Technology
2019 H1 Review

In a clear sign of its commitment to Ireland's indigenous Technology Sector; in January of this year Bank of Ireland appointed Andrew Keenan (Business Relationship Manager) and Gerry Nolan (Lending Manager) to a new dedicated Technology Sector Lending Team, to work alongside the Head of Technology Sector in the Dublin region. This new team focuses exclusively on the Technology Sector and acts a main point of contact across the region for colleagues and their customers seeking to access debt finance.

Bank of Ireland & Technology Ireland Breakfast Seminar

In May, Bank of Ireland Technology Sector held its annual breakfast seminar, "Simplifying Personalized Customer Experience in the Digital Age", in association with Technology Ireland. Registration was up on last year's event with attendees coming from a broad spectrum of Dublin's tech community. The keynote address was delivered by Steve Blood, VP Analyst at Gartner; followed by a lively panel discussion

In his keynote presentation Steve stated that great customer service is built on four key pillars:

► Getting connected: building customer connections by 'creating' journeys, enabling intelligent self-service for customers.

► Process orchestration: support for more and more complex and personalised customer engagements.

► Knowledge and insight: decision-making analytics and knowledge consolidation.

► Resource management: engaged and empowered staff - employee experience, powers customer experience.

Steve also referred to how artificial intelligence (AI) can be used to analyse data to classify and predict better than what humans can do alone and then tells the humans (or platforms) what they should do. He went on to say that despite the hype about its benefits, only 4% of Chief Information Officers (CIOs) have implemented AI while 25% are planning to, over the coming 1-3 years.

Ireland's Competitiveness continues to be a challenge

Peter Clinch, Head of Ireland's National Competitiveness Council, speaking last May warned that rising rents and labour costs, combined with high personal taxes are posing a serious threat to Ireland's competitiveness. He went on to state that wage costs are now rising four times higher than the rate of inflation. Rents are also unattractive for skilled workers to move here, while rents on commercial property are a major cost burden for businesses.

Spotlight on Software and Cloud

Gartner research expects Enterprise software spending to grow 10.7% in 2019 to $509 billion in constant dollars, and will grow at a 10.3% five-year compound annual growth rate (CAGR) through 2023 in constant currency.

Gartner's Cloud forecast shows spending at $178 billion in 2019, growing by 20.8% and at a 17.9% CAGR through 2022 in constant dollars (excluding business process as a service [BPaaS] and advertising).

It is worth noting the pickup in Initial Public Offering (IPO) activity in the first half of the year and likely further uplift in the level of deals in the second half of the year.

Spotlight on Managed IT Services

Automation: The impact of automation in the sector is now having a downside impact on contracts particularly on those that provide infrastructure as part of their service offering. Traditionally many managed services contracts would have been labour based but are now being replaced by technology, significantly eroding profit and having the effect of shrinking the contract.

Value-add: Service providers need to seek growth opportunities through new ways of adding value such as service/digital transformation, front-end skills, design and strategy to partner with their clients to improve the overall customer experience for their client's customers and users. This is driving a lot of M&A activity as more and more traditional managed services businesses are seeking to add on new services and create added value through acquisition.

Business Process Outsourcing: This has also now shifted back to being close to the client. Technology has largely removed the need to take activity offshore and clients now seek to have their managed service provider closer to enable co-innovation, designing applications, implementing solutions and undertaking higher value activity.

H1 Sector Activity – Lending/Investment/Acquisitions

Lending: H1 has seen strong demand, with an increase of 24% in lending to the technology sector, with the main requirements being funding for growth/acquisition and expansion into new markets. Key sector segments continue to be SaaS, telecoms and digital/media.

Investment: According to KPMG's recently published Q2 Venture Pulse, globally, VC-backed companies raised $52.7bn across 3,855 deals during the period. While investment remained steady quarter over quarter, total number of deals fell for a fifth straight quarter. Across Europe, VC-backed deals amounted to $8.7bn across 825 deals.

