



# UK Technology M&A Snapshot

2022 Mid Year



GLOBAL TECH INVESTMENT BANKING

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# UK Tech M&A – Deals

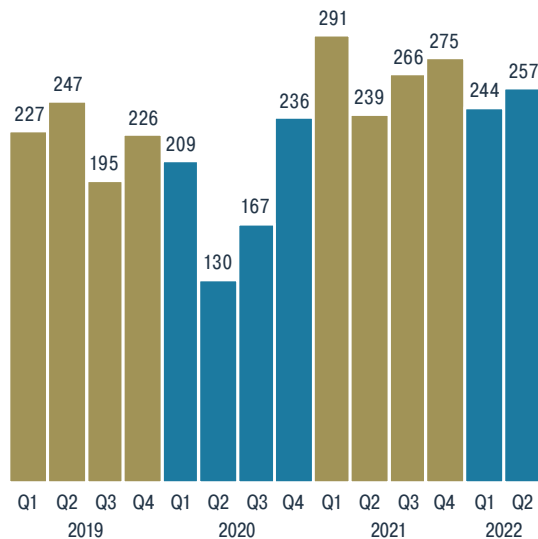
Last year was a huge record year for UK Tech M&A. This year there are stronger headwinds, as inflation and interest rates rise, but so far the impact on deals has been surprisingly modest.

Shares are lower, with the NASDAQ and UK Tech shares down 30% YTD, with loss making hyper growth businesses hit particularly hard. However, with PE raising over a \$1tn last year there is still plenty of cash around and with sterling lower too, it has softened the blow.

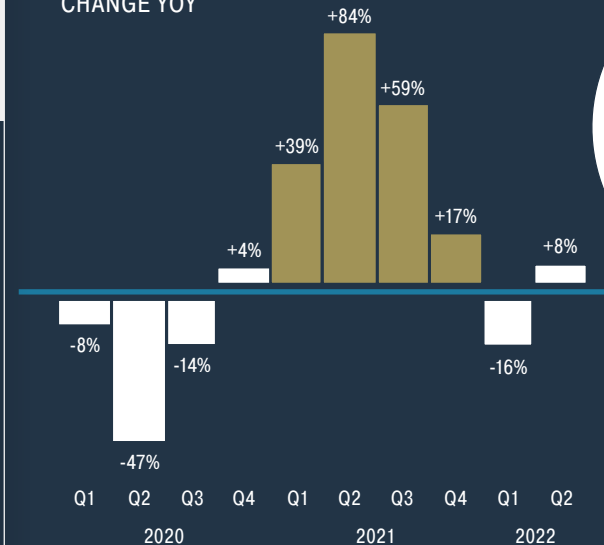
501

UK DEALS  
IN 1H22

UK TECH M&A DEALS



UK M&A DEALS –  
CHANGE YOY



-6%  
COMPARED  
TO 1H21

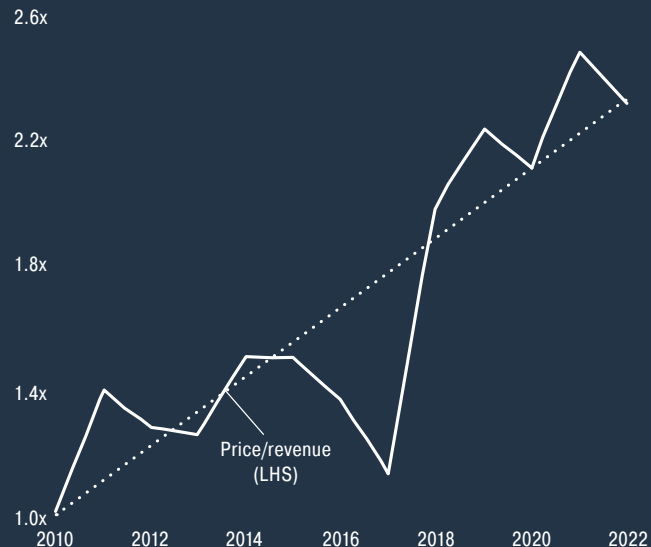
+6%  
COMPARED  
TO 1H19

In 1H22 there were 501 UK tech deals announced, which is only 6% lower than last year and was actually 6% more than 2019 (pre COVID). Also, in the 2Q the number of deals was higher than 1Q (pre-Ukraine invasion), so there is little evidence of any slowdown. Not yet anyway. Valuations remain punchy and are just 8% lower than last year.

