



Shah Zaki
Partner



Nick Wall
Senior Analyst

SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR H2 2018

Strong M&A market as mainstream rollout of 5G expected to land in 2019

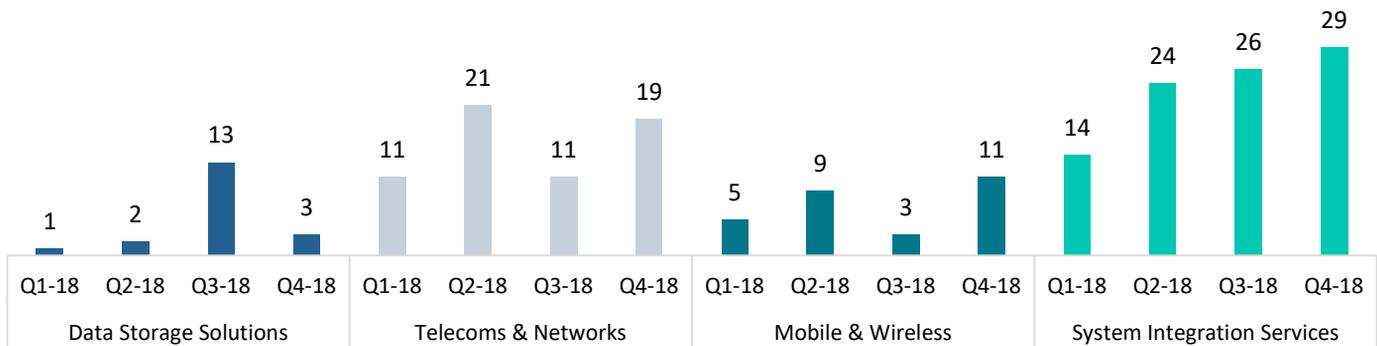
We are expecting much of the hype around 5G to start becoming a reality in 2019. In November EE announced it will be turning on 5G in six UK cities, including Birmingham, by mid-2019 which will see data being transmitted at speeds faster than 10 gigabits per second. Other technology giants such as Intel, Nokia and Samsung have also set up a number of fixed and test deployments worldwide.

The Worcestershire 5G Consortium, comprised of global partners including Huawei, O2 and BT, recently switched on the UK's first factory trial of future 5G mobile technology. The trial, funded by a £4.8m grant from the government, looks at the potential use of Augmented Reality, big data analytics and 5G based robots to revolutionise factory functionality in what is a huge step towards Industry 4.0.

Data utilisation continues to be the main driver for the internet of things movement. Companies are desperately trying to utilise the massive quantities of data available in order to make better informed strategic decisions, while the growth in Edge computing could increase the automation of data driven decisions going forward.

H2 2018 ICT Services M&A Volumes

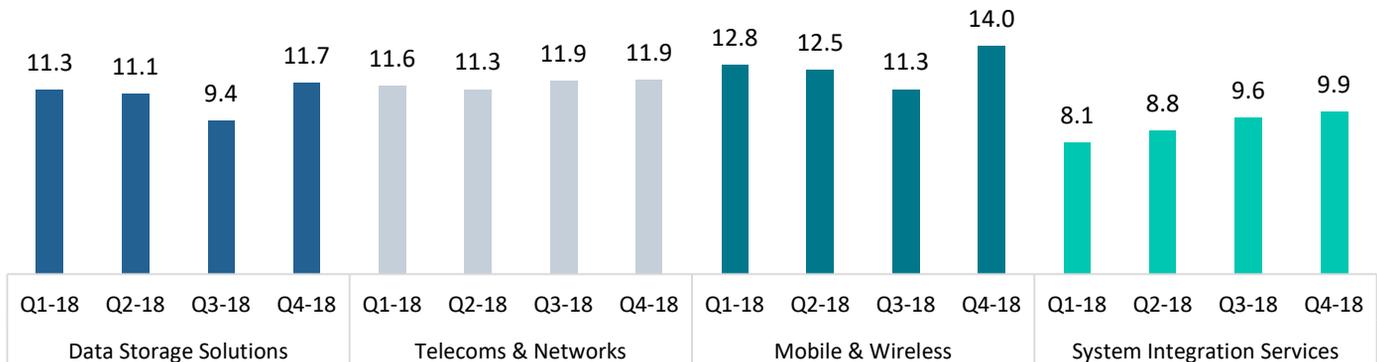
UK ICT Services M&A Volumes by Quarter



The second half of 2018 saw **115** deals completed, a large increase compared to the **87** deals finalised in the first half of the year.

