TMT M&A Global Review 2023 and Outlook 2024

January 2024

TMT FINANCE EQUIPS CLIENTS WITH PROPRIETARY TMT M&A AND INVESTMENT INTELLIGENCE

TMT Finance

Key Findings

2023 was a challenging year for TMT M&A, although as our data shows, there were positive notes. In Europe, TMT dealmaking volumes were at a six-year high, while values also rose YoY, though still way down on 2021's dizzy heights. Other regions performed strongly - Asia registering the strongest volume growth of all, despite a large fall in values; the same in MEA. There were some green shoots in Americas Telecom and Tech, both showing positive data. Private equity activity was down in most regions; with activity driven by enterprise software, cloud, datacentres, fibre, and AI and automation. The challenges for dealmaking seen in 2023 seem set to continue into 2024: higher costs of capital, increasing geopolitical tensions and trade barriers. Uncertainty still affects the larger end of the market with ongoing mismatches seen in buyer and seller valuation expectations. However, digital infrastructure dealmaking remains robust, with M&A, minority equity investments and debt deals have kept global markets extremely active, particularly in datacentres that show unprecedented demand and investment. Some areas of tech too, even at the upper end of the market, are also expected to see increased activity through 2024.

Europe TMT records strongest H1 for M&A volumes in six years, values up YoY but still down from 2021 levels

India dominates as the most active country for TMT targets, taking almost 25% of deals in Asia

The US increases its share of outbound M&A in Europe TMT, up to 29% from 26%

Americas Telecoms: positive volumes recovery in H1-23

PE/VC-backed deals declined slightly in Europe and Americas Tech, and dropped significantly in Asia, MEA and Americas Telecom

Enterprise Software and Cloud remain most active subsectors in Europe TMT. AI and automation volume +93% YoY

eCommerce and Cloud among the biggest subsectors in Asia TMT, with 24% and 21% of deals respectively, both up YoY

Americas Tech: volumes up +8%, values up +43% in H2-23 vs H1-23

UAE makes huge gains as buyer and seller in MEA TMT, almost doubling its percentage share in both positions YoY

~1,300 TMT M&A deals in the pipeline, despite strong headwinds

Europe Telecoms: volumes up +23%, values up +17%. Mobile Telecoms volumes up 2.2 times

Asia TMT FY 2023 – strongest year by volume since 2018

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Europe TMT M&A activity up YoY in both volume and value, with strong increase in volumes in H1-23

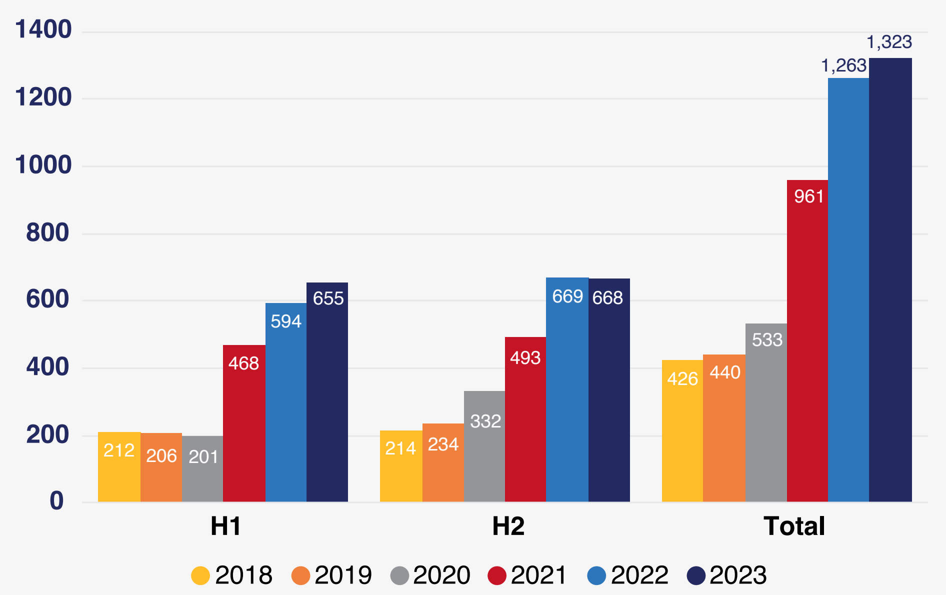
The European technology, media, and telecommunications (TMT) market saw 1,323 (1) new M&A deals announced (2) in FY 2023 for a total deal value (3) of almost EUR 213bn – a 4.8% increase in volume and a 6.3% increase in value compared to the previous year.

TMT M&A activity still shows optimism in both deal volume and value despite a volatile market driven by remaining multiple geopolitical risks, higher inflation and interest rates. In Europe, FY 2023 showed the strongest activity for volumes over the last six years, especially in the first half of the year. The number of deals in H1-23 was 10.3% higher in comparison to H1-22, but slowed down in the second half, becoming flat YoY in H2-23.

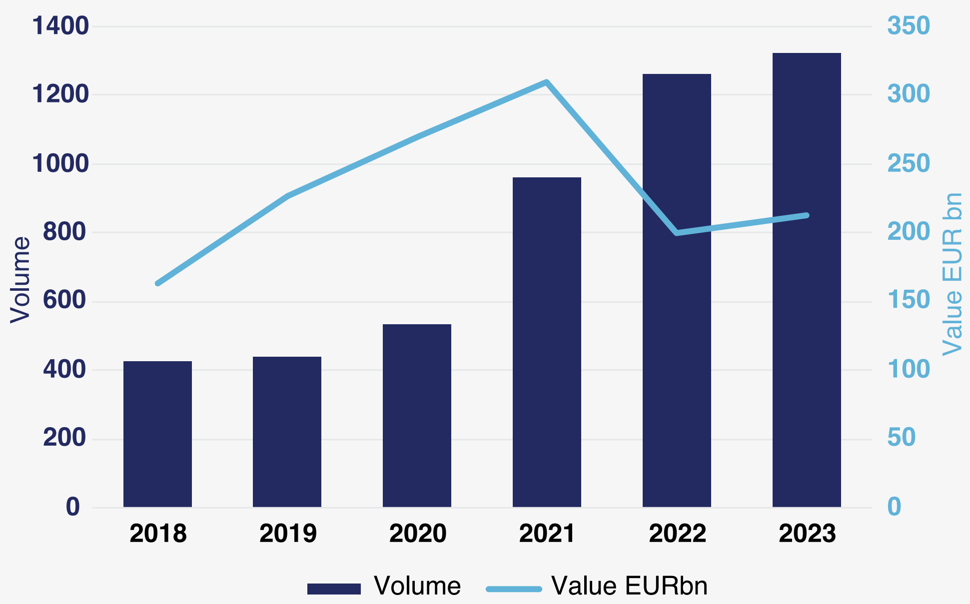
M&A trends show that deal volumes in the first half of 2023 were higher than in any other half year periods since 2018.

1.TMT Finance covers all listed and private targets in the Technology, Media and Telecoms sector. 2. Announced refers to officially announced transactions, excludes expected and rumoured situations. Activity refers to deal volume, the number of announced deals. 3. TMT Finance covers M&A transactions with a deal value above USD 50m. Value refers to the deal valuation (in millions) where available.

European TMT deal volume breakdown



European TMT deal breakdown by volume and value

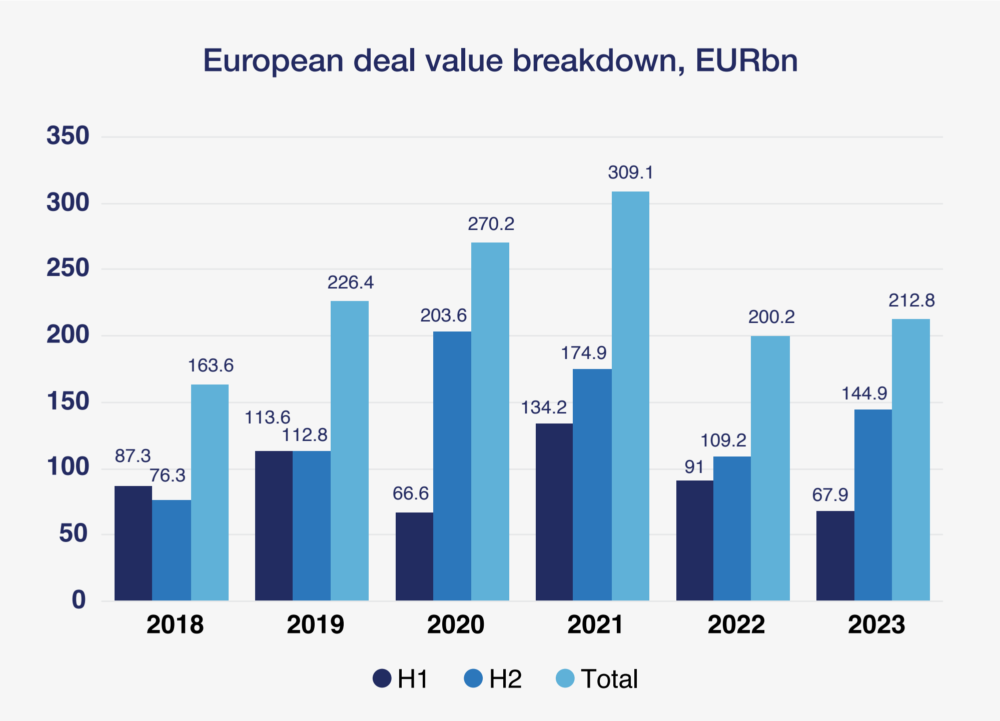


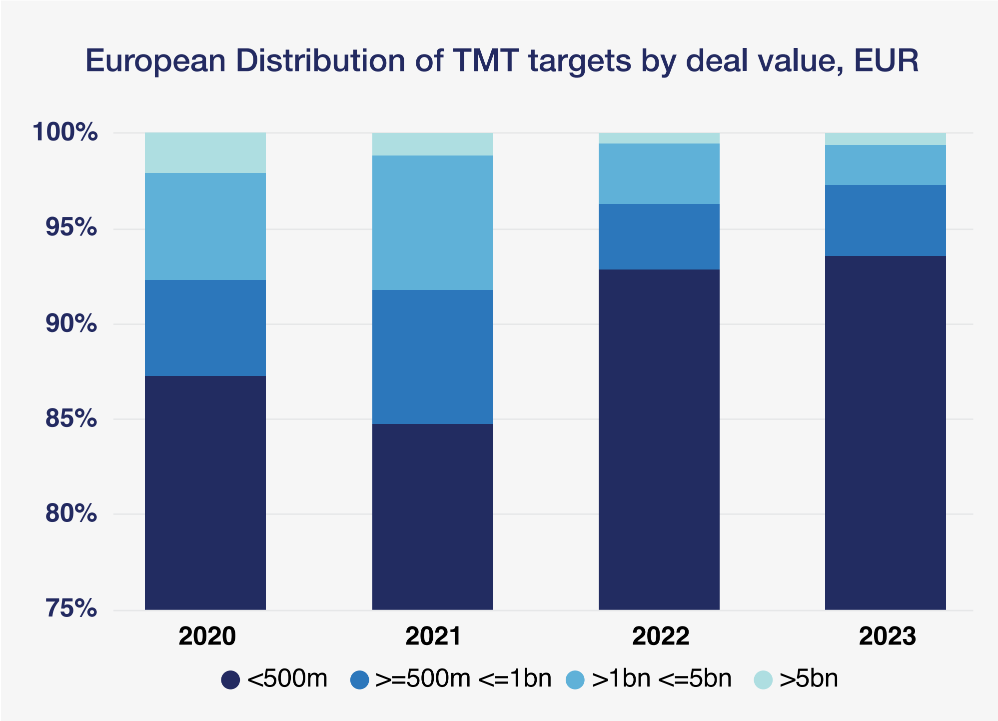
Europe TMT M&A deal values show strong surge in H2-23; smaller size deals increase their share

The European TMT market showed a 6.3% increase in deal value in FY 2023 compared to the previous year. The first six months of the year had a 25.4% lower deal value (EUR 67.9bn) in comparison to EUR 91bn for the same period a year ago. However, the deal values increased by almost 33% YoY in H2-23.

Some of the largest transactions of the second half of the year included TIM's BoD approval of the KKR's offer to acquire TIM's fixed network assets (NetCo) for up to EUR 22bn; and Permira and Blackstone's voluntary tender offer to acquire Adevinta for NOK 115 per share corresponding to the equity value of Adevinta of approximately NOK 141bn (EUR 12.4bn).

Despite the increased values in the second half of the year, smaller size deals dominated in Europe in 2023 with almost 94% of the transactions being below EUR 500m, the highest proportion of sub-EUR 500m deals over the last three years. In comparison, in 2022 this size of the deals represented around 93% and in 2021, around 85%. In FY 2023, there were 36 deals with a deal value over EUR 1bn in comparison to 47 in 2022, a decline of 23.4%.





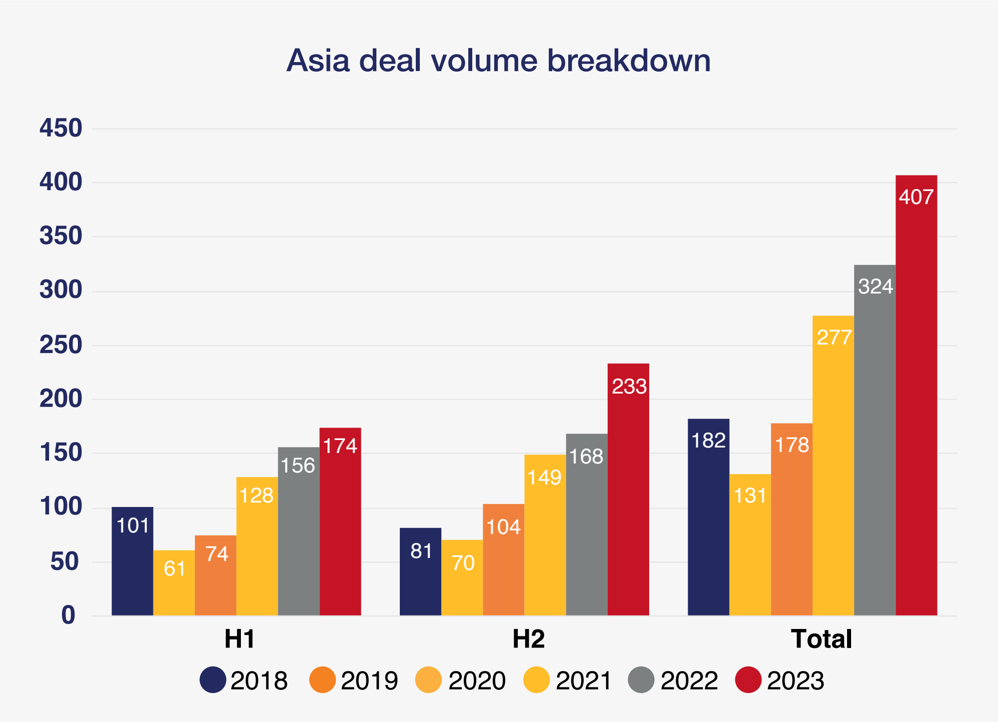
Asia TMT M&A activity up, with a strong increase in volumes in FY 2023

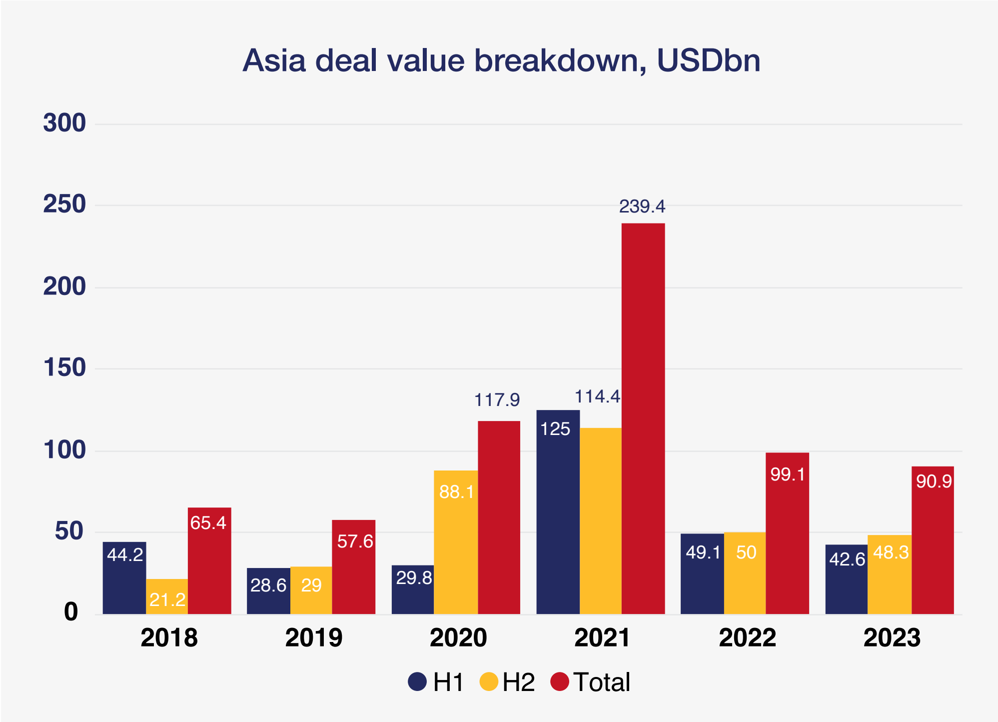
Asia TMT showed strong growth in FY 2023 with 407 deals announced for a total deal value of around USD 91bn - a 25.6% increase in volume but an 8.3% drop in value compared to the previous year.

The almost 26% increase in volume for the year was the highest across all regions. Asia showed a very strong recovery in 2021 and 2022 in deal volumes but FY 2023 saw the highest activity over the last six-year period.

TMT M&A activity in Asia grew significantly especially in the second half of 2023; during this period a total of 233 new transactions for USD 48.3bn were announced, the most of any six-month period since 2018, in terms of volume.

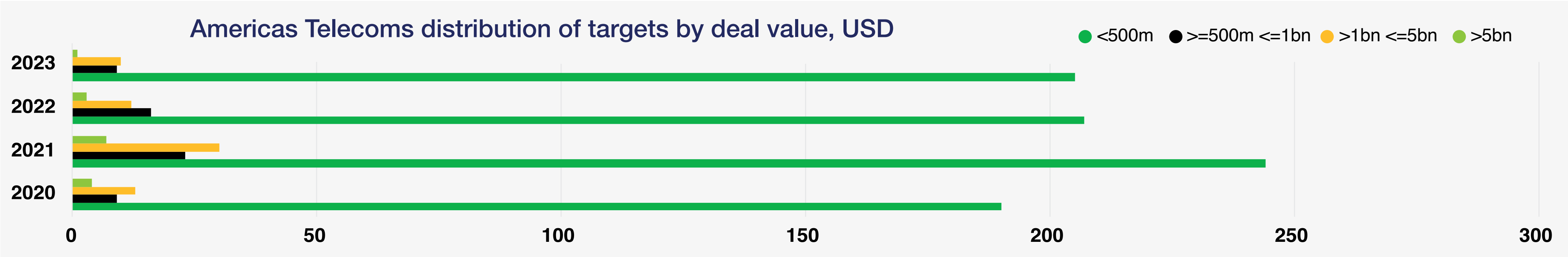
Following a very strong recovery in 2021, when deal values more than doubled at around USD 240bn, in comparison to USD 118bn in 2020, M&A activity in Asia shows a similar picture to other regions with volumes increasing but values staying flat or declining, though in Asia, in FY 2023, deal values dropped less significantly than in the previous year, FY 2022 showed an almost 60% drop in values YoY.

