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SECTOR SNAPSHOT



UK SOFTWARE M&A ACTIVITY AND VALUATIONS FOR Q3 2017

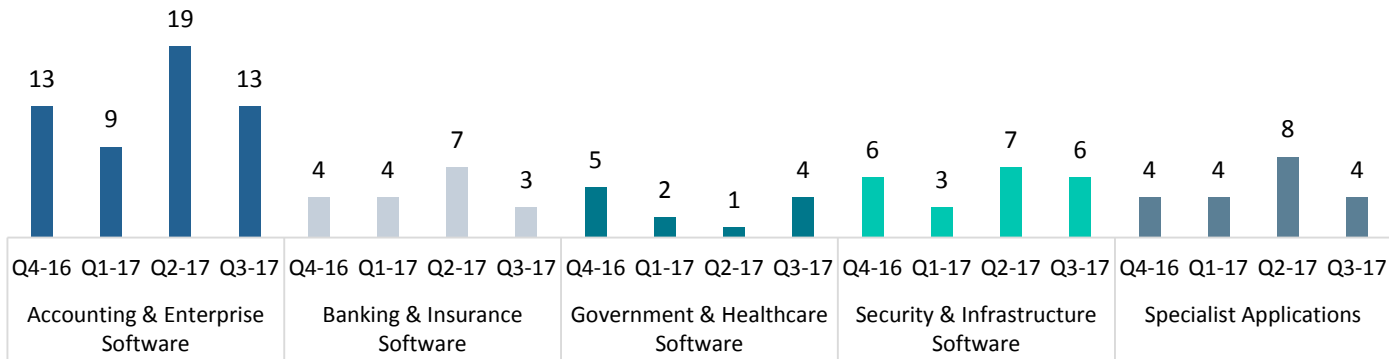
Increased cloud integration drives M&A activity growth

Accounting and security software companies have flourished in the growing cloud market as traditional small mid-market businesses continue to focus on workflow automation through the integration of cloud-based platforms. Security and infrastructure software continues to be a focus as new threats arise from increased cloud integration into business infrastructure while data theft threatens to turn into data manipulation. Orbis is seeing more companies with established cloud platforms identifying opportunities to grow quickly through considered cross-sector acquisitions into niche sub-sectors with low cloud penetration. As a result, we remain confident that the recent upturn in M&A activity in the software sector will continue into the future.

Q3 2017 Software M&A Volumes

Q3 2017 saw a total of 30 transactions across all software sub-sectors.

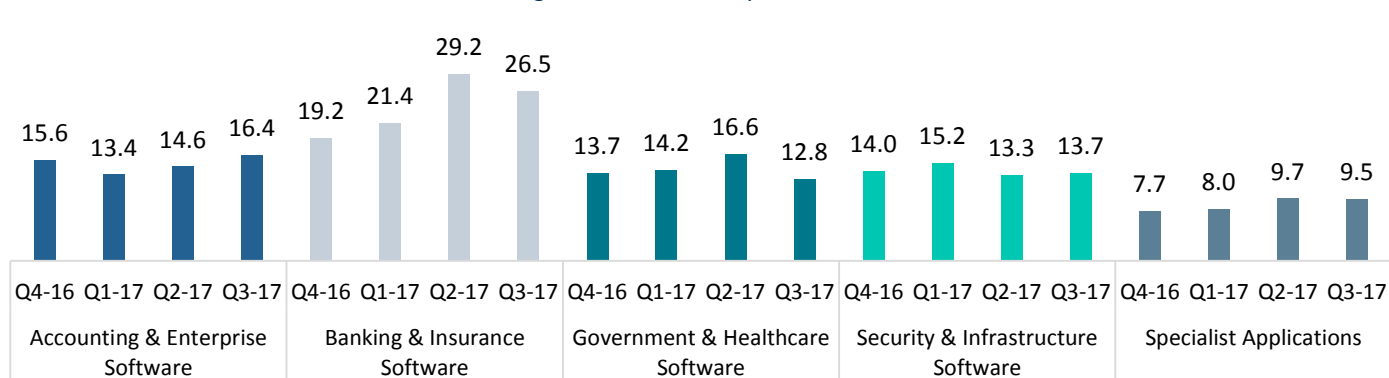
UK Software M&A Volumes by Quarter



2017 has so far seen 94 deals completed across all software sub-sectors. Q2 saw a significant increase in the number of deals compared to Q1 in almost all sub-sectors, with 22 deals in Q1 almost doubling to 42 deals in Q2. There has been a slight decrease in deals going into Q3, however, 30 completed deals is representative of the strong M&A activity in 2017.

