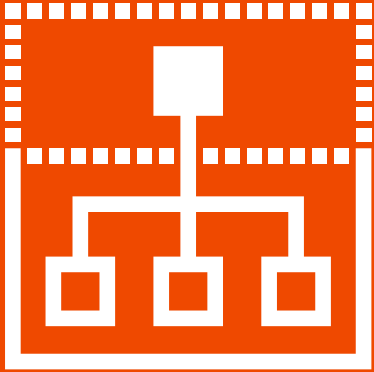




An analysis of the
tech M&A trends in
the Netherlands and
Belgium: 2015-2019
review and 2020+
outlook

June 2020



State of the tech M&A market in the Netherlands and Belgium

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Introduction

Why are NL & BE attractive markets for tech investment?

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One tech-deal was closed every 2.5 days in 2019.

The Netherlands and Belgium tech M&A markets provide various **attractive investment opportunities**. Over the past five years, we have witnessed a sharp increase in the number of technology deals in the Netherlands and Belgium, from 81 in 2015 to 148 in 2019 (+82%).

The tech segment is one of the main drivers of the overall M&A activity in this region. In 2015, for instance, only 9.1% of all Dutch deals were tech-related. In 2018, however, the share of deals related to tech companies reached 12.4% with steady historical growth over the 5-year period. On average, one new technology deal was accomplished every 2.5 days in 2019.

The impressive growth of the number of tech deals is in line with the strong and growing overall IT market in the region. In the Netherlands, enterprise IT spend reached EUR40 billion in 2019 (2% CAGR since 2015). The Belgian IT market, though twice as small as the Dutch, has seen a faster growth and reached EUR21 billion in 2019 (5% CAGR since 2015)¹. There are some fundamental underlying factors that position Netherlands and Belgium among the frontrunners in the tech world:

- **Well-developed digital infrastructure and human capital.** High quality of broadband infrastructure, availability of human capital with critical digital skills, R&D activity in technology and a favourable regulatory landscape positioned the Netherlands and Belgium among the top performers in the European IT landscape.

Take the Netherlands for example – the government stimulates corporate innovation via tax initiatives such as R&D tax incentives ('WBSO' in Dutch) and attracts key talents via the 30% tax ruling for highly-skilled knowledge migrants. The fact that the Netherlands and Belgium have consistently ranked as top European nations according to the Digital Economy and Society Index (DESI)² can be seen as a proof point. Both countries have filed approximately 5% of all European ICT patent applications since 2015.

- **Leading countries in cloud adoption.** Cloud investment by large international IT players like Microsoft, Google and IBM was partially driven by the unique position of the Netherlands as the European cloud hub³ as well as by its favourable regulatory environment. The most profound impact of cloud adoption can be seen in the spread of SaaS (software as a service) applications over the last few years. In both the Netherlands and Belgium, the cloud adoption rate has increased by nearly 20% since 2016. Today, both countries are in the top-10 European nations by cloud penetration.

¹ Gartner

² [European Commission](#)

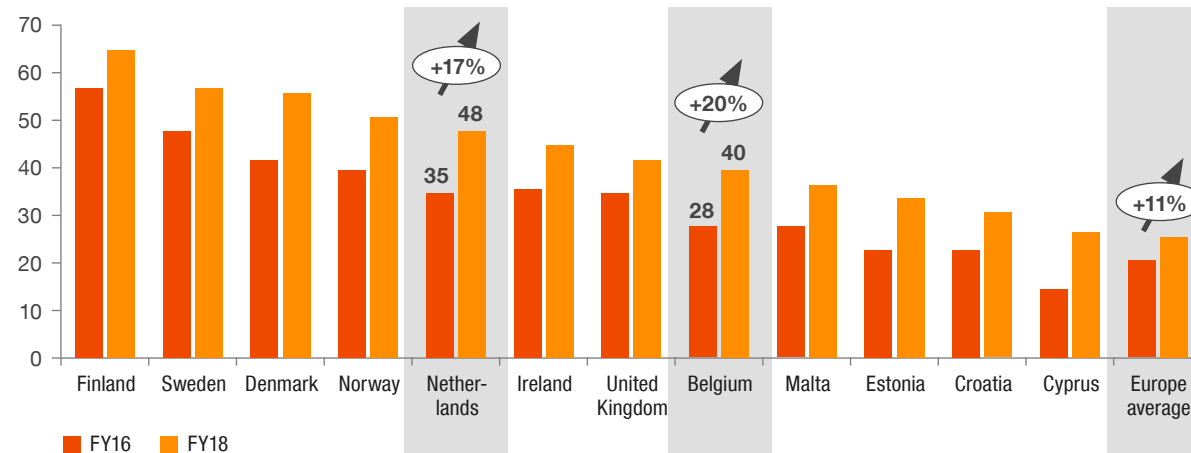
³ Fitch Netherlands IT report, p.4

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There are some fundamental underlying factors that position Netherlands and Belgium as one of the frontrunners in the tech world.



