



Ideagen PLC - IDEA Acquisition of Redland Solutions Ltd

Released 07:00 10-Jun-2019

RNS Number : 5970B

Ideagen PLC

10 June 2019

Ideagen PLC

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

Acquisition of Redland Solutions Ltd

Ideagen PLC (AIM: IDEA), a leading supplier of Integrated Risk Management software to highly regulated industries, is pleased to announce the acquisition of the entire issued share capital of Redland Solutions Ltd ("Redland") for a net consideration of £15.8m (the "Acquisition").

Highlights

- Redland is a fast growing, profitable RegTec SaaS company supplying software to the financial services industry
- Redland's leading SaaS platform 'Insight' provides banks, investment managers, asset managers and insurance companies with solutions that underpin the Senior Manager & Certification Regime (SMCR) and individual employee competency
- Insight is used by over 40 organisations including 7 FTSE 100 and 2 Fortune 100 companies
- Customers include Nomura, Santander, Investec, Hargreaves Lansdown, and Rathbones
- Current Annual Recurring Revenue (ARR) is approximately £3m - an increase of 50% from April 2018
- Current run rate revenues are approximately £4.2m* and current run rate costs are approximately £2.7m
- Cash generation of > 100% of EBITDA in the year to 31 March 2019
- The acquisition is immediately earnings enhancing and is expected to add mid-single digit accretion within the current financial year

*ARR book at May 31st plus Last Twelve Months of services revenue

Consideration for the Acquisition

The total net consideration payable is £15.8m in cash being £17.5m gross consideration less cash balances in Redland of approximately £1.7m. A further £0.5m will be payable in 12 months based on certain ARR targets being achieved.

The consideration will be funded from an extended revolving credit facility with NatWest Bank. The facility is for up to £28m for three years, carries interest at 2% over LIBOR and is secured by debentures and guarantees over the Group's assets.

David Hornsby, Executive Chairman of Ideagen, commented:

"Redland is an extremely valuable addition to the Group and is in line with our strategy of acquiring Integrated Risk Management businesses that have strong IP and growing recurring revenues. Financial Services is an important vertical market for Ideagen and the combination of Redland's Insight Platform with Ideagen's Pentana will provide a compelling proposition covering internal audit, risk management, certification and SMCR compliance"

Further information with regard to the SMCR and individual competency market opportunity and Redland is set out below.

The information communicated in this announcement includes inside information for the purposes of Article 7 of Regulation 596/2014

Enquiries:

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

finnCap Limited 020 7220 0500
Alice Lane (ECM)

Sanacord Genuity Limited 020 7523 8000
Simon Bridges
Richard Andrews

SMCR Market Drivers

Following the 2008 financial crisis, and subsequent review of the financial services industry, Parliament sought to replace the UK Approved Persons Regime (APR) with a regime that was more focused on senior managers and individual responsibility. This resulted in the creation of a new Senior Managers and Certification Regime (SMCR). The SMCR has been in force for banks, deposit takers and PRA designated investment firms since March 2016. The SMCR is to be extended to cover all regulated financial services firms from 9 December 2019.

This new regulation directly impacts the most senior employees, including all C-suite members, in an organisation. In the largest firms many hundreds of individuals are captured by SMCR. Furthermore, Conduct Recording and Breach Management is required for all employees with the exception of specified ancillary staff.

The complexity and scale of managing SMCR means that if a firm has over 100 employees, the use of manual systems or customised HR software is extremely challenging. The risk to the firm, and individually to senior managers of personal fines and sanctions for failing to demonstrate effective controls is driving the need for systems specifically designed to manage the regime

Insight as a solution to SMCR

Ideagen e: info@ideagen.com w: www.ideagen.com

The complexity and scale of managing SMCR means technology is the only workable solution for most firms. The risk to the firm and individually to senior managers, of personal fines and sanctions, for failing to demonstrate the effective controls, is in the opinion of the Group, too significant to rely on manual or customised solutions.

Compounding this complexity is the fact that SMCR applies at the Legal Entity level and many firms consist of multiple Legal Entities. This requires multiple Responsibility Maps and Statement of Responsibilities for Senior Managers with roles in several firms within a group with more emphasis on consistency, change management, version control and interactions between entities.

Redland's clients have selected Insight as a best of breed platform to help them manage Risk and Compliance, and specifically SMCR, in a more effective, safer way than is possible with manual or customised solutions. Insight offers an opportunity for firms to apply more stringent controls that mitigate the risk of human oversight or inefficiency by automating compliance and implementing a system that places transparency at the heart of business operations.

The cost and pace of regulatory change is cited by many Chief Risk Officers and Chief Compliance Officers as one of the biggest and highest priority risks in the industry and it is likely that regulatory change will increase further.

Information on Redland Solutions Ltd.

Redland is a multi-award-winning market leader in financial services SaaS RegTech. The company is based in Bromsgrove and was founded in 2001 as a consulting company advising banks and pension funds on systems design and development. The company has since evolved from a service to a software business through the development of Insight, a fully integrated Accountability and Competence SaaS Platform which is recognised by the industry as market leading.

The critical nature of the functions its solutions perform means that Redland has board level visibility amongst its clients (which include 7 FTSE 100 and 2 Fortune 100 companies) consisting of banks, wealth management, investment management, asset management and insurance companies. Redland's reputation as a trusted Compliance partner is corroborated by a high level of client advocacy amongst tier one and tier two financial services organisations. Clients include Santander, Old Mutual, Openwork, JM Finn, Legal and General NFU, M&G, Nomura, Charles Stanley and Homeserve.

The Company currently employs 30 people across Sales, Marketing, R&D and Support. The majority of the operational management including Co-Founder Carl Redfern and Operations Director Mick Catherall will remain with the business. Executive Chairman, Joel Turland and Chief Executive Gary Muchmore left the business on completion of the acquisition

Redland revenues for the year to 31 March 2019 were £3.6m with operating profits of £1.2m. Net assets as of 31 March 2019 were £1.2m.

About Ideagen plc

Ideagen is a UK-headquartered, global technology company quoted on the London Stock Exchange AIM market (Ticker: IDEA.L).

The Group provides software and services to organisations operating within highly regulated industries such as aviation, banking and finance and life science, with its main operational premises spread throughout the UK, EU, US, Middle East and SE Asia.

With an excellent portfolio of software products including Q-Pulse, Coruson, Pentana Audit and PleaseReview, Ideagen helps its clients reduce costs, improve operational efficiency, strengthen compliance and oversight and anticipate and manage every detail of risk.

Currently, more than 4,700 organisations use Ideagen's products including seven of the top 10 UK accounting firms, all of the top aerospace and defence companies and 75% of the world's leading pharmaceutical firms.

Ideagen's diverse and varied customer base includes many well-known, global brands such as British Airways, Aggreko, BAE, Ryanair, US Navy, KLM, BBVA, Bank of New York, Commerzbank, Meggitt, Heineken,

Johnson Matthey, Haeco Group and European Central Bank. As well as this, Ideagen counts 180 hospitals across the UK and US amongst its client base.

For further information please visit www.ideagen.com.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END