

2020

YEAR REVIEW

Regent Assay's review of European Technology, Media and
Telecommunications Acquisitions in 2020



**UK IS EUROPE'S TMT
CENTRE – 3**

**SOFTWARE AND COMMUNICATION
SERVICES INDUSTRIES SHOW
RESILIENCE – 4**

**PRICE/SALES MULTIPLE CLIMBS
DESPITE PANDEMIC – 6**

**ACCENTURE, CELLNEX AND
EMBRACER TOP SPENDERS – 8**

ACQUISITION MAP – 12



INDEPENDENT MEMBER

European TMT M&A Activity Update

Acquisitions and IPOs

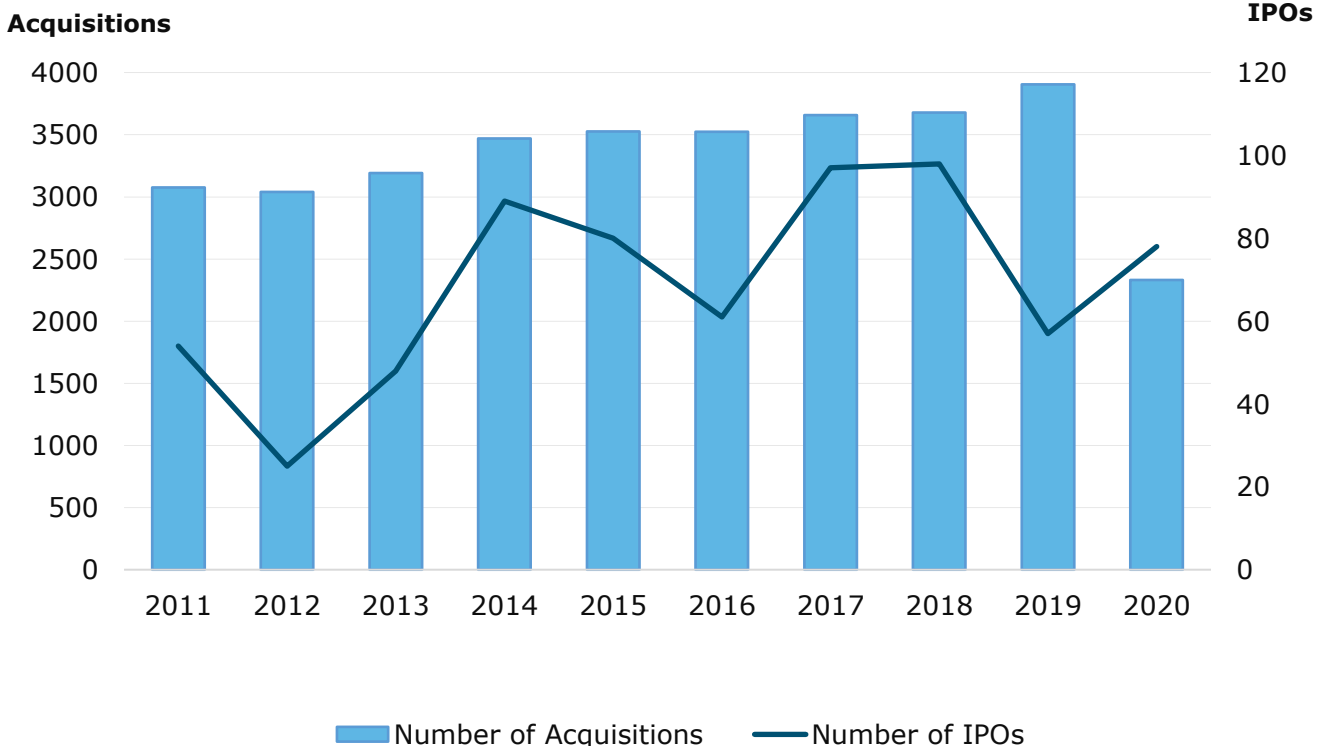


Deal activity decreased by 40%, its lowest level since 2004.

Unsurprisingly, the M&A sector was impacted by the Covid crisis. Lockdowns put the European economy to a halt and restrained the potential for deal making. Lingering uncertainty, the tightening of cash flow and the inability to meet face to face or visit premises all had a negative effect on deal volume, which dropped by a staggering 40%, down from 3902 in 2019 to 2332 in 2020.

Our data would suggest that M&A in the mid-market suffered the most, while deal making in the upper-end of the market showed some strong resilience (page 2). Moreover, the companies which were successful in navigating through the crisis found buyers offering high multiples (page 6). The stock market remained an alternative exit strategy with the number of IPOs increasing to 78.