Use of cloud computing, % of enterprises



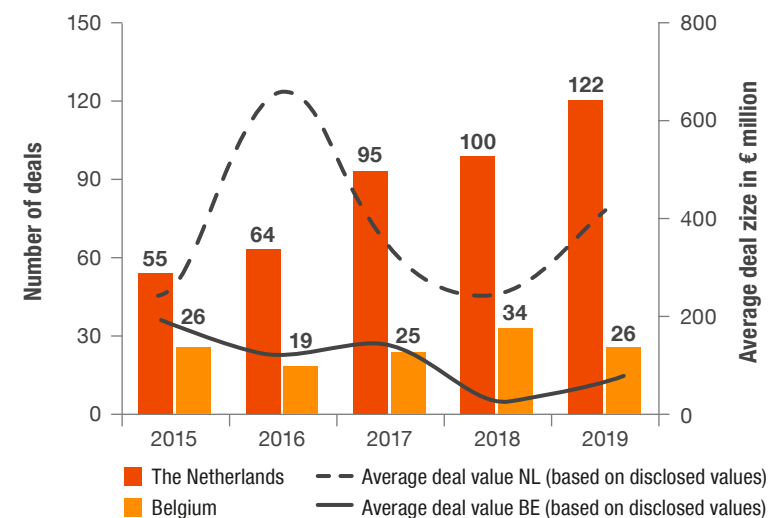
Historical development 2015-2019

- We observed the **difference between two countries** in 5-year historical trends regarding the number of deals and the average deal size. In the Netherlands, the number of deals sharply increased from 55 in 2015 to 122 in 2019 (+122%). At the same time however, the number of IT deals in Belgium remained roughly flat with on average 25-30 deals annually. The entire region has experienced a strong fluctuation of the average deal size driven mainly by a small number of mega deals that took place primarily in the Netherlands.⁴ For instance, in 2016, the average deal size was greatly affected by the transactions involving Ziggo B.V. (deal value of €6.2 billion), O3b Networks Limited (deal value of €1.7 billion) and AVG Technologies N.V. (deal value of €1.2 billion). Overall in 2019, the average deal sizes in the Netherlands and Belgium amounted to €426 million and €74 million respectively.
- In terms of the type of tech deals, the historical trend shows **the importance of software as the overall driver of activity in the tech space**. In 2015, only 48% of all deals involved software targets (39 deals) while in 2019, this figure grew to 65% (96 deals). There has been a positive trend in the number of deals involving IT services targets - although this was not as impressive as for the software segment. With 34 such deals in 2019 and 26 in 2015, the overall share of IT services deals decreased from 32% in 2015 to 23% in 2019. The number of deals involving targets focused on telecommunication, hardware and semiconductors remained roughly flat over the period.⁵

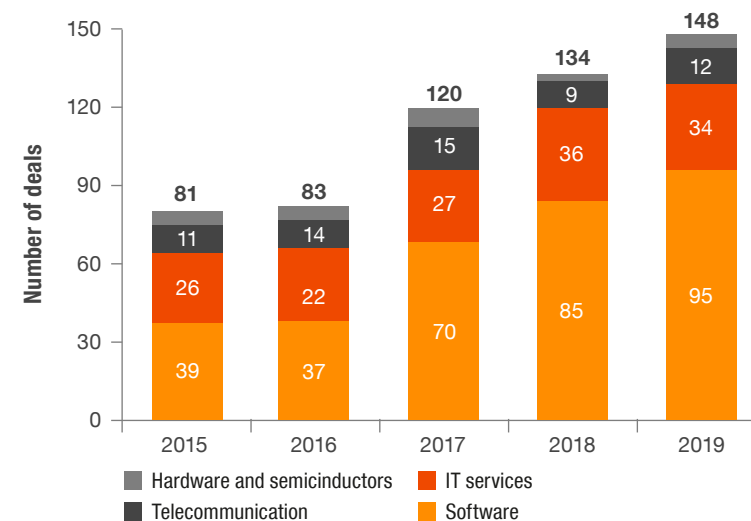
⁴ In addition, limited deal value disclosure does not fully allow to perform an estimation of the average deal size with high level of precision

⁵ Hardware and Semiconductors consist of Mergermarket Target dominant sector 'Computer: Hardware' and 'Computer: Semiconductors'; Telecommunication consists of Mergermarket Target dominant sector 'Telecommunications: Carriers' and 'Telecommunications: Hardware'

Number of deals and average deal size
In # and € million (2015-2019)



Number of deals per segment
(2015-2019)