Digitalisation has not gone away. In fact, it remains a key driver for growth and most tech companies continue to perform well. So, we remain cautiously optimistic about UK Tech M&A and that is backed up by the fact that at ICON we have a healthy deal pipeline. Its business as usual.

# UK Tech M&A – Valuations

TECH M&A VALUATIONS – UK



2.3x

MEDIAN EV/REV  
IN 2022

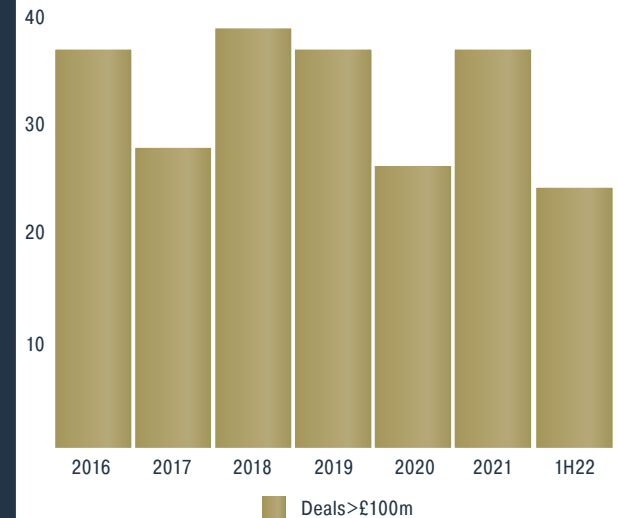
-8%

DROP IN  
VALUATION

24

>£100M EV

UK DEALS > £100M



Given the falls in stock market valuations it is no surprise that valuations in UK M&A have also fallen. However, the median valuation of IT sector M&A deals has only fallen moderately from 2.5x to 2.3x, a fall of just 8%.

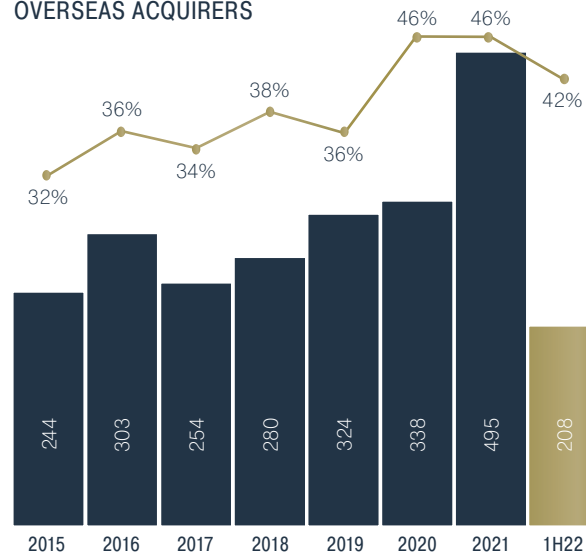
That is an average across the entire IT and Comms sector. Within that, the valuations were quite broad. For example, it was only 1x revenues for Trustmarque disposal by Capita. At the other end of the scale, Ideagen was valued at 14x revenues.

As we have noted before, with many deals now announced without details being disclosed (and in particular PE deals) it does make comparisons trickier. However, with 24 deals >£100m there are still plenty of bigger deals.

Valuations are a function of a number of factors but the three pillars remain: Profits, Growth and Recurring revenue. Although the order has changed a little this year. Overall, valuations remain punchy.

# UK Tech M&A – Type of Acquirers

UK TECH M&A –  
OVERSEAS ACQUIRERS



In the past decade the UK Tech M&A market has been driven by cross border deals. That trend has continued in 2022, no doubt partly due to the weakness in sterling. 42% of deals were from overseas acquirers. That is more than backed up by our experience, with 8 of our last 10 exits cross-border.