Number of TMT Transactions in Europe - Yearly Trend



Aggregate deal value

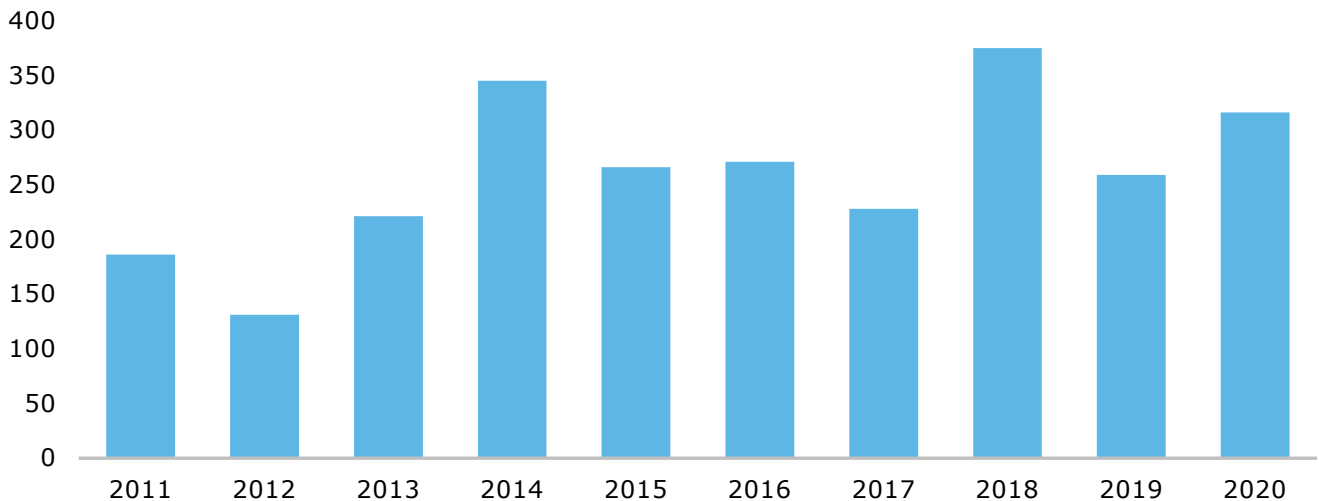


Aggregate deal value increased by 22% to \$316bn.

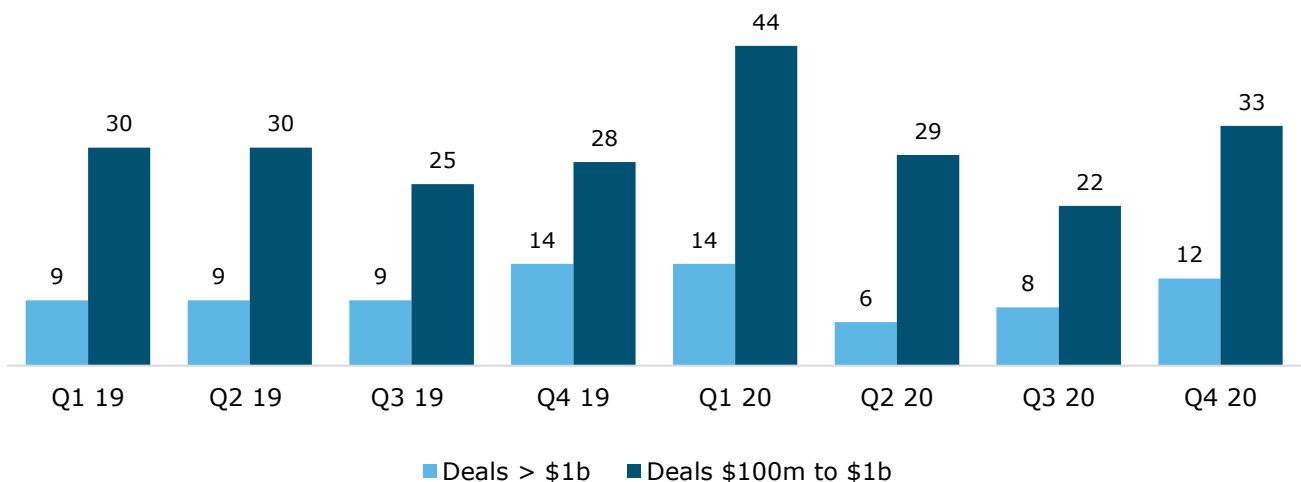
Despite the number of transactions decreasing quite significantly, the total aggregate deal value was up by 22% at \$316bn. Interestingly, the number of large (>\$100m) and very large deals (>\$1bn) increased in 2020, which would indicate that M&A was driven, or at least sustained, by more established market players with larger financial capabilities rather than new entrants looking to make their first acquisitions. This could also be an indication that larger companies were rushing to finalise acquisitions with an upcoming recession in sight.

Source: Financial Times

Total value of deals (\$bn)



