

J&A Capital Markets Report

Media Technology and Data Storage Transactions by USA-Based Investors

July 2023

USA-based investors have deployed \$18bn into the media technology sector, and \$44bn into the data storage sector since 2020. The most significant capital market activity in both industries occurred within mergers and acquisitions, highlighting the appetite for market consolidation. Businesses within these industries should be mindful of market trends and opportunities.

This report provides a comprehensive analysis of investment activity in the media technology and cloud storage sectors by USA-based investors. The data set analyzed focuses on capital deployment, transaction types, geographical distribution, and investor preferences within the industry. By analyzing the data and trends from 2020 to 2023, this report reviews the dynamic landscape of media technology and cloud storage investments, offering insights into market dynamics and growth opportunities.

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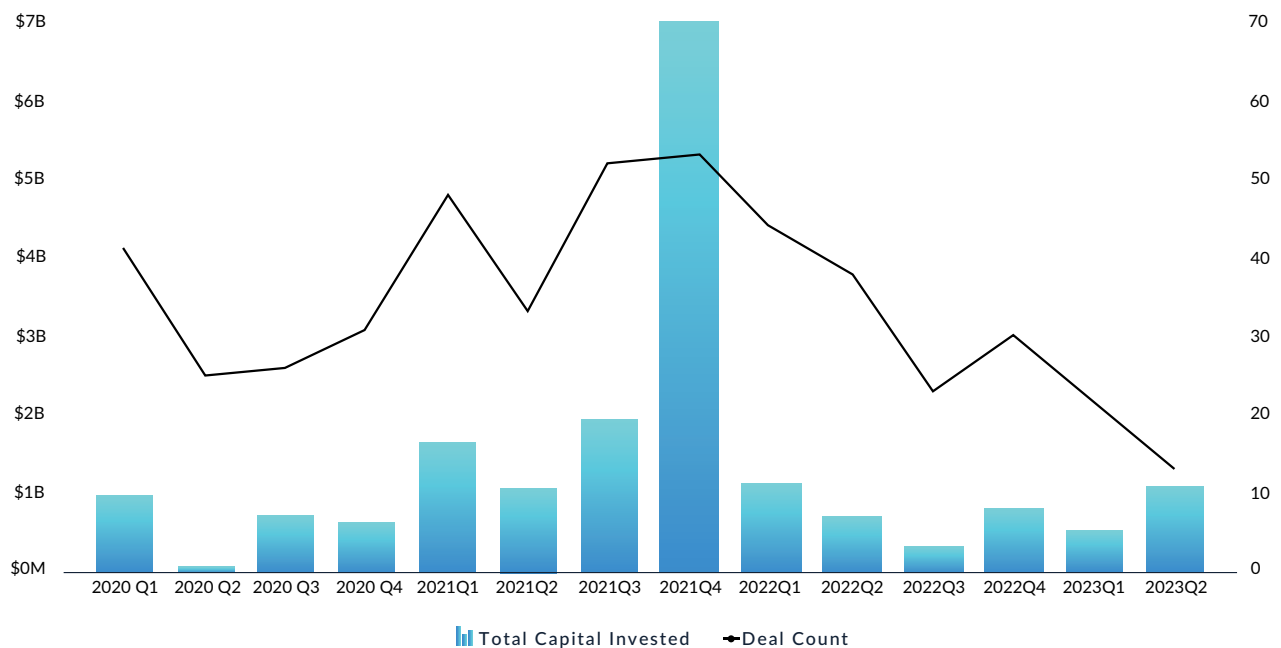
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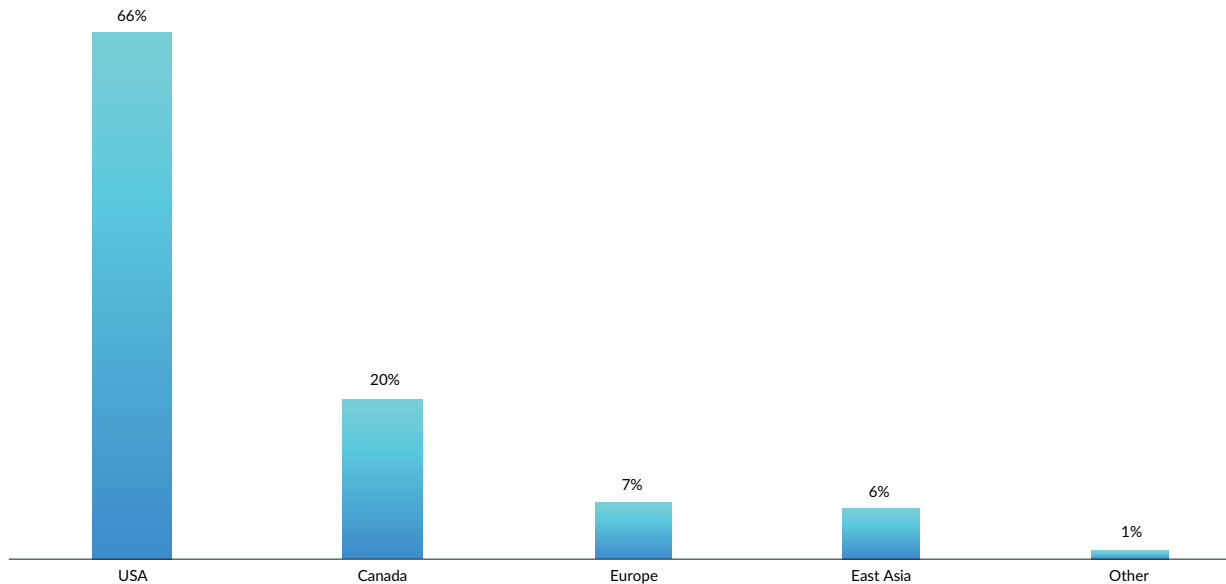
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Announced Media Technology Investments by USA-Based Investors (2020–Q2 2023)



