acquired UK-listed **Be Heard PLC** for an EV of £20m, which is just 0.4x revenue. Given the low valuation, it looked cheeky but the business would have taken a hit from COVID. Also, Be Heard shares haven't made much noise recently! They have been on a five year downward trend after an acquisition spree a few years back.

In a strange move **Jacobs Engineering** (which as the name suggests is a US engineering services business) bought 65% of **PA Consulting** valuing it at a chunky £1.8bn. They are buying out Carlyle Group who acquired 51% back in 2015 for £600m, so are making a tasty profit. The valuation equates to 3.6x revenue which sounds really high for a consulting business.

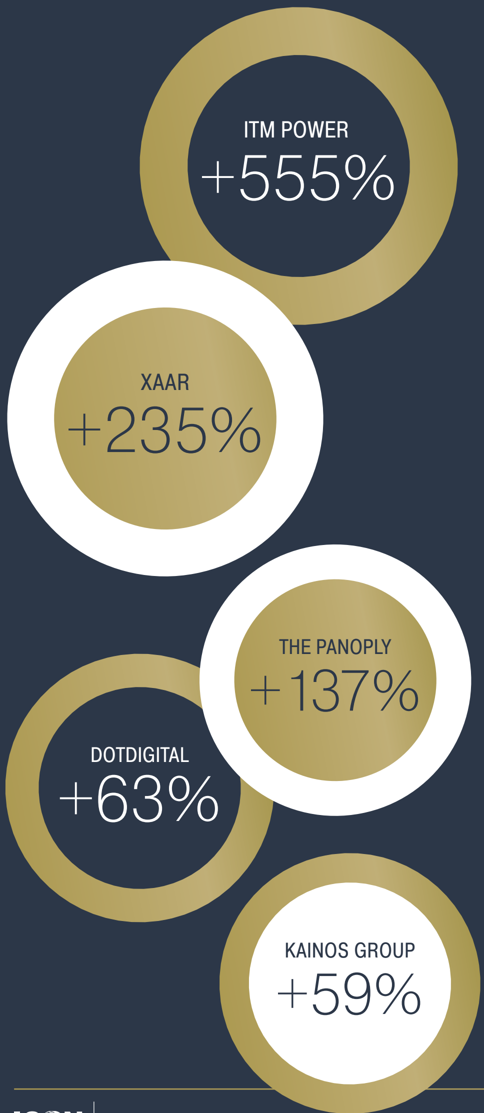
Computer Games

> "Competitive tension drives up value at Codemasters"

The power of competitive tension was shown by the sale of **Codemasters**, the UK-listed games developer who agreed a cash and shares deal with TakeTwo for 528p a share. However, as we have regularly seen in practice, the best offer is rarely the first. This spurred a rival bid of £940m from **Electronic Arts** is 14% higher. Codemasters is best known for its racing games, including the Dirt Rally series and Formula 1.

Nordic development and publishing group **Thunderful** acquired Shadow Point and Phogs! developer **Coatsink Software** for an initial £23m, half in cash and half in shares. They are currently working on projects including Jurassic World Aftermath and Transformers Battlegrounds, among others. A punchy earn-out of £42.5m will also be paid out if Coatsink exceeds its financial targets for 2021 and 2022. Thunderful, owns other studios and publishers including Rising Star Games, Image & Form, and Zoink.

UK Listed Tech Companies **Rising & Falling Stars – 2020**



Risers

ITM Power (+555%) shares were among the best-performing in UK market, rising over 6x and now valued at £2.5bn. Revenues are still small (£5m) but its electrolysers, which are a low carbon way to produce hydrogen, have significant potential in decarbonising power in the not-too-distant future, so is a good play on the green agenda. It has a three year forward P/EBITDA of 226x.

Xaar (235%) shareholders will be glad this ink-jet technology business has bounced after years of decline (it is down 90% from 2014 levels). Investors seem unphased by a 7% decline in sales and no profit in sight, as they instead are encouraged by new branding and go-to-market strategy. Shares now trade at 2.4X revenues, compared to 0.48x at the beginning of 2020.

