

Allocate

investing in R&D to accelerate organic growth

September 2018

About Allocate

Allocate optimises the medical profession's most valuable assets – its people – to deliver excellent care for patients.

Its core software product allows for the smooth running of workforce rostering, time & attendance, monitoring and reporting. This addresses a clear and increasingly pressing need for efficiency and safety in front-line medicine and care.

Why did we invest in Allocate?

Allocate has a long term growth opportunity driven by the fundamental needs of its customers for efficiency, compliance and safety.

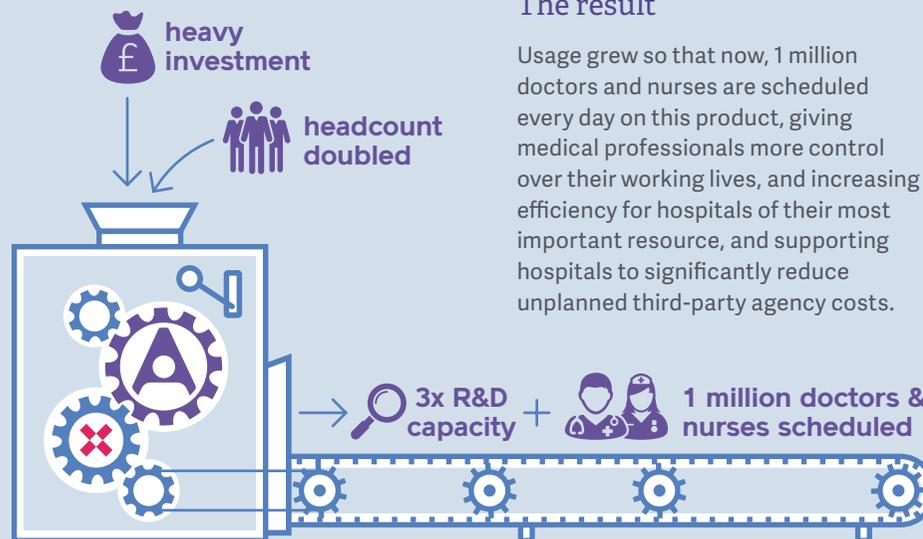
The business had many of the characteristics that Hg looks for in an investment: a leader in its sector with strong growth potential; a large and engaged client base; and a significant opportunity to transform & scale the business internationally.



How did we support Allocate?

Investing in R&D

We invested heavily in R&D, doubling headcount, and increasing the overall level of R&D capacity by 3x, which enabled significantly more investment into the usability and adoption of core products while building new products to support long-term growth.



The result

Usage grew so that now, 1 million doctors and nurses are scheduled every day on this product, giving medical professionals more control over their working lives, and increasing efficiency for hospitals of their most important resource, and supporting hospitals to significantly reduce unplanned third-party agency costs.

Case study:



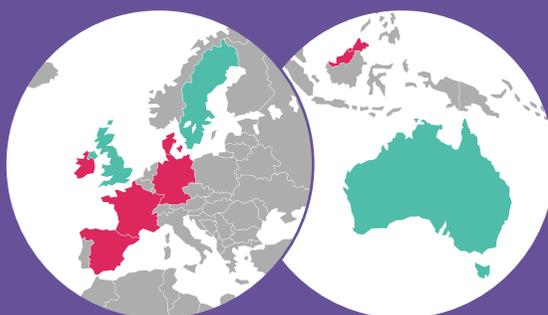
Allocate's products have always been successful with nursing staff, but doctors have, in the past, been resistant to adopting electronic rostering. Investment in our Medics product range has provided doctors with a product that they wanted to use for the first time, leading to a doubling of revenues over the investment period from the Medics products, and significant growth in adoption.



Revenue doubled

Expanding Allocate's global footprint

Under Hg, Allocate grew into new markets, leveraging Hg's networks across Europe to acquire a business in France, partner in Denmark, and grow organically in Germany and Spain. This supported an acceleration of organic growth from 8% at the time of the acquisition to 20% in FY18



● Pre-Hg global reach ● Post-Hg global reach

SaaS transition

Hg oversaw the transition from a 'license & maintenance' model to a 'subscription' model with recurring revenue going from 47% to 75%.



Licence purchase

- Single fee
- On-site installation
- On-site reactive customer support



Cloud subscription

- Recurring revenue
- SaaS delivery
- Remote proactive service improvements

How did we create value?

Investing in R&D to accelerate organic growth

Allocate has changed substantially under a programme of significant changes driven and supported by Hg.

Investing materially in product development and R&D led to an acceleration of organic revenue growth and significant value has been created through the large increase in recurring revenue. We have worked with the Allocate to achieve greater customer engagement and supported the further internationalisation of the company by seeding the future roll-out of Allocate's core Optima product in France, Germany, Spain and Denmark.

We are proud to have supported a substantial increase in employment and skills development at Allocate, with the business now employing 500 compared to 300 when we invested.

Summary of Hg's impact	at entry	April 2018
Organic growth rate p.a.	8%	20%
Recurring revenue	50%	75%
EBITDA margin	17%	30%
Customers using cloud	10%	80%
R&D staff	96	210
# countries active in	3	10

What was the Exit?

In April 2018, Allocate Software was sold to Vista Equity Partners.

Since the exit, Hg has re-invested in Allocate. The attraction for Vista is to retain Hg's considerable expertise in healthcare software, alongside our pan-European footprint, which is very complementary to delivering the future plans for the company.

This provides the opportunity to invest further into a business we have known for years and which has performed strongly, in a space we know well, and alongside a sponsor with a well-proven track record in software and with substantial capability to support Allocate to scale further globally which is a key target for its next phase of growth.

“ The significant investment and partnership with Hg over the period has supported the company to provide valued solutions to over a million additional healthcare, and other, workers in around 11 different countries worldwide. ”

Dr. Sati Sian, CEO of Allocate, 2015-2018