H2 2018 ICT Services M&A Volumes

Average EV/EBITDA multiples for UK ICT services

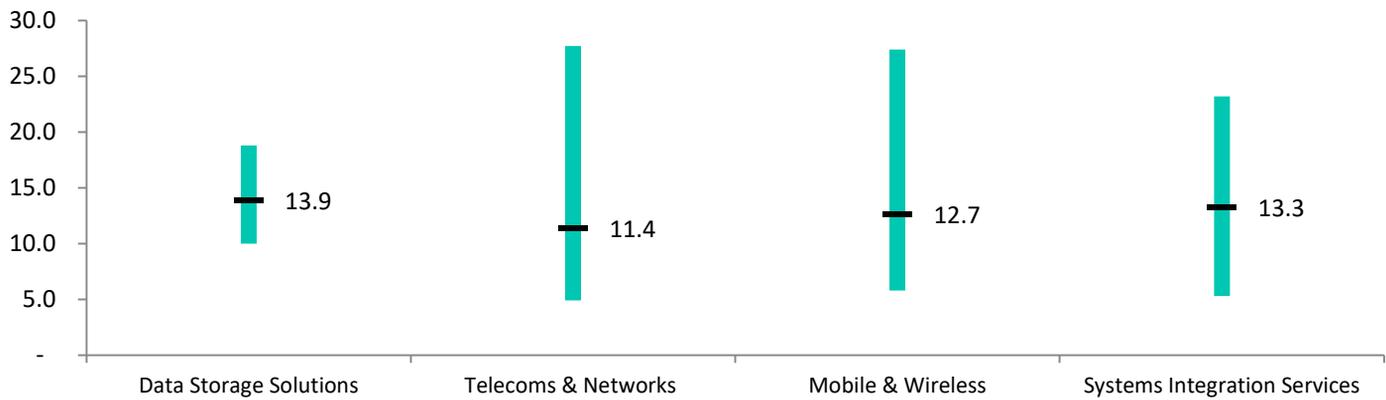


On a trailing 12 month basis, EBITDA valuations for all disclosed transactions in the ICT services sector saw a decline in Q3-18, but recovered in Q4 across all sub-sectors, finishing at the highest levels seen all year.

H2 2018 ICT Services Average Quoted Company Multiples

H2 2018 average quoted company multiples across all ICT services sub-sectors ranged from 11.4x to 13.9x.

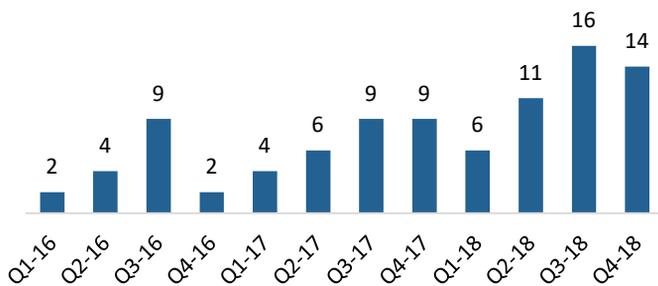
Range and Average EV/EBITDA ICT Services Trading Multiples



Private Equity Transactions

Private equity activity increased significantly in comparison to H1-18, with 30 deals completed, highlighting the continued PE interest in the ICT services sector.

Number of ICT Services PE Transactions Split by Quarter



Eli Global agreed to acquire leading provider of ICT managed services and solutions, **Damovo**, through an affiliate for £140m. Damovo was previously acquired by Oakley Capital and Matthew Riley, the Daisy founder, back in 2015. Since then Damovo acquired three businesses and achieved the highest level of accreditation with the four leading unified communications vendors; Avaya, Cisco, Microsoft and Mitel.

Infracapital has agreed to acquire a 50% stake in **SSE Enterprise Telecoms**, one of the UK's leading connectivity suppliers, in a deal worth £380m, of which £165m is based on future financial performance. SSE Group will be retained as a key funder and anchor customer. SSE will use the Infracapital backing to fund the expansion of its extensive fibre network in the build up to the launch of 5G in 2019.

Inflexion Private Equity has invested in **UKFast**, a leading UK cloud hosting provider, for a deal valuing the business at approximately £400m. UKFast has experienced rapid growth over the last few years culminating in the business becoming the largest privately-owned hosting provider. The transaction sees Inflexion take a 30% stake in the business.

Hyperoptic, backed by **Quantum Strategic Partners**, raised a record £250m from a group consisting of 8 leading international banks, led by **ING bank** and **BNP Paribas**. Hyperoptic intends to use the funding to bring its network to 50 cities and towns across the UK by 2019. The investment should also fund Hyperoptic's project to reach two million homes by 2022, and then further expand the platform to five million by 2025. The deal represents the largest single investment in the UK for a full fibre optic network provider.

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 78 trade deals completed in the second half of 2018, compared with 58 in the first half of the year.

Vonage has announced an agreement to acquire leading cloud contact centre as a service provider, **NewVoiceMedia**, for c.£270m. The acquisition is set to improve Vonage's service offering in combining NewVoiceMedia's contact centre offerings with Vonage's UCaaS and CPaaS solutions. Vonage hopes the acquisition will enable the delivery of communication solutions with more meaningful customer interactions for businesses. The deal will also deepen relationships with CRM providers including Salesforce.

Computacenter announced the acquisition of US based IT Solutions provider **Fusion Storm** for £88m. The deal is expected to increase Computacenter's headcount in the US by over 50% and will enable the company to offer a full range of services in the US through the addition of Fusion Storm's Professional Services to its own managed services capabilities.

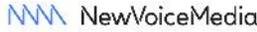
Bechtle completed the acquisition of **BT Stemmer** for £45m. BT Stemmer had been part of BT since it was initially acquired in 2009 and operates across six locations in Germany; Munich, Duisburg, Karlsruhe, Cologne, Siegen and Stuttgart. The deal adds 160 specialists to the Bechtle Group and strengthens the group in the increasingly critical network competence area. The deal comes just three months after it made its largest-ever acquisition in the shape of €420m-turnover French reseller Inmac Wstore.

Cisco has confirmed its intention to acquire leading software solution provider for service provider networks **Ensoft** for £40m. The deal is expected to accelerate Cisco's networking software strategy which is based on enabling a scalable network infrastructure in addition to adding a strong team to further ongoing innovation within the networking software space.

Elsewhere, payment and fleet services company **Radius Payment Solutions** acquired **Adam Phones** for £35m amid plans to build a telecoms division within the Radius Group. Additionally, leading provider of business telecommunication solutions **Wavenet** increased its market share with the £21m acquisition of **Solar Communications**.



Has acquired



For GBP 270m



Has acquired



For GBP 88m



Has acquired



For GBP 45m



Has acquired



For GBP 40m



Has acquired



For GBP 35m



Has acquired



For GBP 21m

Orbis ICT Services Transactions



Has 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.

Contact

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

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

