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SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR H2 2017

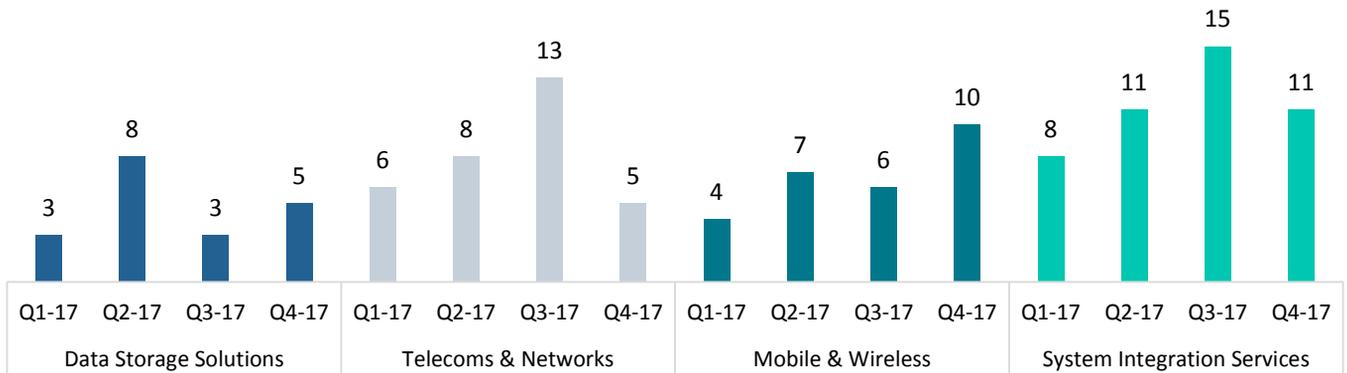
Robust M&A outlook despite uncertain political environment

The UK ICT Services M&A environment looks set for a positive 2018 as corporates continue to seek strategic acquisitions to achieve ambitious growth plans. The need for digital transformation and greater efficiency in key business processes continues to shape the market and drive M&A activity.

Recent changes in US tax policy are likely to encourage US corporates to invest in the UK with reducing corporation tax, decreasing from 35% to 21%, releasing free cash available for M&A. Foreign income, now being taxed at 15.5%, having previously been taxed at 35% on repatriation of cash, is likely to increase the appetite, and ability, for US corporates to increase operations in the UK through considered M&A.

H2 2017 ICT Services M&A Volumes

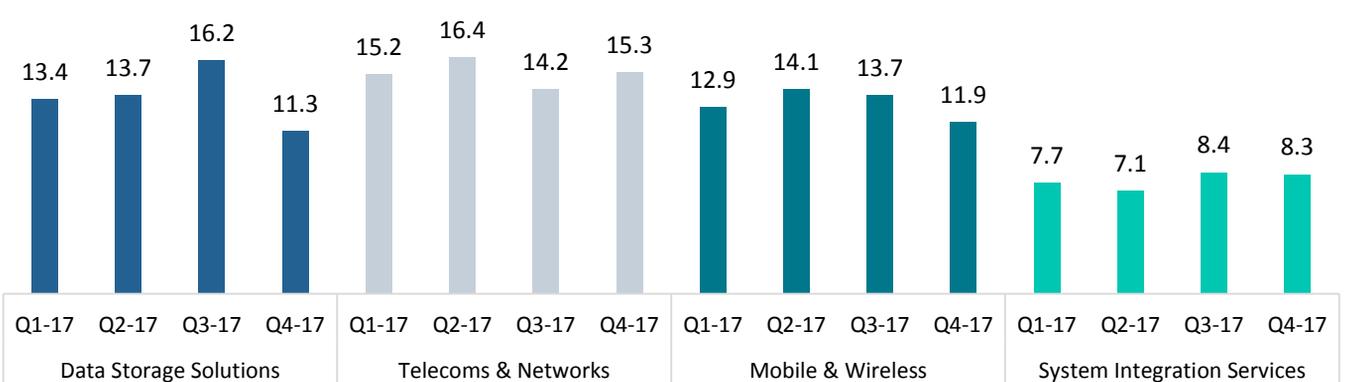
UK ICT Services M&A Volumes by Quarter



The second half of 2017 saw **68** deals completed, a significant increase over the **55** deals finalised in the first half of the year. This can be attributed to all subsectors experiencing increased deal volumes with the exception of data storage solutions where there was a marginal decrease.

