

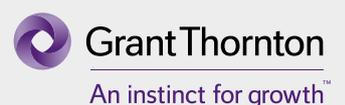
megabyte



THE WINNING COMPANIES 2020

The UK's best-performing
tech scale-ups

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Our technology industry specialists are located across the UK and around the globe, which means we're everywhere you are, as well as where you want to be.

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WELCOME TO THE megabuyte Emerging Stars awards 2020

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GLOSSARY

Peer Group Acronyms

Software

AES	Accounting & Enterprise Software
BIS	Banking & Insurance Software
GHS	Government & Healthcare Software
ISS	Industry Specific Software
SIS	Security & Infrastructure Software

ICT Services

DCH	Data Centre & Hosting Services
IS	Infrastructure Services
ITC	IT Consulting
TS	Telecoms Services

Report Acronyms

MBO	Management Buyout
SBO	Secondary Buyout
P2P	Public to Private
IPO	Initial Public Offering
FPO	Follow on Public Offering

Document Information

All share prices, valuations and Scorecard data are quoted as at the close of business on 14th November 2019.

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Ian Spence
FOUNDER & CEO, MEGABUYTE

Discovering excellence

As we enter a new decade, the pace of change in our industry is as dramatic as ever. A generational shift is well underway in how we all use technology both personally and in the workplace and, at Megabuyte, we believe that this generational shift will enter a new phase in the 2020s, as digital transformation accelerates, leading to a blurring of the lines between what is a technology company and what is classed as 'tech-enabled services'. By the end of this decade, we expect these two groups of companies to be indistinguishable from each other.

Against this backdrop, identifying and celebrating the very best scale-up companies in the technology sector is more important than ever, and that's what we aim to do with the Emerging Stars awards. And we have been working harder than ever to build our understanding of this vital part of the technology ecosystem. As we detail later in this report, one of the main developments for Megabuyte over the last year has been a rapid expansion in our coverage of emerging technology companies as we aim to spot the next winners in this coming phase of the generational shift; we call it our Discovery database.

Summarising my thoughts on the key themes in this year's Emerging Stars report, three stand out. While average organic growth for our 2020 Emerging Stars cohort has 'slowed' slightly from last year, it still stands at an incredibly impressive 45%. And as I discussed in my foreword last year, we feel strongly at Megabuyte that all but the very few companies pursuing a genuine hyper-growth opportunity should also be self-funding after the start-up phase. Once again, our Emerging Stars companies smash the rule of 40, ably reinforcing this view, led by the overall winner, e-learning solutions provider CDSM.

Given the sheer number of high quality businesses in the Emerging Stars cohort, one of the biggest surprises for me since we published the last Emerging Stars report, is that none of the Emerging Stars cohort of 2019 has received private equity backing. Conversely, there have

been a significant number of trade deals, with 20% of the 25 companies in the 2019 Emerging Stars acquired by other technology companies. In turn, this points to a broader, and not altogether welcome trend that, too many of our mid-market stars of the future will never reach their potential as independent companies.

Perhaps underlining the above point, it is interesting that there has been a resurgence in owner managed businesses in the Emerging Stars cohort. I know from talking regularly to dozens of private equity investors that there is a very keen appetite for Emerging Stars companies but, on this evidence, there is still plenty to go for; all they need to do is beat the trade buyers to the plate!

As I have written in my foreword in all three Winning Companies' reports this year, it has been particularly gratifying that all of our Partner and Platinum awards sponsors have decided to come along with us as we move into the new decade and a revamped awards programme. I want to take this opportunity to thank all of our sponsors for their ongoing support and, in particular, Grant Thornton and NatWest who have supported the Emerging Stars programme from the outset.

Published by the team at megabuyte

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The Industry Leaders of the Future

Executive Summary

The Megabuyte Scorecard has developed into a key component of Megabuyte's day-to-day research, giving the research team and subscribers the ability to quickly understand the relative performance and health of businesses, and increasingly the consistency of a company's performance over time. Having tailored the methodology to businesses with revenues of between £3m and £10m, we have been able to identify and celebrate the latest batch of top performing scale-up companies. In this report, we expand on the Scorecard methodology, provide analysis on the 2020 Emerging Stars, review what last year's winners have been up to, and look at which companies might break out into our two other flagship awards programmes: Megabuyte50 and Megabuyte Quoted25.



