



UK Technology M&A Snapshot

January 2022



GLOBAL TECH INVESTMENT BANKING

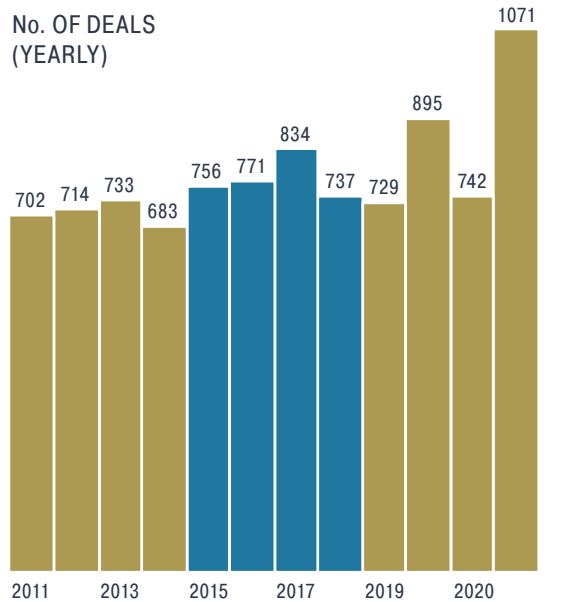
LONDON

SAN FRANCISCO

BRISTOL

UK Tech M&A – Deals

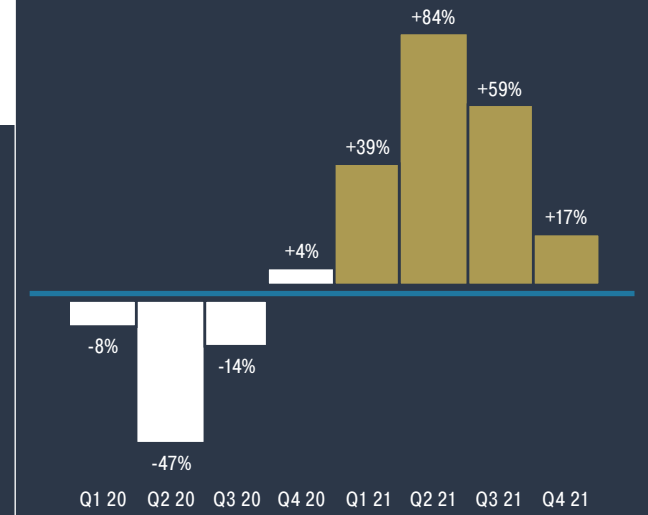
No. OF DEALS (YEARLY)



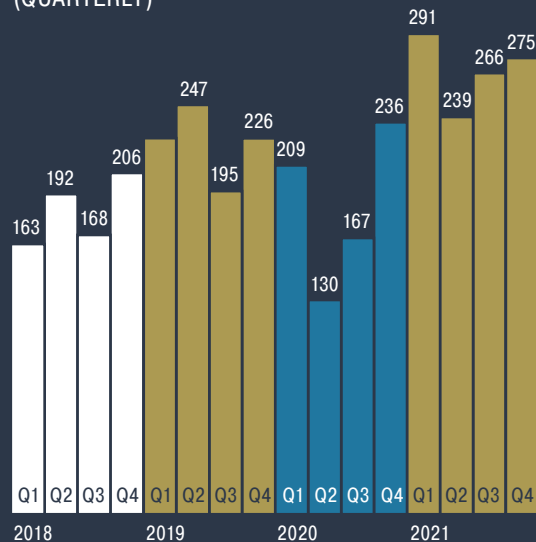
44%
GROWTH YOY

+20%
GROWTH COMPARED TO 2019

UK M&A DEALS – CHANGE YOY



No. OF DEALS (QUARTERLY)

