

Increase in French ICT M&A a Long-Term Trend?

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In 2013, the turnover value of mergers and acquisitions in the French ICT sector doubled, but the question remains how long this M&A growth will continue.

Although 2013 does not seem to have been a particularly productive year as far as the Information & Communication Technology (ICT) market in France is concerned, with growth estimated at only 0.3% according to a report from IT industry association Syntec Numérique, it was nevertheless an exceptional year for mergers and acquisitions. A survey by consulting firm [APManagement](#) ^[10] entitled [IT](#) ^[11] Barometer puts the value of mergers and takeovers in the sector, in terms of aggregate annual turnover, at €2.1 billion, an increase of close to 90% on 2012. APM CEO Pierre-Yves Dargaud argues that these results point to a growing consolidation in the IT sector linked to “a drop in macro-economic uncertainties”. He points to three major trends driving this growth, which he believes are likely to continue over the next few years: increasing competition, more sophisticated requirements from major customers, and strong investment capacity.

TOUGHER COMPETITION, SPECIAL DEMANDS FROM MAJOR CUSTOMERS

The APM ‘IT Barometer’ shows tougher competition both among incumbent firms on the ICT market in France and from overseas players, the former making takeovers worth €1.383 billion in acquired annual turnover and the latter acquiring €703 billion in turnover volume. The main IT dynamic is currently coming from India and the United States, but these countries are not the sole source of takeover bids, as challengers with their origins in other sectors – such as telecoms operators and equipment manufacturers and temp worker agencies – are emerging in search of business synergies. The same goes for buyout capital funds, which are enticed by the sector’s growth prospects. Another aspect which suggests that M&A activity is likely to continue is the increasing desire among major customers to reduce the number of suppliers in order to push through stringent pricing policies. IT service companies are now having to frame more sophisticated offerings covering a wider geographic area, and one route to this is through mergers and takeovers.

FRENCH M&A GROWTH OVERSEAS

Last but not least, the IT Barometer highlights the fact that despite only average results, the major players in the French IT sector are still achieving very good operational margins and continue to enjoy easy access to low-cost finance. So the M&A trend looks set to continue not only at home but on overseas markets as well, where takeover activity by French players has been fairly stable over the last couple of years. Although the number of French takeover bids was slightly down in 2013, with 33 deals compared with 35 in 2012, the turnover volume these acquisitions represent increased slightly, from €563 million in 2012 to €566 million in 2013. Some 74% of these foreign acquisitions are in EMEA countries, with Germany and the UK featuring as favourite destinations, totalling seven French company acquisitions each in 2013. Meanwhile the biggest single target country outside the EMEA region is the United States, with six acquisition.