

# IT Services

## 2024 M&A UPDATE



## Market Comment

During the macroeconomic uncertainty of 2023, the IT Services remained relatively stable when compared to other sectors. M&A activity in the sector has been remarkably robust with cumulative global deal value trending upwards since 2018. This is somewhat due to unique characteristics of the businesses which operate within; the lack of revenue cyclicality has been appealing to investors and rapid consolidation is expected to continue throughout 2024 as economies begin to recover and investors regain further confidence.

Now that inflation and interest rates are beginning to settle, IT Services along with many other sectors are starting to rebound. The prolonged surge in activity is underpinned by a large movement towards digital transformation, shifts into managed services and keen interest from private equity firms. Europe remains the stronghold for deal volume, originating 50% of IT Services M&A deals in 2023 with appetite for regional consolidation being the key catalyst for the recent spate of activity amongst the larger strategics.

£72bn

Largest deal in the last 12 months

£123bn

Capital invested in the IT Services since 2023Q2<sup>1</sup>

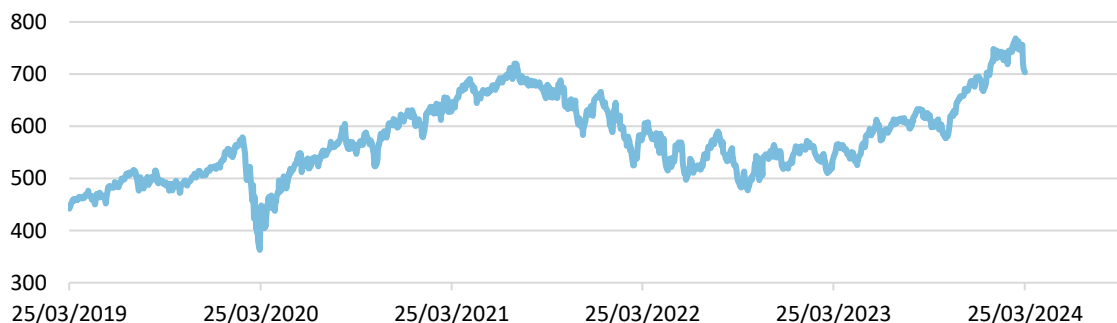
2,200+

IT Services M&A deals since last April<sup>1</sup>

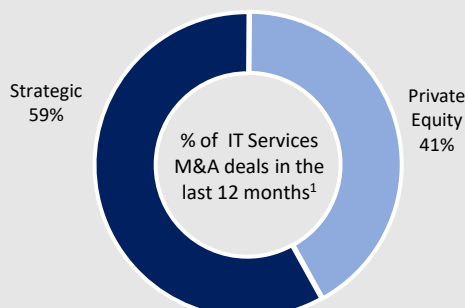
6%

Of global M&A deals in the last 12 months were in IT Services, a 4x increase from the 12 months prior<sup>1</sup>

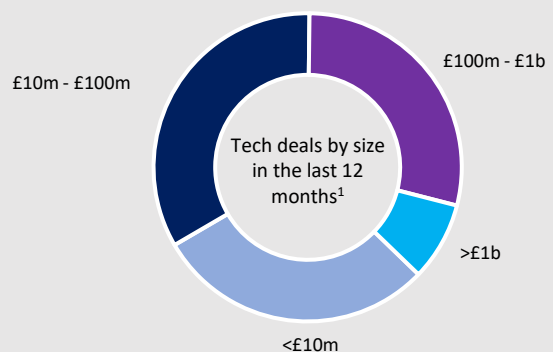
S&P IT Services Index averaged annualised return of 9.7% over 10 years<sup>2</sup>



### Strategic investors driving M&A



### Mid-market still the focal point of deal activity



## Insights

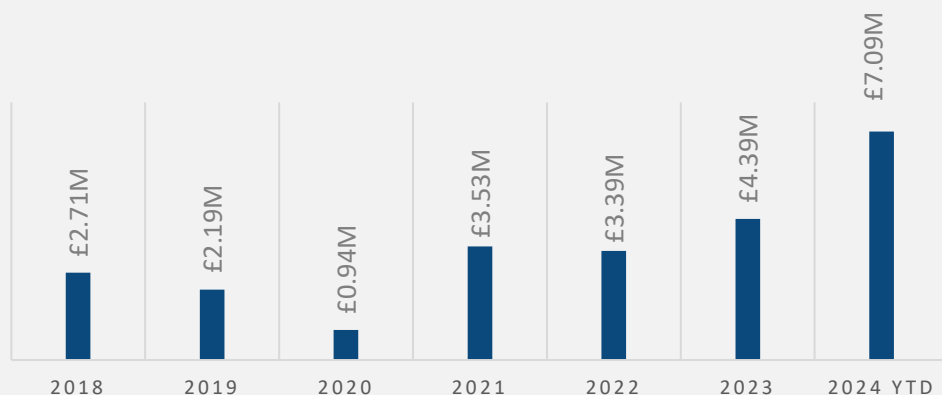
### 1. Digital Transformation is paving the way for M&A activity

