



Transforming digital
workplace technology
available to SMBs

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DEAL SNAPSHOT

Altodigital Networks Ltd, the UK's largest independent office, service and technology provider, has been acquired by Xerox Holdings Corporation.

Founded in 1987 by James Abraham, Altodigital has a national UK footprint offering a range of products and services spanning print, IT, communications, document management and office supplies. The company employs around 400 staff and provides a comprehensive range of managed services – specializing in managed print services (MPS) – to over 8,000 clients. With annual revenues of approximately US\$86 million and a nationwide reach, Altodigital is the perfect partner to grow Xerox's offering to small and medium-sized businesses (SMB) that are seeking a modern work experience.

Xerox was one of the pioneers in office print and copy technology and remains a leading global OEM with annual revenues of US\$10 billion. Its strategy is to grow in the SMB market through the combined power of a strong portfolio of workplace solutions and well-established local technology providers. Xerox acquired Altodigital along with two smaller independent MPS providers to deliver on this strategy in the UK.

“We're supporting small and medium-sized businesses seeking a modern work experience through these acquisitions in the UK,” said Xavier Heiss, EVP and President of EMEA Operations at Xerox.

“Altodigital is joining Xerox on its incredible journey as it undergoes a digital-first transformation and invests in customer-focused innovation. We share Xerox's vision to broaden the range of services and technologies available to SMBs requiring a modern work experience.”

JAMES ABRAHART
FOUNDER

ALTODIGITAL NETWORKS LTD, UK

OAKLINS FOUND THE BEST PARTNER TO EXPAND THE BUSINESS

Oaklins Cavendish, based in the UK, advised the shareholders of Altodigital on its sale to Xerox.



MARKET TRENDS & DEAL DRIVERS

MPS revenues from the SMB market segment will surpass those from the large enterprise segment for the first time by the year 2021.

OEMs' traditional route-to-market via dealers means they are not in control of the customer relationship in this key SMB segment. When they go direct they cannot provide hybrid solutions incorporating products from other OEMs and their after-sales service is geared to large accounts.

OEMs are in a race with private equity-backed consolidators to acquire the high-quality, founder-owned independent MPS providers with scale.

Xerox's acquisition of Altodigital follows HP's acquisition of Apogee and Kyocera's acquisition of Annodata as examples of this trend.

M&A VALUATION ASPECTS

The valuation of the acquisition of Altodigital was not disclosed, but was at a premium to most transactions in the sector, which have been for 7–9x EBITDA.

Acquirors look closely at the profit margins of MPS providers, with EBITDA margins far in excess of 20% viewed as unsustainable.

OEMs are also interested in the number of machines-in-field (MIF) the MPS provider has supplied into its client base. This is seen as a proxy for the future revenue opportunity to service that equipment, supply consumables and ultimately refresh for new equipment on an upgrade cycle.

TALK TO OUR ADVISOR



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Andrew has worked on a large number of transactions. His clients included UK and international companies operating in the telecoms, engineering and leisure sectors. His experience of the sell-side ranges from the successful completion of a major leveraged buyout to the securing of venture capital funding for niche technology companies. In 2016, he advised on the sale of Annodata, another leading UK MPS and IT services provider, to Kyocera Corporation of Japan.

“We are delighted to have advised James Abrahart and the Altodigital team throughout this process, and we were pleased that we were able to help them secure the perfect strategic partner which shares their focus on serving the burgeoning SMB market. Joining forces with Xerox will provide Altodigital's clients with access to a broader offering of technology services – a demand trend we are seeing across the ICT sector.”



Oaklins

OAKLINS HAS CLOSED 601 DEALS IN BSS

Oaklins is the world's most experienced mid-market M&A advisor, with over 850 professionals globally and dedicated industry teams in more than 45 countries.

We have closed 1,700 transactions in the past five years.

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