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SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR H1 2018

Active M&A market as artificial intelligence continues to make its mark

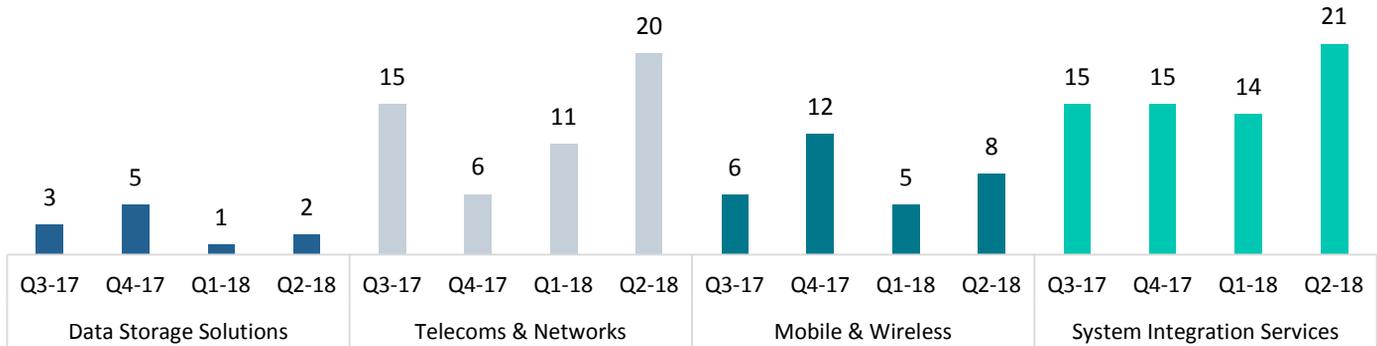
Over the last few years there has been significant development of artificial intelligence (AI) in virtual agents, machine learning and, of course, robotics. As a result, simplistic AI processes have become inherent to many ICT services solutions tasked with analysing large volumes of data in order to enhance the quality of derived conclusions. Development from single-skilled AI, seen in Siri and Alexa, to multi-skilled devices is expected and, as such, there has been a significant influx of businesses investing in AI as successful first movers could grow to become market leaders relatively quickly.

Movement from cloud adoption to digital transformation continues to reshape the market as businesses look to maximise returns on their IT infrastructure investments. Amazon Web Services,

Microsoft and Google are expected to further increase their combined cloud platform market share to c. 80% in 2018. It is predicted that c. 50% of enterprises globally will rely on at least one public cloud platform as the total cloud market rises from \$146bn in 2017 to \$178bn in 2018. In the Mobile sector the launch of 5G draws closer with some countries reporting that Q4 2018 could see the first deployment of 5G pilots as mobile data usage continues to rise.

H1 2018 ICT Services M&A Volumes

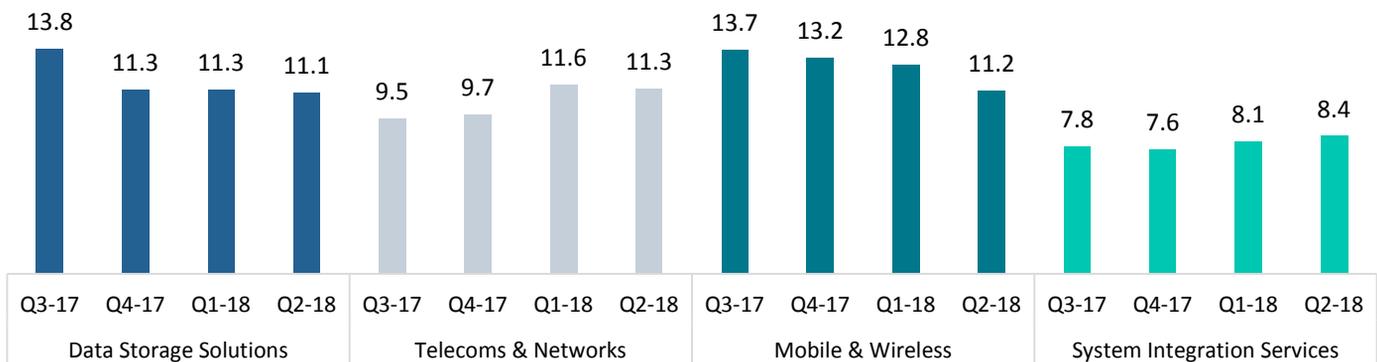
UK ICT Services M&A Volumes by Quarter



The last two quarters have seen **82** deals completed, a slight increase when compared to the **77** deals finalised in the second half of last year.

