

Technology M&A Overview



Craig Dickens, CEO



February 2023



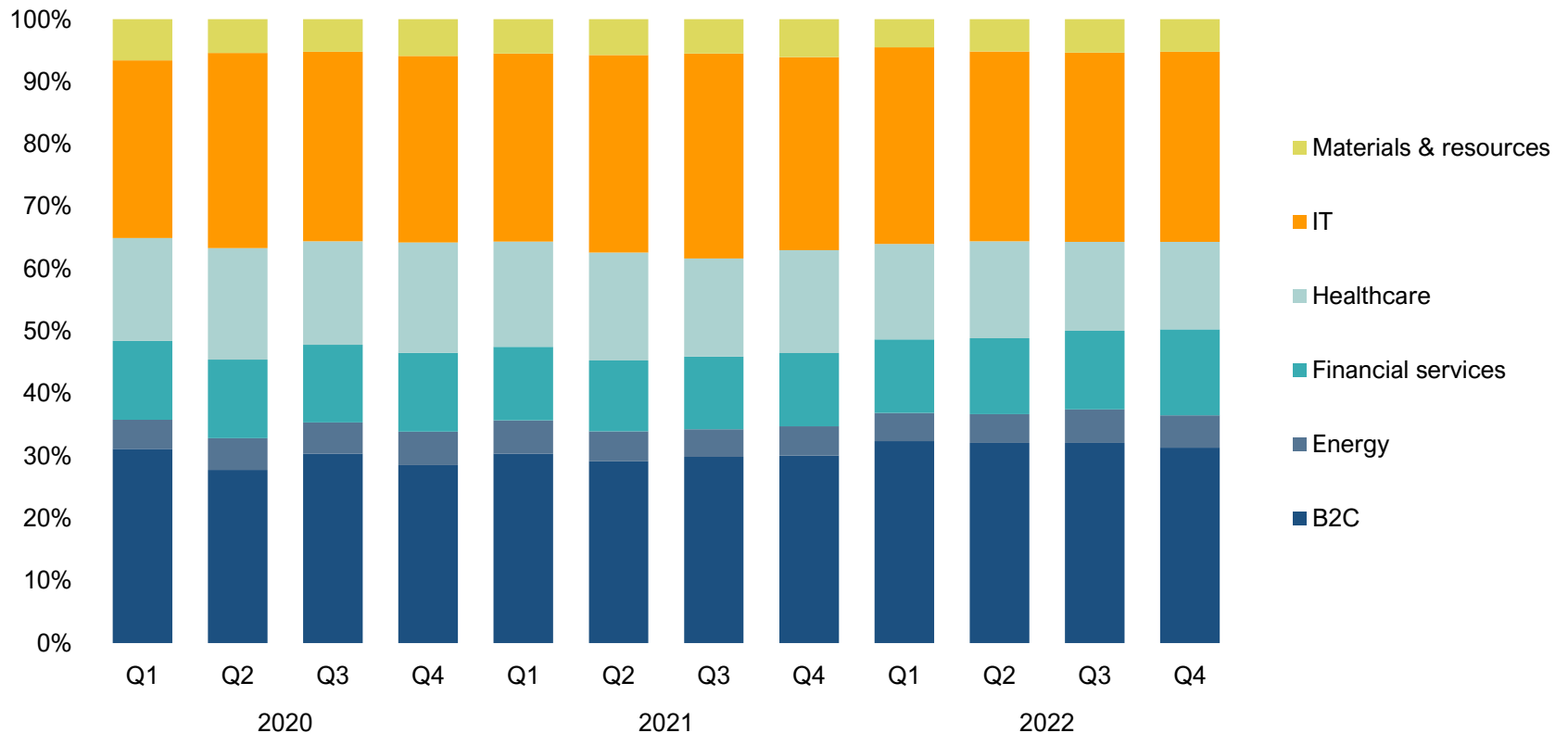
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2022 Technology M&A

2022 M&A Overview



Acquisitions in the Technology and IT space continued to dominate overall deal flow, IT alone made up 19% of total M&A deals for 2022.