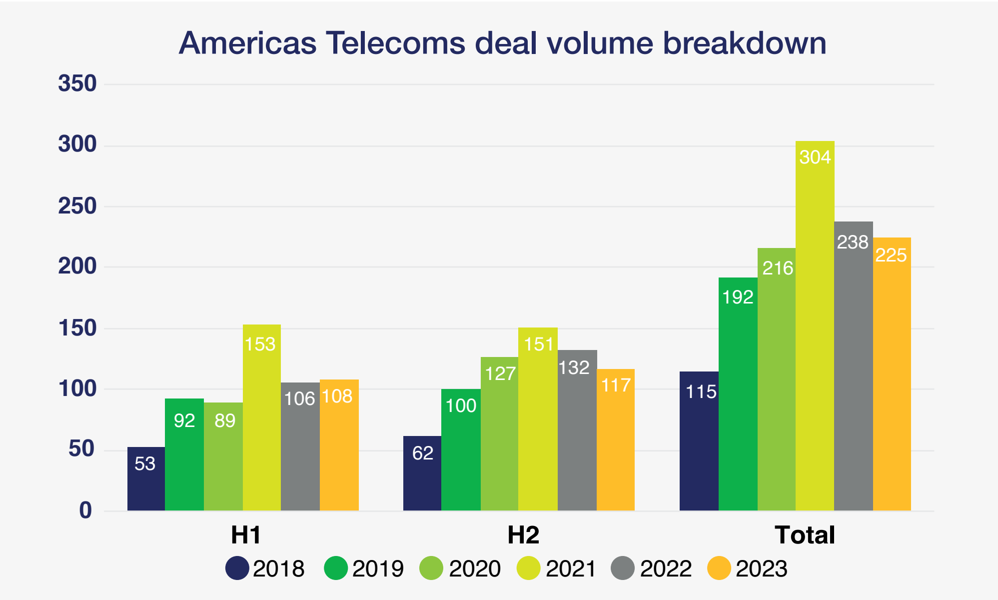


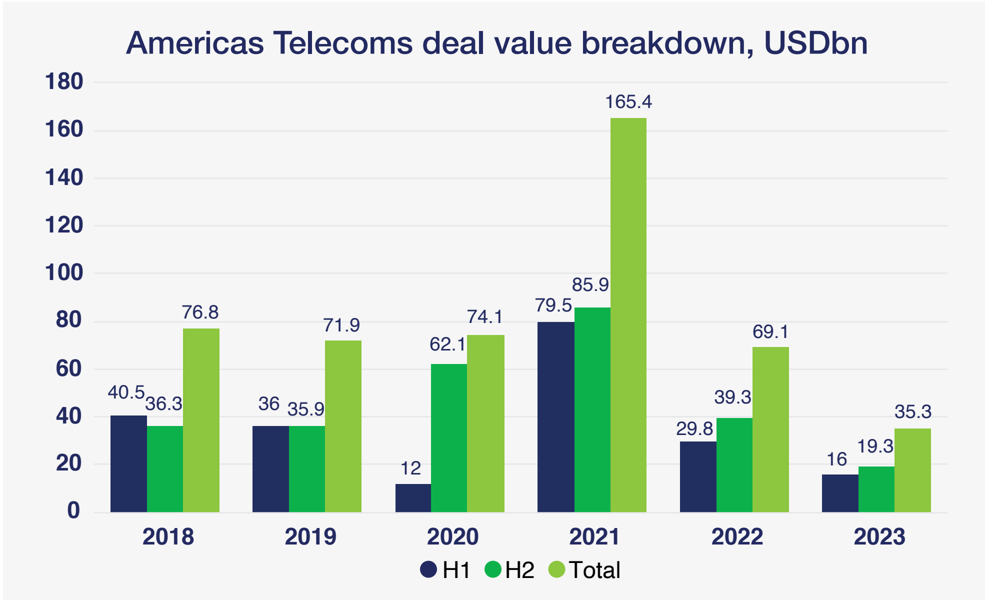


Americas Telecoms: Both deal volumes & values are still down, smaller size deals dominated

Americas Telecoms showed another decline in both deal values and volumes for FY 2023 with 225 new deals announced (-5.5% YoY) for total of around USD 35bn – an almost 49% decline in comparison to last year. Smaller size deals dominated even more strongly this year with 91% of transactions being below USD 500m, increasing from 87% in 2022 and 80.3% in 2021. However, deal volumes recovered in the first half of the year (almost +2% YoY) but declined again in H2-23 (-11.4% YoY), experiencing a much softer decline in comparison to deal values. Deal values declined significantly throughout FY 2023, by 46.3% and around 51% in each half of the year respectively. FY 2021 had the highest values for the period beginning in 2018, USD 165.4bn. The following year, 2022, recorded a significant decline in values to USD 69bn. The trend looks to continue this year.







Americas Technology: volumes and values increasing in H2-23

Americas Technology showed an active FY 2023, with 1,940 deals announced (1) with a total value of around USD 214bn.

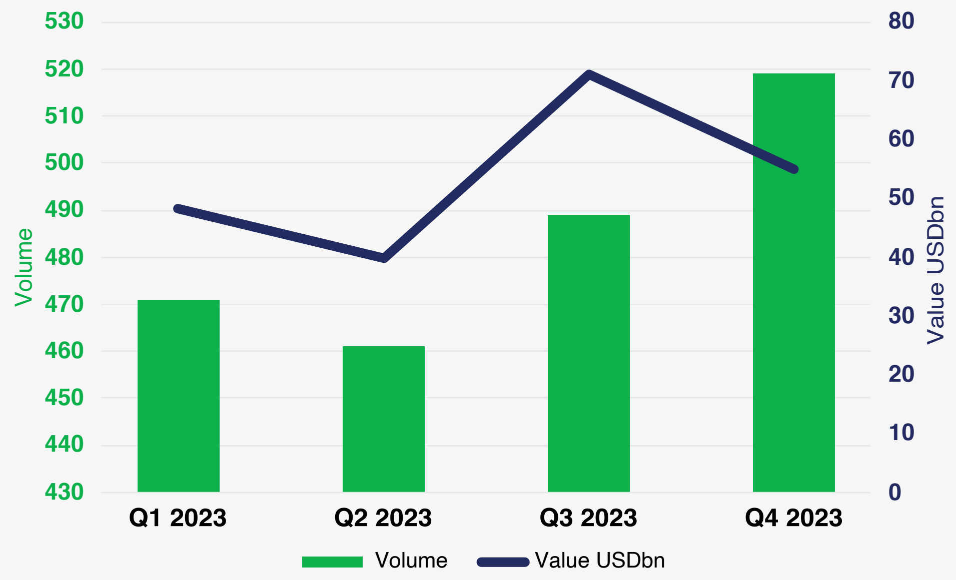
Deal volumes slowed down 2% in the second quarter of the year and values declined by more than 17% in comparison to Q1-23, but activity has been increasing from the third quarter on and for the rest of the year (+6% QoQ). Deal values were volatile, dropping in the Q2 and Q4, but increasing significantly in Q3-23 to USD 71bn, a 78% growth in comparison to Q2-23. Despite volatility the second half of the year showed a strong growth in comparison to H1-23 with both volumes and values increasing by 8.2% and 45% respectively.

Some of the largest deals included Cisco's agreement to acquire Splunk, a cybersecurity specialist, at USD 157 per share in cash for a total equity value of USD 28bn; the acquisition of Qualtrics by Silver Lake in an all-cash transaction that valued the target company at approximately USD 12.5bn; and Nasdaq's acquisition of Adenza, a software provider for the financial services industry, for USD 10.5bn in cash and stock.

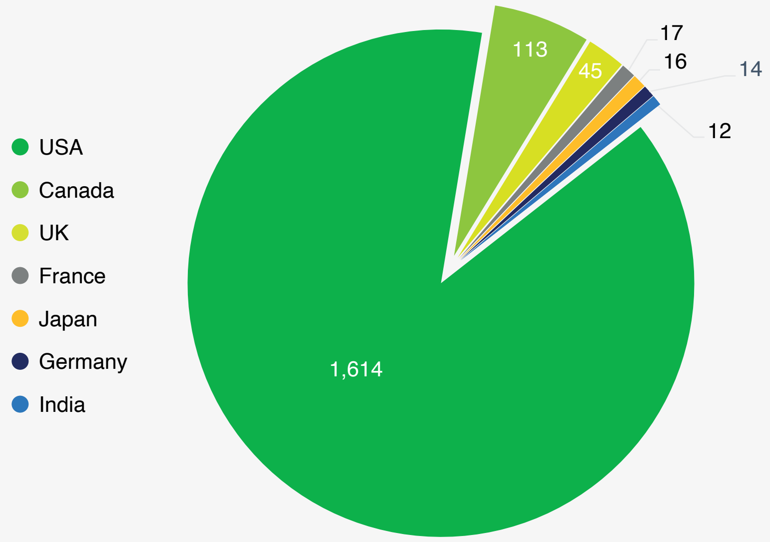
The US was the most represented country for the Americas Tech bidders with over 83% of total deal activity in the sector in FY 2023, followed by Canada (5.8%) and the UK (2.3%).

1.TMT Finance covers Americas Tech in the deal database from January, 01 2023.

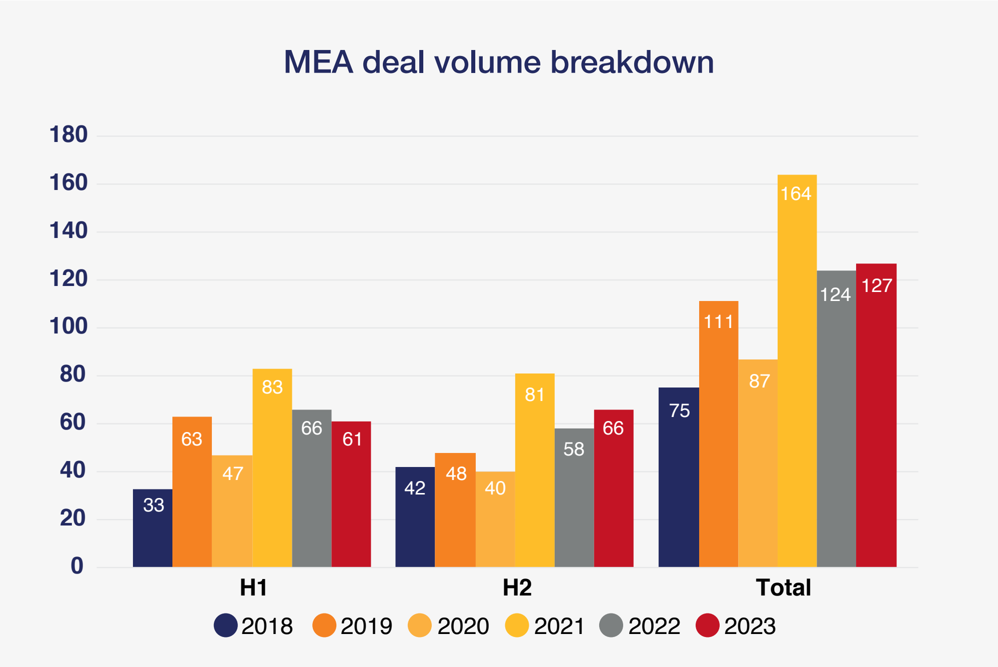
Americas Technology deal breakdown by volume and value

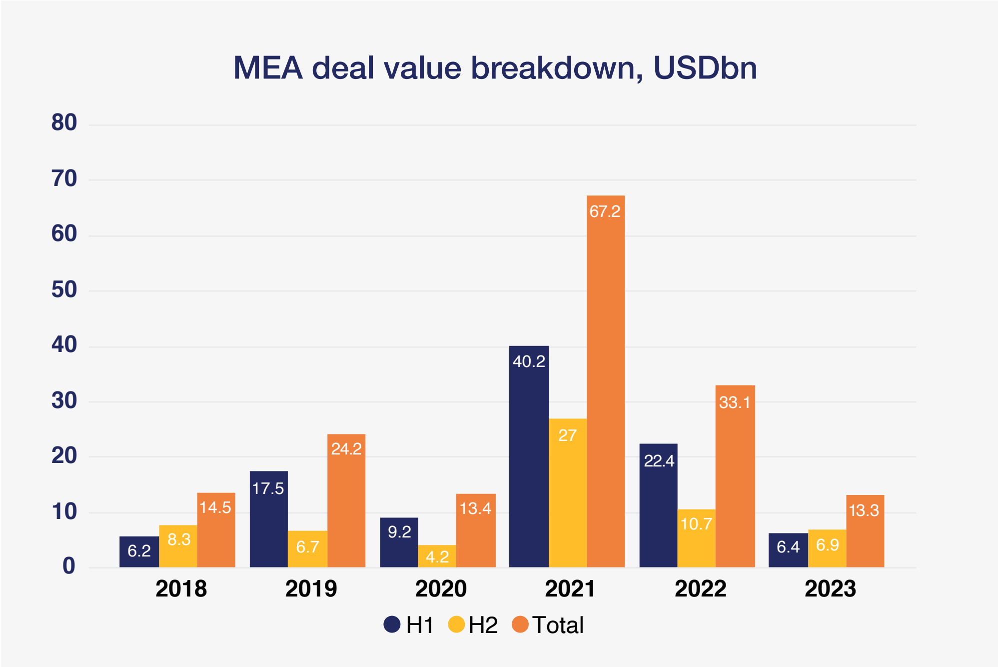


Americas Technology deal volume breakdown by bidder country



MEA showed a slight increase in volumes but declining values in FY 2023 with 127 deals announced for a total value of USD 13.3bn, a 2.4% increase in volume and around 60% decline in deal value compared to the previous year.

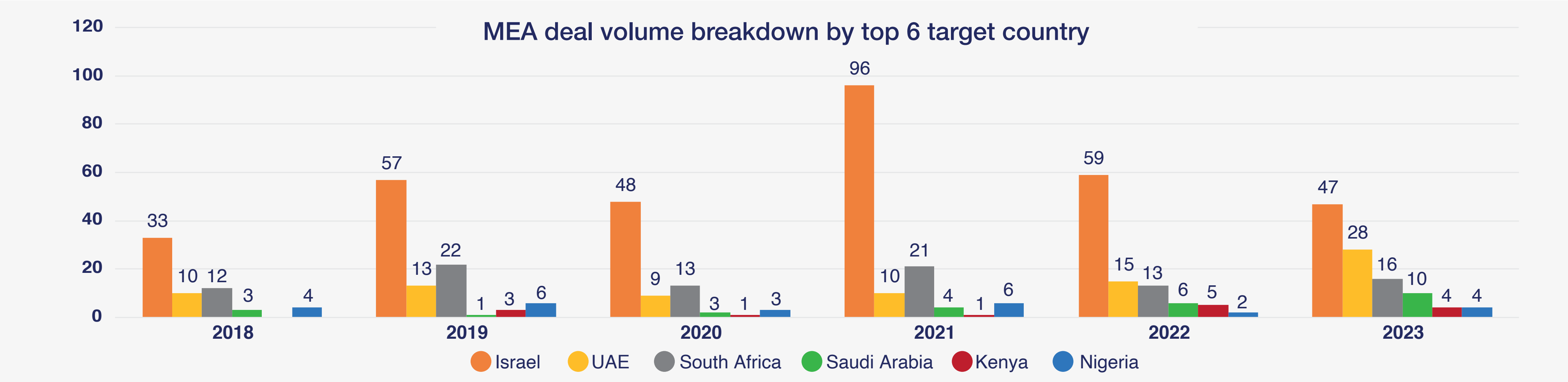


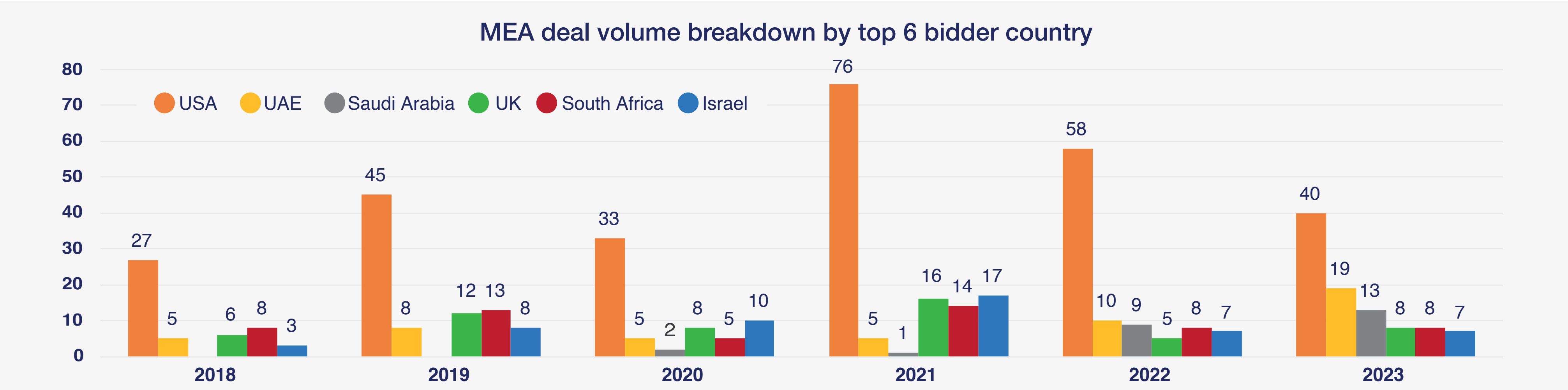


MEA: volumes up YoY; Israel dominated as target; UAE makes gains in region

Israel still dominates as the target country with 47 deals in 2023, around 37% of the total, but declining from the 47.6% in FY 2022. UAE follows with 28 deals (22%), almost doubling its share from 12.1% in 2022. South Africa and Saudi Arabia both showed increased share as target countries YoY, with 16 deals (12.6%) and 10 deals (7.9%) respectively.

USA remains the most active buyer in the region, with 40 deals, almost 32% of all deals announced during the period, but still a significant decrease from 46.8% in FY 2022. UAE is the second active buyer in the region with a 15% share, significantly increasing its share from 8.1% last year, followed by Saudi Arabia with a 10.2% share, a significant increase from below 1% for 2021.



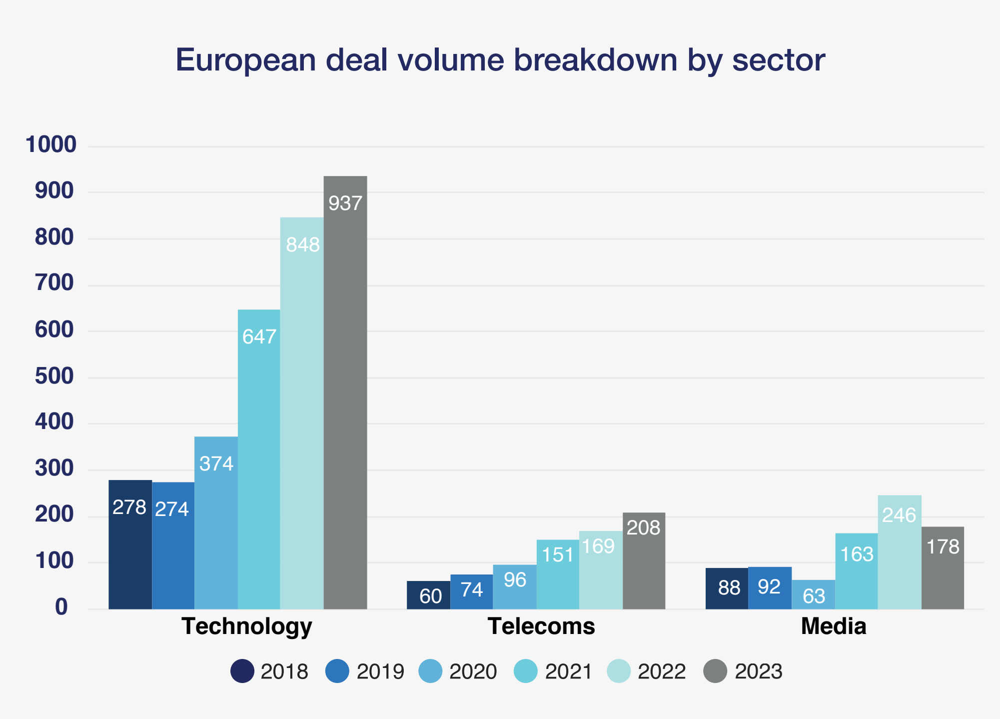


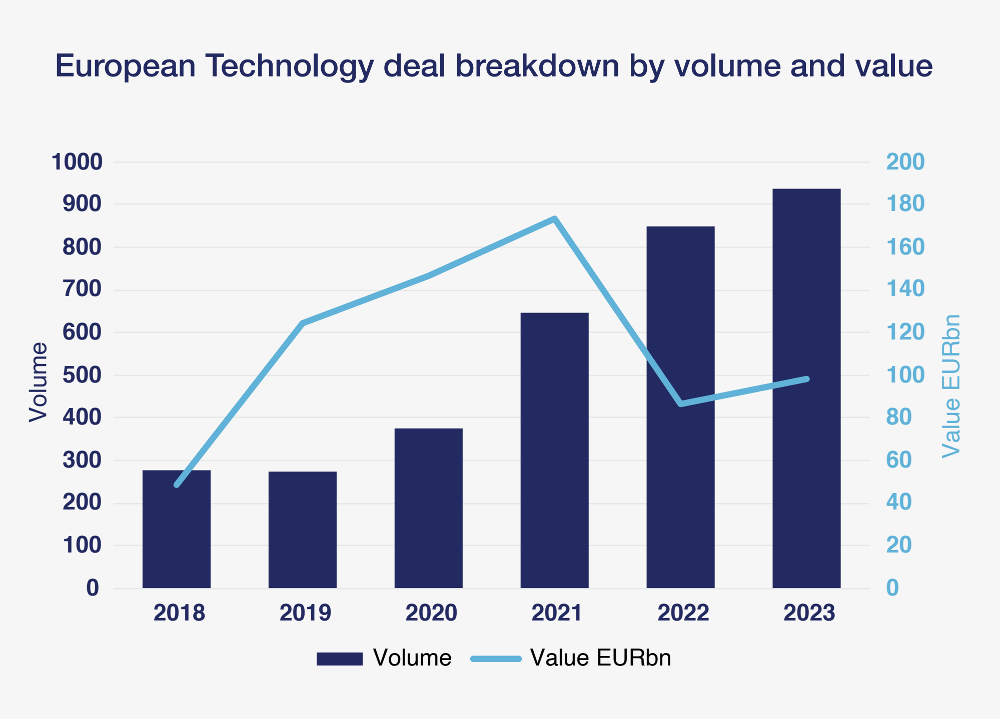
Europe: Technology M&A still dominates; both volumes and values increasing YoY

In FY 2023, the Technology sector remained the most active sector globally. In Europe, with 937 announced transactions, it represented almost 71% of all TMT activity, increasing its share from 67% in FY 2022, and followed by Telecoms (15.7%) and Media (13.5%).

