

A COMMENTARY ON COVID-19 AND

DACH TMT

M&A ACTIVITY FOR Q1/2020

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Dirk Middelhoff
Partner



Berend Yntema
Partner



Ines Ludwig
Analyst

SECTOR SNAPSHOT

DACH TMT M&A ACTIVITY AND VALUATIONS FOR 2020

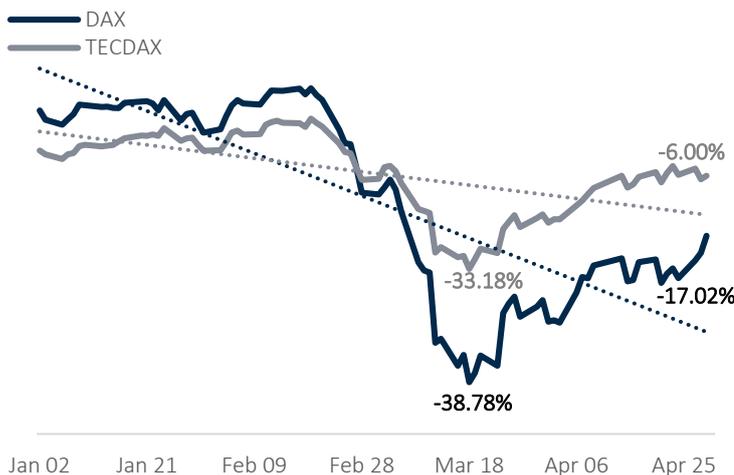
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Covid-19 expected to have a short-term impact only on the TMT sector

The coronavirus (COVID-19) is by far the most significant issue to affect the TMT industry in 2020. While supply chain disruptions is one of the most obvious impacts of the pandemic, it is also having a dramatic effect on IT consulting and services due to the imposed travel restrictions. In contrast, various companies operating in TMT sub-sectors are facing an increasing demand for their products and services, enabling secure remote working, e-commerce solutions and online entertainment. We can expect the pandemic to greatly influence current as well as future innovations, adapting technology to the societal shift resulting from the pandemic and the inherent change in consumer behaviour.

In general, the TMT sector has held up relatively well compared to other sectors. Nevertheless, global tech market growth may be slowing down in 2020. In case of a recession, Forrester expect that there is a probability that even the global tech market will decline by more than 2%. However, the long-term outlook is quite positive, meaning that the negative consequences of the pandemic will remain short-term and we can expect the TMT sector to recover and thrive in the near future.

COVID-19's impact on the German DAX and TECDAX indices



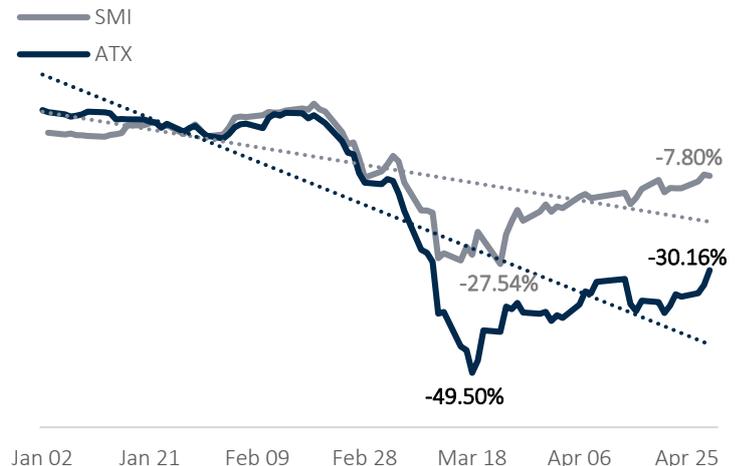
The fast spread of the coronavirus outside of China resulted in a historic drop of the German blue-chip index DAX. Just four weeks after its record high, the DAX was down by almost 40%. The German technology index TECDAX did not remain untouched either, with a decline of more than 33%. Nevertheless, the TECDAX has greatly recovered as seen in the comparison of its current value to its valuation in the beginning of 2020 (-6%).

SAP (SAP.DE), the major German software company, has lost more than 10% in market cap since the beginning of the year. In comparison, Bechtle (BC8.DE), the largest European IT supplier, has increased its market cap by more than 5% and United Internet (UTDI.DE), a leading European internet specialist, has increased its market cap by more than 7% in the same period.

