



TECHNOLOGY, MEDIA & TELECOMS

OUTLOOK 2024

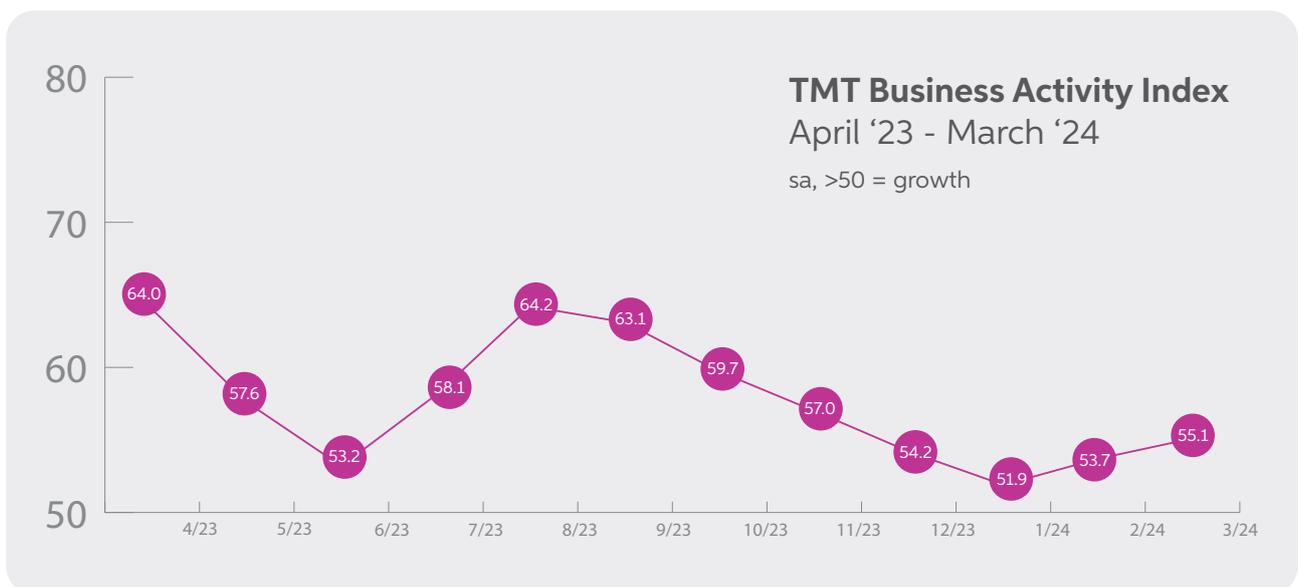


SIGNS OF ROBUST GROWTH AHEAD

The Technology, Media and Telecoms (TMT) sector plays a key role within the Irish economy and accounts for more than half of total service exports in Ireland. Despite recent challenges TMT will continue its strong contribution to the Irish economy for the foreseeable future and is vital to our economic resilience.

David McNamara, AIB Chief Economist, comments: “Following a challenging 2023 which saw a normalisation in activity post-Covid and slower employment growth in the sector, the latest industry data suggests activity accelerated once again in early 2024, supported by rising customer demand internationally. Ireland remains an attractive location for FDI in the sector, which will remain the key driver of sector growth in the medium term.’

Recent AIB Services purchasing managers’ indexes (PMIs) indicate continued robust growth in the TMT sector despite a slowdown in the pace of growth. The 12-month outlook for TMT activity among Irish service providers remained positive in March. Confidence was linked to new products and services, imminent interest rate cuts, and acquisitions.



Source: PMI Data over the last 12 months by S&P Global.

* Purchasing Managers’ Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world.

