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SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR H1 2017

An encouraging M&A environment despite Brexit uncertainty

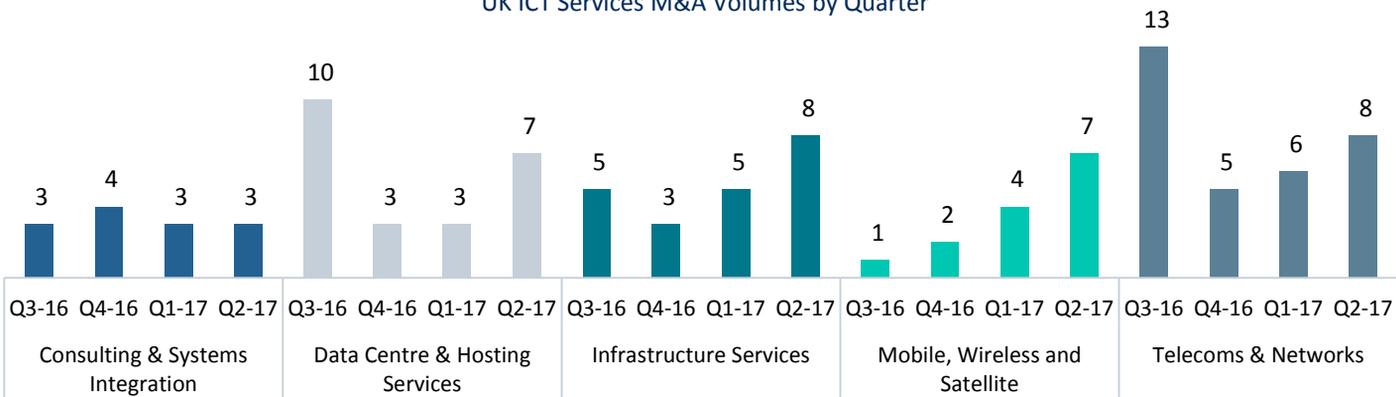
Network infrastructure and business communications providers continue to drive growth in the telecoms sub-sector while connectivity companies thrive in the growing cloud economy.

New strategies being executed include both vertical and horizontal diversification through calculated acquisitions. This has been reflected by the recent upturn in M&A activity, high valuations and a number of key deals completed by both corporate and financial buyers. Orbis is therefore confident that the ICT services sector will continue to see interesting corporate activity as companies look to consolidate positions and expand service offerings.

H1 2017 ICT Services M&A Volumes

H1 2017 saw a total of 54 transactions across all ICT services sub-sectors.

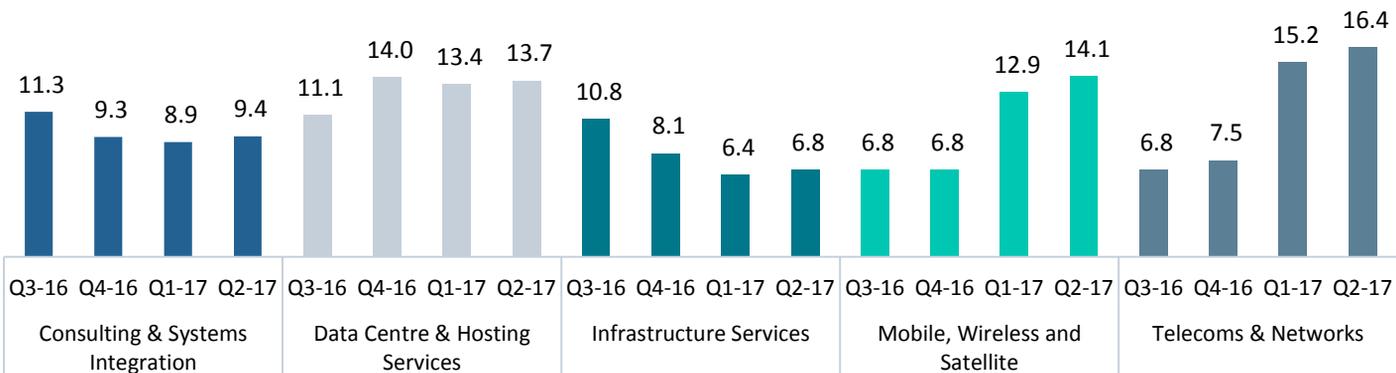
UK ICT Services M&A Volumes by Quarter



The first half of 2017 saw 54 deals completed, a slight increase when compared to the 49 completed in the second half of last year. While there is a noticeable decrease from Q3-16 to Q4-16, largely due to Brexit uncertainty, it is not a drop which has caused us concern as the number of deals has started to increase since Q4-16.

