



Bank of Ireland Technology, Media and Telecoms (TMT) Insights

February 2022



**Bank of
Ireland**

Classification: **Green**

The TMT sector continues to play a leading role in enabling the digital transformation of every sector. We will continue to see further disruption over the medium term as customers demand tech-enabled products and services, that provide an enhanced, seamless customer experience.

TMT 2021 Review

Summary

Technology: Ireland's technology sector continued to perform strongly through 2021 with LetsGetChecked and Fenergo joining the ranks of Ireland's growing list of 'unicorns'*. Both businesses secured strong support from international investors, a further endorsement of the strength and reputation of Ireland's indigenous technology sector. TechIreland.org also published its Software as a Service (SaaS) report for 2021, capturing the continued growth of the sector with over 400 Irish technology companies classified as SaaS, creating solutions in artificial intelligence (AI), talenttech (recruitment), customer relationship management (CRM) and internet of things (IoT). The report highlighted data on activity for Irish SaaS companies during 2021 that saw 33 companies being acquired while three companies completed initial public offerings (IPO), see Fig. 1. below.

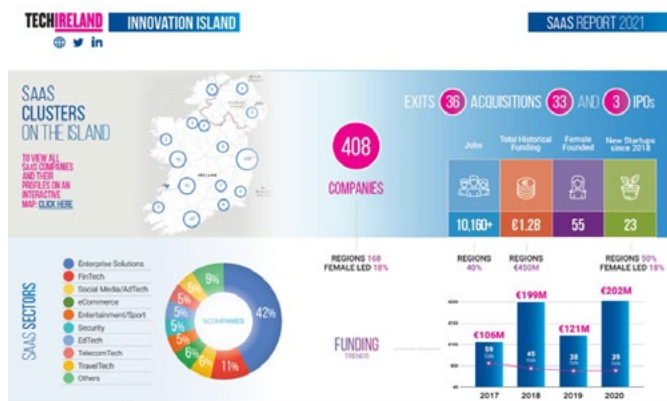


Fig 1: TechIreland.org - SaaS Report 2021.

Media: We continue to see further evidence of content providers moving to subscription-based models with content now placed behind a paywall, to position these businesses on a more sustainable model, as sales and advertising revenues continue to decline. Silicon Republic introduced its paywall last October following other titles such as the Irish Independent, The Business Post, The Examiner and The Irish Times that have rolled out similar models in recent years. In most cases, readers can still access free articles before having to pay for content.

However, the hope among content providers is that over time, readers will buy into the new model, and add another subscription to their ever-growing list, that already comprises of gym membership, access to software, music, and entertainment.

Telecoms: There was further consolidation in the sector during the period with Viatel Group continuing on their acquisition trail of recent years with the acquisition of Skytel Networks, a Wexford based provider of connectivity and voice services to both consumer and business customers across Ireland in October. This was their fourth acquisition in twelve months, further expanding their presence in the Irish market and internationally. The roll out of the national broadband plan continues despite having lost some ground owing to COVID-19 in the first half of the year.

Commercial providers such as Eir, SIRO and Virgin Media also announced plans to expand and/or upgrade their fibre networks and offer high-speed products to customers across the country, representing an investment of more than €1.8 billion.

Key trends

HR(Human Resources) tech: as new ways of working continued, centralised HR systems became critical for businesses. Productivity, culture, employee engagement, communication, and employee development amplified the need for effective technology solutions to help manage the challenges associated with remote working, which has driven an increase in demand for these types of solutions.

Influencer/Social media marketing: over the course of the pandemic, we have seen an increase in SME's creating content of their own such as men's/ladies fashion, pubs/restaurants and even construction businesses producing content to showcase their offerings to try and drive sales while the country entered various stages of lockdown. People's shyness or reservations about being videoed seems to have been well and truly overcome as more and more businesses saw the potential benefits of social channels. In many cases businesses are now using social media influencers to endorse products and services among their followers to drive sales by engaging customers through unique and differentiated content.

Digital transformation continues: many SMEs sought to either explore how they could replace outdated technology with more robust digital tools in order to support and maintain productivity or with a view to keeping up with competition and trying to stay relevant to existing customers while attracting new ones. As markets continued to shift, customers demanded enhanced, digitally enabled, experiences. Many of these tools (customer relationship management/project management/content management) that could assist businesses to exceed customers' expectations are available off the shelf with limited customisation required.

