

UK Technology M&A Snapshot Q1 24



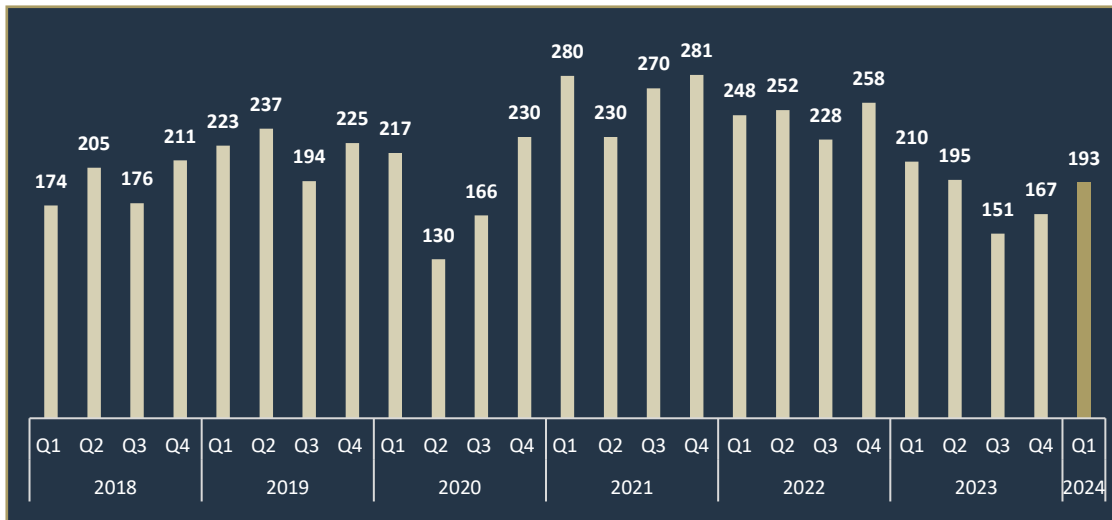
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“There has been a noticeable pick up in UK Tech M&A with 193 deals in Q1, a rise for the second quarter in a row.”



