

UK Technology M&A Snapshot

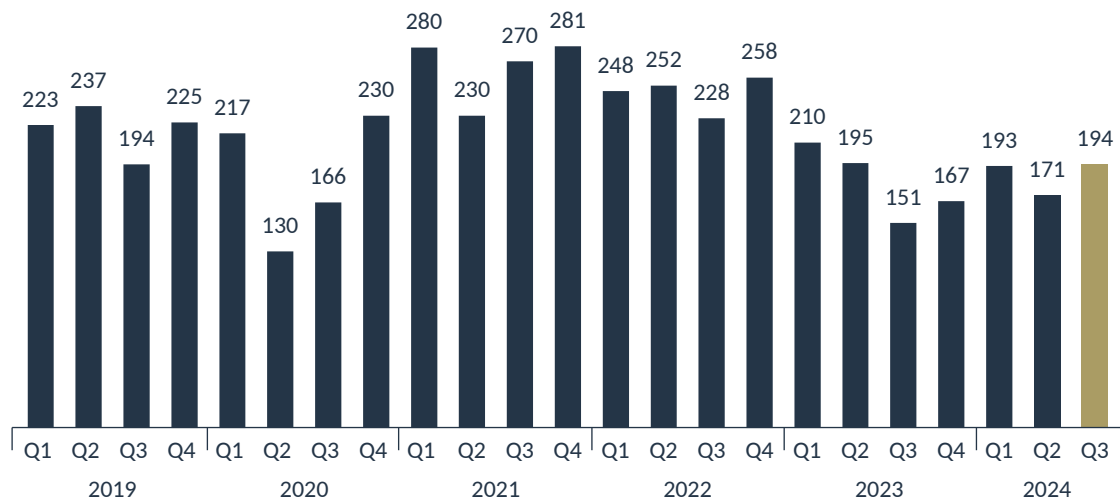
Q3 2024

ICON
CORPORATE FINANCE

October 2024

UK Tech M&A Snapshot

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



Analysis of UK Tech M&A deals

30%

of Q3 2024 deals are PE-backed

46%

of Q3 2024 deals are cross-border

Most Acquisitive Sectors

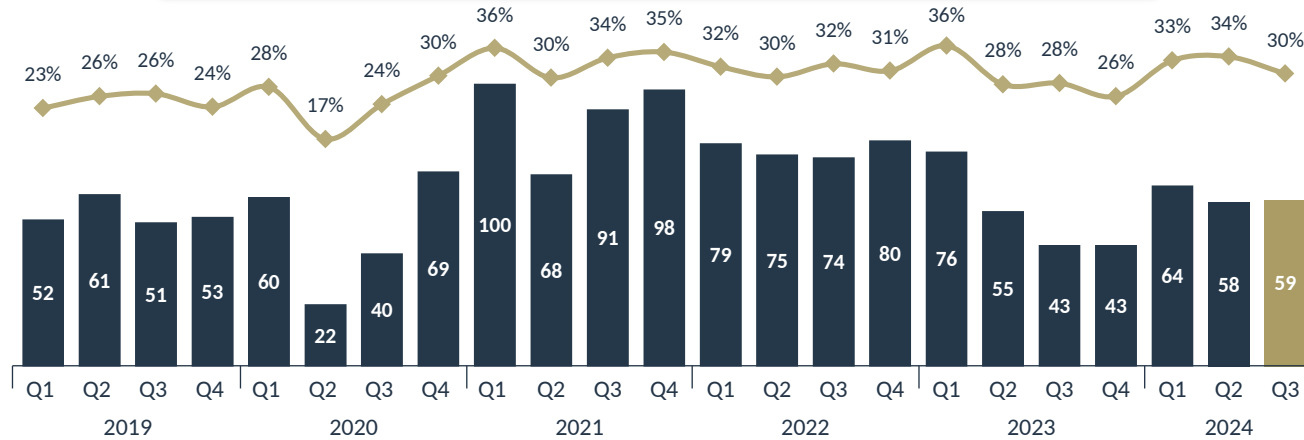
- All things AI
- Cyber
- FinTech
- DataTech
- Compliance
- Cloud Services

