



Shah Zaki
Partner



Nick Wall
Senior Analyst

SECTOR SNAPSHOT



UK SOFTWARE M&A ACTIVITY AND VALUATIONS FOR Q1 2018

Strong M&A environment as private equity firms match trade valuations

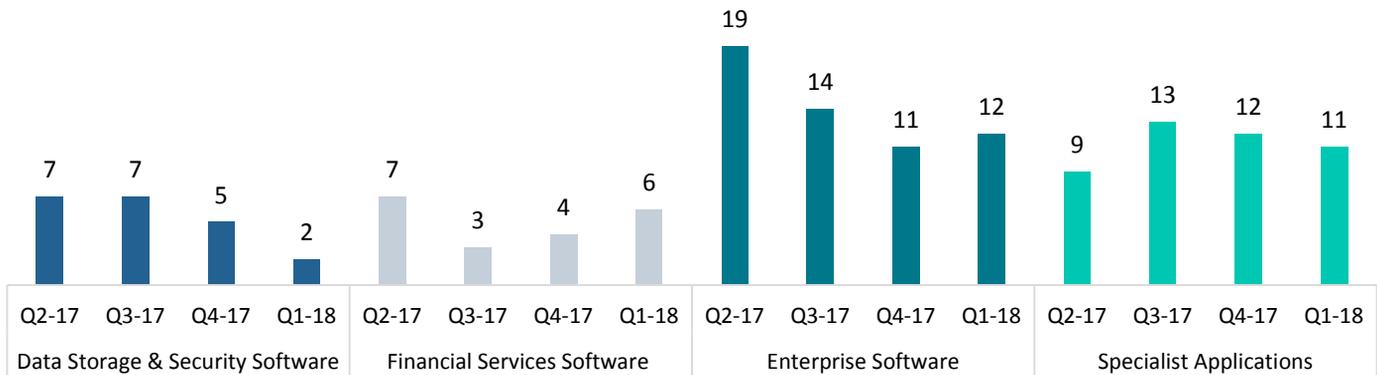
The software sector continues to be defined by innovation and an ever-increasing battle to meet developing customer requirements. SaaS vendors are experiencing tightening margins as a consequence of increased competition and significantly higher cost of acquiring new customers.

Adoption of Platform-as-a-service (PaaS) models looks likely to continue to disrupt the enterprise software market in 2018. Applications built on PaaS are cheaper and easier to deploy, enabling users to upgrade and reshape their product without the prohibitive obstacles traditionally associated with developing and launching an application.

Additionally, larger software companies are paying a premium to achieve fast growth through strategic acquisitions of companies experiencing high growth. We have seen private equity firms begin to match valuations placed by strategic trade buyers as interest in software companies remains strong. Cross border activity looks set to grow as confirmed changes in US tax policy concerning repatriation of cash could lead to an extremely favourable overseas M&A appetite from US software consolidators.

Q1 2018 Software M&A Volumes

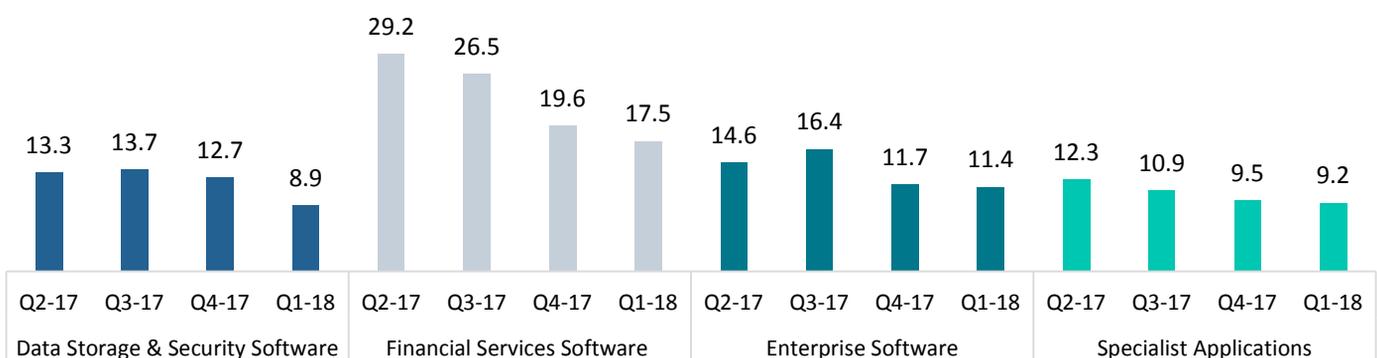
UK Software M&A Volumes by Quarter



The last two quarters have seen **63** deals completed, a noticeable decline when compared to **79** deals finalised in the preceding two quarters.