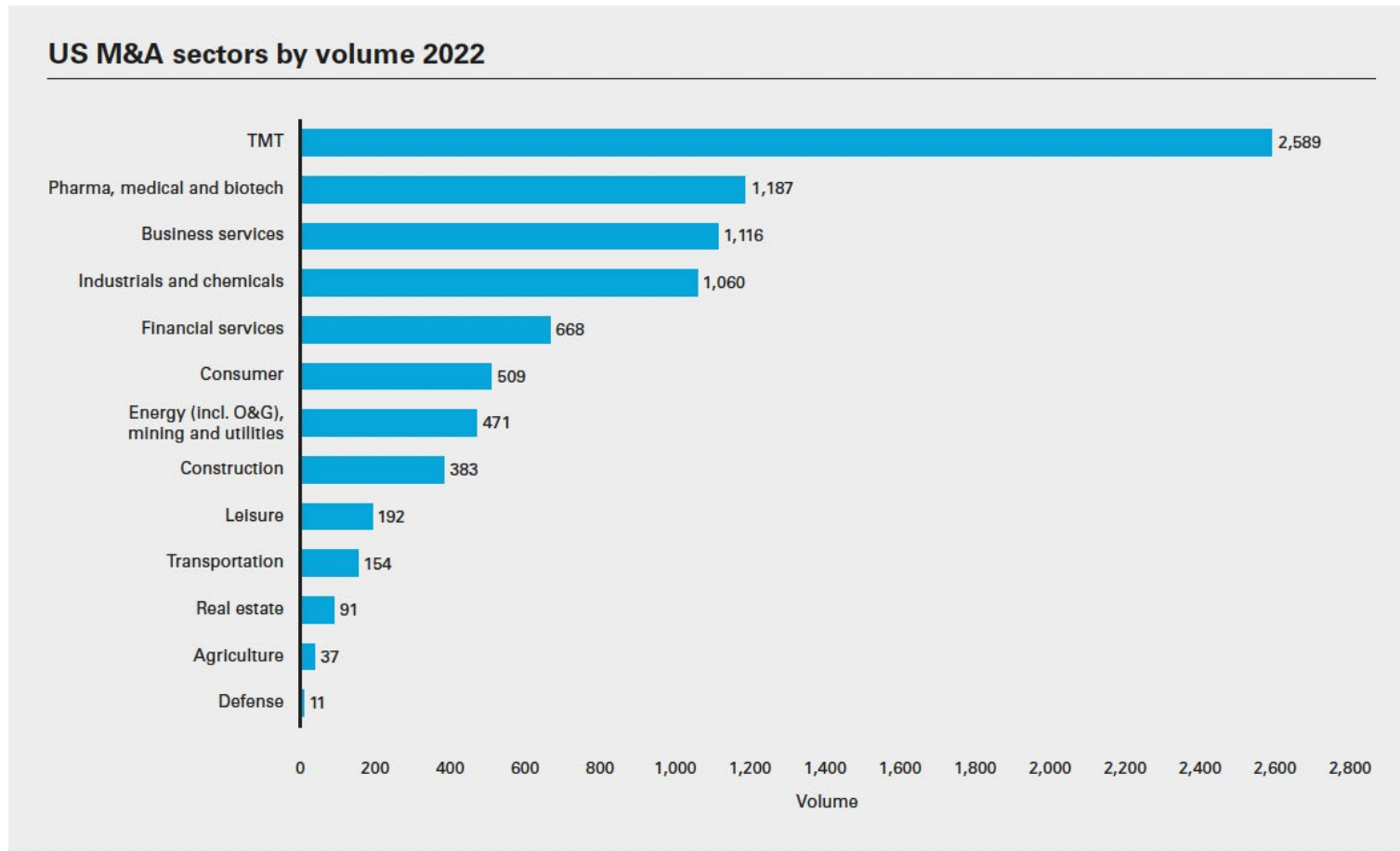


Source: Pitchbook 2022 Annual Global M&A Summary

2022 M&A Overview



Acquisitions by deal volume in the Technology and Media sector far surpassed the rest, despite economic pressures



Source: White & Case Research

Target Industries



Acquirers have been focusing on expanding in the following spaces:

Industry 4.0 / Robotics

Software

IT Services

AI / ML / DO

Why these Areas?

