



April 2023 | SOFTWARE INSIGHTS

Taking AIM at UK Plc Software

UK Software Take Privates

Overview

This analysis provides an overview of the environment for UK take-private transactions in the software sector. Despite some convergence in recent years, there remains a price differential between UK and US-listed software businesses, with high-quality UK software companies trading at a discount to their US peers.

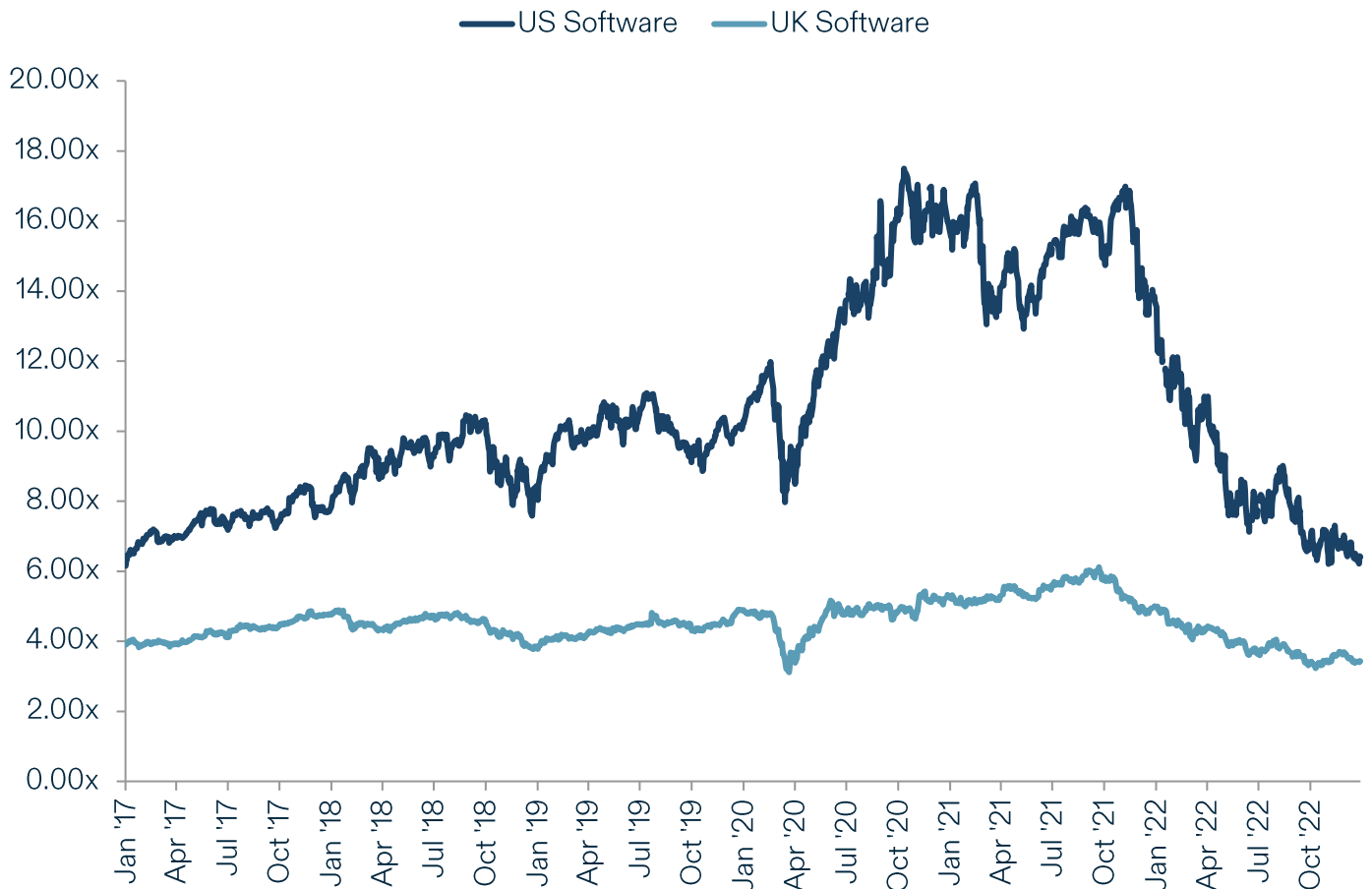
The strength of USD against GBP makes UK-listed software businesses highly attractive to US private equity and strategic trade acquirers seeking value, with valuations of UK listed groups looking relatively cheap for these acquirers when compared to investing in the US.