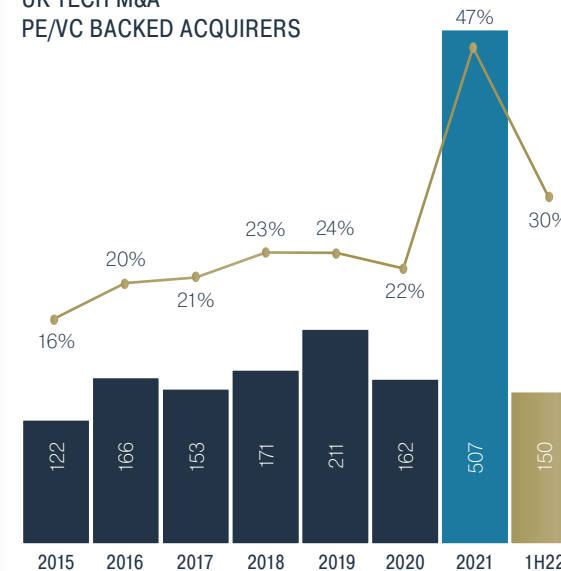
42%  
OVERSEAS  
ACQUIRERS

-10%  
STERLING  
IS WEAK

Last year there was an explosion in PE/VC backed “buy and build” direct and indirect deals. With 507 deals they accounted for nearly 50% of all activity. This year is lower, but still far more than pre 2021, accounting for 30% of deals. There is still a huge pile of dry powder in PE funds, that needs to be invested in due course.