- Private equity is seeking to scale investments with attractive business models and returns
- Strategic companies want to expand capabilities and increase speed to market
- Software accounted for 74% of deal values in technology in 2022
- Emerging technology such as AI, Industry 4.0 / Robotics, and energy transition are still in the early stage of adoption, providing more significant opportunities for long-term returns

Source: PwC Global M&A Trends in Technology, JD Merit Research

Cybersecurity

Cloud

Additive
Manufacturing


Industry
4.0

Robots

Simulation

02

Internet Of Things

Big data

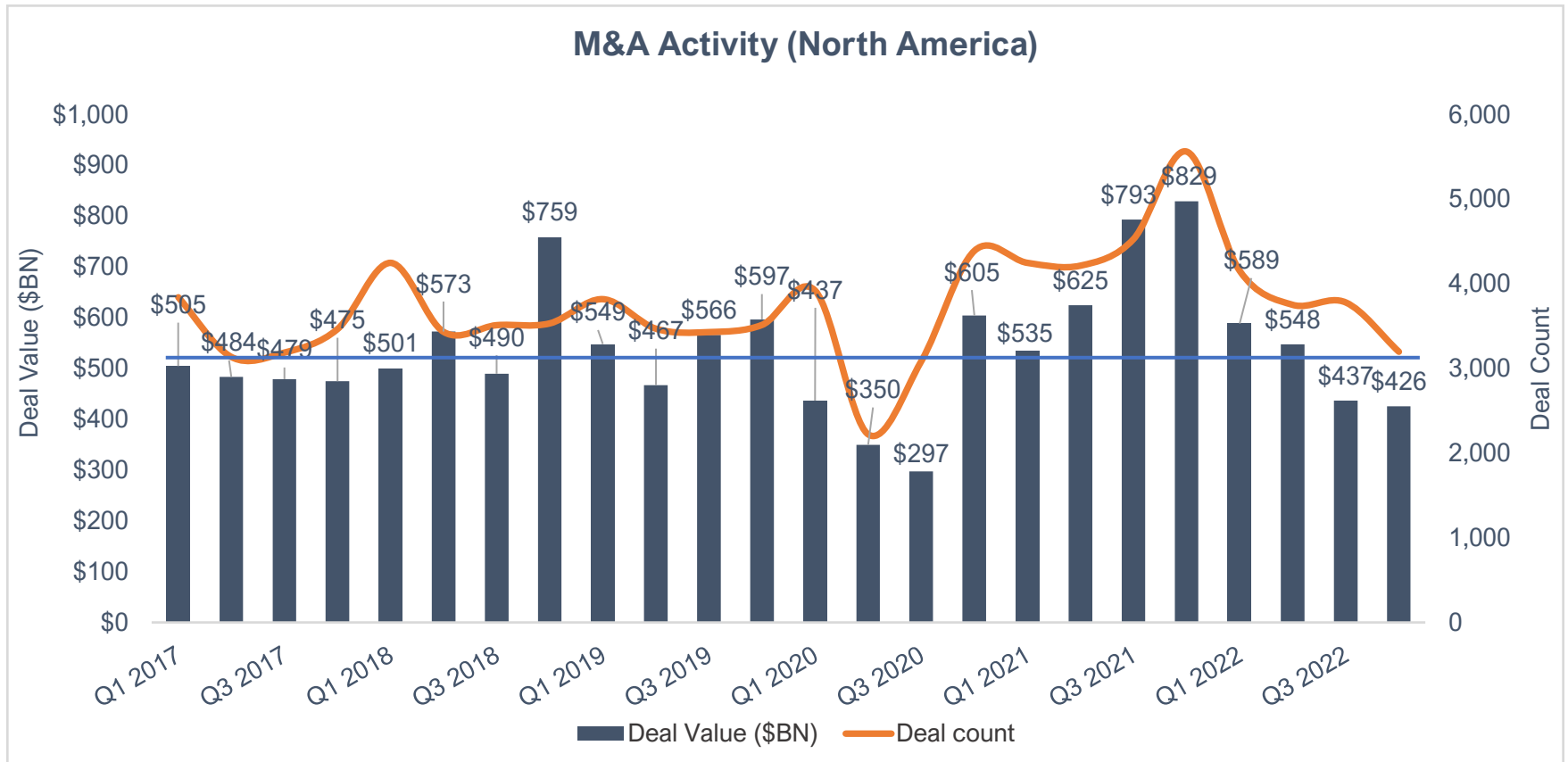
Market Trends

System
Integration

M&A Activity – North America, All Industries



While overall deal volumes in 2022 were below the record-breaking deals in 2021, they remained 9% above pre-pandemic levels.

