



Bank of Ireland Sectors Team Technology, Media and Telecoms (TMT) 2021 H1 Insights

August 2021



**Bank of
Ireland**

Classification: **Green**

TMT 2021 H1 – Review:

Summary

In general, the TMT sector continues to perform well, customers are optimistic after the uplift in activity experienced in recent months on the back of what had been an unprecedented period, caused by the initial shock of the pandemic. With the increase in vaccinations and economies beginning to open again, we are now seeing companies taking the next steps in their digital transformation journey. It is widely accepted that we will see a hybrid working model becoming more commonplace in the time ahead, which will require ongoing investment in various technology solutions and platforms to allow people to work, engage, interact and serve each other seamlessly. Having got over the initial shock presented by having to create, what for many businesses, were entirely new working practices; companies are now focused on adding to their technology suite to further digitise their businesses. In short, all indicators suggest the sector will see sustained growth over the medium term as investment increases in new technologies and solutions.

H1 2021 Key Trends:

Technology: Over the first half of the year we have continued to see further consolidation across the Managed Services Provider (MSP) space, with Eir's acquisition of Evros kicking off the year and more recently Version 1¹ welcoming Belfast-based Neueda to their family of companies, making this, their 12th acquisition to date which will further augment their service offering, expanding into capital markets, where Neueda were a niche player. During the period we saw two more Irish technology businesses, Fenargo and LetsGetChecked achieve 'unicorn' status, with strong international investment behind both companies, a further endorsement of the capability of Ireland's indigenous technology sector.

Media: Businesses across the Media subsector continue to thrive as the pandemic triggered an increase in sales and growth opportunities. E-commerce revenue for retailers grew by a seismic 159%² in 2020. While growth in online shopping was always going to increase, the pandemic accelerated the growth much faster than what any of us would have imagined. This has provided huge opportunities to many of Ireland's companies operating in the eCommerce space such as Buymie and Scurri; with Scurri recently announcing they have raised €9 million³ and plan to treble their headcount and expand their presence further into the UK.

Similarly, Ireland's Animation industry continues to thrive; creating digital content to meet the needs of the ever expanding, insatiable demand from over the top (OTT) streaming channels such as Netflix, Disney+, Apple TV and Nickelodeon. Ireland's live action sector is set for unprecedented growth over the medium term with an expansion of current studio space underway and many new studios planned. Over recent months we have seen a flurry of activity as Disney continue to film in Enniskerry, Co Wicklow, with many of the movie actors taking to social media to capture their adventures while filming in Ireland. Ireland has now gained a global reputation for its world class production and direction capabilities, the flexibility of its production crews and its excellence in visual effects (VFX), so we are going to see incremental growth and expansion of the live action space over the coming years. Also, under the new EU Audio Visual Media Services Directive (AVMSD), a majority of airtime must be given

to European content on terrestrial television and it must make up at least 30%⁴ of the number of titles on video on demand (VOD) platforms such as Netflix and Amazon. This represents a significant opportunity for Irish studios and producers, given the increasing demands from VOD providers, and also makes sense that Irish studios are planning to scale over the coming years to compete for a portion of this growing market.

Telecoms: Recent updates regarding the roll out of the National Broadband Plan makes for disappointing news as it now appears that it is falling well short of the targeted number of properties that was planned to be reached this year. National Broadband Ireland recently announced that it had rapidly scaled its team to over 1,000⁵ people employed by the project, since it commenced in January 2020. It also announced a partnership with Grow Remote, enabling people to work, live and participate locally by making remote work accessible to everyone. Given that working remotely in the digital economy requires reliable connectivity, regaining ground and getting the planned roll out back on track is of enormous importance to support new ways of working, while also keeping communities connected.

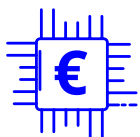
'War for talent' returns: before the pandemic we had learned that businesses across the various subsectors had undertaken recruitment campaigns across Latin America to try and secure talent. Fast forward a couple of years and now we are seeing that competition for talent is rearing its head again. Mobility of talent has drastically reduced, leaving those companies that are trying to hire, all having to tap into a vastly depleted talent pool. While 'working from anywhere' has been a blessing, it has also contributed to employee churn as employment opportunities with global tech companies that before the pandemic, might have been previously location dependent, are now opening up to candidates in regional locations, putting further pressure on smaller SME's that simply can't compete with the salaries and benefits being offered by multi-national businesses. While international travel has now resumed, it remains to be seen how soon we will see a return to 2019 levels in terms of migration of talent and what the longer-term impacts will be.