UK Tech M&A Snapshot

UK Tech M&A deals recovered for the second quarter in a row



Analysis of UK Tech M&A deals

TOP SECTORS

- ALL THINGS AI
- FINTECH
- DATATECH
- COMPLIANCE
- CLOUD SERVICES

33%

of 2024
deals are PE
backed

45%

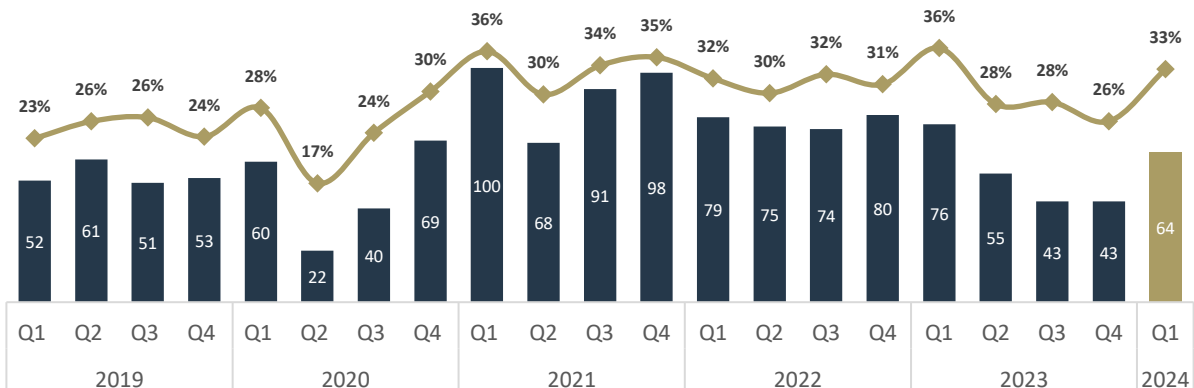
of 2024
deals are
cross-
border

193 deals – a rise of 16% from last quarter

- The US economy continues to purr along, like a well-oiled machine. That means interest rates will come down a bit later (and less) than previously expected. Despite that, global equity markets have hit new highs in Q1, with NASDAQ up 11% YTD. The timing of rate cuts may still be in doubt, but it is clear now that rates have probably peaked, removing one of the main pillars of buyer uncertainty.
- More deals are closing. Interest rate stability has certainly had a calming effect on Tech M&A. Having reached a low of 151 deals in Q323, the number of UK deals has grown in Q423 and now again in Q124 with 193 deals closing, up 16% QoQ. That is back to pre-COVID deal levels.
- Despite the higher funding costs, the percentage of deals led by PE-backed buyers was 33%, the highest levels since early 2023. Similarly, the percentage of cross-border deals jumped to 45%. Both show higher buyer confidence.
- In **Software**, there is appetite for FinTech, DataTech, Compliance, and of course anything remotely related to AI. **Inflexion, Hg, Apax** and **Bain** were buyers.
- In **Services**, there was a healthy number of mid-sized cloud services deals in the £1-2m EBITDA range where there are still a lot of trade and PE buyers looking for deals. Buyers included **Accenture, Bridgepoint** and **SCC**.
- Valuations are rarely disclosed but we still see Software exits typically at 4-5x revenues and Services at 1.2x-1.7x revenues for well-run mid-market targets.
- Owners of tech companies who have been delaying exit plans will be pleased to see the strong recovery in deals back to pre-COVID levels.

Type of Acquirers

UK Tech M&A - PE/VC-Backed Acquirer Deal Count



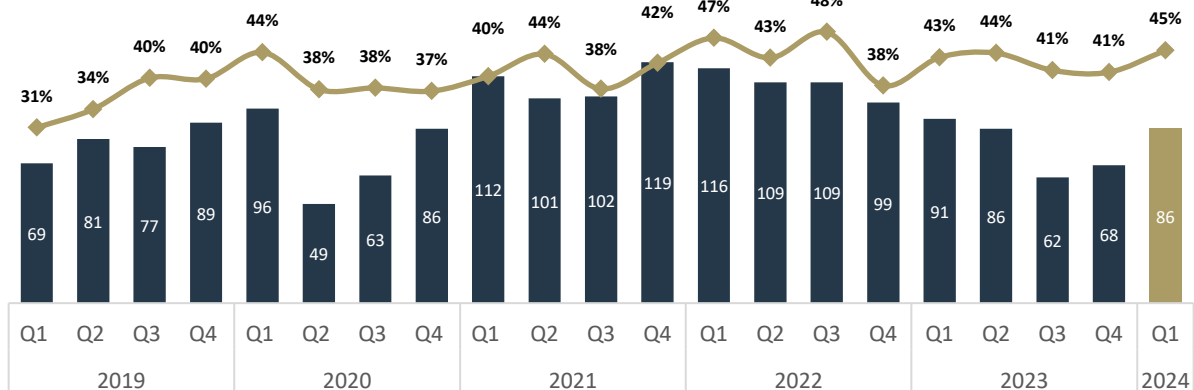
+49%

number of
PE-backed
deals
compared
to Q423

+26%

Number of
cross border
deals
compared
to Q423

UK Tech M&A - Cross-Border Acquirer Deal Count



Both PE-backed and cross-border deals rose markedly in Q124 reflecting the following:

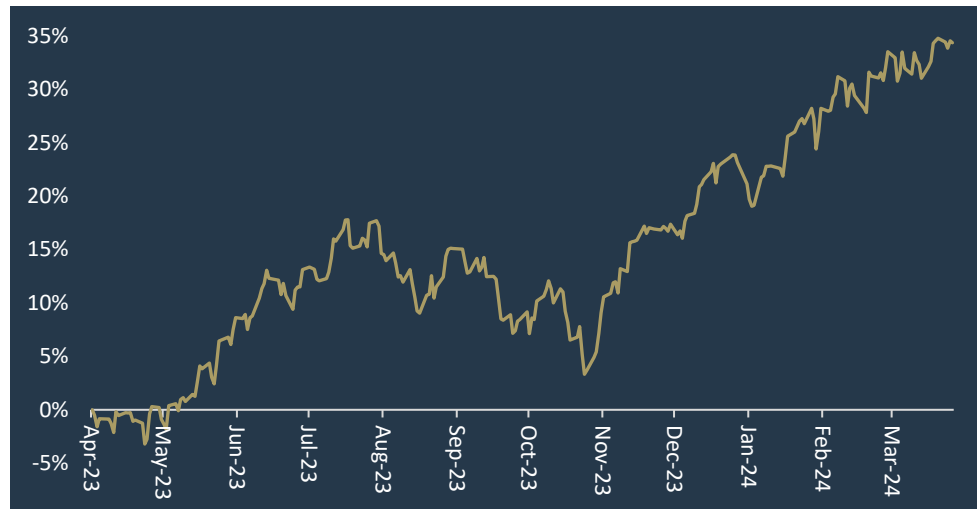
- Realisation that interest rates have peaked
- Higher equity markets
- Stable currency
- Rising confidence

The overall number of deals was down compared with 2021 and 2022 but are very similar to pre-COVID levels and increasingly look like the "new normal"

Positive signs from across the pond

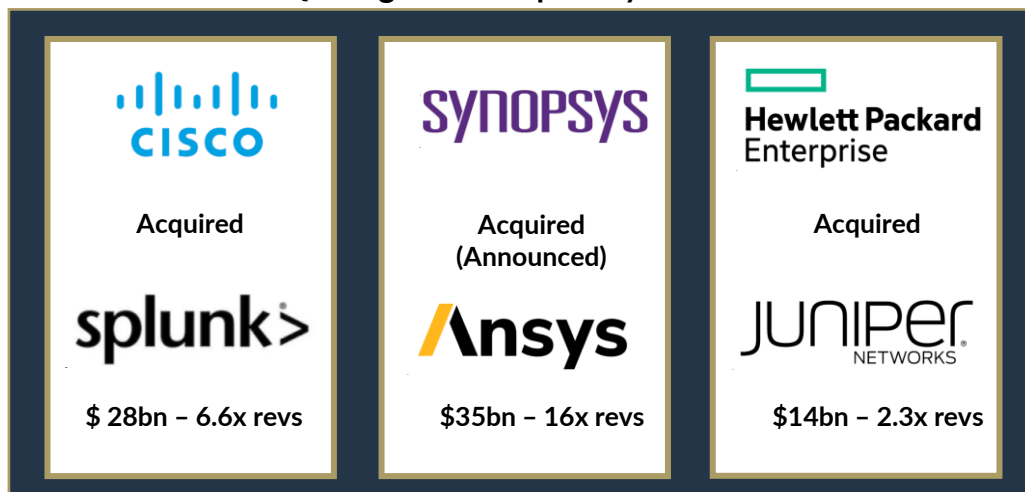
NASDAQ reached new highs in Q1 2024, gaining 11%

NASDAQ: up 34% over the last 12 months

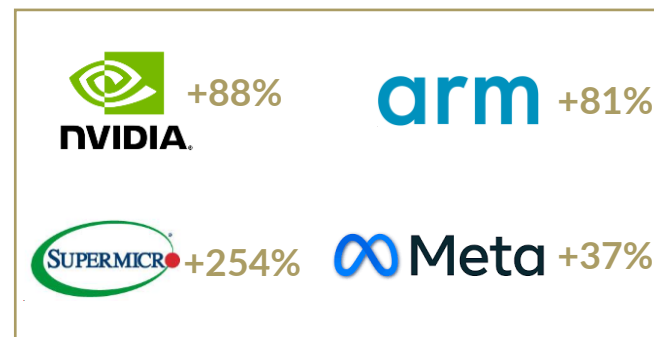


- With almost 50% of buyers of UK Tech companies from overseas, there is a strong correlation between what is happening over the pond and future UK M&A deal flow. The signs are good, as Nasdaq jumped another 11% in Q1 2024 to record highs, buoyed by strong earnings and investors' endless appetite for stocks that will benefit from AI.
- The likes of **Nvidia**, **SuperMicro** and other chipmakers and tech stocks like **Meta** have registered huge gains from the AI fervour. This has also fed into the IPO market, which shows signs of green shoots, with shares in chip firm **AsteraLabs** almost doubling since its Mar-24 IPO and **Reddit** has also done well.
- With rising confidence, there was a pick-up in mega deals like the \$35bn proposed acquisition of **Ansys by Synopsys** at a chunky 16x trailing revenue and **HPE** acquisition of **Juniper Networks** for \$14bn in cash.