In terms of volumes, Europe's Technology sector showed an 11% increase YoY, while EUR 98bn values showed even stronger growth of 14% in comparison to the previous year.

Last year showed a significant drop in values, down from EUR 173bn in 2021 and EUR 147bn in 2020. This was almost certainly due to the tightening of the debt markets and increased cost of capital in the latter part of 2022, which affected the larger deals in the technology sector, in particular.

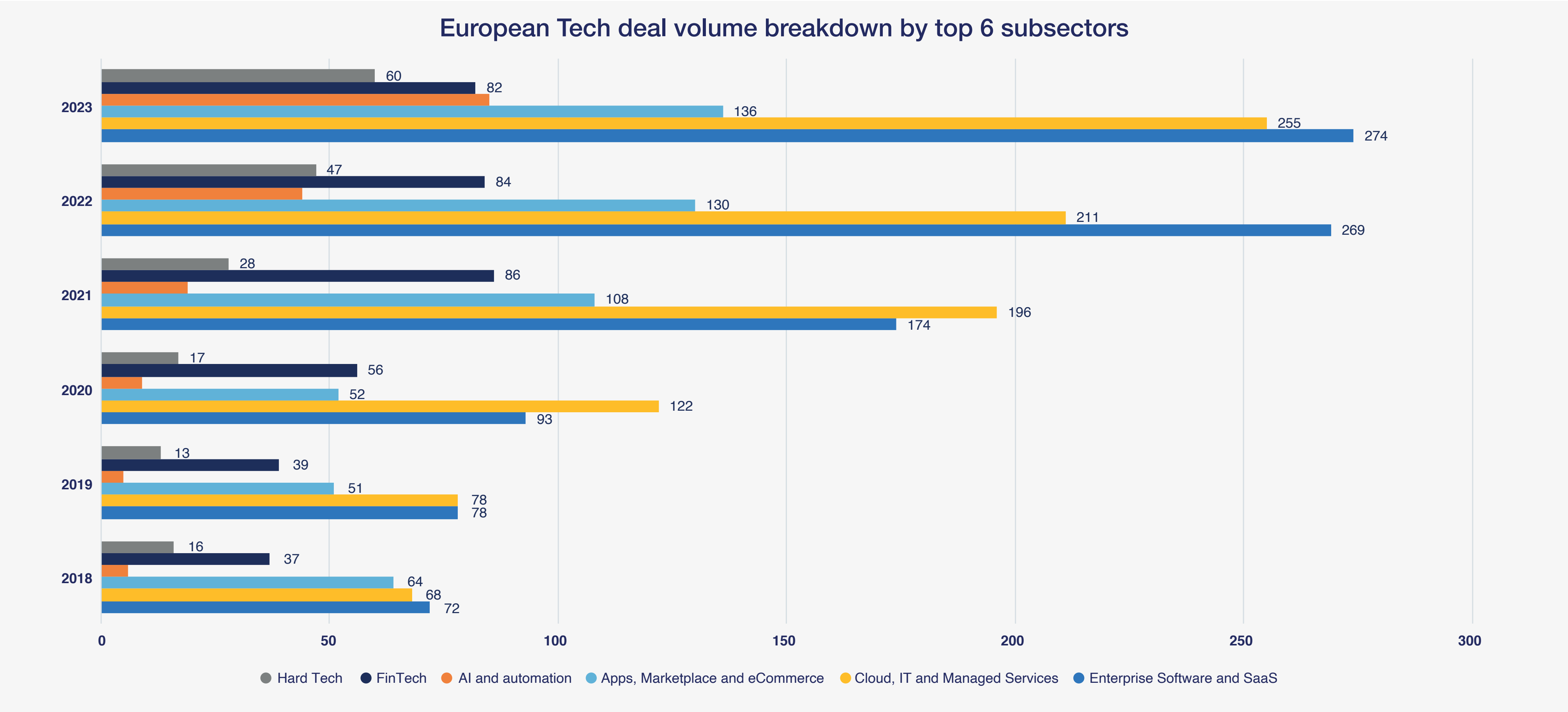




In European Technology, the Enterprise Software and SaaS subsector is leading volumes with 274 deals — around 29% of all deals announced in FY 2023 - but decreasing its share from 31.7% in FY 2022. The second most active subsector was Cloud, IT, and Managed Services (27.2%), which increased its share from 25% of total activity in 2022.

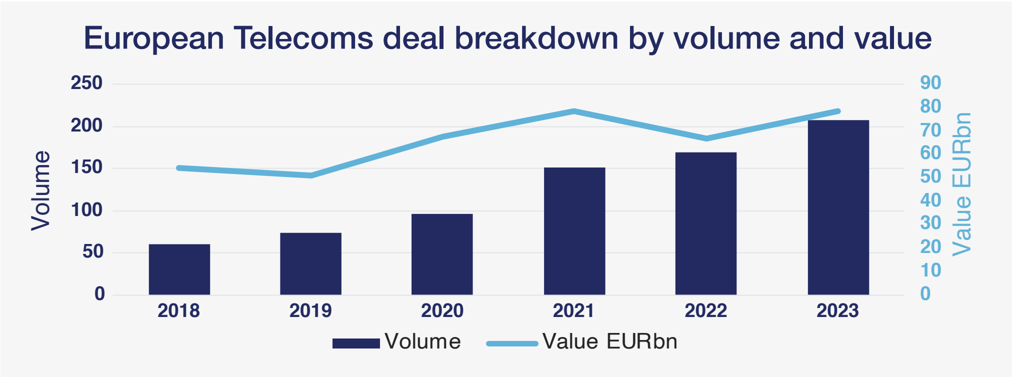
AI and automation showed a robust increase of 93% in volume YoY, with 85 deals this year, gaining a 9.1% share of the total sector activity. There was a decline of around 27% and 32% in the deal volume in Cybersecurity IoT subsectors respectively.

Apps, Marketplace and eCommerce, and FinTech are still active with around 14.5%, decreasing from 15.3% in 2022, and 8.8% share (9.9%), respectively.

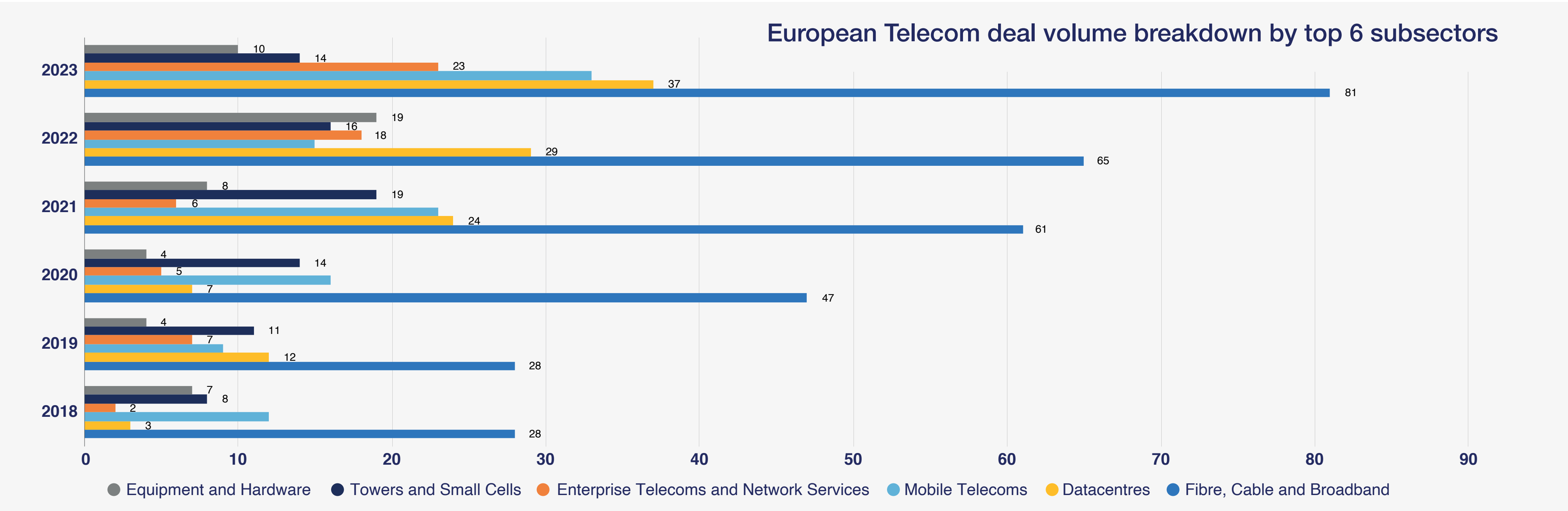


Europe: Telecoms volume and value strong; Fibre, Cable and Broadband remains active

In European Telecoms, 208 deals were announced during FY 2023, with a total value of around EUR 79bn, a 23% increase in volume and a 17.3% increase in value in comparison to FY 2022.



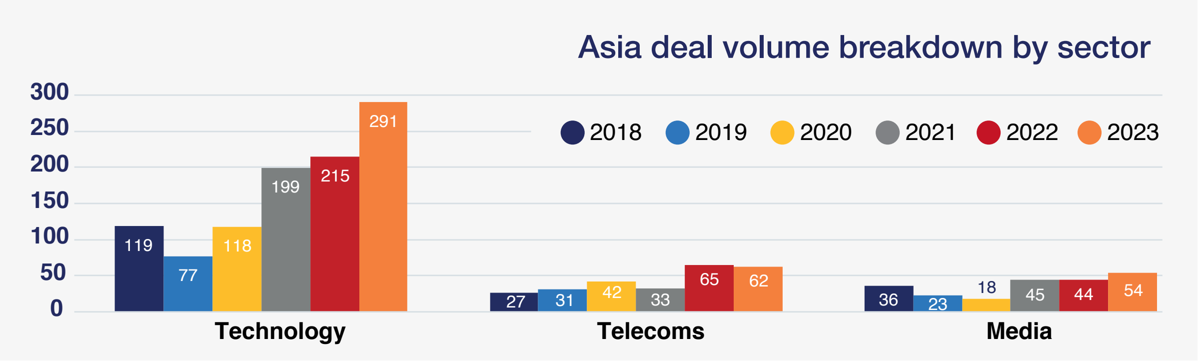
Fibre, Cable and Broadband remained the most active subsector with around 39% of the total sector activity (38.5% in 2022), followed by Datacentres (17.8%). Mobile Telecoms showed a strong growth of 120% in volumes this year, with 33 deals compared to 15 deals last year. In contrast, Equipment and Hardware showed a major decline of 47% in volumes, with 10 deals compared to 19 deals in 2022.



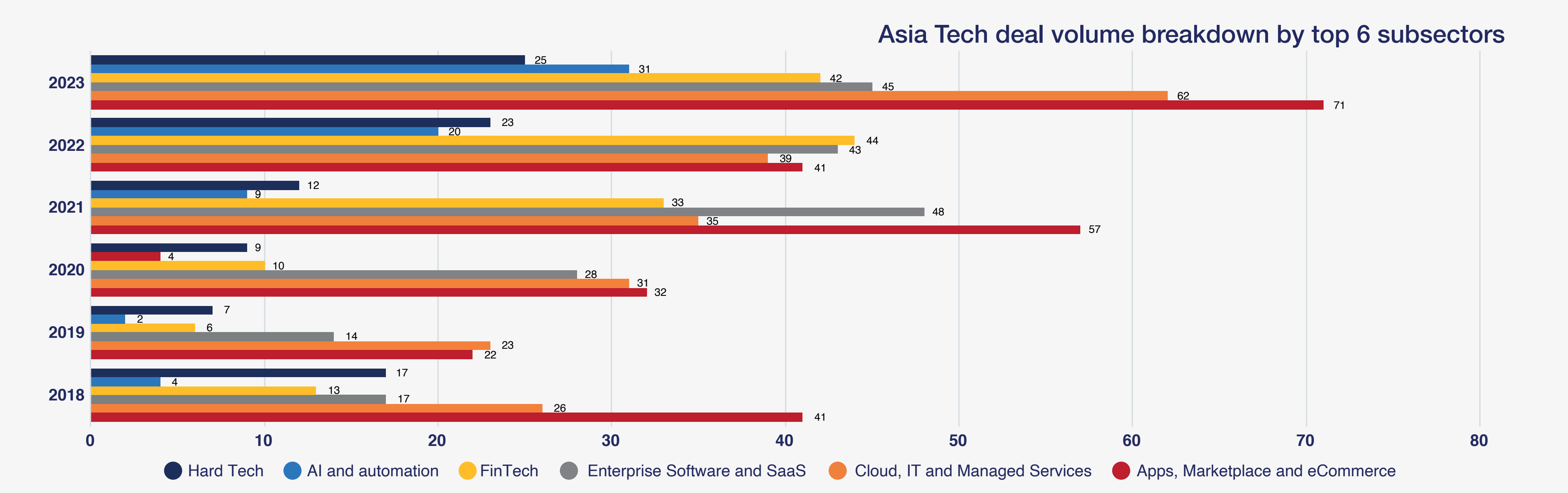
Asia: Technology M&A increases deal share within TMT. eCommerce and Cloud remain largest subsectors

Technology is dominating Asian TMT activity, with 291 or 71.5% of all announced deals in FY 2023, increasing significantly from around 66.4% in 2022. On a YoY basis this shows around 35% growth in Tech deals in the region.

Telecoms, meanwhile, showed a decrease in the total deal activity share to 15.2% from 20.1% in 2022, followed by Media with 13.3%.

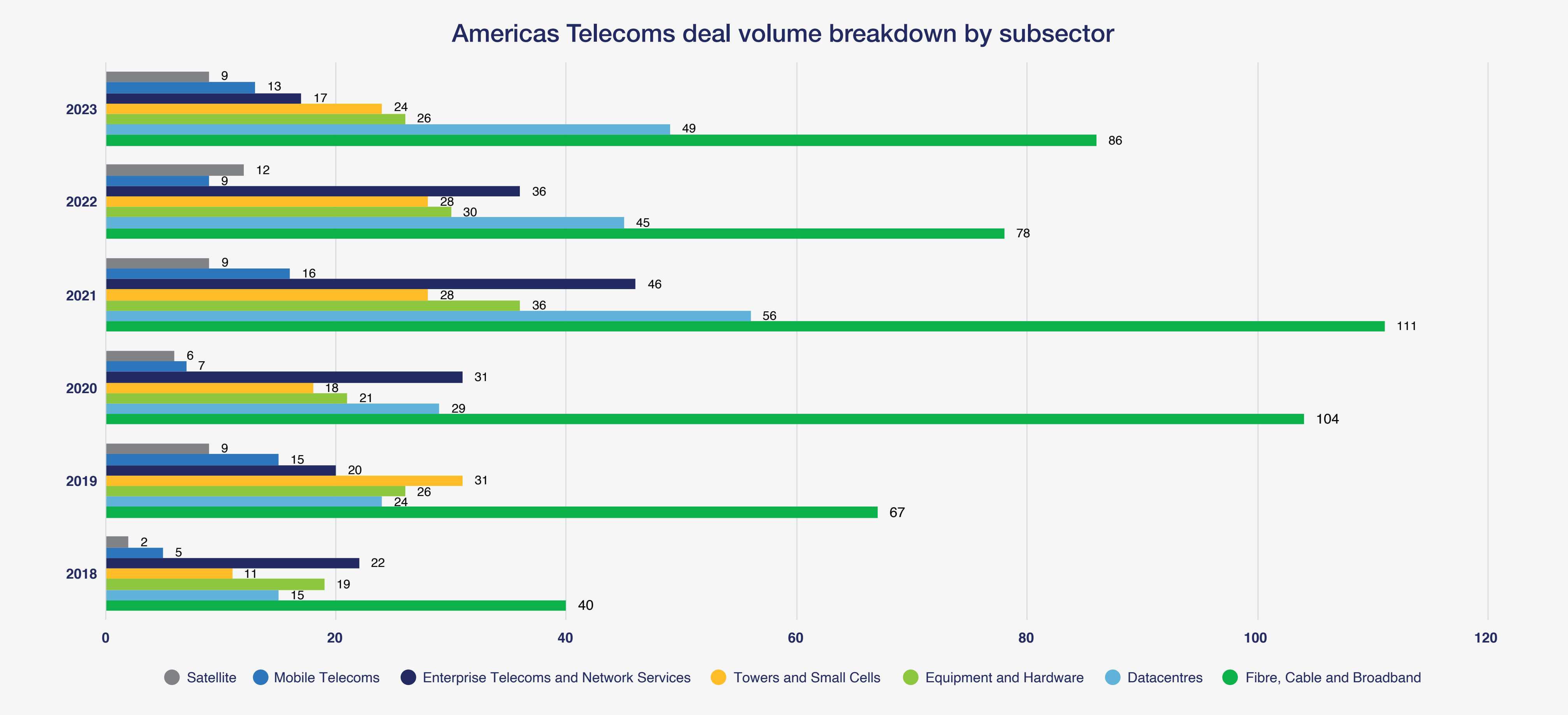


Apps, Marketplace and eCommerce and Cloud, IT and Managed Services showed strong growth to 24.4% and 21.3% each of the Technology sector in Asia in FY 2023 from 19% and 18% respectively in 2022. FinTech, Enterprise Software and SaaS and Hard Tech all showed a decline in activity



Americas Telecoms: Fibre, Cable and Broadband remains active and increasing YoY

In Americas Telecoms, the most active subsector in FY 2023 was Fibre, Cable and Broadband with a 38.2% share of the total deal activity, increasing from around 32.8% in 2022. Datacentres followed with 21.8%, also increasing from 19% in 2022. In comparison, Enterprise Telecoms and Network Services showed a sharp decline with 17 deals in 2023, which was less than half of the 36 transactions done in the previous year, dropping its share of activity to 7.6% from 15% in 2022.



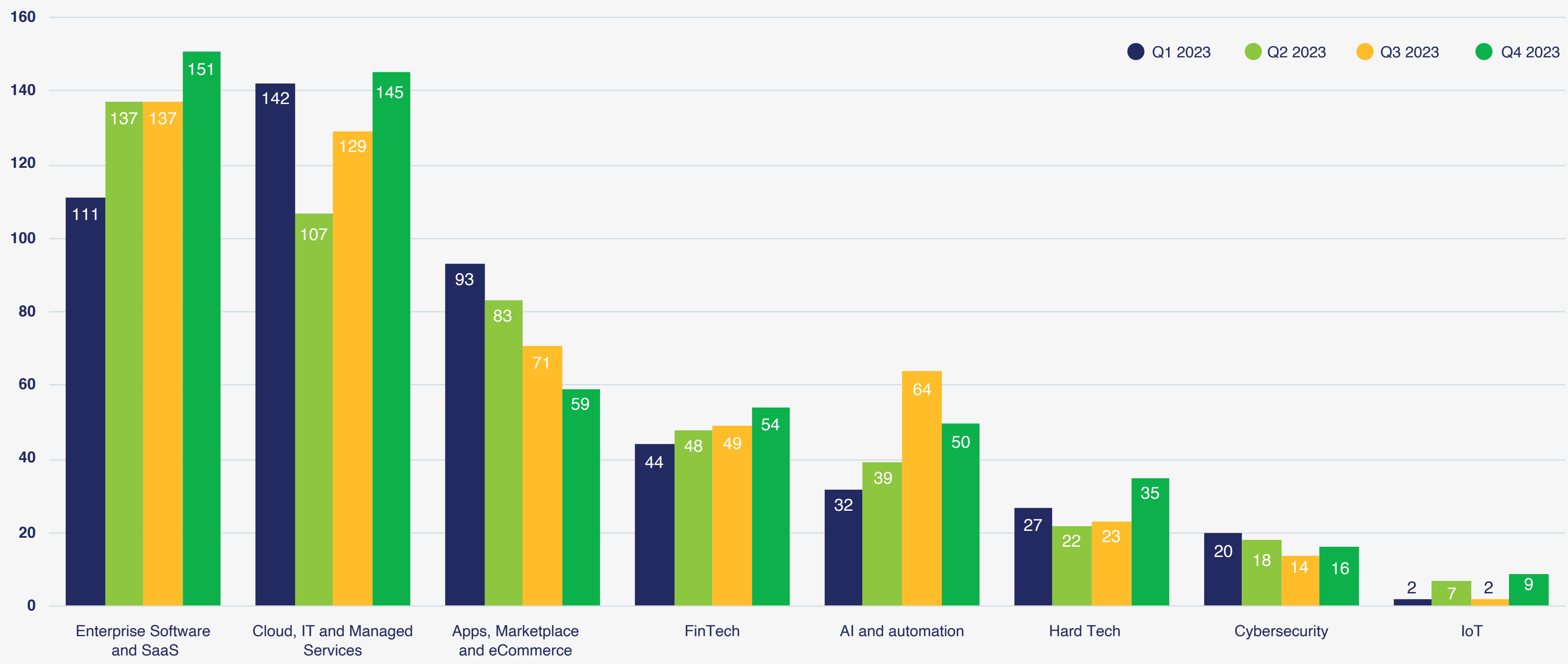
Americas Tech: Enterprise Software and Cloud most active subsectors. eCommerce declining

In Americas Technology, the most active subsector in FY 2023 was Enterprise Software and SaaS with 536 announced deals (1), followed closely by Cloud, IT and Managed Services (523 deals), and representing a 27.6% and a 27% share in the total Tech activity in the region respectively.