Large Deals - Quaterly Trend



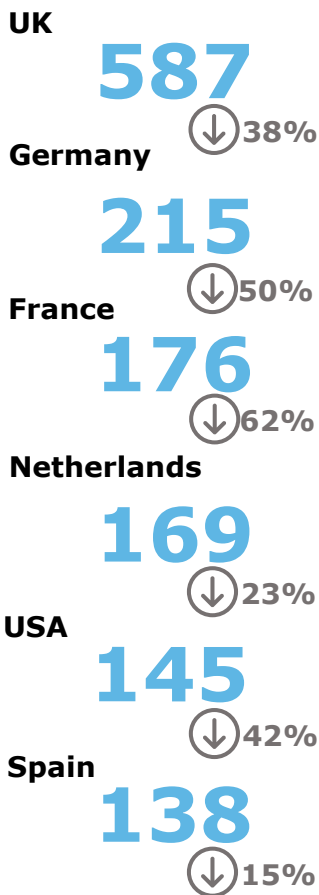


Country Activity

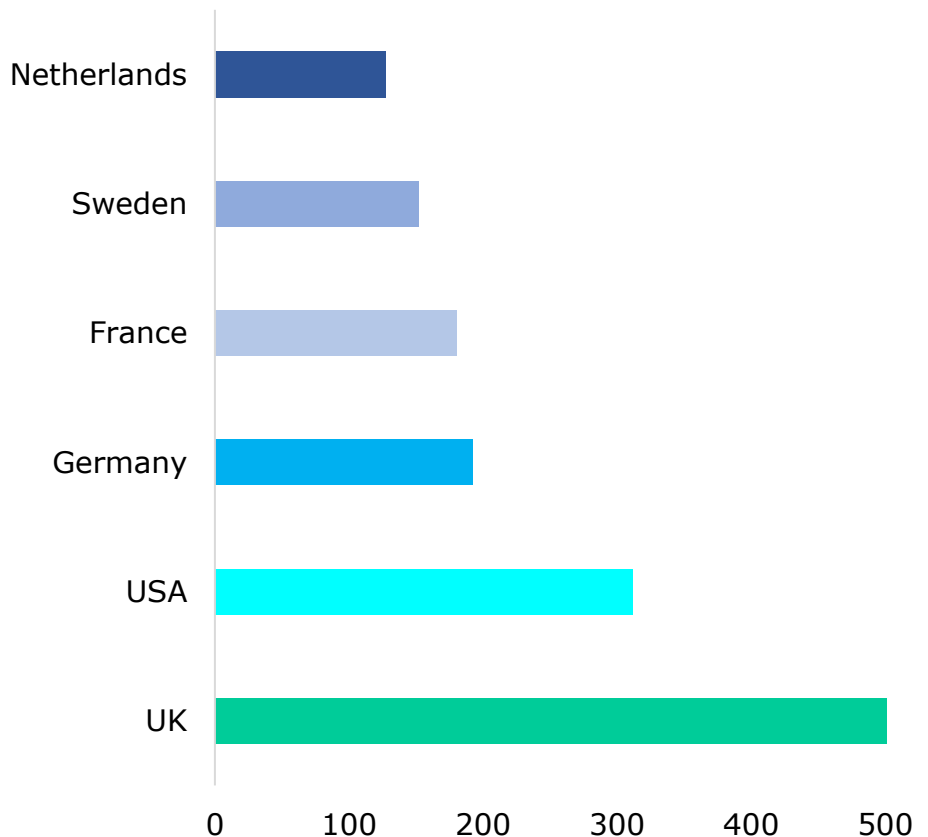
M&A activity by region

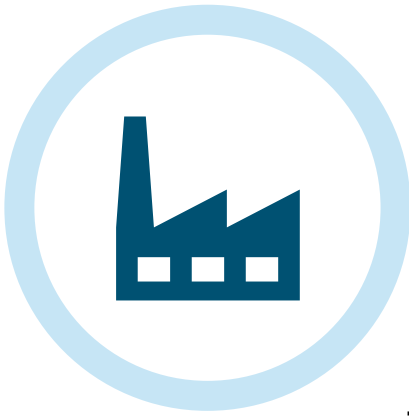
The UK remained the most attractive place in Europe for investing in TMT. A total of 587 transactions were closed in the UK in 2020, which was more than in Germany (215), France (176) and the Netherlands (169) combined. Deal making was particularly lower in Germany and France, where acquisitions dropped by 50% and 62% y-o-y respectively. 145 deals involved a European buyer making an acquisition in the United States. Spain (138), Italy (127) and Sweden (90) completed the highest rankings. With 62 deals closed, Poland remains the TMT hub of eastern Europe. On the buy side, UK headquartered companies were also the most acquisitive with 502 deals completed in Europe and overseas. 312 US companies invested in the European TMT sector this year, while German companies made 192 acquisitions.

Region of acquired company (2020)



Region of acquiring company (2020)



