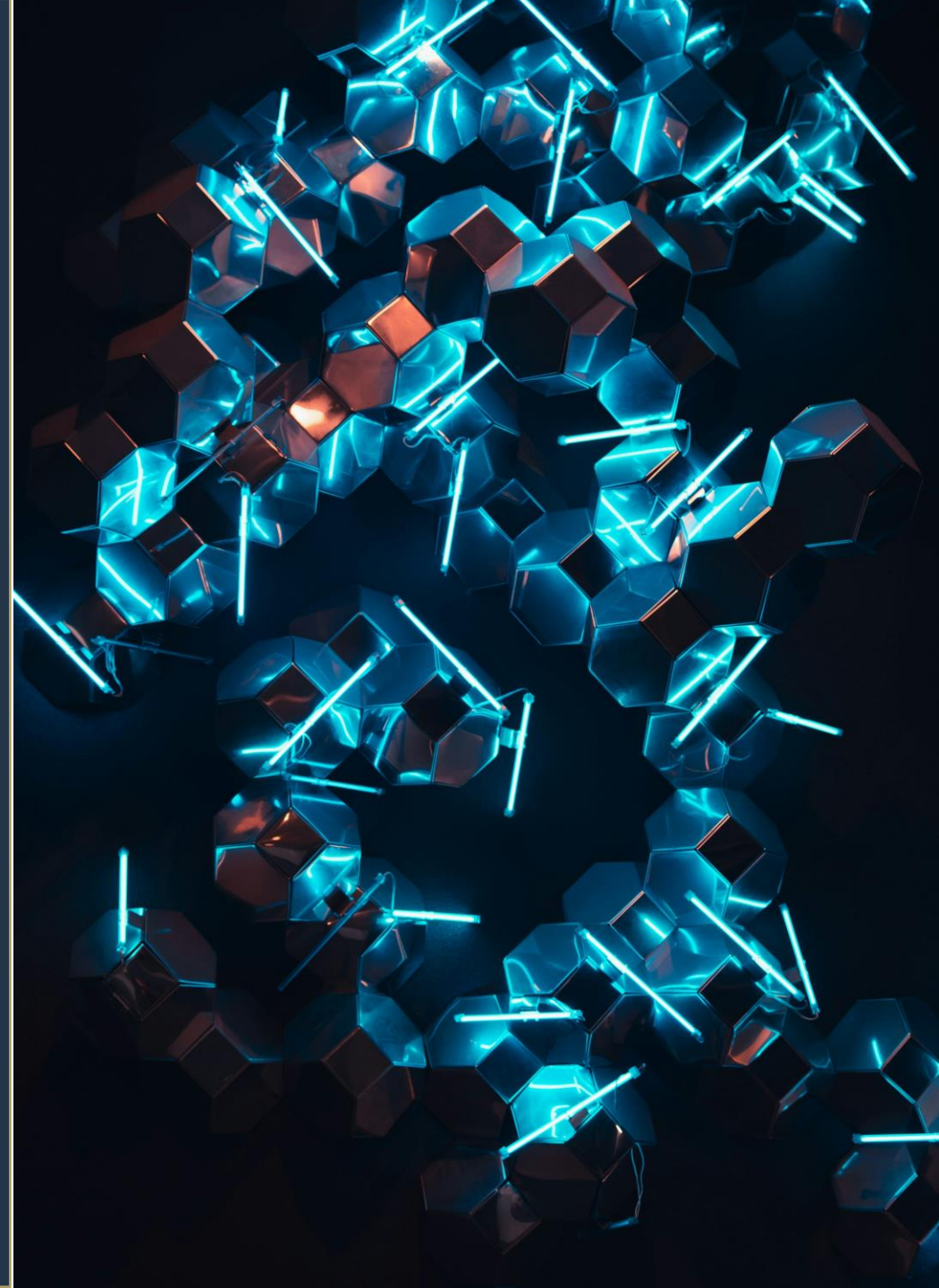


UK Technology M&A Snapshot H1 24



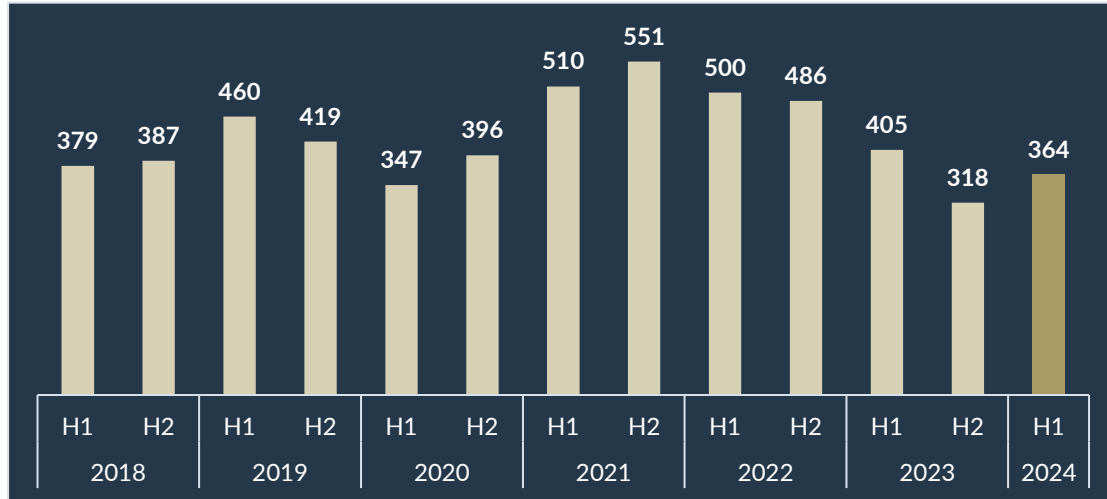
Brian Parker
Head of M&A
brian@iconcorpfin.com

**“PE backed and overseas buyers
have never been more important to
UK tech M&A”**



UK Tech M&A Snapshot

