

A COMMENTARY ON COVID-19 AND
UK ICT
M&A ACTIVITY FOR H1 2020

INSIDE:

- ICT services sector remains resilient during Covid-19 disruptions
- H1 2020 ICT services – volumes & multiples
- Private equity transactions
- Strategic trade transactions



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SECTOR SNAPSHOT



UK ICT SERVICES M&A ACTIVITY AND VALUATIONS FOR H1 2020

ICT Services sector remains resilient during Covid-19 disruptions

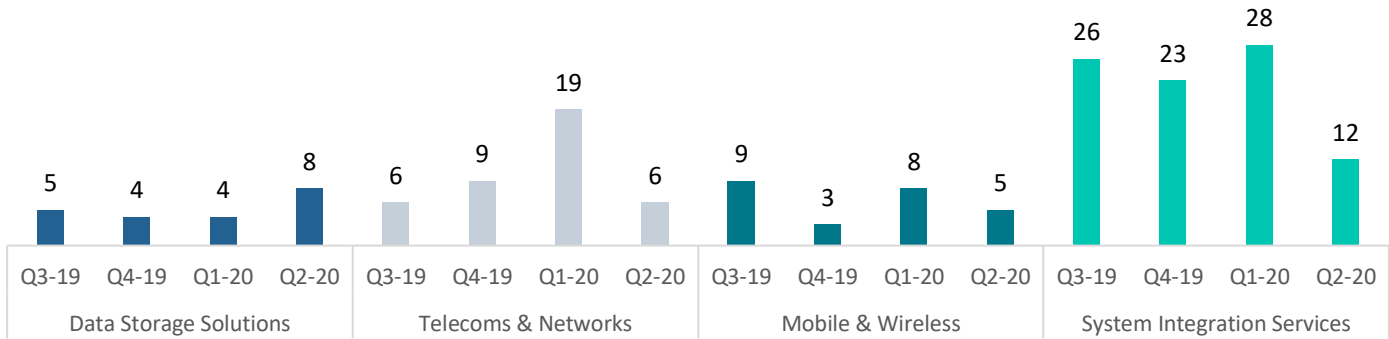
While the ICT Services Sector has proved more resilient than other verticals in the face of Covid-19, there still exists a number of challenges for IT Services companies to tackle, as restrictions imposed by the government continue to waver and affect the ability of businesses to operate on a normal basis.

The increase in demand for companies specialising in security is still prevalent as there continues to be a heightened risk of data breaches due to the increased level of remote working. Meanwhile businesses offering managed services to sectors deemed essential will have been more protected than their counterparts serving sectors significantly impacted by Covid-19, including certain verticals within education and manufacturing.

Most businesses will now be work-from-home ready and the demand for specialists in remote access and connectivity services does not look likely to decrease as businesses continue to implement more flexible working arrangements. Barriers concerning the delivery and implementation of digital transformation projects have forced businesses to put their plans on hold during the lockdown period. However, while traditional digital transformation projects have been delayed, the demand for digital technologies to replicate face to face customer interactions has increased dramatically.