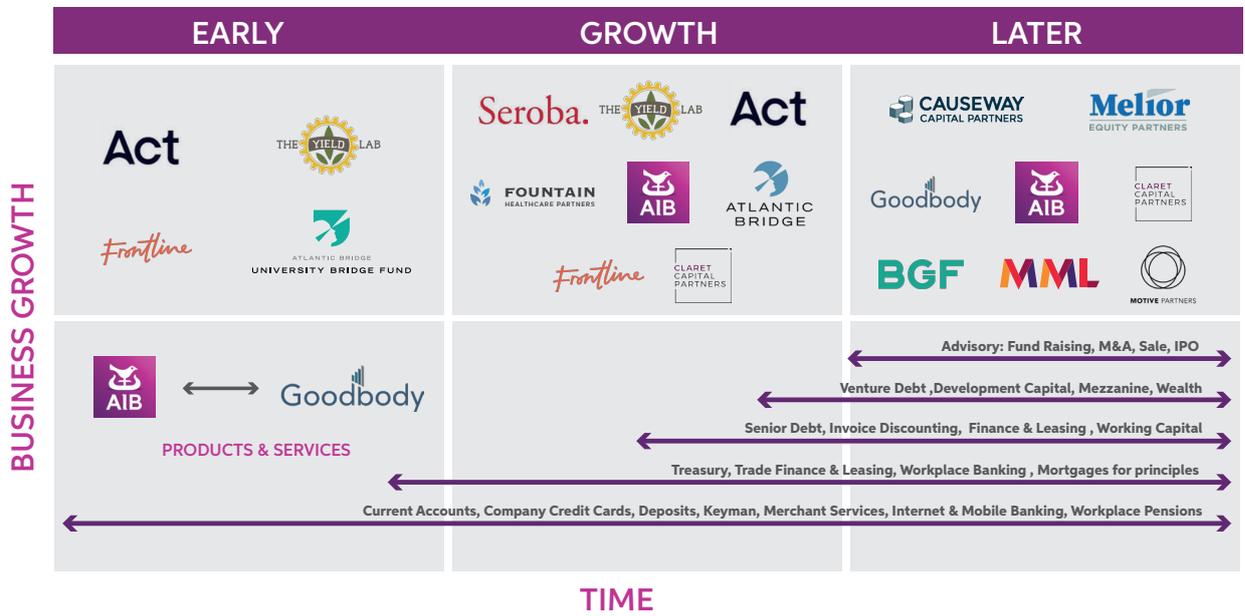



Denis Ryan
Technology, Media and Telecoms, Sector Specialist, AIB Business Banking.

SUPPORT ACROSS THE LIFE CYCLE

AIB has a critical role in funding the diverse range of businesses in the Irish TMT sector. The bank has a holistic approach with a full range of products and services that provide support at every stage of a TMT customer's life cycle, from start-ups to SME and corporates, which is supported by specialist sector teams. AIB is very proud to be one of the most prominent TMT funders in Ireland across all stages of the life cycle.

AIB LIFE CYCLE SUPPORT TO THE TMT SECTOR



'We are focused on making sure our customers have the right support and funding to scale at every stage of their business life cycle,' says **Denis Ryan, TMT Sector Specialist, AIB Business Banking**. 'We can provide tailored solutions ranging from equity, debt capital and treasury solutions to corporate finance advisory services, fund raising, M&A, as well as an array of advisory services for individuals and businesses at all stages of the technology life cycle.'

Denis points out the role a bank plays in the early stages of a company's lifecycle. 'There is a huge array of products and advisory services a bank can provide to augment growth. This is often overlooked in the early stages of a company's lifecycle where companies are focused on product market fit. Like a technical stack, a good banking foundation can set a company up to handle the complexities of scaling the team and growing internationally,' says Denis.

