

	<b>Client:</b>	Metadigm Limited
	<b>Sector:</b>	ICT
	<b>Activities:</b>	Specialist provider of network and end point security solutions.
<b>Sale of Metadigm Limited</b>	<b>Acquired by:</b>	Management Buy In
	<b>Date:</b>	November 2009

## Overview

In November 2009 successful network and end point security specialists Metadigm Limited was sold to a management buy in team.

## Background

Metadigm was established by Alan McRae in 1989. Alan was previously part of a successful VC funded start up company specializing in graphical interfaces. He subsequently decided to start his own company focusing on providing network and end-point security solutions for companies throughout the UK and overseas.

Metadigm offers technical consulting during initial solution specification and throughout installation, in addition to providing on-going support and management for remote users. Their aim is to create 'lifetime relationships' with their clients to constantly advise them of changes to the Internet threat landscape or security technologies, whilst meeting other on-going technology requirements as they arise. They benefit from valued partnerships with many high profile vendors such as Check Point, Fortinet, Riverbed and Aladdin.

The business constantly embraces emerging technology and recently expanded its portfolio to offer Riverbed WAN acceleration to improve links between distributed offices or sites.

## Contemplating Sale

Alan had initially met Peter Watson from Prism in 2005 at Cranfield University's long-running Business Growth & Development Programme which Peter helps to deliver. Since then Peter had helped Alan to grow the business and in February 2009 Alan asked Prism to conduct an Options Review to recommend the best way forward so as to achieve his desired exit.

*“I was concerned as to whether the time was right to consider selling my company. Would I get a fair price within the current economic times, and were there enough buyers out there? Obviously I wanted to see the business continue to thrive and be successful in the future so whoever acquired it would need the right technology and business experience.”*  
**Alan McRae, Metadigm**

On presentation of the options it became clear that to achieve Alan’s preferred timescale, it would be important to start the process sooner rather than later. A number of successful sales had taken place in the sector over the preceding 12 months, and whilst overall M&A activity was down, the security sector remained “hot”, as did the “managed services” sector as a whole. The team at Prism were confident that a successful exit could be achieved in spite of the credit crunch.

## Sale Process

Marketing Metadigm to possible acquirers commenced in April 2009 and ideally Alan wanted to sell within the year.

One route for the team at Prism was to explore potential buyers from amongst similar companies operating in the security space. Prism contacted the other partners of the major security software vendors to establish if there was an interest. Indeed there was and confidentiality agreements were signed, further details supplied and more in-depth discussions commenced.

*“It made sense to approach companies that had a similar technology focus and the necessary skill and ability to take on the often complex offering from Metadigm. We were not disappointed by the positive response we received.”* **Peter Watson, Prism Corporate Broking**

Prism was also able to market the acquisition opportunity to an extensive database of professionals, organisations and intermediaries, and utilise other marketing communications to reach entrepreneurs, investors and other potential buyers. It was through these channels that Nick Scott, a former MD of the Services Division of The Journey Group Plc, an AiM listed company, responded to Prism to express an interest in buying a technology based company. Peter introduced them to Metadigm and the process of a MBI began.

Nick had recently joined forces with Jason Simper, former Sales Director at Pasporte (a company which had been recently sold to Telinet, who design, fulfil and manage bespoke ICT outsourcing solutions), and together they formed a new company called Blend IT Group Limited as the MBI vehicle.

*“Metadigm was highly attractive to us, with the right product mix, a loyal customer base and an excellent reputation; it would certainly allow us to work towards our longer-term goals of growth and expansion.”* **Nick Scott, Blend IT Group Limited**

*“In the current climate a Management Buy In seemed unlikely, yet Blend IT were able to self fund the deal, and this had considerable advantages over the more structured deals presented by the other parties. Nick and Jason had the funds and clearly a wealth of experience combined with the entrepreneurial spirit required to take Metadigm to the next level. Our confidence grew and the sale progressed reasonable quickly.” Peter Watson, Prism Corporate Broking*

In mid September 2009 Heads of terms were signed and the deal was completed by the end of October.

## Key Issues

**Decision to sell** - following the Options Review and the decision to sell, Prism knew they had to move quickly in order to complete the sale within the given timescale.

**Recession** - the recessionary climate was clearly an ever-present factor, both for the business performance during sale, and from an M & A perspective. Alan recognised the challenge and had already adjusted his strategy to focus on a recessionary sales approach. Metadigm had started to work with Riverbed WAN acceleration - and this had proved to be very attractive to customers, enabling them to delay further investment in infrastructure and bandwidth, yet achieving dramatic increases in data flow. Prism worked with Alan to provide evidence and justification of these decisions to the MBI team.

**Loss of some key customers during the sale** - Despite the company’s best efforts some contracts were not renewed and Prism had to ensure that this information was conveyed to the acquirer in the right manner and at the earliest stage. Fortunately this was accepted as somewhat inevitable in the current climate, and was in any event largely offset by the Riverbed business

**Attracting Buyers** - Prism clearly demonstrated the ability to attract potential buyers and the key was managing their offers and pursuing the most attractive deal for Alan.

*“Prism effectively created an informal auction with the interested companies, where value and deal structure played a large role. We had to ensure Alan could not only gain a good price for his company, but also achieve a clean exit. ” Peter Watson, Prism Corporate Broking*

**Managing the Due Diligence process and agreement of the SPA (Share Purchase Agreement)** - With time of the essence and the fact that Alan is a “details” person, there was a need to convey the relative importance of the different issues quickly and accurately.

*“We needed to pave a way to an agreement quickly whilst ensuring maximum efficiency of everyone’s time - presenting detailed and accurate information was key. Alan had developed some good controls over management information, and was able to provide thorough and timely information which greatly assisted the process.” Peter Watson, Prism Corporate Broking*

## Timetable & Completion

The decision to sell was made on February 2009 and Prism commenced marketing immediately. Nick Scott made contact with Prism on 1<sup>st</sup> June 2009 and the sales process began. Heads of terms were signed on 11<sup>th</sup> September and the deal completed at the end of October 2009.

*“I am extremely pleased with the way Prism handled the entire sale. From the very beginning they have been highly receptive of my detailed requirements and exact timings. The deal structure was exactly as I had hoped and I now look forward seeing how the company performs in the future.” Alan McRae, Metadigm*

*“This was an excellent outcome, especially considering the current economy climate coupled with the pressure to sell reasonably quickly. I feel this proves that Prism have the ability to reach a very wide audience of potential buyers, and can ‘pull the cat out of the bag’ when necessary” Peter Watson, Prism Corporate Broking*

## Advisors to Vendor

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

**Legal Advisors:** Robert Matthews, Keystone Law



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