

# Growing one of the world's most successful cloud software companies

Hg partners with businesses that demonstrate compelling long-term growth potential. The following case study explains how Hg has supported Visma for over 12 years, during which time Visma has delivered consistent revenue growth at around 15% per year, evolving from a €450m business in 2006 into one valued at well over €5 billion today.

## About Visma

Established in 1996 and headquartered in Norway, Visma is a leading provider of mission-critical business Software as a Service ('SaaS') software to small and medium-sized enterprises (SMEs) and the public sector in the Nordic region as well as the Netherlands.

With over 8,000 employees, Visma provides accounting; resource planning and payroll software; as well as complete purchase-to-pay automated solutions including debt collection and procurement services, to its customer base of over 800,000 SMEs.

## Why did Hg invest in Visma?

Hg is a specialist technology investor committed to helping build world-leading businesses. Visma was an early example of Hg partnering with a business showing recurring revenues, offering business critical application software, supplying a fragmented SME customer base and their advisers – a focus which forms some of our key 'sweet spot' investment criteria today.

At the time of acquisition, in 2006, we had identified opportunities for Visma not only to grow its existing segments and acquire new segments, but also to further transition the business to a SaaS focused model.

“ Collaborating with Hg for well over a decade means we have had an investor who understands our universe and has been hugely supportive of Visma's transformation into a leading SaaS business in Europe. ”

Øystein Moan, CEO of Visma

# Creating Europe's biggest SaaS business

Hg advocates and recognises the strength of the SaaS model.

## Three distinct stages of Hg & Visma:

Hg has used our understanding of technology and software to advocate and support Visma's SaaS transition, creating what is now the biggest SaaS business for SMB's in Europe by SaaS revenue.

Hg has supported management with experienced project

and strategy executives who, alongside Visma's experts, could help implement initiatives to boost revenue growth.

There have been three distinct periods of Hg ownership over 13 years of consistent growth, each with different value-creation thesis and actions every 3-5 years:

2006 – 2010



## Integrating business to improve EBITDA

- Initially we identified that EBITDA could be improved by closer integration of recently acquired businesses. Boosting EBITDA and cashflow.

2008 – 2014



## Increasing subscriptions

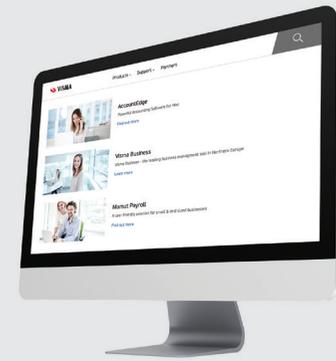
- Increased profits allowed us to push heavily on increasing % of subscription revenues at the expense of one-off license sales to build greater revenue predictability and certainty.
- Implemented group-wide net promoter score (NPS) programmes, to improve customer satisfaction and enable cross-selling.
- Focused on building out key segment positions where Visma was not a clear industry champion, but had the potential to be.

2010 – 2017



## SaaS transition

- Visma invested early and consistently in the development of true multi-tenant SaaS products and the associated changes in engineering and "devops" skills driven by early strong conviction from Øystein Moan, a technology-driven CEO, backed by a proprietary study led by Hg of the long-term positive impact on software businesses that had made the transition to true multi-tenant SaaS.
- Resulting in a suite of true-SaaS products and a SaaS transition many years ahead of its European peers.



## The continuing strength of the business: Visma today and the vision for the future

Visma's performance since 2006 has been consistently strong with unbroken, year-on-year EBITDA and revenue growth during this period, which included the global financial crisis- underpinning our decision to retain a stake in the business. Today, Visma has grown to become the largest player in the SMB SaaS segment in Europe and one of the top SaaS companies globally.

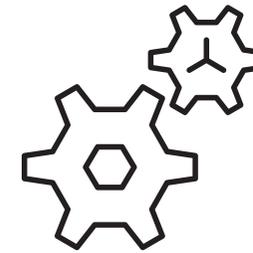
For 2018 and beyond, Visma and Hg are working together to continue this momentum. We will continue the transformative M&A programme and further expand the business' total addressable market – following on from the Raet acquisition which has already expanded Visma' footprint in the Netherlands.