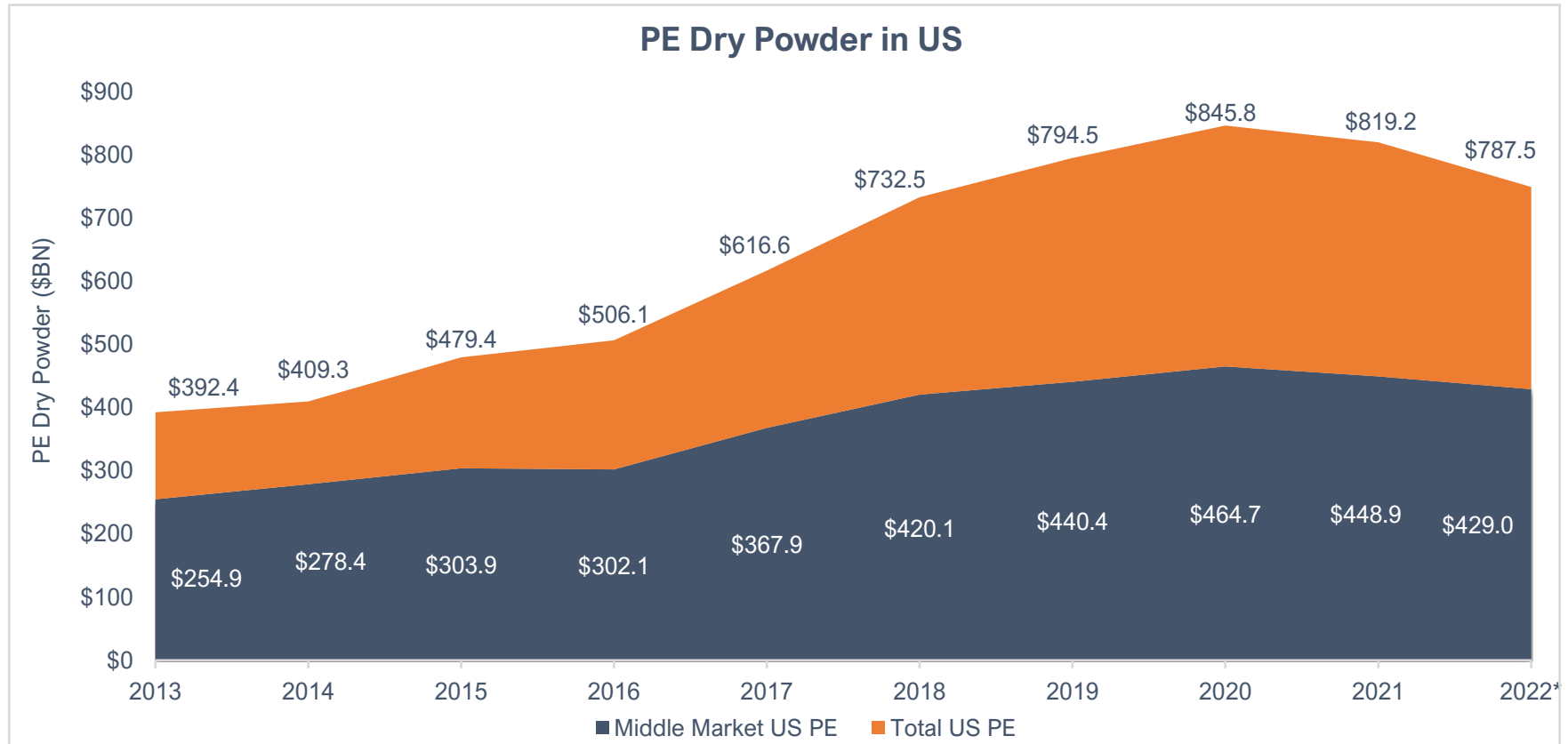


Source: Pitchbook

Private Equity Dry Powder



PE Firms continue to raise record amounts of capital and have nearly \$1 Trillion of investible equity.



