

megabuyte



# THE WINNING COMPANIES 2018

Recognising the UK's most exciting  
scale-up technology companies

As defined by the  
megabuyte scorecard

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## Emerging Stars

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## Megabuyte Award Series

Identifying the best-performing companies in the UK technology sector

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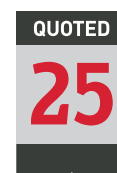
Revealing the UK's Top 50 best-performing, privately-owned, mid-market technology companies.

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Talent spotting the UK's future mid-market leaders among earlier stage public and privately-owned companies.

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Looking beyond share price to identify the UK's best-performing, publicly-listed mid-market technology companies.

## Glossary

## Peer Group Acronyms

## Software

AES	Accounting & Enterprise Software
BIS	Banking & Insurance Software
GHS	Government & Healthcare Software
SA	Specialist Applications
SIS	Security & Infrastructure Software

## ICT Services

CSI	Consulting & Systems Integration
DCH	Data Centre & Hosting Services
IS	Infrastructure Services
MWS	Mobile, Wireless & Satellite
TN	Telecoms & Networks

## Report Acronyms

MBO	Management Buyout
SBO	Secondary Buyout
P2P	Public to Private
IPO	Initial Public Offering
FPO	Follow on Public Offering

WELCOME TO THE  
Emerging Stars awards 2018

**Ian Spence**  
FOUNDER & CEO,  
MEGABYTE

## Rude Health

When we launched the Emerging Stars programme in 2016, I had high hopes that it would be a catalyst to provide a completely new angle to the Megabyte coverage universe. Two years on, I can say with certainty that the initiative has far exceeded even these high expectations. With over 200 companies published on our database which fulfil the Emerging Stars criteria, and at least as many on our monitor list, the Megabyte research team has pulled together a unique database of emerging talent in the UK tech sector. Moreover, what has also become clear is that the top performers in this part of the market are not only in rude health, but they are also highly corporately active.

While Megabyte regulars will know of our obsession with assessing a company's overall financial performance, I think most readers of this report would agree that the most important metric for smaller tech businesses is growth. And the news here is very encouraging. As you will see in this report, average organic growth for the Emerging Stars class of 2018 was an impressive 37%. This compares to 16% and 24% for the most recent Quoted25 and Megabyte50 companies respectively. Unsurprisingly, margins are lower as the Emerging Stars invest for growth, but that seems like a fair trade off to me.

Although we find that many Emerging Stars companies do rather hide their light under a bushel, the fantastic growth generated by these companies does not go completely unnoticed, leading to significant M&A amongst last year's Emerging Stars cohort. Indeed, almost a quarter of the class of 2017 have been through a transaction of some description. Unsurprisingly, most of the deals have been the Emerging Stars companies being acquired, but there have been some fundraisings; most notably of Dotmatics, as it also punched directly from Emerging Stars into the Megabyte50 at the same time as landing private equity funding.

So I commend the 2018 Emerging Stars report to you with my customary and sincerely meant congratulations to all companies, and especially the award winners. As an owner and CEO of a business not too far off the Emerging Stars criteria itself, I know just how much it takes to deliver consistent profitable growth, especially with no external backing. I must also thank once again all of our Emerging Stars sponsors, especially our partners NatWest and Grant Thornton. They really do make all of this possible.

Lastly, a nod to the future. I am very proud of what we have achieved so far with Emerging Stars but, as is the Megabyte way, we will not rest on our laurels and have lofty ambitions for the programme over the coming years. As we build our subscription research offering into new areas of tech and tech-enabled services, the Emerging Stars programme will grow with it, as will our other awards programmes. As such, I have no doubt that the Emerging Stars database will continue to grow rapidly over the coming years, helping us to highlight even more exciting stars of the future.

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# *The* INDUSTRY LEADERS OF THE FUTURE


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## Executive Summary

Following the successful launch of the Megabyte Emerging Stars programme last year, our coverage among high growth scale-ups in the UK has continued to mature, providing a richer pool for identifying and celebrating the latest batch of top performing scale-up companies in the UK tech sector – with revenues of between £3m and £10m. In this report, we explain the Scorecard Lite methodology, provide analysis on the 2018 Emerging Stars, review what the last year's winners have been up to, and look at which might break out into our two other flagship awards programmes: Megabyte50 and Quoted25.

Find out more **about our awards** and  
view all **Emerging Stars 2018 winners** at

[www.megabyte-awards.com](http://www.megabyte-awards.com)

 The analyst team at Megabuyte have an uncanny knack for identifying tomorrow's leading companies and/or M&A/private equity targets through its Emerging Stars Awards.



**Tom Kelly**

Chairman, BCN Group; Chairman, Agilitas IT Solutions

 **BCN Group: Best Performing Company 2018 (IS)**  
Agilitas IT Solutions: Emerging Stars 2018 – Top 25 Company

### DEFINING A SCALE-UP BUSINESS

It is now over three years since we launched the Megabuyte Scorecard, which underpins not only our day-to-day research work at Megabuyte, but our annual Megabuyte50 and Megabuyte Quoted25 Awards. However, in analysing smaller companies, we needed a system that reflected the differing priorities of earlier stage companies, namely on growth. So, last year we developed Scorecard Lite which still uses three years of accounts and relies on a full financial model for each company. Unlike the Megabuyte50 and Megabuyte Quoted25 Awards, Emerging Stars looks at both public and private companies within the revenue size range.

### SOME OLD, BUT MOSTLY NEW

Building on the launch of Emerging Stars last year, we have materially expanded our coverage of UK businesses that fit this size criteria, and have pulled the 25 2018 Emerging Stars from a list of almost 200 businesses eligible for a Scorecard Lite rating. Hence, the 2018 Emerging Stars can be confident that they are among the top 15% of all companies we track in that size range. With an average organic growth rate of around 40% and EBITDA margins of more than 15% in their most recent financial year, this is a formidable group indeed. Another interesting point to note is that only five businesses from the class of 2017 retained a top 25 ranking this year, reflecting the inherent churn of businesses in this size range.

