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Trends on Innovation and Technology

A paper by our Innovation Node

AI-powered innovation

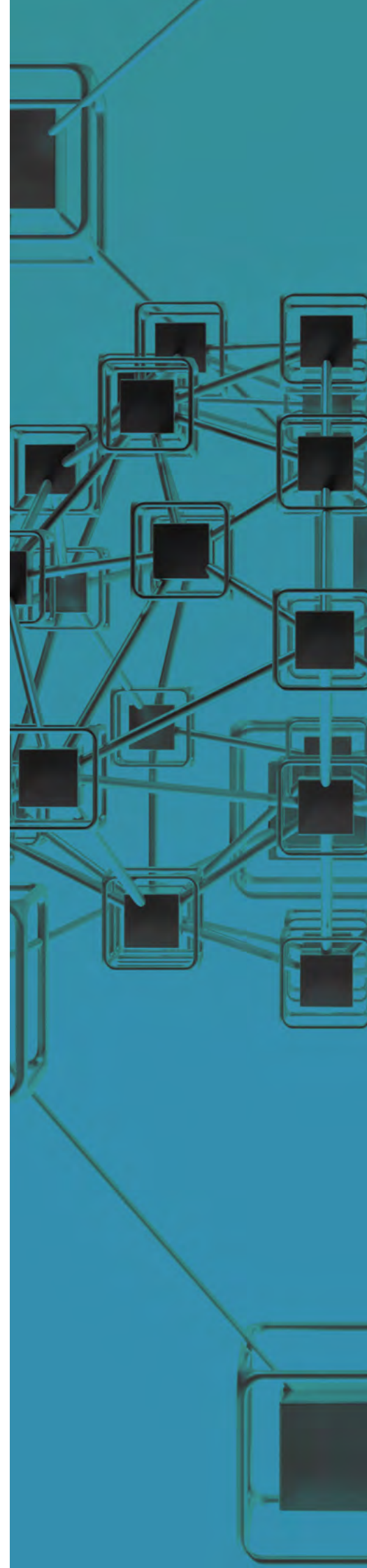
Innovation fueling strategic growth

Cybersecurity

Technology transforming M&A

Digital Infrastructures: HPC &
Connectivity

A new era for funding opportunities
and becoming extrovert



We live in an era where technology and innovation evolve at an unprecedented pace, transforming industries and creating new opportunities for growth on a global scale. As a result, these two key elements are becoming key assets in the arsenal of companies looking to stay competitive and embrace disruption. The Greek entrepreneurial ecosystem is following closely on these developments, with businesses looking to capitalise on opportunities and unlock new sources of value.

In this context, there are more than a few notable trends to look out for in the second half of 2024 in the realms of technology and innovation. Below is our take on some of those trends and how they will shape the business and economic landscape in the near future.

AI-POWERED INNOVATION

Artificial Intelligence (AI) technology developments during the past two years, with the introduction of generative AI to the public in 2022 and the wide integration of AI technology elements in business environments enhancing day-to-day operations and beyond, have significantly challenged social and business reality. Where this technology was once available only to large businesses, now smaller players can benefit from its advantages. Inevitably, 2024 is buzzing with AI driven initiatives and marks a momentous year to watch for AI's impact on innovation and transformative effect across sectors.

AI's disruptive force in customer service

Businesses, in an exponential proportion, prioritise investments in AI technologies by integrating AI into customer experience-related tools, from chatbots, voice bots, visual AI tools and VR/AR platforms to search functionalities, either online or in physical branches, to optimise consumer engagement and provide superior customer experience.

Predictive analytics and fraud detection in finance

Financial institutions incorporate advanced AI machine learning algorithms and deep learning models to obtain insight on customer needs and preferences. By analysing extensive customer data sets, from demographics, transaction behaviour to financial goals, financial institutions can identify correlations, patterns and trends. At the same time, the benefits of AI integration by financial institutions extend to optimising the management of financial risks, such as fraud detection, and enhance adaptability skills to swiftly address changes in markets dynamics and unforeseen future events.

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Smart factories – industry 4.0 revolution

Players in the manufacturing sector are increasingly integrating AI technology to optimise productivity, efficiency and quality control, supply chain and maintenance processes, and minimise costs. In practice this is often observed in increasing adoption of robots as well as leveraging AI in their ERP tools, giving them the ability to effectively predict potential delays in supply and readily respond to unexpected changes in raw materials, to minimise any production disruptions and achieve optimum resource and inventory management procedures. Another example is the use of AI-based smart functionalities in sensors and interfaces which can flag irregularities in machine conditions, predict maintenance issues, and generally monitor disruptions in electrical networks. At the same time, the incorporation of AI-based systems in conjunction with the integration of Internet of Things (IoT) devices can facilitate compliance with regulatory obligations and relevant reporting.