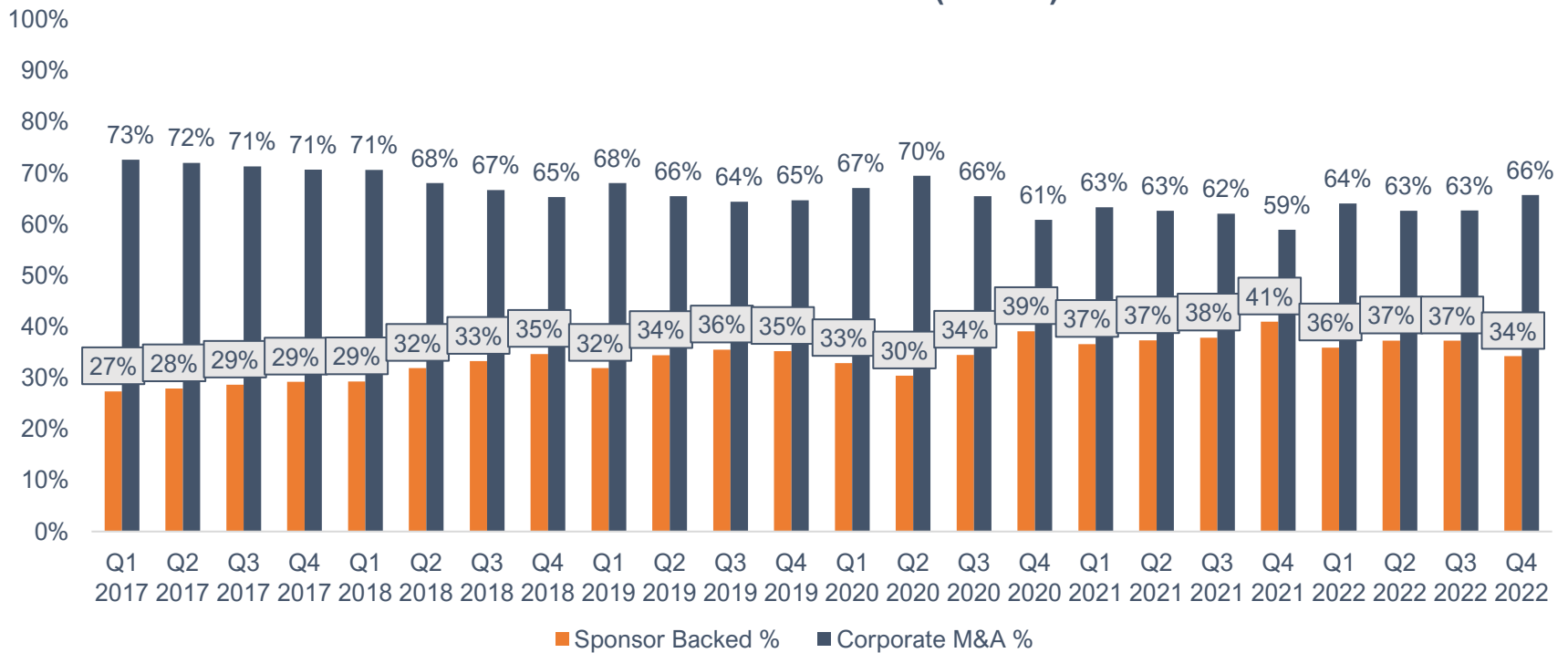
Source: Pitchbook, as of September 30, 2022

Role of Private Equity in Global M&A



Private Equity continues to compete against strategic buyers in global M&A, accounting for nearly 36% of transactions in 2022.