FUNDING TRENDS AND OUTLOOK

THE FUNDING MIX

Denis Ryan, explains: ‘Many businesses, particularly those at a pre-revenue/profit stage, do not have sufficient cash flow to repay capital and interest on a loan, so trading some equity for much-needed cash makes a lot of sense. AIB recognises that equity capital is a key source of funding for businesses in the economy and is a vital part of funding for the TMT Sector. AIB is a substantial provider of equity capital to early-stage, scaling and established companies through its Equity Capital unit, now part of **Goodbody Capital Partners**. AIB is one of the largest providers of equity capital in Ireland with over €80 million invested directly in established companies and projects, and a further €350 million committed indirectly through seed, venture capital, and private equity funds to back start-ups and emerging high growth companies throughout their life cycle’.

‘Bank debt can be an important source of capital for high growth companies that are profitable,’ says Denis. ‘Debt can lower the overall cost of capital and enable shareholders to avoid unnecessary dilution and achieve a better return on investment. However, securing the optimal mix of debt and equity can be challenging for TMT businesses,’ he adds.

‘While bank debt is generally not suitable in the early phase of the growth journey, it can suit companies that are generating predictable surplus cash where carrying a monthly repayment will not put undue pressure on cashflow. That it is not a reflection on the business – it is merely a matter of timing’.

‘We see many excellent founders and innovative companies approach the bank too early for bank debt when equity would suit better. Term debt suits a certain stage of the growth cycle, so it is important to get the timing right when approaching discussion stage with your bank.’

However, in some situations venture debt can play a role that is complementary to equity. Venture debt (aka growth debt) is a loan used to finance companies between, or as a complement to, equity funding rounds. AIB recognises venture debt is an important funding option for high growth technology companies and is an investor in **Claret Capital Partners Venture Debt Fund**. Claret Capital Partners has provided growth financing to over 200 innovative businesses over the last 20 years. Claret Capital Partners Principal Brian Geraghty notes that with equity markets cooling and private company valuations falling, companies are much more focused on profitability, or getting to profitability. ‘Venture Debt usually complements rather than replaces equity entirely, allowing companies to reduce the dilution they take at a difficult point in the market like today,’ Brian explains.

Throughout 2023, AIB saw an increase in demand for bank debt from later stage companies, for acquisitions, MBOs and more complex transactions. ‘We are seeing this trend continue in 2024,’ according to Denis Ryan.

AIB’S INVESTMENT IN THE VC ECOSYSTEM



Source: AIB Analysis



FUNDING ENVIRONMENT

Venture capital (VC) investment in Ireland was stable in 2023 with fund investments into Irish SMEs amounting to €1.35 billion, 2% up on 2022. The first half of 2023 was extremely strong with €963m invested, but the second half of the year saw a marked decrease to €394m. However, in a year where VC funding globally fell by 38%, this was a solid performance.

Venture capital is a vital component of the funding landscape for TMT companies. **Sarah-Jane Larkin, director of the Irish Venture Capital Association (IVCA)**, says that despite tailwinds from the global tech slowdown over the last 18 months, funding in Ireland has remained relatively robust. ‘The global tech slowdown has had consequences for venture capital investing globally and some of these impacts are reflected in the most recent IVCA figures,’ says Sarah-Jane

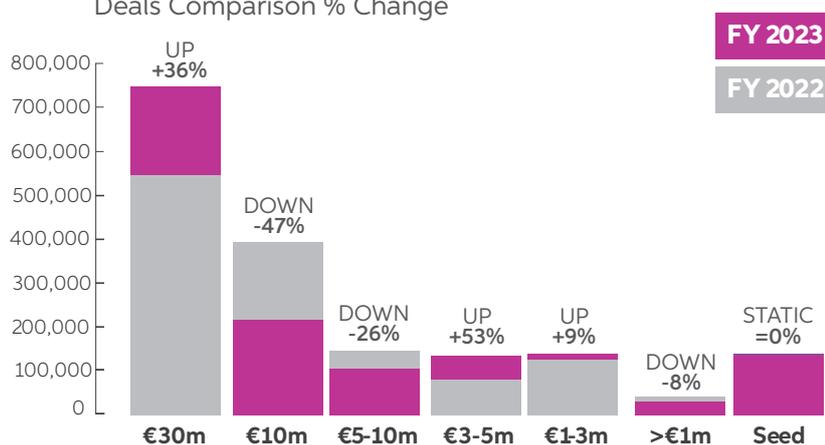
IVCA data illustrates mixed fortunes for companies at different lifecycle stages. 2023 was a positive year and last quarter for start-ups looking to raise under €5m, but it was far more challenging for firms seeking larger amounts.