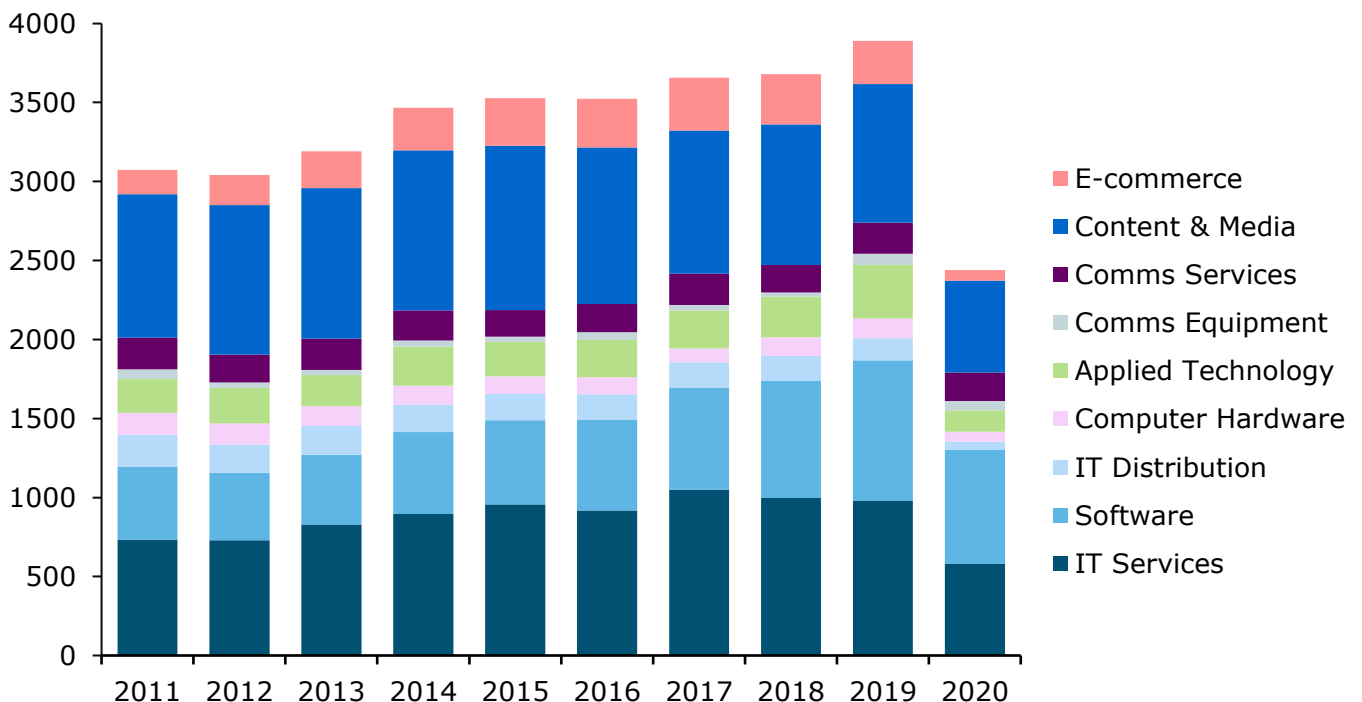


Industry Sector Activity




Industry profile of acquired company

Whilst some sectors were weakened by the pandemic, others showed considerable resilience. For example, M&A in the Software and Telecommunication Services sector dropped only by 19% and 8% respectively, with 717 and 181 deals closed in these industries. The shift to working from home and the subsequent increase in demand for collaborative software and videoconferencing services may have alleviated the negative impact of the lockdowns within these industries. Also, the fact that these sectors are inherently less dependent on human contact could have made them less vulnerable to lockdown restrictions. On the other hand, much more people dependent sectors such as the Media and IT Distribution industries suffered heavily from the lockdowns, with M&A slashed by 39% (536 deals) and 71% (40) in these respective sectors. Interestingly, while demand for E-commerce grew during the pandemic, M&A within that space underperformed too, with acquisitions down by 79% (57). It may be that retailers focused on developing or enhancing their existing e-commerce services during the pandemic, rather than acquiring pure e-commerce players. Overall, the SITS industry represented over half of all deals (55%), followed by the Media (23%) and Telecom (10%) sectors.

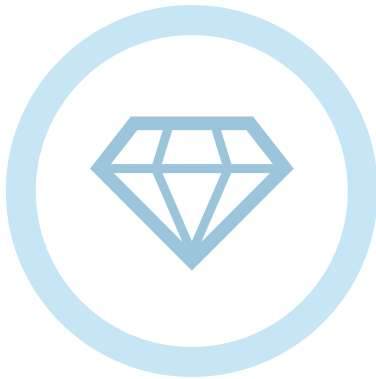
Yearly Acquisition Trends by Sector



Number of acquisitions per sector

	Software	717
	Media	536
	IT Services	553
	Communication Services	181
	Applied Tech	119
	E-commerce	57
	Computer Hardware	67
	Communications Equipment	57
	IT Distribution	40

Valuations



Price to Sales and Price to EBITDA ratio.

While the market presented a contrasted picture in terms of deal volume, the willingness to complete acquisitions meant that buyers who did engage in M&A continued to offer strong multiples to sellers. The P/EBITDA decreased slightly to 9.8x, down from 10.3x in 2019, while the P/Sales climbed to 1.9x, a 0.3 point increase from the previous year.

Companies operating in the software and IT services (SITS) industry attracted the highest premiums, selling at an average P/EBITDA of 10.7x and a P/S of 2.1x, while Telecom multiples slightly outperformed the overall market, with a median P/EBITDA of 10.2x. On the other hand, sellers in the Media industry struggled to generate as much interest, selling below the TMT average, with a median P/EBITDA of 7.7x and a P/S of 1.7x.

Not surprisingly, multiples increase with deal value. Indeed, buyers tend to be more generous at the upper-end of the market: the average P/S ratio for a company with an enterprise value above \$1bn was nearly 4x greater than a company with an EV below \$100m, while the average P/EBITDA offered was nearly twice as large.