Wage Inflation: following on from the above point, we are beginning to see the impact the dearth of talent, is having on current salary expectations for new hires. We are hearing from customers that have lost skilled staff to competitors across the sector where those employees are being offered anything from 20% to 30% of a salary increase plus benefits to move roles. This level of growth is simply not sustainable and beyond the capacity, or the level that many SMEs can realistically compete. That said, over recent months there have been numerous new job announcements for both indigenous and multi-national tech companies; no doubt planning and hoping for a post-COVID-19 return to normal.

Cyber security: the recent cyber-attack on the HSE brought the threat of cyber-crime into sharp focus. Sadly, this was not an isolated event and in fact are becoming more prevalent. It has been widely reported that Technology University, Dublin⁶, and National College of Ireland⁷ were both victims of ransomware attacks in recent months. It is widely accepted that businesses too, in the private sector, have also fallen victim, but in many cases chose not to make it public, for fear of the reputational damage that could ensue. It's important to remember that the greatest protection to have against a cyber-attack is to always treat a business as being under threat; it ensures companies/

individuals are always alert and forces one to ensure that cyber security is everyone's responsibility. It is also important to keep software up to date; back up a company's data; have anti-virus and anti-malware protection; be alert to suspicious phone calls or texts and be careful of downloading free software or clicking on websites or links in emails. These attacks can happen to any company but being hypervigilant will go some way towards protecting against an incident taking place.

Sector Developments - H1 2021 Key Numbers



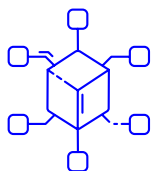
\$200m⁸

the amount paid by Vertex to acquire Taxamo, the Kerry-based, global provider of tax technology solutions.



1000⁹

amount of scholarships being provided by Google Ireland for Dublin jobseekers.



5000¹⁰

the number of projects completed so far through Enterprise Ireland's Technology Gateway Network.



23.1%¹¹

Gartner's growth forecast for worldwide end-user spending on public cloud services, to a total of \$332.3 billion, up from \$270 billion in 2020.

€2.4m¹²



the value of a challenge-based funding competition sponsored by Science Foundation Ireland (SFI) for researchers to propose disruptive ideas for technologies to address specific challenges identified by the Department of Defence and the Irish Defence Forces.

Lending Activity

We are seeing robust activity across the various subsectors, largely driven by the accelerated adoption of technology solutions across all industries. The continued consolidation of the IT Managed Service Provider space, again repeating the trend we have seen over recent years. Lending activity similarly continues to focus on supporting many of these transactions in the form of Management Buyouts (MBOs), Management Buys (MBIs) and funding for acquisitions. That said, applications and drawdowns are down on the same period last year, with many customers reporting significant growth in sales, reducing the requirement to take on debt. However, with a recent spike in activity and growth opportunities opening in the market, there is a strong pipeline going into H2 and we expect an uplift in activity over the second half of the year.



Some notable M&A/Fundraising deals over H1 2021

- **Viatel**¹³, the Dublin-based provider to voice, data and security solutions announced the acquisition of Cork based, Nova Telecom. This is Viatel's third acquisition in the last year and will provide operational synergies and further consolidation opportunities.
- **Gradguide**¹⁴, the Dublin-based, online career guidance, mentorship, and recruitment platform that pairs mentors with students and recent graduates, was acquired by Clune Technology Group with a majority equity investment of €2m.
- **Qualio**¹⁵, the Dublin-based quality management software provider for the life sciences sector, raised \$50m in Series B funding. The funding was planned to support growth in sales and expansion of their product and engineering teams.
- **Sysnet**¹⁶, the Dublin-based payments security company, raised \$65m in debt funding to finance its acquisition of NuArx, a US-based firm providing security solutions for payments technology, which was their third acquisition in as many months.

The surge in demand experienced over the last few months is expected to continue, particularly around digital, cloud, security, data storage and artificial intelligence (AI) solutions. Many businesses are only now embarking on their digital transformation journey, resulting in ample opportunity for businesses in the sector to provide products and services to meet this demand.

