



**P&I**

Growth through product development, strengthening recurring revenue and small M&A opportunities

“We thank the Hg team for its support which helped us become a leading HR software provider in the DACH region and we appreciate its continuous investment as a strong sign of confidence in our growth prospects.”

Vasilios Triadis, CEO of P&I

## About P&I

P&I (Personal & Informatik AG) supplies software for the management of payroll, workforce, time management, human capital management and HR analytics, to mid-market ‘Mittelstand’ companies (with 200–5,000 employees), across a range of industries, as well as to the public sector.

Founded in 1968 and headquartered in Wiesbaden, Germany, P&I supplies companies in Germany, Austria and Switzerland, as well as across thirteen countries in Europe, via its partners. It employs more than 400 people with offices in Austria, Switzerland, Slovakia and the Netherlands.

Over the course of more than four decades, P&I products have been enriched with information from the highly diverse tasks and best practices of more than 15,000 customers (of whom 3,900 are direct).

## Why did we invest in P&I?

We first identified the regulatory driven software space as an attractive sub-sector in 2002. We continue to see attractive, long-term growth in the European payroll and transactional HR sector for leading, innovative players.

P&I displays specific characteristics that we look for in our portfolio companies: a scalable business model with a broad, diversified customer base; strong customer loyalty; and a significant share of recurring revenues,

driven by ongoing regulatory changes. As a driver of innovation in HR technology, P&I is highly rated among its customers for the quality of its products.

Our investment in P&I followed a decade of tracking the business, enabling us to build a strong relationship with the business’ management as well as to conduct thorough due diligence, through the economic cycle.

P&I had seen strong operating performance with a historical 10-year track record of consistent revenue and EBITDA growth. It also demonstrated low sensitivity to economic market cycles. Our investment in P&I is typical of our commitment to finding businesses that meet specific objectives and profiles, where origination and business models are concerned.

## The investment process

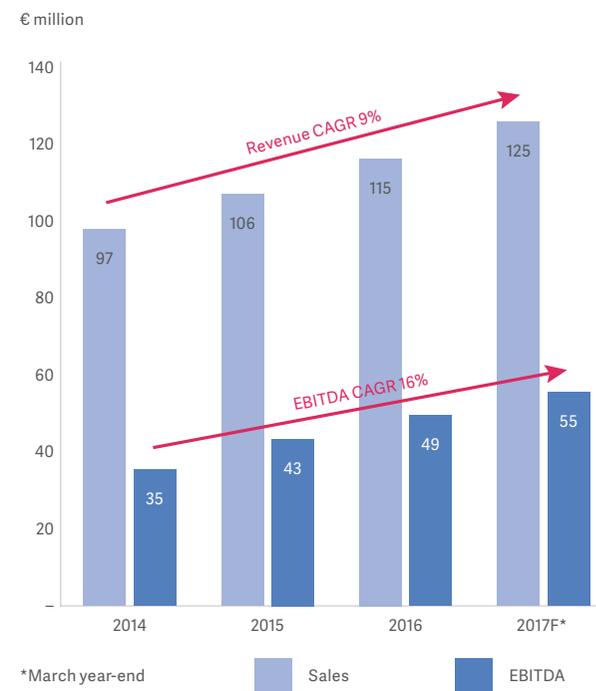
In December 2013, we, along with a number of co-investors and P&I’s management, acquired 92% of shares in P&I from Carlyle. The implied EV of the business was €438.0 million.

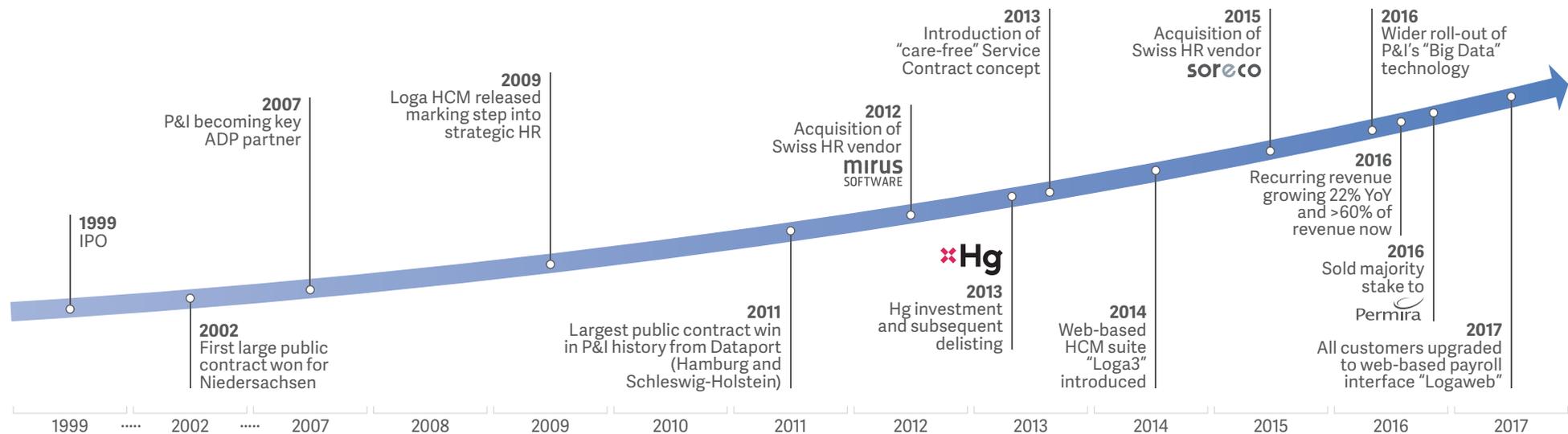
## How did we support them and create value?

From the outset we saw the opportunity to continue to develop P&I’s product offerings, including: the addition of further Human Capital Management functionality; the strengthening of its recurring revenue base; and the increasing adoption of its cloud service technology (P&I Big Data) into their customer base.

There was also potential for small M&A opportunities in the relatively fragmented HR management systems, payroll, time management and expenses markets, both in the DACH region and internationally.

With our support, P&I acquired a Swiss payroll vendor, Soreco HR, in 2015.





In addition to growth and product development, we focused on strengthening P&I's financial and operating reporting, as well as defining the company's forward business plan.

### What was the result?

Over our investment period, P&I saw compound annual EBITDA growth of 16% p.a. P&I continues to perform well and saw high single digit revenue growth, 22% growth in recurring revenues and 17% EBITDA growth over the 2017 financial year to date. This has been driven by strong sales to both existing and new customers with growth in high margin revenue streams, such as licence, maintenance and P&I Big Data, leading to margin expansion.

P&I has made significant progress in shifting its customer base to its cloud service technology, P&I Big Data, which is expected to further improve efficiency and scalability for both P&I and its customers.

With adoption rates of more than 90%, this has driven year-on-year growth in recurring revenue in excess of 6% in 2016 to 22% year-to-date FY2017. The move into Big Data has also had a positive effect on the operating efficiency of the business, driving increases in average sales licence revenue per employee and average consulting EBITDA revenue margin to 44% in 2017.

### What was the exit?

In January 2016, we completed P&I's refinancing, returning 60% of the original investment made in December 2013 to clients. In November 2016, we completed the sale of P&I to a company backed by funds of Permira, an international investment firm.

The combined return represents an investment multiple of 2.3x cost and a 37% gross IRR over P&I's holding period to date. We have retained a minority position of €70 million in P&I.

2.3X

Investment return multiple of cost

37% p.a.

Gross IRR