



# UK Technology M&A Snapshot

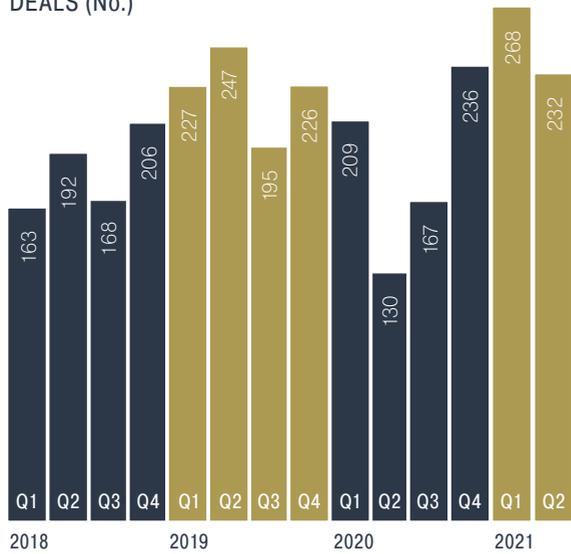
Q2 2021

**ICON**

GLOBAL TECH BANKING

# UK Tech Q2 M&A trends

UK TECH M&A DEALS (No.)

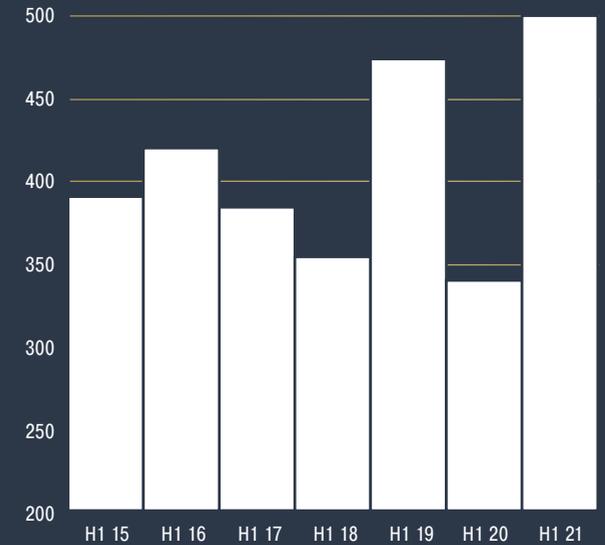


23x  
AVERAGE EV/EBIT  
MULTIPLE

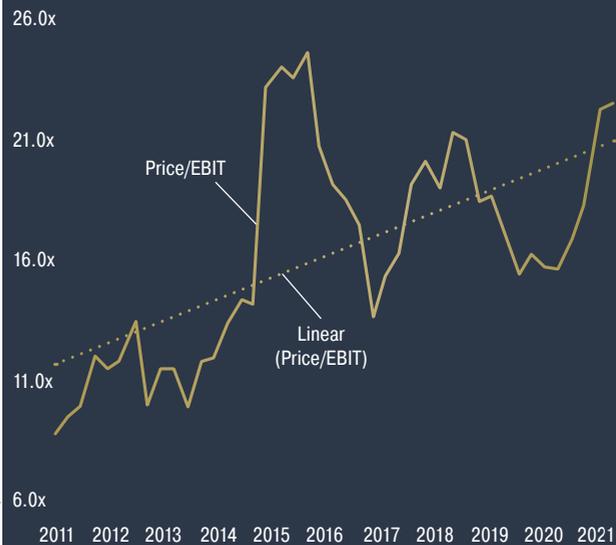
+47%

GROWTH IN  
DEALS IN H1

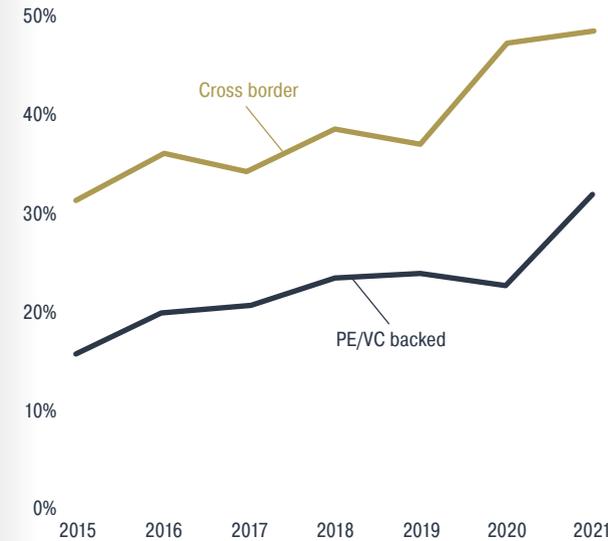
UK M&A DEALS (H1)



