

NS Acquisition



ACQUISITION OF ARC TECHNOLOGY LIMITED

[SOFTWARE CIRCLE PLC](#)

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21 February 2024

Software Circle plc
("Software Circle", the "Company" or the "Group")

Acquisition of ARC Technology Limited ("ARC")

Software Circle plc (AIM: SFT) is pleased to announce that it has acquired the entire issued share capital of ARC Technology Limited, a leading provider of software solutions for the management of practice-based learning to higher education institutions across the UK and the Republic of Ireland, based in Byfleet, Surrey.

The total consideration of up to £2.0m will be satisfied in cash and is structured on a debt free/cash free basis. The acquisition is expected to be cash flow generative and earnings enhancing in the first year after acquisition.

The initial consideration paid at completion was £1.1m, with deferred consideration of £0.3m to be paid on the first anniversary of completion. Up to a further £0.6m is payable contingent upon the achievement of certain targets relating to the future financial performance of ARC (the "Earn-out"). Further information on the terms of the acquisition is set out below.

About ARC Technology Limited

ARC's solutions offer academic institutions a powerful, fully-integrated administrative software suite, allowing students, tutors and departmental staff to become empowered users of academic and institutional information.

The core platform enables university placement teams to centrally administer student placements, providing information about practice environments in which students undertake practice-based learning.

ARC has high client retention rates and in excess of 90% of revenues arise from annual recurring fees from its clients.

Nader Bishay, Managing Director and 50% shareholder of ARC, will remain with the business, entering into a new employment contract and will continue to lead the team of eight staff located in England. Founding shareholder Soraia Bishay will leave the business.

The unaudited financial statements for ARC for the year ended 31 July 2023 reported revenue of £1.1m, EBIT of £0.34m and closing net assets of £0.94m.

Terms of the Acquisition

The £1.1m initial consideration was funded from existing Software Circle cash reserves.

The £0.3m deferred consideration and Earn-out, if payable, of up to £0.6m, will be satisfied in cash.

The Earn-out is dependent on ARC achieving certain annual recurring revenue targets and may be achieved in full or in part by exceeding those targets in any of the two years commencing 21 February 2024.

Gavin Cockerill, CEO said: "We're delighted to announce our first acquisition since raising additional funds in September 2023 to further our aim of becoming a serial acquirer of Vertical Market software businesses. ARC meets our acquisition criteria extremely well and adds to Software Circle's growing family of niche vertical market SaaS companies that generate revenues of a recurring nature. We welcome Nader and his team to the Group and look forward to working with them to drive further growth in the years ahead."

Nader Bishay commented: "Having founded ARC in 1990, I am keen to remain part of the business. I was attracted by Software Circle's operating model which allows ARC's operations to continue and flourish in an independent decentralised way, supporting us where we need. I look forward to continue growing the business and taking it to the next level under Software Circle's ownership."

Outlook

We continually reach out to and start conversations with potential acquisition targets that match our criteria. The Group is currently in exclusive discussions with three acquisition targets with a collective turnover of approximately £4.1m and an adjusted EBITDA of £1.4m.

For further information:

Grafenia plc

Gavin Cockerill (CEO)

07968 510 662

Allenby Capital Limited (Nominated Adviser and broker)

David Hart / Piers Shimwell (Corporate Finance)

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Notes to editors:

Software Circle plc is a UK based acquirer of vertical market software businesses. Our aim is to help founders find the right exit strategy, without fuss or drama. Continuing operations in an independent, decentralised way. Keeping the entrepreneurial spirit and culture that exists in the businesses we acquire. Providing a permanent home for their teams, management talent and culture.

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