Key activity in the sector

Throughout 2021 the Irish Venture Capital Association published a positive outlook for start-ups and early-stage companies. Venture capital funding for the third quarter of 2021 into Irish SMEs increased by 19% to €231m, compared to €193m in 2020. Funding for the first nine months of 2021, which went mostly into technology businesses, reached €872m, up 11% from €786m 2020. The uncertainty caused by the pandemic had a particularly negative impact on funding into early stage and start-up businesses in 2020, with many funders focusing on their existing portfolios instead of new investments. The uplift and recovery in investment through 2021 is welcome and put the sector on a stronger footing heading into the end of 2021 and the new year.

There was further good news in the Budget in October when the government announced their intention to create an Innovation Equity Fund to increase private equity investment in indigenous, innovation-led businesses, to support early-stage businesses.

* A unicorn is a privately held start-up company valued at over \$1 billion.

The €90million fund will consist of equal contributions of €30m from the Ireland Strategic Investment Fund (ISIF), the European Innovation Fund (EIF), and the Department of Enterprise, Trade and Employment.

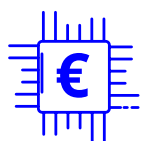
Lending Activity

As the demand for digital solutions continued throughout the year, we saw significant increase in deposit account balances, driven by significant growth in sales for technology solutions, software, and cyber security.

The trend of consolidation of the Managed Services space that we have seen in recent years, continued through 2021 with the bank supporting some of our customers in making further acquisitions, boosting both their service offering and increasing their customer base.

Over the last year we have also seen an increase in the availability of capital from non-bank lenders. Ireland's global reputation as being a location of choice to scale a business has brought increased attention from alternative lenders seeking investment opportunities. In particular there has been a marked increase from US private equity and venture capital firms setting up offices in Ireland with a view to investing in Ireland's burgeoning tech sector.

Sector Developments – Some Key Numbers



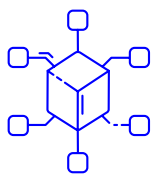
No1

LetsGetChecked takes top spot in Deloitte 2021 Technology Fast 50 Awards



€5.5

funding for the establishment of a new Media Commission



100

new jobs to be created by Cork-based Altada that develop AI solutions.



\$19.7bn

amount Microsoft paid for acquisition of Nuance Communications.

5000



the milestone number of industry projects completed so far by the Technology Gateway Network (partnership between Enterprise Ireland and comprising 16 gateways across the country, based at various Institutes of Technology/ Technological Universities.)



M&A

- **SilverCloud Health:** The Dublin-based company, that has developed a market leading digital mental health platform was acquired as part of a deal that also included Conversa Health (a leader in automated virtual healthcare), by American Well (Amwell) for an aggregate purchase price of approximately \$320 million.
- **StitcherAds:** The Waterford based online advertising software company was acquired by Kargo, a US based leader in digital high-impact advertising, in a deal worth \$64 million. StitcherAds were a recipient of Bank of Ireland Seed and Early-Stage Equity Fund, managed by Delta Partners.
- **Swiftqueue:** The Kildare-based, online appointment and scheduling solution provider for hospitals, was acquired by Italian company Dedalus. Swiftqueue were a recipient of Bank of Ireland Seed and Early-Stage Equity Fund, managed by Kernel Capital.

Fundraising

- **Content Llama:** The Donegal-based technology company that automates the collection, configuration, and delivery of product content for e-commerce retailers has raised €2.5m. The funding is aimed at supporting further growth and expansion with plans for 20 new hires over the course of 2022.
- **Kitman Labs:** The Dublin-based, sports technology and analytics company announced the close of a \$52M investment round led by Guggenheim Investments. The funding will be used to scale the company faster and accelerate ongoing innovation.
- **Vaultree:** The Cork-based provider of Encryption-as-a-Service, raised \$3.3m in seed funding for its enhanced data security solution. This latest funding will help the company develop a scalable and easy to use, market-ready product, to provide customers with a fully end-to-end encrypted data protection solution.

TMT 2022 Outlook

Technology: Looking ahead, Ireland's technology sector is expected to expand further over the course of 2022. It was recently announced that Flipdish, the food-ordering platform, founded by brothers James and Conor McCarthy have raised \$100m in new funding, giving the business a valuation of \$1.25 billion, making them Ireland's latest 'unicorn'. The business also plans to hire 700 new staff in 2022.