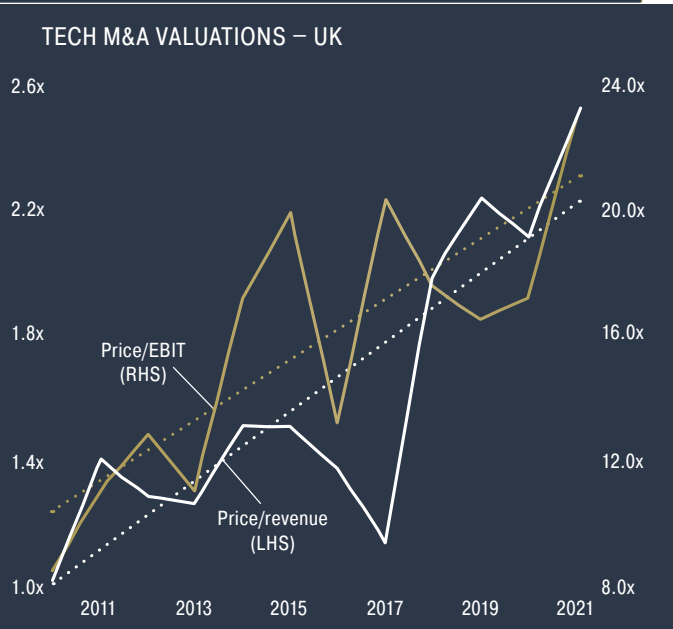


4Q21
2ND BEST QUARTER EVER

To say 2021 was a record year for UK Technology M&A is something of an understatement. We had to recheck the numbers. There were over 1,070 deals announced in the year – which is 44% more than 2020! **However, unbelievably, it is also 20% more than the number of deals in 2019 pre-COVID (which in itself was a huge record year).** In brief, deal activity is unprecedented and we see no signs of this slowing down, after a fast start to 2022 - The Year of The Tiger. It's a great time to be an owner of a technology company.

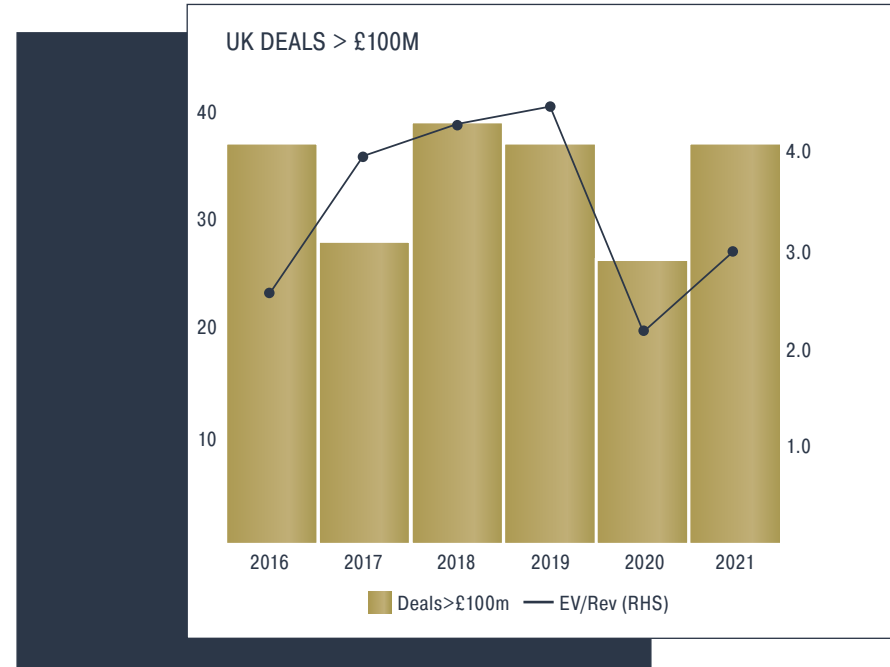
UK Tech M&A – Valuations

Up to
10x
EV/REV



23x
EV/EBIT

SME
BUYER FOCUS



Given the increase in deal activity it is no surprise that **valuations were also at record levels in 2021**.

