

A COMMENTARY ON COVID-19 AND

UK SOFTWARE

M&A ACTIVITY AND VALUATIONS FOR Q1 2020

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SECTOR SNAPSHOT



UK SOFTWARE M&A ACTIVITY AND VALUATIONS FOR Q1 2020

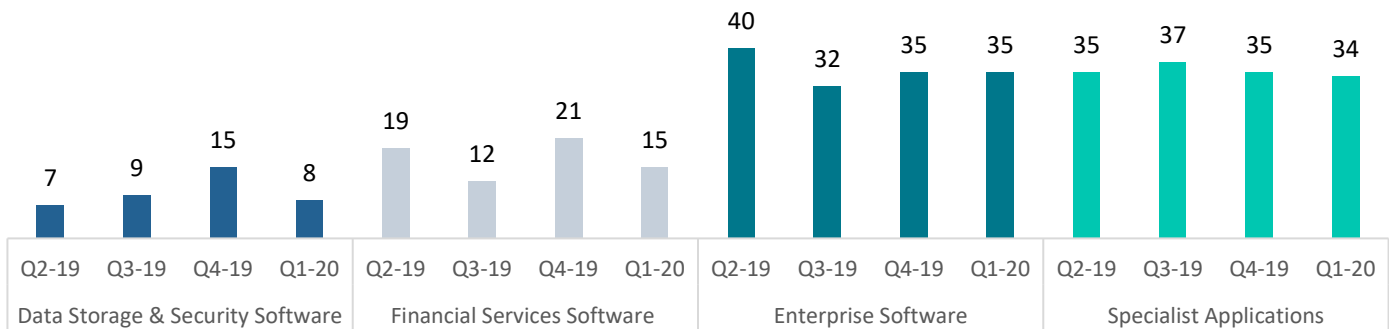
Covid-19 expected to have a relatively low impact on Software businesses

Coronavirus has had an impact on technology businesses across the world and will continue to do so in the coming months. Software companies with contracted revenue operating in sub-sectors where switching costs are high will be relatively resilient to the effects of Covid-19. The market has however experienced a pause in new technology investments other than remote access or mission critical projects. Companies with exposure to the SME segment or challenged verticals such as hospitality, retail and advertising will likely be the most impacted. Remote access and collaboration platforms such as DocuSign, Microsoft Teams and Zoom have experienced a huge increase in demand and are expected to form part of the new working norm post lockdown.

Beyond the disruption caused by Covid-19, Artificial Intelligence (AI) is increasingly becoming a component of enterprise software suites. Potential acquirers in the sector are looking for AI technology which enhances their own products and can therefore add value to their customers. Access to AI talent is scarce and serves as another key motivator for software companies looking to acquire AI businesses. Companies who have made acquisitions in AI include technology giants such as Google, LinkedIn, Microsoft and Salesforce.

Q1 2020 Software M&A Volumes

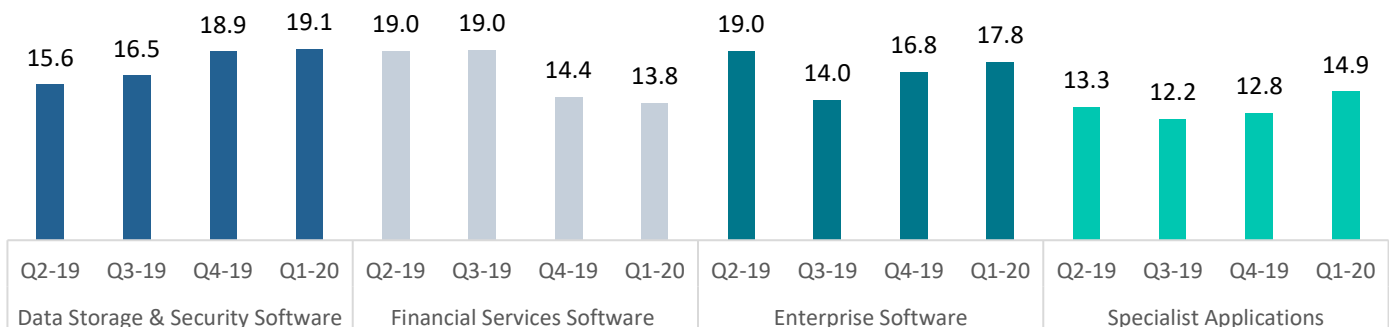
UK Software M&A Volumes by Quarter



Over the last two quarters, M&A activity increased in comparison to the previous two quarters, totalling 198 deals, a slight increase over the 191 deals in the previous two quarters.