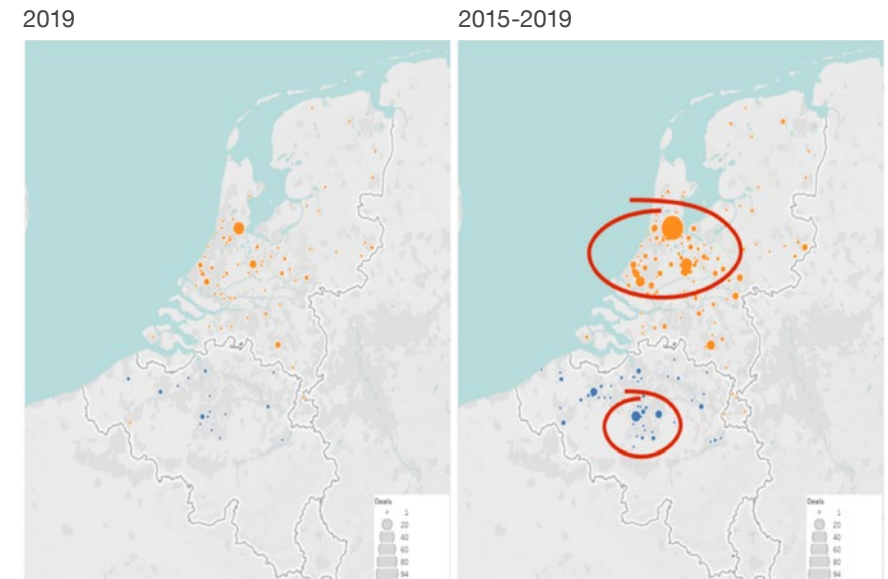


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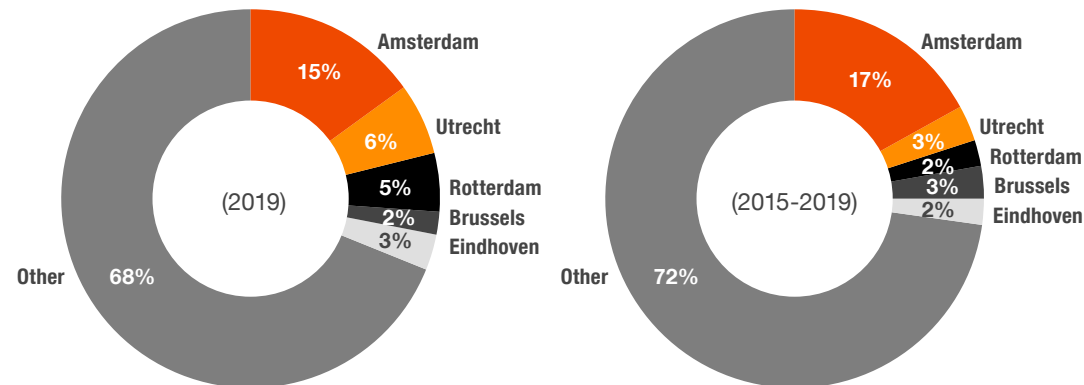
In 2019, 24% of all deals (35 transactions) involved targets active in the IT services space.

- Just like during the 2015-2018 period, in 2019 most deals activity was concentrated around the Dutch ‘Randstad’ area and the Brussels area with Amsterdam, Utrecht, Rotterdam, Brussels and Eindhoven remaining the top target locations. We noticed that targets were slightly more often concentrated in these five cities compared to the 2015-2018 average. In 2019, they accounted for 32% of all deals compared to 28% during 2015-2018 with Rotterdam and Utrecht driving this trend. On the other hand, the share of targets located in Amsterdam reduced from on average 17% in 2015-2018 to 15% in 2019. As the key IT talent is scarce in the Netherlands and Belgium, the location of the companies is an important criterion to consider for potential buyers.

Targets geographic spread



Targets geographic spread



Deep dive 2019

Top 5 Deals by Value in 2019

Target	Acquirer	Value (€m)	Target country	Rationale
 interxion	 DIGITAL REALTY	7,569		The Interxion portfolio of data centres is complementary to the existing Digital Realty offering in Europe
 =exact	 KKR	1,650		Exact sees KKR as the ideal partner to further strengthen its position in the Benelux
 TOMTOM TELEMATICS	 BRIDGESTONE	910		Bridgestone would like to extend its digital activities by strengthening their mobility solutions for fleet management
 SecureLink	 orange	515		Complementary nature of businesses supports the ambition to become pan-European leader in cybersecurity
 Newtec	 ST Engineering	250		The acquisition provides ST Engineering with intellectual property, products, and market access

Last year was prominent, not only because of the positive development in deal volume - which was in line with the overall 5-year trend - but also due to the substantial number of megadeals announced

- Top of the list - the Netherlands-based and US-listed data centre services company Interxion Holding N.V., entered into a definitive agreement to be acquired by Digital Realty, a US-based and listed real estate investment trust engaged in the business of owning, acquiring, developing and operating data centres (announced deal value €7.6 billion). The Interxion portfolio of data centres is complementary to the existing Digital Realty offering in Europe and therefore the combination aims at creating a leading global provider of data centre, colocation and interconnection solutions.
- Another megadeal in 2019 was executed by the renowned private equity firm, Kohlberg Kravis

Roberts & Co. L.P. (KKR). In May 2019, KKR acquired Exact Holding NV, the Netherlands-based software company supplying e-business and Enterprise Resource Planning solutions, from Apax Partners LLP, a UK-based private equity firm (deal value €1.7 billion). This was a major coup by KKR as Exact is the market leader in providing ERP solutions to small and medium-sized enterprises (SMEs) in the Netherlands and the Flanders region in Belgium.

- In April, Bridgestone Corporation, the listed Japan-based company engaged in sales of tires and rubber products acquired the Telematics business of TomTom N.V. The transaction will enable Bridgestone to expand its telematics business line globally and extend its digital activities by strengthening its mobility solutions for fleet management (deal value €910 million).



The average deal size of reported deals in 2019 is €356 million.

This deal is an example of a transaction which involved a traditional non-tech player acquiring and expanding its digital capabilities. We expect such deals to become more popular in the future.

- In July, Orange S.A., the listed France-based provider of telecommunications, publishing and internet services, acquired SecureLink NV, the Netherlands-based cybersecurity services provider. The complementary nature of businesses supports the acquirer's ambition to become the pan-European leader in cybersecurity. In addition, the combined entity is expected to explore synergies and provide complex security services needed by its customers globally (deal value €515 million).
- Wrapping up the Top 5 list is another cross-border deal. In October, Singapore Technologies Engineering Ltd (ST), the listed provider of specialised solutions and services in the aerospace, electronics, land systems and marine sectors acquired Newtec Cy N.V., the Belgium-based developer of satellite communication equipment and technologies. The acquisition will add intellectual property, products and market access to ST, positioning the combined business as the Group's European centre for the satcom business (deal value €250 million).

