

Industry report

IT

Developments in the IT industry

SUMMER 2018 edition

“AMSTERDAM Spring Convention: at the crossroad of opportunities.”

The last M&A WW convention gathered more than 100 participants under the Aerternus conduct and organization.

It has been again the opportunity for attendees to meet and discuss business opportunities.

On the IT Corner, we had the pleasure to welcome two European companies with external growth strategies: TSS and NEOPOST. Within one afternoon, these companies were able to disclose the drivers and criteria of their external growth strategy during meetings with M&AWW Network Members... Following the Convention Neopost and TSS have had further discussions about targets mentioned by the members.

In this industry letter, you will find TSS’s strategy explained by Sebastian Ootjers.

Then some members of the M&A WW network will introduce themselves throughout a one page dedicated to their country’s market and specific achievements.

The expert corner is focused on the media market where big moves are being made. Then some tombstones to display our successes and demonstrate our ability to close deals.

Next Fall Convention will take place in Miami, certainly the best place for companies with target countries in mind!

Looking forward to seeing you in Miami.

Bernard LECHAT

IT Sector Group Leader – MBA Capital, France

M&A Worldwide - The Network for Mergers and Acquisitions

Established in 2004, M&A WW is a leading global alliance of midmarket merger & acquisition specialists. M&A WW presently has 43 member firms operating in over 45 different countries. All members work closely together in a global alliance to

advise clients on mergers, acquisitions, divestitures, joint ventures, capital raisings, and other strategic partnerships. Collectively, we closed 339 transactions in 2017, representing a cumulative deal value in excess of \$ 3.6 bn.

Client's voice

Total Specific Solutions: Buy and hold Forever



Sebastian Ootjers (Director M&A and Business Development)

Sebastian Ootjers (Director M&A and Business Development) about the M&A Strategy and its impact on the business of TSS

We know TSS is a software company with over €200 million in revenues and nearly €65 million in EBITDA employing over 2,000 employees. But what is the business, and what are the people, really about?

TSS is at the moment a group of 47 independent business units that offers mission-critical software solutions to specific sectors (so called Vertical Markets). We operate with a decentralized model in which we give the management of our companies the freedom to run their business as an entrepreneur, facilitating decision making close to the end customers, whilst benefitting from the global reach and financial strength of the group.

Our people work at TSS because they like to work with like-minded people, because they are eager to learn and at the same time build personal wealth. Our goal as an organization is to allow our people to reach 'VMS Mastery': To be the best in building and managing a VMS company. And for our senior management also the opportunity to build their own portfolio of companies through (international) acquisitions.

Buy and hold Forever is one of the mottos in your M&A strategy. Can you elaborate on this?

It means that we acquire companies and never sell them again. And by never we mean never. We are perpetual owners of vertical market software (VMS) companies. Why? Because we believe that VMS requires a long-term perspective to continuously improve the products we develop, to be a real partner for our customers (we offer 'software-for-life') and to allow our management and employees to focus on the operations instead of worrying about when the business will be sold again.

TSS has been growing at a significant rate during the past few years...What has been the key driver behind this?

By becoming part of Constellation Software Inc., in which we are positioned as the platform for growth in Europe, we have gained access to a lot of best practices on how to run a Vertical Market Software company, but also on how to acquire them. These insights in combination with a very clear ambition to become the Leading European VMS company has made us accelerate and expand our M&A efforts both in the Netherlands as well as in many other European countries. We are setting up local M&A teams in foreign markets to align with local business practices and habits. We believe that this should allow us to realize further growth through acquisitions.



Client's voice

As a software vendor, what will be the critical success factors in the coming years?

In our view the same as it has been in the past years: Being close to the customer, having an open and honest dialogue about their demands (and challenging these) and developing the software for the future with them. In addition, talent management is key. (IT) talent is hard to find and even harder to keep. So we focus a lot on recruitment, training and development as well as succession planning.

Since the acquisition of TSS by Constellation Software Inc., what has changed for the company and for your M&A team?

A lot has changed. We have completely taken a new look on our way of doing business; we have re-evaluated our old habits and beliefs and have compared these to the best practices of CSI. Each of our business units has adopted these best practices in their own way. A large change has also taken place in our M&A organization. As part of CSI, growth through M&A has become an even more essential aspect of our strategy and we have built a full in-house team from scratch to execute on that strategy (I started the team in June 2014 together with my colleague Jasper Bollen). We currently have M&A and business development people located in most of the key countries of continental Europe and we are still actively expanding our teams.