Reviewing the sector dynamics of the 2018 Emerging Stars, we can see that the list is dominated by ICT Services businesses, which account for 16 of the 25, and marks a reversal on the prior year where Software was much more prominent. This has been driven by a sharp drop in the number of Accounting & Enterprise Software businesses featured in the top 25 versus a broader rise across all our ICT Services peer groups. Significantly, the shift to more ICT Services businesses, where external investment is much less penetrated, has had a knock-on effect on the ownership dynamics, with 20 owner managed businesses featuring in this

year's Emerging Stars, versus the prior year's broadly even split between owner managed and externally funded businesses (i.e. received funds from private equity, venture capital or other investor institutions). This year also featured the first ever publicly-listed Emerging Star company.

### 2018 AWARDS

In addition to identifying the 25 Emerging Stars, the programme also recognises the very best companies in all ten Software and ICT Services peer groups, as well as the leading company overall and the highest-growth company. As a result, there are 12 Awards, all identified on pages 12-17.

### EMERGING STARS: A FERTILE SOURCE FOR M&A

One year on from the launch of Emerging Stars, we take a look back at corporate activity from the class of 2017. While the deal volume among this cohort has been low over the past year, the activity clearly highlights that Emerging Stars find themselves, unsurprisingly, as more of a target. Five companies were acquired by trade buyers, two raised money from external investors and, while M&A was sparse, we note one transformational acquisition.

### THE NEXT MID-MARKET COHORT

As well as spotting the future of the UK tech industry, the Emerging Stars programme acts as an early warning system for the Megabuyte50 and Quoted25 companies, as highlighted by one Emerging Star from the class of 2017 already finding success in last year's Megabuyte50 Awards. From the list of 25, we have identified nine prospects from the class of 2018 – all owner managed – which look set to outgrow the Emerging Stars criteria, and potentially join the Megabuyte50 or the Megabuyte Quoted25, should they choose to list. More broadly, as we look to the next 12 months, there will be plenty of new and exciting, high growth scale-ups competing for Emerging Stars status, and we look forward to tracking the progress of this year's cohort.

# OUR PROPRIETARY BENCHMARKING METHODOLOGY

megabuyte scorecard✓

An **expert tool** for companies and the investor and advisory communities seeking to understand companies' performance relative to peers.

## WHAT DOES A 'GOOD' TECH SCALE-UP COMPANY LOOK LIKE?

The Emerging Stars programme aims to talent spot future mid-market leaders among smaller, UK private and publicly-listed companies. While some of these companies will have been founded in the last few years, many have been operating for many years, but have recently found a rich growth seam. While there are many awards programmes in the UK tech sector, Megabuyte Awards are unique in being based purely on publicly available information or undisclosed audited numbers provided in confidence, on which the Megabuyte research team builds financial models for each company, and ultimately put through our proprietary Scorecard methodology. We feel that this trumps other awards, which rely on one narrow measure, or (often over-optimistic) self-certification by nominated companies.

## HOW DOES IT WORK?

The Megabuyte Scorecard is a proprietary benchmarking methodology developed by the research team at Megabuyte, pooling over 60 years of combined experience assessing the performance of software, IT and telecoms services companies. Contrary to the seven key measures used for the Megabuyte50 and Megabuyte Quoted25 methodology, the Scorecard Lite system used for Emerging Stars assesses five key measures and is more focused around growth; two for revenue growth, one for profit margin and one for margin improvement, as well as one for overall size. These measures are then weighted to provide what we feel is the optimum balance for scale-up companies.

## Research Resources

### How to track Scorecard performance on a rolling basis

Megabuyte Scorecard ratings for companies, peer groups and sectors are produced on a rolling basis, adjusted daily, and *available to Megabuyte subscribers* via the megabuyte.com content platform. Selected Scorecard rankings are also published in our report series, *available to non-subscribers* to purchase at [www.megabuyte.com/reports](http://www.megabuyte.com/reports)

## WHO QUALIFIES?

The companies eligible for selection in the Emerging Stars programme are drawn from the peer groups we cover in the broader Megabuyte universe; namely software, IT and telecoms services companies. For a company to be considered, it must also be UK-headquartered and domiciled, have generated revenues of £3-10m in its latest financial year, and have up-to-date accounts for a three-year period. Companies that have undergone significant M&A or other such transformational events are excluded.

### → Growth

In assessing a company's revenue growth we have struck a balance between our view that organic growth is preferable, whilst still acknowledging that acquisitions are an additional way to grow.

### → Profitability

Whilst scale-up companies quite often lose money during their formative years to support growth, we reward companies who also do so profitably, using EBITDA margins as the optimal measure of P&L profitability. Margin improvement is also a key measure used in *Scorecard Lite*.

### → Size

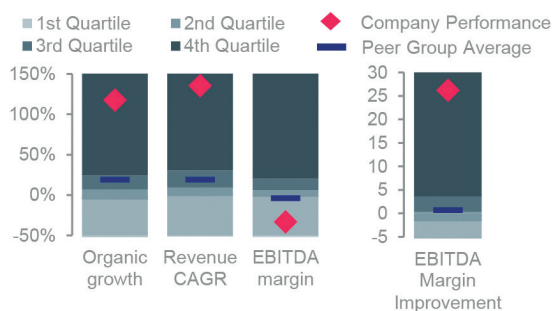
While size does not mean that a company is good or bad, the law of large numbers does mean that it is harder to generate organic growth, in percentage terms, as a company gets larger. As a result, we give some credit to the larger companies.

## IT'S ALL ABOUT THE QUARTILES

Once we have assembled all the data, we group performance in all five categories into quartiles and apply a score to each quartile – this gives each company a primary score. By segmenting performance in this way, the potential distortion from outliers is neutralised and it also gives a clear view of strong areas, and areas of improvement for each company. Throughout the report, readers

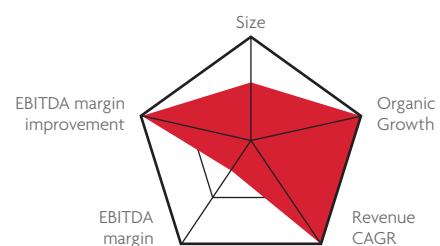
will see a company's primary score represented in our Quartile Radar charts, an example of which is shown in Figure 2. Each company's primary score is then weighted according to our proprietary methodology, and each company is ranked within its quartile to provide the final Megabuyte Scorecard rating.