New era for AI in healthcare

Players in the healthcare industry are making large commitments in technology from surgical robots to AI. Healthcare is considered to be one of the industries where AI is going to be most impactful given the industry's reliance on huge amounts of data as well as the general demand to reduce healthcare costs. Essentially, all aspects of the healthcare economy will be revolutionised. AI is going to shift administrative services towards software solutions in how healthcare is delivered, such as robotics to automate clinical sites' workflows and nurse bots handling repetitive tasks in assisting human nurses. Other trends to watch for include telehealth and virtual care, which reshape the way healthcare is delivered allowing for convenient and accessible options for patients to receive medical attention and remote patient monitoring. Increasing governmental investments in AI for healthcare is also a hot topic as more and more governments engage in fundings seeking to become world leaders in the field. Further, it seems that AI will also have a forceful impact on the way clinical studies are carried out and in combating the challenge of aligning various data from studies that are inconsistent making it difficult to analyse and draw conclusions. In that context, AI can be leveraged to harmonise cognitive data across large study cohorts so they can be analysed.

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INNOVATION FUELING STRATEGIC GROWTH

Innovation as manifested through the rise of numerous new technologies has been at the forefront of developments in the Greek market, whether as part of the ongoing digitisation of Greek businesses or as a key factor

behind the increase of M&A transactions concerning technology companies. The various facets of this unique ecosystem within which new technologies and exciting opportunities interact with each other are currently powering the growth of the Greek economy at an accelerated pace compared to the stalemate that persisted in previous years.

Digitisation of business models

The continuous technological change and associated emergence of digitised business models constitute an unprecedented challenge, especially for more traditional companies such as large conglomerates with complex and less flexible corporate structures. Businesses are recognising the need to adopt advanced technological tools, with a particular focus on AI and IoT, to meet customer needs and competitive requirements. In this context, acquisitions, acqui-hires and strategic partnerships often seem to hold the key to obtain the necessary know-how, skills and employees at a fraction of the time required to develop the same internally.

New ways of unlocking value

M&A transactions targeting tech companies are also unique in their own fashion, primarily due to their multidimensional nature. There is a clear trend towards consolidation within the wider tech industry (as a response to the COVID-19 pandemic and the overall economic downturn), but technology is also disrupting pretty much every other economic sector, thus leading long-established market players to invest in or acquire smaller technology companies or start-ups that will enable them to take a “tech leap”:

- Car manufacturers are on the lookout for small-scale automotive companies offering innovative solutions to cut down on costs and streamline their production pipeline;
- Financial institutions are assessing potential synergies with fintech start-ups to revolutionise banking/payment services;
- Electricity suppliers are joining forces with electric vehicle start-ups to gain a competitive advantage in the fast-developing field of electric mobility;

In the same vein, Greek start-ups have been on the radar of global technology companies, with the latest acquisition of BETA CAE Systems by Cadence Design Systems exemplifying how state-of-the-art technology like BETA CAE’s simulations and analysis software, utilised by companies such as General Motors and Honda to analyse designs of cars and jets, can complement existing technologies and help unlock value.

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CYBERSECURITY

As innovation drives progress, cybersecurity ensures that the benefits of ingenuity are protected from malicious actors seeking to exploit vulnerabilities. Cybersecurity is indispensable for fostering a conducive environment for innovation, inspiring confidence among investors, entrepreneurs, and consumers alike, by safeguarding intellectual property, ensuring regulatory compliance, protecting R&D efforts, preserving customer trust, and maintaining continuity of operations.

Enhancing Cyber Resilience

Within the EU cybersecurity remains a top priority, with ongoing efforts to strengthen regulatory frameworks and enhance cyber resilience to ensure a secure and trustworthy digital environment for businesses, citizens, and critical infrastructure operators across the region.

Horizontal legislative developments are expected in this space which will substantially affect competitiveness in Europe. On 12 March 2024, the European Parliament adopted the text of the Cyber Resilience Act (CRA), a regulation on cybersecurity requirements for products with digital elements, laying down essential requirements for the design, development and production of such products. The CRA essentially complements the Network and Information Security (NIS) Directive Framework, with the transposition of NIS2 (latest by October 2024) taking a central role in the EU's digital sovereignty debate and post-quantum cryptography discussions.

TECHNOLOGY TRANSFORMING M&A

Technology continues to reshape the M&A landscape as we know it. New technological capabilities for executing deals keep arising on a regular basis, dealmakers are putting increased focus on the evaluation of targets from a tech standpoint and the generative AI saga remains at the top of most market players' watchlist.

Reassessing M&A priorities

The COVID-19 pandemic forced businesses to set their strategic M&A goals in a more concise manner, including in terms of their technological skillset and personnel, as well as compliance standards. Due diligence exercises are now not only focusing on the financial, tax and legal aspects of businesses, but also on the tech components thereof, thus making technical due diligence an integral part of M&A transactions. Legal and tech advisers are working hand in hand to assess related risks, with the areas of intellectual property, cybersecurity and data privacy constituting focal points.