TSS is actively looking for software companies in various European countries. If you could give a small word of advice to an entrepreneur with a start-up business in software, what would you advise him or her?

Make a clear decision: Do you have a generic solution that is suitable for many industries? Or do you have a specific solution for a specific vertical? The former often means building up a large R&D team, selling through (international) partners and having global competition. The latter means focusing on customer intimacy, doing development, sales, implementation and support in-house and having a more limited market to operate in (as well as less competition) as vertical markets are often bound by both geography and industry. I encounter quite some companies that have not made a clear choice, are basically trying to be both and appear not to be fully optimizing their potential due to this split focus.

Software is playing an increasingly important role in the way we work and live. In your opinion, what does the future of software look like?

There will not be many areas in which software will not play a role. However, the future of software is hard to predict as the visions of the great visionaries of technology often take a long time to find their way into ordinary life and often in a different form than predicted. Especially vertical markets tend to be slow adopters of new technology (until something becomes the new standard and then everybody quickly adopts and implements). Within CSI we are constantly debating the future of software. We have 14,000 people in our organization with about as many different opinions – Example is the difference in view on the absolute relevance of 'Cloud' and 'SaaS' between the TSS organization and our Canadian colleagues. In the end our business leaders decide for their specific market what the best product strategy is, now and for the future.

A nighttime photograph of a city skyline with a large suspension bridge in the foreground, illuminated against a dark blue sky. The city lights are visible in the background.

Client's voice

You have had the opportunity to collaborate with M&A WW members in the Netherlands and Germany, and you were one of the key speakers during our M&A Worldwide Buy & Build convention in Amsterdam; how do you rate the relationship with our member firms and their contribution towards M&A?

I consider it to be a valuable relationship. We have had a lot of interaction with Aeternus in the Netherlands, which has always been pleasant and open-minded. We are now in active dialogues with many M&A WW network partners to start collaboration across Europe and we have high hopes that this collaboration will allow us to speed up our M&A activities even further.



Lithuania – lots of opportunities for investors

COUNTRIES ON THE RADAR



Marija Leitonienė, Partner



CONFIDENTUS is a privately owned and independent Lithuanian investment banking company established in 2009.

CONFIDENTUS partners are successful practitioners that have more than 18 years of experience in corporate finance and banking. We provide a broad array of high-quality investment banking services:

- M&A advisory
- Capital raising
- Business valuation
- Strategic advisory

For a few years in a row CONFIDENTUS got ACQ Global Award: Corporate finance boutique and M&A advisor in Lithuania.

According to researches Lithuania has the most affordable internet access in the EU and the fastest public WiFi in the world. This shows that ICT sector is really significant in every day of Lithuanians (digital government, e-signature, banking apps, mobile payment systems for parking, public transport, taxi services etc.) and it constantly remains on the radar of local & foreign strategic as well as financial investors.

There are ~33,000 ICT professionals in Lithuania, which is over 3% of total employees. Each year additional ~2,000 IT graduates join the market, as there is really high demand coming from the blooming sector.

There are nearly 6,000 ICT enterprises in Lithuania and the number grows each year. The absolute majority are IT service companies. The output of the ICT sector amounts to EUR ~2 billion with computer programming, consultancy and related activities as well as telecommunications being two main pillars of the sector. Exports account for around 25% and major markets are USA, Germany, UK and Denmark.

According to statistics, small enterprises with the staff up to 9 persons prevail in the ICT sector (~90% of all ICT companies): they employ ~30% of all persons employed in the sector and account for ~20% of the sector’s turnover.

Target industries for potential investors:

- Software programming
- Data centers & hosting
- E-commerce
- Fintech
- Game development
- Mobile apps

Lithuania is already chosen by:

Global brands with IT development & product research units:	Fintech:	Blockchain:	Artificial Intelligence:
Wix.com	UBER	shopify	Revolut
Unity	ORACLE	NORDCURRENT	INSTAREM
DXC technology	BARCLAYS	Nasdaq	transferGo
			Simplex
			CUJOAI
			we power
			senticance
			COINGATE
			Exacaster



Brazil, an ongoing digital transformation

COUNTRIES ON THE RADAR



Carlos Parizotto, Founding Partner and head of the M&A practice



Cypress is a leading independent investment banking boutique focused on providing financial advisory in mergers and acquisitions, capital markets, structured finance, corporate restructuring and asset management.