UK Tech M&A deals recovered back to pre-COVID levels



Analysis of UK Tech M&A deals

TOP SECTORS

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

34%

of 2024
deals are PE
backed

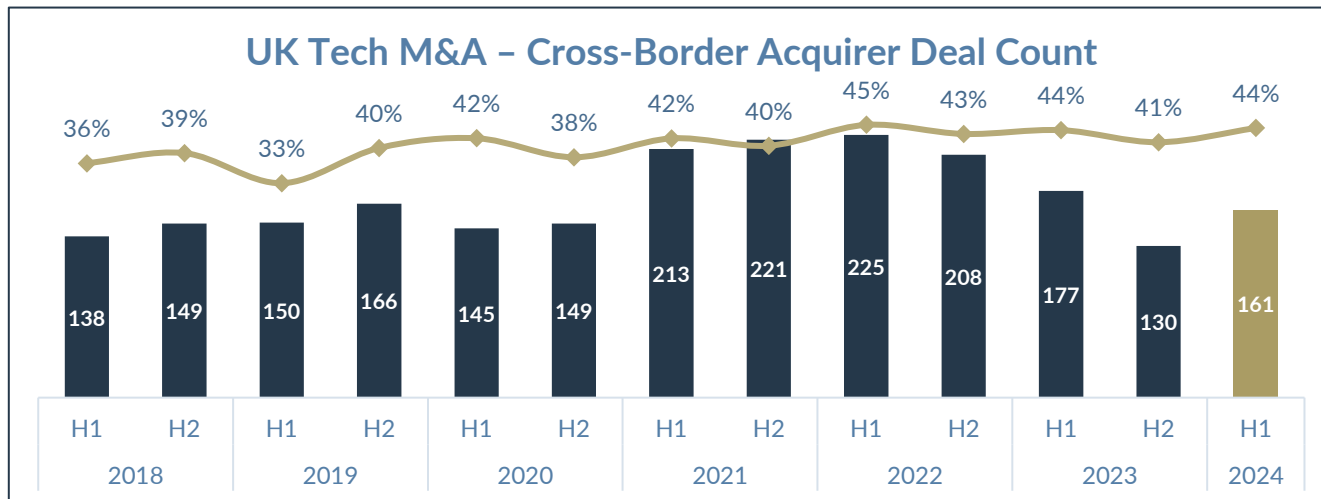
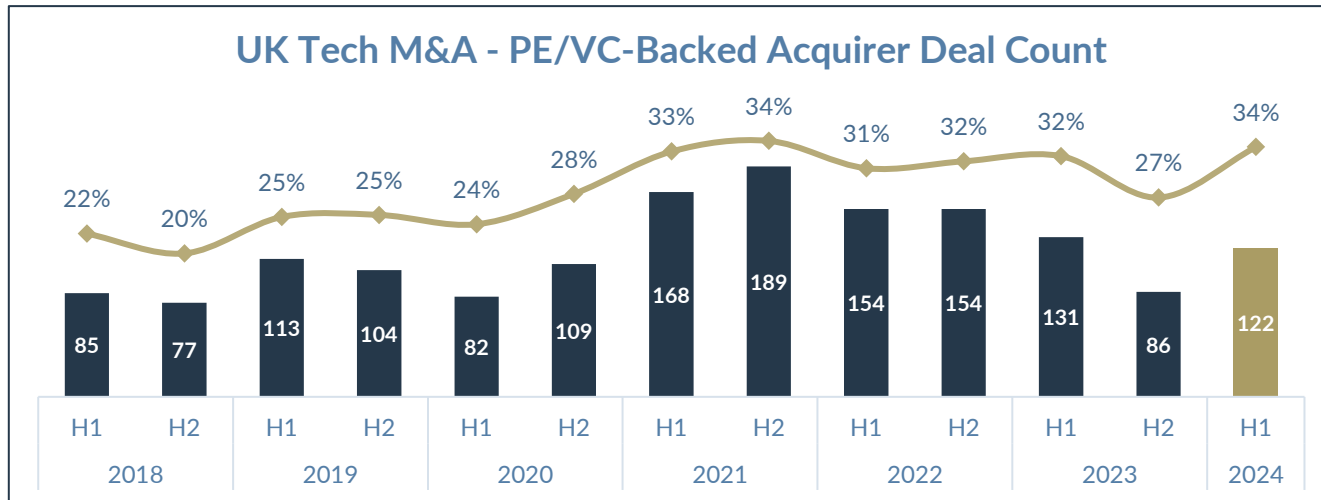
44%