The Panoply (137%), the IT service management company, had a strong year, making three acquisitions and seeing its revenues jump 380%. In the spring they built a platform in two weeks from scratch, through which UK manufacturers were able to work together and make much needed ventilators for the NHS. Its IPO in late 2018 was followed by 18 months of flat returns but recent positive news and analyst coverage has got investors excited.

dotDigital (63%) had another great year and is continuing its seven year double digit growth track record. The Cloud-based marketing software business is highly profitable and over the last five years its return on capital employed (ROCE) has averaged close to 25%. This suggests it has a competitive advantage. The market clearly agrees as it trades 10x revenues.

Kainos Group (59%) once again posted impressive results (30% revenue growth). The profitable, high growth, leading partner of Workday (HCM software suite), now trades at 7.5x revenues. Far from cheap.

Fallers

Finablr (-94%) (which owns Travelex) has not traded since March 2020 and may be about to be acquired by a consortium of Israeli investors. The business originally announced a $100m hole in its funding, that has since risen to a whopping $1bn.

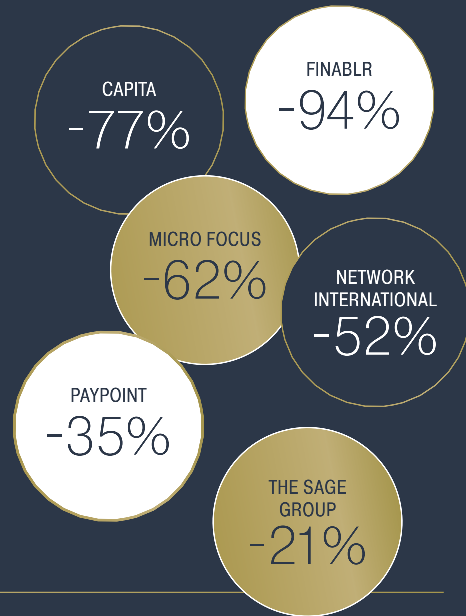
Business process outsourcing firm **Capita (-77%)** is still deep in restructuring mode. Revenues are down 10%. That makes it four years of decreasing sales in a row. It has started to reduce a debt pile of £1.9bn through quite a few significant asset sales including its Legal arm and ESS (see above). The shares that reached £12 are now 39p.

Micro Focus (-62%) which acquired the rump of HPs software assets back in 2016 is still suffering from a severe case of indigestion and remains highly leveraged with chunky net debt of over $3.9bn. Further restructuring may be needed and a bit more focus. Recent partnership with AWS will give investors some confidence but at 1.7x revenues it has missed the tech re-rating this year.

Network International (-52%) is another payments company to have a poor 2020. While the pandemic has accelerated the shift to cashless payments, a big drop in consumer spending has dealt a serious blow to its revenue through retailers. The acquisition of an African payments business with alleged links to Wirecard didn't help either.

PayPoint (-35%) is both losing key customers like British Gas and facing COVID headwinds with many retailers closed and ATMs significantly down as contactless payment accelerates. An Ofgem enquiry has also not helped.

The Sage Group (-21%) investors had a bad year. The FTSE100 accounting software group has a very strong balance sheet with £830m in cash after the sale of parts of the business. However, they have been a bit slow in shifting to Cloud computing, leaving them behind the competition like Xero and QuickBooks. They plan to use the cash for acquisitions in 2021 Shareholders want dividends. Sage is trying to be a part growth and part income kind of stock. It's not doing either of them particularly well.



Largest US Tech M&A Deals in 2020

EV $m	PURCHASER	TARGET	VALUATION (EV/Rev)
33,600	AMD	XILINX	11.3
27,700	salesforce	slack	33.0
21,200	ANALOG DEVICES	maxim integrated	9.7
10,154	Worldline	ingenico GROUP	3.1
9,275	MARVELL	Inphi	15.5
8,618	nexi	nets	10.1
7,500	Microsoft	ZeniMax MEDIA INC.	15.0
5,000	INSIGHT PARTNERS	veeam	5.0
5,000	VERITAS CAPITAL	DXC.technology (health)	3.5
3,940	VISTA EQUITY PARTNERS	PLURALSIGHT	10.5
3,200	twilio	Segment	32.0

US Tech M&A

"Two mega deals valued at >30x revenue!"