H1 2020 ICT Services M&A Volumes

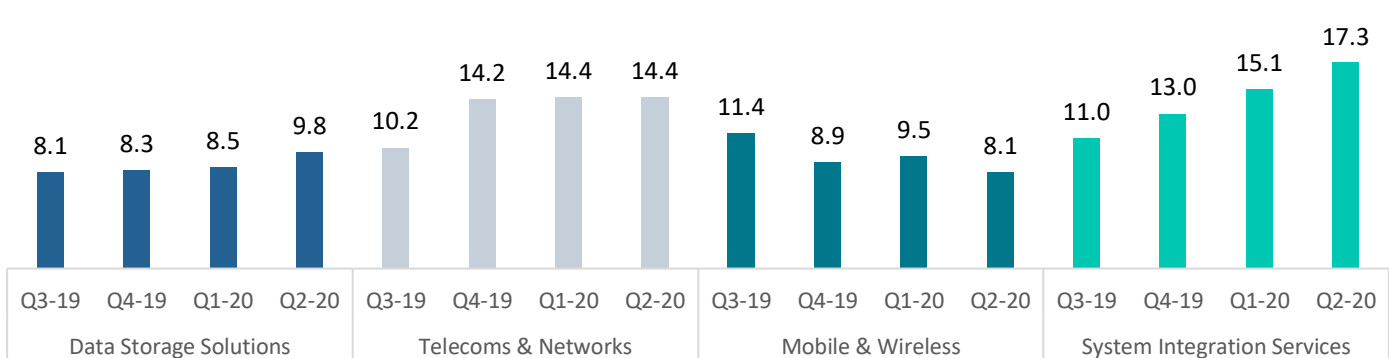
UK ICT Services M&A Volumes by Quarter



The first half of 2020 has seen 90 deals completed in the ICT services sector. While this is consistent with the 85 deals completed in the second half of 2019, only 31 deals were completed in Q2-20 reflecting the impact of Covid-19 on M&A volumes.

H1 2020 ICT Services Average EV/EBITDA Multiples

Average EV/EBITDA multiples for UK ICT services

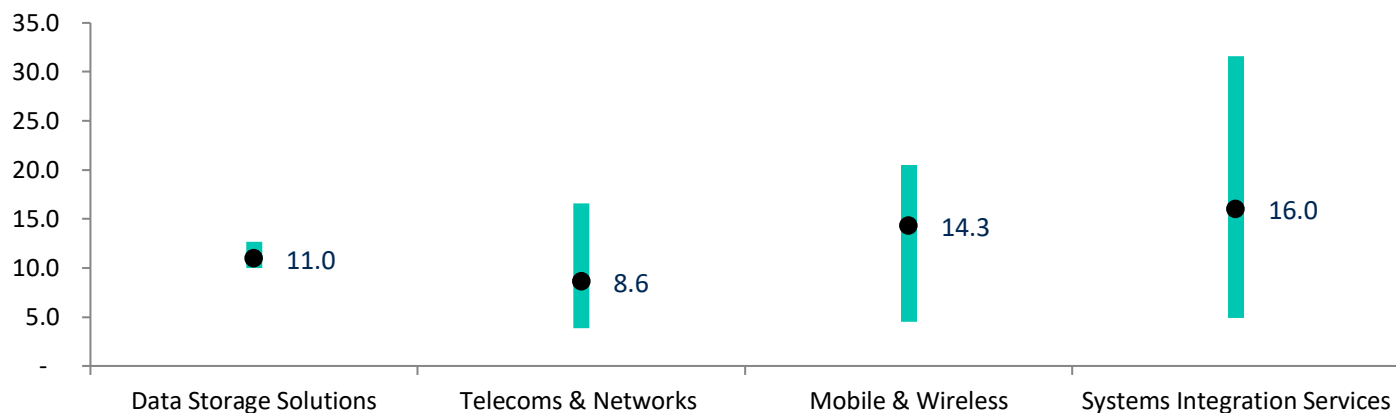


On a trailing 12 month basis, EBITDA valuations for all disclosed transactions in the ICT services sector have broadly increased despite the impact of Covid-19 on M&A volumes. Whilst there has been a slight decrease in 'Mobile & Wireless', 'System Integration Services' shows a large increase over the last 12 months. This could be due to the increased reliance on system integrators to prepare businesses and employees for home-working over the lockdown period caused by Covid-19.

H1 2020 ICT Services Average Quoted Company Multiples

H1 2020 average quoted company multiples across all software sub-sectors ranged from 8.6x to 16.0x.

Range and average EV/EBITDA ICT trading multiples



Private Equity Transactions

Private equity activity in the ICT Services sector remains high, culminating in 26 deals being completed in H1-20, an improvement on the 17 deals completed in H2-19.