Deal Size in 2019

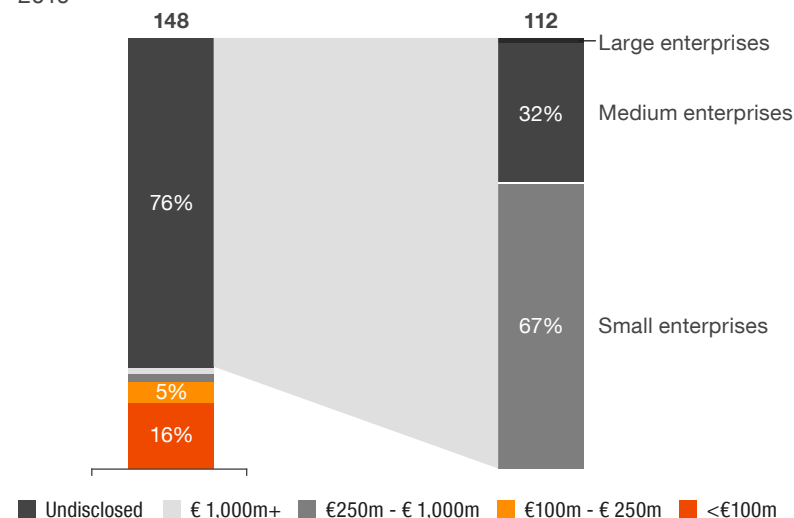
Due to the limited number of deals with disclosed valuation, it is not possible to determine the average deal size. Typically, only the big deals get full disclosure. The average deal size of the reported

deals is €356 million, while the median deal value is €30 million.

For the disclosed deals, the deal value for 23 deals (16% of all deals) was below €100 million. The remaining 12 disclosed deals were in the range from €100 million - €1 billion.

As for the undisclosed transactions, the number of employees of the target company is used as the proxy to categorize the deal size. Almost all the acquired companies (99%) are small and medium-sized. 67% are small enterprises (less than 50 employees) and 32% are medium-sized companies (less than 250 employees). Hence, the average deal size of all deals is likely to have been much smaller.

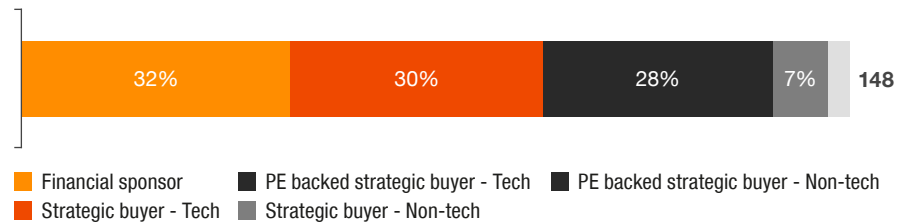
Number of deals per bracket
2019



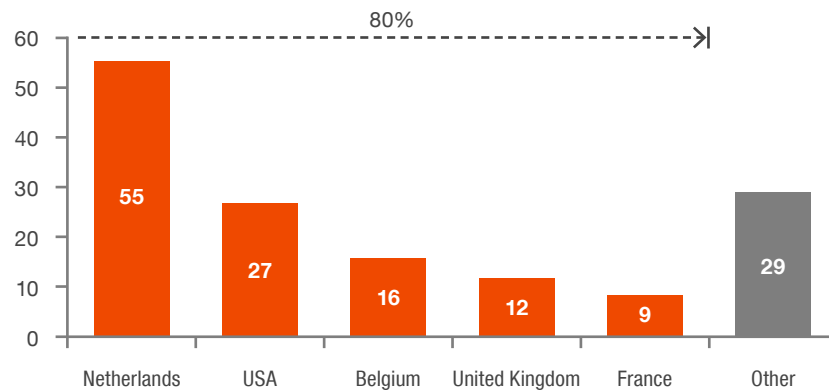
Buyer landscape

- With 63% of executed deals in 2019, **private equity buyers (financial sponsors and PE-backed strategic buyers) continued to dominate the tech M&A market**. Technology companies have been traditionally active in the space and executed 30% of all deals. At the same time, however, we noticed that non-technology companies have been getting increasingly interested in acquiring IT targets. In 2019, 7% of acquisitions was done by such companies.

Number of deals per type of buyer 2019



Number of deals per geographical location of buyer



These acquisitions are mostly driven by the rationale of strengthening the internal IT capabilities or adding a technological angle to the existing product portfolio. In particular, the non-tech companies in automotive, construction, financial services and healthcare have demonstrated the increased interest in tech investment.

- **Dutch-based buyers executed most deals in 2019 (37%), followed by US-based bidders (18%)** with Belgium bidders ending up in the third position (11%). Although buyers' geography is still relatively concentrated (five countries accounted for 80% of transactions) we see the trend of **geographic diversification of bidders**. In 2015, 78% of all buyers were from the Netherlands, Belgium, US and UK. In 2019, this share declined slightly to 74%. This suggests that other countries have been involved in the cross-border deals. For instance, the number of deals with bidders from France has been steadily increasing to reach ten deals in 2019 compared to only four in 2015. We observed similar dynamics in German bidders with three deals in 2015 compared to eight deals in 2019.
- Several investors and acquirers are active in the market. A total of 11 acquirers completed more than one deal in 2019.
 - Most active acquirers among financial sponsors were Belgium-based Fortino and Netherlands-based Quadrum. Fortino acquired 4 targets in the Netherlands in 2019: two computer software and two computer services firms. Quadrum acquired two software and one services company all of which are mainly active in the Netherlands.



