



Shah Zaki
Partner



Simon Lloydbottom
Associate Director

SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR Q3 2016

An encouraging M&A environment post-EU referendum

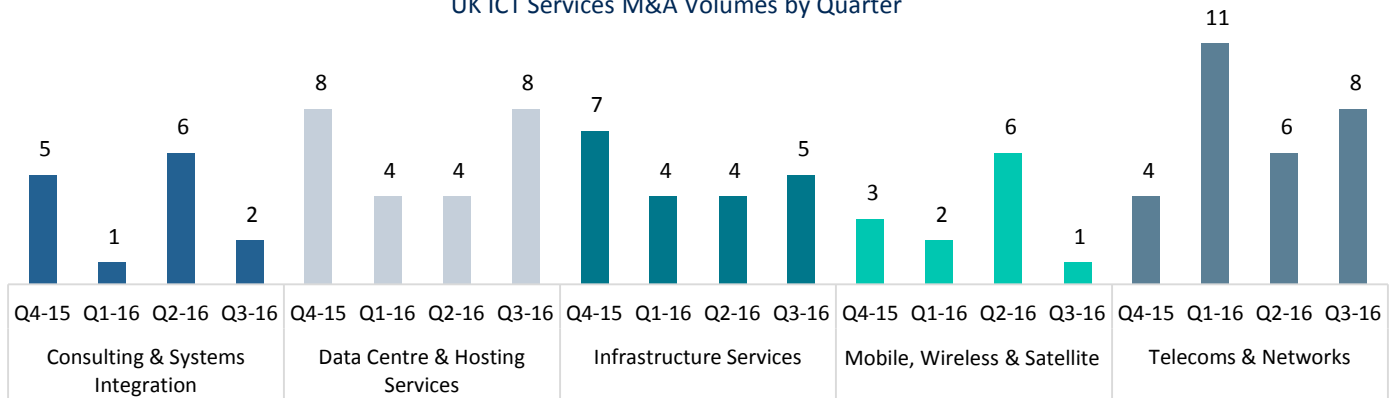
An ever increasing trend towards fully managed and hosted services continues to drive growth in the ICT Services market. This has been reflected by an active M&A environment, high valuations and a number of key strategic deals being completed both by corporate and financial buyers.

The recent vote by the UK to leave the EU adds a degree of uncertainty, but it doesn't change the fact that technology remains a business critical need, enabling organisations to become more efficient and flexible for both customers and employees. We are therefore confident that ICT Service companies will continue to perform well in this environment and drive M&A activity in the medium to long term.

Q3 2016 ICT Services M&A Volumes

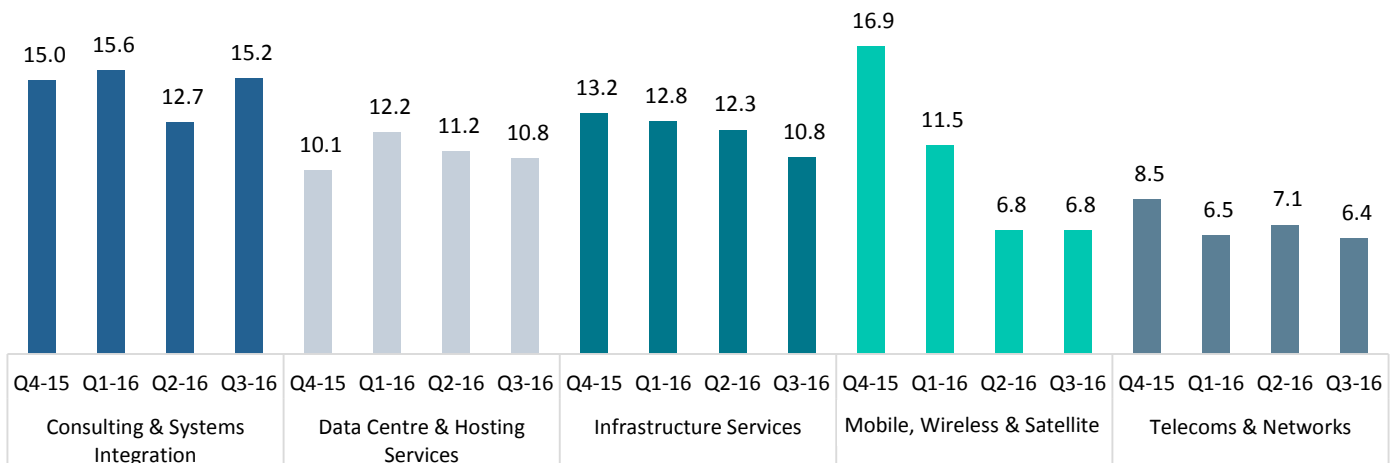
Q3 2016 saw a total of 24 transactions across all of ICT services sub-sectors.

