

\$1.8bn US Technology Giant buys TCO Software

BUYER: CACI International Inc
TARGET: TCO Software
SECTOR: Software
URL: www.caci.com
URL: www.tcosoftware.com

AMERICAN DREAM

Almost every owner of a technology business dreams of selling their company to a US buyer for cash and being able to head off to the ski slopes straightaway. That was exactly what ICON achieved for the founding shareholder of TCO on the sale of the company to giant US information systems group CACI International.

TAKING CARE

Since 1999 TCO has specialised in developing software for the social care market. It provided vital support for local authorities from the delivery of care to the financial and business management functions. TCO was previously owned by the management team, including Kevin Sparks who remains Managing Director and the founder and ex-Chairman Stuart Beatty, who now skis a lot!

ICON was appointed as adviser after an extensive beauty parade. Before approaching potential acquirers we spent considerable time grooming the business for sale and advising shareholders on a wide range of issues including: timing, valuation, preferred deal structures, documentation, branding, marketing and preparation for due diligence.

PUBLIC ATTRACTION

CACI Inc. is a publicly listed company on the NYSE with a market capitalisation of US \$1.8bn and over 9,000 employees worldwide. Like many other large US technology players, it is cash rich and looking to acquire complimentary UK businesses to accelerate its overseas growth and to try and rebalance its business which is still dominated by US revenues.

CASH IS KING

Investor interest in UK software companies focused on the public sector was strong. There has been a string of M&A deals completed in the past year or so by the likes of Northgate Information Solutions, Civica, IBS, 2e2, Tribal, SunGard and of course CACI. And we continue to see good interest from UK and US buyers as the sector remains buoyant.

COMPETITIVE TENSION

We created competitive tension in the sale of TCO by generating interest from a number of US and UK buyers, but the cash terms and relatively simple structure offered by CACI was a significant attraction to the shareholders. Earn outs are an increasingly common component of technology deals but, if possible, are best avoided. Too often they don't run their full course or pay out the maximum level anticipated. Also share consideration can be restrictive and withholding periods of 12-24 months are not uncommon. So, when evaluating a deal structure, you do need to be flexible but cash is still king. ■

Text

Brian Parker

“ICON introduced us to CACI and other potential acquirers, negotiated and shaped the deal, but almost as importantly, guided us in a very professional manner, through a host of sometimes technical issues that arose during the process. ICON delivered!”

Stuart Beatty, CEO