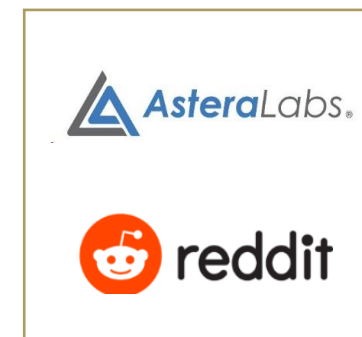
Some Q1 mega deals at punchy valuations



AI darlings – Q1 gains



Notable Q1 IPOs



Q1- Software deals

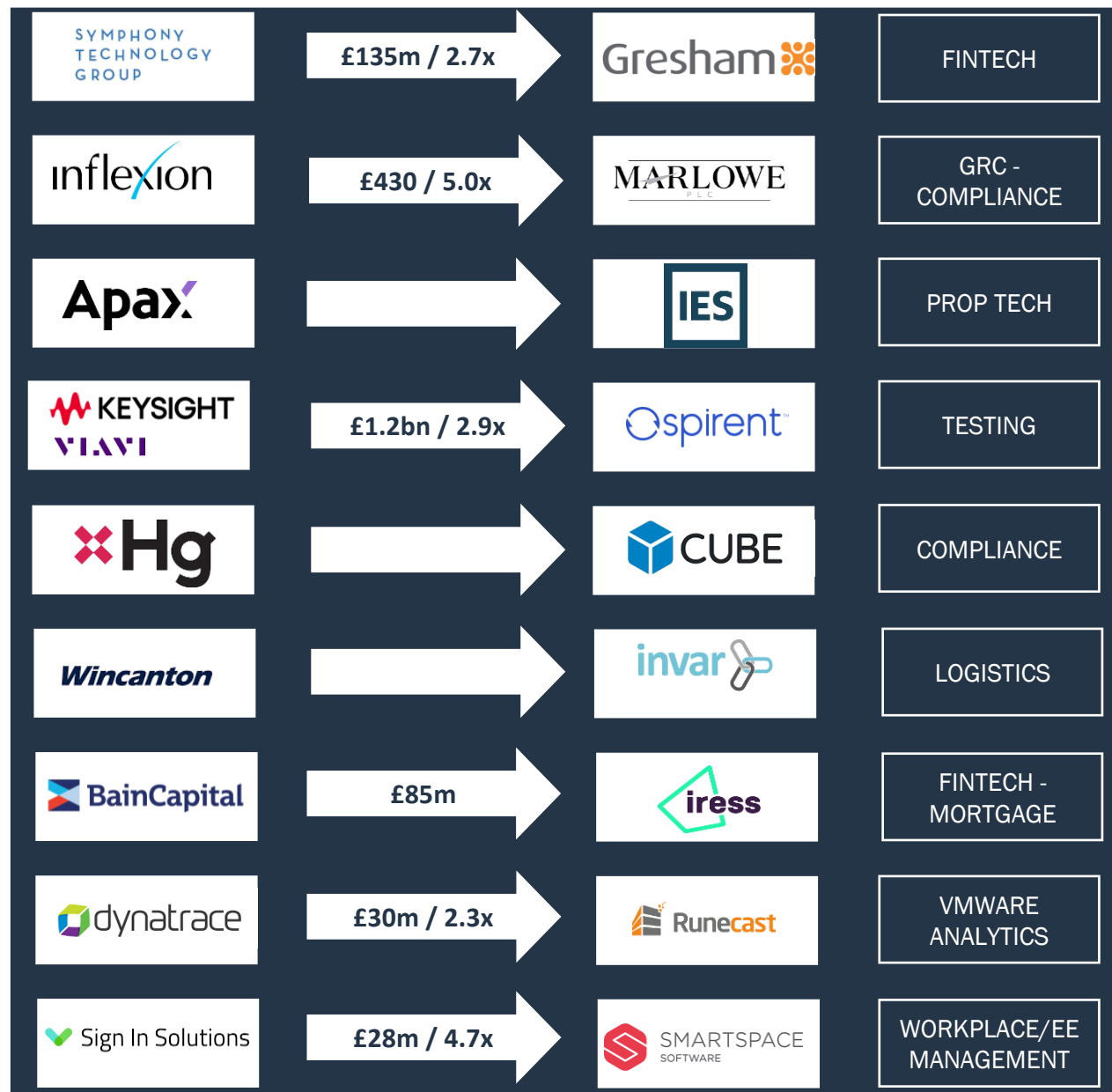
Deals at the end of 23 were dominated by refinancing of old favourites – Micro Focus, Civica, IRIS and Tribal. This year is more diversified.

