



BIRTH OF AN INTERNATIONAL SOFTWARE LEADER IN THE RETAIL SECTOR

Deal snapshot

- The founder and management team of software solutions provider Cylande and two French private equity funds, Bpifrance Investissement and Naxicap, have sold the company to Cegid, a digital transformation group, for an undisclosed consideration.
- Founded more than 30 years ago, Cylande provides retail software solutions to help retailers and specialty brands in France and abroad develop their business. Cylande's portfolio offers a wide range of omni-channel solutions that handle all types of distribution channels, store sizes and distribution networks. Cylande, with 340 employees and revenues of US\$35 million in 2016, works with more than 180 world-renowned brands, reflecting its successful strategy and high-quality products. The company operates in France, China, Portugal, Poland and the Ivory Coast.
- Cegid offers a number of solutions for financial management, tax and human resources as well as business applications aimed at the retail, manufacturing, wholesale and services sectors, and administration and public sector organizations. Driven by an ambitious innovation policy, the group integrates cloud services, mobile technology, data analysis, digitization and collaborative business platforms. Cegid has 120,000 customers in 75 countries and 2,200 employees, with 2016 revenues reaching US\$315 million. This acquisition underpins Cegid's ambitious growth plans as it looks to accelerate its development in the rapidly evolving retail sector.



What our client said

Jean-Pierre Paugam, Founder, Cylande, France

"We are proud of what we have achieved with Cylande over the years and of having created a dominant global group with the combination of the two companies. Thanks to Cegid's significant resources, we are very happy to continue supporting our clients with the same commitment and spirit of mutual trust that has contributed to Cylande's success."

Our role in the transaction

Oaklins' team in France advised Cylande's shareholders throughout the competitive process between private equity and strategic acquirors, and managed the sale of the company to Cegid.



Market trends and deal drivers

- The retail software industry is largely driven by the retail industry. The French retail industry is picking up after a few years of slowdown:
 - The overall retail industry in France is expected to grow by a 2.1% CAGR between 2015 and 2020.
 - Although e-commerce is growing fast, physical stores will still account for 90% of sales in 2020.
- The retail industry is changing quickly, and embracing the digital transformation has become a “survival of the fittest” matter for retailers:
 - The impact of digital activity on retailers goes far beyond e-commerce. In 2015, digital media influenced more than half of in-store purchases.
 - Major e-tailers’ entry into the “physical” world, such as Amazon, is jeopardizing traditional retail players.
 - Retailers must embrace change and implement omni-channel capabilities to adapt to changing customer behavior and protect their margins.
- Retailers will increasingly need vertical-specific software and IT services to cope with the required pace of transformation, driving growth in the retail software market over the next five years:
 - Retailers are challenged by the pace of digital change and are raising their IT spending, despite constrained budgets. IT services spending is rising, from 5.1% in 2015 to expected growth of 6.1% in 2020 for tier 1 and tier 2 specialized retailers.
- The vertical-specific software and IT services market for retailers in France is forecast to increase 5.4% CAGR, from US\$500 million in 2015 to US\$645 million by 2020.

M&A valuation aspects

- Valuations for vertical market software (VMS) companies remain very strong due to the potential growth of the sector and the consolidation of the market.
- Both private equity and industrial players are looking for prime targets to build and strengthen their market leadership, generating bidding wars.

Oaklins industry specialist



✉ **Eric Félix-Faure**, Co-founder and Managing Partner, Oaklins, France

Eric has extensive experience in the software industry and has advised many clients over the last 10 years. He advised on the LBOs of JVS Group, and the sales of Prod-IG to 1Life and AvenAo Industries to Prodways, among others. “After a very competitive process between strategic buyers and private equity firms, we are very proud to have participated in the birth of a French global leader, which is very unusual in this software consolidating industry, where the buyers are mostly from the US.”

OAKLINS HAS CLOSED 239 DEALS IN TMT IN THE LAST FIVE YEARS

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