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ACTIVITY REPORT



INDUSTRIAL TECH

Continuous demand for digitalisation across various industry verticals makes the sector appealing to both financial sponsors aiming to consolidate the market, and larger strategic players seeking to expand their product portfolios.

In 2023, Bryan Garnier advised SÜSS MicroTec on the contemplated EUR75m sale of its subsidiary Süss MicroOptics to Focuslight Technologies. Other landmark transactions included advising EVE Home on strengthening its Smart Home platform through the sale to ABB.

On the infrastructure front, Bryan Garnier continued its support for Ekoscan Integrity, a non-disruptive testing specialist, in executing its build-up strategy. This included the acquisition of Socomate and AUT solutions in the US, following the previous year's investment by Abénex, Air Liquide, and EDF. Our team also advised Telops, a leader in thermal IR and hyperspectral imaging systems in its acquisition by Photonis, a global leader in defence and industrial solutions backed by HLD.

30+

transactions since 2020

€2.5bn+

deal value since 2020

75%

M&A

Subsectors

01	Product Lifecycle Management & Digital Twins	4
02	Cybersecurity	6
03	Infrastructure & Industrial Tech	8
04	Space Tech	10
04	Case Study 1: Süss MicroOptics	13
05	Case Study 2: Ekoscan Integrity	14



BULLISH INVESTORS AND GROWING EXPECTATIONS IN **PRODUCT LIFECYCLE MANAGEMENT & DIGITAL TWINS**

Bryan Garnier's Industrial Tech team has built a network in the PLM and Digital Twin sector encompassing both strategic and institutional sponsors, leveraging a solid track record of transactions, such as the sales of TopSolid to Siparex, Numeca to Cadence and Metrologic to Carlyle, subsequently acquired by Astorg. The PLM and DTw sector is witnessing significant growth and consolidation by established market players. Despite economic challenges, these technologies are very resilient as they are deeply embedded in customer software stacks.

PLM SOFTWARE

At end of 2023, the PLM software market was estimated at USD71bn, reflecting a 7.7% year-on-year increase, and is expected to continue growing at around 8%.

Key drivers include the adoption of cloud-based PLM solutions, technological advancements integrating AI and ML, and an emphasis on collaborative features facilitating seamless teamwork across departments and organisations.

The PLM value-added reselling (VAR) market in Europe is undergoing consolidation, driven by resellers seeking economies of scale and

DIGITAL TWINS

Digital Twins are becoming more sophisticated, offering advanced use-cases across industries. They optimise workstreams, enable realistic testing and simulation and deliver business

software editors streamlining distribution channels. This consolidation trend is expected to continue in the coming years.

value through efficiency gains, cost savings and risk reduction. Successful players in the space focus on specific industries, leveraging deep domain knowledge.

OUTLOOK FOR 2024

In 2024, we expect increasing demand for PLM software and DTw solutions as digitalisation in various industries gains traction.

Customers are seeking improved decision-making and operational efficiency through enhanced data utilisation and insights, driving workflow automation.

The year ahead looks promising, with substantial investor interest in businesses providing solutions for better data collection, contextualisation and analytics, transforming industrial data into actionable business intelligence.

Investors are especially bullish in the PLM software space, as shown by the premium at which listed players are trading compared to the general European software market with median EV/sales multiples at around 8x prospective 2024 sales. Looking forward, we anticipate a resurgence in M&A transactions by large industrial technology players aiming to expand their software platforms, contributing to an active M&A market in this industry.

THE INEVITABLE SURGE IN CYBERSECURITY AMID TECHNOLOGICAL ADVANCEMENTS

In 2023, the Cybersecurity sector was remarkably resilient against a backdrop of economic challenges, rising interest rates and widespread uncertainties. Companies recognise the imperative of maintaining robust cybersecurity measures to avoid the severe consequences of attacks, including ransoms, litigations, fines, opportunity costs and lasting damage to reputation. The sector posted annual growth exceeding 12%, outperforming other IT segments. Key growth drivers include increased global connectivity, big data, cloud services, IoT, and the prevalence of remote work.