US M&A activity in the Tech sector remains very active. Some sectors are red hot. With three of the largest deals valued at over 30x revenues, at first glance it looks overheated but quite a few of these deals are paid for at least partly in shares and so the risks are shared. Nonetheless valuations look very stretched.

Salesforce made their largest ever acquisition buying collaboration player **Slack** for $27.7bn. At over 33x 2020's revenues, that makes it one of the most expensive acquisitions ever. Salesforce CEO Marc Benioff described it as a "match made in heaven" - the price is certainly heavenly. They are paying a mix of about 60% cash and the rest in Salesforce shares. The Slack platform that includes video conferencing, messaging, file sharing and workflow does seem a good fit and will have benefited from Covid but is some way behind Microsoft Teams which has now reached 115m Daily Active Users - a rise of about 4x since pre-Covid.

Salesforce has paid some eye watering valuations in the past few years. In 2019 it paid $16bn for **Tableau Software**, (data analytics software), for 13x and the year before the business paid $6bn for **Mulesoft**, (data integration platform) or 22x revenues. Earlier in 2020 Salesforce also acquired **Vlocity** for $1.2bn or just 7.5x revenues. With Salesforce shares bouncing back and valued at 10x revenues they can certainly afford some fancy valuations.

"You snooze, you lose"

Worldline continues the rapid consolidation of the payments space with the acquisition of **Ingenico**, the point-of-sale terminal provider that controls 37% percent of the market globally. Bought in a cash and share deal with an EV of €10.1bn, this equates to 3.1x revenue 18x EBITDA and a 24% premium to its share price. The deal highlights both the shift in payments and spending habits to more digital platforms and the never-ending drive to gain economies of scale. It will certainly create scale in a move that will create the world's fourth largest payments company with net revenues of around €5.3bn. The other big payments deal in 2020 to mention was the all-European affair with Italian **Nexi** buying Danish based **Nets**. The all-share deal values Nets at $8.6bn. Nexi Chief Executive Officer Paolo Bertoluzzo has rapidly expanded the company through acquisitions, announcing the deal only days after agreeing to the milestone acquisition of Italy's **SIA** for €4.6bn. Clearly, he's a man in a hurry, but with the wave of consolidation in payments it's clear that if you snooze you lose.

Whilst the Ingenico and Nexi deals grabbed the headlines, the biggest news in the sector must be the demise of **Wirecard** which went from being one of the largest technology groups in Europe worth €13bn, to insolvency in a week or two. Somehow the auditors EY forgot to check that €1.9bn of cash in the bank was actually there! The cash may not exist and Wirecard does not exist. It looks like fraud on an Enron scale. The other big story was that **Ant Financial** (which runs Alibaba's mobile wallet, Alipay), failed to IPO following Jack Ma's falling out with Beijing officials – maybe in trying to raise $37bn Jack was just a tad too greedy. He has gone AWOL.

"Plaid (nearly) sells for impressive 35x revenues"

Payments giant **Visa** nearly bought Silicon Valley start-up **Plaid** for $4.9bn, which is over 35x current revenues. Unfortunately regulators had other ideas and the deal was scuppered.

There has been massive disruption/consolidation taking place in the payments space as shown by the acquisition of Worldpay by FNIS for £43bn 11x revenues, Fiserv acquiring First Data for $41.2bn or 5x revenues, and Global Payments acquiring Total Systems Services for $26.2bn or 6.4x revenues.

Twilio is paying $3.2bn in another one of these large all share deals to acquire **Segment** at circa 32x revenues. Segment lets organisations pull customer data from one app into another, by way of APIs, and uses its platform to better control the movement of that customer data. "Data silos destroy great customer experiences," said Jeff Lawson, co-founder and CEO of Twilio. Customer engagement is hot. Twilio previously bought **SendGrid** for $2bn billion to add email to its range of communications tools.