TECH M&A VALUATIONS



TYPE OF ACQUIRER

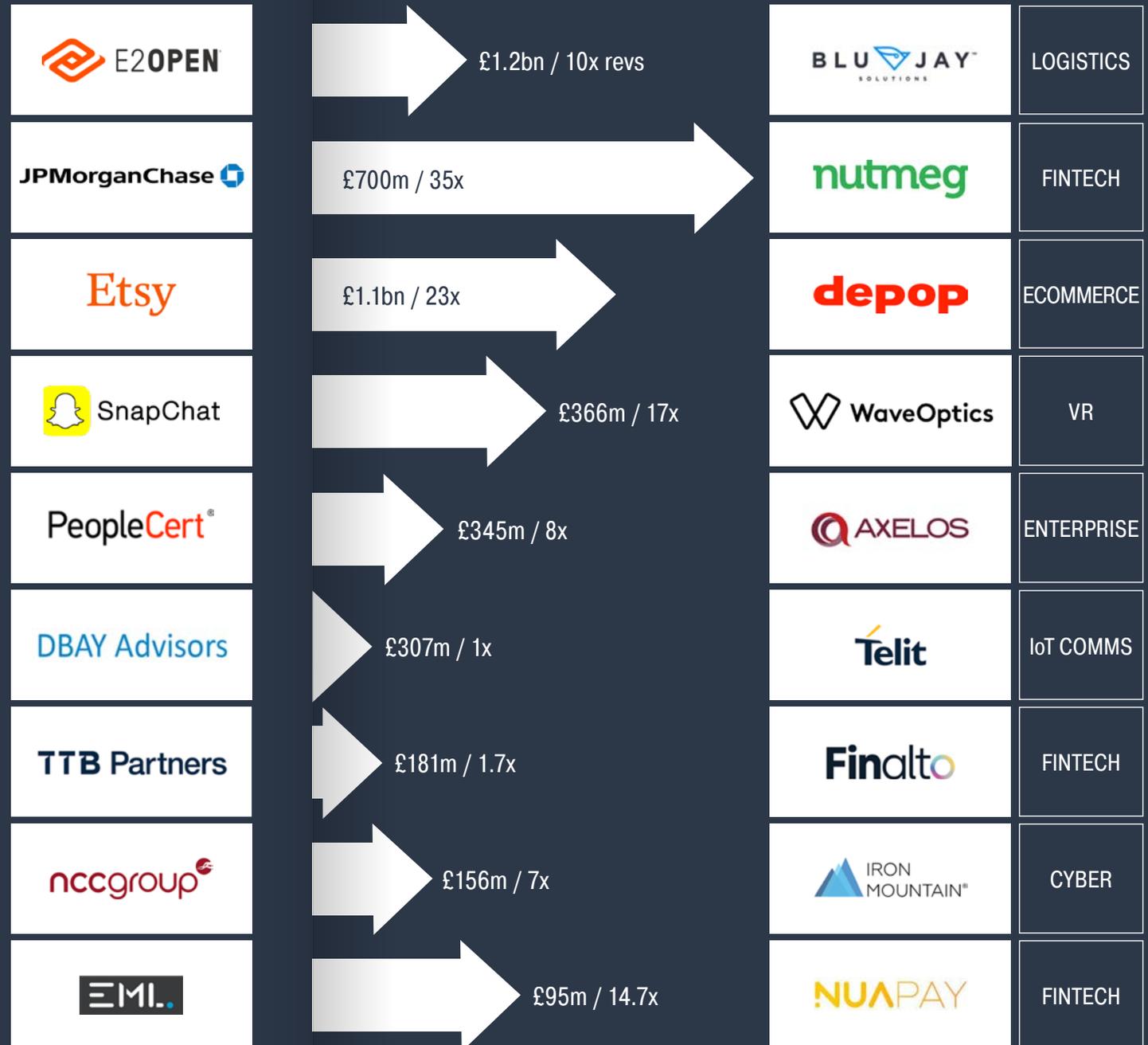


49%

OVERSEAS  
ACQUIRERS

# UK Tech Deals Q2 2021

- There was a **record** number of UK M&A Tech deals in H1 2021 with 500 deals announced - a jump of 47% YoY and 5% more than a very busy 2019.
- A tidal wave of money has driven M&A valuations to near record levels with average EBIT multiples in UK reaching a lofty 23x. Multiples at Nutmeg, BluJay, Depop and WaveOptics are much higher than that, offering tomorrows price today. It's a great time to be a Tech shareholder.
- Overseas travel has been grounded but overseas and PE backed acquirers continue to be aggressive, driving the buoyant Tech M&A market.



# FinTech

JPMorganChase 

nutmeg

JP Morgan Chase, the largest bank in the US has made over 20 acquisitions in the past year and is now adding robo-adviser business **Nutmeg** for circa £700m in a aggressive push into UK wealth management space. The price equates to nearly 20% of assets under management and Nutmeg remains loss making. Also, although revenues are growing at a good clip it is over 30x revenues. So the deal metrics don't really make any sense and can only really be justified as a technology acquisition, or have JP Morgan been nutmegged?

Parmenion 

nucleus 

Adalphi 

In the last year or two we have seen considerable repositioning as major institutions seek to digitalise with significant deals by the likes of Aviva and M&G. However, the consolidation accelerated in Q1 2021 with several wealth management platform deals like Preservation Capital/Parmenion, James Hay/Nucleus, ii/Equiniti and AjBell/ Adalphi.

Gresham 

electra 

UK listed **Gresham Technologies** acquired **Electra Information Systems** for \$39m of which \$29m is upfront the balance is based on next 2 years revenue. Electra is a New York-based provider of secure financial technology for post-trade processing. The valuation was 3x revenue or 30x EBIT.

EML. 

NUAPAY 

Australia's **EML Payments** is entering the European and UK market for Open Banking services through the acquisition of Irish firm **Sentential** and its NuaPay product. It is paying €70 million, plus an earn-out component of up to €40 million. Sentential is a cloud-native, API-first, payments company, processing €45 billion per annum and is dually regulated in the United Kingdom and France. There looks a good geographic fit with EML who have grown from gift card routes while Nuapay has connections with most banks and manages payments across the two major card schemes Mastercard and Visa, and money transfer.