Over the past five years, 25 UK-listed software businesses have been acquired, including nine by private equity firms such as Hg Capital, Pollen Street, Bowmark, and Montagu. The takeout premiums for these acquisitions averaged 61%.

Based on our analysis of revenue growth rates and profitability margins, we anticipate Craneware, Eagle Eye, Idox, and Instem to be key UK software targets for trade and private equity.

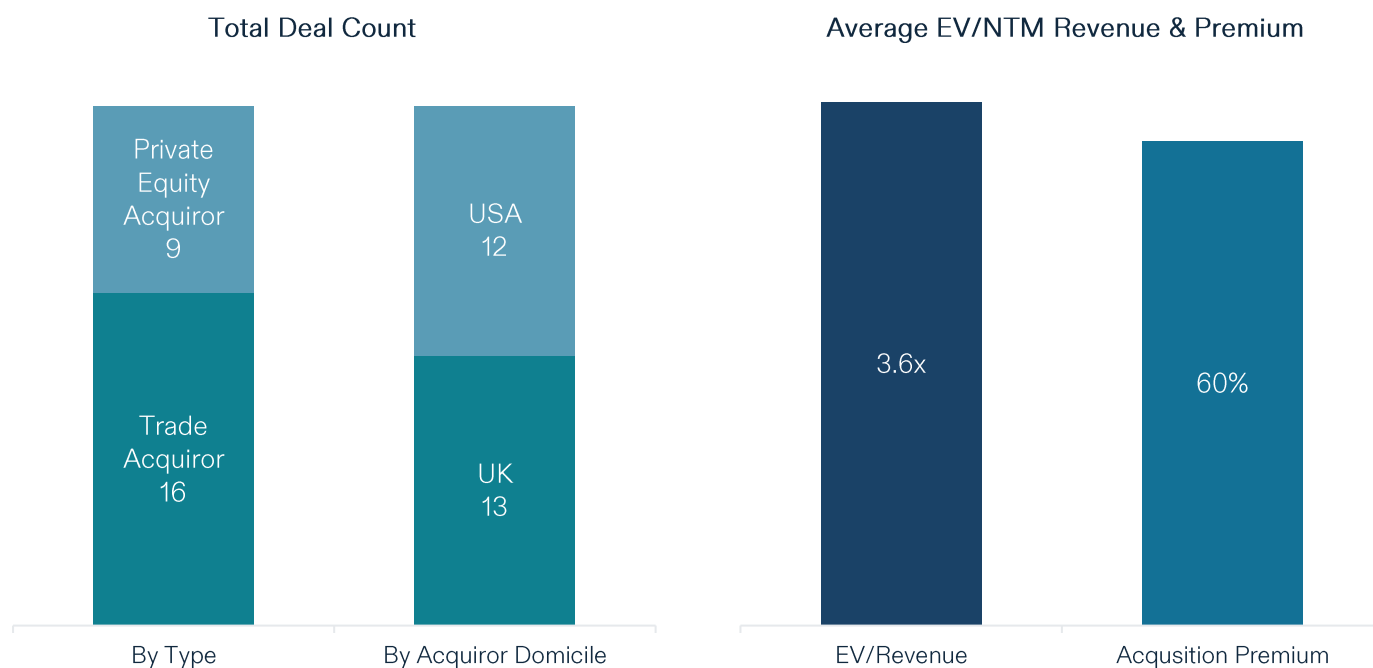
Take-private transactions in the software sector are complex and difficult to navigate. However, finnCap possesses the necessary in-house expertise to assist and advise on all such situations.