Q1 2020 Software Average EV/EBITDA Multiples

Average EV/EBITDA Multiples for Software

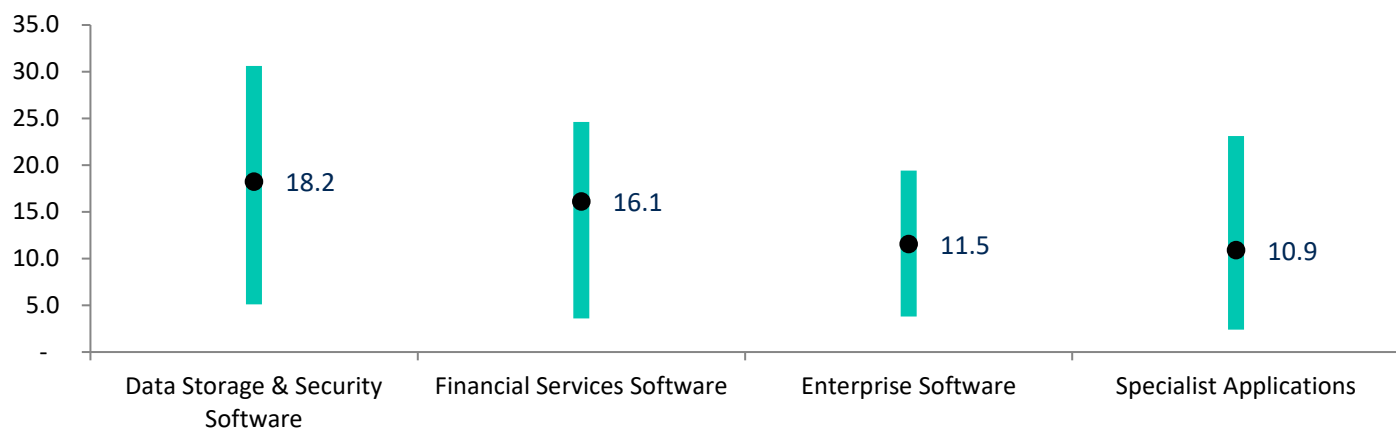


On a trailing 12 month basis, EBITDA valuations for all disclosed transactions in the software sector have broadly increased when compared to the previous two quarters with the exception of Financial Services Software which decreased.

Q1 2020 Software Average Quoted Company Multiples

Q1 2020 average quoted company multiples across all software sub-sectors ranged from 10.9x to 18.2x.

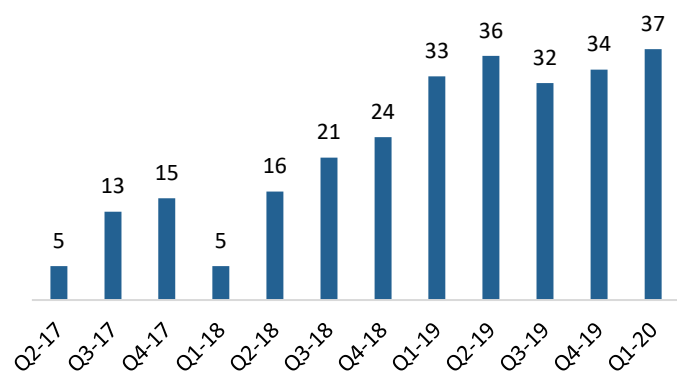
Range and average EV/EBITDA Software trading multiples



Private Equity Transactions

Private equity activity in the software sector has remained high with 71 deals being completed in the last two quarters.

Number of Software PE Transactions Split by Quarter



Leading people analytics company **Behavox** has secured a £77.4m investment from SoftBank Vision Fund 2. The investment will allow Behavox to invest in product improvement and further enhance customer service. Behavox uses artificial intelligence through a data operating platform to aggregate and analyse company data.