Apps, Marketplace and eCommerce is the third most active subsector in FY 2023 with a 15.8% share. However, there was a continuing decline in volumes over the year from 93 deals in Q1-23 to 59 deals in Q4-23.

1.TMT Finance covers Americas Tech in the deal database from January 01, 2023.

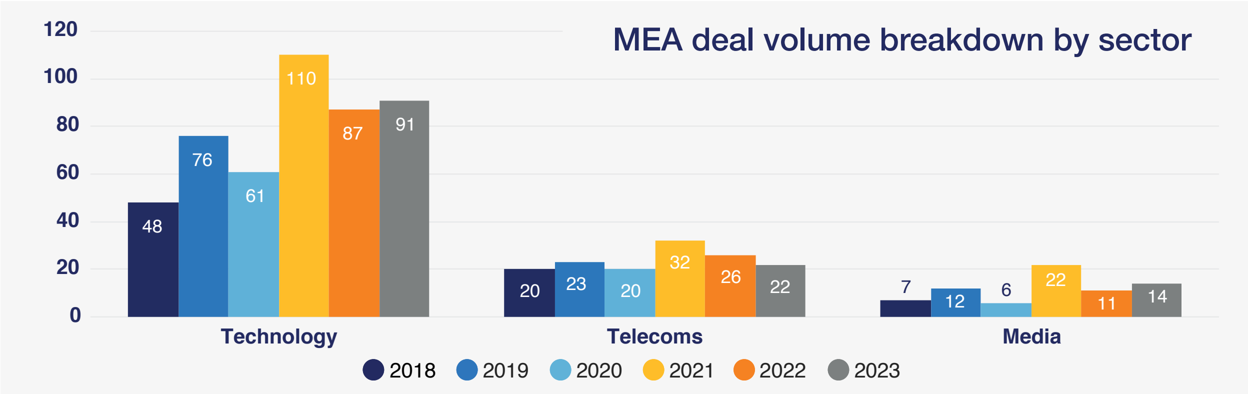
Americas Technology deal volume breakdown by target subsector



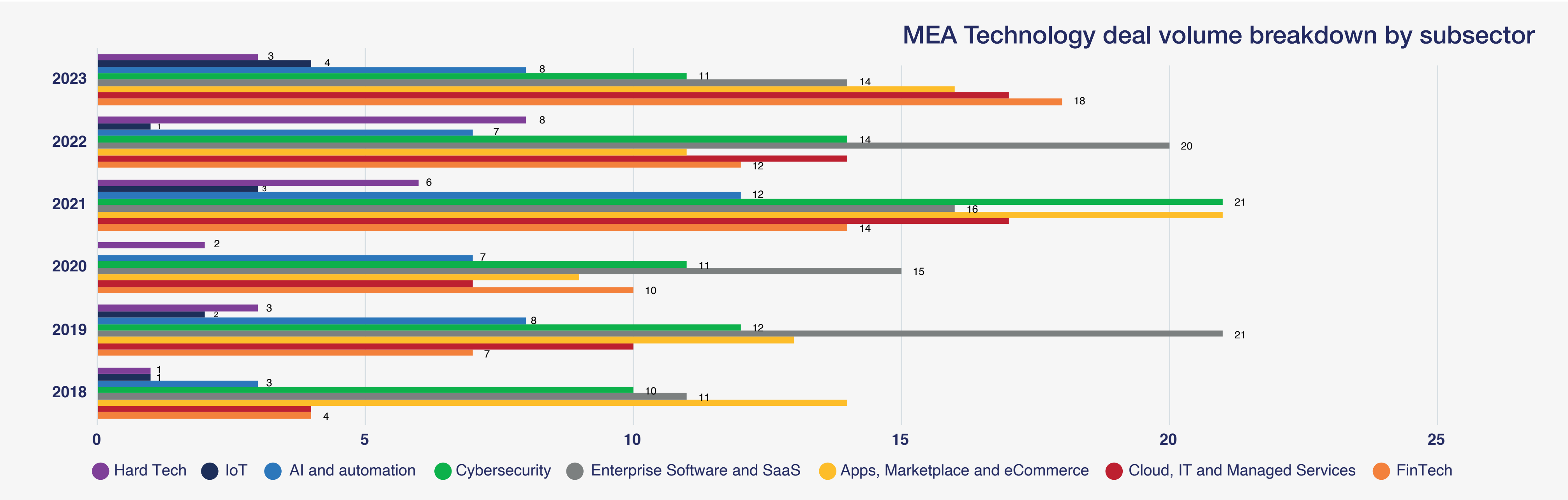
MEA: In M&A Technology, FinTech most active; Apps, Marketplace and eCommerce shows strong growth

Technology is also the most active sector in MEA, with a 71.7% share, increasing from around 70% in FY 2022.

Telecoms recorded decreasing activity, 17.3% in FY 2023 in comparison to 21% in FY 2022.



FinTech, with 19.8% share of the total activity, and Cloud at 18.7%, were the leading subsectors in FY 2023. Enterprise Software (15.4% vs 23% in 2022) and Cybersecurity (12% vs 16%) showed a significant decrease in activity this year, while Apps, Marketplace and eCommerce showed a strong growth (17.6% vs 12.6%).



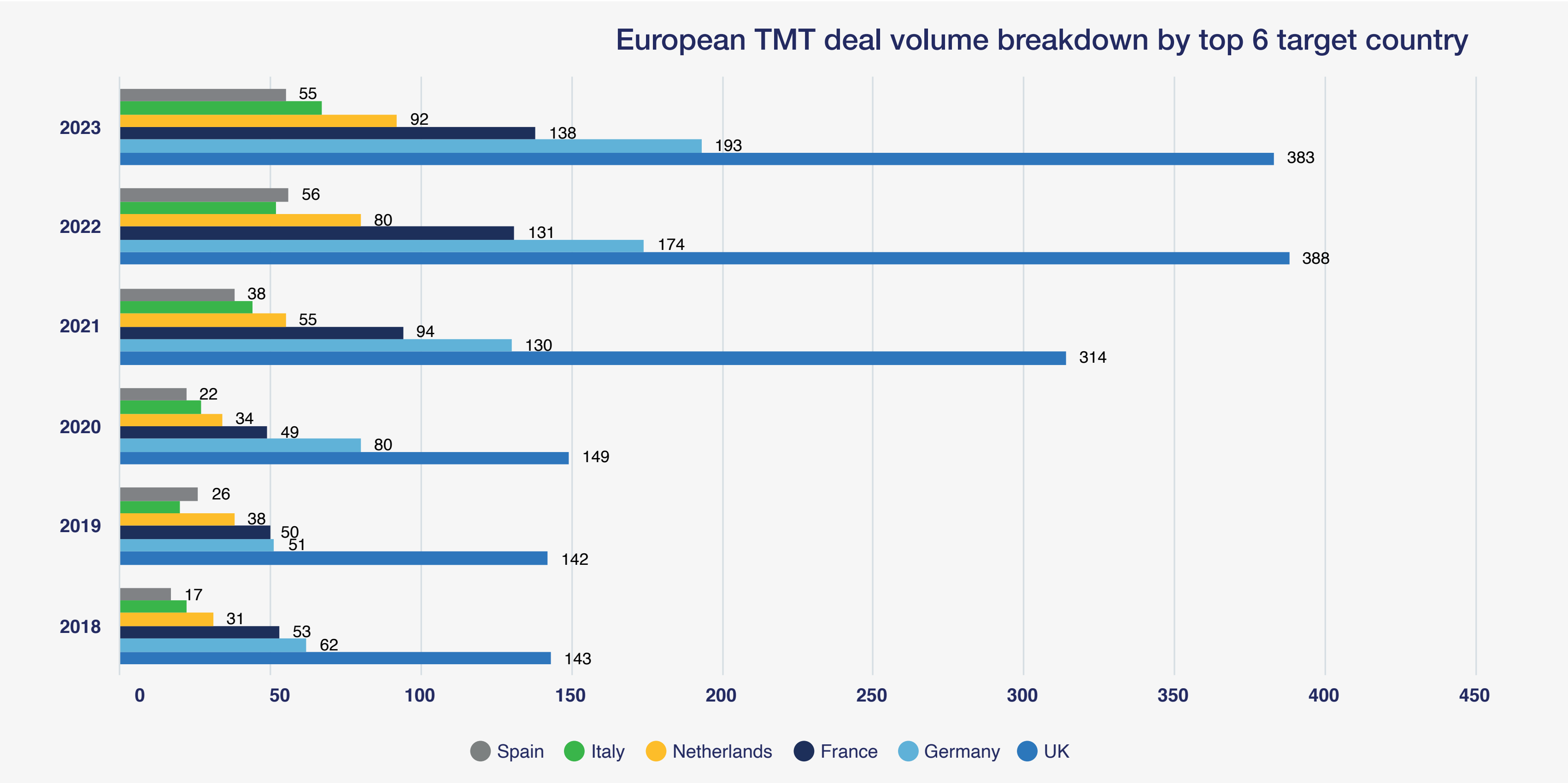
Europe: UK maintains country leader position for M&A targets; US increases share of buy side activity

The UK continues to be the most represented country with 383 deals, 29% of total deal activity in Europe in 2023, but decreasing from almost 31% in FY 2022 and around 33% in 2021.

Germany is the second busiest market after the UK, 15% this year with 193 deals, increasing from a 14% level of activity in 2022, followed by France with a 10% share and the Netherlands (7%).

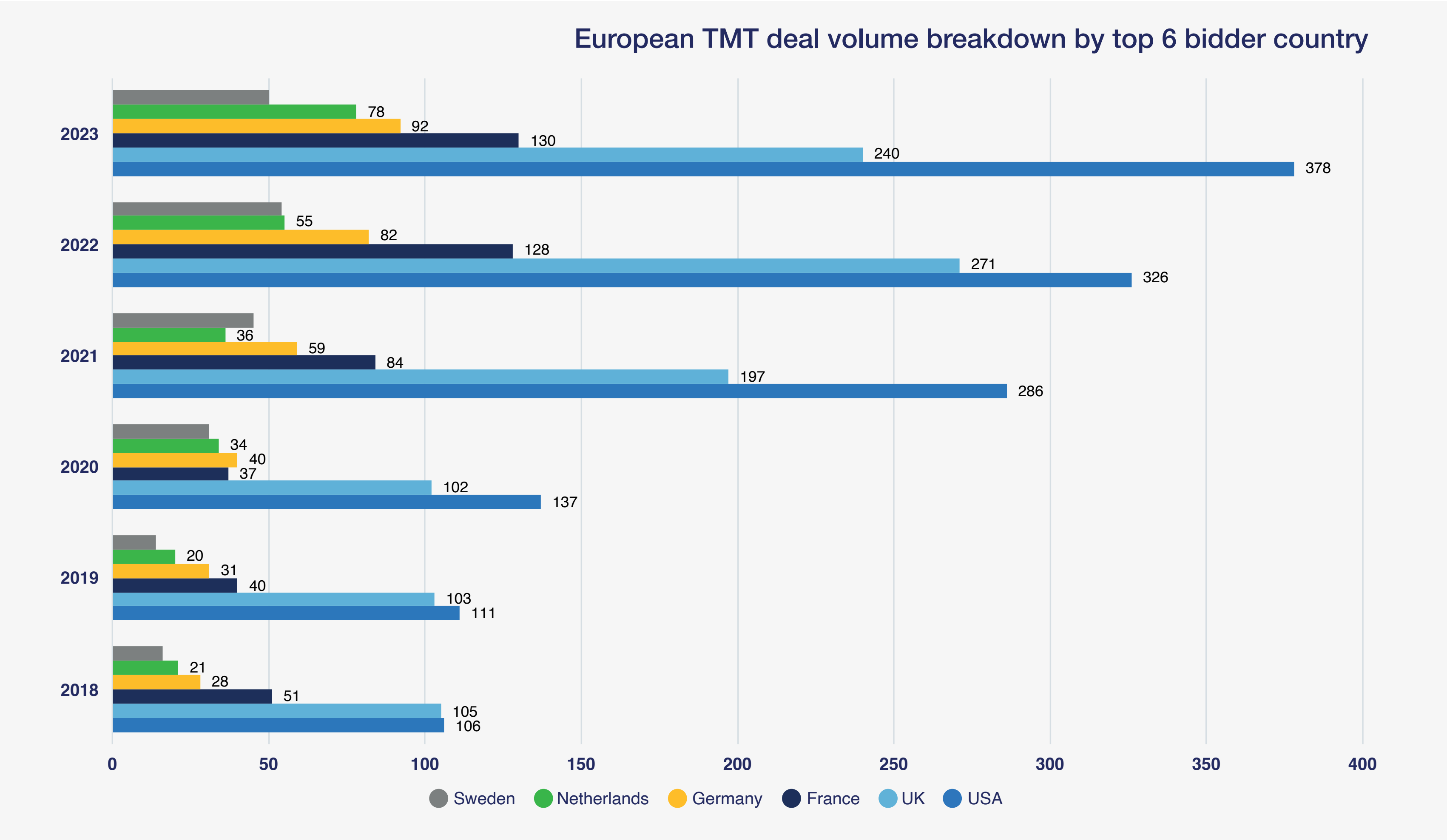
Italy showed an increased activity this year with 67 announced deals in comparison to 52 in 2022, and a 5% share of activity (4% in 2022).

Belgium was another active market during 2023, showing a 28% increase in volume from 32 to 41 deals. Poland experienced even higher growth (33%) in volumes, from 24 deals last year to 32 deals in 2023.



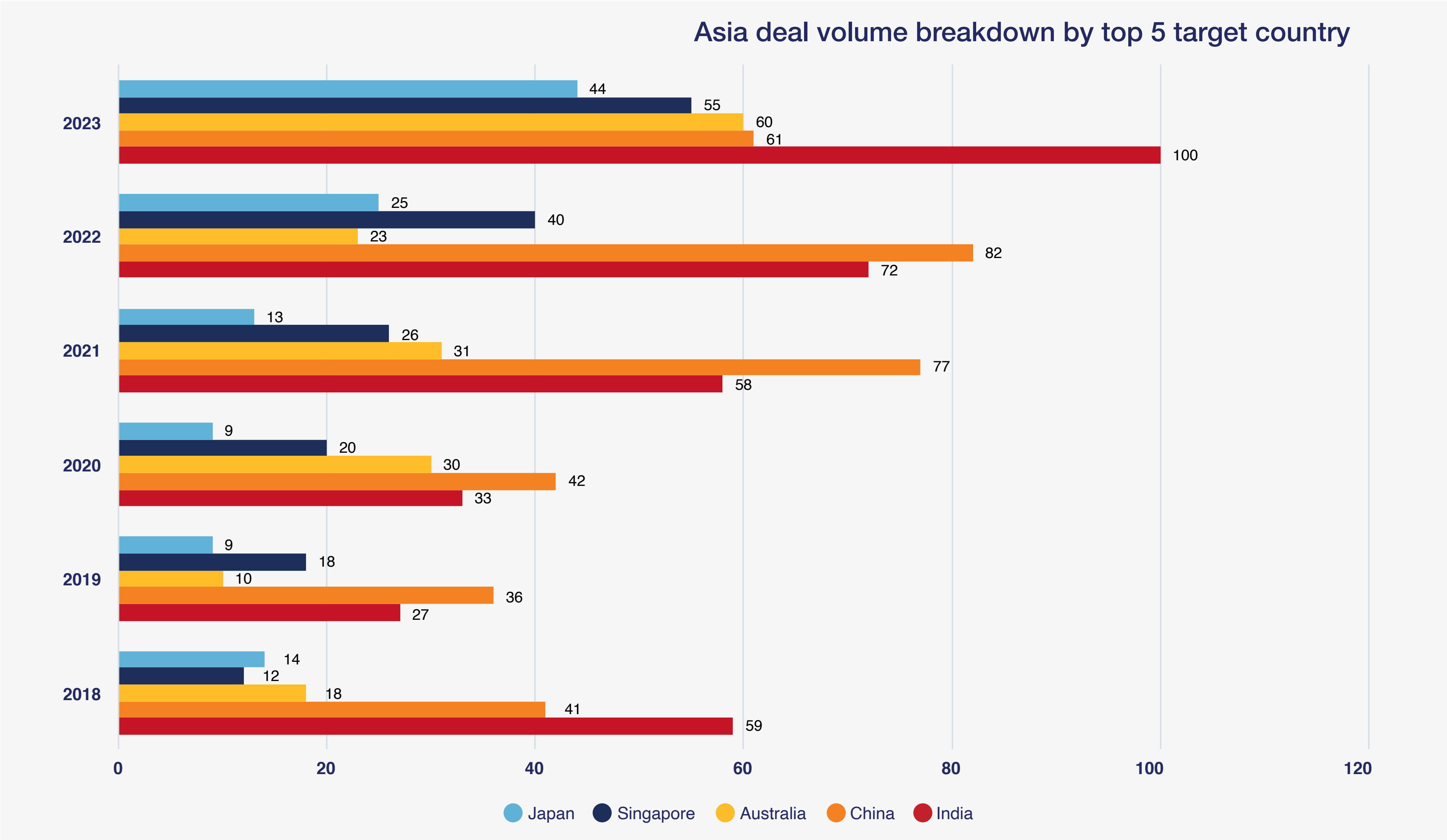
Europe: UK maintains country leader position for M&A targets; US increases share of buy side activity

The US was the most active bidder country for European TMT acquisitions in FY 2023 with 378 deals (28.6%), significantly increasing its share from 25.8% in FY 2022. The US is followed by the UK with 240 (18.1% vs 21.5% in 2022). This gap is widening again, as in 2021 when the US was involved in 286 transactions as a buyer, while the UK participated in 197 deals with almost 30% and around 20% of the total activity respectively. The other active buyers are France (9.8%), Germany (7%) and the Netherlands with 5.9%, increasing its share from 4.4% in FY 2022.