- Since 2020, media technology companies have attracted \$18bn in investments through 479 transactions with an average deal size of \$38mn.
- In Q4 2021, over \$7bn was invested in media technology companies, the highest capital invested between 2020 and Q2 2023. This was driven by four large mergers and acquisitions in the sector, including Blackstone's acquisition of Foundry (foundryco.com) for over \$1bn.
- In 2022, after the strong outlier of Q4 2021, there was a significant decrease in investments in media technology companies, in line with broader trends in technology capital markets.
- The recent uptick in investments during Q2 2023 could indicate a renewed interest amongst investors in the sector, suggesting that investors see increased opportunities at lower valuations, and as a result, are now willing to re-engage with the sector.

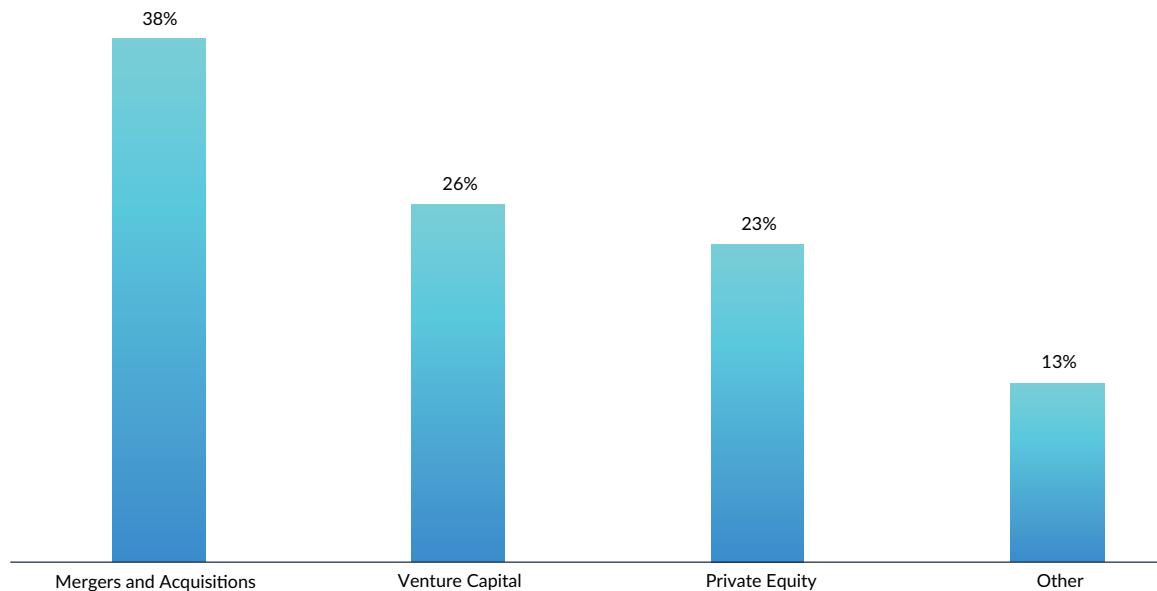
Breakdown of Announced Media Technology Deals by USA-Based Investors by Region (2020–Q2 2023)