**Sponsor-backed M&A
as a share of all M&A deals (Global)**

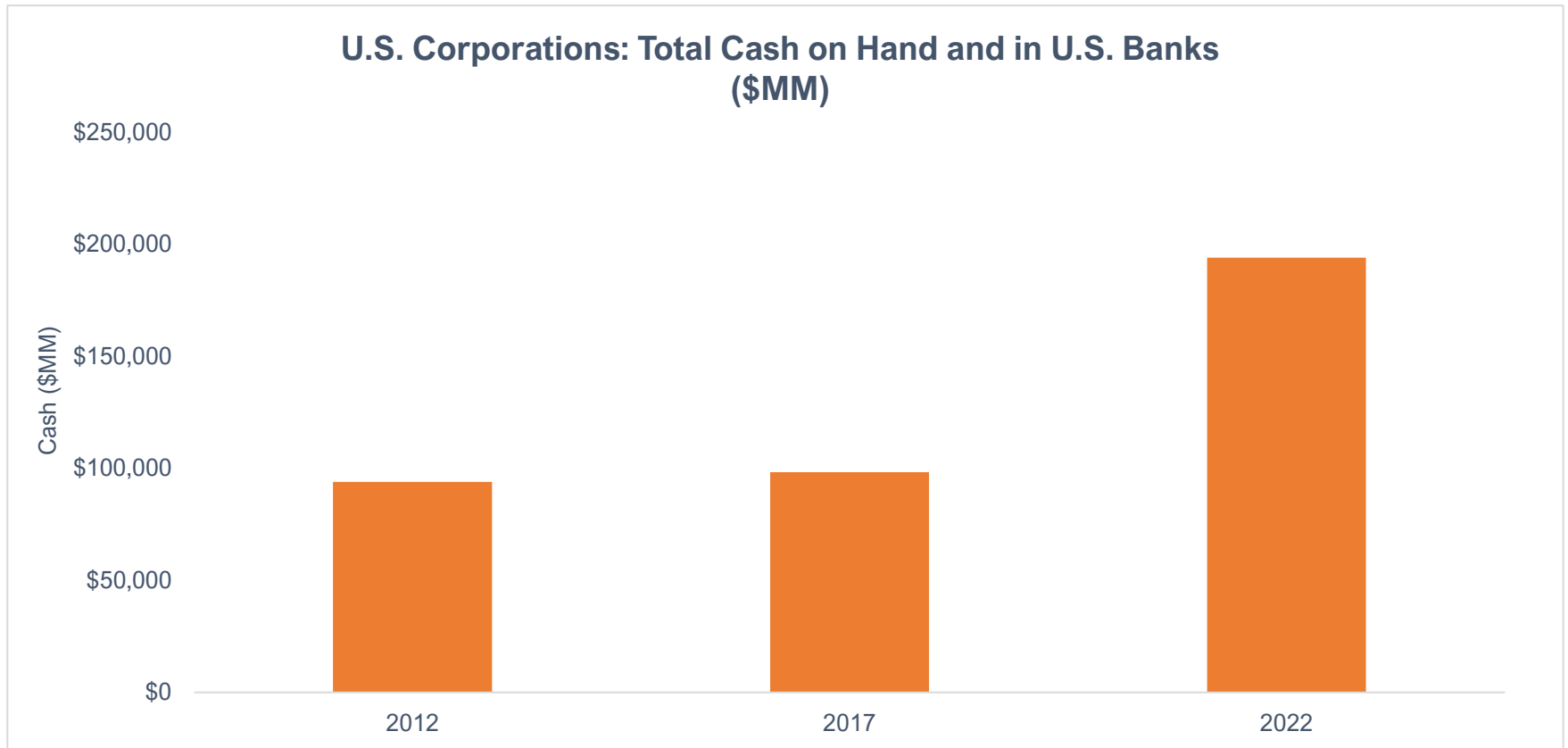


Source: Pitchbook, as of December 31, 2022

Strategic Buyers are Flush with Cash



US Corporations are sitting on record levels of cash. Strong corporate balance sheets can often act as another driver for increased M&A.



