



Ideagen PLC - IDEA Acquisition of Covalent Software Ltd

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Ideagen PLC

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Ideagen plc

("Ideagen," "the Company" or the "Group")

Acquisition of Covalent Software Ltd

Ideagen PLC (AIM: IDEA), a leading supplier of Information Management software to highly regulated industries, is pleased to announce the acquisition of the entire issued share capital of Covalent Software Limited ("Covalent") for a net cash consideration of £3.6m ("the Acquisition") payable from Ideagen's existing cash reserves.

Highlights

- Covalent is a profitable and cash generative software company that has developed a leading Governance, Risk and Compliance ("GRC") cloud-based software platform primarily for the Public Sector and Financial Services markets.
- Based in Taunton, Covalent currently employs 37 staff and has approximately 200 customers generating approximately £2.2m of revenue annually of which £1.9m is recurring.
- The Acquisition is in line with the Group's strategy of acquiring complementary businesses with strong IP and recurring revenues. Covalent has outstanding IP that can be readily integrated with the Group's existing product set to build a broader and more valuable GRC solution.
- The Acquisition is expected to be immediately earnings enhancing.
- Covalent's unaudited total revenues for the six months to 30 June 2016 were £1.1m which generated EBITDA of £0.16m.
- Ideagen will benefit from a saving relating to outgoing Covalent directors of approximately £0.18m per annum. A proportion of this will be realised in the current financial year following a period of handover and integration.
- Ideagen has identified approximately £0.1m of further synergies, which the Directors anticipate will be achievable during the 12 month period ending 30 April 2018.

David Hornsby, CEO of Ideagen, commented; "Covalent will be a valuable addition to the Group and is in line with our strategy of acquiring business that have strong IP and healthy recurring revenues. Covalent has established an extremely compelling value proposition and brings to the Group a complementary cloud solution offering, a talented workforce and long-term customer relationships which further consolidates our position in the NHS, local government and financial services verticals."

Enquiries:

Ideagen plc 01629 699100
David Hornsby, Chief Executive
Graeme Spenceley, Finance Director

finnCap Limited 020 7220 0500
Stuart Andrews/James Thompson (Nomad)
Stephen Norcross (Corporate Broking)

Alma PR 020 8004 4218
Hilary Buchanan
Josh Royston

Consideration

Total cash consideration payable at completion is £4.7 m.

Covalent has net cash reserves of £1.1m, giving net cash consideration of £3.6m. The net consideration will be met from Ideagen's existing cash reserves (30 April 2016: £6.3m).

In the year ended 31 December 2015 Covalent generated revenues of £2.07m and EBITDA excluding capitalisation of development costs of £0.24m.

Acquisition Rationale

The Acquisition is in line with the Group's strategy of acquiring businesses with strong IP and recurring revenues that supply GRC Solutions to regulated sectors. Covalent has outstanding IP that can be readily integrated with the Group's existing product set to build a broader and more valuable GRC solution, which will provide significant cross selling opportunities and a strong platform for future growth. Covalent's solutions are delivered via its cloud-based platform and further enhances Ideagen's cloud development strategy, which the Directors believe is an area of significant growth area for the Group.

Covalent has a talented workforce, which will add to the R&D, support and sales functions of Ideagen. Covalent's Finance and Operations Director, Steve Maggs will remain with the enlarged Group and will be appointed to the role of Director of the Covalent Business Unit, reporting directly to Barnaby Kent, COO of Ideagen, on completion of the Acquisition.

About Covalent

Covalent, a Taunton based software company established in 2003, has developed and commercialised a proprietary GRC platform which has gained significant traction in the UK Public Sector.

Covalent currently employs 37 staff and has approximately 200 customers across the NHS, Local Government, Housing Association and Financial Services sectors.

Covalent has recently released a Cloud Based version of its software following approximately 40 man years of development which has driven strong growth in recurring revenues.

Covalent reported unaudited revenue of approximately £2.07m and generated EBITDA excluding capitalisation of development costs of £0.24m for the year ended 31 December 2015. In addition Covalent currently has recurring revenues of approximately £1.9m per annum. Covalent is debt free with current cash balances of approximately £1.1m. As at 31 December 2015 Covalent had gross assets of £2.0m.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

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