FIGURE 1: Combining Factor Performance



Source:  
– Megabuyte

FIGURE 2: To Generate a Score



Find out more about our  
Scorecard methodology at  
[www.megabuyte.com](http://www.megabuyte.com)

# *Analysing the* **EMERGING STARS OF 2018**

## Building on last year's launch

Megabyte is now tracking close to 200 UK businesses that sit in the programme's £3-10m revenue size criteria and an overwhelming majority of these companies are privately owned. Of this cohort, 188 companies currently have a Scorecard rating.

Table 1 shows the quartile performance of the entire 188 Scorecard Lite dataset. When we look at the Emerging Stars companies in the context of the data, we can see that, on average, Emerging Stars companies produce financial metrics in the top quartile, and often well above the quartile boundary.

Combined, the 2018 Emerging Stars companies delivered average organic growth in their last financial year of 37% and an average revenue CAGR over the last three/four years of 35%, both above the top/fourth quartile boundary. Despite many of these businesses investing heavily to support this growth, average EBITDA margins of 15.8% and average year-on-year

margin improvement of 2.7 percentage points are both positioned on the boundary between the third and fourth quartile. The average revenue size of the Emerging Stars is £7.1m.

Interestingly, comparing these traits to last year's winners shows that the 2018 Emerging Stars have, on average, a greater balance between growth and profitability. The class of 2017 yielded a higher one year average organic growth rate (46%) and revenue CAGR over the last three/four years (38%), but at the expense of profitability (average EBITDA margins were -0.6%).

**megabyte**





The Megabyte Scorecard has demonstrated itself as the core financial benchmarking tool for mid-market businesses, so it's gratifying to see that when the same principle of financial rigour is applied to smaller businesses in Emerging Stars, SICL shines.

**Shirley Firth**

Managing Director, SICL

Emerging Stars 2018 – Top 15 Company  
Emerging Stars 2017 – Top 20 Company

TABLE 1: How the Megabyte Emerging Stars Universe Performs

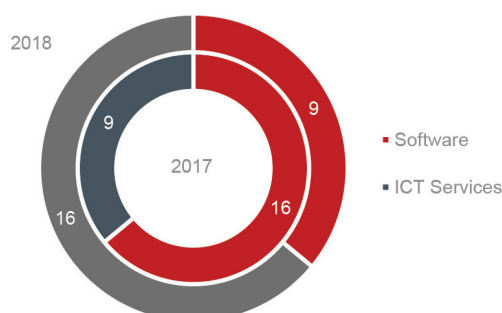
	Size Revenues (£m)	Organic Revenue Growth	Revenue CAGR	EBITDA Margin	EBITDA Margin Improvement
<b>1st Quartile</b>					
Boundary	5.1	-3.9%	-2.9%	1.2%	-2.44%
<b>2nd Quartile</b>					
Boundary	6.9	6.6%	5.7%	7.1%	0.09%
<b>3rd Quartile</b>					
Boundary	8.3	17.4%	14.8%	15.8%	1.81
<b>4th Quartile</b>					

Source:  
– Megabyte

## THE TABLES HAVE TURNED

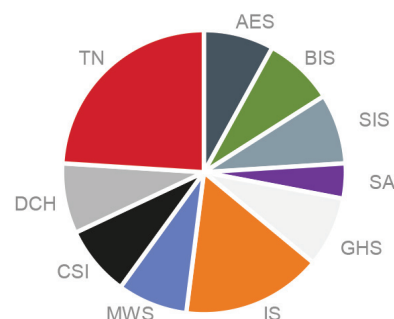
Looking at the distribution of Emerging Stars companies across our two Sectors, we can see that a heavy skew in favour of Software in 2017 has reversed this year, with 16 ICT Services companies against 9 in Software. Drilling down further, the main area of reduction for Software has been in the Accounting & Enterprise Software peer group (-7), in contrast to gains in the ICT Services sector for the Telecoms & Networks (+2), Data Centre & Hosting (+2) and Mobile, Wireless & Satellite (+2) peer groups.

FIGURE 3: Composition of ES by Sector



Source:  
– Megabyte

FIGURE 4: Composition of ES by Peer Group



megabuyte



# EMERGING STARS 2018 RANKINGS

## Presenting the 2018 Emerging Stars

The tables in this section summarise the key data, Scorecard rankings and scores of the class of 2018, as well as how the companies have moved relative to last year. We focus on the Award winners in this next section but, here, it is interesting to look at some of the high level dynamics of the group. Full financial data and commentary on these companies is available to subscribers on the Megabuyte research platform.

When we look at who's in, who's out, who's up, and who's down, it is clear that there are a high number of new entrants this year (20 in total), which is partly driven by the fact that almost half of last year's Emerging Stars have either been acquired (more details on which can be found on pages 22-23) or outgrown the size criteria. Most of these new entrants are new additions to Megabuyte coverage, including the winners of this year's overall best performing company Godel Technologies and the fastest growing company SecureCloud+. However, six new entrants are from score improvements, which have brought companies into the top 25 rankings, including Cashfac, Drive Software Solutions, Excelerate Group, Wax Digital,

Windsor Telecom and Deep Secure. Of the 5 returners, 2 have gained ground, including Invenias breaking into the top 10, and, while Wifinity fell one spot, it maintained a top 5 ranking.

Another striking trend is the high concentration of owner managed businesses (20 in total), which compares to a broadly even split between externally-funded businesses in 2017. It isn't until 8th place Invenias that we find this year's top performing externally-funded business. This year also featured the first ever publicly-listed Emerging Star company, in 24th-placed Beeks Financial Cloud.

As we saw in the sector analysis in the prior section, the Emerging Stars companies are dominated by ICT Services, reversing last year's Software prominence. This trend is echoed in the top five companies, with four ICT Services companies present to Software's one, including three Telecoms & Networks businesses.