- PE-backed strategic technology buyers were represented, among others, by companies such as Visma, Exact Unit4 and PCI Nederland B.V. These companies executed ten deals in

total, with one IT services, one hardware and eight software targets. Eight out of ten target companies are based in the Netherlands with two Belgium software providers.

Top acquirers based on deal volume in 2019

Acquirer	Type	Country	# deals*	Investment thesis
FORTINO	Financial sponsor		4	Fortino invests between €1-30m in early and advanced growth companies
QUADRUM	Financial sponsor		3	Quadrum focusses their investments on new technology, sustainability, and future readiness
VISMA	PE backed strategic buyer - Tech		3	Visma is looking for complementary businesses to accelerate their growth
=exact	PE backed strategic buyer - Tech		3	Exact invests in businesses for increasing market share or expanding geographically
pci	PE backed strategic buyer - Tech		2	PCI is used as a platform for consolidation in the IT and documents solutions sector
UNIT4	PE backed strategic buyer - Tech		2	UNIT4 is optimizing its operating model by acquiring and divesting various BUs
DWS	Financial sponsor		2	DWS is a global asset manager and offers a wide variety of investment options
DELTA FIBER	PE backed strategic buyer - Tech		2	EQT uses Delta Fiber as a platform for consolidation in the fibre market
ARCUS IT	Strategic buyer - Tech		2	Arcus IT acquired two competitors to gain scale and market share
MAIN	Financial sponsor		2	Main Capital makes investment between €10-50m in the European software market
WATERLAND	Financial sponsor		2	Waterland makes investments in ageing population, digitization, leisure and luxury, and sustainability

Deep-dive IT services

We define IT services as business services that encompass consulting, implementation, managed services and business process outsourcing. As companies typically offer more than one of these services, we have grouped the IT service providers into four categories:

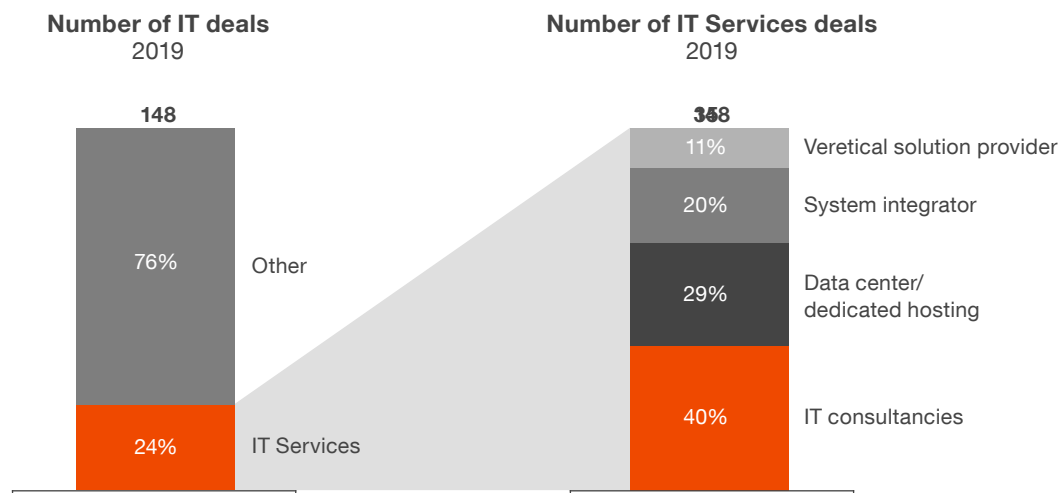
- **IT consultancies** are focussed on fulfilling IT services contracts through the supply of human capital
- **Data centres / hosting providers** primarily provide services such as commissioning, administration and hosting of hardware-based IT infrastructure equipment. Companies active in this field build operational excellence leveraging their large scale
- **System integrators** bring together components (both hardware and software) from various IT vendors and deliver them as one integrated solution tailored to individual customer needs

- **Vertical solutions providers** have similar characteristics as System integrators, with a clear distinction that they are focussed on specific vertical(s).

In 2019, 24% of all deals (35 transactions) involved targets active in the IT services space. Of these 35 transactions, deals with IT consultancies represented 40%, data centres hosting - 29%, system integrators - 20%, and vertical solution providers -11%.