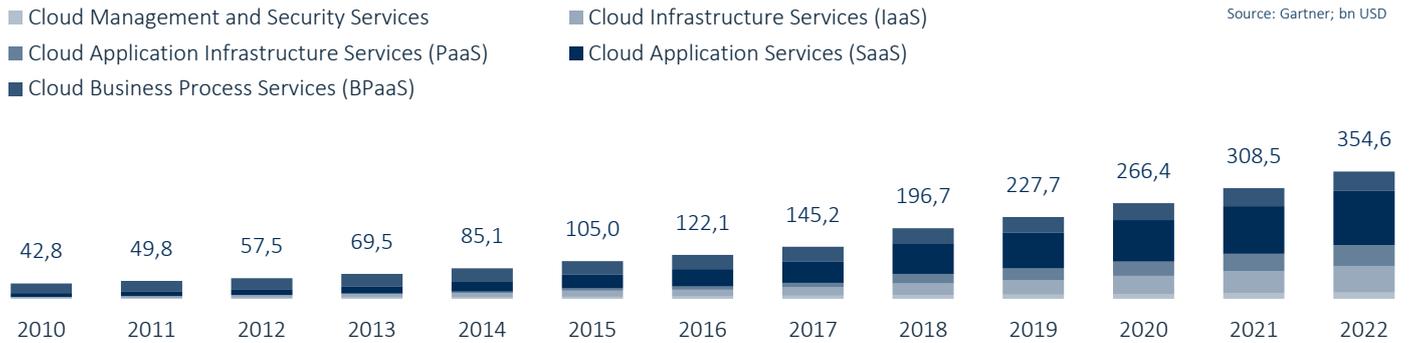
COVID-19's impact on the Austrian ATX and Swiss SMI indices

The ATX has experienced a dramatic fall, with valuations dropping by almost 50% in comparison to the index's high in the beginning of 2020. Similarly, the SMI has lost almost 28% with respect to its high in March 2020. However, the Swiss index has largely recovered, with its current value down less than 8% compared to the beginning of the year.

Fabasoftware AG (FAA.VI), a leading Austrian software manufacturer, and S&T AG (SANT.DE) have lost about 10% in market cap since the beginning of 2020. Ascom Holding AG (ASCN.SW), a Swiss telecom provider, decreased in value by more than 35% while its competitor Swisscom AG (SCMN.SW) increased its market cap by almost 5% during the same period. The Swiss distribution and logistics technology company ALSO Holding AG (ALSN.SW) increased its market cap by more than 25% in the same period.



Increasing demand for software and cloud solutions

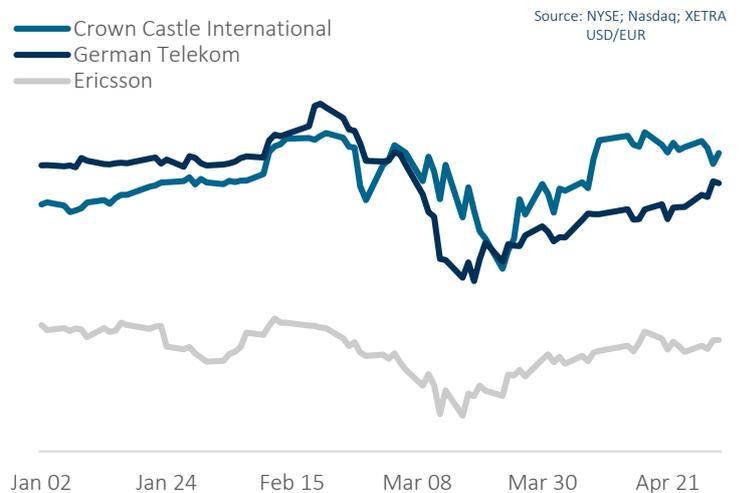


Companies operating in the TMT sector are facing increasing demand for their products and services. In particular cybersecurity, communication software and (cloud) infrastructure firms are benefiting from the current situation and the shift to remote working, communication, and entertainment. Cloud computing companies in particular are experiencing a continuously increasing demand as cloud architectures have become essential to all-size businesses, educational institutions, municipalities, and home users. The (cloud) video gaming sector is also increasing rapidly. Due to the imposed quarantine measures, people are spending more and more time playing video games, leading to higher spending on games and in-game purchases. Gaming traffic has increased by more than 75% during peak hours and as eSports events are being cancelled, online viewership on platforms such as Twitch and YouTube will experience a great increase as well. It is highly likely that industry analysts' expectations for the cloud and software sector's growth in the upcoming years will be outperformed.

Telecommunication sector will experience higher levels of innovation in 2020 and beyond

The global telecom market has not remained untouched by the spread of COVID-19. Retail store closures and supply chain disruptions are driving down sales and network traffic management is imposing various challenges. Despite the negative effects, the crisis has also resulted in increasing attention to current developments such as small cell and 5G technology, making innovative telecom providers only partially affected by the economic downturn and even gaining in value.

Long-term effects on the industry are expected to be highly positive. The challenges uncovered by the sudden shift in telecom usage rates will justify new investments into telecommunication innovation and might even create new solution innovation ecosystems. It is highly likely that telecommunication firms will come out of this crisis even stronger than before.