Competitive tension can add 20-47% to deal value

TTB Partners

Finalto 

Playtech is selling its trading software division (Finalto) who offer trading CRM and back office systems for brokers and financial trading. Having accepted a \$210m offer from management team it has attracted a \$250m counter bid from Gopher (which is effectively Asian investment group TT Bond and Partners). Given the different deal structures the increase in value for Playtech could be 20-47% higher than the original offer - again showing the significant power of "competitive tension" in an exit process.

# Enterprise Software



**Beeline**, (extended workforce platform) backed by US New Mountain Capital acquired **JoinedUp**, a high-volume workforce solution catering to the challenges and complexities experienced in the field with shift-based temporary labour. Doug Leeby, Beeline CEO, said, "High-volume, shift-based work is about one thing- fulfilling open shifts. We now provide the head office with compliance and visibility and field operations with scheduling, time & attendance, and complex rate calculations". Nice job, Doug.



**Dye & Durham** has been aggressively expanding in the U.K. real estate value chain, in May it acquired both **Future Climate Info** and **Terraforma**. FCI was acquired for £55m, it produces a range of environmental search reports for the residential and commercial property markets. It also paid £12m for Terraforma which helps the property sector understand ground risks like mining, subsidence, coastal erosion and landslides. D&D is in the midst of its "Build to a Billion strategy."

**Dye & Durham are building to a billion**



**Aligned Assets**, has been acquired by UK listed **Idox** for £7.5m and potentially rising to £10.5m through earn-out. That is nearly 4x revenues, both are focused on local authorities. Aligned Assets (based in Woking) provides data quality matching and cleansing, to sub-second predictive searching, as well as solutions for managing, sharing and viewing address data. It is particularly used for street naming and numbering. Idox rejected a £400m offer at a punchy 5x revenues from D&D earlier this year but they may well be back.