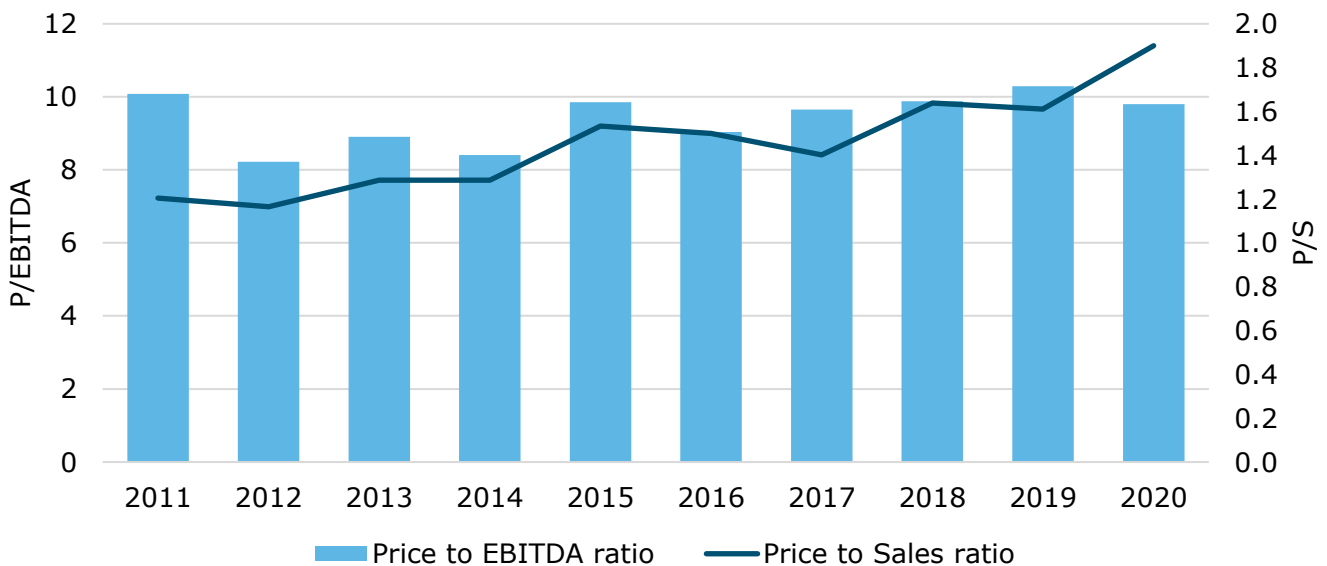
TMT Industry Median Multiples

P/SALES:
1.9x

P/EBITDA:
9.8x

P/EBIT:
13.2x

Valuations of European TMT Companies



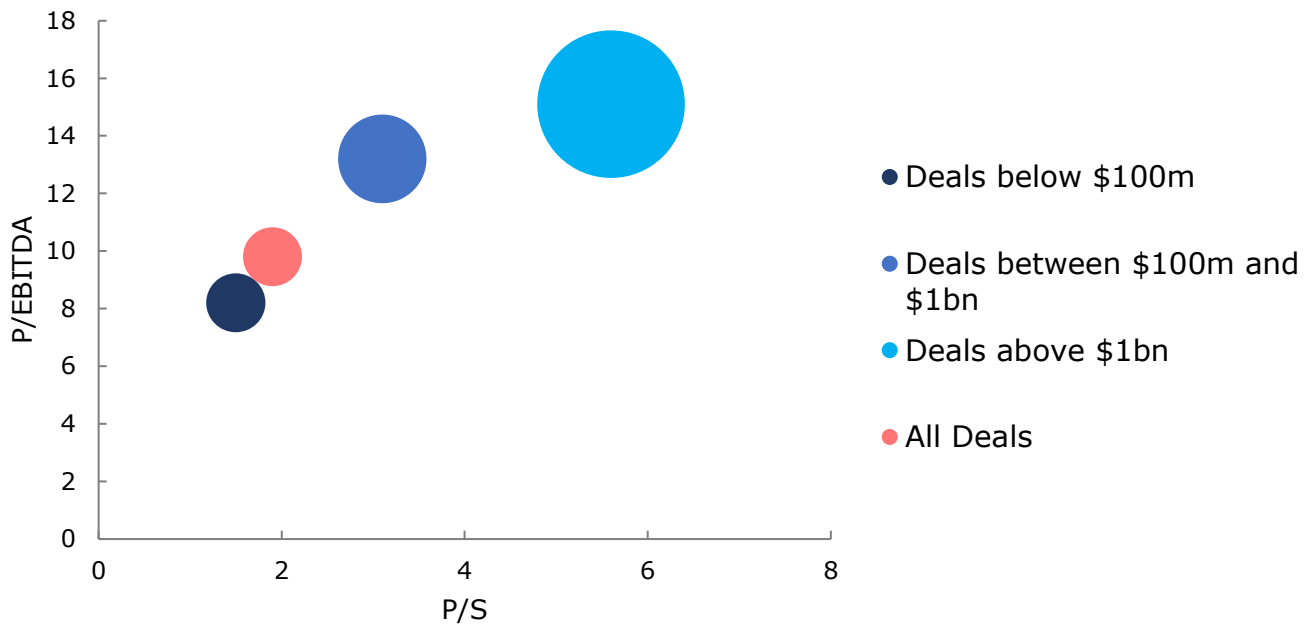
Valuations

Multiples grow with deal value: deals above \$1bn averaged 5.6x Sales and 15.1x EBITDA, while those below \$100m 1.5x Sales and 8.2x EBITDA.