2023 was marked by the emergence of generative AI, with tools like ChatGPT, introducing new risks such as social engineering attacks and virus development. This led to the integration of generative AI capabilities into cybersecurity product offerings, albeit with varying degrees of success. Other remarkable industry trends include platformisation, industry consolidation, shift-left approaches, OT security, cyber insurance, risk awareness training, regulatory compliance and persistent staff shortages.

Market trends show that Cybersecurity peaked in 2021 before seeing a more gradual normalisation in 2022 and 2023. Pitchbook data for the first nine months of 2023 indicates a 24% decrease

in global Cybersecurity deal count compared with the same period in 2021, reaching 1,355 deals. However, the median deal size increased by 2% compared with 2021, reaching USD4.4m. In Europe, the deal count was down by 22%, but the median deal size increased by 62%, reaching USD2.7m.

Listed Cybersecurity companies performed well, with a year-to-date increase in average returns of 54% as of 7th December 2023, demonstrating a robust market.

Although share prices are 12% below end-2021 averages, they remain well above pre-pandemic end-2019 levels, indicating sustained market strength.

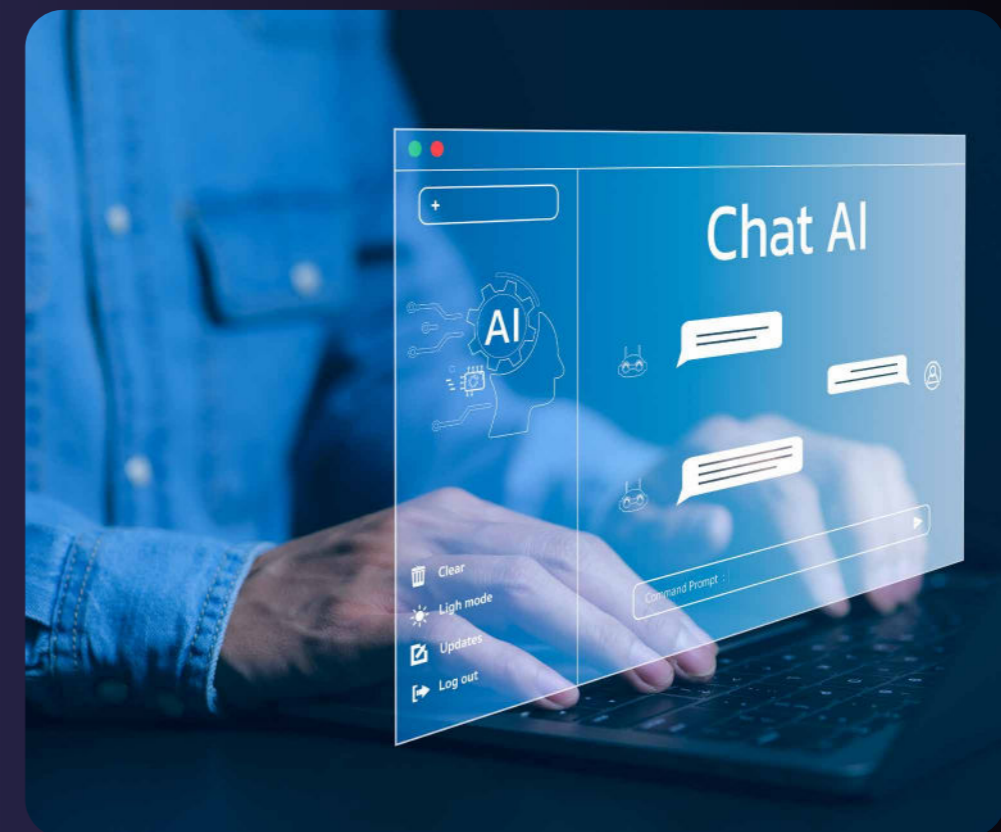
This resilience has contributed to the positive valuation of Cybersecurity compared to the broader IT sector, as recognised by both public and private investors.