of 2024
deals are
cross-
border

Deals jumped +14% v H223 driven by PE buyers (+42%)

- 364 deals were announced in H1, a jump of 14% from H2 last year. That is pretty much back to pre-COVID deal levels.
- Equity markets remain strong, and interest rates look set to fall in due course, so confidence has rebuilt in the M&A market. In particular, the number of UK Tech M&A deals with PE-backed buyers is up a very impressive 42% from H223. PE buyers accounted for 34% of all deals, that is the highest ever recorded.
- The other main driver was cross border deals. They were up 24% and also reached near record highs. In fact, 7 of our last 10 deals have been cross-border. So, PE-backed and cross-border deals have never been more important.
- There have been a number of really high-profile deals announced in Q2 such as acquisition of **Darktrace** (10x revs), **Preqin** (13x revs), as well as the deals for **iQGeo** and **Alfa Financial** (both at 7x revs). All were acquired by private equity. They are all sizeable deals and clearly show that PE buyers in particular still have very deep pockets and rising confidence. It's a game of use it or lose it.
- In the early days of Q3 we have also seen chunky UK acquisitions by **IBM** and **MRI**.
- Some of the valuations (above) are pretty punchy. Generally, we still see Software exits typically at 4-5x revenues and Services at 1.2x-1.7x revenues for well-run mid-market targets.
- Top sectors in UK M&A remain FinTech, DataTech, Compliance, Digital Transformation and of course anything remotely related to AI.
- At ICON, we have seen a big jump in activity in Q2, as more deals and higher valuations re-builds sellers confidence. We expect this to continue.

Type of Acquirers



+42%

number of
PE-backed
deals
compared
to H223

+24%

Number of
cross-
border deals
compared
to H223

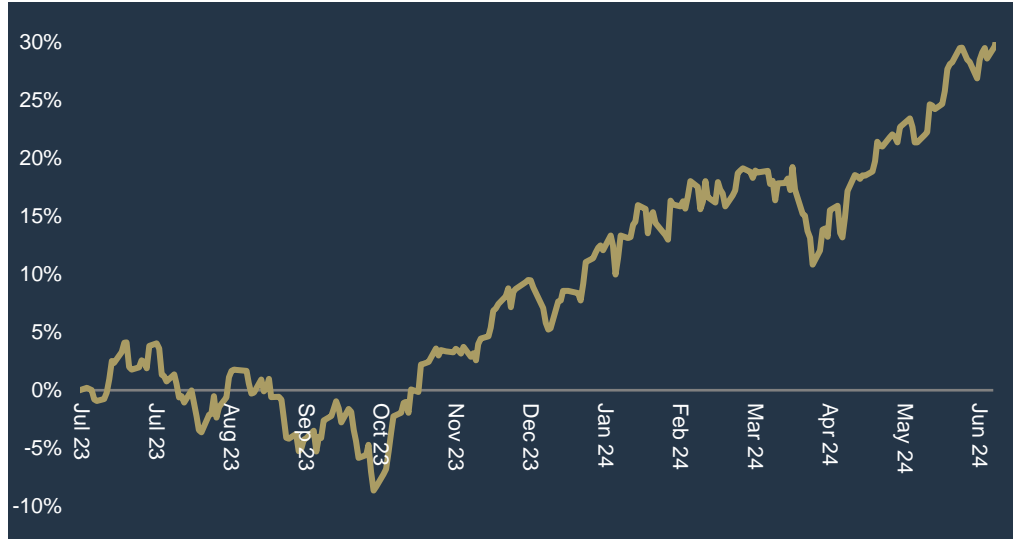
Both PE-backed and cross-border deals rose markedly in H124 and continue to be the main drivers behind activity in UK M&A reflecting the following:

- Realisation that interest rates have peaked and will fall in due course, as inflation continues to fall
- Higher equity markets globally
- Stable currency
- Rising confidence

The overall number of deals may be down compared with 2021 and 2022 but with the era of free money unlikely to return, this increasingly looks like the "new normal"

Uptick in US large cap deals

NASDAQ: up 33% over the last 12 months



NASDAQ continues to hit new highs, +23% in the last 6 months

- US markets are running hot with the Nasdaq jumping another 12% in Q2 2024 to a record high. It was buoyed by continued AI demand (**Nvidia** was up 150% in H1, but revenues were up a massive 260%). The economy is also purring along and inflation falling, bolstering hopes that interest rates may soon get easier.
- As confidence rises so does the number of large cap (>\$1bn) deals, **17 in H1 24** compared to just 13 in H2 23. Highlights in Q2 include the \$5.6bn acquisition of **Squarespace** by **General Atlantic** at a healthy 6.6x trailing revenue and **HG's** acquisition of **AuditBoard** for a huge 15x revenue. That will look modest against the pending \$23bn **Alphabet/Wiz** deal that is 65x revenues!
- Large cap deal making is a pillar of confidence in deal making and so it is no wonder that we have seen a 7% uptick in US Tech M&A in H1 24 compared to H2 23.









17 v 13

17 Large cap (>\$1bn) US Tech deals H1 24 v 13 in H2 23

+7%

Increase in US Tech deals of 1,311 compared to 1,231 in H2 23

Growing number of large cap deals

 GENERAL ATLANTIC Acquired  SQUARESPACE \$5.6bn @ 6.6x rev	 Acquired  HashiCorp \$5.5bn @ 10.9x rev	 Acquired  PERFICIENT \$2.4bn @ 2.4x rev	 Acquired  AUDITBOARD \$2.4bn @ 15.0x rev
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Q2- Software deals

The sale of **Darktrace**, **iQGeo** and **Alfa Financial** in Q2 adds to the growing list of larger UK listed tech companies that also have been privatised such as Marlowe and Spirent in Q1. UK stock market is fast running out of listed technology names.