Source: Federal Reserve Bank of St. Louis

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2023 M&A Outlook



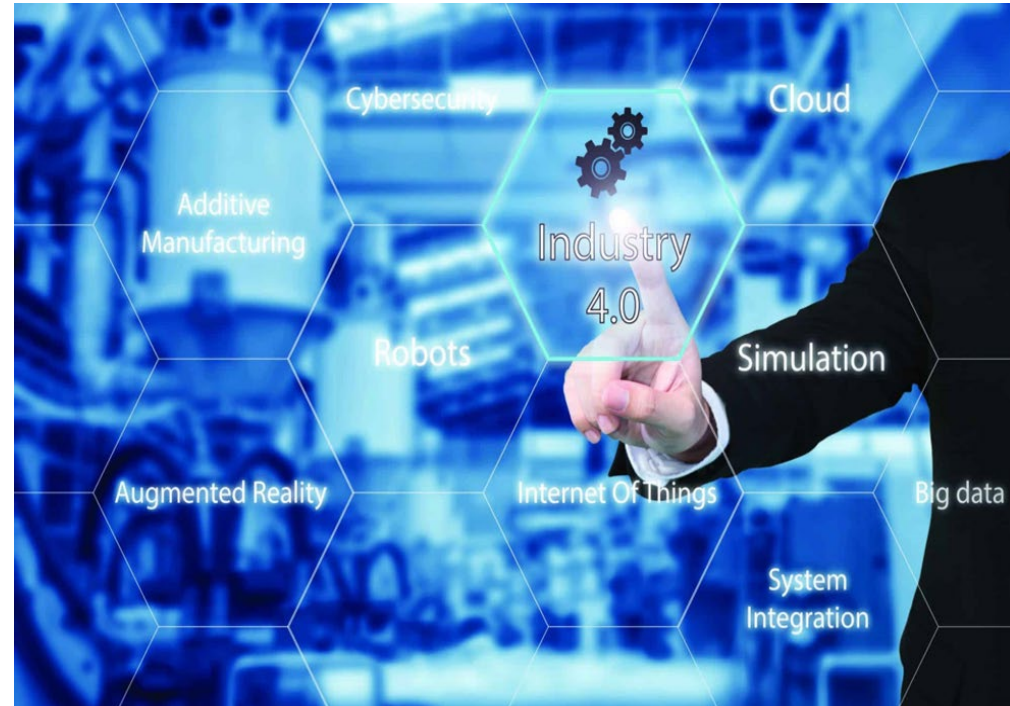
2023 Trends



Focus on developing new technology in the following

Industry 4.0 / Robotics

Hyperautomation - AI, machine learning, event-driven software architecture, robotic process automation (RPA), business process management (BPM)/intelligent BPM suites (iBPMS), integration platform as a service (iPaaS), low-code/no-code tools, packaged software, and other types of decision, process and task automation tools.



2023 Trends



Focus on developing new technology in the following

Software

- The Global RPA software market is expected to reach \$13.74 billion by 2028, up from \$1.57 billion in 2020. with CAGR from 2021 to 2028 of 32.8%.
- Response to Supply Chain issues driving further development.
- XaaS – models continuing to drive investment

72% of tech CEO respondents plan to pursue M&A in the next 12 months, compared with 59% of CEO respondents across all industries.

Source: Grand View Research / EY Survey / JD Merit Research

2023 Trends



Focus on developing new technology in the following

IT Services & Consulting

- Digitization, automation, and push for efficiency of operations, continue to raise demand for IT Services.
- The Global IT services market is expected to grow at a compound annual growth rate of 10.4% from 2022 to 2027
- Support with cloud services, IoT, IIoT and Industry 4.0 platforms will all require back-end IT professionals
- Globalization trends will continue with fierce global auctions



*ProServ. / Consulting Firms
seeing high multiples and
investor interest*

Source: Mordor Intelligence

2023 Trends

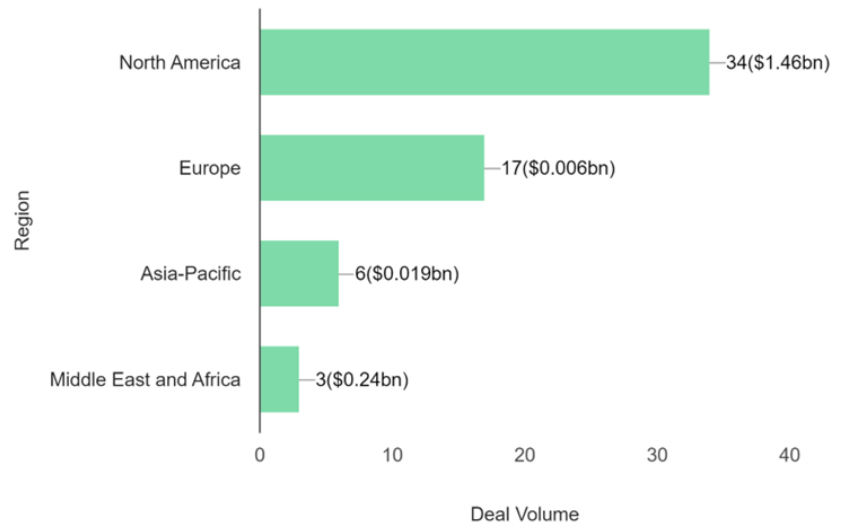


Focus on developing new technology in the following

AI / ML / Data Observability

- AI will continue to change business and consumer markets alike
- Ubiquity of data collection unrealized will be a major opportunity for businesses to accelerate decision making
- Some predict 2023 will see the deployment of wider-scale commercial AI technologies such as last mile delivery by autonomous vehicle
- Demand for acquisition of developers of these technologies, and tech companies involved is high