Funding in the €3m to €5m range increased by 36% to €40m in Q4 2023 compared with the same period in 2022. Deals in the €1m to €3m category grew 170% to €64m, while seed funding increased by 58% to €64m. Deals in the €5m to €10m range fell by 26% to €106m in 2023 from €142m the previous year. This trend accelerated in the fourth quarter, with deals in this range falling by 100% to €32m. It was a similar story in the €10m to €30m category, with funding falling by nearly a half to €208m for the whole of 2023 from €396m the previous year.

The sector breakdown for 2023 reflected innovative tech companies participating in new technologies. The envirotech sector accounted for 45% of total funds raised in 2023, followed by life sciences at 17% and software at 8%. Artificial intelligence and machine learning represented 7% of the total in 2023, almost at the same level of software, one of the traditional leaders in Irish funding.

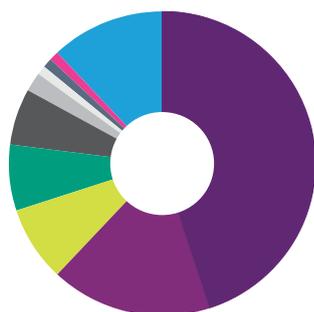
Sarah-Jane remains optimistic for 2024 and beyond. ‘While a tighter funding environment presents challenges, it also offers opportunities for investors to support companies with resilient business models,’ she says. ‘Adapting to the changing landscape, focusing on fundamentals, and maintaining a strategic approach to investments is crucial for both venture capitalists and the startups seeking their support.’

FY 2023 V FY 2022
Deals Comparison % Change



FY 2023 SECTOR

- Envirotech 45%
- Lifesciences 17%
- Software 8%
- AI & Machine Learning 7%
- Fintech 6%
- Cybersecurity 2%
- ICT 1%
- Engineering 1%
- DeepTech 1%
- Others 11%



Source: IVCA Data



M&A MARKET

The Renatus 2023 M&A report shows that Ireland had a 5% decrease in M&A transactions with 419 deals, compared with 453 in 2022.