 #emergingstars

DEFINING A SCALE-UP BUSINESS

We officially launched the Megabyte Scorecard in 2015, which now not only underpins our day-to-day research work at Megabyte but also our annual Megabyte50 and Megabyte Quoted25 awards. However, in analysing smaller companies, we needed a system that reflected the differing priorities of earlier stage companies, namely on growth. So, in early 2017, we developed the Scorecard Lite, which requires three years of accounts and relies on a P&L for each company. Unlike the Megabyte50 and Megabyte Quoted25 awards, Emerging Stars looks at both public and private companies within the revenue size range.

EMERGING COVERAGE EXPANSION

Megabyte's coverage of smaller exciting scale-up companies continues to expand at a rapid rate, highlighted by the launch of our discovery database earlier this year, which uses our in-house proprietary algorithm to estimate financials for over 900 companies that still publish exemption accounts. Achieving a spot in the Emerging Stars this year, therefore, is all the more impressive. As a group, the 25 Emerging Stars delivered average organic growth of 45%, which is almost double the average of the 2020 Megabyte50 and Megabyte Quoted25 winners, although the Emerging Stars' average for adjusted EBITDA margins of 8.4% are one-third of their level, reflecting the Emerging Stars' focus on investing for growth.

Analysing the 25 Emerging Stars in greater details shows that only seven businesses from last year retained a spot in the rankings. This reflects the fact that many of these businesses have been acquired by trade buyers or have outgrown the revenue criteria, while there is also greater competition as Megabyte's coverage grows in this size range; over one-third of the new entrants this year were added to Megabyte's database since the last awards, including this year's Overall Best Performing Company. Analysing the Emerging Stars shows a slightly greater representation of ICT Services versus Software businesses this year, as well as a greater proportion of owner managed versus externally funded businesses (which has been the case for all four years of the Emerging Stars programme), while the number of publicly-listed companies remains small.

2020 AWARDS

This year's winners of our two outstanding achievement awards are: owner managed e-learning solutions provider CDSM (Overall Best Performing Company); and AIM-listed exchange services and technology provider Aquis Exchange (Fastest Growing Company). The Emerging Stars programme also recognises the very best companies in eight of the nine ICT Services and Software peer groups (there is no Security & Infrastructure Software peer group award this year as no companies are present in the 25), with further details found on pages 12-17.

EMERGING STARS STILL A HEALTHY SOURCE FOR TRADE BUYERS

Looking at the corporate activity of last year's Emerging Stars class shows that, despite limited deal volume since the last awards, five have been acquired by trade buyers, of which three were by European (non-UK) buyers. Surprisingly, none of last year's cohort have received any private equity or growth capital investment, although one of the listed companies raised money on the public markets.

THE NEXT MID-MARKET COHORT

In addition to providing a great source of M&A, the Emerging Stars programme acts as an early warning system for the Megabyte50 and Megabyte Quoted25 companies, as highlighted by one of last year's Emerging Stars (Interact) winning the Megabyte50 this year. From the 2020 Emerging Stars, we have identified six prospects that, on their current revenue growth trajectories, look likely to exceed the Emerging Stars upper revenue limit of £10m in their next set of results, and, assuming continued/improved profitability, are strong candidates for the Megabyte50 or Megabyte Quoted25 awards.



Our Proprietary Benchmarking *Methodology*

megabyte scorecard

An *expert tool* for companies and the investor and advisory communities seeking to measure and understand companies' performance relative to peers.

WHAT DOES A 'GOOD' TECH COMPANY LOOK LIKE?

The Emerging Stars programme aims to talent spot future mid-market leaders from a cohort of smaller UK private and publicly-listed companies. While some of these companies are relatively young, many have been operating for several years but have recently found a rich growth seam. So, how does one go about assessing which companies are performing better than others? The Megabyte Scorecard provides technology companies, their investors and advisers a standardised methodology to benchmark company performance.