Being part of the Megabuyte Emerging Stars Awards programme, which is underpinned by rigorous financial analysis, validates the strength of Godel's business model to stakeholders, which is extremely important as we continue to grow.



Neil Turvin

CEO, Godel Technologies




 Overall Winner 2018 & Best Performing Company 2018 (CSI)

## The Top 5 Performing Companies








↑ Higher

↓ Lower

NEW New entrant

Rank	Trend	Company	Peer Group	Ownership	Investor	Revenue (£m)	Score	Prev Rank
1	NEW	<b>Godel Technologies</b>  Overall Winner & Best Performing Company (CSI)	CSI	Owner Managed	—	9.0	98	—
2	NEW	<b>Cashfac</b>  Best Performing Company (BIS)	BIS	Owner Managed	—	9.4	97	—
3	↓	<b>Wifinity</b>  Best Performing Company (TN)	TN	Owner Managed	—	6.8	96	2
4	NEW	<b>Zest4</b>	TN	Owner Managed	—	8.7	96	—
5	NEW	<b>Telesis</b>	TN	Owner Managed	—	6.4	96	—

## Emerging Stars companies 6-25

Rank	Trend	Company	Peer Group	Ownership	Investor	Revenue (£m)	Score	Prev Rank
6	NEW	Drive Software Solutions	BIS	Owner Managed	—	6.4	96	—
7	NEW	<b>Excelerate Group</b>  Best Performing Company (MWS)	MWS	Owner Managed	—	7.1	91	—
8	↑	<b>Invenias</b>  Best Performing Company (AES)	AES	Externally Funded	MMC Ventures	6.2	90	13
9	NEW	<b>BCN Group</b>  Best Performing Company (IS)	IS	Owner Managed	—	8.5	89	—
10	NEW	<b>Linguamatics</b>  Best Performing Company (GHS)	GHS	Owner Managed	—	8.1	88	—
11	NEW	<b>Livingstone Technologies</b>  Best Performing Company (SIS)	SIS	Owner Managed	—	7.5	88	—
12	NEW	<b>Aculab</b>	TN	Owner Managed	—	8.1	87	—
13	NEW	thevoicefactory	TN	Owner Managed	—	3.3	87	—
14	NEW	WCCTV	MWS	Owner Managed	—	9.5	86	—
15	↑	SICL	IS	Owner Managed	—	9.0	85	18
16	NEW	<b>Greycon</b>  Best Performing Company (SA)	SA	Owner Managed	—	5.9	84	—
17	↓	Access Computer Consulting	CSI	Owner Managed	—	9.3	83	15
18	NEW	Wax Digital	AES	Externally Funded	August Equity	5.6	82	—
19	NEW	Windsor Telecom	TN	Owner Managed	—	6.4	82	—
20	NEW	<b>SecureCloud+</b>  Overall Fastest Growing Company & Best Performing Company (DCH)	DCH	Owner Managed	—	3.4	82	—
21	NEW	Deep Secure	SIS	Externally Funded	YFM Equity Partners	3.9	82	—
22	NEW	Wanstor	IS	Owner Managed	—	8.9	82	—
23	NEW	Agilitas IT Solutions	IS	Externally Funded	NVM Private Equity	7.7	82	—
24	NEW	Beeks Financial Cloud	DCH	Public	—	4.0	81	—
25	↓	BTL Group	GHS	Owner Managed	—	7.7	80	11

Find out more **about our awards** and  
view all **Emerging Stars 2018 winners** at

[www.megabuyte-awards.com](http://www.megabuyte-awards.com)



# EMERGING STARS

## *Award Winners*

Recognising the UK's best-performing future mid-market leaders among smaller, private and publicly-listed companies.

In addition to the accolade of being a Megabuyte Emerging Star, we also recognise the leading companies in all ten peer groups, the Fastest Growing Company and the Best Performing Company overall. Here we congratulate our 2018 award winners and provide some detail on their Scorecard performance.

Before we look at each of these companies individually, first a word on our overall winner. Godel Technologies is an owner managed provider of agile software development services that has seen growth ignite in recent years driven by the success of its nearshore delivery model, which has enabled it to

take advantage of the high demand for agile software development and the requirement for highly flexible and interactive services. In the year to December 2016 revenue and adjusted EBITDA rose 62% and 69% to £9.0m and £1.8m respectively.

### Research Resources

#### Monitoring company performance

The Megabuyte database is the most comprehensive research asset of its type and contains detailed proprietary data on the corporate and financial profiles of some 800 UK mid-market and scale-up technology companies alongside dedicated director, corporate activity and peer group data. *The Megabuyte database is available to Megabuyte subscribers.*

## OUTSTANDING PERFORMANCE AWARDS

Recognising outperformance across the  
Emerging Stars universe

### Best Performing Company

OVERALL

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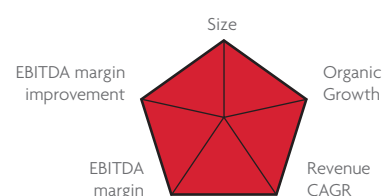
#### Godel Technologies

OWNERSHIP: Owner Managed

*Godel is a provider of agile development services focusing on areas such agile consulting, continuous delivery, business analysis, software development, quality assurance, digital transformation and business intelligence.*

**Megabuyte View:** Godel's nearshore model has enabled the company to grow at a rapid but sustainable pace, carefully managing demand and over-delivering, rather than taking a 'growth at all costs' approach. This has resulted in Godel maintaining an impressive client retention rate, with existing customers contributing to 78-85% of revenues over the last four years. Godel is another example of the trend towards onshore/nearshore IT services versus offshore outsourcing to India and similar places.

#### COMPANY SCORE



### Fastest Growing Company

OVERALL

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#### SecureCloud+

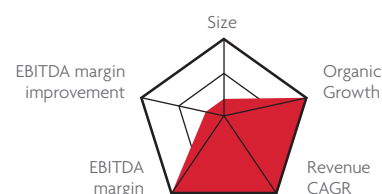
#### SecureCloud+

OWNERSHIP: Owner Managed

*SecureCloud+ was founded in 2012 and provides Cloud and related IT services to defence and public sector users, with a security focus.*

**Megabuyte View:** Behind the generic service description, SecureCloud+ has grown rapidly and profitably (if still cash consuming) off the back of a small number of advanced projects primarily for the UK armed forces. In the year to March 2017, both revenues and EBITDA broadly doubled, to £3.4m and £0.6m respectively. However, the current year may be less spectacular with calendar 2017 revenues from G-Cloud of £2.0m down 45% on 2016.