OUTLOOK FOR 2024

The Cybersecurity sector was not short of growth catalysts in 2023, and 2024 should see more of the same. Regarding deals, platformisation and consolidation should continue to take centre-stage throughout 2024 and beyond, notably with serial acquirers like Palo Alto, Fortinet, Proofpoint and Checkpoint among others.

Investors are also likely to find interesting deals in hot subsectors like AI, code, cloud and OT/IoT security.

On a more speculative note, we could start seeing advances in quantum computing, which without a doubt would be a game-changer for cybersecurity and could hypothetically send valuations to AI hype levels.



UNLOCKING OPPORTUNITIES FOR ALL TYPES OF INVESTORS IN INFRASTRUCTURE & INDUSTRIAL TECH

In Industrial Tech, strategic players drive market expansion and consolidation, complemented by private equity initiatives. We anticipate increasing exits for some late-stage venture capital-backed entities. In Infrastructure Software, we notice increasing late-stage financings poised for market leadership or strategic exits. What was once considered a nice-to-have has now become a must-have.

The convergence of hardware and software is an ongoing trend, rendering software companies increasingly appealing to industrial groups and large manufacturers actively seeking acquisitions. Financial investors in turn, are

directing their attention to companies with rapid time-to-market capabilities. Traditional system integrators, often viewed as bottlenecks in scaling complex solutions, are paving the way for companies offering plug-and-play solutions, which are more likely to attract financial investor interest due to their ability to demonstrate software-like key performance indicators. The ubiquity of artificial intelligence extends across predictive maintenance, process optimisation, energy management, collaborative robotics, human-machine interaction and data analytics, fostering a landscape where innovation and efficiency converge.

INFRASTRUCTURE SOFTWARE

The Infrastructure Software landscape underscores the growing significance of privacy technology in Europe, alongside a sustained focus on big data analytics, IoT data platforms, and developer empowerment tools.

This dynamic sector has seen a combination of M&A, substantial later-stage VC activity and strong interest in emerging technologies and developer-centric solutions.

INDUSTRIAL TECHNOLOGY

The Industrial Tech sector has seen a surge in M&A activity, focused primarily on supply chain and logistics software, highlighting a central area for deals and developments.

Analysis of 30 European Industrial Tech deals, sized at EUR30-50m and implemented between 2020 and 2023, highlights a split between private placements and M&A deals, indicating a market with an increased focus on M&A and late-stage fundraising activity, reflecting the maturity of players and companies. This trend is continuing despite the potential underestimation of M&A volume, underscoring the robust and dynamic nature of the industry.



OUTLOOK FOR 2024

As the industrial landscape evolves, 2024 is likely to witness a strategic alignment of technological advancements with the pressing demands of the industry, creating opportunities for innovative solutions, strategic partnerships and transformative investments. Companies that can navigate this dynamic landscape and offer cutting-edge solutions are expected to thrive in this era of accelerated industrial automation and technological integration.

SATELLITES AND SPACETECH IN THE SPOTLIGHT

Our acquisition of boutique M&A firm NOR Capital in 2023 bolstered our team's expertise and network in the Satellites and SpaceTech growth sector. Bryan Garnier's research platform, BG IRIS, recently published a white paper titled "Rising Stars: Beyond the Hype" a comprehensive analysis of the Space sector and underlying M&A market activities. As we look to 2024, our Industrial Tech practice is eager to actively support growth companies in the sector, capitalising on NOR Capital's proven expertise and track record.

Driven by NewSpace players, the market should remain resilient in the anticipated global macroeconomic slowdown in 2024.

Public markets faced challenges throughout the year, witnessing persistent price declines. While early-stage investing remained robust, growth investing was in decline, with exceptions such as Isar Aerospace's USD165m C Round and D-Orbit's EUR100m C Round.

Investors demonstrated a visible flight to quality, adopting a more risk-averse approach and prioritising established business models.

Globally significant themes such as climate

change and war have propelled the Earth Observation (EO) and Next-Generation Communications markets to the forefront, emphasising the need to identify suitable financing models. Initial signs of consolidation are emerging as businesses facing difficulties in a tight funding environment explore strategic alternatives.