In Ireland, $120.9 million was raised over 14 deals, with the largest deals in the Technology and Healthcare sectors.

Mergers & Acquisitions (M&A): Globally, we have seen strong activity in the marketplace. Some noteworthy deals announced over H1 include Salesforce's announcement of its acquisition of Tableau, and the closing of the Red Hat deal by IBM.

Ireland – some notable activity over the period:

NetFort, a Galway-based developer of network traffic and security monitoring software, was acquired by the Nasdaq-listed and Boston based company, Rapid7.

Meritsoft, a Dublin-based specialist financial services software company and Zenith Technologies (life sciences, manufacturing technology Services Company based in Ringaskiddy, Co. Cork) were both acquired by Cognizant (a New Jersey based, IT Services company, with recorded revenues of $16bn in 2018).

Rockall Technologies, a Dublin based Fintech was acquired by Broadridge Financial Solutions (BR - NYSE), a global FinTech leader with $4bn in revenues and part of the S&P 500® Index.

Touchtech Payments, a Dublin based start-up company that builds strong customer authentication (SCA) software, enabling frictionless and secure payments was acquired by Stripe.

LetsGetChecked, a Dublin based HealthTech start-up raised $30 million in a Series B round of funding to bolster its US expansion plans.

StatSports, a SportsTech Company, based in Newry is thought to be contemplating an Initial Public Offering in the next couple of years, following receiving investment. The company announced that Premier League footballers Raheem Sterling and Alex Oxlade-Chamberlain have both recently invested more than £1m (€1.1m) in the company in what was a new funding round that valued the company at the time, at more than £200m (€231).

Glofox, a Dublin based gym management software start-up has secured a $10m Series A funding round, led by London's Octopus Ventures with participation from Dublin venture capital firm Tribal VC, Partech and Notion Capital.

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Technology
2019 H2 Outlook

Recruitment and Retention Challenges

The technology market is highly challenging at present, with some professionals choosing contract roles due to lucrative rates and the ability to work on a range of different projects. As a consequence, companies across the sector are doing all they can to differentiate themselves from competitors through implementing retention strategies and new initiatives. These include offering employees time to work on personal projects, remote working and increased/open-ended annual leave options. According to Morgan McKinley, roles that are most in demand to fill are Software Developers, UX Designers, Solutions Architects, Data Scientists, and Security Engineers.

Technology Ireland ICT Skillnet

In order to meet these challenges, a key enabler for businesses could be to leverage the Skillnet Ireland framework and in particular the Technology Ireland ICT Skillnet. There is a considerable demand to enable employees to up-skill and to continue to build their skills portfolio, which in itself could act as a mechanism to retain staff. This year Technology Ireland ICT Skillnet have launched a MSc in Artificial Intelligence (AI), a MSc in Blockchain and a MSc in the Internet of Things (IoT) and recently announced an Innovation Excellence Programme to support progressive and innovative organisations to scale. All these programmes are grant aided, therefore reducing the cost to upskill employees. To find out more details about the Technology Ireland ICT Skillnet, log on to their website www.ictskillnet.ie

Brexit: Bank of Ireland Group Chief Executive, Francesca McDonagh speaking recently stated that Bank of Ireland is prepared if there is a risk of a no-deal BREXIT on October 31st and urged customers who are fearful of the potential impact to contact the bank. The bank has a €2bn Brexit fund in place to help SMEs on the island of Ireland. Our advice for business owners is to come and speak to us and to be as ready as they can be for what will be an uncertain period. For more information on accessing BREXIT loans: www.sbci.gov.ie/brexit-loan-scheme

Level of security required and rate applicable will be determined by the amount, purpose and term of facility, in conjunction with the nature and value of the security being offered. Lending criteria, terms and conditions apply. Over 18's only. Maximum credit of €120k available for online applications.

