

Leading Dutch embedded systems specialist **joins forces** with high-end IT engineering services provider

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DEAL SNAPSHOT

Technology & Strategy Group (T&S), a European expert in IT consulting, digital and engineering services, is developing its engineering business with the arrival of a new Dutch partner, TOPIC Embedded Systems, an expert in embedded systems.

Founded in 1996 in the Netherlands, TOPIC provides cutting-edge embedded solutions to customers worldwide. With over 100 professionals, TOPIC aims to make the world better, healthier and more effective by focusing on healthcare, semiconductors, aerospace and smart industries.

T&S was founded in 2008 and is a portfolio company of Ardian, a leading French private equity firm. The integration of TOPIC will further strengthen T&S's expertise in system, hardware and software development, which will in turn enable the delivery of more complex turnkey projects and complete solutions, including end-to-end product development. This integration also expands T&S's operations into 12 countries over three continents, and will strengthen the group's presence in Europe, particularly in the Benelux region. T&S and TOPIC share common expertise across their respective design offices, as well as their capacity to deliver fixed projects.

“The integration with T&S is an exciting new chapter for TOPIC, bringing together our expertise and shared company values to build further on a strong future together in the embedded market. The integration offers benefits to customers, who we can support with a much wider service portfolio. It will also widen our professionals' opportunities.”

RIENY RIJNEN
FOUNDER AND CEO,
TOPIC EMBEDDED SYSTEMS
NETHERLANDS

OAKLINS' GLOBAL REACH **HELPED FIND THE RIGHT PARTNER**

Oaklins' team in the Netherlands acted as the exclusive sell-side advisor to the shareholders of TOPIC. The team in France provided support and essential intelligence, emphasizing the value-add of Oaklins' global reach. This transaction highlights our strong track record and expertise in the fast-moving IT sector. On the back of this track record, Oaklins has detailed insights into sector dynamics and valuation trends, as well as the buyer and target universe.



MARKET TRENDS & DEAL DRIVERS

The global engineering services outsourcing market was valued at US\$1,431 billion in 2021 and is expected to reach US\$3,804 billion in 2027, growing at a CAGR of 17.7% during the forecast period.

In response to rapid technological advances and the scarcity of technically skilled personnel, there is a growing demand for outsourced engineering services. Technology-intensive companies are now more inclined to outsource a significant portion of R&D (make-or-buy) and establish long-term partnerships with service providers that have the competencies and technology base needed internally.

As a result, this is driving M&A in the IT engineering market. Larger players are acquiring niche specialists to enhance their service offerings and capabilities, and pursuing buy-and-build opportunities to meet demand. Competitive pressure to keep pace with other market players is another factor in the consolidation trend. Private equity investments are also contributing to this trend, as they seek to invest in promising companies and drive growth through M&A.

M&A VALUATION ASPECTS

As the leading player within its niche, TOPIC was the ideal partner for T&S to expand into a new geography, the Netherlands. In addition, for a larger, private equity-backed European platform such as T&S, the integration of TOPIC will further strengthen its high-end capabilities in system, hardware and software development, offering further benefits to both customers and employees.

Valuations in the high-end IT engineering market have an extremely wide bracket as they depend on many factors, including the level of tech capabilities, sales growth, profitability margins, size, billability and degree of long-term fixed project contracts, as these often result in higher margins. The lower a company scores on these factors, the more likely they are to have an EV/EBITDA valuation in the upper single digit range. Companies that score high on all factors will see EV/EBITDA valuations in the lower to mid double-digit range.

OUR INDUSTRY SPECIALISTS

✉ FREDERIK VAN DER SCHOOT

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Frederik leads the firm's technology, media and telecommunications (TMT) team. With more than 17 years' experience in M&A, notable transactions he has advised on include the sale of Vabi to Vitec Software Group, the investment of Capital A Investment Partners in QS Solutions, the fundraising for Rodeo Software provided by No Such Ventures, the sale of GAC Business Solutions to Broad Horizon, the investment of The Carlyle Group in HSO, the sale of RVC Medical IT to Nexus, the investment of PSG Equity in Rodeo Software, and the sale of Embrace to Aareon.

✉ JAN-PIETER VAN DOORN

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Jan-Pieter co-heads the firm's TMT team. His key area of expertise is in enterprise SaaS, in which he continuously follows market developments and is in regular contact with the major investors and strategic players in the sector. Consequently, he has a deep understanding of the market dynamics and important value drivers in enterprise SaaS. Notable transactions include the fundraising for Rodeo Software provided by No Such Ventures, the sale of GAC Business Solutions to Broad Horizon, the sale of Vabi to Vitec Software Group, the investment of Capital A in QS Solutions, the acquisition of ABS Laundry Business Solutions by Vitec Software Group, the investment of PSG Equity in Rodeo Software, and the sale of Embrace to Aareon.

"Consolidation in the embedded systems sector offers a distinct opportunity for companies to expand their offerings, gain access to new technologies and improve their market position in a highly competitive industry. Overall, we are experiencing increased interest in M&A opportunities in the high-end IT engineering sector. Our industry insights can assist businesses in making informed decisions that drive long-term success."

FREDERIK VAN DER SCHOOT
MANAGING PARTNER, OAKLINS



OAKLINS HAS CLOSED 1,126 DEALS IN TMT

United by a strong belief that we can achieve the extraordinary. Oaklins is a global team of 850+ financial advisory professionals in 45 countries providing M&A, growth equity, ECM, debt advisory and corporate finance services to support entrepreneurs, corporates and investors in reaching their goals.

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