



| | |
|------------|---------------|
| Website: | www.visma.com |
| Sector: | TMT |
| Geography: | Norway |

“HgCapital helped us to professionalise the business. They aided us in finding strategic targets and improved the overall acquisition process.”

Øystein Moan
Chief Executive, Visma

Business description

Based in Oslo, Visma is the leading provider of accounting, resource planning, book-keeping and payroll software and services to 220,000 SME businesses in the Nordic region.

Thematic investing

Research told us that regulatory-driven software for SMEs was a long-term, recession resistant growth area with an attractive business model:

- A fast growing marketplace with increasing penetration of business critical software
- High barriers to entry due to the complexity of regulation across the SME marketplace
- This favours a subscription payment model so SME software businesses tend to have high levels of recurring revenue and high profit margins

The deal

HgCapital had already made a number of successful investments along this theme in IRIS Software and Addison Software and so, when we identified Visma in 2003, we had knowledge, experience and confidence in our model.

We first met the CEO in 2004 and developed a good relationship with Visma's management team, gaining a better understanding of the business.

Our sub-sector knowledge enabled us to combine the support of a trade partner with the flexibility and investment of a financial buyer. As a result, we made a successful offer, despite an initial bid from Sage plc.

The investment case

Despite Visma's position as a market leader in Scandinavia with growing revenues and considerable innovation, its profit margins were well below those of most of its competitors.

We understood that Visma's low margins were the result of a number of recent acquisitions where the full benefits of integration had not yet flowed through and that some business lines were investing heavily for rapid growth. As these businesses reached maturity their margins would improve significantly as we had seen in previous investments.

In addition the Visma management team's successful experience of bolt-on acquisitions gave us comfort that there was potential for significant growth.

How HgCapital supported Visma

Working closely with management to grow the business both organically and through acquisition:

- We helped to deliver more than 25 bolt-on acquisitions, particularly Accountview in 2006
- We worked to help develop a 'lean process' strategy and a move to fixed pricing for some customers improving customer satisfaction, revenue visibility and margins
- We assisted in re-positioning Visma as a higher growth, web-based Software as a Service and BPO services company

Performance improvement

We feel that under HgCapital's ownership Visma has become a stronger company, benefitting employees, customers and owners:



In our four years of ownership:

- EBITDA increased by over 265%
- Revenues rose by an average of 16% p.a.
- Margins improved from 14% to 20%

Visma's performance also proved resilient through the recession, supporting our original hypothesis.

At the end of 2009, Visma was more than one year ahead of our original plan:

- Investment in R&D and new product launches doubled
- Jobs increased from 2,512 to 4,200
- Market share increased in every part of the business every year

It is now one of the top three software and services companies in the Nordic region and one of the top ten across Western Europe.

Partial exit

Visma continues to enjoy great revenues with scope for further margin improvement and enhanced cross-selling so we decided to continue to hold a stake in Visma on behalf of our clients.

Our initial intention was to float the business but, instead, a process with a small number of potential PE suitors began in the summer of 2010. We aimed to select a new shareholder that would offer the best value to existing shareholders as well as help drive the future growth of the business.

In September 2010, KKR agreed to purchase 63.5% of our stake in Visma (HgCapital clients retained 36.5%). KKR's global reach and understanding of the technology and services sectors will make them an excellent partner for Visma.

Our aim is to at least double the value of this re-invested stake over the next 3-4 years as Visma continues to grow.