**ClearCourse Partnership** has been the most aggressive acquirer in UK in the past few years acquiring a company each month and have now made 25 acquisitions mainly in the CRM/Payments space. However, although they acquired **PPM Software** which focuses on health practice management software in Q1 the deals have dried up in Q2.



**Ascential** shares rose 25% in Q2 partly due to busy M&A at the end of Q1 selling **Groundsure** (property and flood risk assessment) to **ATI Global**, the Australian legal technology, software and information services group for £170m (8.5x revenues but a reasonable sounding 14x EBITDA). It made impressive EBITDA margins of 60%. The deal comes hard on the heels of the £73m sale last December of **Glenigan** to **Byggfacta** for 11x EBITDA. It had similarly impressive margins.

# Vertical Software



US listed Supply-chain technology provider **E2open** acquired UK logistics software company **BluJay Solutions** for a massive £1.2bn or about 10x revenues. Supply chain has had a lot of focus this year with pandemic-driven shortages and Evergreen chaos causing shipping disruptions. BluJay, based in Manchester, provides cloud-based supply-chain execution software and services, including platforms to manage freight transportation and global trade compliance. Only two weeks before this BluJay themselves acquired **Raven Logistics** a logistics management company focused on rail transport, so it was a busy May for them.

10x revenue for logistics software BluJay



US based **Intapp** which specialises in cloud-based software solutions for professional and financial services firms has acquired Belfast-based **Repstor** for £16m cash and a further chunky looking £20m earn out. Repstor creates Microsoft 365-based enterprise content management and team collaboration tools. Repstor has a strong partnership with Microsoft and helps firms to get the most out of their Microsoft 365 investments, including SharePoint and more recently Teams. Initial focus was law firms but client base is now broader.

# IoT & AR

DBAY Advisors



**Telit Communications** (IoT and M2M communications) has been acquired by **DBAY Advisors** for £307m after 8 months of negotiations. It is more than 50% over the listed price before the approach. DBAY were already 26% shareholders and are renowned value investors – hence the 1x revenue valuation. “DBAY invests in companies overlooked or deeply misunderstood by the market and in many instances out of favour with investors, often taking a contrarian view”. It was over 10 years ago that Israeli backed Telit acquired Motorolas M2M business for \$180m. Again it shows the power of competitive tension as the DBAY offer was increased 16% as a result of Swiss based U-Blox also entering talks. In fact, it has been a messy last few years for Telit who lost their exotically named ex-CEO Oozy Cats who failed to disclose a criminal record. Not great communications.



**Snap** has paid £366m for Oxford based **WaveOptics**, an AR startup that makes the waveguides and projectors used in AR glasses. They overlay virtual images on top of the views of the real world and Snap worked with WaveOptics to build its latest version of spectacles. Its a cash and shares deal of which 50% is deferred 2 years and is 17x revenues. It is also a big jump from its most recent valuation which was only around £75m.

Snap snaps up startup

# Cyber Security



Texan based **Forcepoint** (ex Raytheon/Websense) acquired **Deep Secure** adding a cloud-hosted threat removal tool to its cyber security portfolio. Founded in 2010, Malvern-headquartered Deep Secure employs 40 staff. The company grew its revenue 35% to £6.6m in 2020, boosted by a mass migration to home working with the shift to cloud-based security.

Home working has accelerated cyber shift to the cloud



**NCC Group** is acquiring **Iron Mountain's** intellectual property management (IPM) division for £156m which equates to a chunky 7x revenues but a less impressive 10x EBITDA. The division has impressively high margins although client retention rate a bit higher than one might expect of 86%. The acquisition should help kick start growth at NCC whose shares are showing signs of life at a four year high, although still valued at around 3x revenue it is hardly priced for growth.

Lots of smaller UK cyber services M&A activity such as:



**Coalfire**, a provider of cybersecurity advisory and assessment services was sold to **Apax Partners**. Tom McAndrew, Coalfire CEO, said they were "focused on optimising the pervasive shift towards multi-cloud environments and remote operations".

**BlueVoyant**, a US cybersecurity services specialist, acquired UK-based **Marclay Associates**, which provides incident response and cyber investigation services as well as a governance, risk and compliance practice.

**Perfect Image** acquired **Cyphra**, Northern Ireland's leading provider of cyber security solutions. Through its partnerships with market leading global cyber security vendors, including Palo Alto Networks, F5, Fortinet, CyberArk and Checkpoint.