Our advisory services and asset management solutions help our clients to overcome their strategic and financial challenges.

Our diversified set of skills, expertise and relationships makes a difference in corporate finance transactions.

Our team is formed by seasoned professionals with banking consulting and operational experience.

Our work is characterized by a low profile and customized approach.

We have a strong network in a variety of sectors, with global reach.

We are the only Brazilian member of M&A Worldwide.

IT Sector Overview

Brazil is among the leaders (9th position) in the global IT market, accounting for 1,9% of the worldwide sales of the sector in 2016. The country is also the undisputed regional front-runner, being responsible for 36.5% of the IT market in Latin America in 2016. Although 2016 was a challenging year for the IT sector in Brazil, in view of the recession, the ongoing gradual recovery of the domestic economy coupled with the rising demand for innovative technologies in the country are supporting the rebound of the sector.

The main factor that is contributing to the development of the IT sector is the quick adoption of cloud technologies. The sales of cloud related services in 2016 rose by 47.7% y/y to USD 746mn, driven by the domestic business' efforts to reduce costs and improve efficiency.

In 2016 the software and IT services segment had a better performance than the hardware segment and the overall economy, reaching a 1.2% y/y growth in sales. The key driver of this growth was the IT services market, which rose by 2% y/y, mainly thanks to the expansion of the cloud computing market.

Software and IT services are expected to continue to be the main driving force for the IT sector in Brazil. Investments in innovative solutions, cloud computing and data centers are benefitting from the gradual recovery of the domestic economy and from the slowdown of interest rates, which facilitates access to financing.

M&A Activity

In 2017 there was a 27% y/y growth in the number of M&A deals in Brazil's IT sector, reaching 132 deals, which represented 21% of the total number of deals in the country.

Recent deals

- Serviços e Tecnologia de Pagamentos was acquired (100%) by FleetCor Technologies for USD 1,300mn
- Westcon Americas was acquired (non-disclosed stake) by Synnex for USD 830mn
- Mutant was acquired (non-disclosed stake) by Permira Advisers for USD 152.9mn
- 99 Taxis was acquired (44.4%) by Softbank for USD 100mn
- Decora was acquired (100%) by CreativeDrive for USD 100mn



Trends within the IT Tech Industry

COUNTRIES ON THE RADAR



Paul Casey, Associate Director



Bluebox Corporate Finance is an independent, mid-market firm based in London that focuses on structured pre-sale planning, fundraising and company sales.

The Bluebox approach is focused on maximizing both value and saleability for shareholders.

Recent sales Bluebox advised on include:

- 1) Prospectsoft to Maven Capital Partners
- 2) Conveyancing Alliance to ULS Technology Plc
- 3) The Positive Ageing Company to Mercer

To find out more, please visit the website:
<https://www.blueboxcfg.com/>

M&A Trends

2017 saw 3,546 deals completed in the UK Tech industry, marking a 15% increase on the number of deals completed the previous year. Whilst volumes rose, the total gross deal value declined from £306.9bn to £233.9bn. This trend is reflected on a global scale too, suggesting that there is now a greater focus towards the acquisition of smaller, earlier-stage, tech companies rather than on mega deals. This trend has continued into 2018; Facebook announcing at the start of July their acquisition of London-based start-up, Bloomsbury AI for c. £20m is a good example.

The mega deal has not vanished! Also making UK headlines at the start of the year was the completion of the proposed merger between Worldpay Group plc, a UK-listed leader in technology-led payment solutions, and Vantiv, Inc, the US payment processor company. The deal value was said to be £9.2bn. Now trading under Worldpay Inc, the company becomes the top global merchant acquirer, able to accept payments covering 99% of global GDP.

Insight

Almost every sector has been affected by developments in the digital and mobile technology space. The increased use of digital technology in non-tech industries has prompted a dramatic rise in the level of tech M&A. It has been said that technology acquisitions are now the number one driver for M&A activity in 2018 and there are no signs that this is going to change anytime soon.