Although highly successful to date, the SaaS transition also has further room for growth. Having developed world-class products over the last 5+ years, it is now time to focus on marketing strategies for these products, cross-selling and upselling new products into the existing customer base.

Finally, Visma is looking to leverage its long-standing relationships with SMEs in the Nordics, to whom it has provided accounting and payroll services since inception, to offer its customers better financial services, invoice discounting, factoring, business loans and other services.

Overall, Hg's 2017 re-investment and majority ownership of Visma alongside its long-term CEO reflects our conviction in the continuing strength of the business; backing a management team we know well with a strong track record of creating value for investors. With some of the most modern engineering and technology in Europe.

# Europe's leading software M&A machine



Visma and Hg have now collaborated on over 140 bolt-on acquisitions.

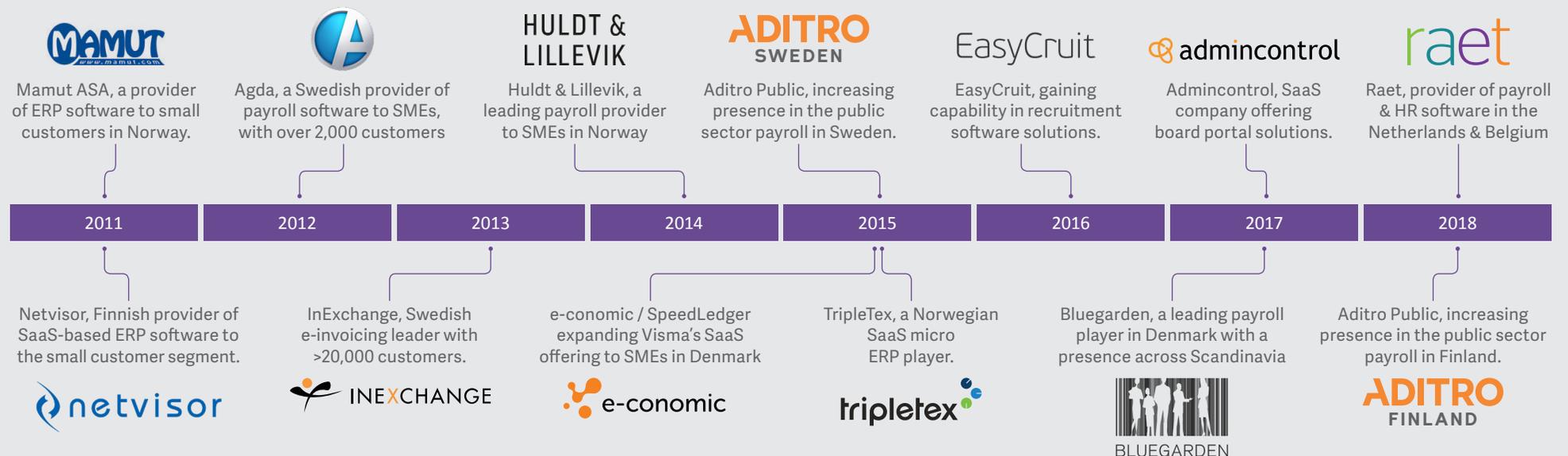
## How did we support them and create value?

Since 2006 we have been committed to growing the business. The original management team had grown Visma from a small public company, which they took over in 1997. Their management track record was already well proven. We gave them the freedom and backing to continue this work.

As part of the growth plan, Hg has supported Visma in completing more than 140 bolt-on acquisitions since 2006, ranging from small businesses to those over €150 million in revenue, professionalising their corporate M&A function.

One recent notable transaction was Raet, the industry leading provider of payroll & HR software to the Dutch and Belgian markets. Raet has over €150 million revenues and serves more than 10,000 customers across the Netherlands, Belgium and Latin America. Over time the M&A strategy has evolved into continuing to acquire small innovative companies in new product areas as well as occasionally making larger transformative acquisitions. Visma's streamlined integration of these businesses, whilst often retaining the original entrepreneurial CEOs, has been a key part of the growth strategy and Hg has worked closely with Visma to optimise this process.