Public Software EV / NTM Revenue Multiples 2017-2022



UK Software Take Privates

UK Software Take Private Transaction Analysis 2017-2022



Top Private Equity UK Software Take Privates 2017-2022

TARGET	ACQUIROR	EV (£M)	EV/NTM REVENUE	PREMIUM
SOPHOS	THOMABRAVO	3,120.7	5.1x	37.0%
Ideagen	Hg	1,060.1	10.4x	44.0%
Servelec	montagu	223.0	3.4x	19.8%
proactis	POLLEN STREET DBAY Advisors	128.9	2.5x	79.4%
Tax Systems	BOWMARK CAPITAL	108.7	6.6x	14.4%
		<i>Average</i>	5.6x	38.9%

Craneware plc

Overview

- Craneware provides software solutions to the healthcare industry, helping clients improve their financial performance by optimizing pricing and revenue. Craneware's software platform is highly contracted, and the company has achieved strong growth in recent years.

finnCap view

- Craneware generates the majority of its revenue from software sales in the United States. The company's growth platform is robust, with a significant amount of Annual Recurring Revenue (ARR) contracted, and it has the potential to expand further through M&A within the healthcare industry.

Financial & KPI summary

Y/e Jun, £m	2022A	2023E	2024E
Revenue	136.2	144.7	156.1
EBITDA	34.7	45.0	48.8
EBITDA Margin %	25.5%	31.1%	31.3%
Revenue growth %	119.0%	6.2%	7.9%

37.3%
Rule of 40¹

£137.5m
ARR²

£544.0m
EV

4.0x
EV/ARR

3.8x
EV/Revenue¹

12.1x
EV/EBITDA¹

Eagle eye solutions group plc

Overview

- Eagle Eye is a marketing technology company that provides SaaS solutions for real-time marketing, validation, and redemption of digital promotions in the grocery, retail, and hospitality industries. The company focuses on driving long-term value through product development, revenue growth, and expansion into new sectors and geographies.

finnCap view

- Eagle Eye's revenue has been steadily growing at a rate of 20%, and the company has achieved impressive margins. Its gross margin is among the top quartile of its peers, and as the business continues to scale, its EBITDA margins are expected to further improve.

Financial & KPI summary

Y/e Jun, £m	2022A	2023E	2024E
Revenue	31.7	39.5	48.2
EBITDA	3.2	7.8	10.0
EBITDA Margin %	10.1%	19.6%	20.7%
Revenue growth %	38.9%	24.7%	21.9%

44.3%
Rule of 40¹

£26.2m
ARR²

£152.8m
EV

5.8x
EV/ARR

3.9x
EV/Revenue¹

19.6x
EV/EBITDA¹

Idox plc

Overview

- Idox delivers software and services to manage local government and other entities. The company provides both on-premise and cloud-based software solutions for planning management, building control, land charges and other specialised software solutions.

finnCap view

Despite experiencing modest organic revenue growth, Idox has a robust platform with high EBITDA margins. The company has achieved success through strategic acquisitions in recent years and has the potential for further M&A in its core markets.

Financial & KPI summary

Y/e Oct, £m	2022A	2023E	2024E
Revenue	66.2	73.1	76.7
EBITDA	11.4	24.6	26.0
EBITDA Margin %	17.3%	33.6%	33.8%
Revenue growth %	6.4%	10.5%	5.0%

44.1% Rule of 40 ¹	£40.5m ARR ²	£288.2m EV	7.1x EV/ARR	3.9x EV/Revenue ¹	11.7x EV/EBITDA ¹
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Instem plc

Overview

- Instem offers software solutions to the global life sciences industry that assist customers in collecting, analysing, reporting, and submitting data to regulatory bodies. The company's focus is on the initial development stages, ranging from late discovery and lead optimization to Phase III clinical evaluation and regulatory submission management.

finnCap view














































- Instem's end market is highly resilient to potential recessions, and due to the scarcity of software consolidators in the life science sector, has a global platform for acquisitions in a market that is heavily regulated.