H1 2017 ICT Services Average EV/EBITDA Multiples

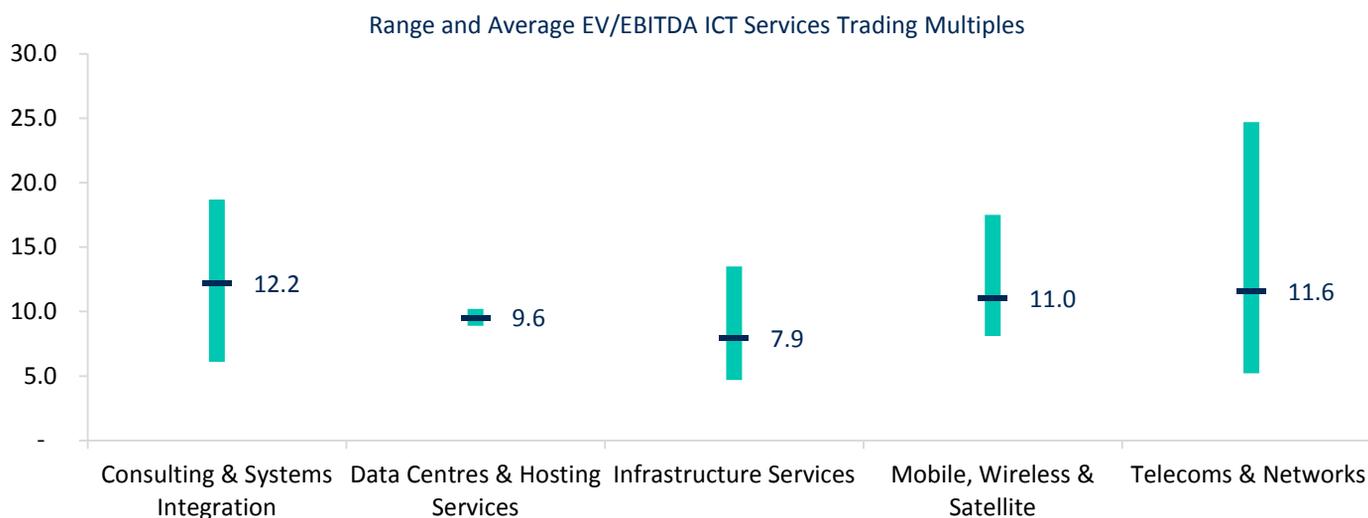
Average EV/EBITDA Multiples for UK ICT Services



On a trailing 12 month basis, EBITDA valuations across all disclosed transactions in the ICT services sector during H1 2017 increased when compared to H2 2016 with significant growth in the mobile and telecoms sub-sectors. The improved multiples can be attributed to increased levels of strategic transactions and growing M&A activity.

H1 2017 ICT Services Average EV/EBITDA Multiples

H1 2017 average trading multiples across all ICT services sub-sectors ranged from 7.9x to 12.2x.



Orbis ICT Services Transaction

Business Overview

Prestige Systems Ltd is an IT infrastructure specialist with over 28 years' experience providing IT solutions and expertise in the data centre industry.

Services include full project life-cycle management from design and implementation through to support and management.



Our Role

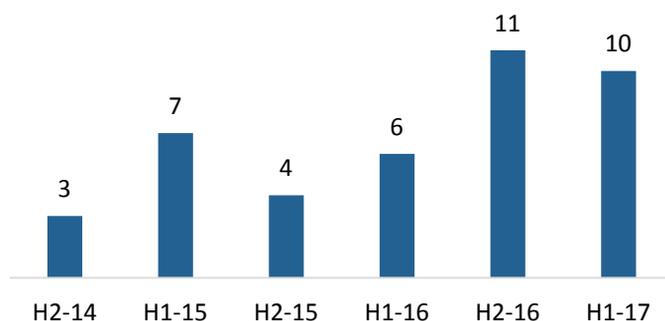
Orbis was mandated by Prestige to identify trade buyers for the company and formulate an exit plan for the shareholders.