HOW DOES IT WORK?

The Megabyte Scorecard is a proprietary benchmarking methodology developed by the research team at Megabyte, pooling over 60 years of experience analysing ICT Services and Software companies. Compared with the seven key measures used for the Megabyte50 and Megabyte Quoted25 methodology, the Scorecard Lite system used for Emerging Stars assesses five key measures and is more focused around growth - two each for revenue growth and margins, and one for overall size. These are weighted to reflect what we believe is the optimum balance for scale-up companies.

HOW DOES IT WORK?

Companies eligible for the Emerging Stars programme are drawn from the peer groups we cover in the broader Megabyte universe; namely ICT Services and Software companies. For a company to be considered, it must also be UK-headquartered and domiciled, have generated revenues of £3-10m in its latest financial year, and have up-to-date accounts for a three-year period. Companies that have undergone significant M&A or other such transformational events are excluded.

→ **Growth:**

We put more weight on organic growth (measured for the most recent year), whilst also recognising the importance of M&A and longer term growth through a four year CAGR measure.

→ **Profitability:**

We use adjusted EBITDA margin less capitalised R&D as the optimal measure of P&L profitability and value added, as well as the trend of the margin over a four-year period.

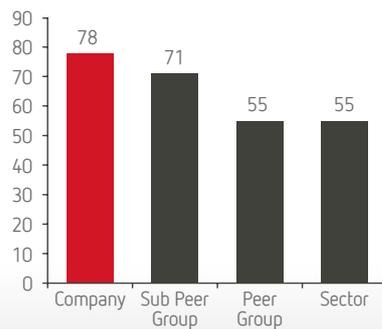
→ **Size:**

This measure reflects the fact that, while size does not in itself mean that a company is good or bad, the law of large numbers means that it is harder to generate organic growth, in percentage terms, as a company gets larger.

IT'S ALL ABOUT THE QUARTILES

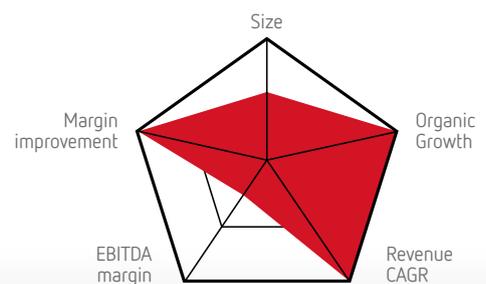
Companies are placed in quartiles for each of the five KPIs which, combined with the KPI weighting, produces an overall score out of 100. The quartile placings give a clear view of relatively strong and weak areas for each company, against its immediate peer groups, broader sectors, and the Megabyte universe, and therefore highlight areas of potential improvement. Note that these quartiles are 'live', changing on the platform as and when companies are added to the Scorecard or the financials of existing companies are updated; it is a truly empirical measure of company performance. Throughout the report, readers will see a company's primary score represented in our Quartile Radar 'spider' charts, an example of which is shown in Figure 2.

Figure 1: Benchmarking Scorecard performance across sectors



Source:
– Megabyte

Figure 2: Diving deeper into Scorecard performance metrics



Find out more about our
Scorecard methodology at
www.megabyte.com

Analysing the *Emerging Stars* of 2020



Emerging coverage expansion

Megabuyte is now tracking more than 2,400 companies across the Software, ICT Services and Media sectors in the UK. While coverage of the UK mid-market remains core, Megabuyte's efforts to spot exciting scale-up companies has advanced materially since the last awards through the launch of our discovery database, which uses an in-house proprietary algorithm to estimate financials for companies that still publish exemption accounts. We currently track more than 250 UK Software and ICT businesses that sit in the Emerging Stars programme's £3-10m revenue criteria, although this more than doubles to over 500 when including discovery companies. Of the 250 companies that do publish detailed accounts within the revenue criteria, an overwhelming majority are privately owned and 172 have a Scorecard Lite rating.