"Customer engagement is hot"

Thoma Bravo bought **Flexera** again. They paid $2.8bn buying the IT asset management company from previous owners TA Associates and Ontario Teachers'. They originally bought Flexera way back in 2008 from Macrovision for just $200 million and sold it in 2011 for $1bn more. Flexera is positioned for 'sustained growth by focusing on the strategic challenges enterprises face with complex IT infrastructures.' Acquisitions have been a key component of their growth to date having acquired 12 companies so far.

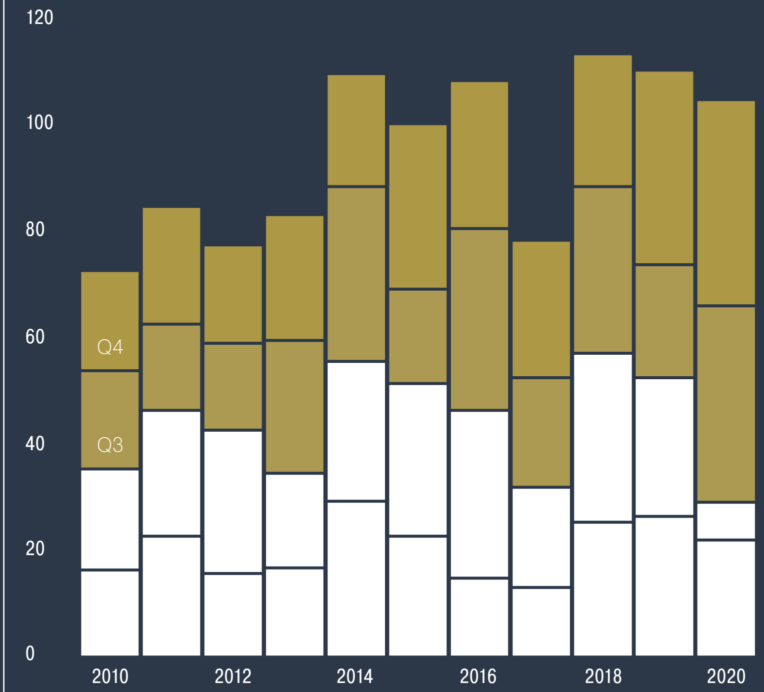
Microsoft acquired **ZeniMax Media**, the parent company of **Bethesda Softworks**, the game developer and publisher and creators The Elder Scrolls and Fallout among many others. Under the terms of the agreement, Microsoft will acquire ZeniMax Media for $7.5bn in cash and circa 15x revenues. With over $130bn in cash the outlay is a snip. Microsoft will grow from 15 to 23 creative studio teams and will be adding Bethesda's franchises to Xbox Game Pass at a time when gaming is booming as people stay at home.

In addition to this Microsoft also acquired Massachusetts-based 5G Cloud startup **Affirmed Networks** for nearly $1.4bn at the end of March; and IoT cybersecurity startup **CyberX** for $165m in May. Microsoft is a big winner from the pandemic. In fact, CEO Satya Nadella said: "We have seen two years' worth of digital transformation in two months". Teams users are up almost 10x in a year and a bit and is the glue that keeps many businesses functioning in lockdown. It is why Microsoft is now worth $1.6trn but 30x PE is not that high in current market.

It is boomtime again for mega deals. There were 38 mega (>$1bn) Tech M&A deals globally in 4Q, which is a record in a quarter. In fact, the second-best quarter ever was 3Q20! The second half of 2020 saw 75 mega deals – that is a rise of 30% YoY. A clear demonstration that buyer confidence has bounced back very strongly after a pause in lockdown and another indication of what can be done working from home.