Q3 2017 Software Average EV/EBITDA Multiples

Average EV/EBITDA Multiples for Software

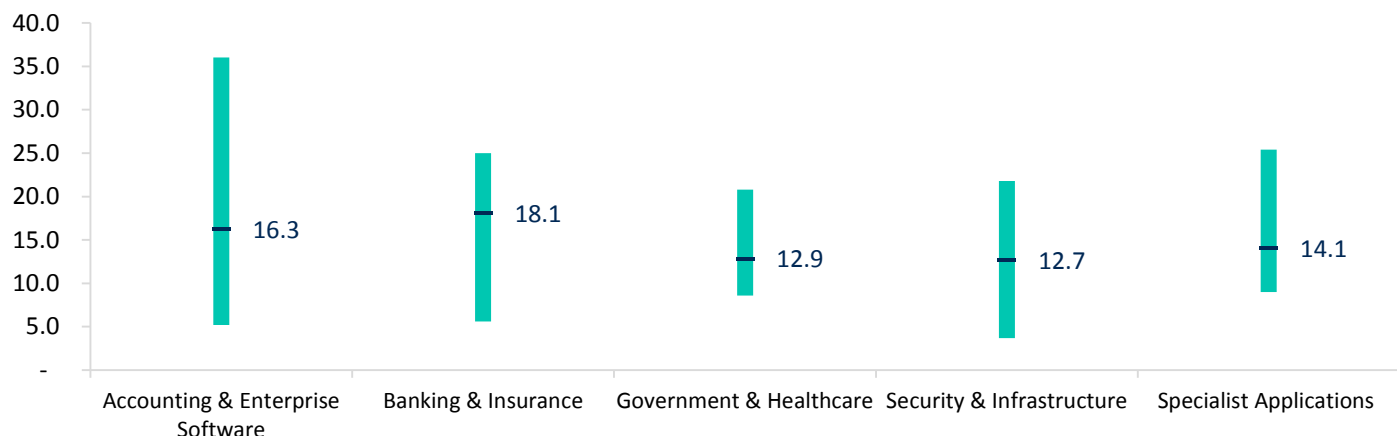


On a trailing 12 month basis, EBITDA valuations across all disclosed transactions in the software sector during 2017 has generally shown an upward trend when excluding a few outlying large multiple deals within the banking and insurance and the government and healthcare sub-sectors in Q2.

Q3 2017 Software Average EV/EBITDA Multiples

Q3 2017 average trading multiples across all software sub-sectors ranged from 12.7x to 18.1x.

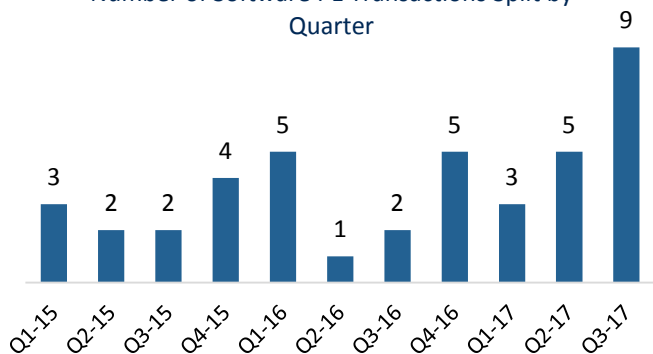
Range and Average EV/EBITDA Software Trading Multiples



Private Equity Transactions

Private equity activity in the software sector has experienced a significant rise so far in 2017 with 17 deals since the turn of the year. In Q3 alone 9 deals were finalised which is significantly above 3.7 deals per quarter average since Q1-15.