In 2023, mirroring 2022, resurgent security concerns, exemplified by the Ukraine and Israel-Palestine wars, continued to shape space market dynamics. Heightened demand for defence capabilities acted as a catalyst for space investments, with government spending still accounting for around 60% of industry revenues. This marked a departure from the NewSpace narrative, which previously focused on untapped potential in commercial space activities.

Despite disruption caused by NewSpace companies, the Space industry experienced record-setting activity, with spaceports witnessing a heightened number of rocket launches and payloads placed into orbit. The trend towards low earth orbit (LEO) smallsats gained momentum in satellite telecommunications, as shown by the full deployment of Starlink and OneWeb's first-generation constellations. Meanwhile,

incumbent players faced substantial technical challenges, notably seen in Viasat's Viasat-3 and SES's mPOWER constellations. This highlighted NewSpace's agility compared to the struggles of established players in execution and development times.

Elon Musk further solidified its dominance, with projected revenues doubling to USD9 billion,

clearly driven by the commercial success of Starlink. Europe's continued reliance on SpaceX for launches was attributed to delays in the Ariane 6 rocket development, prompting calls for a European response to sustain robust investment in the region's space endeavours in the years ahead.

OUTLOOK FOR 2024

We anticipate resilience within the Space markets amid the expected global macroeconomic slowdown in 2024, given the sector's strategic importance and ongoing commercial expansion in areas such as Earth Observation, Satellite Internet, and Cybersecurity.

As the sector evolves, we expect further consolidation and convergence between established players and start-ups, as legacy companies seek agility and products from NewSpace.

The operational success of SpaceX's Starship could be pivotal, unlocking new possibilities, especially within the burgeoning field of in-orbit services. As geopolitical tensions are likely to persist, governments will continue to play a vital role, driving both financing and demand, possibly through large-scale projects such as Iris in Europe.

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CASE STUDY 1

SUSS MICROOPTICS: THE TRAILBLAZER IN MICRO-OPTICS POISED FOR INTERNATIONAL SUCCESS WITH SHANGHAI-LISTED FOCUSLIGHT

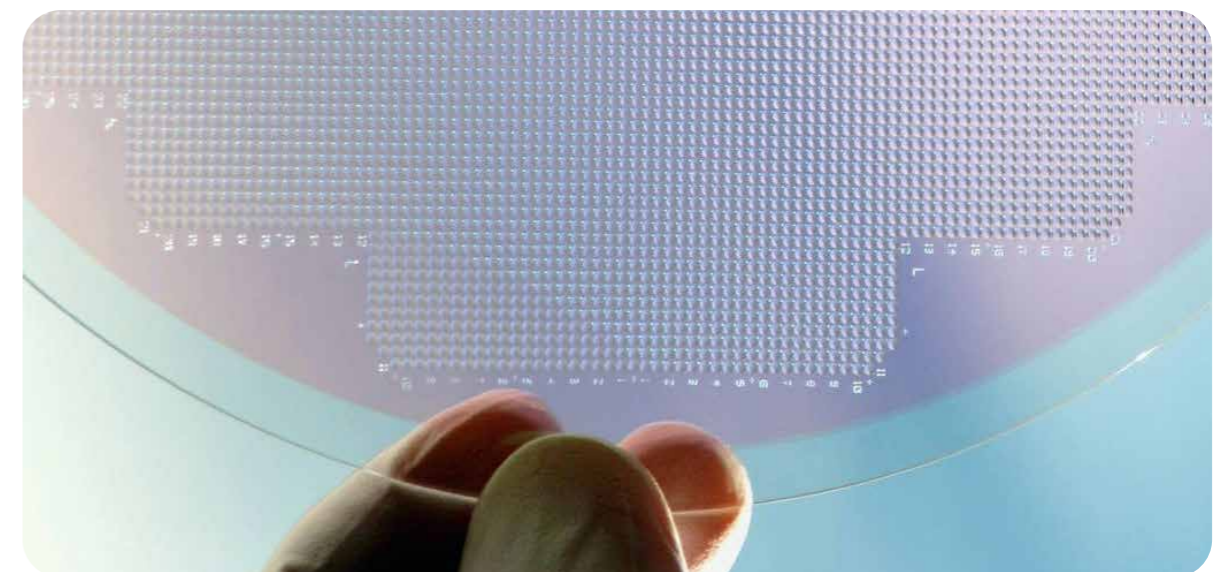
Bryan, Garnier & Co acted as the Sole Financial Advisor to SUSS MicroTec in the contemplated sale of its Swiss subsidiary SUSS MicroOptics.