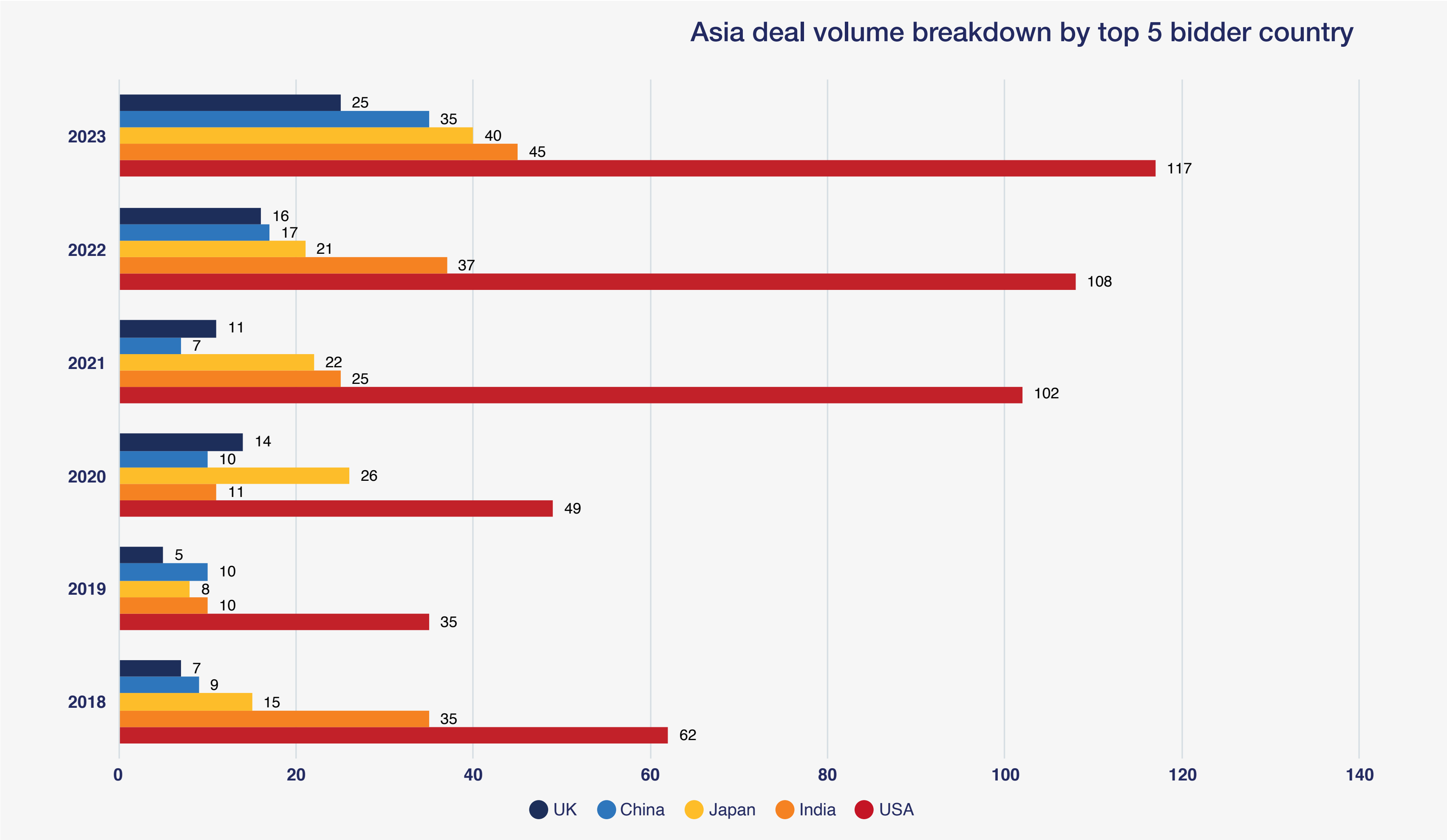
Asia: India has surpassed Australia on M&A targets; share increases in China and Japan

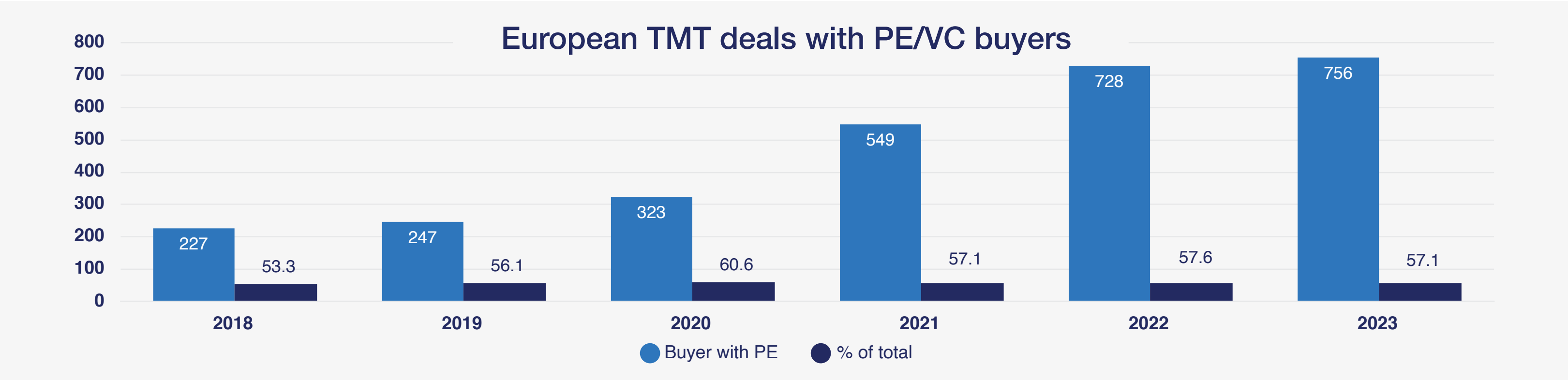
In Asia, India dominates as the most active country for TMT targets with 100 deals (24.6%), followed by Australia and China with 61 and 60 deals respectively. In FY 2022 Australia dominated with 25.3% of all targets, however its share dropped significantly to 15% in FY 2023. China, meanwhile, has shown increased activity from 23 deals (7.1%) in 2022 to 60 deals (14.7%). Singapore and Japan follow with 13.4% (12.3% in 2022) and 10.8% (7.7% in 2022) respectively.



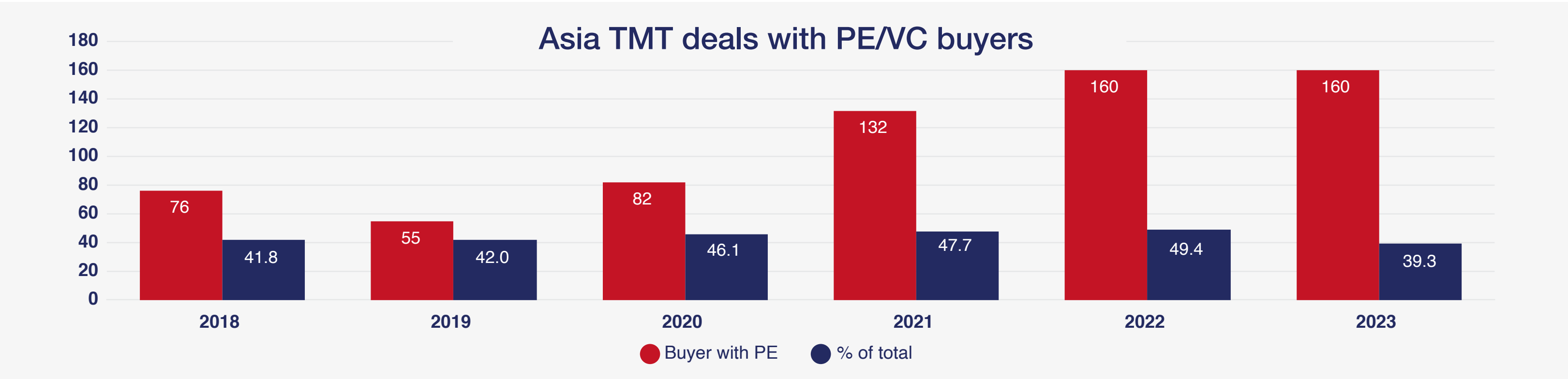
Asia: India has surpassed Australia on M&A targets; share increases in China and Japan

The US continues to be the most active bidder country in Asia with 117 deals, representing around 29% of the total activity, but declining from 33.3% in 2022. The US is followed by India with around 11 % of the volumes, China (9.8% increasing from 6.5% in 2022) and Japan (8.6% vs 5.2%).

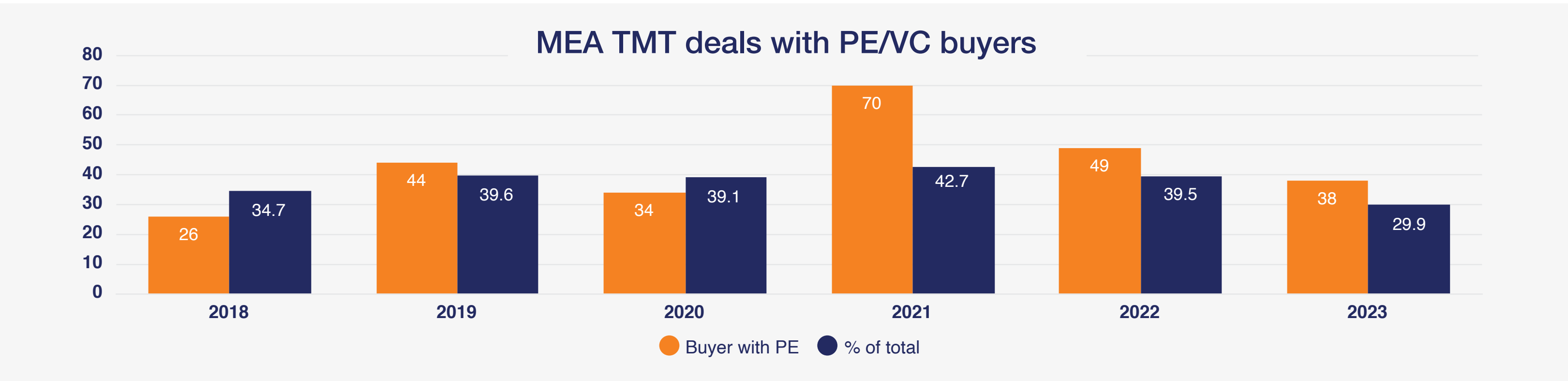




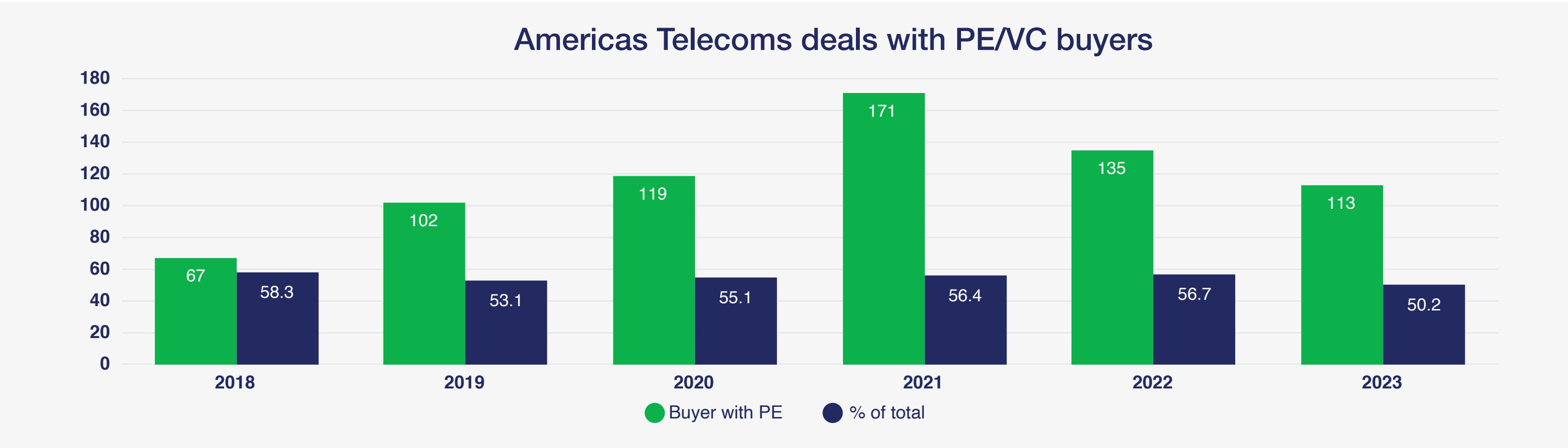
In Europe, deals backed by private equity or venture capital are still declining, with 57.1% of all announced deals, in comparison to 57.6% last year and 60.6% in FY 2020.



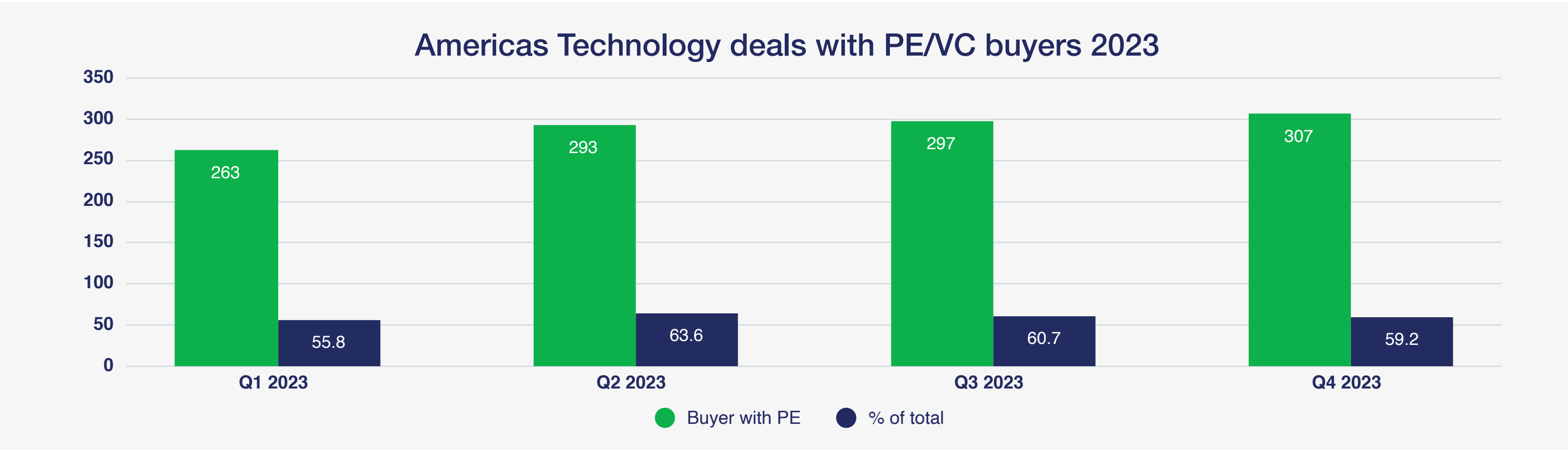
PE-backed transactions represented 49.4% of all announced deals in Asia in 2022 and decreased significantly in 2023 to around 39%.



MEA deals with PE/VC backing declined last year to around 30%, vs 39.5% in 2022.



In Americas Telecoms a larger propotion of deals were backed by PE or VC; similar to Europe. However, the volumes of these deals also experienced a decrease in 2023 to around 50.2%, down from almost 57% in 2022.



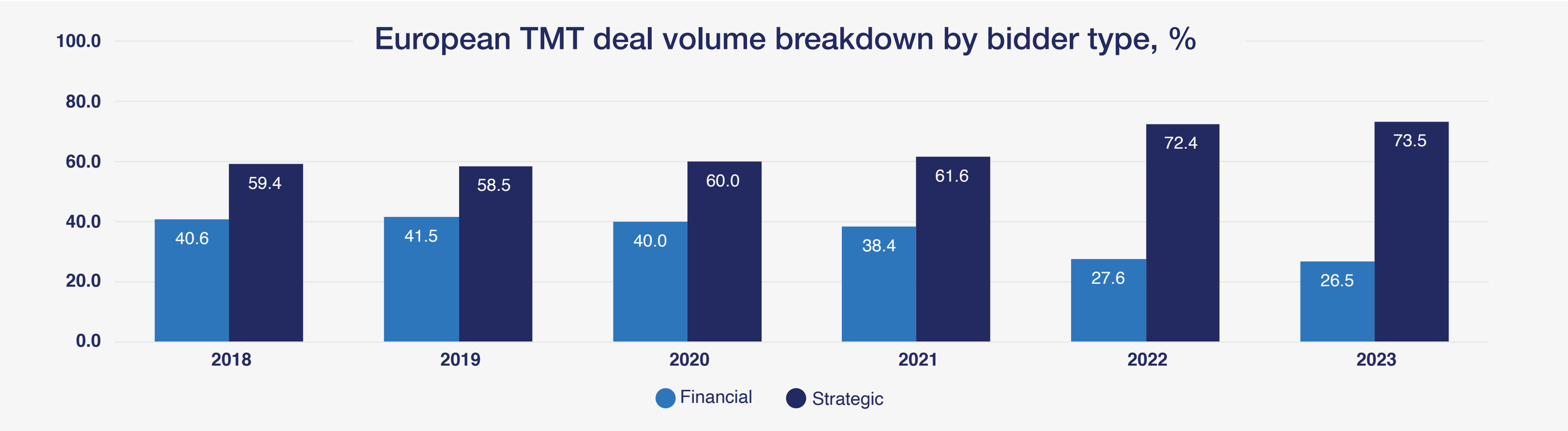
In Americas Technology, the propotion of deals backed by PE or VC was higher than in Americas Telecoms. In the first quarter of the year PE/VC backed transactions represented around 56% of deals in this sector, increasing to 63.6% in Q2 and dropping to 59.2% in Q3 2023.

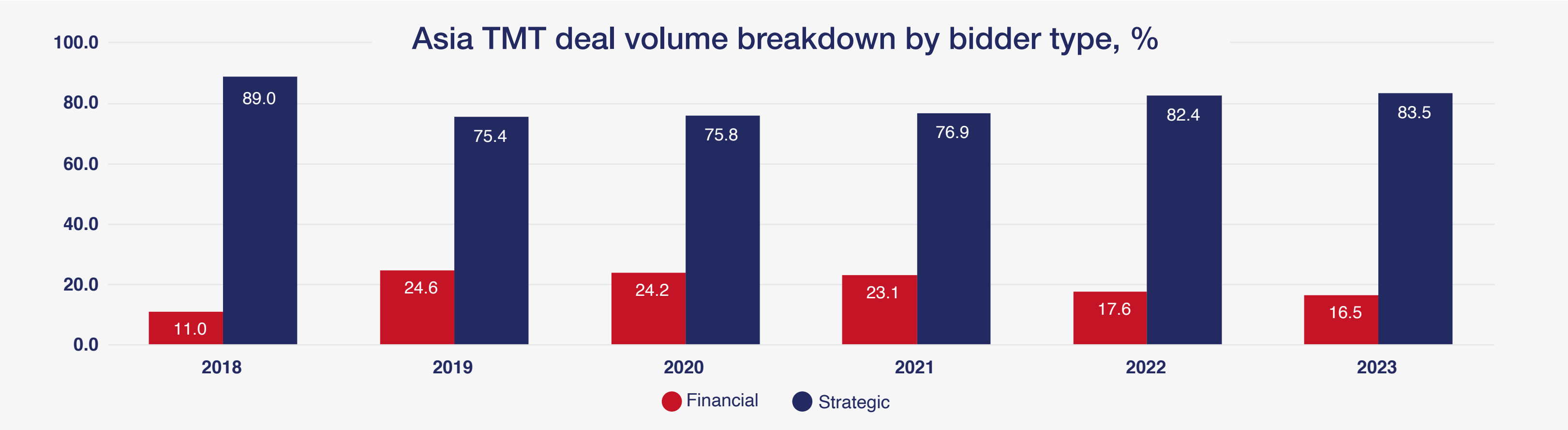
Strategic acquisitions increasing in Europe, Asia and MEA; constant in Americas

M&A activity with strategic (1) buyers showed another increase in FY 2023, 73.5% of the announced deals in Europe were by strategic buyers in comparison to slightly lower proportion last year (72.4%) but increasing significantly, vs 61.6% in 2021 and under 60% in the previous few years.

In Asia, strategic buyers have been strong historically. In FY 2023 almost 84% of the deals were by strategic buyers (vs 82.4% in 2022) showing a strong increase in comparison to 2019–2021 period.

1.Deals with strategic buyers refer to deals with bidders from the same/similar industry as the target where strategic buyer acquires full ownership or majority. Can include deals with private equity involvement. 2. Deals with financial buyers refer to deals with bidder from financial services where the financial buyer acquires full ownership or majority. This can include deals with private equity involvement.

