

# COVID-19: TECHNOLOGY

Although concerns about a slow recovery, deeper recession and substantial stock market volatility will have a negative impact on near-term M&A activity, the technology sector will remain an attractive overall segment of the broader global economy. We expect intermediate and longer-term M&A activity within the technology sector to remain strong following a pause due to the significant impact of COVID-19. As the climate stabilizes, Mesirow is well-positioned to help advise technology-enabled clients considering a transaction or securing capital funding from variety of strategic and financial investors.

## IMMEDIATE IMPACT



### STRATEGIC BUYERS

Strategic buyers will continue to focus on acquisitions of new technologies that complement existing offerings and bring in-house incremental proprietary solutions and specialized talent. Strategic buyers will continue to be acquisitive but prioritize internal initiatives and cash conservation measures in the short-term.



### FINANCIAL SPONSORS

COVID-19 has had a rapid and significant impact on many technology companies' financial performance and business operations. However, we believe financial sponsors will continue to be active and aggressive buyers in many technology M&A processes as a significant amount of "dry powder" remains available.



### M&A AND INVESTMENT ACTIVITY

Many transaction processes have been delayed or put on hold due to the COVID-19 pandemic and the ability for many technology companies to access liquidity has come under pressure given near-term uncertainty. However, we expect M&A and investment activity will quickly resume as market conditions stabilize.

## THEMES TO WATCH



### GREATER CONNECTIVITY

COVID-19 is driving demand for greater connectivity given the increased need for remote communication. Technology solutions that enable more automated, intelligent network infrastructure will continue to transform how businesses and consumers interact. Technology companies focused on creating these solutions will benefit as a result of the pandemic well into the foreseeable future.



### E-COMMERCE

COVID-19 may usher in a longer-term trend of how consumers and businesses transact, accelerating the transition from physical retail stores to predominately online interactions. Further, we expect the "Amazon-effect" to continue to expand into more traditional segments of the economy.



### CYBERSECURITY EXPANSION

As companies rapidly transition large groups of employees to a remote workforce model, IT teams face significant obstacles as they scale technology systems and infrastructure. Companies will continue to invest in both in-house and outsourced capabilities and resources, as COVID-19 expedites the transition and the resulting cybersecurity implications of working remotely.



### SPECIALIZED MSPs & TECHNOLOGY EXPERTISE

Technology services firms specializing in application integration, product digitization, and cloud migration, especially those implementing solutions that impact revenue, interface with end-user customers, or operate within highly regulated market sectors, will be the most likely to quickly rebound and resume growing post COVID-19.



### REGULATION & PRIVACY

COVID-19 will likely accelerate a deeper integration of technology within society overall as political and corporate leaders determine the testing standards and real-time tracking that will be required to re-open economies after the coronavirus shutdown. Technology-related issues including privacy violations and data protection will likely reinvigorate the potential for increased government intervention and regulation.

### Contact Us

**Shane McDaniel**  
312.595.6505  
smcdaniel@mesirowfinancial.com

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