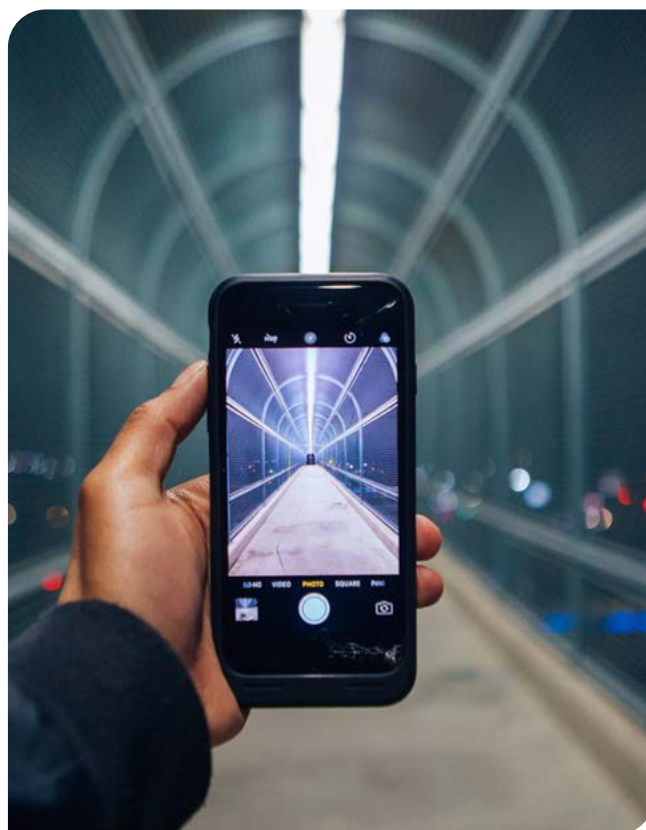
H2 2021 TMT Sector Outlook

Strong performance: in general, the sector has performed very well over the first half of the year, borne out by strong sales performance with robust activity expected to the end of the year and into 2022.

Lending: with a strong pipeline, we anticipate expansion in M&A activity over the coming second half of the year. Businesses that have delivered solutions to healthcare sectors have in many cases, seen significant growth and appear to be now seeking to bolt on further acquisition targets.

Appetite: At Bank of Ireland, we continue to support TMT businesses and are strongly placed to support Ireland's indigenous sector with an enhanced differentiated proposition and a dedicated lending team*.

Technology: According to Gartner forecast, worldwide IT spending (data centres, enterprise software, devices, IT Services, and communication services) is projected to total \$4.1 trillion in 2021, an increase of 8.4% from 2020. They anticipate much of this spend will see organisations shifting their focus to improve employee experience and well-being, propelling technology investments in areas such as social software (instant messaging, chat, email etc) and collaboration platforms (project/task management) and human capital management (HCM) software. The report also predicts that recovery across countries, industries and various IT segments will vary significantly. It suggests China has already surpassed 2019 IT spending levels, while Western Europe and North America are expected to recover in late 2021.



* lending criteria, terms and condition apply. Over 18's only.

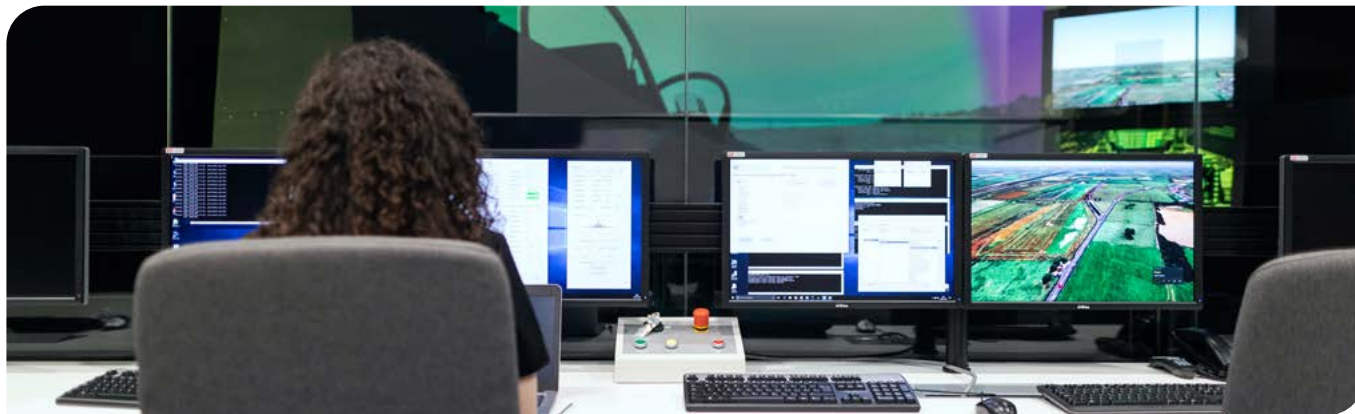
Table 1. Worldwide IT spending forecast. (Millions of US Dollars)