The desire to adopt AI technology and transition towards cloud-hosted services has been a key driving factor for M&A in the sector. Strategics have focused on acquiring firms to diversify their cloud hosted offering and exit legacy tech companies which weigh down their portfolios.

### 2. Significant increase in average deal size since the start of 2024

Easing macroeconomic uncertainty and stability in valuation multiples has created a marketplace where investors are regaining the confidence to make larger investments in the sector. Five mega deals have completed in Q1 2024 indicating an uptick in confidence from the large institutional investors since the more turbulent conditions of 2023.

## Median Deal Sizes in IT Services M&A<sup>1</sup>



### 3. AI making waves

Artificial Intelligence has been a hot topic for investors and fetching sky-high median multiples of 25.8x revenue through capital raises. Whilst traditional exits will face a lower multiple, the figure is indicative of the widespread appetite to invest in businesses showcasing an AI service offering.











### 4. Regional Consolidation

Larger IT service providers have been typically focusing on acquiring within the regions of their current operations with few daring to venture into new geographies. IT consultants specifically have adopted this strategy alongside a common theme of adding new services by means of acquisition.

### 5. Reduced macroeconomic uncertainty inducing frenzy of IT orders

Large companies have been holding off from upgrading their current IT Services in recent, unstable times. Now that confidence is picking up again, a large spike in orders for IT Services such as Cybersecurity and DevOps is expected to bolster profits heading into 2024 and create more exciting M&A opportunities in the sector.

## 2023's Standout Deals<sup>1</sup>

Date	Target	Description	Acquirer	Deal size
Nov-23		A Dell spin-off specialist in virtualising IT infrastructure		£72bn
Mar-24		A cloud-based software provider focused on analysing machine data		£22bn
Apr-23		Developer of data-centres designed to support enterprise, SaaS and cloud computing		£4.6bn
May-23		Provider of CRM outsourcing services for a plethora of sectors		£3.9bn
Aug-23		A business management software provider		£7bn

## Private Equity deploying excess dry powder into Data Centres

Data centres are attracting the attention of both private equity firms and real estate investors. As of December 2023, global private equity dry powder reached record highs of over \$2.5Tn. This glut of undeployed capital has started to be directed into data centres.

- Artificial Intelligence is draining present day capacity**  
 Next generation AI programmed chips and GPU's are consuming over twice as much energy as previous versions, leading to an ever-increasing demand for new facilities to sustain the recent AI arms race. US data centre capacity is forecast to almost double by 2030, to reach 35 gigawatts, which can only be achieved by significantly investment into upgrading legacy technology and constructing new sites.
- Attracting significant early-stage investments**  
 Alongside M&A activity, many institutional investors are looking towards starting JVs to create state of the art data centres on a global scale. Blackstone recently announced a \$7 billion investment to build 4 hyperscale data centres across Europe and the US. Strategics such as Equinix have followed suit with a \$1 billion investment to build 6 new sites spanning across the UK, France, Germany and the Netherlands.

## Bluebox's Experience in the IT Services Space

### Sale



to



#### Description

For over 20 years, Bookwise has been a leading provider of innovative scheduling software, customised to perfectly suit the varying requirements of hospitals across the UK.

### Sale



to



#### Description

Developer of manufacturing execution software for aerospace, defense, industrial, medical devices, food and electronics sectors. Mestec's software aids the improvement of all elements of factory productivity.

### Sale



to



#### Description

Number one provider of PPM software to the NHS and is a critical partner in delivering strategic programmes for several government agencies and a range of private sector clients.

### Fundraise



to



#### Description

Developer of SaaS-based customer relationship management (CRM) and e-commerce software for the business-to-business (B2B) market. Prospect allows small to medium sized enterprises to derive key insights from real time data.

### Sale



to



#### Description

Developer of financial management software based in Pulborough, United Kingdom. The company engages in providing software for accounting, farming and rural business management and property management.

### Sale



to



#### Description

One of the leading provider of innovative clinical decision support software for the global healthcare market. Bluebox was tasked with readying the business for sale using its acclaimed 'Blue Diamond' program.



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