UK ICT Services M&A Volumes by Quarter



The third quarter saw 24 ICT Service deals completed, a slight decline when compared with the 26 completed in the second quarter, but in line with the previous two-quarter average of 24. Whilst the decrease could be attributed to the uncertainty caused by the referendum, it is not a drop which causes us a concern – especially as in Q3 2015 there were just 21 deals completed.

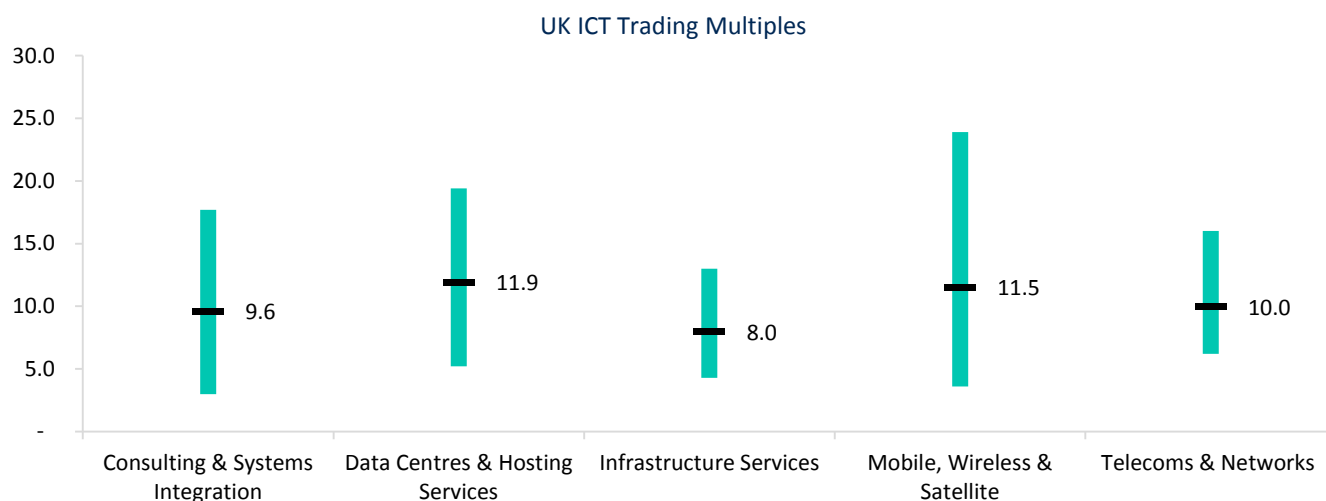
Q3 2016 ICT Services Average EV/EBITDA Multiples



On a Trailing 12 month basis, EBITDA valuations in Q3 2016, across all disclosed ICT Service transactions remained encouraging at 10.0x, ranging from 6.4x to 15.2x between the sub-sectors reflecting the strategic prices being paid in the sector.

Q3 2016 ICT Services Trading Multiples

Q3 2016 average trading multiples across all ICT Services sub-sectors ranged up to 11.9x.



Orbis Advises On The Buyout Of Unified Communication Provider

Business Overview

Wavenet is a specialist provider of unified communications solutions to the SME and corporate markets, offering products and services across hosted voice, fixed and mobile voice, hosted voice and data connectivity.

Our Role

Orbis were initially mandated by the shareholders of Wavenet to identify trade buyers for the business. At the early stages of the process, differing motivations in the shareholder base confirmed that a straight trade sale didn't appear to be the most appropriate option. As a result, Orbis undertook a process to explore the option of a financial buyer.

Specifically Orbis:

- Spent time to understand the business, ensuring key selling points were identified and highlighted.
- Identified potential trade buyers including a number of overseas parties through Clairfield.
- Negotiated on price and terms to ensure the best deal for our clients.
- Managed the preparation and presentation of detailed financial and performance information, including historic trend data.
- Preparation of detailed monthly financial forecasts for a three-year period, incorporating profit and loss, balance sheet and cash flow, discussing, challenging and agreeing forecast growth assumptions with Wavenet management.
- Worked alongside Wavenet's tax advisor to ensure the transaction was structured and completed in the most tax efficient manner.