These will not all be hired in Ireland, as Flipdish and other similar businesses may find it increasingly challenging to acquire talent. While it was flagged that 2021 would be a difficult year to hire with restrictions on mobility creating a smaller pool to hire from, all indicators suggest this coming year presents unprecedented challenges. According to Morgan McKinley's 2022 Irish Salary Guide, the "Great Resignation" is proving a significant threat. The most in demand roles this year will be data analysts/engineers/scientists, with demand for software engineers continuing unabated. Likewise, those with cybersecurity skills will also be highly sought after.

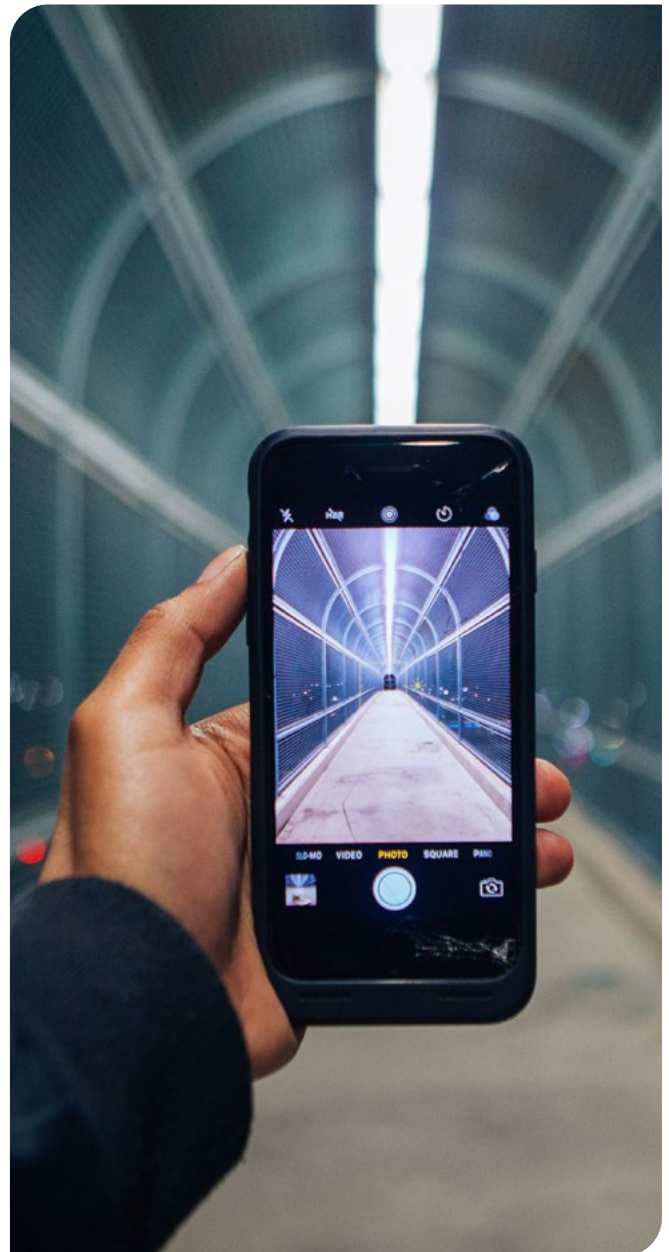
Media: Screen Ireland received an increase in budget funding of 22% for 2022 and confirmation of a new tax credit for digital gaming development companies. The increased funding will help support Ireland's growing film, TV and animation industry and enable significant potential for further growth as both a domestic employer and revenue generator. The industry has gone from strength to strength in recent years on the back of long-term investment in the creation of talent. It is no secret that Ireland's reputation, can-do approach and excellent producers, crews and creative ability puts the industry in a good place to benefit from the continued growth in demand from streaming channels for both live-action and animation content in the time ahead.

Telecoms: While the roll out of 5G has been talked about a lot over the last 18 months, 2022 is likely to be the year when we actually see progress in terms of widespread connectivity. 5G is the fifth generation of cellular networks. It is up to 100 times faster than 4G and it creates enormous opportunities for both business and ordinary consumers. In short, it is all about reliable connectivity; connecting things without lag, so we can engage, process, and execute actions in real time.

Businesses will now benefit from greater data-driven insights, making decisions in real-time. Connectivity among supply chain partners will also enable better interaction, improved efficiencies, and ability to alter/amend decisions reducing errors and associated costs.