Table 1 shows the quartile performance of the entire 172 Scorecard Lite dataset. When we look at the Emerging Stars companies in the context of the data, we can see that, on average, Emerging Stars companies produce financial metrics in the top/fourth quartile, and often well above the quartile boundary.

Keeping with previous years, the 2020 Emerging Stars favoured growth over profitability, recording average organic growth of 45% and average adjusted EBITDA margins of 8.4% in their last financial year, the former being more than double the fourth quartile boundary. Interestingly, organic growth was significantly higher than average medium-term CAGR (28%) indicating that several businesses accelerated growth in their latest year. Average year-on-year margin improvement was

8.9 percentage points (pp), or a 1.6pp median, and average revenue size was £6.6m.

For added context, this year's Emerging Stars reported slower growth at half the margins compared to last year's winners; the 2019 cohort averaged 50% for organic growth, 48% for CAGR and 16% for EBITDA margins. However, as detailed on page 9, margin comparison isn't like-for-like given the new adjustments this year (of adding back capitalised development costs). Nevertheless, this year's Emerging Stars averaged growth close to double that of the 2020 Megabuyte50 and Megabuyte Quoted25 winners, while margins are circa one-third of their level, reflecting the greater focus on growth investment at this size range.

“ Being recognised in this year’s Emerging Stars Awards provides independent validation of our post MBO strategy that has seen initial investments now being rewarded by strong growth in profits and cash flow. The Megabuyte Scorecard acts as a unique tool to measure this success.

Chris Berry CEO, CIPHR
Emerging Stars 2020 – Top 15 Company
Emerging Stars 2019 – Top 15 Company



Table 1: How the Megabuyte Emerging Stars universe performs

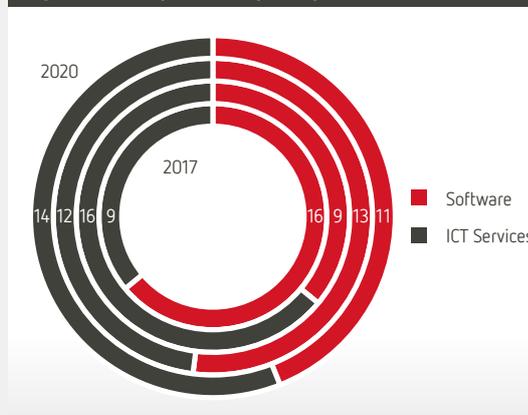
	Size Revenues (£m)	Organic Revenue Growth	Revenue CAGR	EBITDA Margin	EBITDA Margin Improvement (pp)
1st Quartile					
Boundary	4.5	-2.0%	0.4%	-12.2%	-3.2
2nd Quartile					
Boundary	6.4	5.5%	6.6%	3.3%	-0.1
3rd Quartile					
Boundary	8.2	19.0%	16.5%	12.3%	2.6
4th Quartile					
Emerging Stars avg.	6.6	44.5%	28.3%	8.4%	8.9

Source:
– Megabuyte

BALANCED SECTOR SPLITS

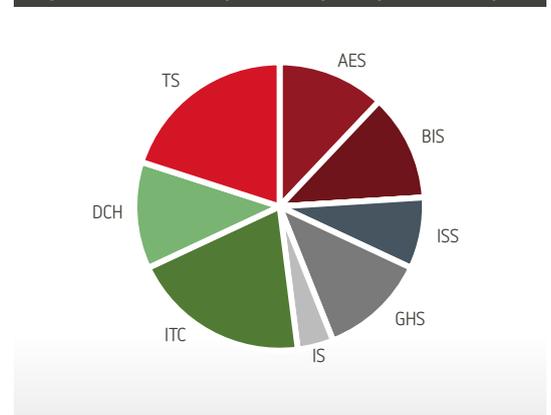
The distribution of Emerging Stars companies leaned slightly towards the ICT Services sector this year with 14 compared to Software’s 11, supported by strong representation in the Telecoms Services (five) and IT Consulting (five) peer groups. In the Software sector, the Accounting & Enterprise Software, Banking & Insurance Software and Government & Healthcare Software peer groups each accounted for three Emerging Stars, while the Security & Infrastructure Software peer group was the only peer group without any Emerging Stars.