Q1 2018 Software Average EV/EBITDA Multiples

Average EV/EBITDA Multiples for Software

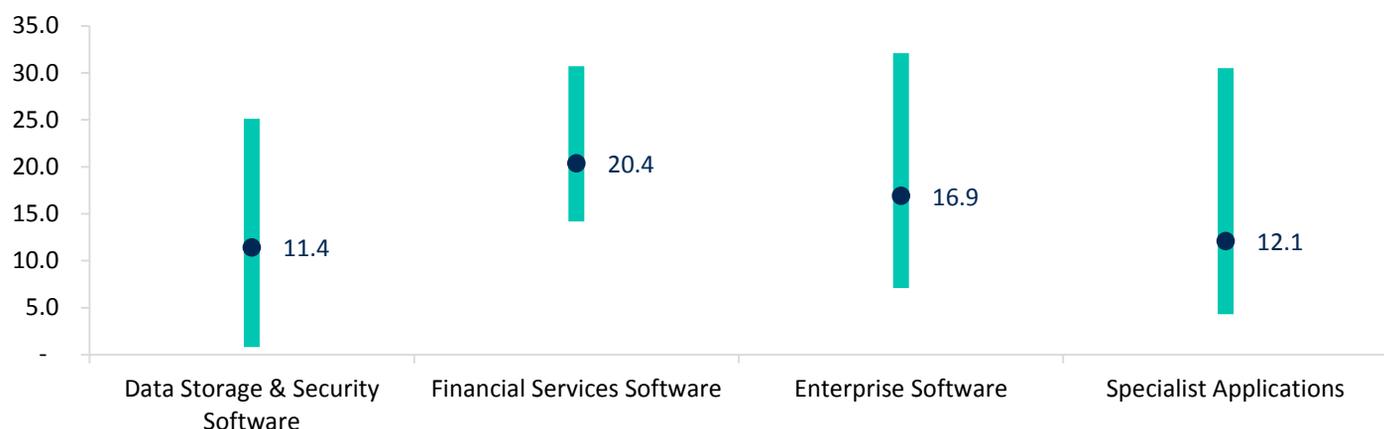


On a trailing 12 month basis, EBITDA valuations for all disclosed transactions in the software sector declined across all subsectors during the last 2 quarters, largely due to a small number of exceptionally high deal multiples dropping out of the rolling average.

Q1 2018 Software Average Quoted Company Multiples

Q1 2018 average quoted company multiples across all software sub-sectors ranged from 11.4x to 20.4x.

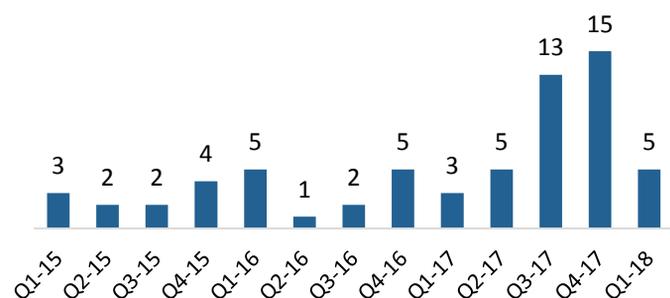
Range and average EV/EBITDA Software trading multiples



Private Equity Transactions

Private equity activity in the software sector has remained strong over the last 2 quarters with 20 deals completed across all subsectors despite, experiencing a dip in activity in Q1-18.