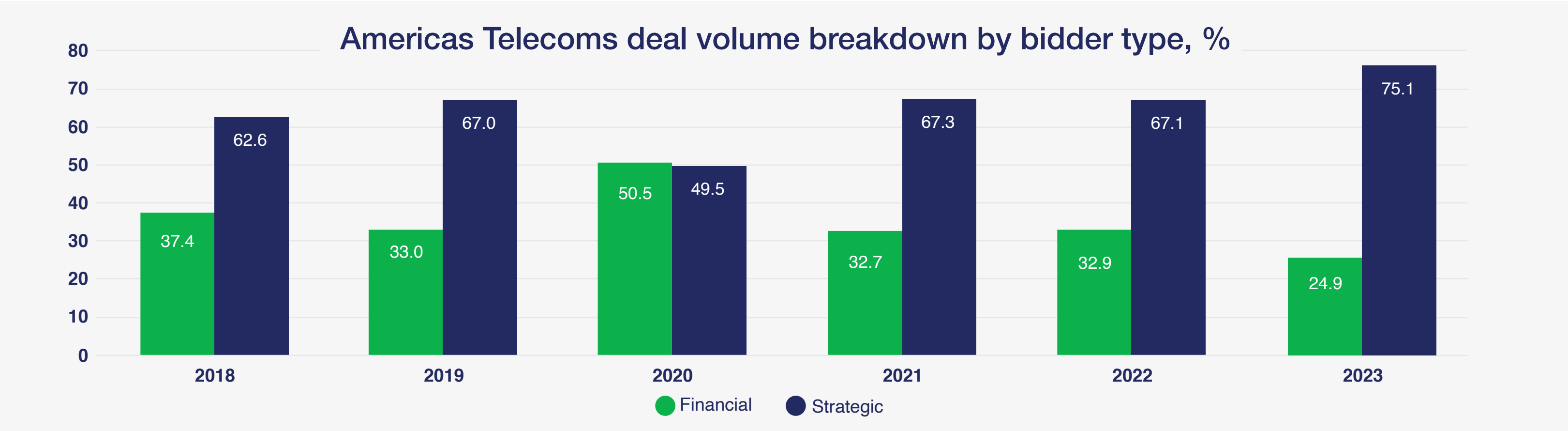


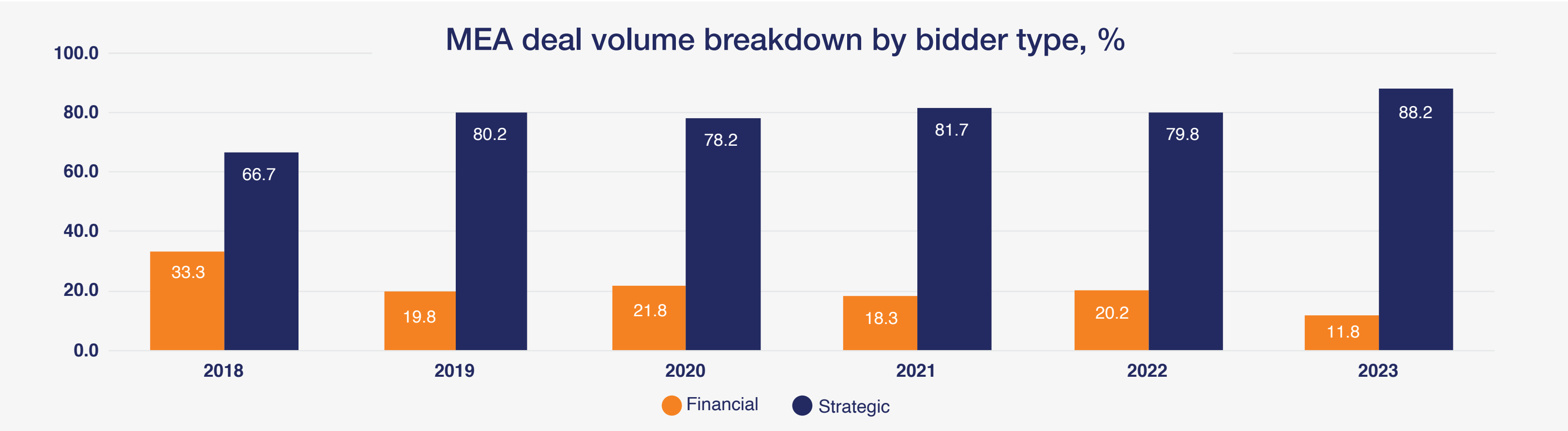


Strategic acquisitions increasing in Europe, Asia and MEA; constant in Americas

Americas Telecoms showed a lesser proportion of strategic buyer in comparison to other regions; in FY 2023, around 67% of the deals were by strategic buyers.

MEA experienced a significant increase in strategic buyers in FY 2023, from around 80% in the previous year to over 88%.





European TMT M&A League Tables FY 2023

Rank	Financial Advisor	No. of deals advised	Financial Advisor	Total value of deals advised, EURm
1	Houlihan Lokey	54	Morgan Stanley	52,387
2	Rothschild	29	Goldman Sachs	47,022
3	JPMorgan	28	JPMorgan	38,636
4	Alantra	23	UBS	36,788
5	Goldman Sachs	22	Rothschild	33,094
6	Morgan Stanley	22	Citi	26,513
7	KPMG	22	Vitale & Co	23,000
8	PwC	21	Deutsche Bank	18,350
9	Ernst & Young	20	The Raine Group	16,305
10	William Blair	19	Robey Warshaw	14,421

Rank	Legal Advisor	No. of deals advised	Legal Advisor	Total value of deals advised, EURm
1	Kirkland & Ellis	39	Latham & Watkins	35,069
2	DLA Piper	39	Linklaters	30,193
3	Allen & Overy	36	Freshfields Bruckhaus Deringer	29,983
4	Latham & Watkins	35	Sullivan & Cromwell	26,421
5	Clifford Chance	31	Kirkland & Ellis	24,636
6	White & Case	29	Wachtell Lipton Rosen & Katz	20,045
7	Freshfields Bruckhaus Deringer	28	Slaughter & May	17,985
8	CMS	25	Allen & Overy	16,422
9	Goodwin Procter	24	Advokatfirmaet Thommessen	13,047
10	Osborne Clarke	22	Cleary Gottlieb Steen & Hamilton	12,870

Americas TMT M&A League Tables FY 2023

Rank	Financial Advisor	No. of deals advised	Financial Advisor	Total value of deals advised, USDm
1	Goldman Sachs	37	Morgan Stanley	94,773
2	Morgan Stanley	32	Goldman Sachs	78,758
3	JPMorgan	32	JPMorgan	63,414
4	Raymond James	32	Qatalyst Partners	56,400
5	Evercore	29	Evercore	39,467
6	William Blair	29	Barclays	32,840
7	Houlihan Lokey	25	Tidal Partners	28,000
8	Jefferies	23	Centerview Partners	21,764
9	TD Securities	21	Citi	21,091
10	Canaccord Genuity	21	Jefferies	18,473

Rank	Legal Advisor	No. of deals advised	Legal Advisor	Total value of deals advised, USDm
1	Kirkland & Ellis	84	Kirkland & Ellis	59,206
2	Latham & Watkins	51	Simpson Thacher & Bartlett	54,336
3	Skadden Arps Slate Meagher & Flom	28	Skadden Arps Slate Meagher & Flom	54,093
4	Goodwin Procter	28	Cravath Swaine & Moore	39,541
5	DLA Piper	25	Wachtell Lipton Rosen & Katz	31,563
6	Ropes & Gray	25	Latham & Watkins	27,121
7	Paul Weiss Rifkind Wharton & Garrison	24	Goodwin Procter	20,324
8	Weil Gotshal & Manges	22	Freshfields Bruckhaus Deringer	19,375
9	Davis Polk & Wardwell	20	Davis Polk & Wardwell	19,333
10	Gibson Dunn & Crutcher	19	Sidley Austin	18,106

Asia TMT M&A League Tables FY 2023

Rank	Financial Advisor	No. of deals advised	Financial Advisor	Total value of deals advised, USDm
1	Goldman Sachs	7	UBS	16,841
2	Morgan Stanley	6	JPMorgan	16,550
3	Citi	5	Nomura	15,986
4	UBS	5	Mizuho Securities	15,200
5	Jefferies	5	Crosspoint Advisors	15,200
6	KPMG	5	Citi	6,980
7	Avendus Capital	5	Morgan Stanley	6,451
8	Nomura	4	Goldman Sachs	5,361
9	JPMorgan	4	HSBC	4,475
10	Ernst & Young	4	Mandiri Sekuritas	3,900

Rank	Legal Advisor	No. of deals advised	Legal Advisor	Total value of deals advised, USDm
1	Khaitan & Co	9	Nishimura & Asahi	18,693
2	Kirkland & Ellis	6	Morrison & Foerster	16,907
3	Nishimura & Asahi	6	TMI Associates	15,581
4	Herbert Smith Freehills	6	Nagashima Ohno & Tsunematsu	15,566
5	King & Wood Mallesons	5	Kirkland & Ellis	5,624
6	Shardul Amarchand Mangaldas	5	Hadiputranto Hadinoto & Partners	3,900
7	Loeb & Loeb	5	NKN Legal	3,900
8	MinterEllison	4	MHP Law Office	3,900
9	Wilson Sonsini Goodrich & Rosati	4	Purbadi & Associates	3,900
10	Winston & Strawn	4	Hiswara Bunjamin & Tandjung	3,900

CRITERIA Excluded: Lapsed or Cancelled. Deal value: above USD 50m, include undisclosed (assumed above USD 50m)

The pipeline of TMT M&A activity looks to be reasonably resilient with almost 1,300 anticipated and expected transactions in global TMT (excluding US media), according to TMT Finance's TMT DealData, despite the ongoing uncertainty created by the cost of capital and global geopolitical instability. That is compared to 1,200 as of October 2023.

Of the c.1,300 deals, there are around 600 in Europe TMT, around 280 in Asia TMT, around 80 in MEA TMT and close to 330 in Americas Telecoms and Tech. Many processes which were tipped, postponed or cancelled in 2023 may resurface through 2024.

European Technology

Cloud IT and Managed Services Outlook 2024

The close in the final quarter of 2023 of two of the largest European cloud & IT services deals of the year was the exception that proved the rule of an otherwise difficult 12 months for investment in the subsector.

At EUR 3bn (USD3.2bn), French IT services group Teleperformance [EPA: TEP]'s November acquisition of the Luxembourg-based outsourcer Majorel was second only in the year to US business services group Concentrix [NASDAQ: CNXC]'s USD4bn-plus September deal for Paris-based outsourcing services provider and consultancy Webhelp. Both were, however, opportunistic strategic moves by corporates looking to respectively lean into the digitalisation trend and expand outside of the US market. At the same time, the year's third largest deal and the only one above EUR 1bn in the final quarter: Triton-backed Crayfish's EUR 1.2bn acquisition of Finnish built environment services company Caverion—was in any case an outlier operating in a different, highly specific part of the subsector.

Market revival hopes continued to be shunted quarter by quarter, with few cloud & IT services deals valued at USD 500m and above closing in the final three months of the year. Far more were simply pulled from the market. TMT Finance understands those shelved deals to have included the Raymond James-led EUR 3bn process for Bulgarian web hoster SiteGround, the process for which we revealed at the start of the year, and French construction sector-focused services provider Arkance Systems, following a trend that seemed to start at this valuation level with fellow French aerospace and automotive sectors-focused service provider Expleo in late 2022 and Polish-German IT services business intive at the start of 2023.

In the UK, the pausing in the summer of the much-anticipated JPMorgan and Jefferies-led USD1.7bn sale of Bridgepoint's software testing business Qualitest seems to have been the big wake-up call that hopes of a market recovery were not to be realised. While initial market soundings had suggested the asset could not achieve the sellers' desired price tag, market sources are hopeful that Qualitest will relaunch in 2024 after it has completed acquisitions financed through the debt (it emerged in early December) that Bridgepoint was raising with direct lenders.

Sources have, however, also indicated that the EUR 200m sale of Tikehau Capital [EPA: TKO]-backed Claranet, on which Arma Partners began working at the start of the year, should now be assumed to be "dead". Meanwhile, for more political reasons, French cybersecurity group Atos [EPA: ATO] has had to restart negotiations on its widely reported E2bn attempt to sell its Tech Foundations IT consultancy division to Czech billionaire Daniel Kretinsky. In the new year, Atos has confirmed talks Airbus [EPA:AIR] for a possible EUR 1.8bn (USD 2bn) deal for its big data and security (BDS) business and indicated it may do a lot more than the EUR 400m worth of divestments it planned for last July.

While each case of a shelved or failed process has its own idiosyncrasies, among the common themes that have obstructed a meeting of minds between buyers and sellers of European cloud and IT services businesses has been a far more forensic examination of target exposure and integration on the part of buyers, and sellers' unwillingness or inability to offload at lower multiples. While this could be said of a lot of other sectors as well, the background concern in cloud & IT services has been how an economic slowdown might affect more people-centric business strategies with higher fixed costs and therefore more exposure.

> Market sources are hopeful that Qualitest will relaunch in 2024 after it has completed acquisitions financed through the debt.. that Bridgepoint was raising with direct lenders

Some sources also see a clear relationship between a delay in sale processes for these businesses and IT services customers, faced with a less rosy trading environment and thus delaying spend in the underlying projects on which they have engaged these companies to work. Others put it simply down to the new normal of higher-for-longer interest rates.

Few cloud and IT services owners with larger assets to sell have, at any rate, been ready to do so in the current market. And where they have, those processes can be very exposed. Oaktree and Cornerstone's sale of their mature investments in the Cologne-headquartered software engineer and consultant Avenga to Czech investor KKCG Group, for example, had apparently been struggling to reach the mid-teens multiple the investors were rumoured to want for the USD 30m-to-USD 35m-EBITDA business, with its significant operations in war-ravaged Ukraine having obviously made this an unusually challenging process. Other high-profile processes, like that of European cloud communications platform Dstny, continue to bubble away in the background; rumours of a relaunch in 2024 are said to be wide of the mark, though owner Seven2 is apparently still looking for a minority investor.

> Macquarie Capital Principal Finance may already have begun informal talks for.. GBP 50m-plus-EBITDA Wavenet, tipped in October as coming to market

The downward pressure has been felt in the mid-market too, where processes like that for LDC's UK cloud-centric managed services provider Kerv and Chirisa Capital Management's Irish digital services business Viatel Technology Group are said to be struggling to convince potential buyers to pay desired multiples (though Macquarie Capital Principal Finance announced in December it was taking a stake in Viatel).

At the same time, a process earlier in the year for privately owned UK connectivity and mobile distribution services platform plan.com seems to have been put on hold. Even a keenly-watched process for French gaming group Ubisoft [EPA: UBI]'s low-latency hosting division i3D.net, originally estimated to be worth around EUR 700m, has moved slowly. This more challenging environment did not bode well for difficult processes, such as the break-up and sale of UK telecoms group TalkTalk, whose business unit TalkTalk Business Direct was sold to shareholders in October for £95m (USD120.3m) and which is now trying to sell its wholesale arm.

On the other hand, HIG Capital and Hivest, communications infrastructure business Boldyn Networks (BAI Communications) and Canada Pension Plan Investment Board kept their interest in Aeroports de Paris [EPA: ADP]'s E25m-EBITDA IT and telco division Hub One into the second round.

In the face of such uncertainty, an increasingly common approach for the mid-sized range of cloud and IT services assets is perhaps best exemplified by the clutch of UK cloud services businesses that were expected to come this year and, in some cases, have for some time already had a bank to advise them on a process as and when they decide to launch it. Raymond James, for example, has held the mandate for UK hosting and cybersecurity services provider Nasstar since 2022 and a process for the business, which could be worth up to GBP 500m, is not now expected until the first quarter of 2024, though market soundings have begun. DC Advisory has been similarly marking time with Graphite Capital's GBP 25m-EBITDA Babble, expected to come in the third quarter but now also said to be testing the market for a deep-pocketed partner. Another Raymond James mandate, Fluid One, had been expected to launch over the summer but was pushed to a 1Q24 schedule possibly due to some buyside scepticism around the mid-to-high-teens multiple that Livingbridge is said to be expecting for the GBP 15m-to-GBP 20m-EBITDA business.

Bowmark Capital is also expected to start a process for the larger GBP 20m-plus-EBITDA Focus Group, having hired Houlihan Lokey earlier in the year, while Macquarie Capital Principal Finance may already have begun informal talks for the much larger GBP 50m-plus-EBITDA Wavenet, tipped in October as coming to market. On the continent, a sale for Carlyle [NASDAQ: CG]-backed and Netherlands-based Microsoft [NASDAQ: MSFT] products integrator HSO, reputedly worth EUR 1bn, has so far failed to materialise, while Montefiore Investment is expected to bring to market French digital transformation group Open some time in 2024 and could get nearly EUR 700m for it. And in France, sources are also expecting 3i to bring third-party datacentre and infrastructure maintenance services company Evernex to market in the new year, probably in the second quarter. In Germany, there is renewed speculation around managed cloud and hosting services company plusserver, which is expected to come back to market in 2024 after a troubled year.

Buyers uncertain about medium and longer term risk in the cloud & IT services sector have also sometimes sought, and got, a compromise stake, as in the case of TowerBrook Capital Partners' E450m acquisition of a co-controlling stake in French technology consultancy EFESO Management Consultants following a process through which owner Eurazeo had originally intended to sell a majority stake.

Confidence does seem to be stronger, though, at the smaller end of the European cloud & IT services market, where a number of transactions are in planning or underway for the likes of private investors GENUI and PRIMEPULSE's German digitalisation consultant and IT and managed services E15m-EBITDA provider Mindcurv, Growth Capital Partners' UK-based digital consultancy company Hippo Digital, Waterland Private Equity's E270m Danish-Dutch tech consultancy Valcon and FSN Capital's Dutch IT services company Fellowmind.

Software Outlook 2024

Last year's predictions that 2023 would, in its second half at least, be a bumper year have proved wide of the mark. The software space was instead plagued by the valuation mismatches that delayed so many deals in late 2022, with several processes put back on the shelf or marking time. But the trading in the final quarter of 2023 of a slew of EUR 1bn (USD 1.1bn)-plus assets, most notably US private equity group Leonard Green & Partners (LGP)'s acquisition of a co-controlling stake in £3.15bn UK accountancy, payroll, HR and education software company IRIS Software Group, seemed to herald a change in the wind.

Other notable deals towards the end of 2023, such as those for public sector-focused enterprise resource planning software company Civica in the UK, construction sector-focused Sogelink in France and IT management softco Snow Software in the Nordics may yet pave the way for a flurry of similarly sized deals in 2024.

Civica, which TMT Finance had earlier in the year tipped previous owner Partners Group to bring to market, was acquired by Blackstone in a reported USD2.5bn deal in November. The same month, Thoma Bravo-backed Flexera announced its agreement to acquire Snow Software in a reported USD 1bn deal while in December, CVC announced its investment in Sogelink alongside Keensight. CVC's investment is understood to have hit the E1bn mark.

The European software landscape saw several instances of cross-border dealmaking in 2023, with US private equity investors particularly active and example deals also including Silver Lake's USD 1.8bn take-private of Germany's Software AG in June and GTCR's acquisition of Anglo-French compliance and supply-management software company Once For All, formerly known as Fortius, in July. TA Associates and Warburg Pincus also scooped up EBITDA-EUR 30m Nordic employee benefits platform Epassi in August.

The outcome of other yet-to-trade live processes will shed more light on whether 2024 will be a breakthrough year for the resurgence of activity for software deals on the higher end of the enterprise value (EV) scale.

But sources have cautioned it may still be some time into the new year before other large-cap assets in the pipeline come to market. While pitching activity has anecdotally risen, sources talk about a certain degree of caution still being present, particularly for those assets that are yet to complete a full transition to a software-as-a-service model. As one source put it, customer retention has become the metric "to rule them all".

At the same time, prep time has more than doubled, with sell side advisory pitches taking place way ahead of process launches. Such is the case in the mid-market for Belgian EBITDA-EUR 20m freight exchange and transport management software company Alpega, which owner Castik hired Arma Partners to sell earlier in the year with a view to kick off a process for the company in H2 2024.

Similarly, Advent International is also now preparing the EUR 2bn sale of its German property software group Aareon, with TMT Finance sources saying the process may not kick off until H2 2024 or early 2025.

The much-anticipated sale of German content management software provider SER Group did not take place in 2023 as previously expected, with Baird recently mandated to run an H1 2024 process for the company. And in Germany, Nordic Capital's expected exit process for regulatory software company Regnology is also yet to happen, with the asset having attracted a lot of private equity inbound interest but no active process understood to be in place for it yet.

Parties that had been interested in acquiring fellow German regtech cleversoft, which Levine Leichtman Capital Partners invested in earlier this year, may also want to look into Bregal-backed German automation and decision-making software company ACTICO, which TMT Finance sources have tipped to come to market in 2024. At the same time, Hg and KKR are also reportedly considering options for EBITDA-£100m compliance software and services provider Citation, the biggest regtech asset so far in the pipeline for next year.

In the Nordics, Castik Capital has been exploring options for its telematics softco AddSecure since the beginning of 2023, with a sell side adviser yet to be appointed however. This year could therefore see a process for the company take place, with Investcorp also having been tipped to be looking to reignite its attempts to sell Norwegian smart mobility platform ABAX.

While the fate of mid-market deals including Dutch contact centre software company Anywhere365 and French gaming platform 52 Entertainment is uncertain after valuation mismatches led to their collapse earlier in the year, Inflexion is to revisit the previously failed sale of its UK video advertising workflow and distribution software company Peach with Arma Partners in the new year.

Among those deals to have failed is also worth mentioning UK flight scheduling and live status software company OAG, which owners Vitruvian Partners ended up reinvesting in over the summer, after being unable to find a buyer for the company.

The construction software space is also expected to be quite hot in 2024, with two major consolidation platforms now in the market following the trading of Sogelink in France and Infobric in the Nordics this year.

The 2024 pipeline already boasts a few mid-market construction software assets including Seven2-backed Graitec in France, and in the Nordics Hg's Denmark-based Trackunit and Fidelio-owned iBinder in Sweden. In the public market, Macquarie [ASX: MQG]'s recent USD311.3m take-private offer for Byggfakta in consortium with existing backers Stirling Square Capital Partners and TA Associates is expected to value the Swedish construction softco at USD982.2m, with the offer's acceptance period expected to commence on January 26, 2024 and to end on April 5, 2024.

Elsewhere in Europe, Hg is also reportedly weighing a sale of its German emergency notification softco F24, which could achieve a valuation of EUR 1bn in a possible 2024 sale process.

