

Leading the way on tech M&A

Houlihan Lokey's M&A advisory team shares the secret of getting tech deals done with [Edward Russell-Walling](#)



From left: Sascha Pfeiffer, Jason Hill and Phil Adams

The world's league-topping advisory team on technology mergers and acquisitions (M&As) by numbers of deals can be found at Houlihan Lokey. One of the most resilient segments of the team's business through recent ups and downs has been digital infrastructure.

Houlihan Lokey has travelled some distance since being founded as a valuations business in Los Angeles, California, five decades ago. With nearly 2700 employees and revenues of \$1.8bn, it is no longer a boutique. And while its headquarters remain on the US west coast, its operations have spread by both product and geography, across the US to Europe and Asia.

Alongside restructuring sits corporate finance, now its largest revenue generator, and a financial and valuation advisory business. The investment bank's M&A advisory specialises in the mid-market and enjoys US market-leading positions in industrials, healthcare, business services and financial services, among others.

"Of all the sector teams, technology has grown the most by acquisition," says Phil Adams, Houlihan Lokey's UK-based

global head of technology. In August 2020, the firm bought MVP Capital, an investment bank with a focus on telecoms and digital infrastructure. In October 2021, it acquired global technology specialist GCA and, with it, the services of Mr Adams, who had been its European CEO.

In February 2023, the investment bank purchased Oakley Advisory, an independent European corporate finance firm with particular skills in digital infrastructure. That beefed up sector coverage in Europe and increased the number of technology team professionals at Houlihan Lokey to around 180. Some 100 of those are in the US, with the rest in Europe. The group also has technology-focused bankers on the ground in Japan and India.

"The team is run on a global basis, giving our European client base access to global strategic buyers and sponsors," Mr Adams says. He adds that the Houlihan Lokey model is sub-sector focused, and involves building deep knowledge of domains within broad sectors.

"That makes us increasingly important to our clients, and more important

to private equity and privately held businesses," he believes.

Sascha Pfeiffer, Frankfurt-based head of European technology, notes that the tech M&A business was very intense between 2017 and 2021. "Then the music stopped in autumn 2021," says Mr Pfeiffer, who is another GCA alumnus. "We still had a strong order book, so it was like turning a supertanker, running on for another 12 months, before activity dropped by three-quarters."

Europe surprises

In summer 2023, deals began to pick up again with the European market recovering faster than the US. That was unusual, as it is almost always the other way round, Mr Pfeiffer observes. There is pressure on financial sponsors to do deals because they need to show realisations.

"The initial public offering market is dead, and will probably remain that way for the next two to three quarters," he says. "That's good for our M&A franchise."

Deals in digital infrastructure, however, barely slowed down at all, according to Jason Hill, Boston-based co-head of US technology and global head of digital infrastructure. This is the plumbing that is built for software to work, such as data centres and fast fibre networks, he explains.

"Covid-19 demonstrated a huge demand for digital infrastructure to be everywhere – at home as well as in the office," says Mr Hill, who was with MVP Capital before its acquisition by Houlihan Lokey. And politicians have responded, he points out. As people began to see high-speed internet not as a privilege but as a right, governments began to support funding for the necessary infrastructure.

Infrastructure funds have helped to drive this development. "When Covid slowed their investments in railroads, shipping, ports and airports, they saw digital infrastructure as a space to play in," Mr Hill says. "The artificial intelligence (AI) trend of the past 18 months also requires investment in infrastructure."

In one example of Houlihan Lokey's role in this sector, the firm was sole financial adviser to SwyftFiber in securing an investment, reported to be \$275m, from Macquarie Asset Management (MAM). The agreement was announced in October 2023. ▶

SwyftFiber, a longstanding developer of cable networks in south-eastern US states, is building high-speed fibre networks in underserved areas, with the help of federal and state grants. The programme will continue the company's growth in the Gulf of Mexico region.

The team helped SwyftFiber to develop its plan and then advised it on the negotiation and structuring of the investment via a highly competitive process.

Government support also featured in a deal, announced in June 2023, involving QScale, a Canadian developer of sustainable computing infrastructure. With Houlihan Lokey and Scotiabank as financial advisers, QScale received an unspecified equity investment from Aligned Data Centers (ADC). While ADC is majority-owned by MAM, other shareholders include the government of Quebec.

QScale develops high-performance computing infrastructure that facilitates AI and machine learning. It feeds waste heat recovered from its operations to nearby greenhouses, aquaculture projects and community organisations.

In July 2023, US networking and cloud technology conglomerate Cisco announced its acquisition of Armorblox for an undisclosed sum. Founded six years earlier, Armorblox uses AI to secure email and other cloud office applications. Cisco said that the deal would advance its plans for an AI-first security cloud. Houlihan Lokey was sole financial adviser to Armorblox.

In Europe, the firm advised Germany's Equity Capital Management on the

sale of its majority stake in PikeTec, a Berlin developer of testing software for the automotive industry. The buyer was Synopsys, a US maker of software for designing semiconductors. Though terms were not disclosed, the deal was reported to have valued PikeTec at more than \$200m.

The transaction was announced in August 2023 after a "hotly contested" auction involving bids from five trade buyers. These were mostly large, listed US groups, but included one UK bidder. "It showed how the team can access trade buyers," Mr Pfeiffer notes.

The team also advised Germany-based Symbioworld on its acquisition by Celonis, which is headquartered in both Munich and New York. Symbioworld is a provider of AI-driven business process management software and Celonis uses process mining technology to help companies identify improvement and savings opportunities in their processes. The deal was announced in November. Again, the terms were not disclosed.

A different deal

In a slightly different challenge, the team advised Luxembourg-based investor Cube Infrastructure Managers on its investment in Trooli, a UK-based internet provider. In 2019 Cube invested £30m via a mezzanine payment-in-kind instrument that, when exercised, would give it a significant minority position in Trooli's equity, then wholly owned by management.

In August 2021, Trooli secured a £67.5m senior debt facility from three

bank lenders. After a covenant breach in September, work began on a pre-pack administration, which would probably have cleared only the senior debt. Investment bankers were instructed to find a buyer for the company. Cube's attempts to engage with management and senior lenders were unsuccessful and it feared it would be excluded from the sale process altogether.

Houlihan Lokey was engaged by Cube in December 2022. Together with Freshfields Bruckhaus Deringer, it formulated a defence of Cube's position and rights, rectified any perception that this was a senior lenders-led process, and contacted more than 25 potential investors. This led to offers well above the senior lender threshold. Eventually the company accepted the highest cash bid, from France's Vauban Infrastructure Partners in a deal that cleared the senior debt and allowed a significant recovery of Cube's investment.

In the year ahead, Mr Pfeiffer expects the recovery of the market to continue. "Investors have started to adapt to the new interest rate environment," he says. "Bid/ask spreads have narrowed in pricing, and the wall of money raised in 2021 and 2022 needs deploying."

He notes that the team's order books have a lot of mandates, but the owners of some businesses are still making up their minds about when to press the button. "We are winning business faster than we are closing deals, because markets have not yet opened up fully," Mr Pfeiffer says. "But that will change."