Thoma Bravo has completed the acquisition of leading cyber security provider **Sophos**, valuing the business at £3.1bn. Sophos recently launched its XG Firewall and Xstream architecture and is aiming to use the investment from Thoma Bravo to become a fully next-gen cybersecurity leader. Sophos has partnered with over 53,000 resellers and protects more than 100 million users from cyberthreats.

Idinvest Partners, along with other banks, has invested £38m into digital marketing engine provider **Ogury**. Since launching in 2014 Ogury has grown rapidly, reaching c.£80m in global revenue in 2018, and is now working with over 1,500 brands globally. Ogury intends to use the funds for product innovation and expanding its reach globally.

Draper Esprit has led the series B investment of £65m into leading fintech **Thought Machine** having previously invested in Revolut and Transferwise. Thought Machine builds cloud technology for banks and is aiming to use the funding to launch in the US and increase its presence in Asia Pacific. The funding will also be used to improve the company's core technology. Thought Machine's clients include Lloyds Banking Group and Standard Chartered, both of which use its banking platform Vault.

Clairfield Software Transaction

Deal Overview

Orbis is the UK member firm of Clairfield International, a global M&A group. Clairfield acted as exclusive financial advisor to One Voice AS in its sale to F24.

Founded in 2006, One Voice AS is a leading provider of incident and crisis management solutions in the Nordic region. Their flagship product, CIM, allows organisations across a multitude of industries to choose from a number of modules to create a management system for security, preparedness and crisis/emergency management that suits their business best.

Headquartered in Munich, F24 supports companies with the crisis communications in more than 80 countries with subsidiaries and branches in 11 locations. By acquiring One Voice, F24 increases its customer base to 2500 and expands its reach in the Nordics and the UK.

F24

Have acquired

ONE VOICE

Value undisclosed

Strategic Trade Transactions

The software sector has seen 119 trade deals completed in Q4-19 and Q1-20, an increase from 108 in the previous two quarters.

Leading payments processing platform **Sage Pay** has been acquired by **Elavon**, the fourth largest merchant acquirer in Europe, in a deal worth £232m. Elavon has been a subsidiary of bank holding company US Bancorp since 2004 and provides payment solutions to over one million merchants worldwide. Elavon will hope to benefit from Sage Pay's SME customer base and its presence in the UK and Ireland.

Leading contract management service provider **DocuSign** has announced it has acquired **Seal Software** for £159m having previously invested in the business in 2019. Seal Software provides contract management tools in addition to analytics and data extraction services to customers including PayPal and Dell.

Marketing company **S4Capital** has acquired tech focused digital marketing agency **Firewood** for a deal valued at £122.5m. Firewood, Silicon Valley's largest independent digital agency, will merge with **MediaMonks**, S4Capital's digital global content practice. S4Capital is aiming to improve its digital capabilities and offer a purely digital service for its customers worldwide with a unitary business model.

KION Group has acquired **Digital Applications International (DAI)** on behalf of its supply chain technology subsidiary **Dematic** for £104.5m. This is KION's largest acquisition since acquiring Dematic in 2016. The acquisition of logistics automation software provider DAI will allow Dematic to expand its software offerings particularly in the warehouse management space.

Citadel Group has announced the acquisition of radiology and maternity software provider **Wellbeing Software** for £102.8m. Citadel, which provides pathology and oncology systems, hopes the synergies gained from the acquisition will turn Citadel into a global healthcare software company.

Access Group has acquired Irish market leader in HR and Payroll software, **Core HR**. People HR who Access acquired last year will merge with Core HR to form Access People.



Have acquired




For GBP 232m




Have acquired




For GBP 159m




Have acquired



For GBP 122.5m



Have acquired



For GBP 104.5m



Have acquired



For GBP 102.8m




Have acquired




For an undisclosed sum

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 Nick.

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CLAIRFIELD INTERNATIONAL

Clairfield International was founded in 2005 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

80%

OF OUR MANDATES
ARE INTERNATIONAL

6

SECTOR TEAMS OF SPECIALIZED
EXPERTISE BACKED BY

23

COUNTRY TEAMS
ACROSS THE WORLD

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

70

INDUSTRY ADVISORS



Leading independent
M&A advisor for
midmarket deals

Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

130+

DEALS CLOSED ANNUALLY

EUR 20 billion

CUMULATIVE DEAL VALUE
LAST 5 YEARS

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