

US and UK TMT deal activity

There has been a healthy TMT dealflow in the US and UK, with recent transactions completed in digital marketing (LDC acquisition of MSQ Partners), publishing (sale of a stake in Sourcebooks to Penguin Random House), and IT services (sale of FluidOne to Livingbridge).

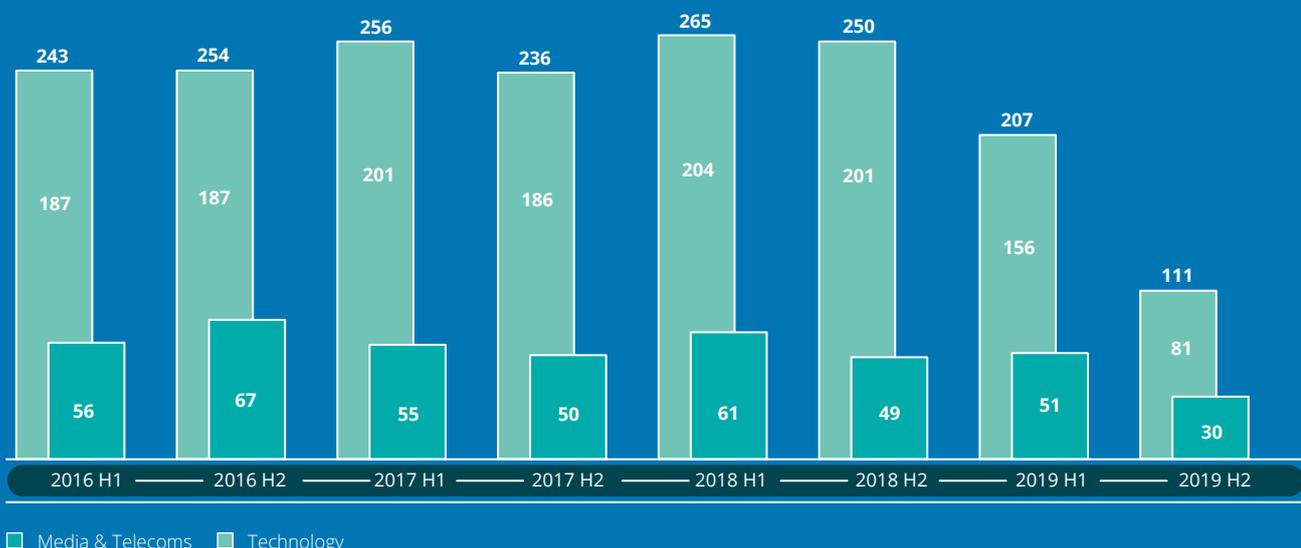
Latest estimates value the UK tech and media sector at £300bn, with the UK representing the fourth largest market for tech investment – behind only the US, China, and India.

There continues to be a healthy appetite for UK TMT assets amongst US buyers, with TMT comprising 37% of deals between the US and UK. Key recent transactions include Roper Technologies' acquisition of software firm The Foundry from HgCapital and Modern Media's merger with music streaming provider Akazoo.

UK deals into the US – from both trade and private equity – have also had an emphasis on software and IT services, with notable recent deals including GB Group's acquisition of IDology, Bridgepoint's investment in Kyriba, and the majority stake in Magnitude Software acquired by 3i.

The cultural affinity between the US and the UK is further supported by the strength of innovation in the UK tech sector, notably IT services – cloud migration, systems integration, digital product and service design, and cyber security – and the creative sectors – digital media, content production, and monetisation.

Half-yearly transatlantic deal volumes in TMT by sub-sector: 2016-2019



Media & Telecoms Technology



Technology: the driver of cross border M&A

The appetite for technology assets is particularly notable in cross border activity. Despite the recent declines in deal volumes, TMT remains the most active industry grouping, with technology itself accounting for more than one in five cross border deals (up from 16% in 2016).

Underpinning this activity is the attractiveness of technology as a sector for large corporates and investors to achieve cutting-edge innovation and growth through acquisition. Of particular interest are digital transformation expertise, SaaS, and digital media platforms.

Recent transactions in the technology sector include the strategic acquisition of LGS Innovations by CACI to drive innovation and competitive advantage; the private equity buyout of Ellie Mae's cloud-based platform for the mortgage finance industry; and Twilio's acquisition of email API platform, SendGrid.

Notable deals in the media and telecommunications sectors include the purchase of Epsilon Publicis Groupe, as part of the advertising and marketing giant's strategy to deliver personalised experiences at scale; while the BBC's acquisition of Discovery's stake in UKTV marks the largest deal in the corporation's history.

Technology giants such as Microsoft, Salesforce, and Oracle continue to be amongst the most active acquirers, as are tech-focused private equity firms, including Thoma Bravo, Vista Equity, and Marlin Equity.