

	Client:	RapidHost Limited
	Sector:	ICT
	Activities:	Internet hosting, backup and email services
Sale of RapidHost Limited	Acquired by:	Innovise plc
	Date	Late July 2009

Overview

In July 2009 RapidHost was sold to AIM-quoted Innovise plc, a fast growing software solutions and IT services provider. Innovise has adopted a buy and build strategy and welcomed the opportunity to offer an in-house hosting capability for their existing software business, as well as broadening the range of services to new and existing clients.

RapidHost worked with Prism from the outset and this case study looks at the transaction from the point of view of the seller.

Background

RapidHost has been delivering internet hosting, backup and email services since 1999 from its base in Marlow, Buckinghamshire. The company is owned and managed by Iain & Sue Robertson. Iain has worked within the IT industry for around 20 years. After 8 years with Apple Computers, he founded a web design business, offering some hosting. The hosting side of the business soon grew and transformed into RapidHost, focusing on business internet services.

RapidHost is a technology driven and operational orientated business that had previously broadened their knowledge of mergers and acquisitions having acquired Shared Knowledge Systems back in 2004. The company successfully integrated the acquired customer base and has steadily grown the level of business ever since.

Over the years the husband and wife team has built an impressive portfolio of over 600 customers, consisting of a broad mix of small, medium and large businesses operating throughout the UK and overseas.

Contemplating Sale

Iain met Peter Watson from Prism at Cranfield University, where Peter helps to deliver the University's long-running Business Growth & Development Programme. In 2007, realising that the

company would need a greater investment of resource to continue to keep pace with industry developments, Iain saw the potential benefits of merging with a like-minded company. They invited Prism to review the options for selling the business and make recommendations for the way forward.

"Having nurtured the business from inception, it is something we are both truly passionate about. With this in mind we wanted to enlist the help of someone we totally trusted, who had the right track record and who would understand our needs whilst getting us the best possible outcome. I had met Peter a couple of times and he certainly ticked all the right boxes and I am glad I sought advice from him at the early stage I did." Iain Robertson, RapidHost

Sale Process

The first step was to confirm that selling was the right decision.

"We did consider making another acquisition, and if I were ten years younger, we would have!" Iain Robertson, RapidHost

The business was subjected to considerable scrutiny, to ensure there would be no unwelcome surprises along the way - this formed the basis for the sale documentation.

The team at Prism used their knowledge and experience gained from similar past assignments to identify possible acquirers, utilising known acquirers in the market, in addition to their large database of ICT contacts.

Prism then set about qualifying the target list, through financial review and criteria such as size, ICT specialism and past activity. With a tiered list of 85 companies, the communication process started.

"We were impressed with the professionalism of Peter and his team and their well-oiled identification process to find a potential buyer. They kept us informed every step of the way and this, of course, made it easier for us." Iain Robertson, RapidHost

In 2008 the sale was agreed with another AIM listed business. The deal was dependent upon the acquiring company raising some equity funds on the public markets. Whilst the risks were well understood, it was nonetheless hugely disappointing for all when the potential buyer failed to raise sufficient funds - a direct result of the steadily worsening credit crunch.

"This just confirms that nothing is set in stone until the very last minute. What was considered fairly routine fundraising rapidly became more difficult as the exposure of the UK banks was revealed. The key was to get quickly back on the case and continue the searching process to identify other possible buyers." Peter Watson, Prism Corporate Broking

Prism soon identified a number of potential suitors, which included Innovise plc. The outcome of an initial meeting was positive and after further negotiations with a number of parties, an offer was agreed with Innovise plc, and Heads of Terms signed.

Key Issues

Adapting to the changing economy and marketplace - was without doubt the key. With both credit crunch and recession coming into play, there was a need for Prism to focus on the elements of the sale that would prove most attractive to potential buyers. Fortunately hosting remains a growth market, with much talk about "cloud computing", and whilst most IT businesses had been affected, to some degree, by the downturn the strategic drivers were still present. The team were aware of the positives and conveyed them effectively within all communications.

Remaining clear about objectives and the valuation - even considering the tougher times looming.

"We needed to stand firm as we knew RapidHost was an excellent business and the potential moving forward was considerable. Both Iain and Sue were prepared to continue - and indeed their willingness to do so was key in the negotiations. Peter Watson, Prism Corporate Broking

Negotiation - Maintaining relationships with buyers and sellers even amidst some hard negotiating.

There are many difficult conversations during the sale process, and by acting as the intermediary between the buyer and seller Prism were able to take some of the heat off the sellers during this potentially stressful time. Some key issues were identified that needed to be addressed from both parties and Prism worked their way through each to reach an amicable outcome for all.

"Peter's energy to keep going was tremendous; he negotiated hard yet was highly professional throughout. More importantly, he kept us in the loop every step of the way. It was this personal touch that really made a difference." Iain Robertson, RapidHost

The Due Diligence process - Using SharePoint as a portal throughout the process allowed all parties to keep informed of the very latest progress and contact Prism with any questions they had along the way.

"With two IT businesses involved, it made sense to utilise the communication tools now available. A hosted SharePoint site was established and proved an invaluable resource for buyer and seller alike. We believe in open and honest communication every step of the way and this medium helped to deliver that. Peter Watson, Prism Corporate Broking

Presentation of financial information - Giving confidence to the buyer is critical - and many steps can be taken to achieve this throughout the prompt and accurate dissemination of management information as the deal proceeds. Sue's control over the details of this domain, coupled with Prism's review prior to release, achieved this objective.

Timetable & Completion

The initial search for buyers started in October 2007, and following an aborted sale in the first half of 2008, the final deal completed within three months of signing Heads of Terms, on 29th July 2009.

"We are delighted with the outcome Prism has achieved for us. Sure, at one point we were a little concerned that the marketplace might not allow the sale to take place, however with Prism's perseverance and professionalism they met our objectives and we cannot thank them enough." Iain and Sue Robertson, Rapidhost

"This sale shows that it can be a bit of a roller coaster ride and it is true to say that no sale is over until it's over! We had to be prepared, work on things early and to keep going, even through the tough times. We also had to focus on our communication, keeping Iain and Sue constantly updated and reassuring them of our activity and the progress we were making. It was important that they felt confident and able to sustain the energy levels required to manage their own business. However, the most important thing was the result; achieving an outcome that met the objectives of both parties. I feel this is a classic example of Prism doing what we are good at, and we too are very pleased with the result." Peter Watson, Prism Corporate Broking

Advisors to Vendor

Corporate Finance Advisors: Peter Watson (lead) & Robert Fiske, Prism Corporate Broking

Legal Advisors: Glenn Skivington, Gordon Commercial Solicitors

Web Links:



www.rapidhost.co.uk



www.innovise.com



www.gordons-law.co.uk



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