



Trading Update and Acquisition of Qualsys Ltd

IDEAGEN PLC

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

Trading Update and Acquisition of Qualsys Ltd

Ideagen PLC (AIM: IDEA), a leading supplier of Information Management software to highly regulated industries, is pleased to provide an update on its trading for the year to date and to announce the acquisition of the entire issued share capital of Qualsys Ltd ("Qualsys"), a fast-growing supplier of Electronic Quality Management Software ("EQMS") for a net consideration of £15.6m (the "Acquisition").

Trading update

Trading in the first quarter of the financial year has remained robust and we are pleased to report continued demand for our products from new customers and within the existing customer base. Certain sectors such as Financial Services, Pharmaceutical and US Federal are performing particularly well with notable contract awards from KPMG, GSK, Medtronics and Bank of Montreal. Moreover, the Group is starting to see increased business activity and a growing pipeline within Manufacturing. As expected, Aviation remains suppressed but stable as a result of COVID-19 challenges.

Our business model remains resilient; customer retention across all verticals has been consistent with normal business conditions and net cash generated from operations being as expected, with neither materially affected by COVID-19. The Board therefore has every confidence that the business will continue to perform in line with market expectations over the coming months.

Acquisition Highlights

- Qualsys is a fast-growing supplier of EQMS to a number of highly regulated industries such as pharmaceutical, healthcare, complex manufacturing and food and drink
- Qualsys EQMS is used by over 150 customers including Diageo, Unilever, Honeywell, BT, FujiChem and IQE
- Recent launch of EQMS 7 - a SaaS-native cloud QMS platform which has been extremely well received by the market
- Provides Ideagen with a strong growth opportunity accelerating the existing development roadmap of Ideagen's Q-Pulse product
- Qualsys' current Annualised Recurring Revenue (ARR) book is approximately £2.9m, an increase of 38% p.a. over the last 3 years
- ARR is expected to grow to a minimum of £7m by the end of the Group's next financial year (April 2022)
- Total Run Rate Revenue is approximately £3.5m*
- Funded from existing cash and debt resources and is expected to be modestly earnings enhancing in the current financial year

*being the ARR book as at 1 August 2020 plus Last Twelve Trailing Months of services revenue

Consideration for the Acquisition

The total net consideration payable is £15.6m in cash, being £15.7m gross consideration less £0.1m cash in the business. The consideration will be payable on completion save for £1.6m which will be deferred for twelve months from that date. The consideration will be funded from the Company's existing cash and debt resources.

Information on Qualsys Ltd and rationale for the Acquisition

Qualsys is a fast-growing provider of EQMS software to a number of industries including pharma, lifesciences, healthcare, manufacturing, telco, electronics, food and drink. Qualsys is based in Sheffield and was founded in 2001 as a consulting company advising companies on ISO compliance.

The company has since evolved from a service to a software business through the development of EQMS, a fully integrated Electronic Quality Management System providing Document Control, Quality Audit, Corrective Action/Preventive Action and Training and Competency functionality. In 2016 Qualsys started to develop a new Cloud-native version of the software (Version 7) using the latest web technologies available and has since invested approximately 3m in Research and Development on Version 7.

The product was launched late last year and has been well received by the market winning new customers across multiple industries. Version 7 will be rebranded as part of the Q-Pulse product family and integrate into the Quality Management component of the Group's Quality, Health, Safety and Environment (QHSE) cloud platform.

Qualsys currently employs 53 people across Sales, Marketing, R&D, Consulting Services and Support. Management accounts for the year to 28 February 2020 show revenue of £3.1 million, profit before tax of £0.4m (stated after capitalized R&D expenditure of £0.9m and depreciation/amortization of £0.2m) and net assets at that date of £1.0m. Qualsys' current annual cost base is approximately £3.5m which the Group expects to be reduced to £2.2m over the next 12 months as the business is integrated and synergies are realised. Savings will come primarily from outgoing director costs, a reduction in contract development resource and the consolidation of the Ideagen and Qualsys consulting groups.

It is expected that the acquisition will make a contribution of £0.6m to the Group's adjusted EBITDA within the current financial year to 30 April 2021 and £1.5m in the year to 30 April 2022.

David Hornsby, Chairman of Ideagen commented:

"We are pleased that trading so far this year has been in line with our expectations and that we today announce the acquisition of Qualsys. Qualsys has a resilient business model, a quality customer base, outstanding technology and a strong team. Qualsys V7 will be an important product for Ideagen as we integrate the software into our cloud platform and accelerate the ARR growth through our proven and established sales engine."

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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, Pentana 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 6,000 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.

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