The private equity firm has also been reported to be possibly considering a sale of its stake in Wiesbaden-based human resources (HR) and financial software company Personal & Informatik (P&I) alongside fellow backer Permira. P&I could be worth over EUR 2bn, having posted EBITDA of EUR 120.1m for the 2022/2023 financial year.

The HR software space has so far this year been quite active, with Silver Lake's E600m minority investment in Italy-based TeamSystem in May and CVC's minority investment in Belgium's EBITDA-E143.9m SDWorx in June. Other HR software companies in the pipeline for next year include EBITDA-GBP 58m Zellis.

Finally, a few healthcare software deals are also expected to take place next year, with an increased demand for telehealth services post-Covid alongside a growing interest in the use of artificial intelligence in the field of diagnostics and of data in wearables having increased the market's appetite for healthtech assets. The 2024 healthcare software pipeline includes Belgium-based EBITDA-EUR 20m Corilus and France's Softway Medical as well as the Netherlands-based Performation, EBITDA for which TMT Finance sources put at between E5m to E8m.

The construction software space is also expected to be quite hot in 2024, with two major consolidation platforms now in the market

Other Tech Outlook 2024

While continuing economic uncertainty has pushed a large proportion of 2023's potential M&A transactions into the new year, tech subsectors outside of the traditionally more dominant enterprise software and cloud & IT services space (such as hard tech, online marketplaces, or marketing platforms) have proved more resilient.

Hardtech

While the Dutch government in November approved Chinese-owned chipmaker Nexperia's acquisition of the Delft-based semiconductor company Nowi, European and US governments have been moving towards restrictions on the sale of advanced microchips to China.

However, the overall indebtedness of Chinese companies, following a long period of expansion, has also provided opportunities in Europe for investors in the sector. It emerged in November, for example, that US investment funds Lone Star Funds, Platinum Capital Management, TowerBrook Capital Partners and H.I.G. Capital have shown interest in acquiring China-based semiconductor Tsinghua Unigroup's French chipmaker unit Linxens, a EBITDA EUR 100m (USD

110m) company which could be valued at EUR 1bn. Non-binding offers are due before the new year.

Other notable disposals which have emerged elsewhere in the “hardtech” space include that of the video, access and intrusion units of German industrial group Bosch, which in October announced it was looking for a buyer for all three businesses. These include its video security, intrusion detection, fire detection, and voice evacuation systems as well as access control and management systems, though Bosch will retain its fire-alarm systems business. Also in Germany, Lincoln has picked up the mandate for internet router manufacturer AVM, a EUR 600m revenue business said to be attracting private equity interest.

Martech

Deals such as Bridgepoint’s 2022 USD900m acquisition of UK market analytics programmer MiQ and public relations group dentsu [TYO: 4324]’s swift deal for UK omnichannel digital marketing product group Tag have already established strong demand for the right martech assets. And while market instability has made larger deals difficult in all parts of the sector, many will be looking in the first half of 2024 for the relaunch of the sale of EUR 1.5bn Amsterdam-headquartered technology and marketing services company DEPT, which TMT Finance reported in June Carlyle had postponed.

The question of whether a martech deal of this size is possible may in part be determined by the outcome of EQT’s USD2bn disposal of Danish digital experience management software company Sitecore and smaller-sized assets like EUR 22m (USD 23.65m) EBITDA French marketing software company Heroiks, for which LBO France has mandated Cambon Partners after a previous failed attempt to sell.

Among those assets expected to come to market in the new year is Paragon Partners-owned and Cologne-headquartered Unicepta, a EUR 10m EBITDA content capture and analytics company that had been previously expected to launch in the second half of 2023, the GBP 5m EBITDA UK digital branding agency Jones Knowles Ritchie (JKR) and the EUR 10m EBITDA French digital and data marketing company Primelis.

However, sellers may still need to accept that even for martech assets, multiples are not what they used to be, and buyers need more than ever to be convinced of the asset’s story. In November, for example, it emerged that the long-running GP Bullhound-led process for Meric Capital Partners’s E103.2m Spanish digital marketing and listings agency BeeDIGITAL had been pulled after offers fell below the asking price.

B2B content, ecommerce, marketplace and edtech

The sale in July of ICG’s UK hedge fund data platform With Intelligence to Motive Partners for an estimated 16 times the company’s £25m EBITDA has fired the starting gun on a clutch of B2B content processes expected to trade in early 2024.

Among these, the most notable ones are those for Hg and General Atlantic’s Argus Media and Bridgepoint’s UK events and content subscription business PEI Media. After much publicity, the former now looks to be shaping into a more closed process with “patient capital” funds such as Mubadala, CDPQ and GIC for around half of the EBITDA GBP 100m business. Information memoranda for the latter, for which Bridgepoint is said to be seeking £1bn, are expected in January. Levine Leichtman has also mandated Raymond James for the sale of its £40m-EBITDA legal data and publishing group Law Business Research.

This almost countercyclical enthusiasm for events and content businesses has also been seen in France, where in the final quarter it emerged that Amala Partners is selling EBITDA-E30m conference organiser MCI.

Confidence in an upturn in the market was evident from the USD 13.2bn November offer which a consortium led by Permira and Blackstone [NYSE: BX] and including General Atlantic and TCV launched for Spanish online classifieds marketplaces brand Adevinta [OSE: ADE].

The Lithuanian second-hand marketplace Vinted is also considering options including a secondary share sale worth more than E200m as it looks to capitalise the online sustainable fashion boom ahead of a potential initial public offering (IPO).

Among the smaller processes to watch in 2024 are the EBITDA-EUR 30m Towerbrook-backed Irish B2B car rental platform CarTrawler, for which it emerged in September that Evercore had been mandated to lead a sale. Information memoranda were expected in the fourth quarter.

Sources have also said the surge in cost of living and sought-after flexibility in the workplace post-Covid may have boosted interest in online training, workforce and HR platforms, with Sponsor Capital’s sale of a majority stake in its Finnish HR and coaching services group Staffpoint tipped for 2024. The sale of Montefiore Investment-backed French digital recruitment agency MisterTemp’ Group to Andera Partners this year is another example. Sources previously said the group had EUR 15m of EBITDA and a EUR 400m gross market value.

Fintech

The financial turmoil caused in H1 2023 by the collapse of Credit Suisse and the Silicon Valley Bank, as well as the aftermath of the bankruptcy of cryptocurrency exchange platform FTX at the end of 2022, left little faith for investors in this space.

Within the fintech sector, many businesses saw their processes shelved or delayed owing to the lack of certainty in the market.

The German banks-focused software company, LPA, owned by Motive Partners, was one of the victims of this trend. Initially having mandated Raymond James in June for a strategic review, the process was expected to take place post-summer but was unfortunately put on hold due to price expectation gaps.

However, some processes could also bring relief to investors in the sector. The listed Finnish IT services company Tietoevry [HEL: TIETO; STO: TIETOS] remains an example of a highly anticipated process for investors in 2024, with Morgan Stanley and Bank of America hired to lead the sale of the group's EUR 2.9bn revenue Banking and EUR 470.6m revenue Tech Services businesses. One source said the banking unit could achieve a 12-to-15-times multiple.

Cinven-backed UK wealth management platform True Potential is also one that will be closely watched in the new year. The company is considering options, including a minority stake sale or an eventual IPO. True Potential sold a majority stake to Cinven in early 2022 at a valuation of around GBP 2bn. The company had GBP 176m EBITDA in 2022.

Finally, the sale of French financial services software developer Harvest Groupe is also expected to close in 2024 as several PE firms are taking interest in the asset. French newspaper l'Informe named Cinven, BC Partners, Hg Capital, Silver Lake, Permira and EQT as parties circling the asset, which it said could make over EUR600m for owner Five Arrows Principal Investment.

With further certainty and a more positive outlook expected in the new year, following the decrease of inflation and interest rates, the M&A market could see a rebound in the fintech sector. Companies are already showing a regrowth of confidence in this digital space, including Italian fintech Nexi [BIT: NEXI], in talks to sell E800m worth of Italian assets as part of a plan to focus on core digital payment activities.

> The M&A market could see a rebound in the fintech sector. Companies are already showing a regrowth of confidence in this digital space, including Italian fintech Nexi

EMEA Telecoms & Digital Infrastructure Outlook

Telco

Infrastructure asset and unit monetisations continue to serve as key milestones along the road to deleveraging and business streamlining for several European telcos.

Altice continues to court interest for several units, including telecoms businesses Altice Portugal, SFR in France, Altice Dominicana, and advertising unit Teads; Vodafone is weighing options for several units across Europe – following the sale of Vodafone Spain to Zegona for around EUR 5bn – with Italy next under the microscope and a review under way for fibre units in Greece; and TDC reportedly is exploring options in Demark.

Meanwhile, Telecom Italia approved the EUR 19bn (USD 20bn) sale of its fixed-line network to KKR, becoming the first telecoms group in a major European country to part ways with its landline grid. TIM hopes to close the sale in summer 2024, allowing the group to reduce its financial debt by around EUR 14bn.

However, the sale of a majority stake in Italian telecoms firm Wind Tre's grid to EQT has reportedly hit a snag linked to separate network agreements with rival operators Iliad and Fastweb – progress in the process would likely pave the way for further active infrastructure dealmaking.

Following a wave of telecoms tower assets sales in recent years, telcos have turned attention to datacentre carveouts and sales with more consolidation expected over the next year. The likes of Altice France and Telenor already announced datacentre deals in 2023 – with Morgan Stanley Infrastructure Partners and Hafslund, respectively – and TMT Finance exclusively reported Iliad has hired RBC to explore options for business OPCORE in France, while Belgian telco Proximus is working with Guggenheim to manage interest in a datacentre unit.

Datacentres

Investment continues to flow to datacentres in Europe with financial sponsors and strategics reaching into pockets for a variety of deal structures and sizes in a bid to capitalise on the opportunity presented by those seeking to meet data demand.

Brookfield Asset Management's April acquisition of Data4 in France – valuing the company at around EUR 3.5bn – underlines that buyers are willing to match valuation targets for quality assets and business cases, while more recently Digital Realty and Blackstone agreed to establish a JV to develop four hyperscale datacentre campuses in Frankfurt, Paris and Northern Virginia, and have a total estimated development cost of approximately USD 7bn over the course of the next several years. The hyperscale-focused deal, which will see Blackstone acquire an 80% ownership interest while Digital Realty retains a 20% interest, comes after GIC and Equinix unveiled hyperscale platform xScale in Europe in 2019 also at an 80%/20% respective ownership split. In November 2023, TMT Finance exclusively reported that RBC had been hired by GIC to consider options in the vehicle, including a stake sale, or sale of its position in stabilised assets.

The necessity for capital is driving other dealmaking activity with the sale of stabilised and developmental partnerships (yieldco/growthco) having proven a favourite in allowing operators to monetise assets, notably opening the door to lower cost of capital investors, while remaining capitalised and focused on building datacentres. In October, hyperscale datacentre operator Vantage Data Centers completed a EUR 2.5bn capital raise from an investor consortium led by MEAG and Infranity, along with funds affiliated with DigitalBridge's investment management platform, to initially focus on six stabilised datacentres across Europe.

Meanwhile, in September, Australian pension fund, AustralianSuper, announced that it is investing EUR 1.5bn to acquire a significant minority stake in Vantage EMEA. As part of the deal, AustralianSuper will be a key shareholder in Vantage EMEA and together AustralianSuper- and DigitalBridge-sponsored vehicles will support Vantage's expansion and development of hyperscale datacentres across EMEA.

Other operators have been looking to raise capital for developmental datacentre sites, including Netherlands-headquartered Yondr, which TMT Finance exclusively reported earlier in the year is working with Citi to manage the situation.

According to sources, the market will stay busy with several large processes expected in H1, including the anticipated launch of Asterion Industrial Partners-owned datacentre platform Nabiax's sale in Q1. The company, which has six datacentres, could fetch an enterprise value as high as EUR 1bn.

Fibre

There was significantly more optimism moving towards the end of 2023 regarding UK fibre M&A activity than at the beginning of the year. And although deals are taking longer to get over the line, several key transactions coming to fruition have kept dealmaking steady. The sale of Cube Infrastructure Managers-backed ISP Trooli to Agna UK Infrastructure (a newly incorporated entity headed by French executives from Vauban Infrastructure Partners), private equity firm Bowmark concluding its exit of ASK4 to GI Partners, and UK broadband provider Upp selling to UK fiberco nexfibre acted as such keystone deals. Ongoing UK sale processes include that of FTTP business 4th Utility, which is considering options including a potential sale or capital raise. Similarly, Torch Partners is mandated to explore options including a possible sale for Imagine Communications, Brookfield Asset Management's Irish broadband company.

Sentiment in the German fibre market does not enjoy the same amount of optimism however, and sources in the region told TMT Finance that while fibre connectivity in the country is behind its European counterparts, companies active in the space are finding it difficult to get funding having struggled to meet deployment targets in a highly competitive market, though a handful of processes are moving into the new year.

> Several large processes [are] expected in H1, including the anticipated launch of Asterion Industrial Partners-owned datacentre platform Nabiax's sale in Q1.

Ongoing fibre process include the DC Advisory-led process for Infracapital's Infrafibre Germany, a potential sale of InfraRed's 40% stake in German fibre provider Deutsche GigaNetz, as well as the UBS-led sale of German internet service provider Bremen Briteline. Nonetheless, active processes and newer situations coming to market have slowed.

With the proliferation of assets in the market, consolidation remains a topic of discussion for key players in the space as several operators in certain European regions become burdened with fibre overbuild and increasing costs. According to sources, UK broadband provider Cityfibre could be reviewing options to buy regional fibre operators in the UK in a bid to consolidate the domestic market.

Elsewhere in Europe, a number of sizeable deals are progressing, including the sale of French telecoms infrastructure firm TDF Group's fibre unit, which could have an enterprise value of over EUR 1bn, as well as the highly anticipated stake sale of Blackstone-backed French infrastructure and dark fibre operator Sipartech. Meanwhile, 3i infrastructure and ATP appointed JP Morgan to lead a process – possibly an outright sale – for Norway-based fibre company Tampnet.

Towers

Following various landmark tower deals across 2022, M&A activity has been considerably slower in the space in the year compared to fibre and datacentre and, according to sources, several tower companies are refraining from coming to market owing to pricing concerns. Macroeconomic factors including high interest rates and inflation are resulting in unfavourable valuations for sellers at present and this sentiment could continue this year.

Despite this, activity picked up in the final quarter of 2023, with a handful of anticipated mid-sized deals being announced. Most recently, Netherlands-based telco NOVEC signed a definitive agreement to sell its German subsidiary NOVEC GmbH to Phoenix Tower International (PTI), while Virgin Media O2 (VMO2) sold a 16.67% stake in its mobile tower JV Cornerstone to UK-based infrastructure fund GLIL Infrastructure.

Cellnex also announced the sale of a 49% stake in its Nordics division to Stonepeak for E730m. The European telecom operator is due to be particularly active with more asset sales expected in the coming year. Following its latest deal, Cellnex CEO Marco Patauno confirmed a TMT Finance exclusive from early November that the company is considering options for its units in Ireland and Austria, with estimated enterprise values of EUR 1.05bn (USD 1.15bn) and EUR 1.41bn respectively. TMT Finance exclusively reported in December that Barclays and Santander have been hired to manage the Cellnex Ireland process and had distributed information memoranda.

According to reports, Cellnex aims to reduce its leverage ratio below six times its core earnings in 2024 to improve its credit rating and is also planning to invest about EUR 150m in acquiring the land on which its towers sit.

European Digi Infra Debt

Big ticket hyperscale datacentre financings have continued to prevail as the dominant deal type across the European digital infra debt markets throughout 2023 as lending banks look to balance their portfolios away from the saturated greenfield fibre market.

Western Europe has seen the largest debt volume in the greenfield hyperscale datacentre space across 2023. Lenders have become more comfortable with the application of project financing structures to these assets, with notably large transactions including SDC Capital Partners E800m (c. USD854.4m) project financing for a 56MW greenfield hyperscale datacentre build in Frankfurt and Vantage's E800m (c. USD897.84m) project financing to support both expansion and new build in its German datacentre portfolio being exclusively reported on by TMT Finance.

Larger datacentre portfolio financings, like that of maincubes' EUR 1bn debt financing package announced in March 2023, and greenfield hyperscale financings are expected to continue driving debt market activity with new predicted hotspots for 2024 to include Berlin, Madrid and the Nordics. Q4 of 2023 showed early signs of deal activity in these geographies with TMT Finance reporting in November that Pure DC is raising E500m to support greenfield datacentre builds in new markets including Berlin and Madrid.

As deal volume in the datacentre space grows exponentially, lenders have the luxury of being selective over the deals to which they choose to commit capital. Pre-lease agreements for datacentres, preferably with blue-chip hyperscale tenants, have become necessary to secure debt commitments.

The ever-looming threat of consolidation in the European fibre markets, particularly the UK but also in France, Germany and Spain, has continued as anticipated into H2. Rumours of overbuild across these markets are not new but they appear to be gaining traction and certain markets have seen the start of consolidation. In December TMT Finance reported that following the acquisition of several small fibre cos, Spanish investment fund Asterion Partners was seeking to raise E100m in debt financing to support the launch of a wholesale fibre co. Debt financings for this purpose as well as acquisition financings are expected to shape the European debt fibre market in the coming year.

That is not to neglect the numerous fibre companies coming back to market towards the back end of this year with accordion facilities and the anticipated large refinancings, particularly in the German fibre market, which are likely to populate the fibre debt deal space next year.

Across the digital infrastructure debt market cost of capital constraints mean that sponsors will need to be as strict as possible about how quickly and disciplined they use the capital they raise; and whilst commercial banks continue to be the dominant lending force in the market, the growth of private capital and non-traditional lenders is highly anticipated.

Beyond datacentres and fibre, there is an anticipated increased focus on use of debt for subsea cable projects as geopolitics and digital sovereignty become ever more prevalent. Infrastructure debt providers are trying to find a financing model that works for them when it comes to funding greenfield subsea cables.

There is an anticipated increased focus on use of debt for subsea cable projects as geopolitics and digital sovereignty become ever more prevalent.

MEA – Telecoms and Digital Infrastructure

The Middle East and Africa region dealmaking remains strong with major digital infrastructure projects ongoing. In the Middle East especially, large datacentre and tower transactions are expected in 2024 as players look to consolidate the market and scale.

The tower sector still drives the largest transactions in the region with more carveout and monetisation processes rather than more traditional sale and lease-back transactions of telecom towers. Often under debt pressure, telcos continue to review options for their infrastructure assets such as Telkom of South Africa, which is in negotiations with a consortium of buyers for a portfolio of towers, and Vodacom which is looking to monetise its new towerco. Orange is also in the process of carving out around 10,000 towers across the continent.

The greenfield datacentre space is still booming in Africa with the launch of new facilities every month while M&A activity will be consolidating in the next few years. In the Middle East, Gulf Data Hub's sale is expected in January and another large transaction is tipped to take place in Saudi Arabia.

Subsea cable and fibre operators continue to lay out their infrastructure across the region as they rush to scale their businesses. Financing is critical to sustain these projects and several operators continue to raise large amounts of debt such as Seacom, while other significant players look to restructure or are in discussions to raise further amount of debt and equity.

Americas Telecoms & Digital Infrastructure Outlook

Datacentres

The expected demand for AI and compute space has driven datacentre companies to seek innovative ways to capitalise assets, with growthco/yieldco structures proving popular choices.

In September, Vantage Data Centers announced that Australian pension fund AustralianSuper is investing EUR 1.5bn (USD 1.6bn) to acquire a minority stake in its EMEA unit. TMT Finance exclusively reported that the DigitalBridge-backed datacentre company is looking at a similar deal in the US, having mandated JPMorgan. Additionally, Equinix is working with Morgan Stanley to look at options to grow its global xScale platform in the US, with sources saying the company is seeking a JV partner for developments. Meanwhile, Blackstone-backed QTS is working with Citi as it seeks to sell a stake in stabilised datacentre assets in Northern Virginia.

For 2024 more such yieldco deals are expected, particularly for companies that work with hyperscale clients. The structure also opens the door to a different – typically lower cost of capital – pool of investors more comfortable with traditional infrastructure investments.

Several companies are also raising capital though developmental entities, whereby investment is sought to support greenfield opportunities, namely Netherlands-headquartered Yondr which is working with Citi for buildouts across US and Europe.

Elsewhere, investors continue to seek established platforms and are willing to pay large tickets for quality assets, notably a consortium comprising Brookfield Infrastructure Partners and Ontario Teachers' Pension Plan announced the acquisition of Compass Datacenters in a deal valued at around USD 5.5bn, or roughly 27.5x EBITDA. Appetite is currently being tested for colocation platform Flexential, which returned to the market with Goldman Sachs at the helm. Sources said the company is being marketed off 2023 EBITDA of USD 255m.