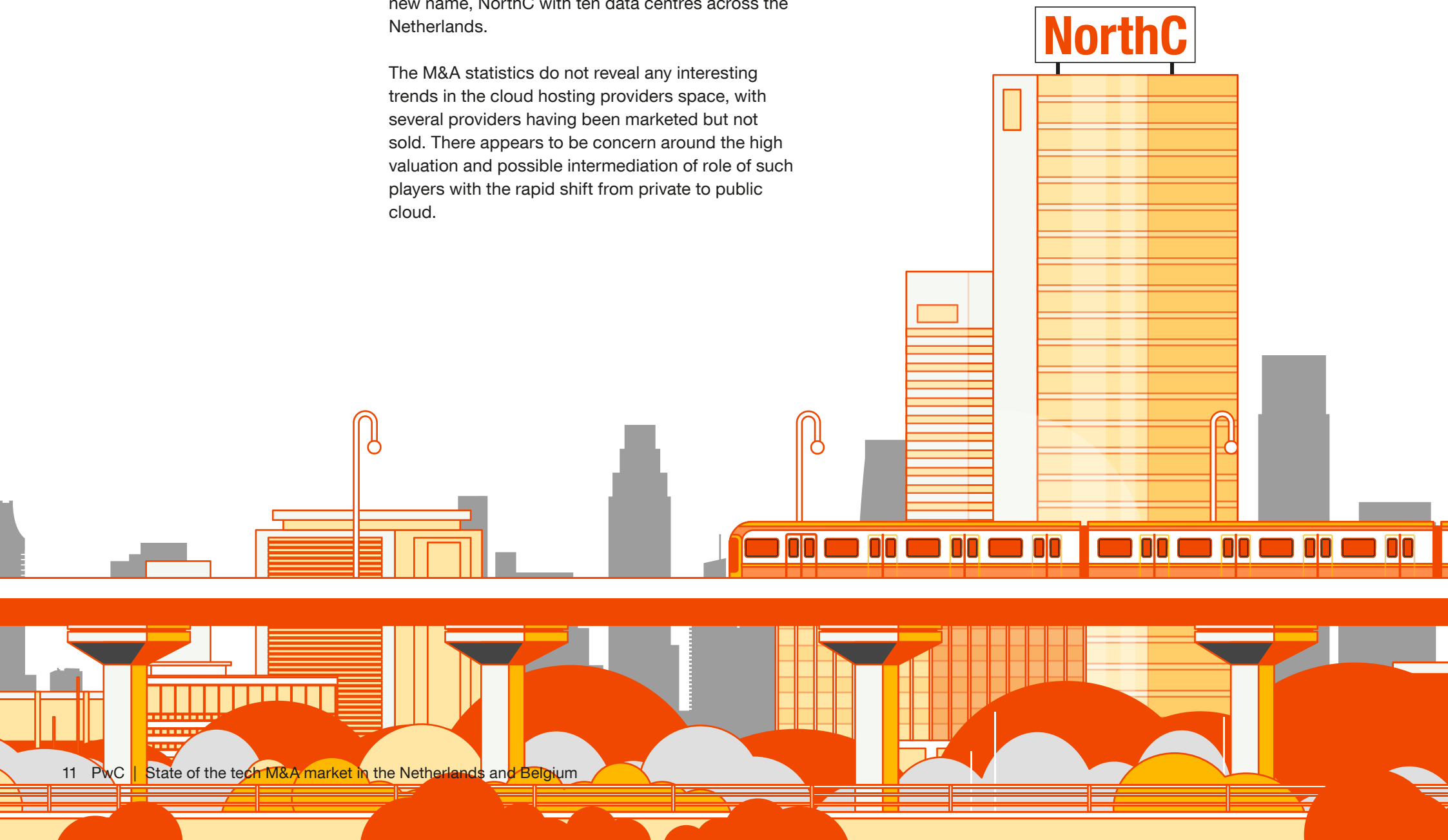
IT consultancy firms are the most popular targets for acquisition. The economies of scale and ease of integration (compared to other IT services assets) are attractive as a buy-and-build platform for financial sponsors. One of the largest transactions was realized in the IT consultancy segment when the largest Dutch telco provider KPN agreed to divest its consulting business KPN Consulting B.V. to Cegeka N.V. The business employs around 750 employees and 250 contractors and will strengthen the position of Belgian-based Cegeka in the Dutch market.

Data centre consolidation is an ongoing trend, especially in the Dutch market. In 2019, the competition landscape was significantly shaped by M&A activities of the key players. The acquisition of Interxion by Digital Realty was highlighted in an earlier section as the largest deal of the year. Equinix was also active in the market and has acquired several data centres over the years. In July 2019, the data centre market was shaken up by the merger



of two local players - The Datacenter Group (TDCG) and NLDC. The combined entity will operate under a new name, NorthC with ten data centres across the Netherlands.

The M&A statistics do not reveal any interesting trends in the cloud hosting providers space, with several providers having been marketed but not sold. There appears to be concern around the high valuation and possible intermediation of role of such players with the rapid shift from private to public cloud.

A stylized illustration of a city skyline. In the foreground, a train with orange and white cars travels from left to right on a track. Behind the train, several buildings of varying heights are visible. The most prominent building is a tall, orange-colored skyscraper with a sign on top that reads "NorthC" in bold orange letters. Other buildings are in shades of grey and orange. The background is a light grey sky.

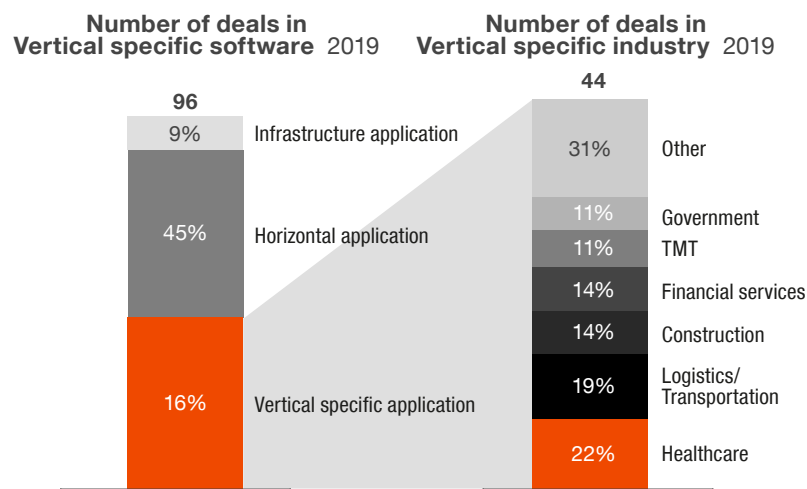
NorthC

Deep-dive Software

We have classified software into three segments:

- Vertical specific software, as the name implies, is related to software targeting specific vertical(s)
- Horizontal application includes areas such as front office/CRM, back office/ERP, desktop and business intelligence / analytics
- Infrastructure application relates to areas such as application development and middleware, information management, storage management and network management

The vertical specific software and horizontal application constitute the largest portions of software deals with 46% and 45% respectively. Generally, there is a higher concentration of local brands in these two segments compared to the infrastructure management software – an area dominated by global brands such as IBM, Cisco and HP.



