

# Telefónica Tech acquires Incremental to strengthen its position as a leader in the UK market for IT services



PUBLISHED MAR 21, 2022  
BY [TELEFÓNICA](#)

Telefónica has today signed and completed the acquisition of UK based Incremental, one of the fastest growing Microsoft partners in the UK, for up to £175 million (around €209 million), including potential contingent payments linked to its future performance. Telefónica Tech strengthens its capabilities and presence in the UK and Ireland, where it operates under the Telefónica Tech UK&I brand.

Launched in 2016, Incremental Group has two key specialised business areas. It is one of the leading Microsoft Dynamics Partners in the UK and is also a major player in the Data and Analytics market. It has been a Microsoft Business Applications Inner Circle member for the past three years and is one of only two partners in EMEA on Microsoft's Global Advisory Board for data analytics.

Incremental Group has experienced significant organic and inorganic growth in recent years. In early 2021, Incremental acquired Redspire to expand its capabilities in the financial services market and become one of the largest Microsoft Dynamics partners in the UK. In October 2021, it acquired data analytics company Adatis, enabling the group to deliver end-to-end digital transformation to customers.

It is headquartered in Glasgow, although it has offices throughout the UK, as well as capabilities in Bulgaria and India. In total it has more than 350 employees which brings Telefónica Tech UK&I's headcount to around 1,000 employees. The UK subsidiary thus contributes almost 25% of Telefónica Tech's global workforce.

The amount of the transaction implies valuing the company at 13.7 times its gross operating profit (EV/OIBDA) and 14.2 times its operating cash flow (EV/OpCF), considering their results expected for

the next fiscal year and excluding potential synergies.

With this new acquisition, Telefónica Tech significantly increases its scale and competencies in Microsoft technologies, making it one of Microsoft's largest partners in the UK, with 16 Gold Competencies and 5 Advanced Specialisations. With these capabilities, Telefónica Tech consolidates its leading position in the UK market, considered to be the largest and fastest growing IT services market in Europe.

The addition of Incremental's business applications, power apps, data analytics and management capabilities to Telefónica Tech UK&I's cloud services portfolio will enable it to enhance the end-to-end cloud offering for mid-market, large enterprise and government customers.

José Cerdán, CEO of Telefónica Tech, comments: "We warmly welcome Incremental Group, and are delighted that this acquisition enables us to strengthen our position as a leader in the UK market for IT services. We are now able to provide end-to-end Microsoft services, including digital transformation, managed services and data analytics, and achieve attractive cross-selling synergies with Telefónica Tech UK&I, complementing and positioning us as a leading Microsoft-focused company in the UK."

Neil Logan, current CEO at Incremental Group, says: "I am immensely proud of what Incremental has achieved since our inception a little over 5 years ago. As we looked ahead to the next stage of our development, it was important that we secured Incremental the right support for the long term. Becoming part of Telefonica Tech propels us into the next phase of our journey and enables us to further scale the business, creating exciting opportunities for our people and our customers."

This new acquisition by Telefónica Tech adds to the operations carried out last year: the integration of acens, the purchase of Altostratus, the acquisition of Cancom UK&I, now Telefónica Tech UK&I, and the incorporation of Geprom, which served to strengthen its capabilities in Industry 4.0.

As Telefónica announced in the last Annual Results 2021, Telefónica Tech closed the year with an annual increase in revenues of 33.6%, approaching 1,000 million euros. Consequently, the unit consolidated its position as a key growth engine for Telefónica and continued to make progress as one of the key pillars of the strategic plan that the

company presented at the end of 2019.

*Press release distributed by Wire Association on behalf of Telefónica, on Mar 21, 2022. For more information subscribe and [follow](#) us.*

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