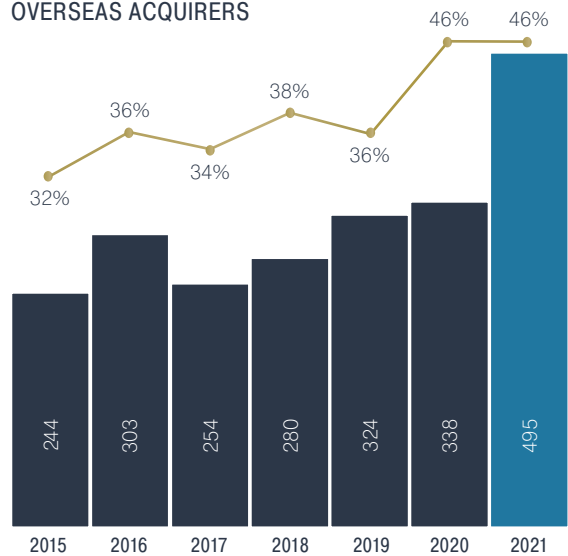
Across the entire IT and Comms sector the EV valuations were quite broad ranging from 1x revenues for comms services to 10+x revenues for SaaS software. Many deals are now announced without details also making comparisons trickier.

Median value was 2.5x revenues and 23x EBIT. Both are records and show that overall sector valuations have doubled in the past decade.

Interestingly, much of the frenzied dealmaking was in the smaller/medium sized deals. As the chart of larger deals (>£100m) shows, **buyer focus was in smaller deals**.

UK Tech M&A – Type of Acquirers

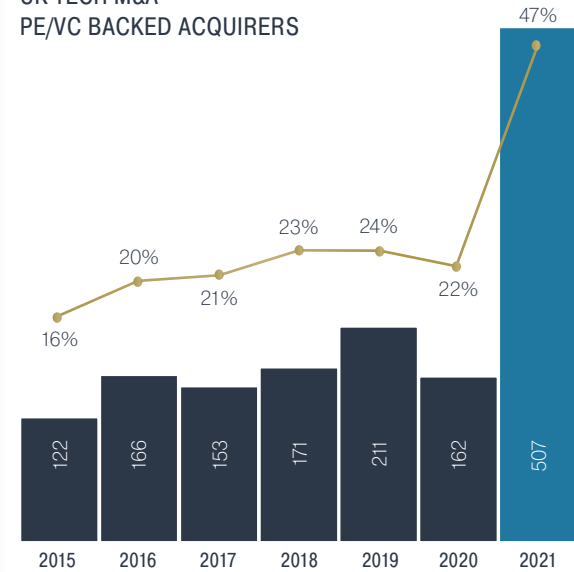
UK TECH M&A –
OVERSEAS ACQUIRERS



46%
OVERSEAS ACQUIRERS

In the past decade the UK Tech M&A market has been driven by the steadily **increasing number of cross border deals** – ie with overseas acquirers. From a third of deals 6 years ago they now account for nearly 50% of all deals.