Specifically Orbis:

- Developed an understanding of the business, ensuring key selling points were 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.
- Created detailed monthly financial forecasts for a three-year period, incorporating profit and loss, balance sheet and cash flow analysis while discussing, challenging and agreeing forecast growth assumptions with Prestige management.
- Prepared an in depth working capital and net debt analysis used in negotiations to maximise net proceeds at completion.
- Operated alongside the Prestige tax advisor to ensure the transaction was structured and completed in the most tax efficient manner.

Private Equity Transactions

Number of ICT Services Private Equity Transactions Split H1/H2



Private Equity activity in the ICT services sector experienced a slight decline with **10** deals in H1 2017 from **11** in H2 2016 although this is still significantly above the average from the last six half-years.

Lyceum Capital added to its portfolio of B2B services and technology companies by purchasing a majority stake in Timico Technology Group valued at over **£50m**. Timico is a leading managed cloud service provider with revenues of **£56m**. Lyceum intends to develop the company into an end-to-end managed cloud service provider.

Rural broadband specialist Gigaclear raised an additional **£111m** in equity funding through existing investors Prudential Capital and Woodford, with new investor Railpen, to take total funding up to **£250m**. The Company aims to use the increased backing to build a full-fibre network to 150,000 premises in the British countryside. The push towards full-fibre networks is gathering pace with the government keen to see more parts of the country upgraded to faster broadband speeds.

Blackstone Group announced the acquisition of a majority share in leading global cloud enabler Cloudreach. The investment will allow Cloudreach to expand its geographic influence while improving software development capabilities.

Promising Times in the ICT Services Sector

The ICT services sector saw similar M&A activity levels during H1 2017 and H2 2016 with **37** deals completing in both half-years.

Britain's fourth largest mobile group, Three UK, acquired lossmaking wireless internet provider UK Broadband/Relish for **£250m** as the group made its first step into the home market. The size of the consideration is largely due to the spectrum owned by UK Broadband, with Ofcom's planned auction of airwaves experiencing further delays. The acquired spectrum, in the 3.4 Ghz range, can be used to facilitate any future launch of 5G services but does not solve Three's need for lower frequency spectrum to boost 4G signals.

Synnex Corporation announced the acquisition of Westcon-Comstor's America business and a minority stake in Westcon's EMEA and APAC in a deal worth up to **\$830m**. Previously the only North American broadband distributor not carrying Cisco, the transaction will see Synnex become one of Cisco's largest partners while expanding its influence beyond North America and Japan.

Leading business communications provider Wavenet completed its first acquisition since the MBO backed by Beech Tree in August 2016. In acquiring Warrington-based network and cloud services provider Talk Internet, Wavenet has strengthened its presence in the North West and improved its connectivity solutions offering. Following the purchase of Talk Internet, Wavenet continued its M&A activity with the acquisition of Swains, a business communications provider.

Elitetele.com completed its largest acquisition to date, its fifteenth since 2008, in acquiring Leeds based communications solution provider Nexus Telecommunications. The deal is expected to contribute **£16m** in revenue.

Further M&A activity saw Chess announce the acquisition of Sophos security partner, Foursys. Metronet, backed by Livingbridge, followed up the acquisition of M24Seven in October 2016 with a deal for Venus Business Communications. Elsewhere, Adept acquired OurIT Group for an initial consideration of **£4.75m** while GCI announced the acquisition of unified communications specialist Freedom Communications, its fifth acquisition in twelve months.



Have acquired



For GBP 250m



Have acquired



For USD 830m



Have acquired



For undisclosed value



Have acquired



For undisclosed value



Have acquired



For undisclosed value



Have acquired



For undisclosed value

Orbis ICT Services Transactions



Have acquired



For undisclosed value



Have acquired



For GBP 8m

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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