Logistics remains a very busy space. ICON advised on the sale of **flexis** (logistics software to automotive and industrial sectors) to **Blue Yonder** in a very exciting deal. In UK, **Wincanton** (which is itself being acquired by French-based **CEVA Logistics**) acquired **Invar** (warehouse automation and robotics).

Apax acquired controlling interest in **IES**, a Glasgow-based PropTech used to improve energy and carbon footprint in 1.5m buildings globally.

Things can change quickly. **Marlowe** acquired 20 companies in 2022 and was worth £1bn but its shares then fell by two thirds and recently attracted a bid from **Inflexion** for its GRC division – paying 5x revenues or 16x EBITDA. Other key compliance deals in Q1 included the acquisition of **CUBE** (AI-enabled RegTech) by **Hg Capital** and US-based **Symphony** bid £135m for listed **Gresham** (financial regulation).

Spirent (network testing) is the latest in a very long line of UK listed companies to be acquired, with a £1bn offer from US-based **Viavi** which was then gatecrashed by a 15% higher offer from **Keysight** valuing it at nearly 3x revenues. In this case, competitive tension was worth £150m to shareholders.



Q1- IT services deals

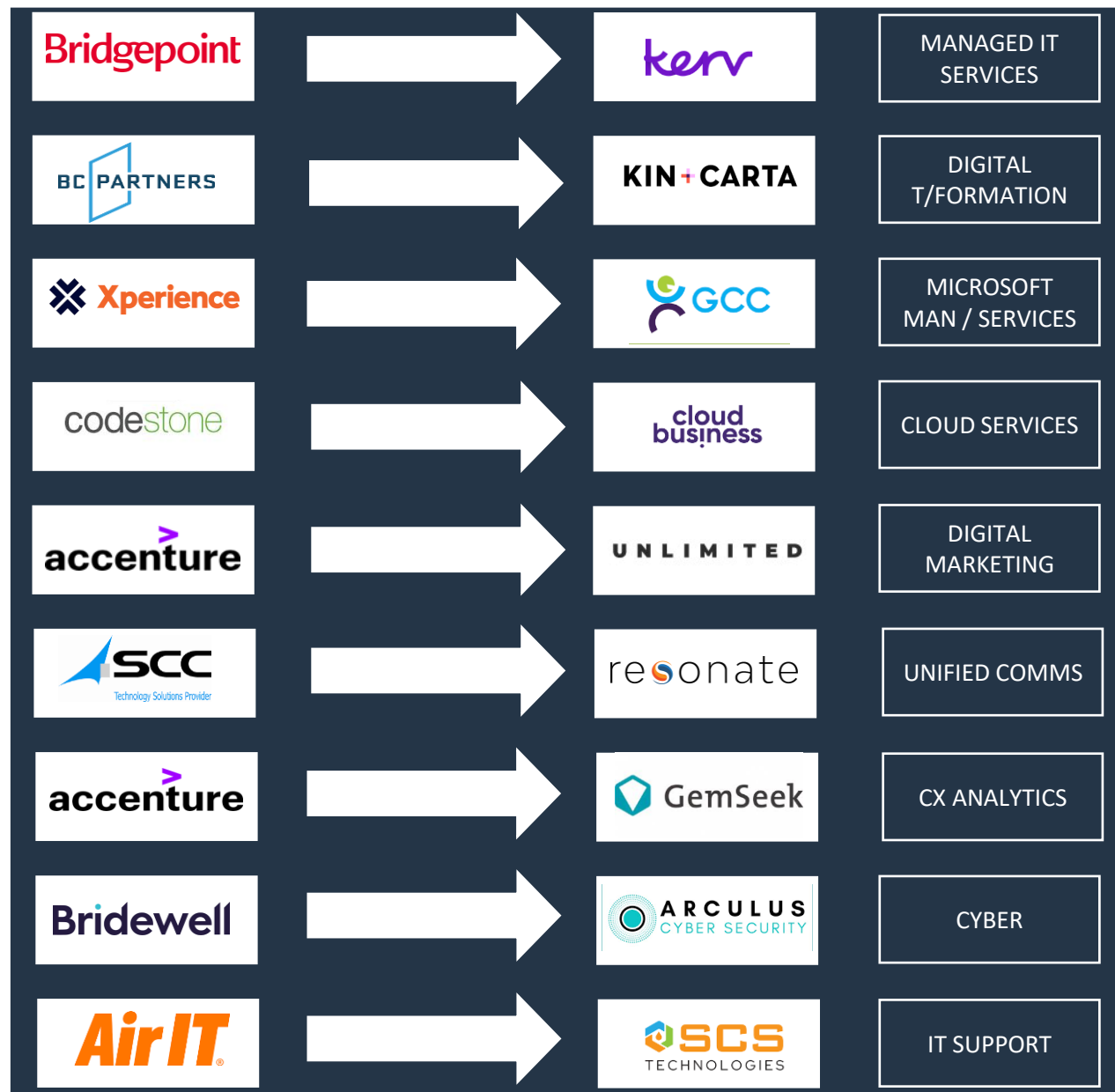
Latest growth figures from Microsoft Azure, AWS and Google are still showing really strong growth of 20-25%, helped by new AI-related demand. As a result, there is an ongoing shortage of digital skills, which is feeding M&A demand.

SCC is Europe's largest private investor in technology. Having acquired £100m revenue **Vokhus** last year, they acquired **Resonate** a Microsoft Teams and UC specialist in 2024.