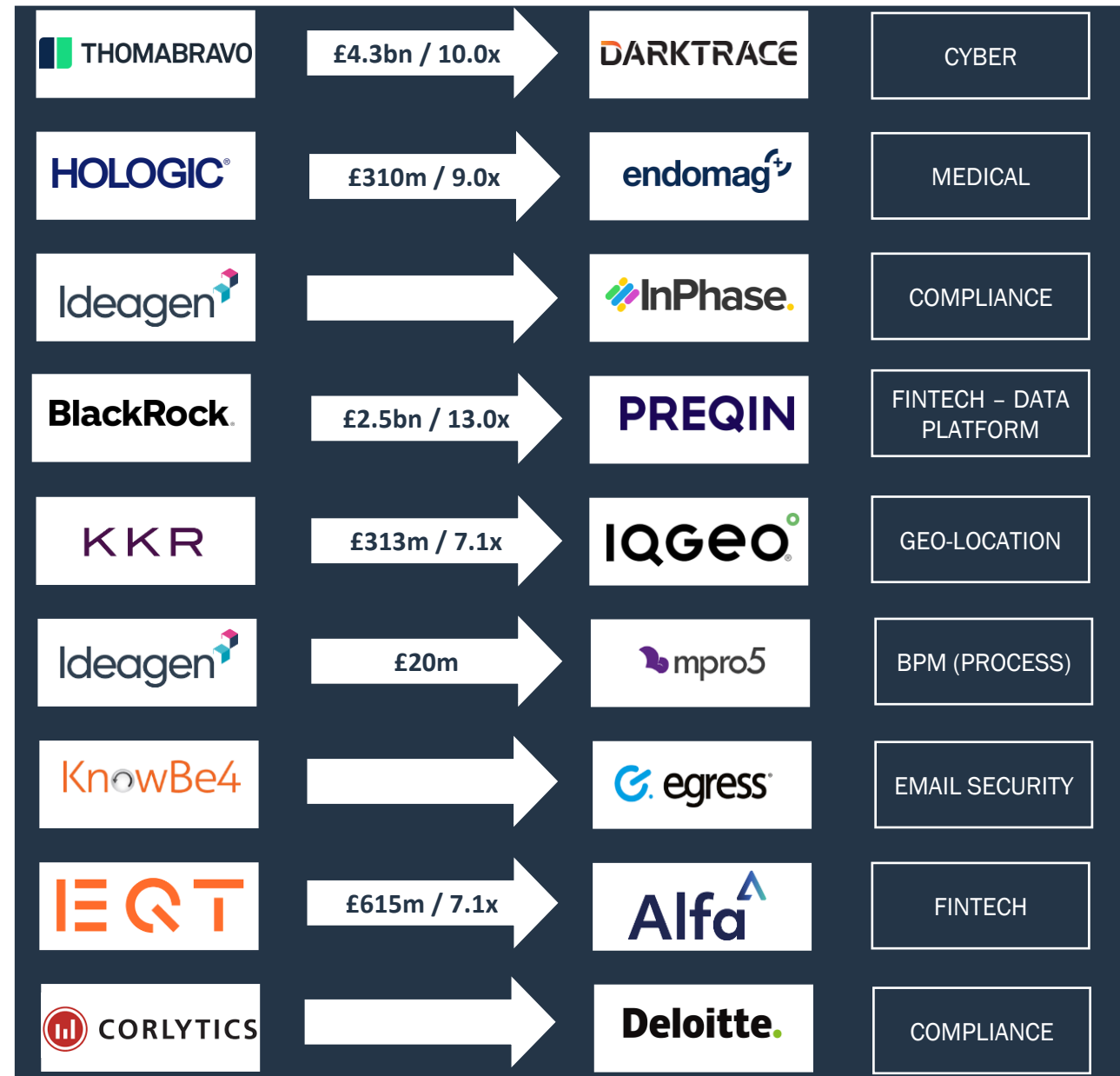
Cyber darling **Darktrace** is being acquired by Thoma Bravo for £4.3bn, a very attractive sounding 10x revenues. Given its roots were from Autonomy, it is also somewhat ironic that it has exited in the same quarter that Mike Lynch was cleared in US courts of fraud charges when CEO of Autonomy, which sold to HP for an even chunkier 12x revenues.

Alfa Financial (asset finance software) is being acquired by Swedish PE firm EQT for over £600m, which equates to an attractive sounding 7x revs.

iQGeo was acquired by KKR in a £313m deal that valued the UK listed geo-location specialist for utilities at 7x revenues (15x ARR). Double its share price a year ago.

Crimson Tide (owner of mpro5) had agreed a deal of £12m with **Checkit**. But that alerted the highly acquisitive **Ideagen** who offered £8m more. That's the power of competitive tension.

Compliance and Quality assurance is a very busy sector. Q1 saw the acquisition of both **Marlowe** and **Cube**. In Q2, **Corlytics** acquired Deloitte compliance arm and **Ideagen** continued to ramp up its acquisitions under Hg ownership, acquiring InPhase which has mobile compliance software for healthcare workers.



