

# Advanced Computer Software Group plc acquires Computer Software Holdings for £110m

Submitted by: Advanced Computer Software Group LTD

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Acquisition marks Advanced's biggest deal to date

8 March 2013 - Advanced Computer Software Group plc (Advanced), a leading provider of healthcare and business management software and services, today announces that it has acquired Computer Software Holdings (CSH) from HgCapital LP (HG) for £110m in cash. The transaction has been financed through Advanced's existing cash resources, by a recent share placing that raised £44m (gross), and by new bank debt.

CSH is a leading provider of accounting and back office software to the UK professional services market (legal and coroners) and Customer Relationship Management (CRM) software for the not-for-profit (NFP) market. It also provides accounting software to SMEs, as well as mobile solutions for field services operations.

The acquisition marks the group's biggest deal to date and will enlarge Advanced's Business Solutions and 365 Managed Services (<http://www.advancedcomputersoftware.com/365/outsourcing-services/managed-services.php>) divisions. It is highly cash generative and will be immediately earnings enhancing.

Vin Murria, Chief Executive of Advanced, said, "This immediately earnings enhancing acquisition is a tremendous opportunity for both Advanced and CSH which will also significantly enhance the scale of our Business Solutions and Managed Services divisions. The business and many of the management team are well known to us which will simplify the integration process.

"CSH has strong recurring revenues and cash generation and proprietary software IP. The addition of this business will enable us to widen our addressable markets and, in particular, to grow our back office solutions capabilities. The enlarged Group will be highly cash generative with over £160m recurring and repeating revenues and we expect our net debt to decrease swiftly.

"The acquisition also provides multiple opportunities for cross-selling our growing portfolio of products and services, as businesses and organisations increasingly seek technology solutions to improve business performance and deliver economies."

The Group has published separately today a trading update for the year ended 28 February 2013. Revenues from continuing operations are expected to be up 21% to no less than £119.0m (2012: £98.2m) with adjusted EBITDA\* up 10% to no less than £26.6m (2012 £24.1m). Cash conversion\*\* remains strong at over 100%. See separate statement for the full trading update.

The enlarged Group is expected to deliver pro forma\*\*\* revenue of £193.2m for the year to 28 February 2013, of which £160m is recurring (contracted and repeating), and adjusted EBITDA of £42.3m.

The Group has also announced that Guy Millward, an Advanced non-executive director, will become Chief

Financial Officer and Barbara Firth, currently Chief Financial Officer will become Chief Operating Officer responsible for acquisitions and integration. Paul Gibson remains as Chief Operating Officer responsible for operations across the Group – see separate announcement.

-ENDS-

Notes to editors:

#### Acquisition highlights

- Significantly enhances Advanced's position and scale in its Business Solutions and Managed Services divisions
- Strong recurring revenue and cash generation with proprietary software
- CSH and its markets well known to Advanced's management
- Cash consideration of £110m funded through Advanced's existing cash resources and new bank debt:
  - o Recent placing raised £44m (gross)
  - o New £105m bank facility with HSBC, RBS and Silicon Valley Bank
- CSH
  - Revenue of £61.5m and EBITDA of £13.2m for the 12 months to 31 December 2012
  - o 85% recurring revenue (contracted and repeating), of which £40m is contracted recurring revenue with a further £12m of non-contracted repeating revenue
  - Leading software provider of
    - o Accounting, back office, and document management systems to the UK legal sector
    - o CRM systems to the UK NFP sector
    - o Mobile technologies to the commercial (non-healthcare) field services sector
    - o Significant provider of accounting systems to SMEs
  - Approximately 650 employees with offices across the UK, USA and Ireland, serving 12,000 customers

#### Enlarged Group

- Pro-forma\*\*\* revenue to 28 February 2013 is expected to be approximately £193.2m, including £160m of recurring revenue (contracted and repeating)
  - o Anticipated percentage revenue split between divisions: Health & Care 14%, Business Solutions 64% and Managed Services 22%
- Pro-forma adjusted EBITDA, including £1.4m of early cost savings, is expected to be approximately £42.3m
  - o Anticipated percentage EBITDA split between divisions: Health & Care 18%, Business Solutions 68% and Managed Services 14%
- Approximately 1,900 staff serving 20,000 customers across the UK, USA and Ireland
- A further £1.0m of cost synergies targeted within 18 months
- Significant opportunities for cross-selling products and services including managed services, time sheet billing, mobile, CRM, document management
- Opportunities for growth in Professional Services, Mobile Field Services and NFP sectors
- Net debt of £65m at date of acquisition with strong cash generation profile

## Rationale for the acquisition

The acquisition of CSH will be earnings enhancing and represents a strong fit with Advanced's growth strategy, both operationally and managerially. CSH has high recurring revenues, proprietary software, strong cash generation and complements Advanced's existing divisional structure whilst enhancing its customer base and increasing its range of addressable markets.

The acquisition will substantially strengthen and increase the scale of the Group's Business Solutions and Managed Services divisions and brings assets and offerings that are well known to the Group's management team. CSH also brings a range of complementary products and market opportunities. It will extend the reach of the Group's products and services further into the SME market as well as extending Advanced's capabilities into new markets including the professional services and NFP sectors.

The enlarged Group will have a customer base of some 20,000 customers. There will be significant opportunities for cross-selling products and services including managed services (Cloud), business analytics, CRM, document management, time sheet billing, data migration and mobile solutions.

Advanced expects to realise rationalisation savings in the order of £1.4m and other cost synergies of £1.0m, both on an annualised pre-tax basis.

CSH's products and markets are well known to the Board of Advanced. Chairman Michael Jackson, CEO Vin Murria and CFO Barbara Firth were directors of Computer Software Group plc (CSG), which owned the majority of the present CSH businesses prior to the sale of CSG to Hg in 2007.

Following the acquisition, Barbara Firth will move from CFO to COO with responsibility for acquisitions and integration to facilitate the integration of CSH to the Group. Paul Gibson remains as COO responsible for operations across the Group.

\* Adjusted EBITDA is defined as profit before interest, taxation, depreciation, amortisation of acquired intangibles, acquisition costs and share based payments

\*\* Cash generated from continuing operating activities as a percentage of adjusted EBITA

\*\*\* Proforma numbers comprise the expected results of ACS as stated in the trading update for the year ended 28 February 2013; the results of Fabric Technologies (acquired in March 2012) and Serco Learning (acquired in December 2012) for the pre-acquisition period; and the results of CSH for the 12 months ended 31 December 2012

About Advanced Computer Software Group plc [www.advancedcomputersoftware.com](http://www.advancedcomputersoftware.com)

Advanced Computer Software Group plc (Advanced) is a leading supplier of software and IT services to both public and private sectors which assist organisations to improve efficiency and reduce costs.

The Group operates as three divisions:

Advanced Health & Care sells a range of products to the NHS and private healthcare sector including patient workflow management for urgent and unplanned care providers; patient case management for social care providers; mobile applications for care in the community providers and rostering applications for

social care settings.

Advanced Business Solutions provides accounting, payroll, HR and document management solutions to local authorities, healthcare organisations and private sector businesses including banks, manufacturers, retailers, charities and travel companies.

Advanced 365 delivers managed services to support Group products and to a wide range of customers including banks and financial institutions, membership bodies and healthcare organisations. Services can be delivered either on-premise or as cloud-based models depending on customers' requirements.

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