"Record number of megadeals in 2H"

DEALS VALUED AT > $1BN

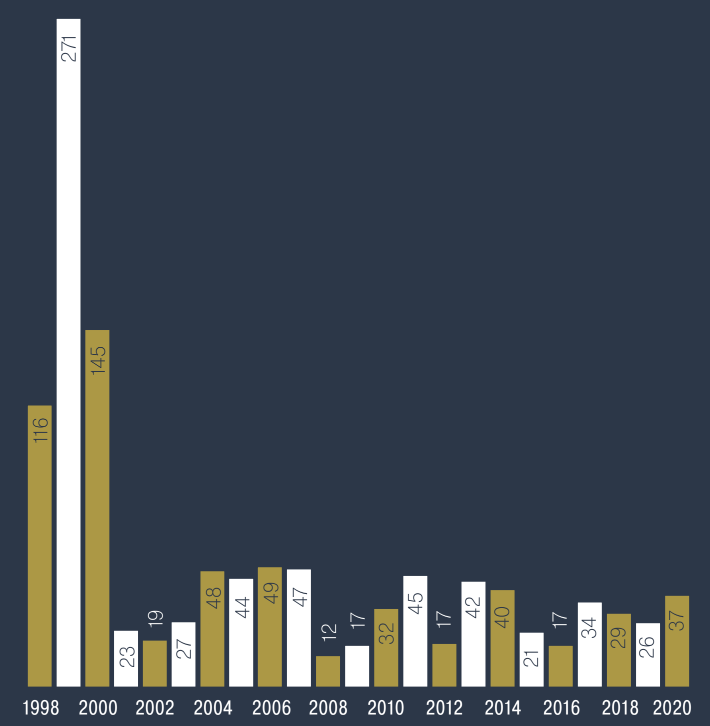


Alternatives – IPOs & Private Equity

"After Uber / Lyft – are investors being taken for a ride?"

Relative to the buoyant M&A markets, the number of tech IPOs remains low everywhere. There were very few IPOs to speak of in UK in 2020 but in the US, despite only 37 tech listings, there were one or two spectacular successes. 2019 saw a few unicorn IPO flops like **Lyft** and **Uber**. Both looked over valued and as a result their shares have fallen. However, investors seem to have short-term memories and in 2020 punters backed the listing of **Zoom**, **Airbnb**, **Snowflake** and **Palantir** with some eye watering valuations. Interestingly, although Airbnb and Snowflake doubled on the first day the best ever start for large tech performance was **Palm** (remember the PalmPilot?) back in 2000 which was up 150%. We all know what happened to them.

US TECHNOLOGY IPOs (No.)



"Can $4bn cash be worth $5.5bn?"

A notable trend in the US IPO market in 2020 was the emergence of the **SPAC** - an off-the-shelf financial vehicle used to cut red tape on IPO, they made up 45% of US IPOs. It raised $78bn in 2020 and is another clear example of frothy markets and investor appetite for risk (UK based **Paysafe** recently agreed $9bn sale to a SPAC). The flip side of that argument is that this funding will provide yet another wave of cheap money to fund tech M&A. SPACs have two years to spend the money, so bubble market conditions could easily continue. The largest SPAC IPO was Bill Ackman's Pershing Square Tontine Holdings, which raised $4bn on IPO in July. There were rumours this vehicle would be used to take **Airbnb** or **Stripe** public. To date, no deal has been done. However, this $4bn cash pile has a market cap of $5.5bn, so investors are putting a lot of faith (about $1.5bn of it) in Bill's ability to strike a deal.

Looking ahead to 2021 we could see listing in US of SAP division **Qualtrics** at circa 20x revenues (compared with SurveyMonkey which trades at 12x revenues) others include **Coinbase** (Bitcoin above $30,000 will help this cryptocurrency exchange) and other companies flying in the pandemic like **Robinhood**, **Instacart** and **Petsmart.**

Notable IPOs in 2020 include:

"Bubble Alert – Snowflake valued at 150x revenues"

Snowflake (+134% since IPO), a cloud-based data warehouse platform, listed in September with a $33bn valuation. Its platform helps clients unify and analyse large amounts of data across multiple Cloud platforms such as AWS and Azure and visualise it with business intelligence tools. Currently trading at 151x trailing revenues, it is reassuringly pricey even with its impressive growth and retention rates.

