

corporate financing *week*

Private Software M&A Valuations Head North

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M&A valuations for private software companies have significantly increased over the past 18 months as private equity investors and strategic players target the high margins and recurring revenues in the sector, said David Reuter, a v.p. at Philadelphia-based private equity firm LLR Partners. Private businesses are being sold for eight to 12 times EBITDA and 1.5 to three times revenues now, compared with five to seven times EBITDA and one to two times revenues 18 months ago. Reuter covers the IT services and the business services sector for LLR.

Reuter expects to see more sponsor-backed companies such as Infor Global Solutions to be sold or go public going forward since attractive market conditions will likely encourage leveraged buyout shops to find avenues for liquidity. Representatives from Alpharetta, Ga.-based Infor, which is backed by a handful of private equity firms including Golden Gate Capital and Summit Partners, were not available for comment.

Earlier this month, LLR sold Yardley, Pa.-based software developer Prophet 21, one of the firm's portfolio companies, to Activant Solutions, an Austin, Texas-based business management software company for \$215 million. Reuter said multiples were in the range mentioned above.