With continued excitement surrounding developments in areas including artificial intelligence, connectivity of physical devices, the internet of things, and the implications of all things tech on big data, we anticipate a continued trend of businesses using acquisition to implement their tech-growth strategies in H2 2018.

Risks will need to be taken in board rooms by those looking to get ahead...and indeed looking not to be left behind!



Tech Sector in Canada

COUNTRIES ON THE RADAR



Dana Rennie, Senior Manager



Robbinex is an internationally renowned Canadian business intermediary specializing in helping owners of mid-sized companies with business transitions since 1974.

The tech sector is the fastest growing economic sector in the country consisting of approximately 71,000 companies of which 40,000 are in the ICT sub-sector. Over 80% of the companies have less than 10 employees. The tech sector accounts for approximately 5.6% of national employment and was directly responsible for C\$117 billion (7.1% of Canada economic output).

The Canadian tech sector has also been selected as a national priority area in many industrial development initiatives. This includes a special emphasis on the tech sector in the \$950 million allotted by the federal government for the Innovation Superclusters Initiative. As well as the promotion of a “AI Supercluster” (anticipated total public/private investment of \$700 million) through the Quebec-Windsor corridor and a digital technology supercluster centred around Vancouver (anticipated total public/private investment of \$1.4 billion). This is in addition to the \$125 million that had already been set aside for R&D in AI technologies, an initiative largely centred in Toronto.

The recent March 2018 federal budget announced further investments still in the Canadian tech sector. This includes an additional: \$750 million for cybersecurity; \$570 million for “big data” research and development; etc.

Other recent developments include the relocation of several large Amazon and Google facilities to Canada, with Toronto continuing to be on the shortlist for the new Amazon global headquarters.

2017 M&A Activity in Canada

Canada’s M&A activity reached a 5-year high in 2017, the tech sector continues to be the most active with a 34% increase over 2016. Cross-border tech deals increased 45% over 2016.

- Finastra was created in June 2017 after Texas-based investment firm Vista Equity Partners acquired the Toronto-based cheque maker turned financial technology firm DH Corp for US\$2.7 billion and merged it with the U.K.-based financial software provider Misys.
- Element AI, a Montreal based firm raised US\$102 million in June 2017, the largest Series A funding round for an artificial intelligence company in history. The company is a platform and incubator for companies incorporating AI.
- In October 2017, Montreal based CGI Group completed the acquisition of Affecto PLC for C\$146 million. CGI serves as a market leader in end-to-end IT and business consulting services, solutions and outsourcing services.

Expert's corner

Global Media Trends until 2022

By **Holger Wiemann**, *Partner Active M&A*



The global media market is massive and estimated at a whopping US\$ 1.9 tn in 2018 or 2.5% of world GDP.

The sector is very healthy with a CAGR of 5-6%. Unsurprisingly it is driven by overall economic growth and the technological and content innovation made possible by the digital revolution and changing consumer habits.

Traditional media such as newspapers and magazines are and will continue to face an inexorable decline whilst expenditure for broadband, video games and digital advertising are still seeing a stellar growth of 7-13%. Even traditional TV advertising will continue to grow at 3-5%.

Digitalization and access to finance has allowed new competitors like Netflix or Amazon to emerge in just a few years while traditional giants such as Time Warner, Bertelsmann or Lagardère are struggling.

Looking further out to immediate future until 2022 the most dynamic sectors are as follows:

- **Virtual reality** will experience a stellar growth. Nearly non-existent in 2016 the number of VR headsets will grow to 175 million and virtual reality content for video or gaming will grow to US\$ 21 bn.
- **OTT (over the top content)**, i.e. the on-demand video market will also grow strongly from US\$ 40 bn to US\$ 60 bn helped by the massive content and marketing investments by Netflix, Amazon and traditional pay-tv providers trying to catch up.
- **Internet Advertising** will continue to grow at a CAGR of 9% to reach US\$ 340 bn. The growth will mainly be captured by the GAFA and their Chinese counterparts.