Accenture continues to be most active buyer globally doing 30-35 deals a year (mainly mid-sized) to boost digital services. In Q124 they added CX analytics specialist **Gemseek** and **Unlimited** - a digital agency with 600 staff in London and £10m EBITDA and features a 'Human Understanding Lab'.

Competitive tension is so valuable in a deal. That was clearly shown by listed **Kin + Carta** (previously St Ives), as **Valtech** (owned by BC Partners) outbid Apax by £40m.

AirIT made their 12th acquisition with the deal to acquire SCS a Microsoft partner to add to its regional footprint. Other mid-sized cloud services deals include Microsoft specialists GCC and Cloud Business acquired by **Xperience** and **Codestone**. Also, **Bridgepoint** acquired **kerv** from LDC, where it helped it grow from £20m to £100m revenues.



ICON Recent Deals

 BlueYonder

Acquired

 flexis

Supply Chain

 VAULTSPEED

Funded by

 octopus
ventures

Data Warehouse

 Travel
Local

Funded by

 PUMA
PRIVATE
EQUITY

E-commerce Travel

 MAYFAIR
EQUITY PARTNERS

Funded by

 JOYNCKERS
ANY WORD . ANY TIME . ANY PLACE

AI Translation

 babble

Acquired

 TechQuarters

Cloud Services

 interact

Acquired

 sideways6

Employee
engagement platform

 OVHcloud®

Acquired

 ForePaaS

Low-code AI Platform

 scaleworks

Acquired

 import.io

E-commerce DataTech

 M. MONTERRO

Funded

 TIMEXTENDER

DataTech

 Canon

Acquired

 edale

Digital Print

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Data is from a combination of Pitchbooks, S&P CapIQ and ICON analysis