H2 2017 ICT Services Average EV/EBITDA Multiples

Average EV/EBITDA Multiples for UK ICT Services

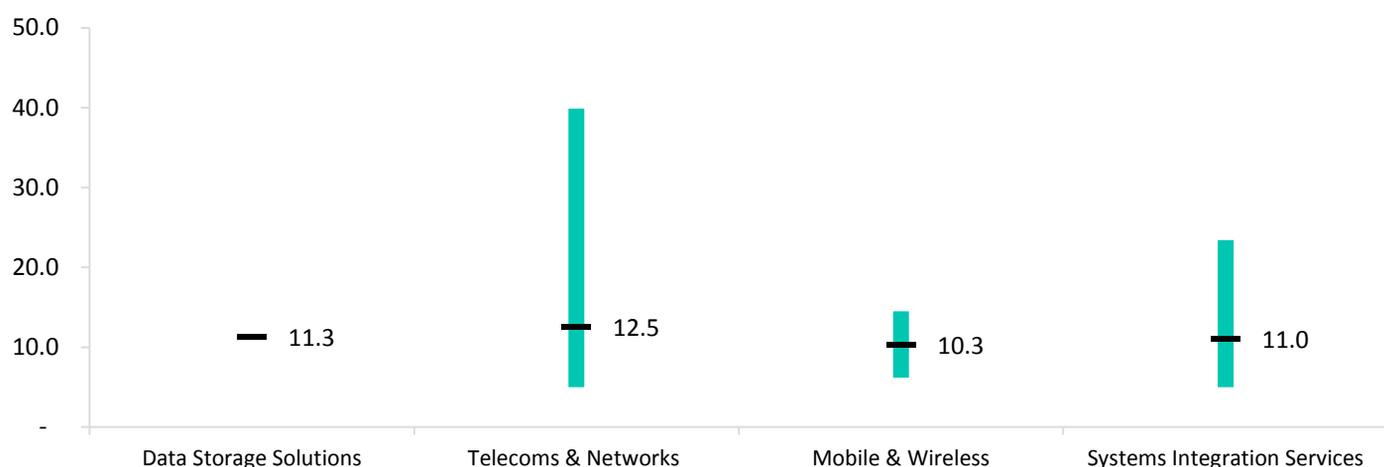


On a trailing 12 month basis, EBITDA valuations across all disclosed transactions in the ICT services sector during H2 2017 remained largely consistent with H1 2017, with the exception of the systems integration services subsector which showed a noticeable increase. The improved average multiple in this subsector has been significantly influenced by MML Capital Partners' £80m acquisition of CSI Group in Q3, at an EBITDA multiple of 15.4x.

H2 2017 ICT Services Average EV/EBITDA Trading Multiples

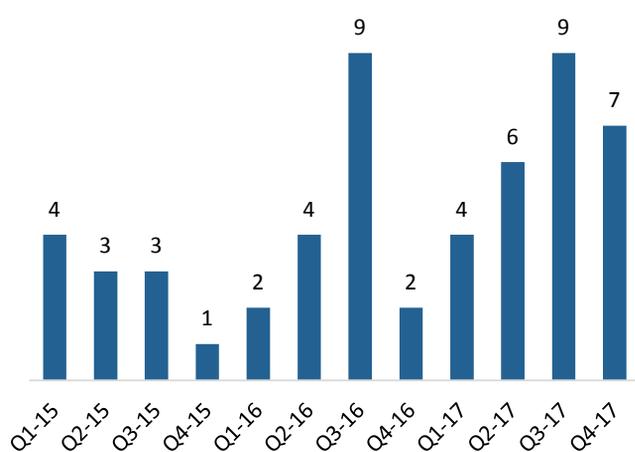
H2 2017 average trading multiples across all ICT services sub-sectors ranged from 10.3x to 12.5x.

Range and Average EV/EBITDA ICT Services Trading Multiples



Private Equity Transactions

Number of ICT Services PE Transactions Split by Quarter



Private equity activity in the ICT services sector has seen significant growth in H2 2017 with **16** deals completed compared with **10** in the first half of the year.

Hyperoptic, an ultrafast fibre optic internet service provider, has received investment of £100m from a consortium comprising **BNP Paribas**, **ING**, **RBS** and **NIBC**. This comes after announcing its 1Gbps FTTP/B broadband now covers over 350k homes in the UK. The investment will be used to roll-out coverage to consumers and businesses that have been ignored by larger players in the space.

New York-based Private equity firm, **Bregal Sagemount**, has invested £72.7m into cloud-enabled managed services provider, **Options Technology**. The investment will be used to support Option's growth strategy which includes expanding its reach in global financial centres and increasing investment in platform developments.

