

COMMENT

Wired for investment

There is a significant opportunity for private equity investors to add value to TMT businesses as the sector continues to thrive, according to LDC

Chris Baker, Aylesh Patel and Oliver Schofield, investors at leading UK midmarket private equity firm LDC, on why TMT businesses remain an attractive opportunity for private equity and the key trends driving M&A in the sector

As an industry, we're all hoping that the turbulence of recent years is starting to ease. M&A volumes have fluctuated in line with a complex macroeconomic climate but despite these challenges, TMT has remained one of the most active sectors for M&A, both in the UK and globally.

For more than four decades, our investors and extended network of industry experts have worked alongside ambitious management teams to add value to growing TMT businesses. We've supported a wide range of businesses in subsectors from software development and IT-managed services to film, TV and marketing agencies. During the last 12 months, we've exited four TMT businesses following successful partnerships.

We exited iamproperty, a technology provider to UK estate agents, in October 2023. Our



Chris Baker, Aylesh Patel and Oliver Schofield

LDC has supported 86 technology, ICT and media businesses with £1.8bn of investment since 2012. Businesses the firm has exited in the same period have increased revenues by an average of 85% and Ebitda by 180%, generating an average 3.3x return.

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partnership and minority investment helped the founders to invest heavily in talent and technology, and to make two complementary acquisitions. During a four-year partnership, the business reported transformational growth; increasing revenue by 350% to reach £76m, Ebitda by 450% and headcount by 200%. The exit generated a 3.7x money multiple return for LDC.

With our support, digital transformation services provider FSP was also able to scale while continuing to focus on its people. Following our investment in 2019, the business expanded its client base and more than doubled revenue and headcount, while also being awarded first place in Best Companies' coveted Best Mid-Sized Company category.

When we exited and reinvested in the business in February 2023, FSP acquired cybersecurity consultancy Savanti to strengthen its capabilities.

International expansion has also been a focus. In 2019, we invested in creative and technology marketing group MSQ to help the management team rollout its multidisciplinary model beyond London. In the initial four years of our partnership, the business completed five acquisitions to employ more than 1,200 people across America, Asia and Europe. Revenue grew from about £50m to £125m, and Ebitda from £6m to more than £20m.

MSQ also became one of the first marketing groups of its size to be carbon-negative, and is now a B Corp business. The exit generated a money multiple return of 3.9x for LDC and we reinvested to continue to support the business.

Growth strategies driving sector M&A

In 2024 and beyond, we expect more TMT businesses to turn to private equity, bolstering a resurgence of M&A activity. The plans of our 45-strong TMT portfolio highlight key trends that will drive demand.

In the ICT sector, businesses are pursuing acquisitive growth to scale quickly and, in many

“Even for a sector used to change, the pace of development of AI and particularly the acceleration of functionality in the most recent ChatGPT releases is driving a step-change that is transcending technology and software businesses. Those companies that succeed will be the ones that leverage these innovations to supercharge their platform and service offerings while keeping customers front of mind.”

Chris Baker, partner at LDC

“In 2023, TMT businesses in our portfolio made more than 20 acquisitions and I’d expect this to continue into 2024. It’s a proven way to expand technology capabilities, serve new customer groups, consolidate market leadership or take businesses overseas. All at pace.”

Aylesh Patel, partner and head of South at LDC

“The UK is a global centre of excellence for the creative industries. International demand and opportunities are often key drivers for media businesses, whether it’s about adapting products and services for different markets or attracting overseas buyers who want a UK presence.”

Oliver Schofield, investment director at LDC

cases, adapt their models to drive more recurring revenue and non-discretionary spending.

In 2020, we provided funding to enable a £30m merger of three highly complementary businesses to form Kerv, a cloud-managed

services provider. We’ve since provided follow-on funding to help Kerv make seven acquisitions and grow headcount from 50 to more than 500. It is now one of the largest cloud services providers in the UK, with the infrastructure in place to make more acquisitions and continue to grow.

“We thank LDC for their guidance, which has supported the business through a very exciting period of growth and development.”

Ben Ridgway, co-founder, iamproperty

“LDC has supported our journey over the past two years, helping us to successfully scale while maintaining our world-class culture.”

Simon Grosse, CEO, FSP

“For us to triple in size is an impressive achievement and something we could absolutely not have done without LDC.”

Peter Reid, CEO, MSQ



The team at MSQ

has already started to deliver on its international acquisitive growth plans, acquiring Canada-based Eclipsys Solutions a matter of weeks after our initial investment.

Many of the media businesses in our portfolio are also driving growth internationally. Take

Hybrid, a digital marketing business we backed in 2021 – we’re helping the management team to target the world’s largest education markets with a differentiated offering.

The agency opened its first US office in 2022 and, in June last year, it acquired Prompt Marketing, another innovator in the space with a unique product that is helping Hybrid to grow its social media offering to universities.

As 2024 unfolds, we remain committed to increasing our investment in TMT businesses and we know that continued innovation in the sector combined with the strength and ambition of management teams will provide opportunities for private equity investors.

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Acquisitive growth will also remain important for technology businesses, as they continue to enhance their product and service capability against a backdrop of rapid innovation across the sector. For example, in September we invested in specialist database, cloud and application services provider DSP. The business