Figure 3: Composition of ES by Sector



Source:
– Megabuyte

Figure 4: 2020 Composition of ES by Peer Group





Emerging Stars 2020 Rankings

Presenting the 2020 Emerging Stars

The tables in this section summarise the key data and Scorecard rankings for the class of 2020, as well as how the companies have moved relative to last year. We focus on the peer group category award winners in greater detail in the next section but, here, it is interesting to look at some of the high-level dynamics of the group.

When we look at who's in, who's out, who's up and who's down, the Emerging Stars featured a high number of new entrants (18 in total), driven by the fact that many of last year's Emerging Stars have either been acquired (see page 23) or outgrown the revenue criteria. Furthermore, over one-third of this year's new entrants have been added to the Megabyte database since the last awards, including this year's Overall Best Performing Company, CDSM. The majority of returning companies fell down the rankings, including last year's winner ENSEK, although it still placed 11th and topped the Industry Specific Software peer group. In contrast, Beeks Financial Cloud and Answer Digital climbed to third and fifth respectively.

This year's Emerging Stars is comprised of 13 owner managed, nine externally funded and three public companies, maintaining a broadly similar ownership split to last year. However, there was a higher concentration of owner managed businesses in the top half of the table this year, including three of the top five and the overall winner CDSM, contrasting to the top half dominance by externally funded businesses in the prior year. Nevertheless, the top externally funded business was SecureCloud+ in second place, while Beeks Financial Cloud is the top publicly listed business for the third year running.

“*Impero has been on a journey of transformation over the last few years, evolving its solutions and delivery mechanisms to meet the requirements of a changing school landscape. Being included in the 2020 Emerging Stars is a recognition of the payoffs of this change and the hard work behind this.*”

Justin Reilly CEO, Impero
Emerging Stars 2020 – Top 20 Company
Emerging Stars 2019 – Top 15 Company



The Top 5 Performing Companies

- ↑ Higher
- ↓ Lower
- Unchanged
- NEW New entrant

Rank	Trend	Company	Peer Group	Ownership	Latest Investor(s)	Revenue (£m)	Score	Prev Rank
1	NEW	CDSM Overall Winner & Best Performing Company (AES)	AES	Owner Managed	-	4.0	93	-
2	NEW	SecureCloud+ Best Performing Company (DCH)	DCH	Externally funded	Livingbridge	4.4	87	-
3	↑	Beeks Financial Cloud	DCH	Public	-	7.4	87	5
4	NEW	Jola Best Performing Company (TS)	TS	Owner Managed	-	3.5	80	-
5	↑	Answer Digital Best Performing Company (ITC)	ITC	Owner Managed	-	6.3	79	10

Emerging Stars companies 6-25

Rank	Trend	Company	Peer Group	Ownership	Latest Investor(s)	Revenue (£m)	Score	Prev Rank
6	NEW	Bitwise	ITC	Owner Managed	-	6.7	77	-
7	NEW	Kantox Best Performing Company (BIS)	BIS	Externally funded	Partech Ventures, Idivest Partners, Mundi Ventures	7.2	77	-
8	NEW	SLA Digital	BIS	Owner Managed	-	6.0	77	-
9	NEW	Orbital Internet Group	TS	Owner Managed	-	4.5	76	-
10	NEW	ContactEngine	AES	Externally funded	Beringea, Amadeus Capital Partners	6.7	76	-
11	↓	ENSEK Best Performing Company (ISS)	ISS	Externally funded	LDC	8.7	76	1
12	NEW	Altus	ITC	Owner Managed	-	9.1	75	-
13	NEW	Aquis Exchange Overall Fastest Growing Company	BIS	Public	-	4.0	74	-
14	↓	CIPHR	AES	Externally funded	LDC	9.3	74	12
15	↓	PRISYM ID Best Performing Company (GHS)	GHS	Owner Managed	-	8.3	73	6
16	NEW	razorblue Best Performing Company (IS)	IS	Owner Managed	-	3.8	73	-
17	NEW	Datum Datacentres	DCH	Externally funded	Darwin Private Equity	3.8	72	-
18	NEW	NVT Group	ITC	Owner Managed	-	10.0	72	-
19	↓	Impero	GHS	Externally funded	Investcorp	7.5	71	11
20	NEW	Telesoft Technologies	TS	Owner Managed	-	9.1	71	-
21	NEW	Incremental Group	ITC	Externally funded	Dunedin	6.6	71	-
22	NEW	adam	GHS	Owner Managed	-	3.4	70	-
23	NEW	Excelerate Technology	TS	Owner Managed	-	8.9	70	-
24	↓	CloudCall Group	TS	Public	-	8.8	70	22
25	NEW	Asite	ISS	Externally funded	Tchenguz family	8.0	69	-