Q2- IT services deals

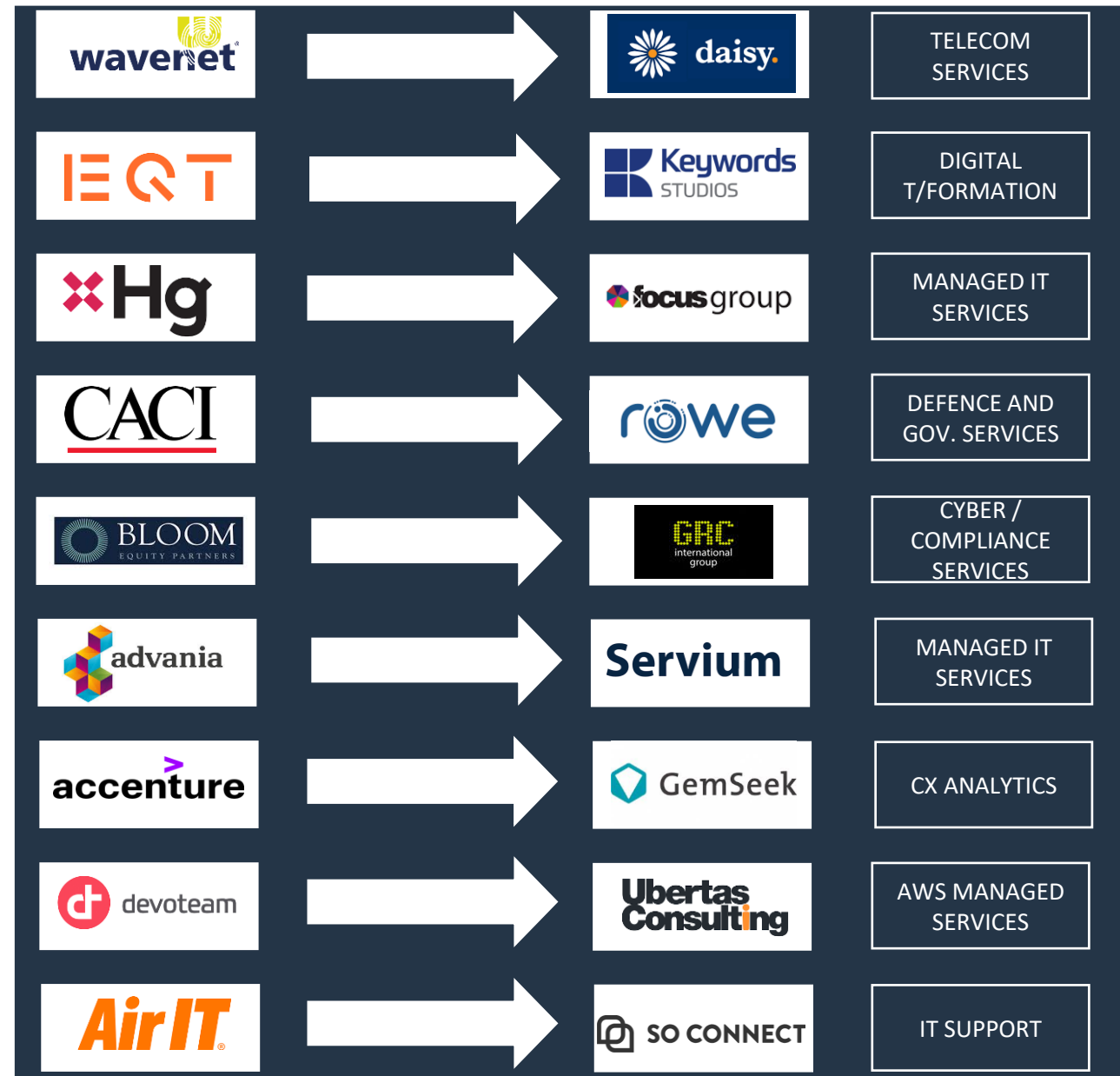
Latest growth figures from Microsoft Azure, AWS and Google are still showing really strong growth of 20-25%, helped by new AI-related demand. As a result, there is an ongoing shortage of digital skills, which is feeding IT services M&A demand.

Accenture continues to be most active buyer globally acquiring 21 businesses so far in 2024, spending over \$5bn, the fastest pace in a decade (except 2021). Their speciality is digital services.

Wavenet (backed by Maquarie and acquired 6 businesses since 2021) has announced a £1.2bn merger with **Daisy** Corporate Services creating an IT managed services gorilla with 22k customers.

EQT is in discussions to acquire video games services provider **Keywords Studios** in a £2.2bn deal (3.2x revs) having been floated with original value of £50m. Keywords grew 13% last year, despite the threats from AI, partly from over 60 acquisitions they have made since 2013.

Meanwhile the wave of acquisitions of smaller/medium IT managed services providers continues. Scandinavian-based **Advania** (who bought Content+Cloud) acquired **Servium** (IT procurement). French-based **Devoteam** acquired AWS specialist **Ubertas**, **CACI** acquired defence focused **Rowe** and **AirIT** made their 13th acquisition with the deal to acquire **SCS**. Earlier this year **Xperience** and **Codestone** both made acquisitions, as did **Core**.



ICON Recent Deals



Acquired



Supply Chain



Funded by



Data Warehouse



Funded by



E-commerce Travel



Funded by



AI Translation



Acquired



Cloud Services



Acquired



Employee
engagement platform



Acquired



Low-code AI Platform



Acquired



E-commerce DataTech



Funded



DataTech



Acquired



Digital Print

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



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