Investors also sought recapitalisations as a way of refreshing capital structures while maintaining growth, with DataBank securing USD 533m of capital through a combination of debt and equity in November. The financing follows the company's USD 2.2bn recapitalisation led by Swiss Life Asset Management which was completed in 2022. In addition, Element Critical is in market with a continuation fund or a recapitalisation among the options for the company.

Geographically, Canada experienced heightened interested in 2023: Quebec-headquartered QScale announced a strategic investment by Macquarie Asset Management-backed Aligned Data Centers in May; while Japanese telecommunications provider KDDI entered into an agreement to acquire three Toronto datacentre assets from Allied Properties Real Estate Investment Trust for CAD 1.35bn (USD 1.02bn). Processes that remain active in the country include the DH Capital and Scotiabank-led sale of eStruxture, and Rogers Communications' sale of around nine datacentres across the country.

Fibre companies in growth mode

2023 saw a slight slowdown in North American fibre and broadband M&A as investors and strategics focused on growing existing platforms.

Among the few larger deals, Shenandoah Telecommunications Company announced its agreement to buy Ohio-based fibre company Horizon in October, while in the enterprise fibre space, GI Partners has agreed to acquire DQE Communications, as announced in December, confirming a TMT Finance report from November.

Instead of divestments, investors looked to the private markets to raise capital through minority stake sales to fund growth plans. DigitalBridge secured a minority investment for Canadian fibre company Beanfield Metroconnect from OMERS Infrastructure in July, while GI Partners is seeking outside investment for portfolios companies Bluepeak and Blue Stream.

Sources note that a more selective buyers' market in 2023 than the dealmaking heights of 2021 has resulted in earlier stage companies looking to the debt markets to raise for fibre buildout.

> The spotlight is on Frontier Communications and Crown Castle's fibre strategy with both companies having come under pressure from activist funds

Following the January announcement of AT&T and Blackrock's Gigapower JV, open access fibre networks have remained a hot topic through 2023. Among the deals announced, Tillman FiberCo secured an up to USD 500m investment from Northleaf Capital in August, SiFi closed a debt raise of around USD350m, while Ubiquity Management secured a senior secured green revolving debt facility from a syndicate of lenders led by Woodforest National Bank.

Still, there remains some hesitation around the model, as noted by a fibre company CEO speaking at TMT Finance's M&A Forum USA in September: "The US market is five to 10 years behind Europe on FTTX, so there is lots to learn regarding open access models, although still quite a lot of scepticism."

Despite the slowdown in fibre company sales, several revived M&A processes in the final quarter of 2023 could indicate more activity to come in the new year. Among these are Lazard's relaunch of a sale of Grain Management-owned Great Plains Communications, after a previous 2022 sale attempt, and a new Bank Street-led sale process for Crosstimbers Capital Group-backed fibre-to-the-home (FTTH) company Tachus, after a previous 2021 deal with Grain fell through.

Further, looking ahead this year, the spotlight is on Frontier Communications and Crown Castle's fibre strategy with both companies having come under pressure from activist funds. In October, Jana Partners, claiming to be partnered with a mystery communications company, called for a strategic review of Frontier, while, in November, Elliott Investment Management LP launched a campaign to encourage Crown

Castle to overhaul its executive and board leadership and consider a sale of its fibre assets. Crown Castle has since announced the retirement of CEO Jay Brown and appointed Morgan Stanley and Bank of America as financial advisers to the company's newly-created Fiber Review Committee.

The pressures on the subsector to meet buildout targets could also result in more companies exploring alternative capital raising strategies, including non-core asset sales. This is an avenue currently being explored by Frontier, which TMT Finance revealed in October mandated Jefferies to consider a carve-out of some of its non-core assets in the rural southwestern US, and InfraBridge-backed US fibre operator Everstream, which TMT Finance reported in December has mandated PJT Partners as adviser on a strategic options review for the company, which could include a sale of some non-core assets.

The upcoming USD 42.5bn government Broadband Equity Access and Deployment (BEAD) programme is expected to further boost fibre deployment and create investment opportunities to supplement award allocations.

Tower and wireless infrastructure deal activity revived?

Tower and wireless infrastructure deal activity has continued to see an uptick in 2023 from the lows of 2021, with several high-profile prospective processes and announcements.

Among the largest deals, Grain Management and BlackRock agreed to acquire a minority stake in Phoenix Tower International, this follows a TMT Finance exclusive from August that BlackRock was among the frontrunners for the stake. Telephone and Data Systems (TDS) is working with Citi to review strategic options for United States Cellular Corporation (UScellular) while UScellular's independent directors are working with PJT on the review, TMT Finance revealed. Also in August, TMT Finance reported that IMs were distributed for a potential deal for Tillman Infrastructure, the US tower subsidiary of Tillman Global Holdings.

Further, in Q4 2023, Everest announced what it claims to be one of the largest portfolio transactions of tower assets in the US during the past 10 years, with its acquisition, alongside TowerCo, of 546 wireless towers from Charter Communications. The hotly-anticipated announcement followed a TMT Finance exclusive from April that Charter had hired Houlihan Lokey for a potential tower portfolio sale.

Looking forward, other public tower companies are exploring asset sales, including AT&T which is reviewing a portfolio rooftop assets, per a November report and Shenandoah Telecommunications is considering a review of its 220-tower portfolio, the company's CFO said in a conference call in October. Crown Castle was working with Bank of America on a review of around 3,100 ground lease assets, as first reported by TMT Finance in October, however it is unclear how this will be impacted by the company's fibre review.

Despite the relative uptick, sources still note some concerns around pricing ambitions and valuation targets, partly due to a compression in tower multiples, with public tower trading multiples falling to mid- to high-teen multiples in 2023, compared to mid to high 20s multiples in 2021 and even 2022. There also continues to be a disparity between public and private tower multiples, the latter having fallen to a high 20s multiple from around 30 times, one source says.

Digital Infrastructure offshoots

Dealmaking in the various tech-driven vertical offshoots of digital infrastructure – including cloud, managed services, and more – is best viewed through the lens of which deals made it over the line. As with more traditional elements of digital infrastructure, dealmaking in cloud and managed services has seen an increase in the amount of time taken for deals to come to fruition.

In some cases, deals have taken over 12 months to go through, notably earlier this month Insight Enterprises completing the acquisition of SADA, a cloud consulting firm and a Google Cloud reseller. In March 2022, TMT Finance first reported that Goldman Sachs had been mandated to serve as a financial adviser. Meanwhile, in April middle market private equity firm One Equity Partners completed its acquisition of Liquid Web, a provider of managed cloud services with bare metal assets in both North America and Western Europe. In February 2022, TMT Finance exclusively reported that a bank had been hired by former owners Madison Dearborn Partners to review options for the company.

[There are] concerns around pricing ambitions and valuation targets.. due to a compression in tower multiples, with public... multiples falling to mid-to high-teens

Similarly, several deals tracked since early 2023 have seemingly been placed on pause, with banks mandated to manage reviews for edge computing platform and cloud services provider StackPath and California-headquartered PacketFabric, an enterprise network service provider – both of which according to sources had been seeking up to USD 500m in valuations. The pausing of processes has allowed some time to revitalise offerings, concentrating on organic and inorganic growth.

Elsewhere, those best-placed to ride the AI wave cannot find funding quick enough, demonstrated by Nvidia-backed cloud computing provider CoreWeave which recently closed a USD 642m minority investment led by Fidelity Management & Research Company only a few months after securing a USD 2.3bn debt facility. The funding welcomed new faces to the vertical as partners become more comfortable with backing companies that are looking to meet the world's increasing need for high performance computers, with many more expected to follow.

Those best-placed to ride the AI wave cannot find funding quick enough, demonstrated by Nvidia-backed cloud computing provider CoreWeave which.. closed a USD 642m minority investment

Ongoing situations tracked by TMT Finance include the Evercore-led sale of Madison Dearborn Partners-owned Intermedia, managed services and cloud business EvolveIP, and Buchanan Technologies, which is working with Guggenheim to explore options.

Americas digital infra debt

Concerns over capital constraints, the cost of debt and interest rates certainly have not affected demand in the North American digital infrastructure debt markets this year, with hyperscale datacentre financings spearheading the sector.

Most expect a continuation into 2024 of the exponential growth in both the number and volume of construction financing processes for greenfield datacentres across the US and Canada seen in H2 of 2023, with some citing that there are multiple RFPs for billion-dollar or near billion-dollar financings coming across desks weekly.

This proliferation is evident in hyperscale developers, such as QTS, CloudHQ, Yondr, and Vantage Data Centers, either already running or expecting to run multiple processes in tandem as we enter 2024. All of which invariably secure 10–20-year lease agreements with blue-chip hyperscale tenants ahead of seeking funds.

Since August, TMT Finance has been exclusively reporting on QTS' USD3bn debt financing for a greenfield 230MW facility in Atlanta, for which QTS signed a 20-year lease with Microsoft. Meanwhile in October TMT Finance reported that CloudHQ was seeking an up to USD900m project financing for greenfield datacentre expansion in the midwestern US, having already reported in June that the company was raising around USD1.4bn for assets in Virginia. In November, TMT Finance reported that syndication teasers were out for Vantage's USD520m debt raise to support the development of assets in Ashburn, Virgina and, in December, that Yondr is seeking to raise up to USD500m construction financing to support a greenfield datacentre build in Canada.

Whilst hyperscaler demand is undoubtedly at an all-time high, risk appetite is starting to shift. Debt pricing has gradually been pushed down throughout 2023. Most hyperscale financings in H2 have been priced below 3%, with many, such as the aforementioned QTS, and Vantage financings, coming in within the 225-275bps + SOFR range. This is impacting smaller regional banks which, when struggling to compete on the hyperscale front, may turn instead to the less-in-demand edge datacentre financings in 2024, where they will have to weigh up the benefits of a higher premium against higher risk.

Sources say that hyperscaler activity is likely to continue to overshadow all other digital infrastructure asset classes from the demand point of view in North America as we head into 2024, but appetite for greenfield fibre financings, particularly those with open access models have also gained traction following the keen interest in the syndication of the USD1.6bn debt facility for AT&T and BlackRock's open access fibre joint venture Gigapower, as reported on by TMT Finance in June.

European sponsors well-versed with raising large infra-debt packages for greenfield fibre rollout have started to enter the fray, namely Meridiam, which is seeking to raise USD375m for an open access fibre-to-the-home construction project in Tennessee. New European entrants to the US fibre market could well be a continued trend into 2024 alongside existing operators looking to upsize debt packages and, in some cases, head down the securitisation route. ABS activity is expected to continue its gradual uptick in popularity whilst upsizes such as Great Plains' USD250m dept upsize, reported on by TMT Finance in October, are also expected to populate deal activity in 2024 as fibre cos seek to complete their targeted rollouts.

The buzz of activity around datacentre financings in North America has been reflected in Latin America, though with predictably smaller debt quantum's being sought. TMT Finance reported in August that Ascenty, a joint venture between Brookfield Infrastructure and Digital Realty, is raising a debt financing for a greenfield datacentre project in Chile.

There are rumours around other prevalent Latin American datacentre players such as Scala, EdgeConnex and ODATA having acquired land across markets such as Peru, Brazil, Chile and Colombia in 2023 for anticipated greenfield datacentre building, which we expect to see looking for financing in 2024.

Fibre and tower markets in Latin America are expected to see some refinancing activity come next year, with QMC having closed a Br900m debt refinancing for its Brazilian entities in November 2023, as reported on by TMT Finance.

Across the digital infrastructure subsectors, the growth of private capital and non-traditional lenders is highly anticipated for 2024 with infrastructure debt funds and private equity players already sounding out potential lending opportunities.

Latam
Within the Latin America region, large deal activity remained around datacentres and towers. Investment interest – and deal action – remained mostly among five countries: Brazil, Mexico, Chile, Colombia, and Peru.

Tower transactions appear to have the potential of picking up in 2024, with Guggenheim preparing to launch DigitalBridge and Macquarie Mexican Infrastructure Fund (MMIF)-backed Mexico Telecom Partners, as reported by TMT Finance.

Lazard is working alongside JPMorgan to review monetisation options for a portfolio of around 10,000 Latam-based towers owned by Millicom International Cellular, in addition to Tigo also running a separate process for its c.1,000 towers in Colombia.

Power supply issues are similarly affecting Latin American markets, especially in Mexico, where demand for datacentres has risen just like in the rest of North America. Markets in focus include Queretaro, Monterrey, and Mexico City in Mexico, Sao Paulo and Rio de Janeiro in Brazil, and Chile.

DigitalBridge-backed Scala Data Centers kept busy by having not only two green debenture raises this year, but also mandating DH Capital to consider options for the company, including a minority stake sale. Other processes followed throughout the year include Sonda and Tivit, both looking to carve out their datacentre assets.

In Brazil, more consolidation in the fibre and broadband market is expected in 2024, continuing a trend from 2023 with the likes of internet service provider Brasil Tecpar making at least five acquisitions throughout the year, Desktop completing a 70% acquisition of Fasternet and acquiring the remainder of two other ISP it had stakes in, and the merger of Vero and Americanet, which closed on December 1.

Asia Telecoms & Digital Infrastructure Outlook

Deal activity in Asia's digital infrastructure space is expected to remain robust for 2024. The datacentre subsector attracted ample attention which is expected to continue in 2024. Fibre in Asia gained speed in 2023 and will likely take off even more in the following year. However, the telecom tower sector could see fewer M&A deals compared to 2023, sources predict.

Datacentres:
Buoyed by the ever-increasing demand for data, the datacentre industry in Asia saw a strong M&A pipeline in 2023 which will likely continue in 2024. Sources say that such deals initiated by high profile datacentre operators are more likely to get done compared to new platforms.

In the Philippines, domestic telco PLDT [PSE: TL; NYSE: PHI] is selling a stake in its datacentre unit ePLDT, which is expected to close in 2024.

In Hong Kong, international bank HSBC is considering selling a datacentre. First reported by TMT Finance in September 2023, the process is expected to move ahead in 2024.

The datacentre industry in Asia saw a strong M&A pipeline in 2023 which will likely continue in 2024

Another ongoing process is the sale of British datacentre operator Global Switch by Chinese steel manufacturer Jiangsu Shagang Group. According to media reports, Swedish investment firm EQT [STO: EQT] is continuing talks regarding a potential sale.

The sale of Singapore-based Racks Central being led by Knight Frank and The Raine Group is also in full swing and could close in 2024.

In addition, several notable capital raises among datacentre operators kicked off in 2023, including Singapore-based global datacentre operator ST Telemedia Global Data Centre (STT GDC), which is conducting a pre-IPO funding round.

Chinese datacentre operator GDS Holdings [NASDAQ: GDS; HKG: 9698] is also in the process of raising capital for its international operations.

Meanwhile, SC Zeus Data Centers, the datacentre platform backed by Singapore-based private equity real estate firm SC Capital Partners, is considering raising equity for its first datacentre project in South Korea.

Finally, the datacentre industry is seeing an exponential increase in greenfield projects, a trend that is expected to continue in 2024, sources said. South Korea, Japan, Malaysia and Indonesia are among the countries that remain at the epicentre of Asia datacentre boom, while Taiwan and Vietnam are among the next wave of markets expected to see growth in datacentre investments.

Actis is looking to build a 20MW datacentre facility near Taipei Songshan Airport, while Hanoi Telecom Corp (HTC) is considering selling a stake in its datacentre subsidiary Green Data Center (ecoDC), and in bilateral discussions with one party.

In addition, some large telco players in the Asian region are contemplating strategic options for their datacentre assets. For instance, Indonesian conglomerate Sinar Mas Group is working on a strategy for its datacentre assets, which could include carving out some of the edge datacentre assets held under subsidiaries PT Smartfren Telecom Tbk (Smartfren) [IDX: FREN] and PT Mora Telematika Indonesia Tbk (Moratelindo) [IDX: MORA].

PT Telkom Indonesia [IDX: TLKM; NYSE: TLK] is also working on consolidating its datacentre assets owned by different units to NeutraDC and building a business plan for the platform. The transfer of these assets is expected to take place in 2024.

As the demand for data will only grow, datacentre operators and investors alike are optimistic about growth opportunities in this space. However, access to power in certain urban areas including Singapore, Tokyo, and Seoul, as well as datacentre platforms competing for a limited number of hyperscaler customers are real challenges.

A highly anticipated process [is] Indosat's..fibre carveout, slated to kick off in 2024 following the appointment of Citi as the financial adviser

Fibre:

In 2023, Asia's fibre industry saw an uptick in deal activity, as telcos across the region are contemplating their fibre strategies. In Indonesia, a highly anticipated process, that of Indosat Ooredoo Hutchison's (Indosat) [IDX: ISAT] fibre carveout, is slated to kick off in 2024 following the appointment of Citi as the financial adviser.

Following the merger with XL Axiata in Indonesia, PT Link Net (Link Net) [IDX: LINK], working with Deutsche Bank, is also gearing up for a capital raise for its fibre unit.

In Hong Kong, Deutsche Bank is working with PCCW [HKG: 0008, OTCMKTS: PCCWY] on a monetisation strategy for its fibre assets.

Meanwhile in India, Vodafone Idea [NSE: IDEA; BOM: 532822] is working with Jefferies on a stake sale in its fibre subsidiary Vodafone Idea Telecom Infrastructure Ltd. (VITIL).

Finally, an Australian deal that gathered a lot of attention in 2023 was the sale of TPG Telecom's [ASX: TPG] sale of some of its non-mobile fibre assets valued at around USD $4bn. As discussion with domestic rival Vocus Group fell through in November, TPG is expected to consider a new strategy, sources said.

Going into 2024, it is expected that these processes will carry on, while more telcos will consider their fibre strategies and seeks ways to monetise their fibre assets. Indonesia, India, and the Philippines were singled out as markets in which dealmakers are expecting to see more activity, sources said.

In general, Asia's fibre sector is gaining speed. However, the sector is still in a nascent state without many past deals as precedents. It remains to be seen if 2024 will bring forth several successful fibre deals that will set the scene for the sector across Asia.

Towers:

Despite a slowdown in transactions and a drop in valuation in the tower industry, the sector still saw several notable deals in 2023 which are expected to continue in 2024, sources say.

In Indonesia, UBS is leading a sale for independent tower operator PT Inti Bangun Sejahtera, Tbk (IBS) [IDX: IBST].

Meanwhile, EDOTCO Group's stake sale in Malaysia is still carrying on and CelcomDigi [MYX: 6947] is considering selling a stake in its telecom towers business as one of the options for monetising the digital infrastructure asset.

In the Philippines, Macquarie Capital-backed Phil-Tower Consortium (PhilTower) and Stonepeak and MIESCOR's MIESCOR Infrastructure Development Corporation (MIDC) joint venture are still engaged in merger talks.

In India, one notable tower transaction that evolved throughout 2023 was the sale of American Tower Corporation (ATC) [NYSE: AMT]'s Indian asset. In August, it was reported that I Squared Capital had entered into exclusivity with ATC.

In neighbouring Bangladesh, Dutch-domiciled multinational telco group VEON [AMS: VEON, NASDAQ: VEON] sold part of its tower portfolio held by Bangladesh-based subsidiary Banglalink to Summit Towers.

When it comes to tower deals, countries worth keeping an eye on include Indonesia, Malaysia, and the Philippines. Rising interest rates and a generally conservative stance in the industry have impacted tower transactions in the previous year. However, with the increasing rollout of 4G and 5G networks across Asia and the continuing data growth, there are still deals and growth opportunities to be expected in the sector, sources said.

Tech:

In terms of deals in the technology sector, India has emerged as a focal market. Indeed, TMT Finance's data shows that India saw a lot of activity in terms of deal volume in 2023. According to sources, this trend is expected to continue in 2024. Especially as 2024 is forecasted to be a strong year for Indian tech IPOs, sources said.

To name a few examples, Indian food delivery app Swiggy restarted IPO discussions this year, announcing that it was aiming to list in 2024. The Softbank-backed company has reportedly shortlisted seven investment banks for the IPO, including Kotak Mahindra Capital, Citi, JPMorgan, Bank of America, Jefferies, ICICI Securities and Avendus Capital.

Online travel portal Ixigo is working on a pre-IPO funding round with Nomura in which the company is aiming to raise between USD 100m to USD 150m. It is expected that the company will be eyeing an IPO in 2024, sources said.

Fintech company PayU announced in a recent earnings call plans to list in India in the second half of 2024.

Meanwhile, there was also ample M&A activity in the digital engineering and IT services space in India in 2023. Numerous processes were launched in 2023, which are expected to come to a close in 2024.

Global corporate finance adviser DC Advisory is working with Indian managed desktop-as-a-service (Daas) and digital workspace solutions provider Anunta Technology Management on a stake sale.

Meanwhile, Avendus is assisting India- and US-based digital engineering services company Indium Software on a stake sale.

Lincoln International also relaunched a sale process for India-founded and Singapore-headquartered digital transformation company To The New, which was previously in the market in 2021.

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