

## Regulatory Story

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**Ideagen PLC** - IDEA Acquisition of Pentana Ltd  
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**Ideagen plc**  
("Ideagen" or the "Group")

### **Acquisition of Pentana Ltd**

Ideagen (AIM; IDEA), a leading supplier of Compliance based Information Management Software to highly regulated industries, is pleased to announce the acquisition of the entire issued share capital of Pentana Limited and its subsidiary Pentana Inc ("Pentana") for an initial net cash consideration of £2.25 million ("the Acquisition") payable from Ideagen's existing cash reserves.

#### **Acquisition Highlights**

- Pentana is a software company established in 1992 that has developed several proprietary Information Management software solutions for highly regulated organisations
- It has approximately 350 customers, including eight of the top 10 UK accounting firms
- The Acquisition:
  - delivers strong IP in the area of Governance, Risk & Compliance ("GRC") that can be readily integrated into Ideagen's Compliance platform
  - provides Ideagen with a strong entry point into the financial services sector and the outsourced risk and compliance market
  - delivers significant cross-selling opportunities
- Ideagen and Pentana have identified £0.4m of synergies, which the Directors anticipate will be achievable during the 12 month period

ending 30 April 2015 and will deliver significant operational efficiencies and cost savings across the enlarged Group

- The Acquisition is therefore expected to be earnings enhancing in the first full financial period following completion of the Acquisition, ie for the 12 month period ending 30 April 2015
- Consideration:
  - initial cash consideration of £3.425m
  - Pentana has net cash reserves of £1.175m, giving net initial cash consideration of £2.25m
  - additional cash consideration of up to £0.8m will be payable should certain recurring revenue targets be met over the 12 months following completion
  - the maximum net cash consideration is therefore £3.05m
  - the net consideration will be met from Ideagen's existing cash reserves
- In the year to 31 December 2012 Pentana achieved revenue of £2.4m and profit before tax of £0.01m
- Pentana currently has recurring revenues of approximately £1.4m
- Pentana directors Ken Ebbage and Terry Perkins will remain with the enlarged Group

**David Hornsby, CEO, commented;** "I am delighted to announce the acquisition of Pentana which we believe will augment the Group both strategically and financially, thereby enhancing shareholder value. Pentana has established an extremely compelling value proposition comprising strong IP and long-term relationships with its extensive customer base which includes most of the top UK Accounting firms.

"The combination of Pentana and Ideagen will enable the enlarged Group to rapidly develop new markets and we believe provides an outstanding opportunity to leverage the growing risk and compliance outsource market. We are confident that we can make the Pentana business significantly more profitable over the next 12 months as we integrate it into the rest of the group."

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**About Pentana**

Pentana is a software company established in 1992 that has developed several proprietary Information Management software solutions for highly regulated organisations:

1. **Pentana Vision** - an integrated internal Audit and Risk Management Solution
2. **Pentana PAWS** - an internal Audit solution
3. **Pentana Checker** - a financial disclosure solution

Currently, the company has approximately 350 customers, which include the internal Audit and Risk Departments of global organisations and include Morgan Stanley, RWE, Heineken, Southern Water and European Central Bank together with a number of Tier 1 and Tier 2 accounting firms. Eight out of the top 10 UK accounting firms, including PwC, EY and Baker Tilly use Pentana products to help drive regulatory compliance within their client base.

Pentana reported audited revenue of approximately £2.4m and generated approximately £0.01m Profit Before Tax in the year ended 31 December 2012. In addition Pentana currently has recurring revenues of approximately £1.4m. Pentana is debt free with approximately £1.175m cash at bank. As at 31 December 2012, Pentana had net assets of approximately £0.9m.

#### **Acquisition Rationale**

The Acquisition is in line with the Company's strategy of acquiring businesses with strong IP and recurring revenues that supply Information Management Solutions to highly regulated sectors.

Pentana has strong IP that can be readily integrated with Ideagen's current Compliance platform to build a broader and more valuable Governance, Risk and Compliance ("GRC") solution, which will provide significant cross selling opportunities and provide a strong platform for future growth.

The Acquisition also delivers a strong entry point into the Financial Services sector, which has long been a targeted sector for Ideagen. The Acquisition provides Ideagen with the opportunity to leverage the growing demand from public and private organisations looking to outsource their internal risk and audit departments to accounting firms.

Pentana has a talented workforce, including current Directors Ken Ebbage and Terry Perkins who will remain with the Group, and who understand the key business drivers within the global GRC market.

#### **Further Details of the Acquisition**

The initial net cash consideration is £2.25m with up to a further £0.8m cash consideration payable should certain recurring revenue targets be achieved over the 12 months following completion. The maximum net cash consideration is therefore £3.05m which will be met from Ideagen's existing net cash reserves, which were £6.4m as of 30 April 2013.

Ideagen and Pentana have identified £0.4m of synergies, which the Directors anticipate will be achievable during the 12 month period ending 30 April 2015 and will deliver significant operational efficiencies and cost savings across the enlarged Group

The Acquisition is therefore expected to be earnings enhancing for the first full year of trading to 30 April 2015 following successful integration.

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