Logistics platform **DoorDash (+36%)** raised $3.4bn on IPO in December. Increased demand for food delivery services during COVID-driven lockdowns drove impressive 226% revenue growth in 2020, so timing looks good. Investors don't seem too worried that in a post-COVID world everyone will surely want to eat out again.

Airbnb (+120%) raised $3.5bn in December and the shares doubled on day one making it worth more than booking.com which has 3x the revenues. Interestingly, private equity firms took part in a $2bn round back in April, where post valuation was $18bn. Now the valuation stands at $82.5bn. Since that PE round, revenues are down a third and losses have tripled to $1.5bn, yet investors think it's over 4x more valuable. Madness.

"Lemonade valued at 60x revenues"

The InsurTech platform **Lemonade (+338%)** raised $319m on IPO in July. The young start-up plans to disrupt the insurance industry by employing AI and is hoping to appeal to younger customers. Unlike many InsurTech start-ups they are a full stack insurer; they hold risks on their balance sheet instead of passing them off to more established insurers. This gives them more control but is also very capital intensive. Investors seem to like it. It is the top performing IPO of the year.

Big data software company **Palantir Technologies (+231%)** raised $2.6bn on IPO in September at a $21bn valuation. It currently trades at 39x revenues which suggests investors believe this company will grow predictably like its SaaS peers. Its big data integration platform, Foundry, has long sales cycles and is heavily reliant on government contract wins but at least it is profitable.

The Hut Group (+60%), provider of e-commerce solutions, was the UK's largest IPO, raising £1.9bn in September. Revenues have grown at an impressive CAGR of 34% over the past 10 years while maintaining a healthy 40% gross profit margin. It currently trades on a fairly chunky 8x revenues. PE firm KKR sold its stake for £448m having invested £50m 6 years earlier.

Upcoming UK mobile payments provider, **Fonix (+55%)**, raised £45m on IPO in October, however no new shares were issued, and all proceeds went to the shareholders. Revenues have doubled since 2018 to £40m and have been accompanied by 15% net income margins.

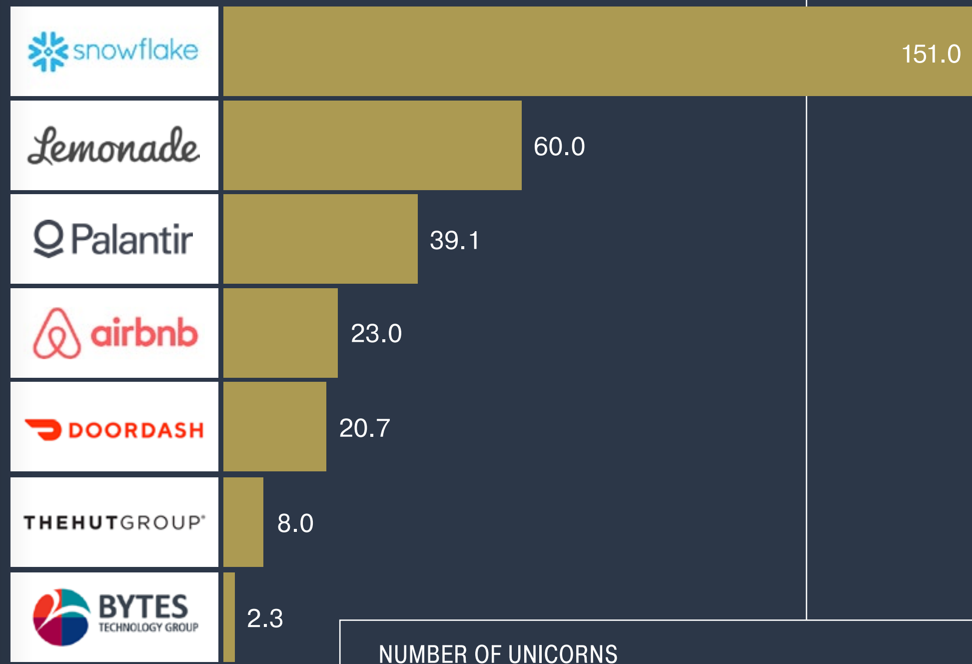
Bytes (+21%) listed in UK in December having demerged from parent Altran and ended the year trading on 2.3x revenues with a market cap of £802m. Bytes joins the ranks of Computacenter and Softcat as a listed software reseller having been founded in Surrey in 1980s. Its 32% revenue growth and 54% EBIT growth are impressive.