	2020 Spending	2020 Growth (%)	2021 Spending	2021 Growth (%)	2022 Spending	2022 Growth (%)
Data centre systems	219,940	2.3	236,806	7.7	247,513	4.5
Enterprise software	466,647	-2.1	516,872	10.8	571,725	10.6
Devices	663,223	-6.9	755,798	14.0	778,949	3.1
IT services	1,021,187	-1.8	1,112,626	9.0	1,193,461	7.3
Communications services	1,386,471	-0.7	1,450,444	4.6	1,504,743	3.7
Overall IT	3,757,468	-2.2	4,072,547	8.4	4,296,391	5.5

Source: Gartner (April 2021)

Media: while restrictions are being lifted, the Delta variant has possibly cautioned the return to normal for some subsectors in this space, in the live/trade events sector. New habits have been formed during lockdown and the growth in consumption of digital content that had begun before the pandemic has been accelerated. Increased connectivity and speed will see further growth over the period in online gaming, OTT video and internet advertising. Traditional print media could continue to struggle to secure users as many companies grapple with converting readers to go beyond the paywall. Augmented reality could well be the differentiator, bringing traditional print media to life in an immersive customer experience with various subject matter. Either way, with so much competition from global titles online, the winners will be those that offer enhanced, immersive, and personalised content to capture paying users.

Telecoms: Recently Glanbia¹⁷ announced the roll-out of what they suggest is the first indoor 5G network of its kind in Ireland and that is hoped will deliver real efficiencies for Glanbia in their cheese plant at Glanbia Ireland's facility in Ballyragget, County Kilkenny. Three, (Ireland) and Ericsson are working with Glanbia on this project. The aim of this 5G network deployment is to help with decision making leading to faster and more accurate maintenance tasks on the plant floor and will assist in problem solving, providing for richer data and analysis of plant processes, while reducing manual administration. This is an excellent example of how 5G can be a potential game-changer in the Industrial Internet of Things. We expect to see similar deployments providing additional opportunities for businesses over the latter half of this year and into 2022.



Digital euro: The Governing Council of the European Central Bank (ECB)¹⁸ recently decided to launch an investigation phase in relation to the development of digital euro. This phase will take 24 months and will focus on design and distribution, while also ensuring it can meet the needs of Europeans. The ECB also see it as something that would complement cash, not replace it. This project will also look at how a digital euro could prevent illicit activities, while avoiding having an impact on financial stability and monetary policy.

This move by the ECB is seen as a response to the impact the pandemic had in expediting contactless payments, while also trying to deal with the rise of cryptocurrencies and the potential of 'Big Tech' entering the market with alternative solutions. The digital euro would be an electronic form of currency and individuals would hold deposits of same, directly with the ECB, making it safer than commercial banks. The goal is to create a fast and secure way to make payments; that's free and enabled either through a personal device or card. Either way, by the time this investigation phase has ended, the digital currency space will probably have moved on at a rate of knots. Time will tell!

Acceleration of Tech: my colleagues and I recently compiled a report of how we foresee digital acceleration impacting our various sectors. Click on the [link](#) to learn more.

Bank of Ireland

As one of Ireland's pillar business banks, we recognise that we have a unique opportunity to support our customers and help to enable Irish businesses and the communities we jointly serve to thrive.

Our understanding and comprehensive sector expertise provide us with a strong platform to meet the funding requirements of Irish Technology, Media and Telecoms companies.

We are delighted to continue to provide various facilities to some of Ireland's best-known TMT brands. By having a designated Technology team, we can deliver on our ambition to support Ireland's Indigenous Technology Sector, with the experience, the knowledge and most of all an understanding, of your business.

Talk to our Technology Team today, to see how we can help you grow your business.

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Paul joined Bank of Ireland in 2019 as Head of Technology. He has a background in technology transfer having previously worked at the ADAPT Centre at Trinity College, Dublin and the Walton Institute at Waterford Institute of Technology where he led commercialisation activities, while also mentoring and supporting new venture creation and spin-outs. He managed the Consumer Technology portfolio for IDA Ireland across New England and Eastern Canada. He also led business development activity for Eishtec (an Irish start-up acquired by Infosys) across the North American market. He holds a Master of Business in International Management from Waterford Institute of Technology.

Sources:

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