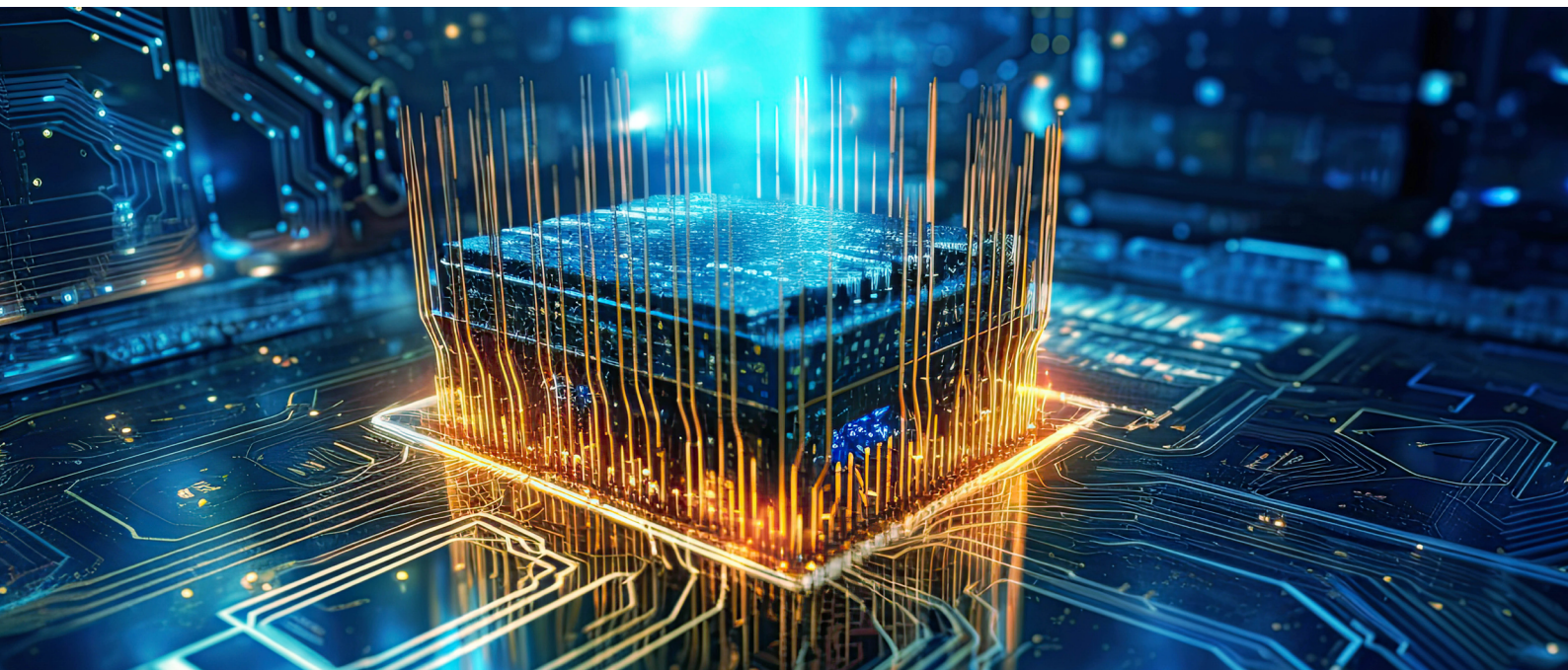
- USA-based media technology companies received 66% of all the capital allocated by USA-based investors globally. This indicates investors' preference for domestic transactions within the sector.
- Of the capital deployed in the sector, 20% was made to companies based in Canada. The largest transaction was the acquisition of Score Media Ventures by Penn National Gaming for \$1.9bn in October 2021. The similar market conditions, business culture, and time zone resulted in simpler integration processes for USA acquisitions in Canada compared to other global regions.
- The relatively lower percentages of 7% for Europe, 6% for East Asia, and 1% for other regions represent a smaller market share for media technology companies outside of North America. This suggests that these regions are yet to fully establish themselves as notable hubs for media technology companies, attracting a relatively smaller proportion of USA-based investments.