The wall of private equity funding is clearly shown by the number of **Unicorns** (i.e. valued at more than $1bn) which have now exceeded 500 globally, with a staggering 60% of them created in the past three years as young higher growth technology companies stay in private hands longer. UK Unicorn additions in 2020 include **Cazoo** (car e-commerce), **Gymshark** (e-commerce) and **Hopin** (internet services).

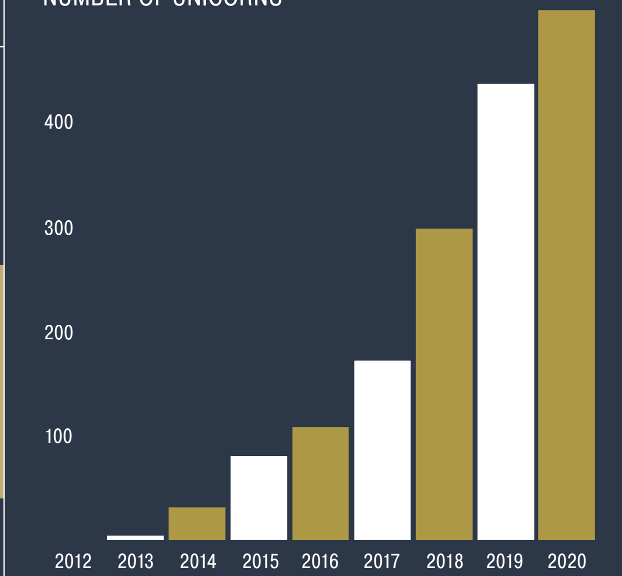
The wave of cheap money is evident in the UK too where £11bn was invested in Technology companies last year, slightly higher than 2019, and a new record. Despite the pandemic this reflects investors' ongoing appetite for risk driven by low interest rates. There were large fund raisings from **Resolut**, **Ki**, **Octopus Energy**, **Oxford Nanopore** and Bristol based AI chip maker **Graphcore**, plus seven new UK Unicorns were added taking the UK total to 80. **Gymshark**, **Gousto** and **Arrival** joined **TransferWise** etc.

Brian Parker, Head of M&A
January 2021

2020 TECH IPOS - MULTIPLE OF REVENUES (X)



NUMBER OF UNICORNS



"60% of Unicorns have been created in the past three years"

ICON Selected Deals

Company	Deal	Counterparty	Sector
Exactive	SOLD TO	Gamma	Enabling Tech
Paragon	SOLD TO	aptean / Vista Equity Partners / TA Associates	Logistics Software
nano Interactive	FUNDING	Maven Capital Partners / Foresight Group	Digital Media
beyonic	SOLD TO	MFS Africa	FinTech
juriba	PE INVESTMENT	BGF	Digital Transformation
silverbear	SOLD TO	Aquiline Capital Partners LLC / Clear Course Partnership	Membership software
Marimatech	SOLD TO	Trelleborg	IoT
BusinessIntegrity	SOLD TO	Thomson Reuters	LegalTech
Cypad	SOLD TO	ParentPay	FinTech
redland	SOLD TO	ideagen	RegTech
Optimum Contact	SOLD TO	IQVIA	HealthTech
mosaic smart data	FUNDING	J.P.Morgan / Commerz Ventures / octopus ventures	FinTech
clinicalcomputing	SOLD TO	QMS / Constellation Software Inc.	HealthTech
SentryBay	MBO	Thincats	Cyber security
wealthify	FUNDING	Aviva	FinTech
pleasetech	SOLD TO	ideagen	Collaborative Doc Mgmt
Focus Group Europe	SOLD TO	accenture	ITSM Consulting
Applicable	SOLD TO	NTT Communications	Unified Comms

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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 S&P CapIQ, plus various other 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 general 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.

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