Number of ICT Services PE Transactions Split by Quarter



ABRY Partners has announced a significant growth investment in **Options Technology**, a leading provider of cloud-enabled managed services to the global capital markets. This will allow the management team to accelerate its growth strategy through pursuing strategic acquisition targets, as well as further investment in the firm's technology platform to reach more key financial centres globally.

A consortium led by **Livingbridge** and **Ares Capital** has announced an investment in **M247**, a leading international connectivity and cloud provider, which will further facilitate the firm's strategy to expand through acquisition and advance its product capabilities. Wider industry trends such as digitalisation, data convergence and globalisation are strong drivers of cloud adoption and M247 is strategically positioned to exploit this growing market.

A consortium led by **Stonepeak Infrastructure Partners** and the **Investment Management Corporation of Ontario** has announced an additional £223m growth capital investment in **euNetworks**, a Western European bandwidth infrastructure provider. euNetworks remains focused on developing its network platform through building critical infrastructure in Europe.

Bowmark Capital has announced the purchase of a minority stake in **Focus Group**, a leading UK provider of communication and IT solutions. Focus has achieved strong organic growth by providing a range of high quality solutions, with 8 acquired businesses over the past two years providing additional growth. As part of the transaction, over £150m of funding is being made available for further strategic acquisitions.

Orbis ICT Services Transaction

Transaction Overview

Metaphor IT, headquartered in London, was established in 2015 and provides disruptive solutions in three core areas of expertise; Cloud services; Digital Workspaces; and IT Managed Services. Metaphor merged with DoubleEdge Professional Services and Foehn to form Kerv, a transaction backed by LDC with a combined value of £30m.

Our Role

Throughout the engagement, we spent time understanding the key value drivers for Metaphor IT, including the company's strong level of recurring gross profit. We researched a selection of strategic partners that could add value to Metaphor and take the business forward. The proposed merger with two complementary businesses was identified as a strong platform for Metaphor to continue its high growth trajectory.



Strategic Trade Transactions in the ICT Services Sector

The ICT services sector has seen 58 trade deals completed in H1-20, a decrease from 66 in H2-19.

Vantage Data Centers, a leading global provider of hyperscale data centre campuses, has acquired **Next Generation Data**. The acquisition provides Vantage's customers with access to Europe's largest data centre campus, based in Cardiff. The need for reliable data centre capacity is set to further increase driven by continued digital transformation within the global economy.

CityFibre has completed the £200m acquisition of **Fibrenation** after TalkTalk shareholders approved the sale, increasing its rollout target to 8 million premises in the UK. TalkTalk has also joined CityFibre's networks as a strategic customer, with long-term commitments to both residential and business customers.

Wiley has acquired **MThree Consulting**, a leading education services provider tackling the IT skills gap, for £98m, providing an exit for private equity firm ECI Partners two years after they invested. The addition of MThree to its Education Services portfolio reinforces Wiley's commitment to driving outstanding career outcomes through its platforms and services.

AddSecure, a leading solution provider for secure data and critical communications, has announced the acquisition of **Connexas**, a global provider of fleet management solutions. AddSecure aims to become a leading provider of transport management solutions with the transaction greatly increasing its presence in the UK.

The Access Group has announced the acquisition of **Eclipse Legal Systems**, a leading legal solution software provider, for £56.5m. The acquisition will enhance Access' existing presence in the legal sector, which currently includes over 2,500 organisations across a range of legal verticals.

Advanced has announced that it has acquired **Tikit**, a global professional services software business, from BT Group plc. The transaction further reinforces the firm's ambition to become the number one provider of business software solutions in the UK.




Have acquired




THE DATA CENTRE SUPERPOWER

For undisclosed value



Have acquired



For GBP 200m



Have acquired



For GBP 98m



Have acquired



For undisclosed value



Have acquired



ECLIPSE

For GBP 56.5m



Have acquired



For undisclosed value

Orbis ICT Services Transactions



Provided development capital to



For undisclosed value



Have acquired



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



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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