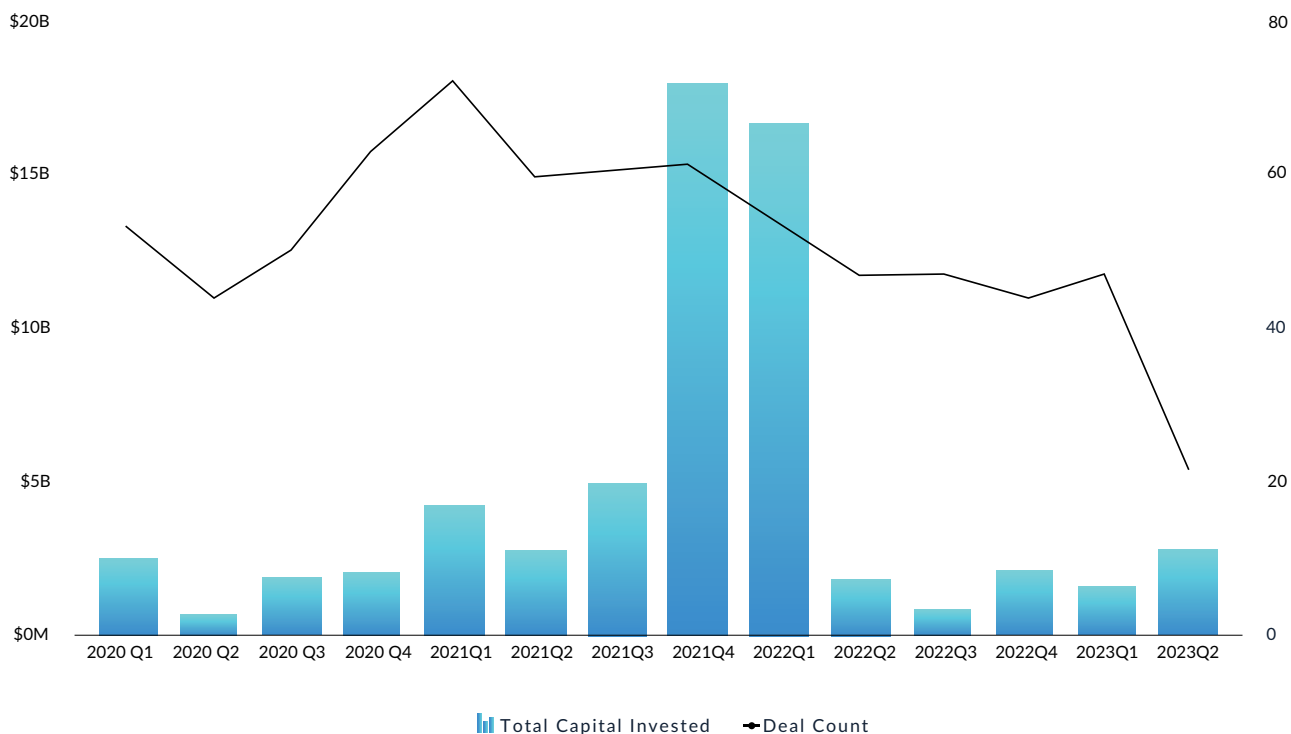
Breakdown of Announced Media Technology Deals by USA-Based Investors by Deal Type



- From 2020 to Q2 2023, 38% of media technology transactions were mergers and acquisitions, highlighting the industry's significant consolidation activities.
- A large portion of investments in media technology companies came from venture capital (VC) firms, accounting for 26% of funding. This could indicate the growing attractiveness of early-stage and high-growth companies.
- Of the investments in the sector, 23% were conducted by private equity firms, highlighting the media technology sector's maturity and abundance of growing companies.



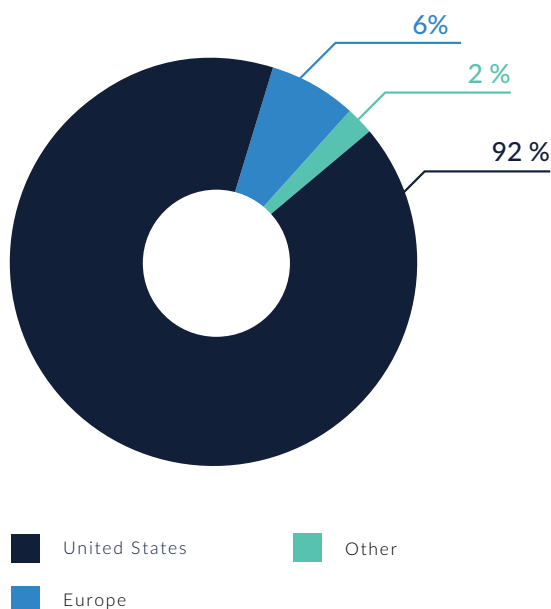
Announced Data Storage Investments by USA-Based Investors (2020–Q2 2023)



Source: PitchBook Data, Inc.