Artificial Intelligence M&A deals in technology industry - October 2022



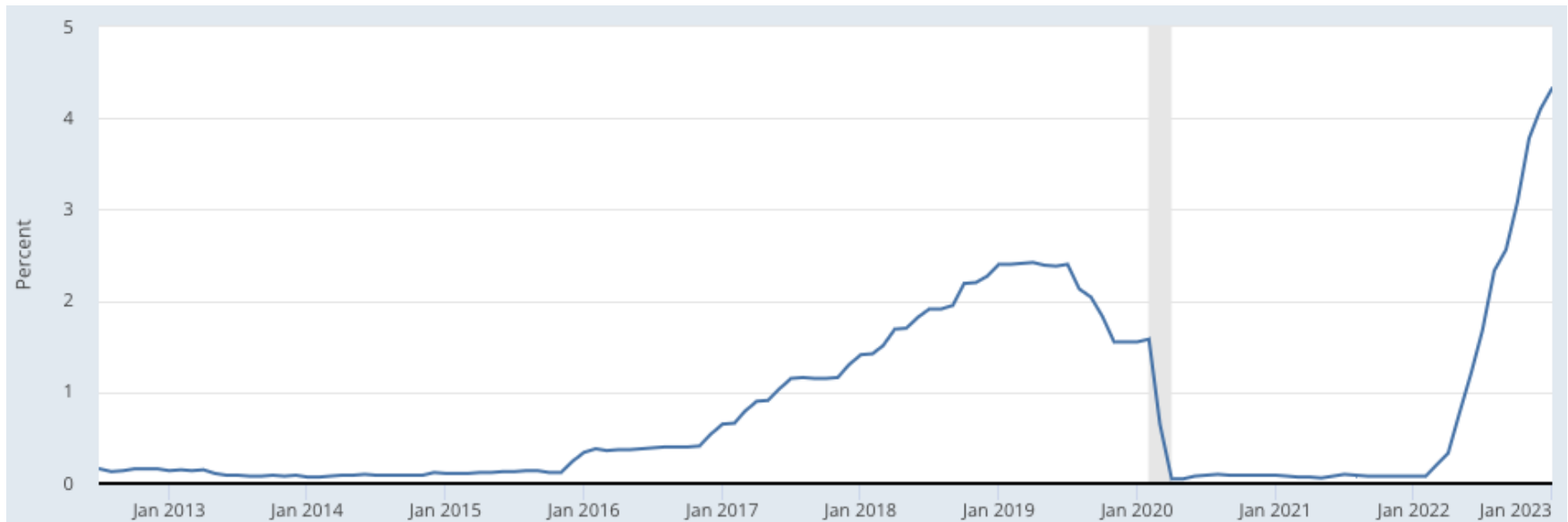
Source: PwC Global M&A Outlook for 2023

M&A Drivers in 2023



The Federal Reserve has signaled that interest rates may remain high for the foreseeable future, but this does not deter deal flow

- Private equity continues to invest in technology deals with their share in deal value increasing 51% YoY
- While Technology companies are moving away from their “growth at all costs” strategy, acquirers see value in techs intellectual property and innovation
- Strategics coming down market with focused & “puzzle piece” acquisitions



Source: St. Louis Federal Reserve

M&A Drivers in 2023



Selling

- Digitization continues to drive demand for software and IT companies
- Demand for technological solutions to offset higher labor costs
- Divestitures - Disciplined corporations will cast off underperforming assets/divisions to acquire the right technology and maintain liquidity levels
- During “growth recession” premiums will be offered for higher-growth technology companies
- Global acquirers will remain active and competitive despite the US Dollar value
- Look for more minority investments from PE and creative deal structures to offset lower leverage available in the market
- Strategy resets and speed will dominate in 2023
- However diligence and risk assessment will slow time to close – Seller Patience

M&A Drivers in 2023



Acquiring

- Cash Flush Strategics will have an advantage over PE Buyers (low / no leverage)
- Add-ons will continue to dominate PE acquisitions – existing credit facilities.
- Lower seller expectations and some multiple contraction will provide opportunities to acquire new technologies.
- Valuation equilibrium coming by YE 2023.
- Dramatic technology offerings that suffer from lower VC interest and funding will become available.
- Corporate divestitures (portfolio analysis/liquidity), take-private transactions, and transformative acquisitions will increase in 2023.
- Outbound Global acquisitions will be aided by currency imbalances
- Prepare for greater regulatory scrutiny in larger deals



THANK YOU

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