Overseas buyers are still hungry for UK deals

- Q3 saw the largest number of UK Tech M&A deals since early last year. 194 deals were announced, a jump of 28% from Q3 last year. Activity is lower than the deal frenzy of a few years ago, which was fed by zero interest rates. But is back to pre-COVID levels and improving.
- One of the biggest drivers in Q3 was the wave of overseas buyers. Their importance is at near record levels, accounting for 46% of all deals. Buyers include major names like **IBM, Thomson Reuters, Insight and VISA**.
- Private equity and (PE-backed) buyers have also bounced back in response to falling interest rates and accounted for 30% of deals in Q3
- Equity markets remain pretty strong. Although the NASDAQ was flat in Q3 it is up 23% so far this year. AI is the biggest driver and although NVIDIA shares were also flat in Q3, its shares are up 150% YTD.
- The highest value UK Tech M&A deals exits this year were **Darktrace** (10x revs) and **Preqin** (13x revs). In Q3 we saw some impressive valuations, particularly in cyber - **VISA/FeatureSpace** (10x revs) and **Everfox/Garrison** (7.5x revs). The cloud services space also remains very busy, particularly for Microsoft Partners.
- Overall, the market is in good shape with overseas acquirers still addicted to buying UK technology companies. At ICON, we have also seen this trend, with 7 of our last 10 deals being cross-border.

Type of Acquirers

UK Tech M&A - PE/VC-backed acquirer deal count



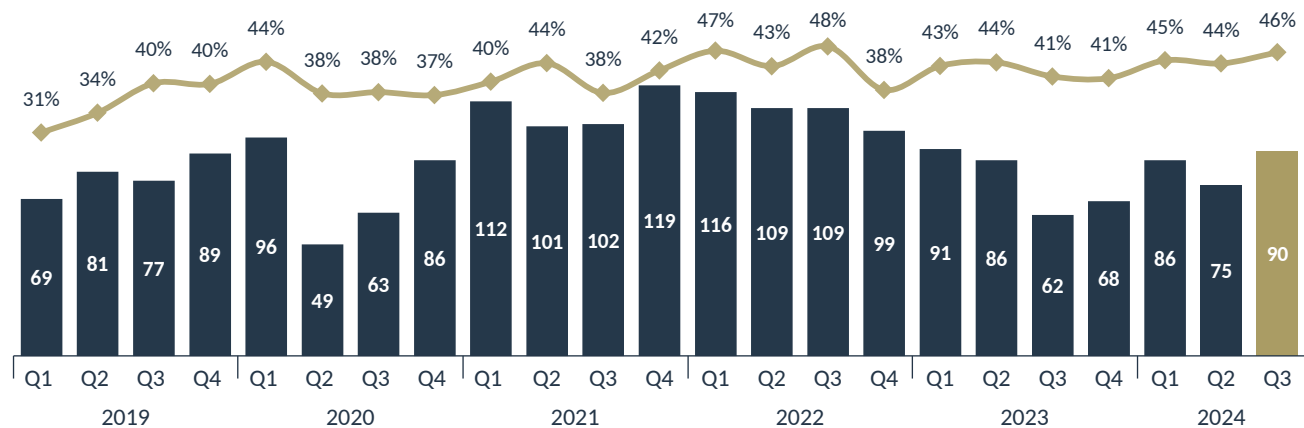
Perspective

Both PE-backed and cross-border buyers continue to be the main drivers behind activity in UK M&A, reflecting the following:

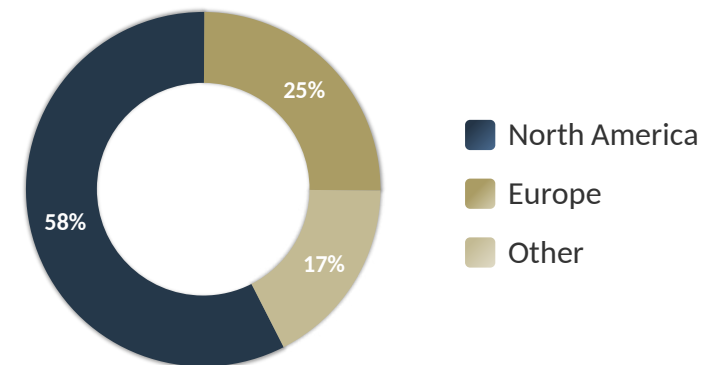
- Falling interest rates – US and Europe have cut rates
- Higher stock markets – Nasdaq is up 23% this year
- Stable currency – sterling has strengthened a little
- Rising confidence – US economy remains strong

North America accounts for 58% of all overseas acquirers but we also see good European interest, notably from the Nordics in Q3.