Looking ahead

As we are now into the second half of 2019, thoughts turn to technology trends in 2020. According to Forbes, 2020 will be defined by fresh new technologies coming to the fore. Below are five of the 10 referred to:

5G: With various handset manufacturers already deploying '5G ready phones', faster broadband and network speeds will enable advancement in new business models and smart environments.

Advanced analytics: Forbes says those companies that are not investing heavily in analytics in 2020, probably won't be in business in 2021.

RPA (robotic process automation): companies are likely to increase investment to upskill and augment their existing workforce, removing the mundane and adding value.

Always connected PC's (ACPC's): the laptop market will be transformed with embedded 5G and Long Term Evolution (LTE) connectivity enabling users to always be connected.

XaaS (everything as a service), UX/CX and Digital Privacy:

- ▸ XaaS: will become mainstream with many of the incumbent on premise players offering everything as a service model.
- ▸ User and Customer Experience (UX/CX): digital transformation is anchored in user and customer experience; hence this emphasis will continue to drive investments.
- ▸ Digital Privacy: companies are likely to pay more attention and put more emphasis on compliance around personal data and may well use this as a differentiator.

Internet Trends

Mary Meeker recently published her 2019 Internet Trends report; said to be required reading in the Tech world. Mary Meeker is a Venture Capitalist and formerly a Wall Street securities analyst, who is one of the most influential and followed forecasters on internet trends.

Highlights of this year's report:

- ▸ Online advertising: In 2018, the percentage of advertising spend in desktop and mobile channels drew even; percentage of time consumers spent in those channels - 18% for desktop and 33% for mobile.
- ▸ Global online population: The number of people active online last year grew by 6% to about 3.8 billion, or 51% of the world's total population. In 2017, there were 3.6 billion people online, or 49% of the population.
- ▸ E-commerce sales: now make up 15% of total retail sales, rose 12.4% in the first quarter of 2019, down from the 15%-to-20% rate of previous years. Nonetheless, it's several times faster than the 2% growth for traditional retail sales.
- ▸ On-demand: anytime, anywhere products and services increased from about 40 million in 2017 to 56 million in 2018. Online marketplaces are the most popular, followed by transportation, housing, food delivery and health/beauty.

- ▸ Data and personalisation: context-rich data yields happier customers, but Meeker said companies are "drinking from a data firehose" because of real-time customer information capture. In a survey of retail customers, 91% said they prefer brands that provide personalized offers and recommendations; 83% said they are willing to passively share data for personalized experiences; and 74% said they are willing to actively share data for personalized experiences.

Bank of Ireland

We recognise that we have a unique opportunity to support our customers and to enable Irish businesses and the communities we jointly serve to thrive.

Our proven financial capabilities and appetite, combined with comprehensive sector expertise, provide us with a strong platform to meet the funding requirements of Irish technology companies.

We are delighted to continue to provide various facilities to some of Ireland's best known technology brands across various sector segments. But we won't stop there; it is our ambition to grow further and by having a designated Technology team we can deliver on our agenda to be the Bank of Choice for Ireland's Indigenous Technology Sector, with the experience, the knowledge and most of all an understanding of your business.

Talk to our Technology Team today, to see how we can help you grow your business.

Paul Swift
Head of Technology

Email: paul.swift@boi.com
Mobile: 087 251 6681

Paul has over 20 years' experience in delivering transformational and innovative business opportunities. He has worked with leading technology-driven companies and institutions including TSSG (Waterford Institute of Technology) and the Adapt Centre (formerly CNGL), Trinity College Dublin, where he led technology commercialisation activities across both the indigenous and multi-national technology sectors. He has also worked closely with spin-outs and mentored new and established technology companies.

Paul managed the Consumer Technology portfolio for IDA Ireland (based in Boston), across New England and Eastern Canada territory; working with some of the world's biggest technology brands. Paul also completed a posting in the Middle East, based in Bahrain, assessing multi-million euro investment projects in the region. More recently he led business development for Eishtec across the North American market. A native of Waterford, Paul holds a Masters of Business (Hons) Internationalisation from Waterford Institute of Technology.

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