

# IT2 Treasury Solutions Sold to Wall Street Systems for ‘up to £75m’

Neil Ainger - 11 January 2013

*IT2 Treasury Solutions (IT2), which is owned by private investor CapMan Technology, has been sold to Wall Street Systems for an undisclosed sum that gtnews understands is likely to be in the region of £60-75m.*

IT2 provides treasury management systems (TMS) and services for large corporate treasurer customers and small and mid-sized financial institutions. The deal is still to go through due diligence and calls to Wall Street Systems enquiring about the sum for the deal have so far met with a rebuff, with a spokesperson for IT2 also saying the firm “won’t be giving any comment or disclosing a [sale] figure”.

Tommy Valther Hansen, chairman of the CapMan private equity fund, also said in response to a call from *gtnews* that “he cannot disclose the price”, but the sale figure is likely to be in the region of £60-75m according to *gtnews* sources. Valther Hansen added that the “industrial logic of a sale to Wall Street Systems” was obvious and maintained that it would be “business as usual” for IT2, suggesting that the management structure of the TMS firm will remain unchanged.

Headquartered in London, IT2 also has offices in Copenhagen, Amsterdam, New York and Hong Kong. CapMan Funds, which also owns Silex, Symbio and ten other firms in its technology portfolio, originally invested in IT2 back in July 2007, but is disposing of 100% of its shares, equivalent to 86% of the equity, to Wall Street Systems as part of the deal. During the firm’s holding period, IT2’s revenue increased at a compound annual growth rate (CAGR) of 17%. No word has yet been forthcoming about the fate of IT2’s Scottish chief executive officer (CEO), Kevin Grant, or the management structure under the new deal, but the founder is considered a key asset and, therefore, likely to remain in-situ.

“The company’s prospects to continue its successful operations as part of a larger group remain excellent,” added Grant in a prepared statement.

## Up to £75m Likely Sale Price

Whenever CapMan has been approached in the past they have indicated they would want a sale figure that

was four times IT2’s turnover, which has proven to be unobtainable previously. With IT2 known to have been targeting an annual turnover of £20m per year, however, and understood to have come close to that figure in 2012 the mathematics of a deal would appear to have changed. Based on these assumptions “a sale price north of £60m and possibly as high as £75m would seem likely” according to a *gtnews* source.

CapMan has been stressed by its exposure to a large property portfolio in recent years so the private equity firm would certainly need a good price to forgo the on-going cash revenue provided by IT2, making the four times revenue target credible.

In a prepared statement CapMan chairman, Tommy Valther Hansen, said: “IT2 was a very successful investment for the CapMan Technology 2007 funds and we are pleased with the opportunity to develop the company into a significant treasury management service provider. We invested in IT2 primarily because of the company’s competitive product, strong reputation and international growth opportunities. The business has developed even faster than we initially expected, especially in the US, and profitability has remained high throughout the CapMan investment period.”

## News Analysis: Consolidation and a New Rival to SunGard?

Wall Street Systems’ (WSS) acquisition of IT2 is a long-awaited step in the expected consolidation of the treasury technology vendor marketplace. IT2’s five-year run of success has provided the ideal exit scenario for private equity investor CapMan to cash out its investment, leaving the firm with an established vendor partner in WSS moving forward. The fact that one more independent TMS vendor is disappearing, however, further encouraging consolidation in the marketplace and perhaps a lack of choice for corporate treasurers may cause some in the industry to worry.

Wall Street's expansion into the treasury space has, to date, absorbed Trema, Thomson and CityFinancials. This latest acquisition echoes the growth of SunGard's corporate treasury portfolio 10 or so years ago. A rival group is perhaps being born before our very eyes.

So where does the acquisition leave existing IT2 and CityFinancials clients? The two systems have been head-to-head for years, with both products primarily competing for blue chip corporate business in the North American and Western European marketplaces. The efforts needed for product integration are always substantial, and Wall Street's vision presumably either accommodates the necessary investment in integration, or else the strategic replacement of one system with the other.

### Market Reaction

This is a point echoed by the CEO of rival technology firm Reval, Jiro Okochi, who points out that "when a vendor's strategy is growth through multiple acquisitions, customers should ask how the treasury software they paid for fits into the vendor's product and service strategy over the next 3-5 years? Customers lose if the vendor can't continue to invest in multiple, competing business lines or in the integration of various solutions." WSS has the money to pursue either strategy, of course, and it will be interesting to see which one it chooses to pursue.

Wall Street Systems and their owner, ION trading, often follow an opaque approach, so this latest acquisition and its implications for CityFinancials will need to be judged by actions rather than words. Existing IT2 clients will take some comfort from WSS' deep pockets. The complexity of the merger and its no doubt detailed execution plans will probably allow for some breathing space for existing clients before any amendments or integration efforts become apparent.

The purchase of IT2 puts Wall Street in a position where they arguably hold the most modern solutions available for corporate treasurer automation. In contrast, SunGard's ecosystem approach is based on the solid qualities of the AvantGard Quantum and Integrity systems, backed up with an array of finance-oriented payables and receivables solutions. Treasurers now have two contrasting models upon which to base their selection decisions.

"Wall Street Systems is well known in the industry for acquiring standalone treasury management technology vendors," said Bob Stark, vice president of strategy at Kyriba, in response to the sale. "From an outsider's perspective, it will be interesting to see which products WSS will keep from this acquisition [echoing Okochi's point], and which products it will be looking to replace in its existing portfolio. In particular, I will be interested to see if this will spell the end of CityFinancials' brief run in Wall Street Systems' portfolio."



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Neil Ainger is editor-in-chief at gtnews, having joined the title in January 2012. He maintains a keen interest in technology and banking, especially in the payments and mobile fields, having previously been the deputy editor at Banking Technology and editor of FSTech. Ainger has a BA (Hons) in English from Leeds University, UK, and has also worked at Reed Elsevier and on internal publications for BT Global, PwC and Lucent Communications (in NYC), having been employed as a journalist since graduating in 1995.