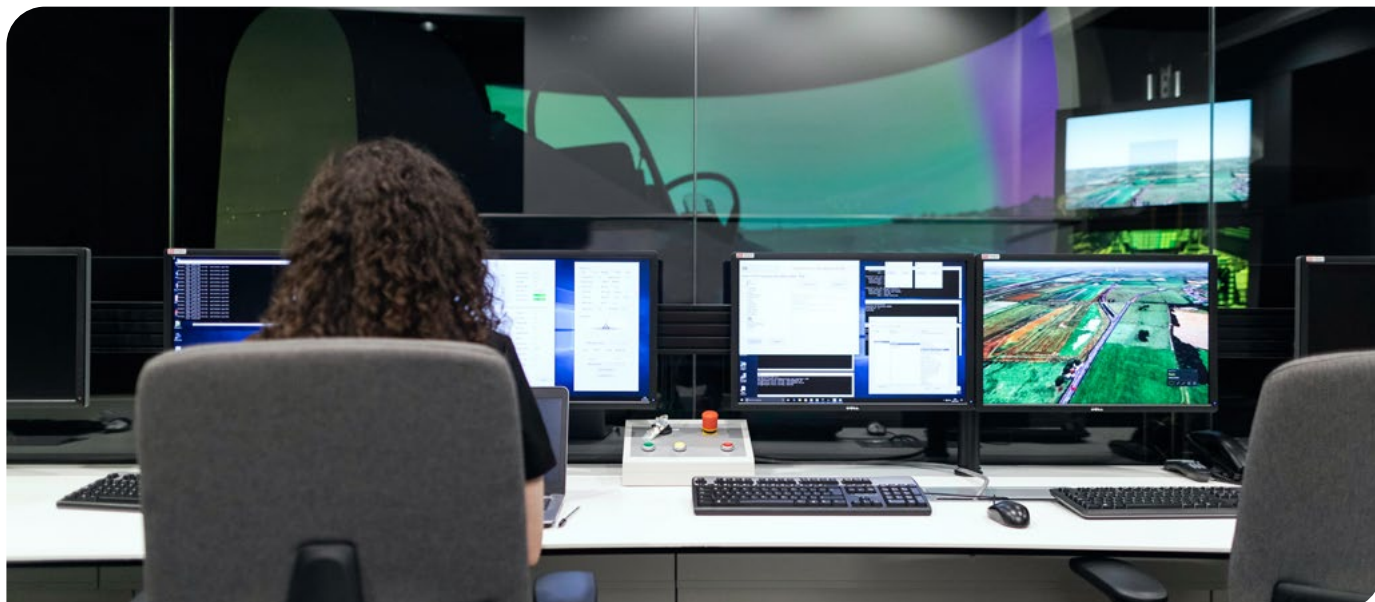
Market: Looking ahead, as the worst of the pandemic appears to be behind us, we are seeing governments across the world rolling back on the various restrictions that have been in place over the end of 2021. There is now palpable optimism and business minds are focusing on recovery, renewal and growth for the year ahead. With that in mind, below are some thoughts on what the year ahead might look like.

Cybersecurity: According to a recent report by Grant Thornton, the economic cost of cyber-crime to Ireland in 2020 was estimated to be €9.6 billion. Ransomware attacks are on the rise and businesses and organisations of every kind need to be vigilant to do all they can to protect against an attack.



Some steps that The Garda National Cyber Crime bureau advise businesses to take to prevent an attack include:

- **Scan for infected attachments and websites:** apply patches and anti-virus updates as well as scanning for infections.
- **Disable unused ports and services:** engage experts if needs be to assess your system to see what you require and what can be disabled.
- **Use trusted software and system updates:** it is important to keep your system up to date and always ensure you are installing trusted updates.
- **Backup essential files:** have a secure off system back up that you can restore your files in the event of an attack.
- **Engage with Cyber Security partners:** security experts will ensure that you are protected from threats to your system.
- **Report attacks, and do not engage:** in the event of a ransomware attack, report it to An Garda Síochána immediately.