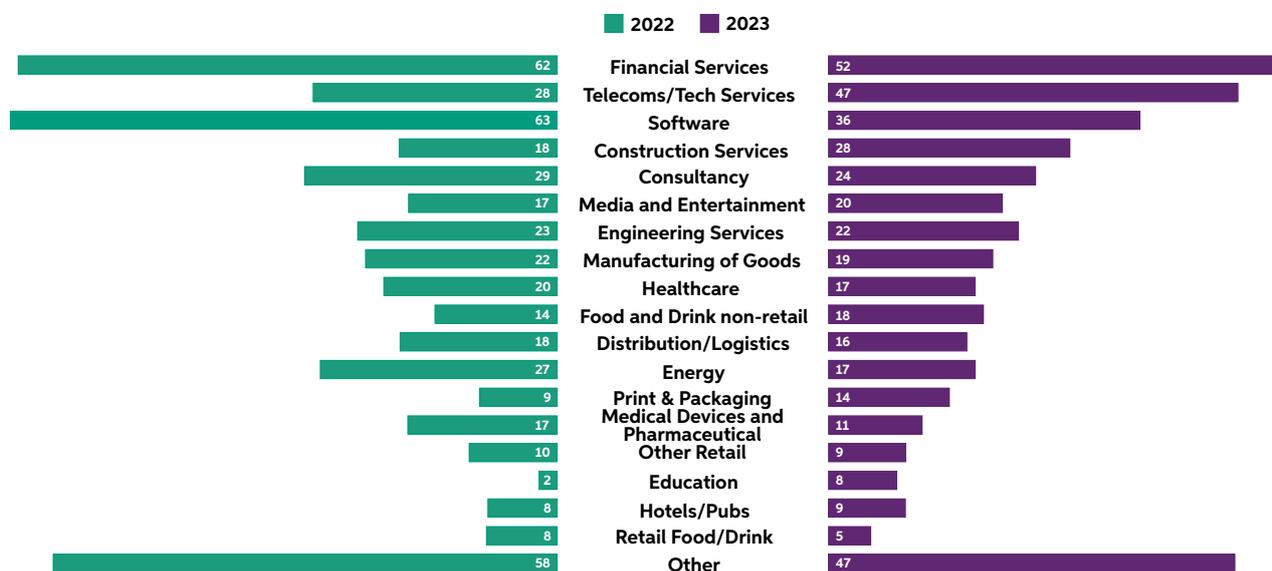
Caroline Carney, Technology Sector Lead at AIB Corporate Banking, notes that TMT was one of the most active sectors in the Irish M&A market in 2023, continuing a decade long trend. ‘There was some consolidation in the market with larger organisations buying smaller firms to complement their existing technical offerings as well as expand into new markets,’ she says. ‘The three largest deals in the sector were all foreign acquisitions of home-grown TMT companies - the €575m acquisition of Terry Clune’s Immedis by UKG, Cubic Telecom’s €473m majority stake sale to Softbank, and Taoglas’s €340m majority stake sale to US PE firm Graham Partner.’

Total global M&A is estimated to have increased by 30% year-on-year through Q1 2024. According to Renatus data, the total of 85 M&A transactions completed in Ireland in Q1 2024 was broadly in line with Q1 2023. Software acquisitions have seen the largest increase, doubling year-on-year to 12 deals in Q1 2024. Ten of the deals in this space were trade sales, with buyer rationale informed by a mixture of expanding a product offering, acquiring talent, acquiring competition, and geographic expansion.

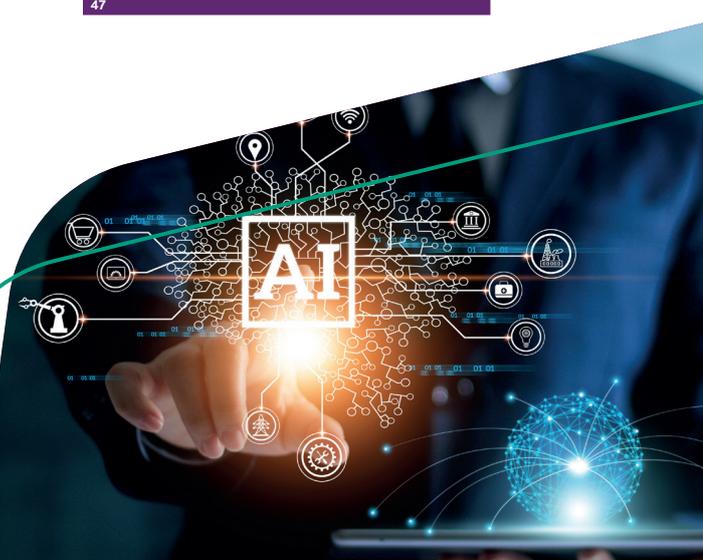
The software sector also accounted for the highest number of fundraisers in Q1 2024, accounting for 10 of the 40 completed fundraisers monitored in this sector. Telecom/Tech continues to be a dynamic and acquisitive sector too. Q1 deal volume was down from 11 acquisitions a year earlier but Renatus says sector activity remains robust due to consolidation.

Renatus says the figures point to Ireland remaining an attractive location for international acquirers, especially for UK-based entities. The increasing number of acquisitions by Irish companies may also point to an improving domestic business environment which is underpinning the confidence to pursue acquisitions.