Zooming into vertical specific software, a more or less equal spread across industries can be seen. The most prevalent sectors are **healthcare (22%)**, **logistics and transportation (19%)**, **construction (14%)**, and **financial services (14%)**.

- The popularity of healthcare assets is not surprising as the sector itself is going through a major digital transformation and the changing demographics place greater emphasis on digital tools that can facilitate interactions between patients and care/cure providers. An example is the cross-border acquisition of Luscii by Omron Healthcare, the Japanese medical device distributor. Luscii provides telemonitoring tools and is reported to serve more than 130,000 elderly people in the Netherlands every day.
- Except for one deal, all transactions in the logistics and transportation sector involve international buyers with Germany (two), France (two), US (one) and Japan (one). In particular, the French companies acquired assets to gain market access, as is evident from Flowbird investing in Yellowbrick (mobile parking solutions) and I'Car Systems Groupe taking over ITmotive (dealer management solutions). Volkswagen Financial Services AG undertook a majority stake in PTV Truckparking B.V., a smart parking specialist, while its German counterpart, Knorr-Bremse AG invested in Belgium-based railway software provider, Railnova SA.
- The M&A activities in the construction industry see less activity compared to some other verticals, with a total of five transactions. Notably, Denmark-

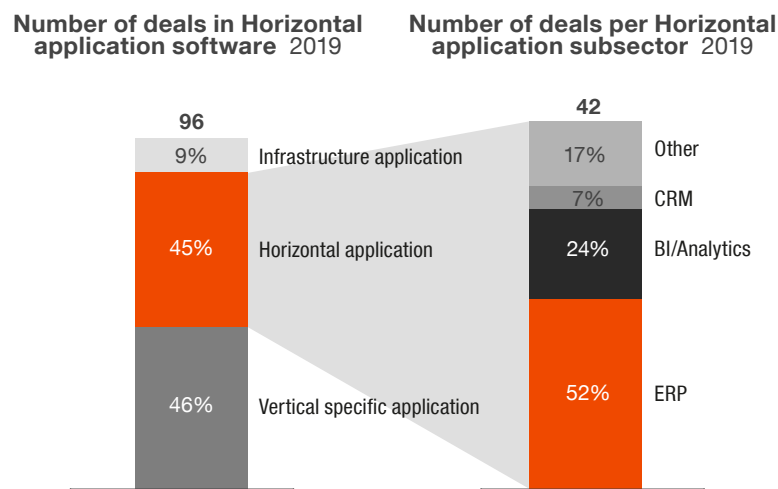
based acquirers, are active with two transactions, for example NTI Group ApS taking a majority stake in CAD & Company Group B.V. and GenieBeit ApS acquiring Belgium-based Apropan SA, provider of digital solutions for construction related processes

- In the fintech sector, most software companies are still in the early stages of start-up or scale-up. Investments were mainly done by Netherlands-based venture capital and private equity funds. For instance, NPM Capital took a 35% stake in Ohpen B.V., a provider of cloud-based core banking engine services. Fintech scale-up Onegini received an investment from venture capitalist and lead investor Walvis and existing investors The Hatch Firm and InnovationQuarter. Onegini, founded in 2011, offers an omnichannel customer identity and access management solution (CIAM) for the banking, insurance and pension industry.

Most acquisitions in the Horizontal application software segment are related to **ERP systems (52%) followed by BI / Analytics (24%) and CRM systems (7%)**.

Consolidation of the ERP providers in the small, medium-sized and midmarket enterprise segment is the main reason behind the active deal-making activities. Leading ERP players such as Exact, Unit4, Visma and Muis Software acquired smaller counterparts to increase their market shares. Exact also acquired Belgium-based Winbooks which has a strong footprint in the Flanders region. Another notable transaction was conducted by a global PE house, Carlyle, which acquired HSO Group, developer of ERP software based on Microsoft Dynamics with over 800 professionals throughout Europe, North America and Asia.

Beyond ERP, there are less prominent patterns and trends - the main observation is that the deal size is generally smaller and involves more cross-border strategic buyers.



Outlook 2020+

At the time of writing, the COVID-19 outbreak is rampant on a global scale, casting clouds on economic uncertainty. Given these circumstances, tech M&A in 2020 is unlikely to top the 2019 peak in terms of deal volume. That being said, we believe deal activity will not cease entirely and technology-related deals will continue to drive the M&A market in the Netherlands and Belgium.