H1 2018 ICT Services Average EV/EBITDA Multiples

Average EV/EBITDA Multiples for UK ICT Services

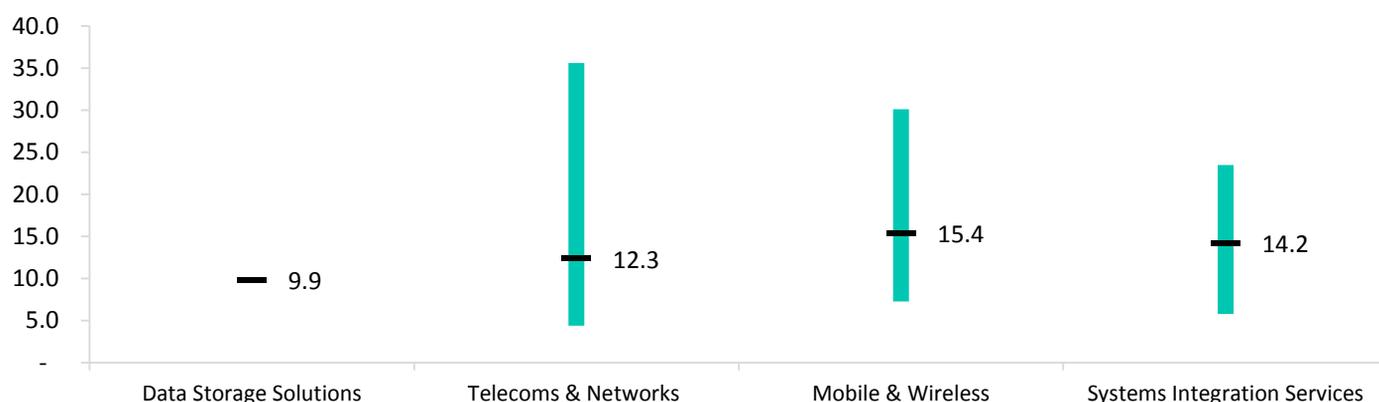


On a trailing 12 month basis, EBITDA valuations for all disclosed transactions in the ICT services sector saw some variability when compared with H2-17 with increasing multiples in the “Telecoms & Networks” and “System Integration Services” sub sectors.

H1 2018 ICT Services Average Quoted Company Multiples

H1 2018 average quoted company multiples across all ICT services sub-sectors ranged from 9.9x to 15.4x.

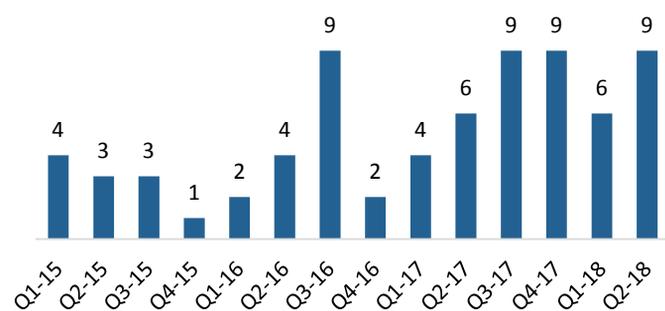
Range and Average EV/EBITDA ICT Services Trading Multiples



Private Equity Transactions

Private equity activity has decreased slightly when compared to H2-17, however, 15 deals in H1-18 demonstrates continued PE interest in the ICT services sector.

Number of ICT Services PE Transactions Split by Quarter



Bowmark Capital announced the £60m acquisition of internet service provider **ASK4** from Darwin Private Equity, who had previously acquired ASK4 four years ago for £21.5m. The investment will be used to fund ASK4's overseas expansion and further the development and deployment of new product lines and services. ASK4 provides internet services for multi-tenant accommodation and has partnerships with a range of residential apartment developers, businesses and universities.