M&A Breakdown by Sector¹



Renatus Sectoral M&A breakdown by year 2022 v 2023



EMERGING RISKS AND OPPORTUNITIES

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The indigenous TMT sector has proven extremely resilient in navigating an array of rapidly evolving challenges. Enterprise Ireland, a good barometer of the health of indigenous companies, reported a positive year in 2023, with employment in the agency's client digital companies growing slightly.

Tom Early, Head of Funding and Scaling Solutions, Enterprise Ireland, highlights that the robust performance of the Enterprise Ireland digital sector is a testament to the innovation, tenacity and ambition of the leaders and companies Enterprise Ireland works with. 'They faced into the many headwinds that the past 18 months have brought, including the increased cost of doing business, attracting, and retaining staff in a tight labour market and global disruption, and continued to compete and win in global markets,' says Tom.

He adds that proactively planning strategies around environmental, social and governance issues, collectively known as 'ESG' is now no longer a 'nice to have' but a strategic imperative for TMT companies competing internationally and selling into large enterprises.

Tom explains: 'Increasing access to global markets and developing a mutually beneficial relationship with companies on having transparent, measurable credentials in this increasingly key area. The Enterprise Ireland 'Green Transition Fund' has a tiered series of supports that are available to clients throughout their sustainability journey, from the first steps in developing a comprehensive strategic plan to significant funding support for large decarbonisation projects.'

This perspective is shared by AIB, which is focused on supporting its customers' sustainable investment as well as providing insights and guidance to enable businesses in all sectors to become more sustainable.

GENAI

While GenAI exploded in 2023, it remains to be seen what impact it will have on the costs and profit margins of TMT companies. It is a key challenge for SMEs to recoup margins in the face of rising wages, utilities, and insurance costs.

A recent IMF report forecast that almost 60% of jobs will be exposed to AI in advanced economies due to the prevalence of cognitive task orientated jobs. With human capital being the main cost in TMT companies, the AI hype is not going to slow down, and the transformative impact could be significant in the years ahead.

Denis Ryan, advises: 'It is important for TMT companies to highlight any trends or resource impact to your investors or banking partners. The use of AI is evolving quickly, though the fundamentals of sound governance, data management, and operations excellence remain the same. The bank will take comfort from a business that has sound fundamentals and good documentation on the emerging risks.'

FUELLING EMERGING COMPANIES AND INNOVATION

AIB is proud to support the technology and business communities across the regions as a founding partner in the Portershed in Galway and through its partnership with Ludgate in West Cork.

Innovation hubs are vital components of the technology ecosystem, providing an array of resources, support and innovation centres.

PorterShed in Galway and Ludgate in Skibbereen, West Cork, are two excellent examples offering companies a gateway to the world in some of Ireland's most beautiful locations.

Mary Rogers, Portershed Commercial Manager, highlights 'after a hectic two years of building state of the art coworking and innovation spaces the Portershed is on target to deliver a suite of ambitious programming in 2024. The Portershed now has capacity for over 300 members. This new innovation space which can host up to 100 people has held over 60 events since it launched in Nov 2023 and continues to be the fulcrum for tech events in Galway and the West region. The Portershed core focus for 2024 is rolling out a suite of AI programmes and supports for their members and community.'



Ludgate is also thriving and has hugely optimistic plans for supporting innovation across Cork as outlined below by Development Manager Gavin Jeffery.

'We are thrilled to commemorate the 'one-year anniversary' of the strategic collaboration between Ludgate and Skillnet Innovation Exchange, facilitated by Skillnet Ireland. Over the past year, this partnership has flourished, creating a vibrant ecosystem for innovation, growth, and collaboration.'

As part of its nationwide expansion, Skillnet Ireland allocated €5 million to fund Skillnet Innovation Exchange, a ground-breaking initiative aimed at addressing scaling challenges faced by companies when selling to large corporations and multinationals. The programmes' ambitious goal is to support over 1,000 companies between 2022 and 2025'





CASE STUDY

AIB CUSTOMERS LEAD THE WAY IN INNOVATION.