UK Tech M&A - Cross-border acquirer deal count



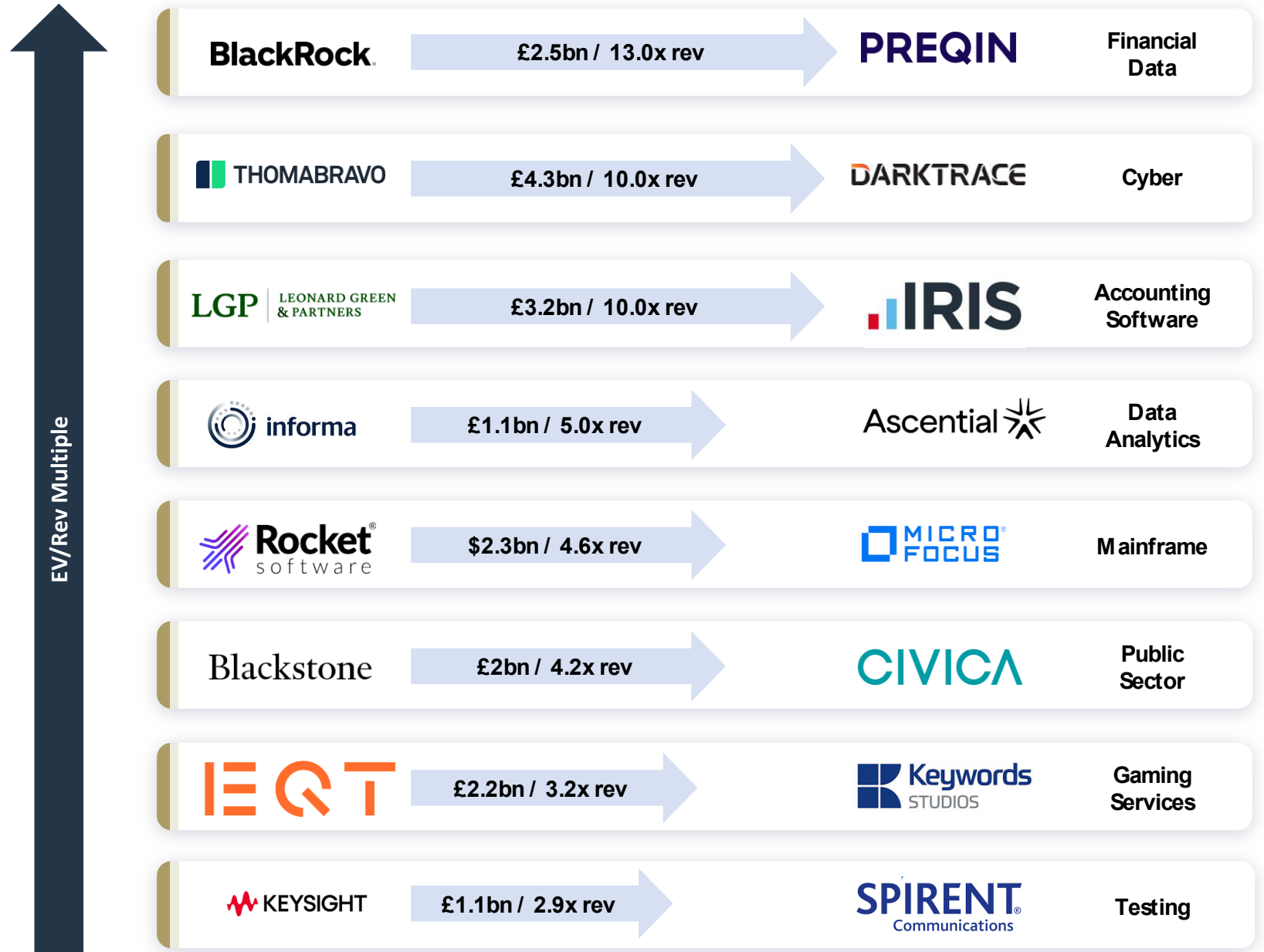
Overseas acquirers by geography



Biggest UK deals in past 12 months

There has been quite an uptick in larger M&A deals in the past 12 months and it has been dominated by private equity despite the higher funding costs..

Valuations also look chunky. More mature businesses like Civica, the MicroFocus Mainframe business and Ascential getting circa 5x revenues. But the higher growth ones like Darktrace and Preqin exceeding 10x revs.



Q3 - Software deals

- **MRI** (the US property software developer) acquired Capita One public sector software business unit as part of Capita's multi-year restructuring for £200m or 3.6x revs. The valuation is 15% lower than **Civica** was valued last year, but similar to the multiple that **Netcall** paid for Govtech this summer.
- **Thomson Reuters** sold its regulatory compliance business to Hg funded CUBE earlier in the year and now acquired SafeSign, a 2 year old start-up developer of large language models (LLM) for legal professions.
- **Lumivero** (a US-based data intelligence group) acquired Risk Decisions a risk management software platform called Predict!
- Canadian listed **Propel** acquired Stagemount (aka Quidmarket) a short-term consumer lending platform. They paid £53m or 7.5x revenues.
- **Aptean** doubled up. It acquired SSH Insight, founded way back in 1983 that provides Agility, an EAM platform for asset intensive users. Aptean also bought Principal Logistics an Irish warehousing solution. In a similar space **Kerridge** bought mobile workforce platform Klipboard.
- Two Nordic buyers. Finish listed **Vaisala Oyj** has acquired Harpenden-based Speedwell Climate which provides climate risk software and Norway's **AKVA** paid up to £34m for Observe Technologies that uses computer vision and AI for aquaculture (fish farms). It identifies changes in patterns to resolve issues around fish health or feeding.
- **Kondor** (vision-based AI) is acquiring Ora (carbon trading platform) in a £40m all share merger, although the synergies aren't obvious!