Livingbridge announced its investment in cloud services specialist **Giacom**, facilitating a management buyout by Giacom Chief Executive Mike Wardell and his team. **LDC**, which is exiting after initially backing the business in 2016, will be reinvesting alongside Livingbridge for a minority stake. Giacom has become the vendor of choice for over 4,000 ITC's and plans to use the £40m investment to grow through strategic M&A and expanding its network.

Orbis ICT Services Transaction

M4 Systems is a leading Microsoft Gold Partner specialising in the development and support of bespoke CRM and ERP solutions.

M4 Systems has offices in the UK as well as a software development team located in Central Belgrade, Serbia.

Orbis was mandated by M4 Systems to formulate an exit plan for the shareholders over a short to medium term.

Specifically Orbis:

- Identified and summarised the key value drivers of the business.
- Presented the business to a number of strategic buyers including overseas parties through Clairfield International, our international partnership.
- Negotiated a strategic value and terms for our clients and key commercial terms of the legal documents.

Have acquired

your trusted technology partner

For undisclosed value

Strategic Trade Transactions in the ICT Services Sector

The ICT services sector saw increased levels of strategic M&A activity during H2 2017 with **45** deals being completed compared to **38** deals agreed in the first half of the year.

In July, **GCI** announced the acquisition of **Blue Chip Data Systems** for £36m, one of five deals the company completed over an 18 month period. With the addition of Blue Chip, a provider of end-to-end managed IT solutions to both the private and public sectors, GCI becomes one of the largest Managed Services Providers in the UK.

Bytes Group UK announced the acquisition of **Phoenix Software**, a reseller of enterprise software and provider of IT services, for £35.9m. Bytes, a leading provider of software licensing and security solutions, will use the deal to expand further into the public sector. The acquisition also takes Bytes' revenue in excess of £400m a year, making it the largest Microsoft partner in the UK, and will enhance its ability to form lasting relationships with other global vendors.

DXC Technology, a leading IT services and solutions provider, acquired **Logicalis SMC** in a deal valued at £32.1m. The acquisition of Logicalis SMC, a provider of technology enabled solutions for the service management sector in the Netherlands and a ServiceNow Master Solutions partner, sees DXC strengthen its position as one of the most experienced integrators of ServiceNow in addition to increasing the company's presence in Europe.

Sharp Business Systems, a provider of document, visual and IT solutions, acquired **Midshire**, a technology reseller based in Birmingham, for £30m. Midshire will continue to operate as an independent business under the existing brand. Sharp has been looking to grow its indirect operations and the acquisition will increase its presence in both Wales and the Midlands.

Further M&A activity saw **Entanet**, a wholesale voice and data communications provider, sold to UK-based fibre network provider **CityFibre** for £29m. Cloud computing company, **Iomart Group PLC**, announced the acquisitions of eCommerce specialists **Sonassi** and **Tier 9 Network** (t/a **Simple Servers**) for £10m and £3m respectively. **AdePT Telecom** has continued to expand with the £12m acquisition of **Atomwide**.



Have acquired

Blue Chip

For GBP 36m



Have acquired



For GBP 35.9m



DXC technology

Have acquired



For GDP £32.1m



Have acquired



MIDSHIRE
technology for your office

For GDP £30m

CityFibre

Have acquired



For GDP £29m



AdePT

Have acquired



ATOM WIDE
MANAGED SERVICES

For GDP £12m

Orbis ICT Services Transactions

MAVEN
CAPITAL PARTNERS

Provided development capital to



For undisclosed value

PARK PLACE
TECHNOLOGIES

Have acquired

Prestige
data centre solutions

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 Nick.

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Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

Orbis Partners : Services

A complete range of M&A services providing a wealth of experience to our clients

- Company Sales**
- Extensive mid market M&A expertise and experience across the team.
 - International reach – over 20 countries and growing.
 - Over 90% of all sale mandates involve an overseas party.

- Acquisition Support**
- Listed and private clients.
 - Research and origination - internal research team and tools.
 - Strategic and financial assessment.
 - Deal management.

- Due Diligence**
- Experienced and informed advice.
 - Extensive experience within the UK and of international transactions.
 - Tailored reports.
 - Partner led.

- Management Buy Out**
- Deal leadership and fund raising.
 - Align interests with management team.
 - Co-investors on 15 deals.

- Capital Raising**
- Supporting existing business to fund development.
 - Supportive investor bringing focus on value creation.
 - Co-investors on 3 deals.

- Business Improvement**
- Independent advice and planning strategy led by sector insights.
 - Turnaround and profit improvement credentials.
 - Leading the team through uncertainty whilst developing a game plan.
 - Co-investors and principal.

Orbis Partners : Sectors

Experience across a range of sectors

Technology, Media
and Telecoms

Business Services

Industrial

Healthcare

Food & Consumer