Find out more about our awards and view all Emerging Stars 2020 winners at www.megabuyte-awards.com

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Emerging Stars *Award Winners*

Recognising the UK's best-performing future mid-market leaders among smaller, private and publicly-listed companies.

In addition to the accolade of being a Megabuyte Emerging Star, we also recognise the leading companies in eight of the nine peer groups, the Fastest Growing Company and the Best Performing Company overall. Here, we congratulate our 2020 award winners and provide some detail on their Scorecard performance.

Before we look at each of these companies individually, first a word on our overall winner. CDSM is an owner managed provider of e-learning solutions which, in its latest results to December 2018, grew revenues an all-organic 2.6x to £4.0m while also expanding EBITDA margins by 4.0x to 44.6% (£1.8m). CDSM's rapid growth is underpinned by its success in extending beyond its public sector presence to winning large enterprise clients.

“ We are delighted to be recognised in the Megabuyte Emerging Stars Awards this year. Recognition of this kind from a trusted source of independent research validates the strength of Aquis Exchange's business model.

Alasdair Haynes CEO, Aquis Exchange

 Fastest Growing Company 2020 (ISS)

”

Outstanding Performance AWARDS

Recognising outperformance across the Emerging Stars universe

Best Performing Company
Overall

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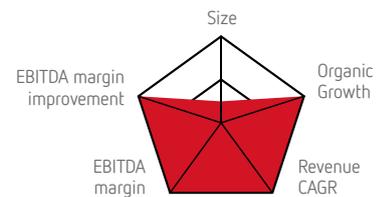
CDSM

OWNERSHIP: Owner Managed

CDSM provides learning and development software solutions and bespoke e-learning services to both the public and private sector.

MEGABUYTE VIEW: With its roots formed in schools and local government, CDSM has successfully transitioned its offering to also provide for the private sector. This has resulted in budding relationships with several large enterprises alongside its presence in education and local government, driving particularly strong growth in 2018. Going forward, the company looks well placed to continue its current momentum backed up by a healthy market for e-learning solutions.

COMPANY SCORE



Fastest Growing Company
Overall

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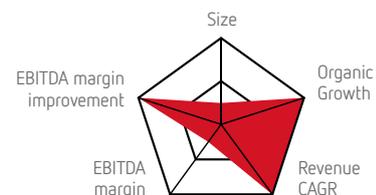
AQUIS EXCHANGE Aquis Exchange

OWNERSHIP: Public

Aquis Exchange is an exchange services provider, offering a pan-European cash equities trading exchange (Aquis Exchange) as well as matching engine and market surveillance technology for banks, investment firms, brokers and exchanges (Aquis Technologies).

MEGABUYTE VIEW: Aquis' unique subscription pricing model (charging via message traffic rather than per transaction) has enabled it to grow its roster of trading members and, in turn, fuel its rapid growth trajectory. While its expansion is supported by equally high spend, Aquis' margins are also improving at a rapid rate, underpinning its debut into the Emerging Stars.