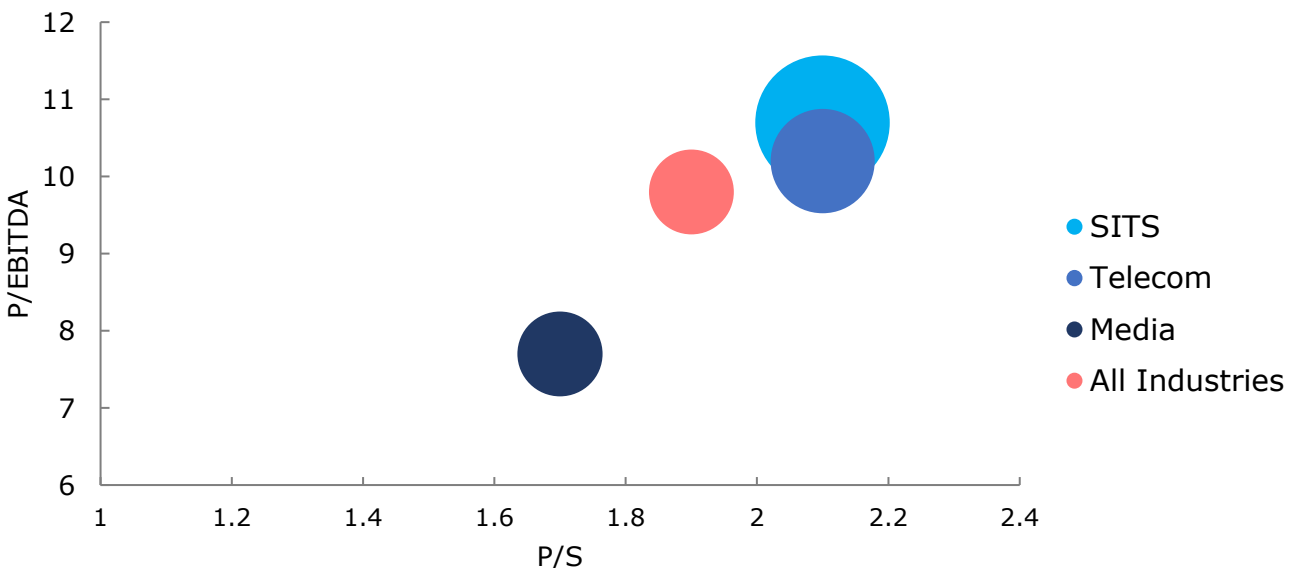
SITS and Telecom businesses valued on average at above 10x EBITDA and 2x Sales.

Media industry least attractive with average P/EBITDA below 8x.

Median Multiples by Deal Value



Median Multiples by Industry



Transaction Highlights

Stats by sector

SITS

\$83 bn

Estimated total sector spend

10.7x

P/EBITDA

2.1x

P/S

Telecommunications

\$166 bn

Estimated total sector spend

10.2x

P/EBITDA

2.1x

P/S

Media

\$23 bn

Estimated total sector spend


7.7x

P/EBITDA


1.7x

P/S

Most acquisitive companies by industry

 **accenture** The pandemic didn't discourage the American-Irish multinational in its spending spree. On the contrary, Accenture made 28 acquisitions this year, 1 more than in 2019, making it the largest buyer across the European TMT industry. Moreover, around half of its acquisitions were completed outside Europe. In the UK, Accenture acquired cyber security services provider, Context Information Security, for \$14m, and data consultancy Mudano.

 **cellnex** Spanish based Cellnex remained the biggest player in the Telecommunications sector for the second year running, completing 6 acquisitions in 2020. The acquisition of 30,000 towers from CK Hutchison for over \$11bn in November added Austria, Sweden and Denmark as new markets to its already large portfolio. The company now operates over 100,000 towers and telecommunications sites across Europe.

 **EMBRACER+ GROUP** Embracer completed 17 acquisitions this year, including 7 during the month of August alone. Through its subsidiaries Koch Media (Austria), and Saber Interactive (USA), the Swedish based gaming company strengthened its position in the market significantly this year. It now has 200 franchises and 55 development studios in 40 countries. Embracer is listed on the Nasdaq and recorded 2020 revenue of \$750m.

Private Equity, Venture Capital and Technology Investors.