Private equity firm **August Equity** has invested in cyber security specialist **Integrity360**. In addition to the investment funding, Integrity360 founder and CEO Eoin Goulding is joined by Ian Brown, (ex SecureData, which was acquired by Orange in 2019) with a plan to accelerate growth via acquisition. Sounds familiar.



**Symphony Technology Group** spent \$4bn buying **McAfee's** enterprise business division, so only a few months after IPO McAfee has cut itself in half. The valuation of 3x revenues is far from exciting in the current market but perhaps reflects flat enterprise revenues and loss last year. Symphony also bought **RSA Security** last year for \$2bn so it's a sector they know well.

# Health & Education Software

**Juniper**

**PrimarySite**

**Juniper Education** has impressively completed 10 deals in the past 2 years since taking investment from Horizon Capital. Its latest is £12m acquisition of Newark based **PrimarySite**, which provides nearly 5,000 primary schools, academies, and trusts with websites and comprehensive parent communication solutions. As Chairman Gavin Freed commented "Over the last year, schools have had to rethink the ways they keep parents and pupils engaged and supported". Hence the attraction. Juniper are on a rip following earlier deals like EES for Schools, OTrack, ClassroomMonitor, Maze Education, Pupil Asset, FS4S, SISRA, and Jane Systems.

**RLDatix**

**ALLOCATE**

US based **RLDatix**, a provider of governance, risk and compliance (GRC) solutions to the healthcare market has acquired **Allocate Software**, which focuses on human capital management solutions also in the Health sector. Allocate was backed by Vista and Hg while RLDatix is owned by Five Arrows (Rothschild & Co). Terms weren't disclosed but the sale realised an uplift of 20% of the carrying valuation of Allocate in the Hg portfolio. Given that the Hg portfolio is valued at 23x EBITDA it suggests another tasty multiple.

**babylon**

**CAZOO**

Several UK companies have been acquired by SPACs at mind boggling valuations including: **Babylon** (health technology – GP at Hand which is growing at 4-5x a year) in a \$4.2bn merger. **Cazoo** (used on-line car retailer) in a \$7bn merger and **Spark-Space**, (digital and

virtual behavioural healthcare for mental health) with an EV of \$1.4bn. Valuations are difficult to assess but all should see significant funding to accelerate growth in these exciting UK based tech companies.

**PeopleCert**

**AXELOS**

**Capita** have sold their share of the Axelos JV to **PeopleCert** for £172m. The valuation is 12x EBITDA or nearly 8x revenues will help further reduce its debt. You may not have heard of Axelos but will have heard of their best practice methodologies and IP such as PRINCE2 and ITIL. PeopleCert are their international Partner. Meanwhile, Capita is still at break even and now several years into a painful turnaround. The shares are still down 95% in past 5 years.

**Juniper is a quick learner**

**northgate**  
PUBLIC SERVICES  
An NEC Company

**vantage**  
health

**Northgate** (part of NEC) has acquired **Vantage Health**, which provides 'Rego', which reviews all patient referrals against local criteria and pathways and ensures patients are directed to the right care, the first time. It is used by the NHS but also general practitioners dentists and opticians. With COVID impact on waiting times the need for this has never been greater. Separately Northgate is to be renamed NEC Software Solutions this month.

**Craneware**

**sentry**  
DATA SYSTEMS

**Craneware PLC** acquired Florida-based software-as-a-service solutions provider **Sentry Data Systems Inc.** for \$400m in a mix of cash and shares. The deal equates to 4x revenue and 17x EBIT in a chunky move by Craneware, adding scale to its US operations and expanding coverage to US hospitals and pharmacies.

# Digital Transformation



**Kainos** has now made 4 acquisitions in succession as it expands its capability and its geographic reach by acquiring Workday Partners. They previously acquired Implexa, Formulate and Intuitive. This year they acquired the Workday division of Helsinki based **Cloudator** to broaden their European footprint. Kainos is growing nicely at 30% pa and the shares have rocketed, nearly doubling in the past year and trading on 9x revenues.