#### COMPANY SCORE



## SOFTWARE PEER GROUP AWARDS

Recognising best-in-class performance  
within individual peer groups

### Best Performing Company

ACCOUNTING & ENTERPRISE SOFTWARE

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**invenias**

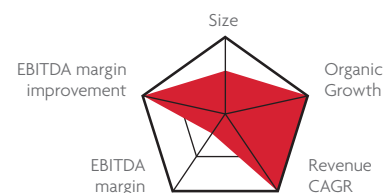
**Invenias**

OWNERSHIP: Externally Funded

*Invenias provides a Cloud-based platform for executive search and strategic hiring to executive search firms and in-house strategic talent teams.*

**Megabyte View:** While continuing to take market share from legacy competitors and delivering top quartile levels of organic growth, Invenias turned profitable in 2017, resulting in top quartile positioning for margin improvement. Significantly, Invenias' growth is being driven from multiple angles, including an increasing proportion of revenues coming from the US, and from both executive search firms and corporates.

#### COMPANY SCORE



### Best Performing Company

BANKING & INSURANCE SOFTWARE

**CASHFAC**  
TECHNOLOGIES

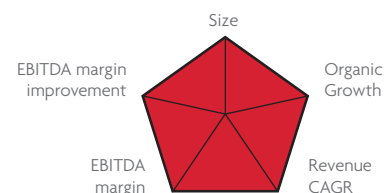
**Cashfac**

OWNERSHIP: Owner Managed

*Founded in 1999, Cashfac provides bank-to-corporate cash management software to financial institutions, corporates and public sector organisations.*

**Megabyte View:** Cashfac is an exciting UK fintech business capitalising on the increasing complexities of the payment supply chain and a regulatory environment that demands more transparency. While its financial performance has been lumpy in the past, due to the nature of its clients, Cashfac grew rapidly in its latest year, underpinned by a growing roster of banking clients and high upselling opportunities. We also look forward to its push into serving smaller corporates, with plans to launch a cash management app.

#### COMPANY SCORE



Find out more **about our awards** and view  
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## Best Performing Company

GOVERNMENT & HEALTHCARE SOFTWARE



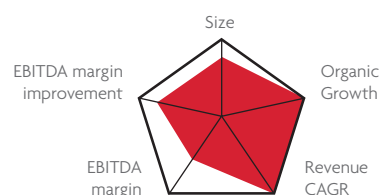
**Linguamatics**

OWNERSHIP: Owner Managed

*Linguamatics provides natural language processing software that helps the pharma-biotech and healthcare industries speed up the drug-discovery cycle and improve patient outcomes.*

**Megabyte View:** Linguamatics is the latest strong performing pharmaceutical industry focused software and services business to come under the Megabyte microscope following the likes of Phlexglobal and Dotmatics. In recent years, the company has performed well across core US and European geographies and Pharmaceutical, Government, and Healthcare market segments, earning itself top quartile growth positioning.

### COMPANY SCORE



## Best Performing Company

SECURITY & INFRASTRUCTURE SOFTWARE



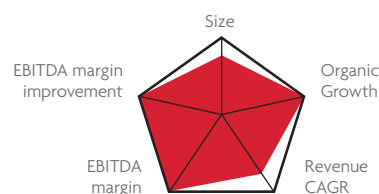
**Livingstone Technologies**

OWNERSHIP: Owner Managed

*Livingstone specialises in software asset management (SAM), offering a managed service backed by a proprietary platform, LUCE, that manages perpetual and SaaS software licences.*

**Megabyte View:** Demand for better software asset monitoring and management tools continues to grow, driven by a vendor shift to SaaS-delivered models and growth in the sheer number of software solutions businesses now use. Livingstone has positioned itself well to take advantage of this, not only through a software solution, but a managed, recurring revenue service that has driven strong revenue and margin growth.

### COMPANY SCORE



## Best Performing Company

SPECIALIST APPLICATIONS

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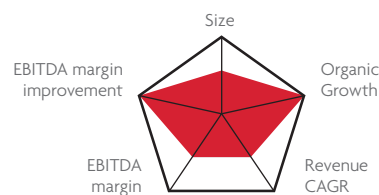
**Greycon**

OWNERSHIP: Owner Managed

*Founded in 1985, Greycon provides production planning, scheduling, and forecasting software and Manufacturing Execution Systems to roll-based and flat sheet industries worldwide.*

**Megabyte View:** Greycon is certainly one of the more niche software players we track and its achievement of Emerging Stars status comes following a rich new seam of international growth (97% of revenue is from overseas). This has been delivered by high levels of investment into product development and the support of its partnership network, which looks to underpin a positive growth outlook going forward.

### COMPANY SCORE



# ICT SERVICES PEER GROUP AWARDS

Recognising best-in-class performance  
within individual peer groups

## Best Performing Company

CONSULTING & SYSTEMS INTEGRATION



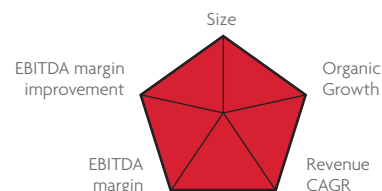
### Godel Technologies

OWNERSHIP: Owner Managed

*Godel is a provider of agile development services focusing on areas such agile consulting, continuous delivery, business analysis, software development, quality assurance, digital transformation and business intelligence.*

**Megabyte View:** Godel's nearshore model has enabled the company to grow at a rapid but sustainable pace, carefully managing demand and over-delivering, rather than taking a 'growth at all costs' approach. This has resulted in Godel maintaining an impressive client retention rate, with existing customers contributing to 78-85% of revenues over the last four years. Godel is another example of the trend towards onshore/nearshore IT services versus offshore outsourcing to India and similar places.