SUSS MicroOptics, based in Neuchâtel, Switzerland, was founded in 1999 and has since earned a worldwide reputation for its pioneering role in the manufacture of micro-optics for industrial applications.

In early November, SUSS MicroTec signed an agreement to sell its Swiss subsidiary to Shanghai-listed Focuslight Technologies Inc. The transaction volume amounted to €75.5m and included the acquisition of all shares in SUSS MicroOptics. The transaction is expected to be completed in the first quarter of 2024 and is subject to pending approvals.

Bryan, Garnier & Co ran a highly competitive process, introducing a range of strategic buyers and private equity firms. The well-structured process led to a high number of interested buyers, among which Focuslight proved to be the most suitable partner for the future growth of the company.

For Bryan, Garnier & Co, this was already its fourth transaction in the Optics industry in the last three years after the sales of Specim (Finland) to KonicaMinolta, Headwall Photonics (USA) to Arsenal Capital Partners, and more recently, Telops (Canada) to Photonis in October 2023.



PRESERVING THE INTEGRITY OF THE WORLD'S ASSETS:

EKOSCAN INTEGRITY'S ACQUISITION OF AN INNOVATIVE US-BASED PLAYER

“We're excited to announce the acquisition of AUT Solutions, a pioneer in automated ultrasonic testing. This collaboration marks a leap towards revolutionising the landscape of ultrasonic inspection technologies. We thank Bryan, Garnier & Co for their guidance and support in this transformative journey – and for their continued commitment as we undergo this second transaction together.”



Hugo Cence
 Founder & CEO
 of Ekoscan Integrity

Ekoscan Integrity's business unit, covering the product and non-destructive testing (NDT) equipment division, will seamlessly integrate AUT Solutions. This strategic move consolidates electronics expertise from Socomate, enhancing Ekoscan's capabilities across sensors, electronics, imaging, robotics, IoT, and NDT.

In 2022, Bryan Garnier advised Ekoscan in securing €23m in capital from private equity fund Abénex, new strategic sponsor EDF Pulse Ventures, and historical investor ALIAD. These strategic moves will fuel Ekoscan's international expansion and the development of next-generation ultrasonic inspection solutions.

Bryan, Garnier & Co's is committed to supporting innovative companies such as Ekoscan Integrity in their mission to preserve the integrity of the world's assets through eco-friendly and safe testing solutions.



Bryan, Garnier & Co acted as Sole Financial Advisor to infrastructure integrity solutions provider Ekoscan Integrity in its acquisition of AUT Solutions, a Houston-based expert in automated ultrasonic testing (UT) fully-owned by Dorilton Capital. This marks a pivotal step in Ekoscan Integrity's strategic vision.

Founded in 2008, AUT Solutions has earned trust as a partner for inspection service companies, specialising in cutting-edge inspection tools and professional support for advanced inspection processes.

INDUSTRIAL TECH
 SELECTED TRANSACTIONS

 Contemplated Acquisition by € 75 500 000 November 2023 Sole Financial Advisor to the Company and its Shareholders	 Investment in Undisclosed August 2023 Sole Financial Advisor	 Acquired by Undisclosed June 2023 Sole Financial Advisor to the Sellers	 Acquired by A portfolio company of HLD Undisclosed April 2023 Sole Financial Advisor to the Sellers
 Investment from € 23 000 000 September 2022 Sole Financial Advisor	 Acquired by Undisclosed August 2022 Sole Financial Advisor to the Sellers	 Private Placement € 40 000 000 March 2022 Sole Financial Advisor and Sole Placement Agent	 Acquired by Undisclosed January 2022 Sole Financial Advisor





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