

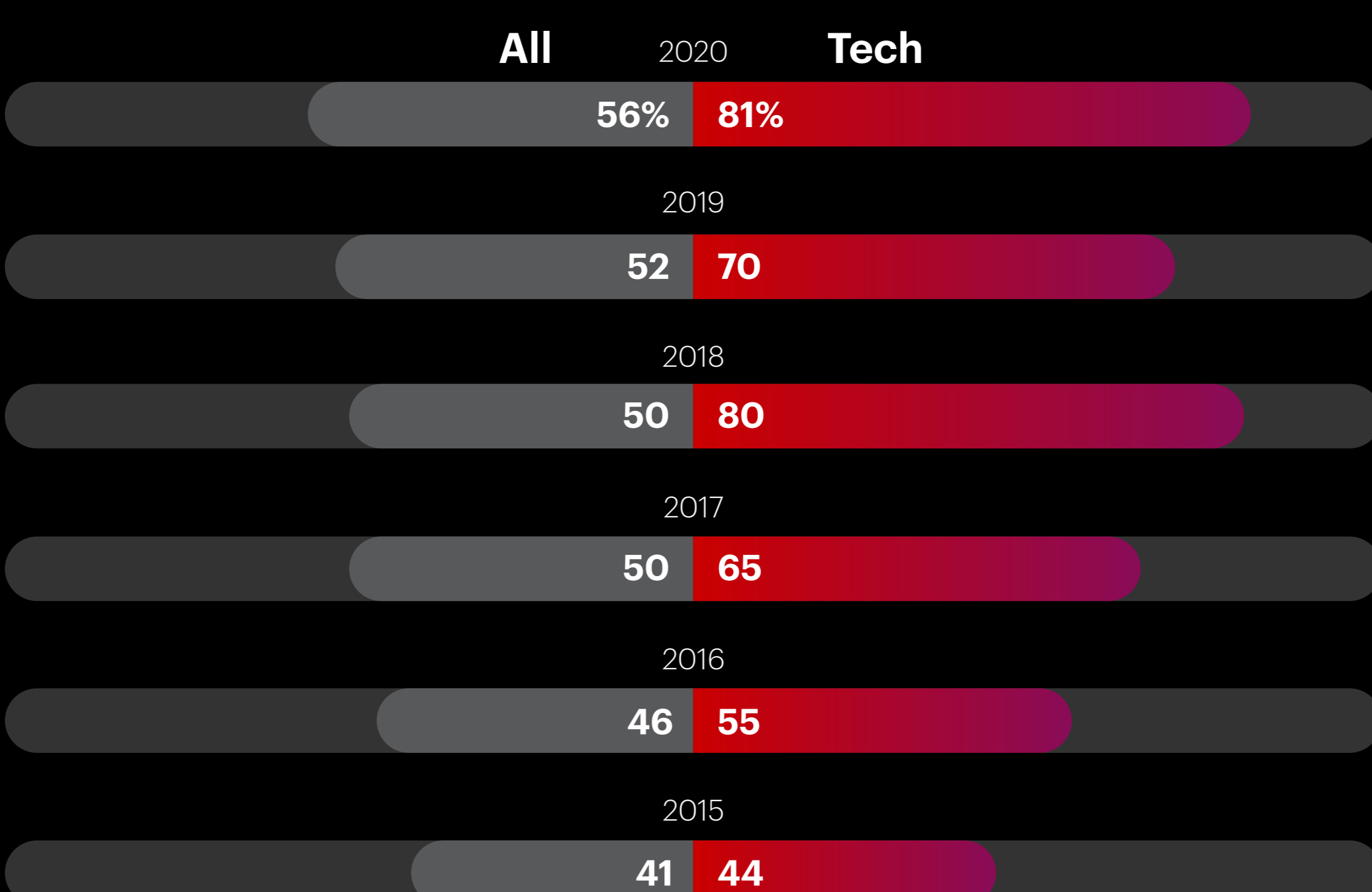
# Competition Heats Up in Technology M&A

As Covid-19 gave a preview of the virtual future, acquirers in all industries rush to buy tech assets to thrive in the digital economy.

## Scope deals keep climbing

Deals designed to add new capabilities accounted for **81% of tech deals in 2020, far more than other industries**

Percentage of scope deals per year, tech vs. all industries



Note: Includes top 250 deals valued at greater than \$1 billion for 2015–2019 and 131 deals for Jan–Sept 2020  
Sources: Dealogic; Bain analysis