- Between 2020 and Q2 2023, data storage companies attracted a total investment of \$44bn through 614 transactions, with an average deal size of around \$70mn.
- In Q1 2022, the sector experienced more than 60 transactions, with over \$17bn deployed, with the largest transaction being the acquisition of CyrusOne by Global Infrastructure Partners and KKR for \$15bn.
- The capital invested in the sector gradually decreased in subsequent quarters, suggesting a temporary downturn or a possible shift in investor sentiment.

Breakdown in Announced Data Storage Deals by USA-Based Investors by Region (2020–Q2 2023)



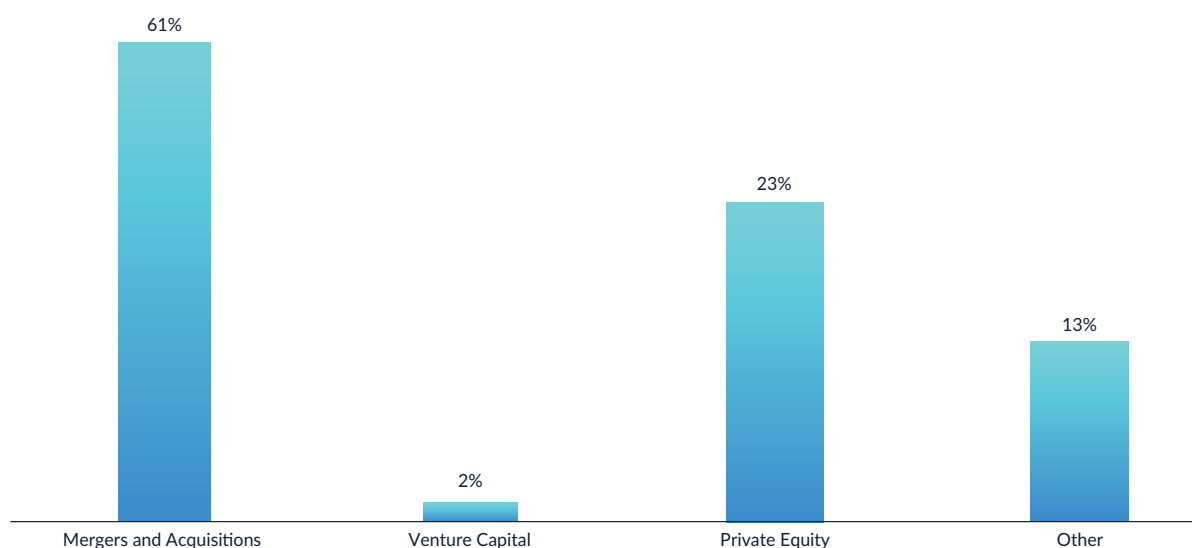
- Of the announced deals by USA-based investors, 92% were deployed in data storage companies located within the USA during the period. This could indicate an emphasis on development in domestic data storage companies. This might be due to factors like data privacy and compliance,

local infrastructure and connectivity, and the fact that the US economy is transforming digitally faster than the rest of the world, creating a need for more data storage technologies.

- The chart shows a relatively smaller share of interest in the European market, with only 6% of investments in data storage companies. This could be due to various factors, such as market dynamics, geopolitical events, regulatory differences, or differences in perceived opportunities.
- Only 2% of the announced deals were in regions other than the USA and Europe, highlighting a restricted presence and investment activities in other markets, suggesting potential untapped opportunities for future expansion and exploration in these regions.



Breakdown in Announced Data Storage Deals by USA-Based Investors by Deal Type (2020–Q2 2023)



- Of the transactions involving data storage companies, 61% were classified as mergers and acquisitions, highlighting a strategic approach by investors to combine companies, assets, and capabilities to strengthen market position and drive growth.
- The data indicates limited participation of venture capital (VC) firms in transactions involving data storage companies, accounting for only 2%. This lower percentage can

be attributed to the capital-intensive and heavy nature of the data storage industry, which requires significant investments in infrastructure, technology, and research.

- The data storage sector attracts a higher proportion of investments from other investors, such as private equity (29%), who are better positioned to handle the industry's CAPEX-intensive nature.

In conclusion, the above report reveals a robust ecosystem of media technology and data storage companies, driven by substantial investments from USA-based investors. The data showcased a notable emphasis on domestic investments, particularly in data storage companies within the USA, indicating a robust and flourishing sector. While the USA dominates the investment landscape, there are opportunities for collaboration and expansion in international markets, as indicated by the relatively smaller share of investments in regions such as Europe and East Asia.