**EY** has acquired UK-based Microsoft Gold Partner **Pythagoras** which has skillsets across Microsoft Business Applications, such as Dynamics 365, Power Platform and Azure. Shareholders include Vin Murria, (ex-Advanced) which owned 50% of the business, alongside the founder Julian Stone. With £10m revenues and 10% EBIT margins it's a nice add on for EY which acquired four tech businesses in 1H. Big 4 accounting firms have become increasingly active as they look to add sticky tech revenues.

PE backed Buy and Build targets digital transformation



**Kerv** (backed by LDC) has announced its fifth purchase in a year with the acquisition of **cloudThing**, a bespoke software development provider and a Microsoft Dynamics/Power Platform specialist. The price wasn't disclosed but with turnover of c£10m growing at 30% and 25% EBITDA margins, it would not have been cheap. Kerv is the merger of DoubleEdge, Foehn, and Metaphor IT and has now reached £35m revenues and is another PE backed buy and build roll up in the Microsoft space.



**Inflexion** has acquired **ANS**, a provider of digital transformation and cloud managed services. Founded in 1996, ANS has 240 staff and is a key partner to Microsoft and Amazon Web Services. Founded in 1998, ANS will be merged with UKFast

combining ANS's public cloud, DevOps, applications and data expertise with UKFast's leadership in private cloud, hosting and security, to create the UK's independent leader in secure cloud-led digital transformation across the public and private sectors.



**Access Group** has acquired Wolverhampton cloud IT managed services provider **Oosha**. It's a nice tuck-in deal for Access adding 70 Oosha staff for the Legal sector specialist in a rapidly consolidating environment as technology plays an ever more critical role in delivering digital legal services, which the pandemic has certainly accelerated.

## Digital Transformation continued



Managed IT services provider **AdEPT** acquired **Datrix** for initial cash of £9m and a one year earn out that could add another £7m. Datrix is a supplier of advanced cloud-based networking, communications, and cybersecurity solutions, based in London, with expertise in the growing 'software-defined wide area networking' (SD-WAN) market. Given Datrix has revenues of £11m and EBITDA of £1.5m the multiples were pretty low reflecting it is more of a solutions provider than an IP owner.



Private equity firm **Macquarie Capital** has acquired Cisco Partner **Wavenet** from Beech Tree. Wavenet

is a Cisco Cloud and Managed Services Certified Partner with over 200 employees. The firm provides data, voice, security and technology services to more than 8,000 customers with revenues of £60m. They had previously made a few acquisitions such as VIA, Townley and Qubic.



**EDM Group**, sounds like an electronic dance music business but is in fact a Wolverhampton-based digital records firm. It has been acquired by UK-listed **Restore** for £61m, more than a 2.3x revenue but 22x post tax profit. EDM is a B2B document management specialist and another example of accelerating digitalisation as companies convert physical documents into digital at an accelerating pace. EDM provides information management, digital mailrooms, digital automation and digitisation services to clients from a wide array of sectors. Restore is now worth nearly £600m trading at over 3x revenue.

## eCommerce



**Etsy**, the \$20bn New York-based marketplace acquired **Depop**, a London-based marketplace targeting millennial and Gen Z consumers interested in social shopping. Etsy is paying \$1.6bn for the company or a massive 23x revenues. The attraction is their users - 95% are under the age of 26, and this will give Etsy a sizeable opportunity both to tap them and their community. Josh Silverman, Etsy CEO, said in a statement. "Depop's world-class management team and employees have done a fantastic job nurturing this community and driving organic, authentic growth in a way that aligns well with Etsy's DNA and mission of Keeping Commerce Human".

Recently UK listed **Auction Technology** acquired **LiveAuctioneers** an online arts and antiques marketplace for \$525m. It's a fast growing market as auction deals move online and this will give US expansion and \$2bn of Total Hammer Value. However, at 17x revenues and 33x EBIT the valuation is as eye watering as the recent sale of NFTs but less than Auction Technology's own lofty rating of 20x revenue.

23x revenues for social shopping

For further details contact:  
**Brian Parker, Head of M&A**  
brian@iconcorpfin.com  
+44 (0)207 152 6375  
+44 (0)777 556 7335

---

ICON Corporate Finance

London | San Francisco | Bristol

[www.iconcorpfin.com](http://www.iconcorpfin.com)

 [twitter.com/ICONcorpfin](https://twitter.com/ICONcorpfin)

 [linkedin.com/company/icon-corporate-finance](https://linkedin.com/company/icon-corporate-finance)