Number of Software PE Transactions Split by Quarter



Thomas H Lee Partners acquired leading enterprise open-source provider of process automation and information governance software, **Alfresco Software Inc**, for £312m. Founded in 2005, Alfresco's software now powers the work of over 11 million people across 195 countries. Alfresco's modern cloud platforms popularity with companies carrying out digital transformations was a key driver for the deal.

In January 2018 Montagu PE completed the acquisition of Servelec Group PLC for £224m. Servelec, a leading provider of software, hardware and services to the healthcare, education, oil and gas and utilities sectors, owns significant intellectual property in addition to a strong engineering heritage from over 40 years of operating. Servelec aims to use the financial backing to grow the business and take advantage of significant market opportunities.

Leading provider of point-to-sale software company PCMS Group completed an MBO valued at £125m with the backing of Inflexion Private Equity. PCMS offers an integrated unified commerce platform for both in-store retail selling points and cloud hosted environments and is provider to a number of key retailers including John Lewis and Arcadia Group.

Inflexion added to its portfolio with the acquisition of Atcore Technology Group for £113m. Atcore specialises in software platforms for the global leisure travel sector with key clients including Mark Warner, TUI and Thomas Cook. Inflexion will help Atcore accelerate organic growth in addition to initiating a targeted acquisition strategy to drive geographical development.

Orbis Software Transaction

Business Overview

Satrak provides specialist state of the art security tracking and telematics products designed specifically to meet the needs of operators of vehicles and mobile plant in the construction sector. Based in Leeds, the Satrak customer base covers over 1,500 clients operating more than 23,000 assets with installed systems.

Our Role

Over a 12 month period Orbis worked with Satrak's shareholders to evaluate a number of exit opportunities. Strong financial backing provided by Goldman Sachs and GRO Capital has enabled Trackunit to strengthen its position in the European market through M&A and complement its strong organic growth, providing a clear strategic rationale for the transaction. The acquisition takes Trackunit's installed base of telematics units to over 300,000 vehicles worldwide.



Have acquired



For undisclosed value

Strategic Trade Transactions in the Software Sector

The sector has seen 40 trade deals completed in the last 2 quarters as the M&A environment for software remains healthy.

ION Investment Group, a holding company formed to acquire and consolidate financial technology companies, completed the acquisition of **Dealogic Holdings** in a deal worth £655m with Carlyle retaining significant ownership. Dealogic develops technology for investment banks to manage and align core operating units worldwide. ION hopes to use the acquisition to accelerate the digitisation and automation of capital markets.

NEC Corporation acquired UK based **Northgate Public Services (NPS)** for a consideration of £475m from private equity house Cinven. NPS develops software and services for the public sector, and employs over 1,400 software engineers across the UK and India.

In January 2018, **iPipeline** announced the acquisition of **TCP LifeSystems**, a software provider to life and pensions insurance companies in the US, Canada, UK and Ireland, for £70m. iPipeline, a leading cloud-based software solutions provider for the financial services industry, will introduce TCP's digital Policy Administration System (PAS) module to its service offering.

Belden/Grass Valley completed the acquisition of **Snell Advanced Media (SAM)**, a software developer for the media production market, for £68m. With the backing of Belden, Grass Valley, a broadcaster for over 60 years, will incorporate many of SAM's product brands in order to extend its in-region support offer to the global broadcast community.

Further M&A activity saw **MRI Software** acquire leading property and facilities management software provider, **Qube Global Software** for £63m. Following the acquisition, the global team of c. 1000 employees and client base of 5,500 companies makes MRI one of the largest property software providers in Europe. Elsewhere, **Vermeg**, a fund administration and securities processing vendor based in the Netherlands, completed the acquisition of risk management and regtech solution specialist, **Lombard Risk** for £52m.



Have acquired



For GBP 655m



Have acquired



For GBP 475m



Have acquired



For GBP 70m



Have acquired



For GBP 68m



Have acquired



For GBP 63m



Have acquired



For GBP 52m

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.

Contact

Shah Zaki
Partner
T: +44 (0) 121 234 6075
E: szaki@orbis.cf.com

Nick Wall
Senior Analyst
T: +44 (0) 121 234 6087
E: nwall@orbis.cf.com

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