#### COMPANY SCORE



## Best Performing Company

DATA CENTRE & HOSTING SERVICES



### SecureCloud+

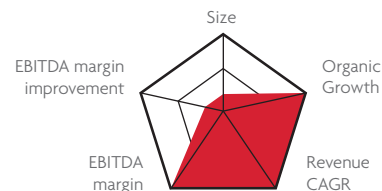
### SecureCloud+

OWNERSHIP: Owner Managed

*SecureCloud+ was founded in 2012 and provides Cloud and related IT services to defence and public sector users, with a security focus.*

**Megabyte View:** Behind the generic service description, SecureCloud+ has grown rapidly and profitably (if still cash consuming) off the back of a small number of advanced projects primarily for the UK armed forces. In the year to March 2017, both revenues and EBITDA broadly doubled, to £3.4m and £0.6m respectively. However, the current year may be less spectacular with calendar 2017 revenues from G-Cloud of £2.0m down 45% on 2016.

#### COMPANY SCORE



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## Best Performing Company

INFRASTRUCTURE SERVICES



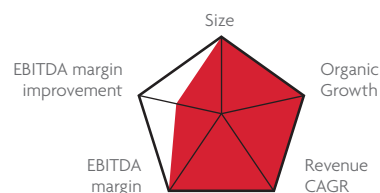
**BCN Group**

OWNERSHIP: Owner Managed

*BCN Group's managed IT, professional and Cloud services are split into nine areas, including storage, collaboration & unified comms, IT support services and cyber security. It has a focus on the North West of England.*

**Megabuyte View:** In a market that's quickly shifting to a services-led model, BCN has adapted from its original 2009 tin-shifting roots. The focus, and the majority of its work now is in services in hybrid Cloud environments, which has helped strike a solid balance between growth, margins, and cash generation. The current year should be more of the same.

### COMPANY SCORE



## Best Performing Company

MOBILE WIRELESS & SATELLITE



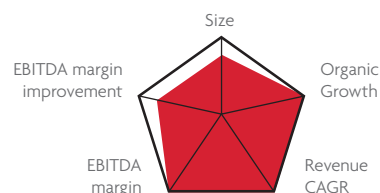
**Excelerate Group**

OWNERSHIP: Owner Managed

*Founded in 2001, Excelerate is a provider of real-time data, video and voice via satellite and wireless solutions to public services organisations and the commercial sector, where communications are critical.*

**Megabuyte View:** Through some interesting IP and products, Excelerate continues to build its presence in the critical communications space, with its range of flexible solutions allowing it to penetrate both the public (e.g. Fire & Rescue, Ambulance Services) and commercial (e.g. Transport and Utilities) sectors. Furthermore, Excelerate is confident that its business model can go global, with the company gaining traction in Australia and the Middle East.

### COMPANY SCORE



## Best Performing Company

TELECOMS & NETWORKS

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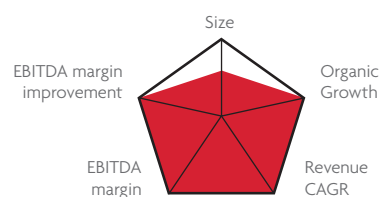
**Wifinity**

OWNERSHIP: Owner Managed

*Kingston-upon-Thames-based Wifinity was founded in 2007 and specialises in the provision of WiFi services in hard to reach campus-type environments, including military barracks, holiday parks, schools and retail environments.*

**Megabuyte View:** Wifinity's market niche has served it well, with revenues up 2.7x to £6.8m from 2013 to 2016, whilst EBITDA has grown faster, with margins almost doubling from 24% to 46% over the same period. Whilst the company has funded capex out of EBITDA in recent years, a £10m debt facility in early 2017 and, we understand, a subsequent equity funding round, suggests bigger ambitions going forward.

### COMPANY SCORE



# THE STRONGEST PERFORMING PEER GROUPS

The tables below show the top-performing companies in each of the Megabuyte peer groups, as well as the average scores for each peer group. Despite a much greater presence of ICT Services companies amongst the Emerging Stars, the top performing peer groups (by average) were in the Software sector.

The Banking & Insurance Software peer group delivered the highest average score of 68, followed by the Government & Healthcare Software peer group at 65. Then we find the top ICT Services sector peer group, in Data Centre & Hosting, with an average of 64. The highly populous Telecoms & Networks peer group produced an average of 60 and, while the Consulting & Systems Integration peer group yielded the best performing company (Godel), its Scorecard average is joint bottom at 52.

NB. Peer group averages are from the full qualifying short list of 188 companies.



The Megabuyte Scorecard is an invaluable tool in helping Kirona's board and investors understand the company's financial performance relative to its peers and the broader market across several key metrics.



**David Murray**


CEO, Kirona Solutions

Emerging Stars 2017 – Top 15 Company

## Software


### ACCOUNTING & ENTERPRISE SOFTWARE

PEER GROUP AVERAGE: **62**

	Score	Rank
Invenias  <small>Award: Best Performing Company</small>	90	8
Wax Digital	82	18


### BANKING & INSURANCE SOFTWARE

PEER GROUP AVERAGE: **68**

	Score	Rank
Cashfac  <small>Award: Best Performing Company</small>	97	2
Drive Software Solutions	96	6


### GOVERNMENT & HEALTHCARE SOFTWARE

PEER GROUP AVERAGE: **65**

	Score	Rank
Linguamatics  <small>Award: Best Performing Company</small>	88	10
BTL Group	80	25

### SECURITY & INFRASTRUCTURE SOFTWARE

PEER GROUP AVERAGE: **56**

	Score	Rank
Livingstone Technologies  <small>Award: Best Performing Company</small>	88	11
Deep Secure	82	21

### SPECIALIST APPLICATIONS

PEER GROUP AVERAGE: **57**

	Score	Rank
Greycon  <small>Award: Best Performing Company</small>	84	16

## ICT Services


### CONSULTING & SYSTEMS INTEGRATION

PEER GROUP AVERAGE: **52**

	Score	Rank
Godel Technologies  <small>Awards: Overall Winner &amp; Best Performing Company</small>	98	1
Access Computer Consulting	83	17