Expansion of Low-code, No-code development platforms

given the continued shortage of software engineers, we are likely seeing an expansion in the use of these platforms, with citizen developers (employees who create application capabilities for internal consumption, either in their own jobs or for others in their organisation, that can be developed in weeks, rather than months) becoming more commonplace. Low-code, no-code development platforms facilitate the building of software applications by employees/frontline workers, without needing deep technical knowledge. In short, it enables people, regardless of their role, to solve the problems that are right there in front of them. They can constantly innovate and iterate on their processes as the conditions in their business change, adapting their software to new processes and move faster than if they had to go through a team of developers or an IT department.

Blockchain: the lack of use cases of this technology was widely mentioned in recent years as a reason for some of the scepticism as to its applicability and scalability. Today, according to Forbes, eight of the world's largest publicly traded companies are building various products incorporating this technology. We are now seeing broader use cases emerging across luxury goods (tracking products and fighting counterfeiting), music rights (managing copyrighting and royalty payments), legal (smart contracts), supply chain (holistic view - point of origin, track, and trace) and healthcare (incorruptible patient records and data).

Financial services and the banking sector continue to receive the lion's share of investment in blockchain technology, particularly in the area of payments, but now expanding further into areas of wealth and asset management and credit scoring. While blockchain and cryptocurrency are used interchangeably, cryptocurrency is just one of many potential uses of the blockchain. Yet it continues to generate enormous interest given its ability to enable parties to exchange value, without the need of a third party.

The global cryptocurrency market cap reached \$3 trillion, which was an all-time high at the end of 2021. China outlawed all crypto-related transactions last Autumn and is only one of many countries and jurisdictions that have either banned cryptocurrencies outright or severely restricted it over the past few years.

ESG and TMT: an increasing focus on sustainability will feature more prominently this year with businesses looking to technology companies to create and deliver tools that integrate data and provide insights on everything from the environment, social and governance issues to support decision making.

The TMT sector itself accounts for significant emissions (estimated to be somewhere between 1.4% of global emissions across devices, networks, and data centres and 3.6% of electricity consumption), while also contributing to the world's supply chain carbon footprint. Companies across the TMT sector need to proactively invest in renewable energy and services to decarbonise and offset emissions being created by cloud, Telco's, and various technology platforms.

On a broader level, the TMT sector needs to take a leadership role in creating technologies and innovate to find ways for applications to support sustainability, while also leading by example in transforming organisational sustainability strategies into actionable roadmaps and proactively delivering on them.

Funding activity

We continue to see an expansion in acceleration of digital technologies and expect this to continue as more businesses expand their digital footprint and transform their organisations. We look forward to supporting both existing and new customers investing in their businesses to adequately resource their operations to capitalise on those opportunities.

Consolidation of the Managed Service Provider (MSP) space continues at pace as businesses seek to gain critical mass through acquisition and leverage new cloud-based models where a broad suite of technology products, hardware (devices) and services are bundled to enable customers to move to a recurring revenue model. We are delighted to continue our support of customers as they grow revenue and their geographical footprint.

We also look forward to continuing our support for customers delivering on Ireland's ambition roll out of the National Broadband Plan, delivering services and supporting connectivity of customers and families throughout the country.

Bank of Ireland

As one of Ireland's pillar business banks, we recognise that we have a unique opportunity to support our customers and help to enable Irish businesses and the communities we jointly serve to thrive.

Our understanding and comprehensive sector expertise provide us with a strong platform to meet the funding requirements of Irish Technology, Media, and Telecoms companies.

We are delighted to continue to provide various facilities to some of Ireland's best-known TMT brands. By having a designated Technology team, we can deliver on our ambition to support 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.

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Paul joined Bank of Ireland in 2019 as Head of Technology. He has a background in technology transfer having previously worked at the ADAPT Centre at Trinity College, Dublin, and the Walton Institute at Waterford Institute of Technology where he led commercialisation activities, while also mentoring and supporting new venture creation and spinouts. He managed the Consumer Technology portfolio for IDA Ireland across New England and Eastern Canada. He also led business development activity for Eishtec (an Irish start-up acquired by Infosys) across the North American market. He holds a Master of Business in International Management from Waterford Institute of Technology.

Sources: Amwell, Deloitte, Screen Ireland, Microsoft, Enterprise Ireland, Altada, Enea, Tech.eu, StitcherAds, Bizplus, Kitman Labs, gov.ie, Forbes, TechIreland.org, Technology Ireland, WEF, Fortune, europarl.europa.eu, Viatel, Gartner, Morgan McKinley, Venturebeat, Harvard.edu, HFSResearch.

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