Q3 2016 Selected M&A Transactions

nasstar

Have acquired

Modrus

For GBP 13m

claranet

Have acquired

ArdentA

For undisclosed value

nccgroup
freedom from doubt

Have acquired

PSIC
Payment Software Company

For GBP 11.6m

SCC

Have acquired

PYRAMID
HUMAN RESOURCES LIMITED

For undisclosed value

Promising Times in the Telecoms Sector

The Telecoms and Networks sub-sector saw a rise in M&A activity during Q3 2016 with the total number of completed deals totalling **eight**, up from the **six** transactions that were concluded in Q2 2016. This figure is even more encouraging when compared with Q3 2015 from which the overall number of deals had doubled, highlighting the surge in activity in this sub-sector.

Unified communications provider Onecom were active in Q3 2016 acquiring Essex-based Evolve Telecom. The deal adds 100 employees to Onecom's workforce and is expected to bring the company an additional £7m in earnings within the first 12 months. What's more it is hoped the move will allow Onecom to further establish themselves as one of the UK's larger independent business communications providers.

Telecommunications specialist Solar Communications bolstered its service offering to clients through the acquisition of competitor Response Data Communications (RDC). The move will allow Solar to achieve Platinum Partner status with the American communications giant Shoretel, enabling them to gain additional technical and commercial expertise. Moreover, by adding to their company portfolio, having previously taken over Armstrong Telecommunications, Solar will be able to strengthen their domestic presence within the Telecoms and Networks sub-sector as well as providing a greater number of services to their customers.

Further M&A activity saw Verastar, a provider of business services to small businesses, acquire the Octopus Group. It is understood the deal will allow Verastar to diversify into various other ICT Services sub-sectors whilst maintaining their core operations in Telecoms & Networks. In addition to this the telecoms specialist Arrow Business Communications has further widened its company portfolio through the acquisition of local IP and communications expert Comms-Solve Technologies. Arrow believes the acquisition, their seventh the last six years, will allow them to expand their geographic reach domestically.

Orbis ICT Services Transactions




Provided development capital to



For undisclosed value



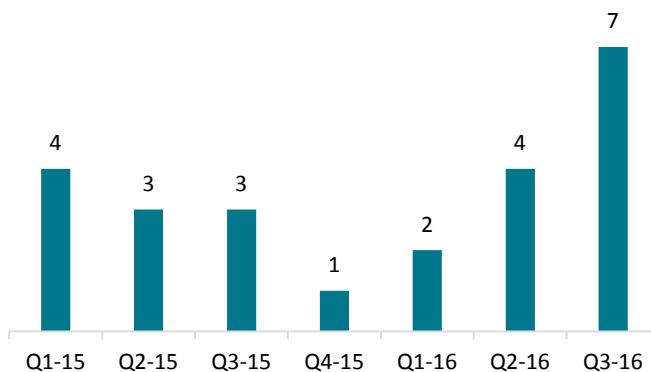
Have acquired



For GBP 8m

Private Equity Transactions

Number of ICT Services Private Equity Transactions by Quarter



Private Equity interest in the ICT Services sector has risen significantly over previous quarters, with seven transactions completed in Q3 2016 meaning like for like deal volumes had more than doubled over Q3 2015. The largest Private Equity backed transaction in Q3 2016 occurred in the Telecoms and Networks sub-sector which saw Lyceum Capital complete the management buy-out of Sabio for £50m. Sabio is a market leading service provider of contact centre telecommunications solutions and provides managed services to many of the UK's largest call centres. The investors at Lyceum Capital believe that the move will help them to exploit new opportunities and acquire other businesses in the wider market.

Telecoms and Networks was also the most active sub-sector for Private Equity deals with two other Private Equity deals completed alongside that of Lyceum's MBO. In July the European Investment Bank acquired Hyperotic and in August Beech Tree Private Equity acquired Wavenet, a deal in which Orbis advised the vendor.

The Infrastructure Services sub-sector also showed encouraging signs with two Private Equity deals completed. Mavern Capital Partners completed the MBO of Indigo Telecom and Westbridge Capital completed the SBO of ISG Technology for £10.5m.

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.

Contact

Shah Zaki

Partner

T: +44 (0) 121 234 6075

E: szaki@orbisfc.com

Simon Lloydbottom

Associate Director

T: +44 (0) 121 234 6081

E: slloydbottom@orbisfc.com