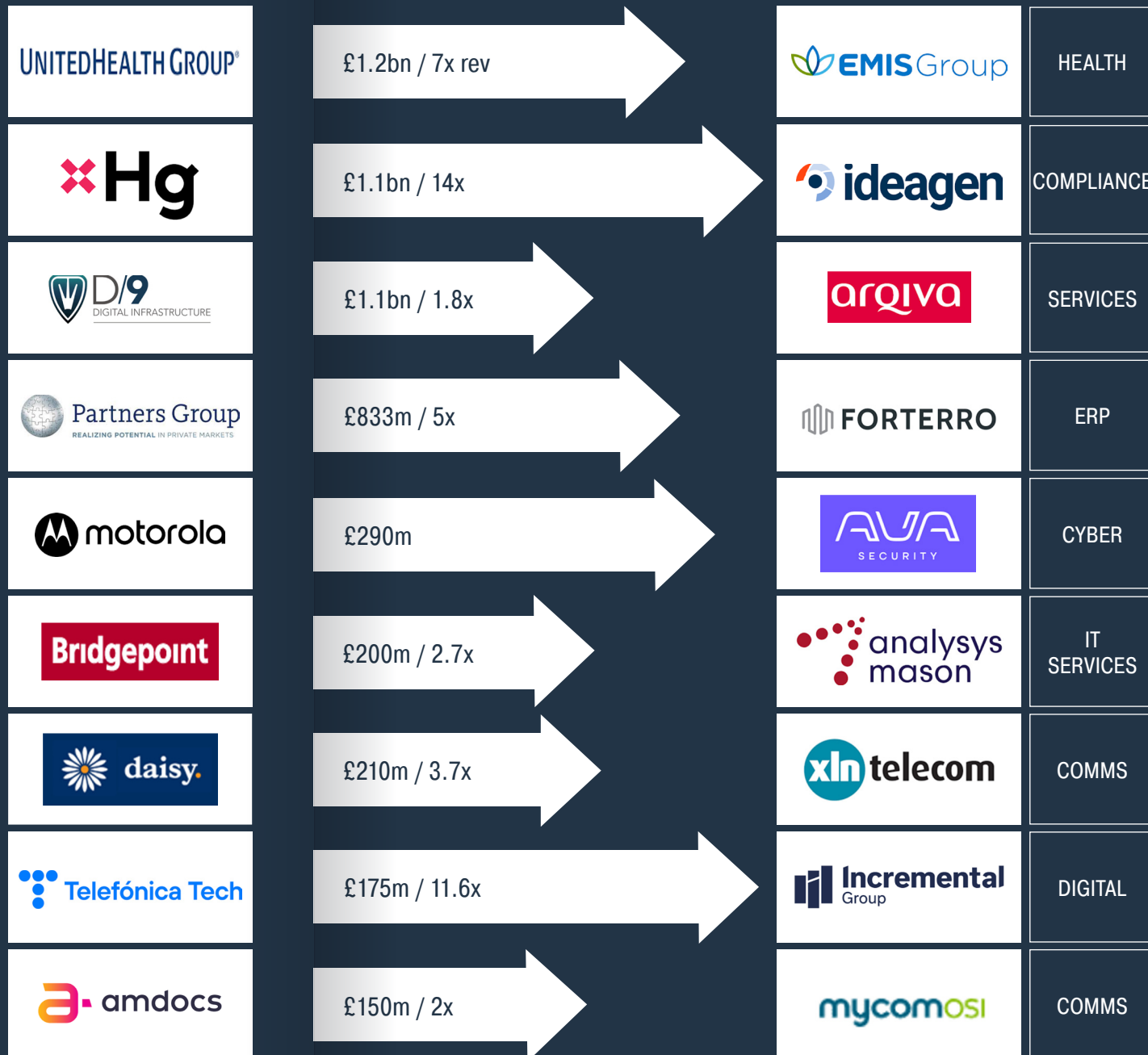
30%  
PE BACKED  
ACQUIRERS

UK TECH M&A –  
PE/VC BACKED ACQUIRERS



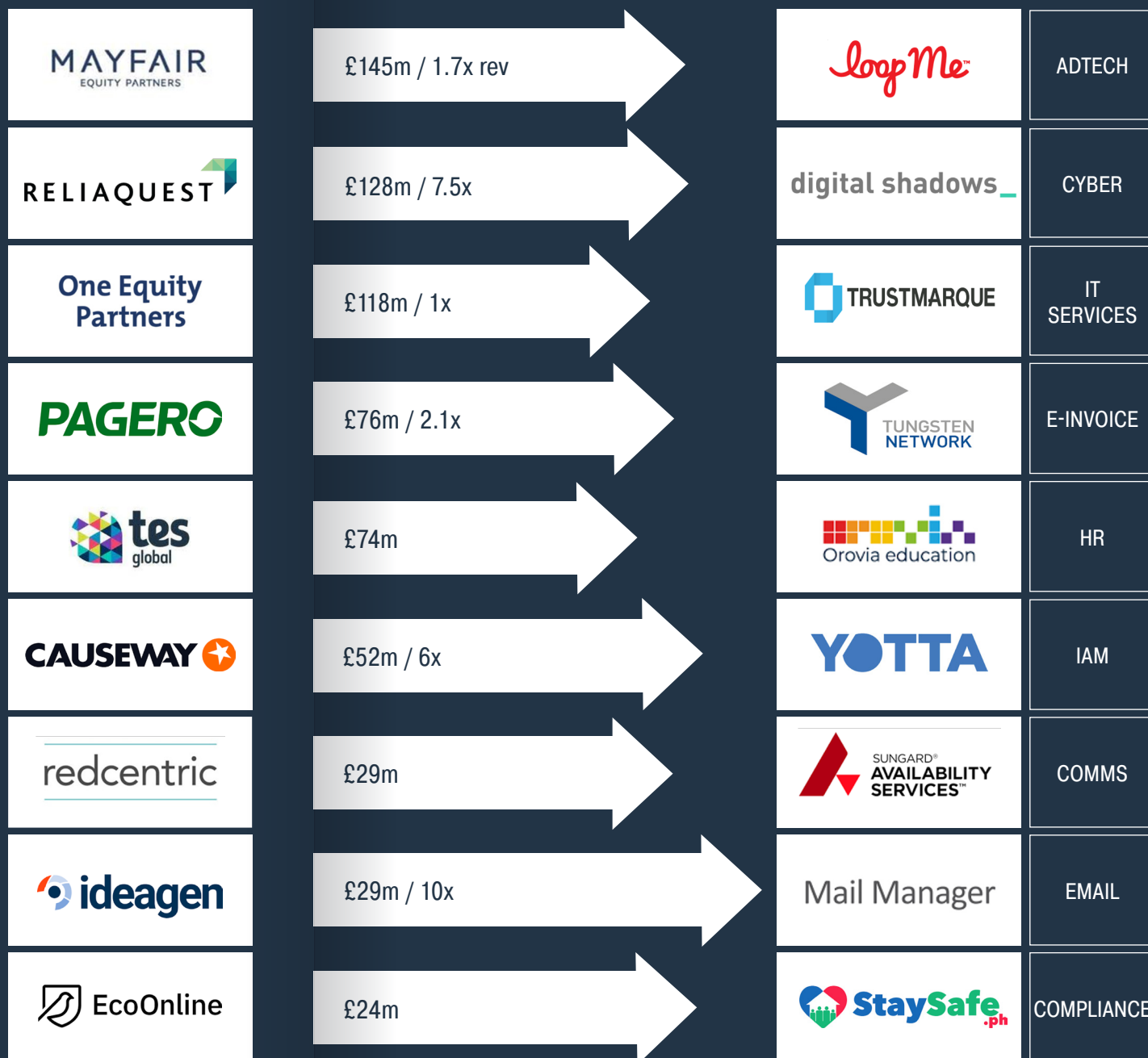
# UK Tech – Big Deals Mid 2022

- Standout deal was the sale of Ideagen to Hg for £1.1bn, that valued the compliance software provider at a punchy 14x revenue. Not bad for a business that only 10 years ago was valued at a mere £10m.
- Also of note, UK listed EMIS sold for 7x revenue, again demonstrating high valuations of some exits for software companies with high recurring revenues.
- Valuations on the exit of Analysis Mason and Incremental were also very impressive for services businesses.



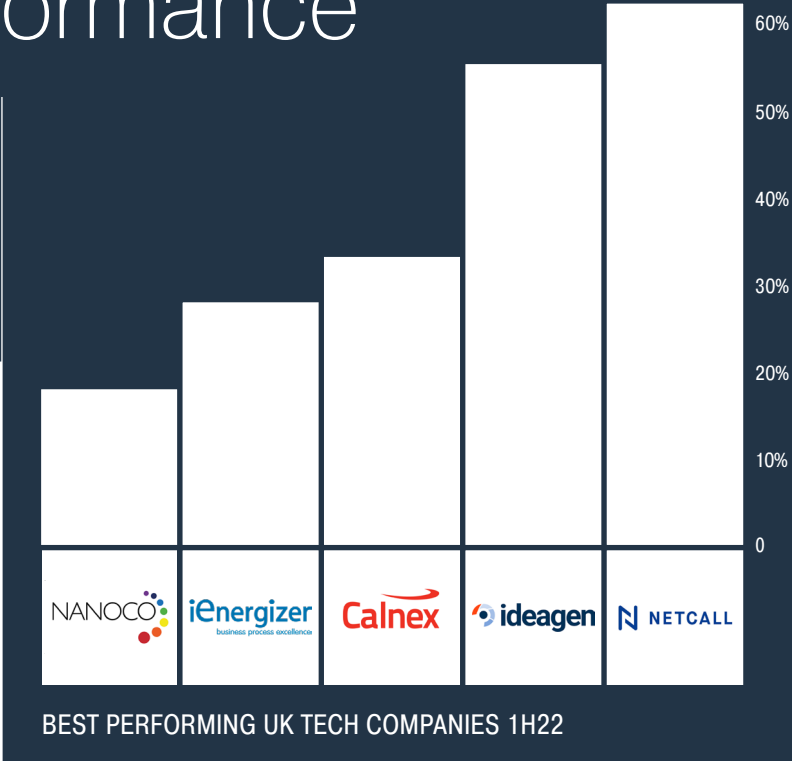
# UK Tech – Mid 2022

- There were a few restructuring deals; particularly in services with the sale of parts of Capita (Trustmarque), part of Sungard and a division of Datatec (Analysis Mason).
- Access Group continues to be the most active, acquiring 6 companies so far this year after buying 8 last year. Others like Clearcourse and Babble have slowed but the slack has been taken up by Radius Payment, Civica and Daisy, who were all active.
- Digitalisation is driving activity across the board but Cyber, Compliance, HR, Health, Education and Comms were noticeably busy. We also see activity in cloud services and MSPs as business continues to migrate to the cloud at a rapid rate of knots – just look at Google and Microsoft's results in the past few years.