### DATA CENTRE & HOSTING SERVICES

PEER GROUP AVERAGE: **64**

	Score	Rank
SecureCloud+  <small>Awards: Overall Winner &amp; Best Performing Company</small>	82	20
Beeks Financial Cloud	81	24


### INFRASTRUCTURE SERVICES

PEER GROUP AVERAGE: **52**

	Score	Rank
BCN Group  <small>Award: Best Performing Company</small>	89	9
SICL	85	15
Wanstor	82	22
Agilitas IT Solutions	82	23


### MOBILE, WIRELESS & SATELLITE

PEER GROUP AVERAGE: **58**

	Score	Rank
Excelerate Group  <small>Award: Best Performing Company</small>	91	7
WCCTV	86	14

### TELECOMS & NETWORKS

PEER GROUP AVERAGE: **60**

	Score	Rank
Wifinity  <small>Award: Best Performing Company</small>	96	3
Zest4	96	4
Telesis	96	5
Aculab	87	12
thevoicefactory	87	13
Windsor Telecom	82	19

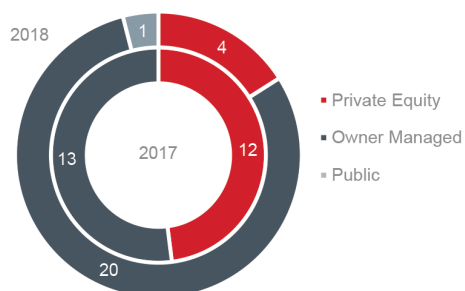
## OWNERSHIP STRUCTURE

Reviewing the ownership structure of the 25 Emerging Stars companies shows a heavy concentration in owner managed businesses and the first ever publicly-listed Emerging Star.

Of the class of 2018, 20 businesses are owner managed, 4 have received external funding from private equity, venture capital or other investor institutions, and 1 is listed on the public markets. This highlights a notable shift in dynamics to the prior year, where the split between owner managed and externally funded businesses was broadly even and no quoted companies were included. More broadly, the scarcity of listed business simply reflects the relatively small number of businesses that choose to IPO in this size range; only 17 of the entire 188 Scorecard Lite dataset are public.

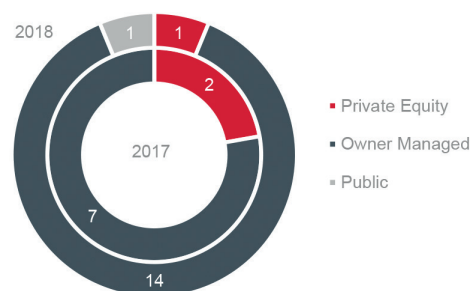
Drilling deeper into this year's more populous ICT Services Sector, which includes 16 of the 25 Emerging Stars, reveals a heavy skew towards owner managed businesses, to the extent that three out of the four externally funded businesses within the Emerging Stars 25 are in the Software sector. This underlines the differing penetration of external investment between the two sectors – of the 101 ICT Services businesses in the Scorecard Lite dataset 12 are externally funded (12%), and of the 87 Software companies 24 are externally funded (28%).

FIGURE 5: Emerging Stars by Ownership



Source:  
– Megabuyte

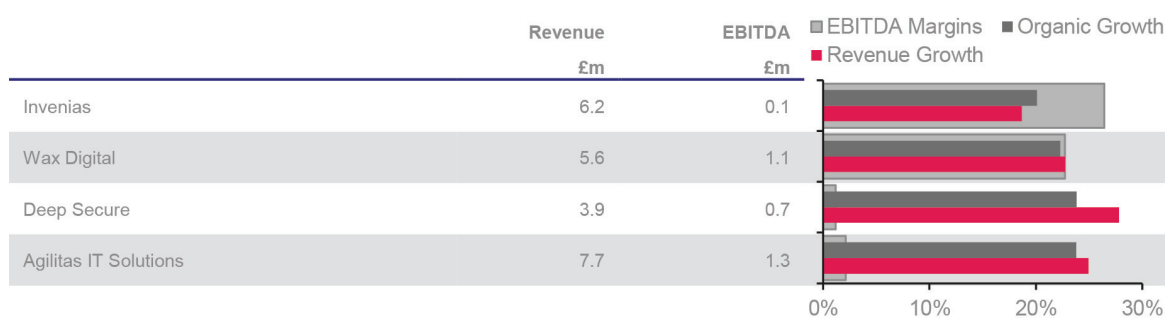
FIGURE 6: ICT Services Sector Ownership



### TOP EXTERNALLY FUNDED COMPANIES

The leading Emerging Star that has received external funding is Invenias, which is ranked 8th overall, followed by software compatriots Wax Digital (18th) and Deep Secure (21st). The only ICT Services business is 23rd placed Agilitas IT Solutions.

FIGURE 7: Top 5 Externally Funded Companies



Source:  
– Megabuyte  
– Company Accounts

### TOP OWNER MANAGED COMPANIES

The top 5 owner-managed Emerging Stars businesses mirrors the overall rankings. Hence, the top Emerging Stars performer Godel Technologies represents the top performing owner-managed ICT

Services business, closely followed by the top performing owner-managed software business Cashfac. The remaining three businesses are all in the Telecoms & Networks peer group.

FIGURE 8: Top 5 Owner Managed Companies



Source:  
– Megabuyte  
– Company Accounts

# CORPORATE ACTIVITY

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## A look back at the Emerging Stars class of 2017

In this section, we take a detailed look back at the corporate activity of the 2017 Emerging Stars class.

While the deal volume among this cohort has been low over the past year, the transactions clearly highlight that Emerging stars find themselves, unsurprisingly, as more of a target. Five companies were acquired by trade buyers, two raised money from external investors and, while M&A was sparse, the first ever acquisition for Maven Capital-backed Vodat International is noteworthy, as we estimate it has doubled the size of the business.