Overall, corporate deal value for tech assets reached

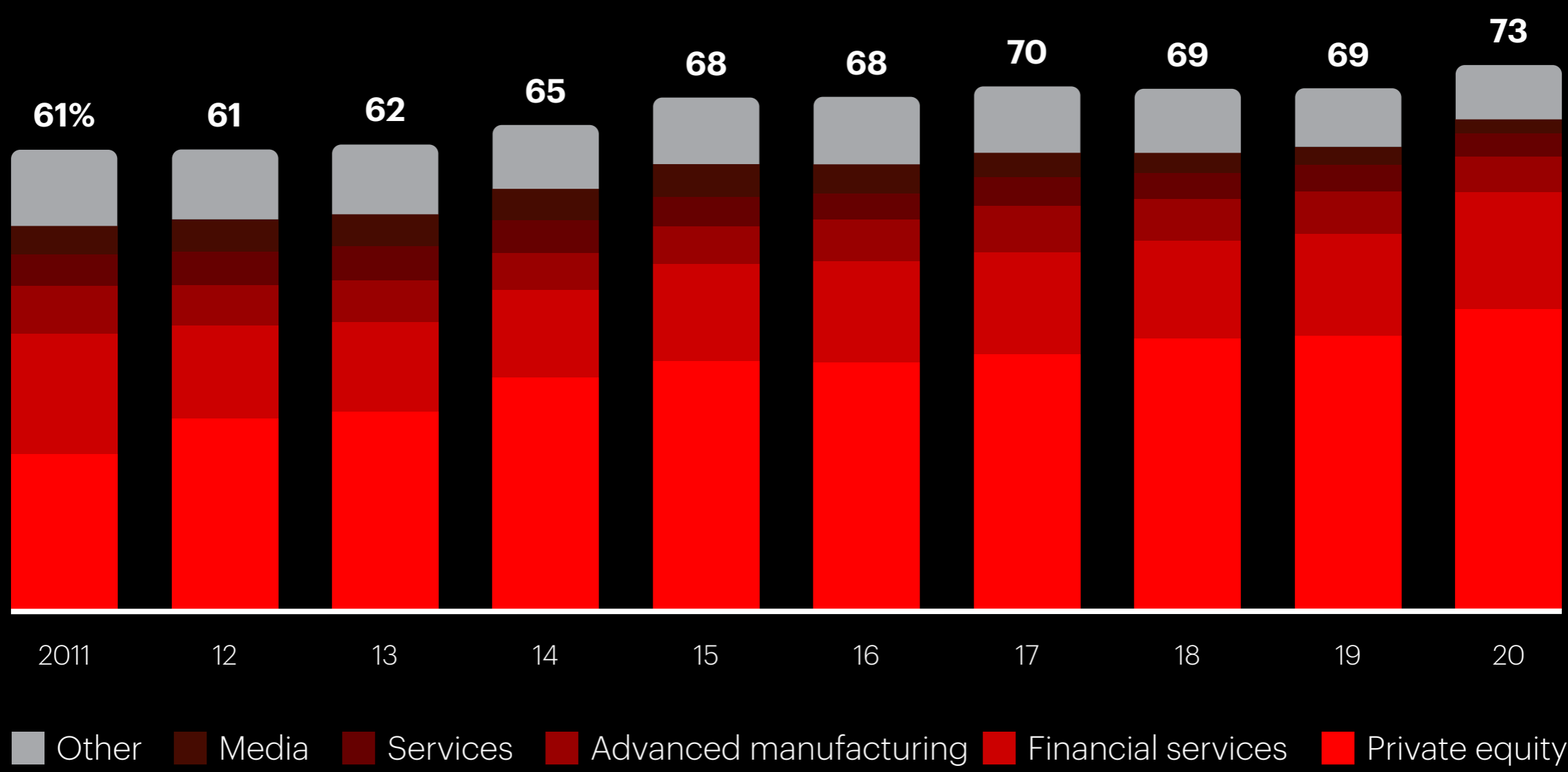
**\$200B**

in each of the last two quarters of 2020; this is a level not seen in more than

**20 years**

## Nontech acquirers continue to snap up tech assets

Share of nontech entities acquiring technology, by tech deal volume



Source: Dealogic

On top of increased competition, deals also face increasing **regulatory scrutiny** on the following grounds



**Antitrust concerns**



**National security implications**



**Data privacy considerations**

## How to beat the competition in tech M&A

Amid intense interest and high deal premiums, tech acquisitions require a new approach



### Sourcing

Take a different approach to sourcing the right assets by tracking venture capital opportunities, court founder-led businesses, and be more rigorous in what you bid on



### Financing

Mitigate risk brought by high multiples by evaluating all financing options, including adapted payment terms such as earn-outs or other deferred mechanisms



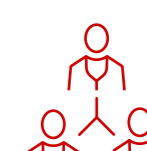
### Talent and culture

Avoid the common mistake of forcing the legacy culture, policies, and approaches onto the new acquisition —it is a recipe for talent defection



### Diligence

Take a more forward-looking financial assessment by evaluating the potential success of the business model under different scenarios and have a clear path for realizing synergies



### Integration

Have a crystal clear integration thesis that translates the deal thesis into a roadmap of what, when, and how to integrate



### Operating model

Allow the new asset to add value to the existing business without stifling the mechanisms that allowed the acquired company to be so innovative to begin with