Ongoing M&A activity in 2020 and COVID-19 reshaping competitiveness

In the first quarter of 2020, Europe showed high levels of consolidation activities and private equity investments as well as very strong buyout activity. In fact, private equity buyouts reached an all-time high in the first quarter of 2020. High levels of dry-powder and corporate carve-outs have driven private equity investments in the DACH region to increase by 47% and US investments by close to 34% in 2019. Despite its active start in 2020, it is more than likely that European M&A activity will demonstrate a fall in the second quarter. The most obvious impact of COVID-19 and the ensuing downturn of European M&A activity is the absence of Chinese investment into Europe. Foreign investments into highly affected countries, such as Italy, have almost come to an halt. In addition, various European countries are discussing stricter rules for takeovers by foreign buyers to prevent domestic industries from being sold out in the post COVID-19 era.

Valuations, particularly in tech, have been at extremely high levels in previous years. Post pandemic, a correction of these valuations is highly likely. While depressing valuations, COVID-19 is favouring opportunistic buyers to continue with their M&A activity. Furthermore, the pandemic is redefining what it takes for a company to be competitive, obliging companies to continuously redefine their portfolios and driving M&A activity in less affected regions.

The tech sector will continue to grow with corporate and private equity investors pushing innovation and competing with disruptive players. Thus, sectors less exposed to the current pandemic will continue to grow in 2020. A survey conducted by the Institute for Mergers, Acquisitions and Alliances (IMAA) revealed that in the DACH region, only 43% percent of the respondents were planning on postponing acquisitions to see how the pandemic develops. 37% said that they would not postpone acquisitions due to the crisis. Hence, although M&A activity will decrease in the second quarter of 2020, it will not come to a stop. A downturn of investments – especially investments from private equity investors – will be only temporary.

Recent Clairfield transactions in the TMT and Business Services sector

Reply, a European IT service provider and media conglomerate, agreed to acquire **CSPi GmbH Technology Solutions**, the German operations of CSPi, a provider of IT managed services, security solutions and packet capture products.

One Voice AS, the leading SaaS provider of incident and crisis management solutions in the Nordic region, was sold to **F24 AG**, a German portfolio company of Armira Partners.

Bechtle AG, the European IT retail leader with EUR 3.5 billion in revenue, acquired **Inmac Wstore**, the remaining European business of Systemax Inc, a US-based industrial group. The sale to Bechtle, once completed, will be the largest acquisition in Bechtle's history. The acquisition of Inmac Wstore pushes Bechtle into the top 5 French IT companies.

Christof Electrics GmbH & Co KG, a provider of electric, measurement, control, and regulation technology as well as automation, was sold to **SPIE Deutschland & Zentraleuropa**, the European leader in energy and communication services.

Guenstiger.de, an online price comparison company was sold to **Heise Gruppe**, a publishing house based in Hannover, Germany.

eMAG Hungary and **Extreme Digital**, the two leading Hungarian online marketers, announced their merger, creating one of the leading e-commerce companies in Central and Eastern Europe, which will be able to compete with the biggest online retailers.



About Clairfield

Clairfield is an international corporate finance partnership that provides advisory services, mainly in cross border mergers and acquisitions, to international corporations, family-owned businesses, and financial investors. With over 30 locations, we offer our services in more than 20 countries in Europe, America, Asia and Australia. Over 300 M&A and corporate finance advisors and industry experts at Clairfield provide our clients direct access to local know-how of regional offices worldwide and to specialized industry advisors. In 2019, we closed more than 140 transactions and ranked as the top M&A advisory firm in the tech-sector in Europe according to Refinitiv.



Contact

Dirk Middelhoff
Partner

T: +49 (0) 211 917 396-82

E: dmiddelhoff@clairfield.com

Berend Yntema
Partner

T: +43 (1) 535 293 712

E: byntema@clairfield.com

Ines Ludwig
Analyst

T: +49 (0) 211 917 396-81

E: iludwig@clairfield.com

Clairfield International was founded in 2005 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

80%

OF THE MANDATES ARE
INTERNATIONAL

6

SECTOR TEAMS OF SPECIALIZED
EXPERTISE BACKED BY

23

COUNTRY TEAMS
ACROSS THE WORLD

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

70

INDUSTRY ADVISORS

EUR 600+ million

CUMULATIVE DISCLOSED DEAL
VALUE IN FIRST 4 MONTHS 2020

20+

DEALS CLOSED IN 2020

7.3x

AVERAGE EBITDA MULTIPLE IN
2020



Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

130+

DEALS CLOSED ANNUALLY

EUR 20 billion

CUMULATIVE DEAL VALUE
LAST 5 YEARS

CLAIRFIELD INTERNATIONAL SA: 11 Rue du Conseil-Général
1205 Geneva, Switzerland Tel: +41 22 518 0242
info@clairfield.com

www.clairfield.com

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