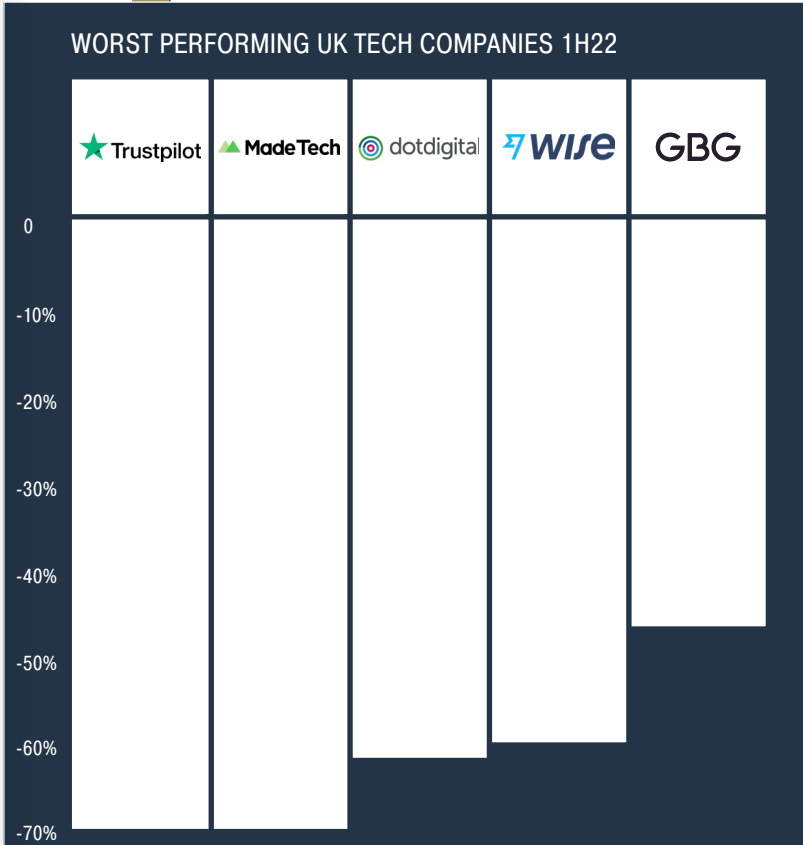


# UK Listed Tech Share Performance



The best performers are an eclectic mix. Solid performers like Calnex (which acquired iTrinegy) and Netcall. Ideagen (which was acquired) and iEnergizer (which is in the booming power sector). While Nanoco benefited from positive decision on an IP infringement case against Samsung.

The UK SCS sector was down 29% in 1H22. Some of the worst performing shares are the highest valued software companies in e-commerce, transfer payments and ID management. They have been impacted by higher interest rates, as higher discount rates are applied to value future cash flows.



# 5 Mega Cap US Deals Announced

Oracle acquired Cerner for \$28bn in Dec 21 as it announces a major push into digitalisation of healthcare. Despite that, its shares are still down 20%YTD, like most large IT groups.

Microsoft announced the acquisition of Activision Blizzard (Call of Duty, Warcraft etc) in Jan 22 for \$69bn or nearly 8x revenues. A major push into gaming but will also accelerate its move into the Metaverse.

Broadcom acquired virtualisation specialist VMWare for \$69bn or 5x revenues in May 22. Broadcom will rebrand as VMWare following the closure as it diversifies away from semiconductors. It follows earlier deals for CA and part of Symantec.

Vista acquired Citrix for \$17bn or 5x revenues in Jan 22 and intend to merge it with TIBCO to help accelerate digital transformation and hybrid working in particular.

The biggest surprise in 1H22 was Elon Musk's offer of \$46bn or nearly 9x revenue for Twitter in April 22. There was clearly little fit with SpaceX or Tesla and Musk has latterly pulled out but there is a \$1bn termination fee. A nasty sting in the tail, but if anyone can afford it then he can.

ORACLE

ACQUIRED



\$28bn



ACQUIRED

vmware®

\$69bn



NOT ACQUIRED



\$46bn



ACQUIRED

citrix

\$17bn




ACQUIRED

ACTIVISION  
BLIZZARD

\$69bn



# ICON Deals




M. MONTERRO

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FUNDED

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TIMEXTENDER



OVHcloud™

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ACQUIRED

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ForePaaS



Calnex

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ACQUIRED

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iTRINEGY



Canon

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ACQUIRED

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edale



YFM Equity Partners

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FUNDED

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Relative  
INSIGHT



PSPDFKit



INSIGHT  
PARTNERS

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ACQUIRED

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