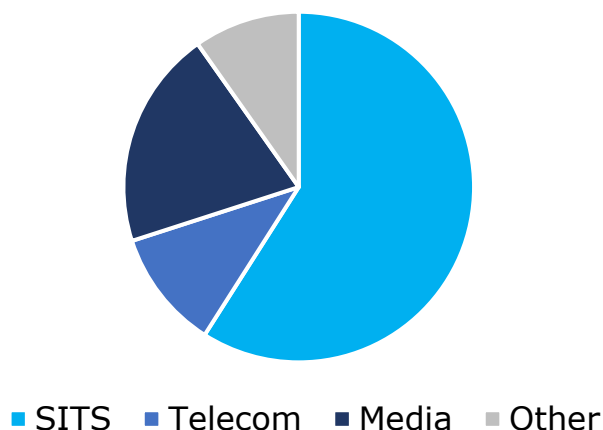
**TMT Industry
Median Multiples
Institutional Buyers**

P/SALES:
1.5x

P/EBITDA:
11.1x











P/EBIT:
17.4x

Target Industry of New Institutional Investment











A total of 327 TMT companies were acquired by institutional investors in 2020. This figure comprises all institutional and leverage buy outs (IBO, LBO), management buy ins or buy outs (MBI, MBO) and any other transaction conducted by a non-trade buyer. SITS businesses received more than half (59%) of all new investment, with 193 deals, followed by companies in the Media (66) and Telecom (36) industries. US-based private equity houses continue to express a strong interest in the European TMT market (see below). The average EBITDA multiple offered by institutional buyers of 11.1 was superior to the overall industry average of 9.8.

Selected PE and VC led transactions

Date	Buyer	Target	Industry	Enterprise Value	EV/S	EV/EBITDA
December	Foley Trasimene 	Pay Safe 	Fintech	\$9bn	6.3x	19.3x
January	Far Point 	Global Blue 	Fintech	\$2.6bn	5.8x	13.9x
February	Bain Capital Private Equity 	Engineering Ingegneria Informatica 	IT Services	\$1.7bn	1.3x	10.9x
December	Toscafund 	TalkTalk 	Telecom	\$1.5bn	0.8x	3.8x
March	KKR, MBO 	Devoteam 	IT Services	\$930m	1.1x	11.3x























Mega Deals

The largest deals in the TMT industry by target country, by EV.

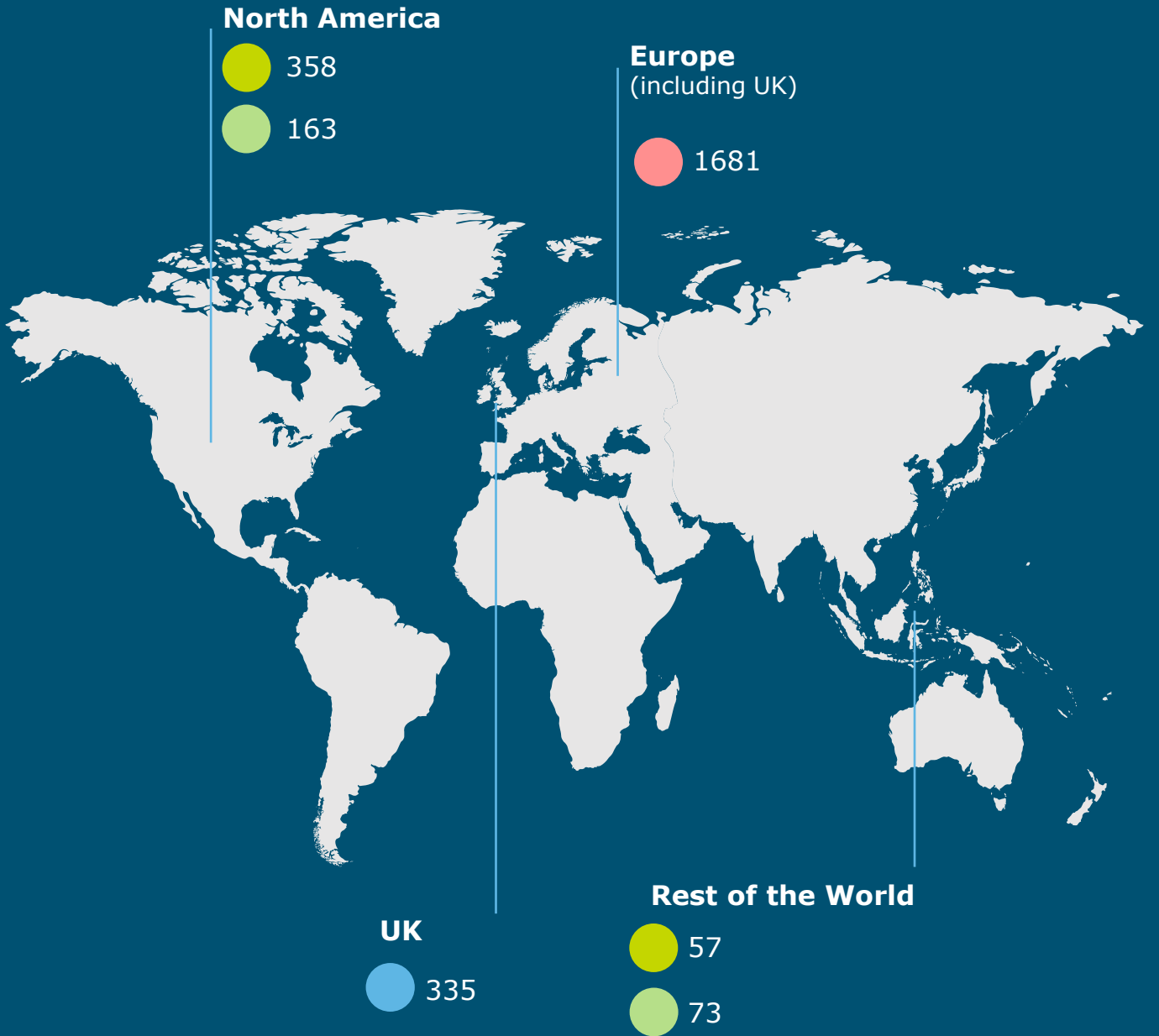
Date	Buyer	Target	Industry	Enterprise Value	EV/S	EV/EBITDA
May	Telefonica 	Virgin Media 	Telecom	\$44bn	10.9x	31.8x
March	Thermo Fischer Scientific 	Qiagen 	Biotech	\$11.5bn	7.5x	55.9x
November	Nexi 	Nets 	Fintech	\$9.5bn	7.7x	20x
February	Worldline 	Ingenico Group - GCS 	Fintech	\$8.6bn	2.7x	12.9x
March	NVIDIA 	Mellanox Technologies 	Telcom Network Components	\$7bn	5.3x	n.a.
September	Next Private 	Altice Europe 	Telecom	\$5.8bn	0.3x	0.9x
October	Nexi 	Sia 	Fintech	\$5.4bn	6.6x	17.2x
January	Insight Partners 	Veeam 	Systems Software	\$5bn	5x	n.a.
September	Iliad 	Play Communications 	Telecom	\$4bn	2.3x	6.6x
June	KKR, Cinven, Providence Equity Partners 	MasMovil 	Telecom	\$3.4bn	10.4x	13.4x
October	Polhem Infra 	Telia Carier 	Telecom	\$1.1bn	1.7x	17.8x