### OWNER-MANAGED BUSINESSES FALL TO TRADE BUYERS

There were seven owner managed businesses from the class of 2017 subject to corporate activity over the past year. TCP LifeSystems and Midshire were bought by overseas trade buyers, Rockford IT and Venus Business Communications were acquired by their respective peers SysGroup and Metronet (now M24Seven), and Fairsail was fully acquired by Sage, which already owned a 21% stake. StarLeaf received its first external funding from Grafton Capital and Highland Europe, while Dotmatics received investment from Scottish Equity Partners. On a broader point, this corporate activity underlines how fertile the Megabuyte Emerging Stars are for sourcing M&A and we suspect the new class of 2018 will be subject to similar corporate interests.

View all **Emerging Stars 2017 winners** at

**[www.megabuyte-awards.com/  
emerging-stars/winning-companies](http://www.megabuyte-awards.com/emerging-stars/winning-companies)**

TABLE 2: ES 2017 owner-managed businesses... where are they now?

Company	Peer Group	2017 Ranking	Transaction Type	Current Investor	Deal EV*
TCP LifeSystems	BIS	3	Acquired	iPipeline	£70m
Fairsail	AES	6	Acquired	Sage	£103m
Rockford IT	IS	7	Acquired	SysGroup	£4m
Dotmatics	GHS	8	MBO	Scottish Equity Partners	£50m
StarLeaf	TN	10	GC	Grafton Capital, Highland Europe	–
Venus Business Communications TN	TN	16	Acquired	Metronet	£8m
Midshire	IS	17	Acquired	Sharp Business Systems	£30m

## Source:

- Megabuyte
- Company announcements

## NB:

- \*TCP LifeSystems, Dotmatics, Venus Business Communications and Midshire deal values are Megabuyte estimates
- StarLeaf raised \$40m

megabuyte



## Emerging Stars 2017

### INDIVIDUAL AWARD WINNERS



metapraxis



# *Prospects for* **MEGABUYTE50 & MEGABUYTE QUOTED25**

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## What now for the class of 2018?

Looking ahead to next year's Emerging Stars, we expect the cohort of companies to, again, materially change from the class of 2018. This greater churn of businesses is driven by M&A, higher volatility in financial performances and the fact that many will outgrow the Emerging Stars criteria – of which more below.

Following a remarkably high concentration of owner managed businesses in this year's Emerging Stars class, we expect a greater proportion of externally funded businesses next year on the back of strong private funding interest in this part of the market.

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all **Emerging Stars 2018 winners** at

[www.megabuyte-awards.com](http://www.megabuyte-awards.com)



## TOP PROSPECTS


We have identified nine prospects from the class of 2018 that, on their current revenue growth trajectories, look likely to exceed the Emerging Stars upper revenue limit of £10m in their next set of results, and, assuming continued profitability, are strong candidates for the next edition of our Megabyte50. While Beeks Financial Cloud became the first public company to earn Emerging Stars status, it remains at the lower end of the size criteria, resulting in no prospects for the Megabyte Quoted25. With that said, there is every chance that one or more of this year's Emerging Stars will undertake an IPO.

We'd also like to commend the financial performance of Dotmatics which, after featuring in the Emerging Stars class of 2017, went on to place as a top 10 Megabyte50 business last year, as well as receive external investment, highlighting the potential for many of these businesses to maintain their high growth trajectories and establish themselves in the UK mid-market tech industry.

TABLE 3: Top prospects for Megabyte50

Company	Peer Group	Ownership	Revenue £m	Revenue CAGR	EBITDA Margin
Godel Technologies	CSI	Owner Managed	9.0	49%	20%
Cashfac	BIS	Owner Managed	9.4	19%	26%
Zest4	TN	Owner Managed	8.7	98%	7%
BCN Group	IS	Owner Managed	8.5	25%	17%
Linguamatics	GHS	Owner Managed	8.1	25%	2%
WCCTV	MWS	Owner Managed	9.5	26%	16%
SICL	IS	Owner Managed	9.0	11%	16%
Access Computer Consulting	CSI	Owner Managed	9.3	58%	6%
Wanstor	IS	Owner Managed	8.9	18%	14%

Source:  
– Megabyte

 We are delighted to be recognised in this year's Megabyte Emerging Stars Awards. The fact that our performance has been accredited by the financial rigour of the Megabyte Scorecard provides confidence in our ability to accomplish our growth ambitions.



**Paul Ellis**

Co-founder & CEO, Wax Digital

Emerging Stars 2018 – Top 20 Company

## The megabuyte Forum

▼ The EMERGING STARS AWARDS is a Megabuyte Forum event.

With around 1000 members, the Megabuyte Forum is unique to the technology sector and offers unparalleled CXO peer networking.

Forum membership is open to CXOs of UK-headquartered technology companies; you do not have to be a Megabuyte subscriber. Investor and adviser involvement with the Megabuyte Forum is restricted to Megabuyte subscribers and, for enhanced Forum access, on a sponsorship basis.

[www.megabuyte.com/forum](http://www.megabuyte.com/forum)

## About megabuyte

▼ Megabuyte is an independent research provider servicing the UK's leading technology sector CXOs, investors and advisers.

We deliver expert, independent and strategically actionable insights addressing the financial and corporate affairs of some 600 of the UK's key public and private technology companies in the ICT Services and Software sectors. A combination of our proprietary content, rigorous analytics and deep domain experience make our research and opinions highly sought after by those seeking incisive and unvarnished intelligence and insights.

Our research is available on-line, through subscription or pay-as-you-go, or on a retained or ad-hoc consultancy basis.

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## About megabuyte awards

▼ We run three awards, each focused on different categories of UK technology companies and at different stages of their development. Together, they are designed to identify the Top 100 companies in the Megabuyte coverage universe of Software and ICT Services companies.

The Megabuyte award series grew out of our daily research activities, specifically scoring companies' financial performance against peers using our proprietary Megabuyte Scorecard methodology. If we know who the best-of-the-best are, why would we not share that information more widely within the industry?

Our mid-market focused awards – the Megabuyte50 and Megabuyte Quoted25 – focus on privately-owned and publicly-listed companies respectively.

Our Megabuyte Emerging Stars awards focus on smaller companies who are mid-market leaders of the future. These awards incorporate both private and public companies.

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