Number of Software PE Transactions Split by Quarter



Partners Group agreed to acquire Civica Group, a leading digital solutions, outsourcing services and business-critical software provider, for an enterprise value of just over **£1bn**. Partners Group will support the current management team in order to exploit current organic growth opportunities in addition to funding calculated acquisitions and enhancing both geographical influence and service offerings.

Have acquired

For GBP 1bn

Have acquired

For GBP 120m

Have acquired

For GBP 100m

TA Associates announced the acquisition of ITRS, an international software vendor to the financial services sector, from The Carlyle Group for £120m. ITRS uses real-time monitoring and analytic software solutions to transform data into actionable insights. The company has offices in the UK and US and serves more than 170 global clients.

US private equity firm Accel-KKR acquired Utiligroup for £100m. Utiligroup is a UK-based software group that provides software for new utility companies to better infiltrate the market and compete with the larger established corporates. Accel-KKR hopes that the transaction can assist in exploiting opportunities during a delicate time for the UK energy sector.

Q3 2017 Software Average EV/EBITDA Multiples



Have acquired



For undisclosed value

Business Overview

CORE Gaming is a content studio that specialises in the development of HTML5 real money games to casino operators and platform holders. Based in Birmingham, CORE Gaming's catalogue consists of a wide range of games, including slots, scratch cards, instant win and table games.

Our Role

Over a number of years Orbis worked with the CORE Gaming team to evaluate a number of exit opportunities. Given the already close relationship between CORE and Sky Betting & Gaming there was a natural strategic rationale for them as the ultimate acquirer. Sky Betting & Gaming was formed in 2001 and has since grown to become one of the UK's leading online bookmakers, with a team of 100 employees and a strong track record of innovation.

Promising Times in the Software Sector

The software sector has seen 57 deals completed so far in 2017 as M&A activity continues to grow.

Sage Group announced the **£654m** acquisition of a leading provider of cloud financial management solutions, Intacct. Intacct deals with thousands of businesses in the North American enterprise market. Through complex cloud financial management solutions, Intacct integrates with existing software to facilitate growth through process automation and operational insight.

Verisk Analytics, a leading data analytics provider, has announced the acquisition of HgCapital backed by Sequel Business Solutions for a consideration of **£250m**. Based in London, Sequel creates innovative solutions for the commercial and speciality insurance industry. The acquisition is expected to enhance Verisk's end-to-end service offering and increase influence in the UK market.

In June, GTCR, a leading private equity firm, announced the acquisition of Sage Payment Solutions from The Sage Group PLC for **£202m**. GTCR has since committed up to \$305m of equity capital in order to fund future acquisitions and exploit organic growth opportunities. Sage Payment Solutions provides payment processing and merchant acquiring solutions in North America.

Global spend control and eProcurement solutions provider, PROACTIS, announced the acquisition of Perfect Commerce for **£99m**. The transaction will provide PROACTIS with an enhanced service portfolio and further geographical influence. Perfect Commerce is a global provider of spend management solutions with over 1.3 million users across more than 80 countries.

Further M&A activity saw OEConnection Holdings expand its software portfolio, which already includes OEC, with the acquisition of Clifford Thames Group from LDC for **£90m**. Sophos, a global leader in network security, bolstered its service offering with the acquisition of malware protection specialist Invincea for **£79.8m**. US financial technology group, Fiserv, had a new **£75m** offer accepted for Monitise, a UK based financial services technology company, after shareholder disagreements scuppered a **£70m** deal in June.



Have acquired



For GBP 654m




Have acquired



For GBP 250m



Have acquired



For GBP 202m



Have acquired



For GBP 99m




Have acquired



For GBP 90m



Have acquired



For GBP 79.8m

Orbis Software Transactions



Have acquired



For undisclosed value



Invested in



For undisclosed value

About Orbis

Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering the technology, media and telecoms sector in addition to industrials, technology, food & beverage and healthcare. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Shah or Simon.

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