Infracapital has made an offer of £270m to acquire leading ultrafast broadband provider **Gigaclear**. Gigaclear recently connected its 15,000th customer to its ultrafast broadband network which spans 20 counties in the Midlands and South of England and covering over 60,000 homes and businesses.

Equistone has completed the £85m MBO of **WHP Telecoms** and acquired a majority stake in the process. Palatine, who secured a 3x money return from the exit, has reinvested alongside Equistone. WHP provides services for the planning, design, acquisition and maintenance of mobile network masts, antennae and base stations for all major UK mobile operators. Since Palatine initially invested back in 2015 WHP has more than doubled its turnover from £30m to c.£75m.

Mayfair Equity Partners acquired leading ICT service supplier **GCI** for £185m. The investment includes a fund of over £60m which will enable further strategic acquisitions to add to the previous deals for Fusion Media Networks, Blue Chip Data Systems, Outsourcery, Freedom Communications, and Packet Media which increased the company's revenues to over £100m. The immediate objective is to continue to integrate the group companies and operate under one brand with common processes.

Orbis ICT Services Transaction

Business Overview

Voice Mobile, headquartered at Fort Dunlop, Birmingham was formed in 2001 and is one of the largest independent suppliers of mobile phone solutions in the UK. The Company is a key distribution partner for EE, delivering corporate and consumer mobile phone solutions over the EE network. Voice Mobile works with a number of high-profile corporate clients including the Birmingham Chamber of Commerce and Birmingham City Football Club.

Our Role

Over the course of our engagement, we spent time understanding the key value drivers for Voice Mobile, including the company's relationship with EE and the operational systems. We researched a selection of buyers that could add value to Voice Mobile and take the business forward. Daisy, with their acquisition strategy and existing distribution agreements with Vodafone and O2, were identified as a strong strategic fit.



Have acquired



For undisclosed value

Strategic Trade Transactions in the ICT Services Sector

The ICT services sector has seen **58** trade deals completed in the first half of the year, compared with **51** deals completed in the second half of last year.

Vodafone has announced its biggest deal since the £112bn takeover of Mannesmann in 2000 with the £16.1bn acquisition of cable networks in Germany and Eastern Europe from US firm **Liberty Global**. In Hungary, Romania and the Czech Republic Vodafone currently only offers mobile services and this acquisition will allow the business to expand its service offering in these areas into TV and Broadband. The deal is also expected to create a stronger quad play competitor for Deutsche Telekom in Germany, who oppose the deal. Completion is expected in mid-2019 subject to regulatory approval.

GTT Communications announced the acquisition of **Interoute** for £1.7bn, one of Europe's largest independent fiber networks and cloud networking platforms. GTT, a leading global cloud networking provider, will benefit from significantly augmented scale as the network will interconnect 126 cities across 29 countries. The deal includes 15 data centres, 17 virtual data centres and 51 colocation facilities which will enhance GTT's cloud connectivity platform.

Loopup Group PLC, a leading remote meetings technology company, completed the £61.4m acquisition of leading conferencing services provider, **MeetingZone Group**. MeetingZone has 6,000 customers worldwide with operations in the UK, Germany, Sweden and North America. The acquisition will enable Loopup to migrate the MeetingZone audio conferencing business to the Loopup product platform.

Global technology company **Endava** announced the merger with innovative software development company, **Velocity Partners** in a deal worth £35m. The deal enhances Endava's presence in North America and the combined organisation will have c.4,600 employees.

Elsewhere, **ARM** announced the acquisition of **Stream Technologies** for £20m. Stream provides tools for managing the connectivity of IoT devices. Additionally, leading managed IT services solutions provider **Claranet Group** enhanced its migration capabilities and added expertise in Microsoft Azure solutions with the acquisition of infrastructure and cloud specialist **Union Solutions** for £18m.



vodafone

Has agreed to acquire



LIBERTY GLOBAL
GERMANY & EASTERN EUROPE

For GBP 16.1bn



Has acquired



For GBP 1.7bn



Has acquired



For GBP 61m



Has acquired



For GBP 35m



Has acquired



For GBP 20m



Has acquired



For GBP 18m

Orbis ICT Services 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 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