SAAS COMPANY TESTREACH IS DISRUPTING EXAM DELIVERY GLOBALLY

Dublin based edtech company TestReach has an enterprise solution for managing and delivering any type of secure assessment. The innovative technology is delivered in a software as a service model (SaaS). It is a modern, cloud-based application that provides a scalable and cost-effective way to create, deliver, mark and issue results for any assessment online. TestReach uniquely offers an integral remote invigilation service which allows candidates to easily and securely take their exam from any location while ensuring the integrity of the exam is maintained.

TestReach was co-founded by Louella Morton and Sheena Bailey (both EY Entrepreneur of the Year finalists 2023), and the pair are very much in the driving seat of this successful and fast-growing technology business. The company has been providing its secure online examinations for over 10 years to professional bodies, medical colleges, government agencies and corporate clients and is playing on the world's largest edtech stage, competing and winning against major American corporations.

Pioneers in the remote invigilation technology sector, TestReach was in prime position to meet the surge in demand due to Covid. TestReach continues to go from strength-to-strength, with a large portfolio of customers and a healthy recurring revenue business. The founders are forecasting 20% revenue growth in 2024 and foresee an optimistic future for the company in the Edtech SaaS sector.

What makes the TestReach story even more impressive is that the growth has come almost entirely organically. While TestReach had initial backing from Enterprise Ireland and some family and friends, it quickly became self-funded and has subsequently grown to a team of 200 delivering over 4 million exams per annum. A brilliant Irish SaaS success story and testimony to the technology and team behind TestReach.



“2023 was an exhilarating period for us. We look forward to delivering further product innovations in 2024 and ensuring our customers everywhere have an exceptional exam experience. The edtech landscape is continually evolving, and TestReach is committed to leading this space from Ireland” - **Sheena Bailey**



CASE STUDY

BUYMEDIA UNLEASHES AI IN ADVERTISING

In today's fast-paced advertising landscape, staying ahead of the curve is crucial. This is where artificial intelligence (AI) steps in, revolutionising the game. Buymedia, a pioneer in AI-driven advertising, is leading the charge with its transformative approach.

Fergal O'Connor, CEO and founder of Buymedia, noticed common challenges among companies and organisations hindering their growth. 'Many businesses lack access to comprehensive consumer and media data when planning advertising, and they find it almost impossible to learn post campaign what has had an impact,' he observes. 'Buymedia's AI empowers businesses to plan and predict their advertising more effectively. By structuring business data from the beginning, our AI models can plan and predict the advertising outcomes, which impact business growth.'

For Buymedia, AI in advertising goes beyond flashy chatbots or conversational interfaces. With eight years of experience working with global leaders in consumer and media insights across Ireland and the UK.

Buymedia's AI-powered platform enables businesses to define their target audiences at a granular level, with algorithms guiding them towards the best media options based to optimise campaigns for maximum impact.

Buymedia's standout feature lies in predictive analytics. Their AI algorithms forecast trends, audience behaviours, and campaign performance, empowering advertisers to make sharp decisions, allocate resources efficiently, and ensure their advertising effectiveness and business growth.

In the AI-driven advertising landscape, the future is bright, and Buymedia stands at the forefront, charting the course toward more efficient, effective, data-driven advertising processes and outcomes.



"Buymedia has grown 27X over the last 4 years and we plan to sustain a high level of growth and profitability over the coming years. This will be driven by innovative businesses who realise they need to embrace AI advertising now or risk being left behind." - **Fergal O'Connor**



MEET THE TEAM

ACCELERATE YOUR GROWTH. COMPREHENSIVE SECTOR SPECIFIC EXPERTISE AND DEDICATED TEAMS TO SUPPORT YOUR AMBITION.



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