UK TECH M&A –
PE/VC BACKED ACQUIRERS



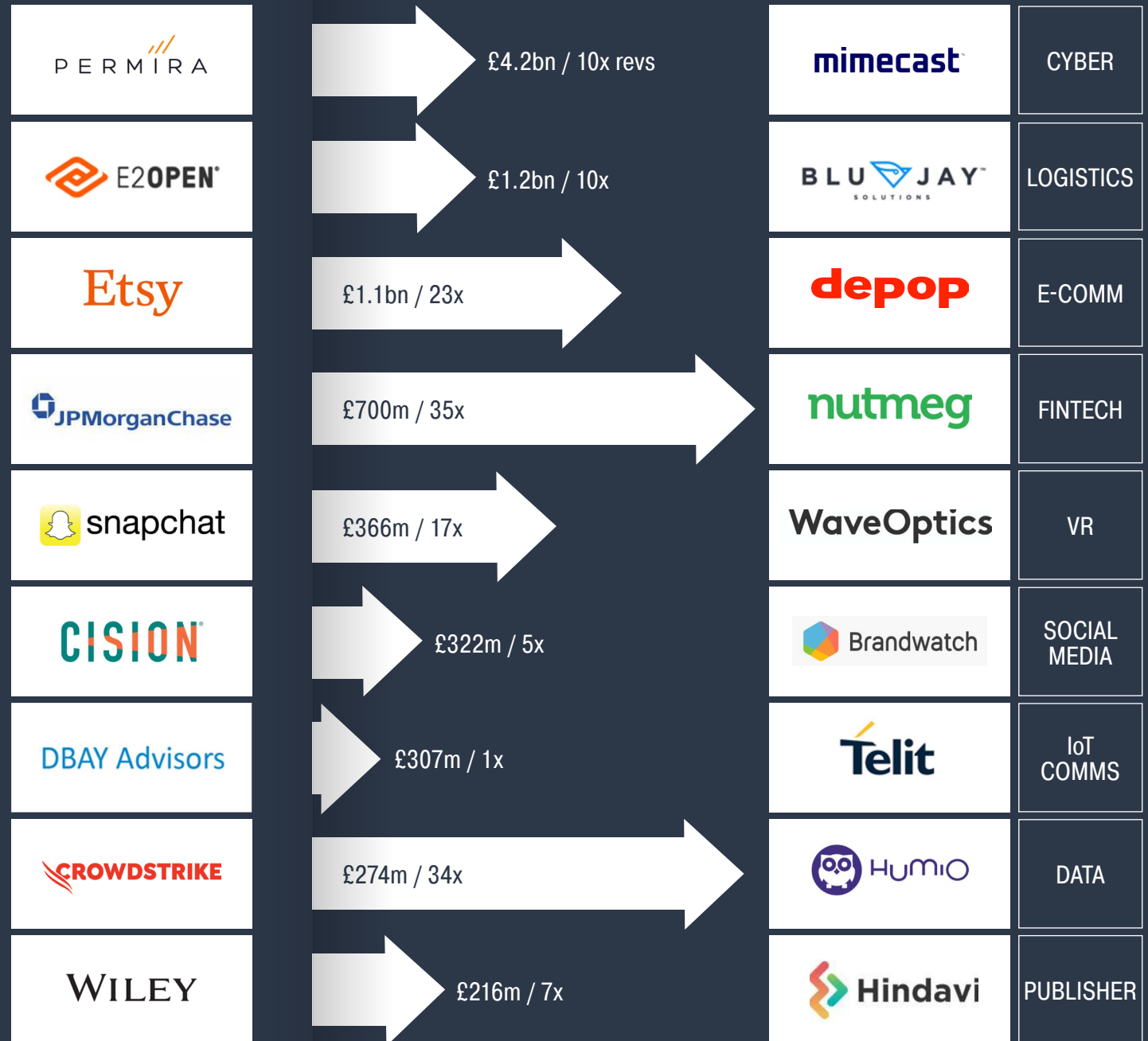
47%
PE BACKED
ACQUIRERS

There is no doubt what the main driver was in 2021 - it was the incredible increase in PE/VC backed “buy and build” deals. **With 507 deals they accounted for nearly 50% of all activity and have tripled in a year,** a staggering increase and reflects the tsunami wave of cash injected into PE funds as investors seek returns in a zero interest world.

>3x
INCREASE IN PE
BACKED DEALS


UK Tech – Big Deals 2021

- A record volume of deals last year as buyers continue to feast on UK Technology companies
- Among the larger deals most of the buyers are from USA. As a result valuation multiples have jumped with **6 of the largest deals having EV/ revenue of greater than 10x**
- Nutmeg, BluJay, Depop and WaveOptics are in different sectors but are younger, higher growth and higher risk opportunities as buyers increase their appetite for risk to buy disruptive technology



Top Acquirers

TOP UK ACQUIRERS 2021 (No. of deals)

 Restore Technology	5
 radius	5
 arrow	5
 CLEAR COURSE PARTNERSHIP	6
 access	6
 babble	9

Clearcourse and Access continue their busy acquisition spree but **Babble Cloud** was the most active buy and build consolidator as it is in a hurry to gather regional geographic footprint in UK.

The Top 5 VC/PE backers have supported 50 UK Tech acquisitions in 2021. That is a huge number of deals from all the large PE houses and reflects new tactics to deploy funds via a multiple of smaller deals rather than compete for the highly priced biggest fish in the pond.

TOP PE/VC M&A INVESTORS (No. of deals)

 Graphite Capital	8
 M MAVEN VENTURES	8
 LDC	10
 inflexion	10
 Hg	10
 BlackRock	10
 * AUGUST	10


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