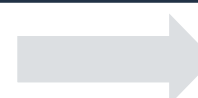
Legal



Public Sector



Public Sector



Fintech – Carbon Trading



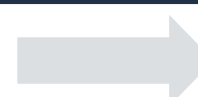
Environment



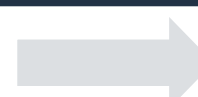
Fintech



Risk



Supply Chain



Fish farm

Q3 - IT Services deals

The ongoing wave of acquisitions of smaller/medium IT managed services providers continues. Earlier this year the list of foreign buyers included **Advania**, **Devoteam** and **CACI** and locals like **AirIT**, **Xperience** and **Codestone**.

In Q3 we saw quite a lot of PE backed domestic deals like:

- 1 UK listed **iomart** acquired Marlow-based Microsoft Solutions Partner **Atech** for £57m which equates to 1.8x revenues and 17x EBITDA and is equivalent to £380k per person. Atech had 75% recurring revenues.
- 2 Elsewhere, there was lots going on in the Microsoft ecosystem **Kerv** bought Inciper, a Microsoft Dynamics specialist with £10m revs and 70 staff. **Littlefish** acquired Irish-based Microsoft unit called Storm Technologies. BeechTree sold its **Transparity** stake to Bowmark and PE firm **Pictet** acquired Graham Wylie's **TSG** which has 250 staff.
- 3 **FluidOne** acquired Orca IT, a managed services provider in NW England. It is its 9th acquisition since an MBO in 2019. **Focus Group** (now backed by Hg) is also doing a regional roll-up, acquired 9 managed voice and IT resellers this year.
- 4 **Gamma** acquired BrightCloud a cx specialist for £9m upfront (1x revs and 10x EBIT) plus £4m earn out. Listed competitor, **Netcall** has had a busy year making 3 acquisitions.

We also saw foreign buyers. UK's biggest IT distributor **WestCoast** with £4bn revs (who acquired Spire in April) was sold/merged with Swiss-based reseller **ALSO Holding** in the summer. **Insight** (the huge \$8bn US reseller) who bought Amdaris last year, acquired digital consultancy **NWT** with circa 40 staff.



Q3 - Cybersecurity deals

Perhaps spurred on by the £4.3bn acquisition of Darktrace for 10x revs in Q2, or the news from Ukraine, it has been a very busy Q3 in UK cyber/defence:

- **VISA** acquired Featurespace for £650m attracted by its AI-based fraud detection and behaviour analytics. It was a spin out from Cambridge and backed by Mike Lynch. VISA paid a chunky 10x revenues in cash (50% greater than IP Group and Crysalis valued it!).
- US-based **Everfox** acquired Garrison Technology for £127m, a leader in hardware-enforced security (hardsec) mainly for government. The valuation of 7.5x revenues was similar to IP Group's own valuation.
- **Integrity 360** acquired Grove, a South Africa-based Darktrace Partner. This is its 4th deal, taking revenues above €130m.
- **IBM** made an unusual acquisition, buying SixWorks, a 175-man defence consultancy based in Farnborough.
- **Nortal** from Estonia acquired 3DOT Solutions, a cybersecurity consultancy for intelligence services and military.
- Danish-based **CSIS Security** acquired cyber threat intelligence platform Security Alliance, aimed at banks and Government.
- **BAE Systems** acquired Kirintec, a defensive cyber warfare specialist with 50 staff based in Herefordshire.
- **GRC** was previously part of Marlowe but was bought by Inflexion in May. It is not hanging around, entering the cyber market buying Bulletproof Cyber in June and PenTest People in Sept adding 3,000 clients in total.



Recent ICON deals

 BlueYonder

Acquired

 flexis

Supply Chain

 VAULTSPEED

Funded by

 octopus
ventures

Data Warehouse

 DataGuard

Acquired

 DPOrganizer

Cyber

 MAYFAIR
EQUITY PARTNERS

Funded

 JONCKERS
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

 HCLTech
ACTIAN[™]

Acquired

 zeenea

Data discovery
platform



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