Financial & KPI summary

Y/e Dec, £m	2021A	2022E	2023E
Revenue	46.0	59.7	68.3
EBITDA	6.2	10.9	14.5
EBITDA Margin %	13.5%	18.2%	21.2%
Revenue growth %	63.1%	29.7%	14.4%

47.9% Rule of 40 ¹	£34.0m ARR ²	£136.1m EV	4.0x EV/ARR	2.3x EV/Revenue ¹	12.5x EV/EBITDA ¹
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Software credentials

 <p>has been acquired by</p>  <p>M&A SELL-SIDE Healthcare Software</p>	 <p>£63m Takeover of</p>  <p>FINANCIAL ADVISER Ecommerce Software</p>	 <p>2020-2022 fundraises totalling £8.8m</p> <p>£127m Market Cap</p> <p>NOMAD AND BROKER Geo Spatial Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Human Capital Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Health & Wellbeing Software</p>
<p>The Flow</p> <p>has been acquired by</p>  <p>M&A SELL-SIDE Insurance Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE GRC Software</p>	 <p>£33m Takeover by</p>  <p>RULE 3 ADVISER Retail Software</p>	 <p>Identity division has been acquired by</p>  <p>M&A SELL-SIDE Authentication Software</p>	 <p>2014-2021 fundraises totalling £182m</p> <p>£1,025m Market Cap</p> <p>NOMAD AND JOINT BROKER GRC Software</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Education Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE HCM Software</p>	 <p>£70m Takeover by</p>  <p>FINANCIAL ADVISER AND RULE 3 ADVISER Spend Control Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Employee Benefit Software</p>	 <p>has been acquired by</p>  <p>M&A BUY-SIDE Employee Benefit Software</p>
 <p>has been acquired by</p>  <p>M&A SELL-SIDE Healthcare Software</p>	<p>Miles 33</p> <p>has been acquired by</p>  <p>M&A SELL-SIDE Publishing Software</p>	 <p>secures investment from</p>  <p>GROWTH CAPITAL Parking Software</p>	 <p>has been acquired by</p>  <p>M&A SELL-SIDE Legal Software</p>	 <p>£82.8m takeover by</p>  <p>RULE 3 ADVISER Public Sector Software</p>
 <p>Star Practice Management has been acquired by</p>  <p>M&A SELL-SIDE Payroll Software</p>	 <p>Takeover by</p>  <p>RULE 3 ADVISER Tax Compliance Software</p>	 <p>Takeover by</p>  <p>BUY-SIDE ADVISER Marketing Software</p>	 <p>Takeover by</p>  <p>RULE 3 ADVISER MNO Software</p>	 <p>£11.3m Placing and IPO</p> <p>£60m deal value</p> <p>NOMAD AND BROKER Distribution Software</p>



Enterprise/cloud software

- HR/talent
- Sales & Marketing
- Service & Support
- Finance
- Supply chain
- Data/analytics
- CRM
- Workforce Management
- ERP
- CRM



Vertical market solutions

- Health & Social Care
- Hospitality
- Financial
- Public Sector
- Education
- Real Estate/Property
- Retail/Ecommerce
- Logistics
- Energy/Utilities
- Manufacturing/Distribution
- Travel
- Legal Services/SMB



Infrastructure software/services

- Cyber Security
- Storage Management
- System & Network Management
- Virtualisation
- OTT/ Video Distribution and Management
- Internet of Things



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ECM

Strategic capital market advice around liquidity events, IPOs and fundraisings



Plc Strategic Advisory

Strategic takeover, shareholder activism and financial advisory to publicly quoted companies and bidders



Debt Advisory

Identifying the optimal capital solution for growth



Private Growth Capital

Raising institutional capital for ambitious private companies



M&A

Leading M&A advisory with unrivalled specialist expertise in managing the sales process



In the business of tomorrow

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finnCap is one of largest Nomad and AIM company financial advisers and No. 1 broker on AIM, advising more than 117 clients. finnCap Group advised on deals totalling £3.2bn in the last financial year.

Contact details



Anthony Platt

PARTNER & CO-HEAD OF
TECHNOLOGY

+44 (0)20 7908 6048
+44 (0)7768 468 044
aplatt@cavendish.com



Henrik Persson

HEAD OF PLC STRATEGIC
ADVISORY

+44 (0)20 7220 0591
+44 (0)7743 427 299
hpersson@finncap.com



Robbie Wirdnam

SENIOR ASSOCIATE

+44 (0)20 7908 6023
+44(0)7908 960 916
rwirdnam@cavendish.com



1 Bartholomew Close
London, EC1A 7BL

+44 (0) 20 7908 6000

WWW.FINNCAPCAVENDISH.COM

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