Expert's corner

- **Video Gaming and E-sports** will reach US\$ 140 bn. The strongest growth will be experienced by e-sport with a CAGR of 21%. Although still small, the sector will grow from US\$ 620 m to US\$ 1.6 bn.
- Even traditional **cinema** will show moderate growth from US\$ 50 bn to US\$ 55 bn.
- **B2B media** will increasingly move to data centric and digital product offerings. Growth will be slow at 1% CAGR but the sector remains massive with a projected overall revenue of US\$ 220 bn.
- **Music** will grow by 3.5% CAGR from US\$ 95 bn to US\$ 123 bn with growth being mainly funneled by streaming and live music.

Overall the global media sector is very healthy but changing rapidly and therefore offering numerous opportunities for growth by acquisitions/financing, be it in media content or media-related technology.

M&A Worldwide is available to help.....

SUCCESS STORIES ADVISED BY M&A WORLDWIDE MEMBERS

This announcement appears as a matter of record only

In 2018



Has been sold to

A private investor

Transaction industry: Information technology

MBA Capital acted as Cilpak advisor



member of
M&A WORLDWIDE
THE NETWORK FOR M&A, MERGERS & ACQUISITIONS

This announcement appears as a matter of record only

In 2018



Has acquired the Software Testing
Division of



Transaction industry: Information technology

MnA Team acted as Qualitest Group advisor



member of
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THE NETWORK FOR M&A, MERGERS & ACQUISITIONS

This announcement appears as a matter of record only

In 2018



Has been sold to



Transaction industry: Information technology

Linkers acted as SecludIT advisor



member of
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THE NETWORK FOR M&A, MERGERS & ACQUISITIONS

This announcement appears as a matter of record only

In 2018



Has acquired



Transaction industry: Information technology

Focus acted as FutureTech advisor



Investment Banking

member of
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THE NETWORK FOR M&A, MERGERS & ACQUISITIONS

This announcement appears as a matter of record only

In 2018



Has acquired



Transaction industry: Information technology

Focus acted as FutureTech advisor



Investment Banking

member of
M&A WORLDWIDE
THE NETWORK FOR M&A, MERGERS & ACQUISITIONS

This announcement appears as a matter of record only

In 2017



Has been acquired by



Transaction industry: Information technology

Bluebox acted as ProspectSoft advisor



member of
M&A WORLDWIDE
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SUCCESS STORIES ADVISED BY M&A WORLDWIDE MEMBERS

This announcement appears as a matter of record only

In 2018



Has been acquired by



Transaction industry: Information technology
Aeternus acted as advisor to Notubiz




This announcement appears as a matter of record only

In 2018



Has been acquired by



Transaction industry: Industrial & Manufacturing
Aeternus acted as advisor to Electronic Equipment




This announcement appears as a matter of record only

In 2018



Has been merged with



Transaction industry: Information technology & Healthcare
Aeternus acted as advisor to HOTflo




This announcement appears as a matter of record only

In 2018



ILT Solutions Ltd.
Midhurst, United Kingdom

Sold 100% of ILT Solutions GmbH
Köln, Germany to




Transaction industry: Information technology
Active M&A acted as the seller advisor




This announcement appears as a matter of record only

In 2017



BID Equity GmbH
Hamburg, Germany

Has acquired 100% of



Transaction industry: Information technology
Active M&A acted as Bid Equity advisor




This announcement appears as a matter of record only

In 2018



Total Specific Solutions (TSS) B.V.
Utrecht, Netherlands

Has acquired 100% of



Transaction industry: Information technology
Active M&A acted as TSS advisor




M&A Worldwide has specialized M&A consultants in a variety of industries who are willing share their knowledge and insights on various sectors. For more information about its sector specialisms and related industry reports, please visit www.m-a-worldwide.com



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M&A Worldwide

The next M&A Worldwide Convention will take place in Miami (November 15-16th).

For the IT group members this will represent a new criteria you might have. Please don't hesitate to occasion to identify opportunities for our customers. contact our experts prior to this event should It will also be an opportunity to share, between our you wish your projects included in the network members, information about some research discussions of this global Convention



Algeria | Argentina | Australia | Baltic Countries | Belgium | Brazil | Canada | China | Denmark | Egypt | Finland | France | Germany | Great Britain | Hong Kong | Hungary | India | Israel | Italy | Japan | Luxembourg | Malaysia | Mexico | Morocco | Netherlands | Norway | Poland | Romania | Russia | Saudi Arabia | Singapore | South Africa | Spain | Sweden | Switzerland | Tunisia | Turkey | USA

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