## Recent notable transactions:



# Hg & Visma - shared history

## Our shared history through the eyes of an investor

Hg had experience in this sector, having completed a number of SME business software investments in Northern Europe, prior to investing in Visma.

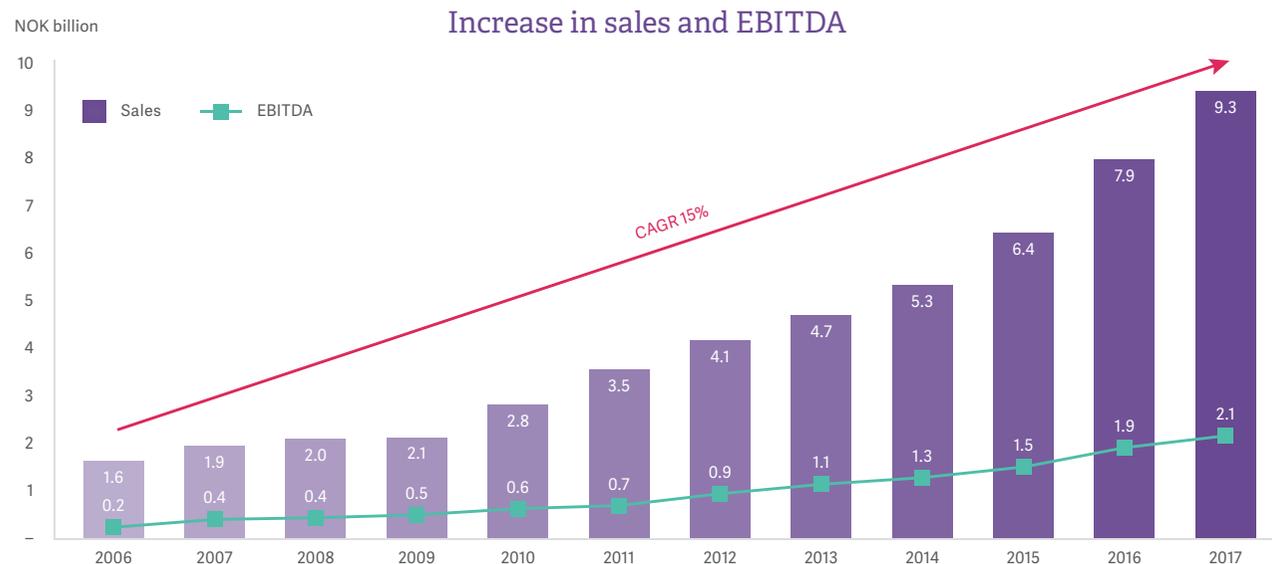
**2004** – Hg started building a relationship with Visma, then a company quoted on the Oslo stock exchange, and its management team.

**2006** – In May, Hg invested in Visma from the Hg5 fund, completing as ‘white knight’ investor, in response to a contested bid from a trade player. This public-to-private transaction valued Visma at NOK 4.3 billion (£382 million).

**2010** – Hg completed the partial sale of 63% of their investment to KKR. But retained a 30% stake and Board roles.

**2014** – Hg re-invested from Hg7, owning 31% of the company alongside similar stakes from KKR and Cinven. Visma valued at £2.2bn.

**2017** – In June, Hg invested further after KKR decided to sell their remaining stake, and Cinven decided to sell 40% of their investment. Through the Hg7 and Hg Saturn funds, Hg is now the lead investor and majority investor in Visma, alongside minority stakes from GIC, ICG, Montagu and Cinven. Visma valued at £4.4bn.



Figures exclude Visma BOP Division <https://www.visma.com/press-releases/divestiture-bpo/>



Number of acquisitions\*

140+



Growth in employee numbers\*

340%

2,500 to 8,500



Growth of EV\*

1,047%

£382m to £4.4bn+

\*over the period since 2006