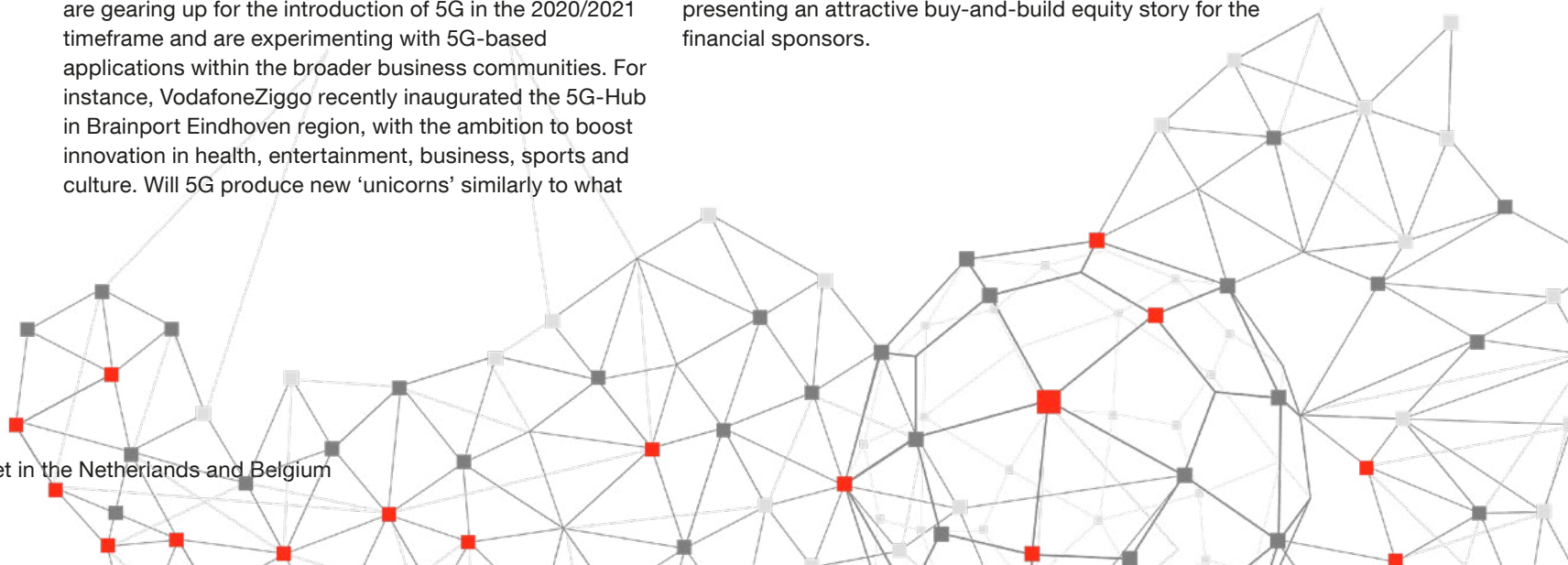
Strategic buyers will find ways to use M&A defensively in this more difficult business environment. Corporates will likely accelerate their digitization roadmap via M&A to improve efficiency and flexibility in cost structures. Given the low interest rates, private equity houses will find ways to deploy the near-historic levels of 'dry powder' i.e. uninvested capital. Tech-enabled companies will remain attractive assets as the earnings multiples are considerably higher on average and the risk exposure to macroeconomic factors is lower compared to assets from other sectors.

From a technology angle, we are at interesting crossroads with emerging technologies such as 5G, IoT, AI/machine learning, 3D printing, Virtual Reality/Augmented Reality and edge computing coming together. Telco operators are gearing up for the introduction of 5G in the 2020/2021 timeframe and are experimenting with 5G-based applications within the broader business communities. For instance, VodafoneZiggo recently inaugurated the 5G-Hub in Brainport Eindhoven region, with the ambition to boost innovation in health, entertainment, business, sports and culture. Will 5G produce new 'unicorns' similarly to what

we have witnessed in the 4G era? Understanding the technology impact is the key to strategize value creation or in some unfortunate cases, value destruction.

We envisage a sustained investment for companies that are monetizing the proliferation of these emerging technologies. Due to the nascent technology adoption and the higher risk profile, we expect that the volume of investments for these targets will be driven by venture capitalists and strategic buyers mainly through their CVC (Corporate VC) engine. Deal value will remain relatively low, albeit with high price multiples.

Across all the different archetype of tech players in the Netherlands and Belgium, the private equity houses will likely be most interested in the enterprise software providers, and specifically in those that provide vertical specific software and horizontal applications. Enterprise software (B2B software) is generally more recession-proof compared to B2C software because enterprise software is required to accomplish essential business processes and the switching cost is higher. Market growth is high (double digits in some verticals driven by shift to cloud and SaaS), while the competitive landscape is still largely fragmented, presenting an attractive buy-and-build equity story for the financial sponsors.



Contacts



Colin Toh
Director, Deals Strategy (TMT focus)
E: colin.toh@pwc.com
T: +31 (0)6 1206 6931



Jochem Moerkerken
Partner, Deals Strategy
E: jochem.moerkerken@pwc.com
T: +31 88 792 4994



Cornelis Smaal
Partner, TMT Deals Leader
E: cornelis.smaal@pwc.com
T: +31 (0)88 792 6431

About the data

We define M&A activity as mergers and acquisitions where targets are technology companies with their head office in the Netherlands and Belgium. We have based our findings on data provided by industry-recognized sources. Specifically, the values and volumes used throughout this report are based on officially announced transactions, excluding rumored transactions, as provided by Mergermarket as of December 31, 2019, and supplemented by additional data from our independent research and proprietary data. Unless otherwise noted, all data used in the charts are sourced from Mergermarket.

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