Mid Market Focus

Selected transactions involving a European player on sell side of a deal with an EV below \$100m, by EV.

Date	Buyer	Target	Industry	Enterprise Value	EV/S	EV/EBITDA
January	Tencent 	Funcom 	Gaming	\$92m	3.2x	14.4x
September	Bredband2 	A3 	Telecom	\$71m	0.8x	9.8x
June	The Access Group 	Eclipse 	Legal Software	\$69m	3.7x	14.1x
July	Battery Ventures 	EasySoftware 	Enterprise Software	\$69m	1.5x	10.6x
June	Livingbridge 	Chill Insurance 	Online Comparison Services	\$62m	2.3x	17x
November	Gruppo MutuiOnline 	SOS Tarrifs 	Online Comparison Services	\$35m	2.4x	9.1x
March	NCAB Group 	Flatfield 	PCB Supplier	\$19m	0.6x	7.5x
April	Simulations Plus 	Lixoft 	Pharma Software	\$14m	4x	n.a.
October	mCentric 	OmniaWeb 	Digital Marketing	\$8m	2.2x	7.5x
January	Single Digits Connection 	BSG's Wireless Division 	Telecom	\$5m	1.8x	10.9x
October	Netcall 	Automagica 	Robotic Process Automation Software	\$2m	n.a.	14x

European TMT Acquisition map



- Buying in Europe
- Selling to Europe
- Intra-European transactions
- Domestic transactions

About our research methodology

For more than 30 years the TMT research group at Regent Assay has tracked acquisitions involving European technology companies.

Data is drawn from Standard & Poor's Capital IQ, Zephyr, the press, company reports, investor statements, and through direct investigation. The resulting proprietary database is used to produce comprehensive analysis of current market dynamics as a critical ingredient in Regent Assay's acquisition services to identify targets and predict valuation trends.

This report contains our analysis of the TMT acquisition transactions announced throughout 2020 involving European companies.

All data is drawn from the proprietary Regent Assay research database and includes companies in IT and business services, software, telecommunications, media, embedded technology, online retail, IT distribution, as well as electronic systems, components and semiconductors.

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About Regent Assay



Regent Assay is a hybrid corporate finance and consulting practice with a unique blend of proven strategic advisory and transaction services.

Full service offering

Equity
Acceleration
Planning

We assist companies to create equity value throughout the business's life cycle and have developed our proprietary toolkit, the "Equity Acceleration Programme", to determine the best way for a company to maximise its opportunities and minimise its risks and thus influence positively the multiple achieved on a sale.

Company Sales

We work with owners and management teams who are looking to prepare for a full or partial exit (now or in the future), accelerate their growth organically or by acquisition and who want to optimise future profits.

MBO's & MBI's

Debt & Equity
Financing

Behind Regent Assay's success is its people, a highly experienced team of business professionals who have considerable transaction experience. Many of the team have themselves been owner managers who have exited businesses giving them a unique insight and empathy with our clients.

Acquisitions

Private Equity

International coverage

Regent Assay is proud to be a member firm of Geneva Capital Group (GCG), a global network of M&A, Corporate Finance and Strategy firms with a presence in over 50 cities across the world. The GCG sector and industry know-how and worldwide connections make the network ideally positioned to advise clients on how to complete their transactions successfully.



***Experience counts.... over 500 TMT deals completed
spanning 30 years***

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