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AI as the next focal point for M&A

The AI impact and repercussions on M&A workstreams cannot be underestimated. AI-based tools are already facilitating and accelerating due diligence exercises by offering more efficient ways to analyse their business operations during the preparatory stages of transactions, which will hopefully lead to shorter deal completion timelines. Nevertheless, there are still more than a few questions surrounding this latest trend that will only be answered through trial and error. For example, will AI help cut down on deal costs through automation of processes, and how will this play out amidst concerns regarding data security and privacy?

At the same time though, it could be argued that the very existence of new technologies such as AI and the associated risks will necessitate expanded due diligence and focus on aspects that were previously not on the radar of dealmakers. So, in essence, while due diligence could be accelerated, dealmakers may end up using this extra time to dive deeper into more refined aspects of the targets' activities. Finally, AI is also attracting interest from regulators both at a local and EU level and we expect to see increased scrutiny as a response to the high-speed innovation enabled by AI.

At the end of the day, the impact of all the above developments will depend on how they are used by the key players of the M&A life cycle. Dealmakers will continue to shape the transactional landscape through judgement calls, which could be even better informed as these new tools are integrated into their arsenal of weapons.

DIGITAL INFRASTRUCTURES: HPC & CONNECTIVITY

Connectivity and High-Performance Computing (HPC) are catalysts for innovation, competitiveness and economic growth.

Access to High-Performance Computing for AI development

Earlier this year, a package of measures was launched to support European startups and SMEs in the development of trustworthy AI, including a proposal to amend the European High-Performance Computing Joint Undertaking (EuroHPC JU) Regulation (already adopted by the Council), thus providing to startups, SMEs and the broader innovation community access to AI dedicated supercomputers, enabling fast machine learning and training of large General Purpose AI (GPAI) models, testing evaluation and validation of large-scale AI models and the development of a variety of emerging AI applications.

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Connectivity, facilitator for new technologies

This year the Commission also presented a set of possible actions to foster the innovation, security and resilience of digital infrastructures. According to the Commission, the future competitiveness of Europe's economy depends on advanced digital network infrastructures and services, since fast, secure, and widespread connectivity is essential for the deployment of the technologies that will bring us into tomorrow's world: telemedicine, automated driving, predictive maintenance of buildings, or precision agriculture.

The European Commission's consultation paper "How to master Europe's digital infrastructure needs" lays out the foundation for a possible future EU legislation, the Digital Networks Act, to master the transition to new technologies and business models, meeting future connectivity needs of all end-users and ensuring secure and resilient infrastructures.

A NEW ERA FOR FUNDING OPPORTUNITIES AND BECOMING EXTROVERT

Following a record year in 2021, when fundraising levels hit new highs and deal volume and value both recording significant leaps and a strong first quarter in 2022, the country's technology M&A market faced an inevitable slowdown that carried over for the most part of 2023. This was also connected to the fact that many Greek venture capital (VC) funds that started their operations in 2017-18 in the context of the EquiFund initiative of the Greek State and the European Investment Fund had concluded their initial investment period and were engaging in their successor funds endeavours. Private equity (PE) funds also chose to primarily support their existing investments, instead of further enhancing their portfolios.

Fund activity on the rise

It appears that the tide has now shifted with both VC and PE funds being on the lookout for opportunities in the Greek tech market and we expect this to result in an upsurge in terms of both investments and buyouts in the second half of 2024. A series of domestic funds have now succeeded in raising successor funds and are evaluating targets to deploy significant amounts of dry powder. Additionally, the Hellenic Development Bank of Investments has fully embraced the role of the main Greek sovereign anchor investor and is expanding its fund portfolio, comprising 21 new PE/VC funds since 2020, as last reported in November 2023.

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The road ahead

Investors are casting their vote of confidence in the Greek entrepreneurial ecosystem, a sign that the country's commitment to creating a strong innovation culture continues to pay dividends. In this context, incentives are being introduced to attract investor interest, but also as a means of attracting foreign talent and boosting the country's existing workforce. The latest culmination of these efforts is the recent announcement of the Greek government for the imminent introduction of a "Tech Visa" in line with best practices of other European countries, which has created a sense of optimism about the prospects of attracting skilled staff based on talent and expertise, especially in high-tech sectors.

Looking ahead, we expect that all the above factors will lay the foundation for a bounce-back year with increased investment activity, larger funding rounds and more start-ups reaching scale-up level. The challenge ahead is for the local ecosystem of entrepreneurs and investors to become more extrovert and create synergies with global networks that will allow it to take the next step.

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For more information please contact:

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