COMPANY SCORE



Software PEER GROUP AWARDS
Recognising best-in-class performance within individual peer groups

Best Performing Company
Accounting & Enterprise Software

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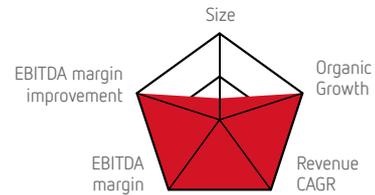
CDSM

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COMPANY SCORE



Best Performing Company
Banking & Insurance Software

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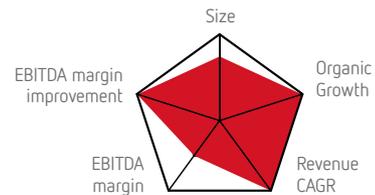
Kantox

OWNERSHIP: Externally funded

VC-backed Kantox provides currency management and payment solutions to enterprises.

MEGABUYTE VIEW: Kantox' success is underpinned by its focus on solving the fx headaches of SMEs and mid-caps (such as hedging fx risk, exchanging currency and making payments in foreign currencies), which often don't have the resources and knowledge to manage their fx in a smart way. With banks still owning most of the market, Kantox' main challenge is to educate clients and direct them away from expensive bank fees.

COMPANY SCORE



Find out more about our awards and view all Emerging Stars 2020 winners at
www.megabyte-awards.com

Best Performing Company
Government & Healthcare Software



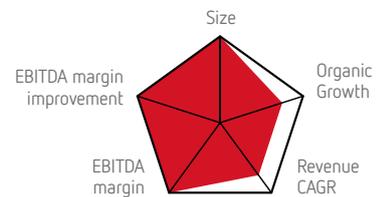
PRISYM ID

OWNERSHIP: Owner Managed

PRISYM ID provides label lifecycle management software solutions primarily to the medical device, clinical trials and pharmaceutical markets.

MEGABUYTE VIEW: PRISYM ID is a fairly unique business within the Megabyte Universe and part of a successful cohort of businesses focussed on the life sciences industry. Whilst historically focussed on the medical device market, the company has more recently been building share in the clinical trials market. A now two-time winner of the Government & Healthcare Software Emerging Stars Award, PRISYM ID seems well placed to continue prospering.

COMPANY SCORE



Best Performing Company
Industry Specific Software



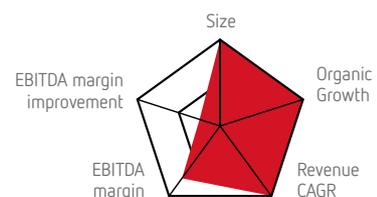
ENSEK

OWNERSHIP: Externally funded

LDC-backed ENSEK provides retail energy providers with end-to-end solutions to operate in the UK market, from initial contact and pricing through to billing, CRM, settlements and revenue & margin management.

MEGABUYTE VIEW: After winning the awards last year, it is unsurprising to see ENSEK retain a high position in the Emerging Stars as the company continues to capitalise on the needs of both small entrants and the largest energy suppliers to leverage smart offerings and deliver a flexible SaaS model. With ENSEK taking aim overseas, the challenge now turns to replicating its success in a new market while not losing sight on its domestic momentum.

COMPANY SCORE



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ICT Services PEER GROUP AWARDS

Recognising best-in-class performance within individual peer groups

Best Performing Company
Data Centre & Hosting Services

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SecureCloud+

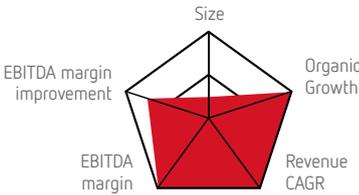
SecureCloud+

OWNERSHIP: Externally Funded

SecureCloud+ provides Cloud and related IT services, including private Cloud managed services, networked collaboration services (for use on military manoeuvres!), enterprise mobility and other security-related services focused on defence and public sector at various levels of security clearance.

MEGABUYTE VIEW: SecureCloud+ returns as an Emerging Star, having featured in 2018, but missed out in 2019 due to contract delays. These contracts came through in fiscal 2019, driving 51% revenue growth, with similar promised for this year, and helping persuade Livingbridge to invest in the group in September 2018.

COMPANY SCORE



Best Performing Company
Infrastructure Services



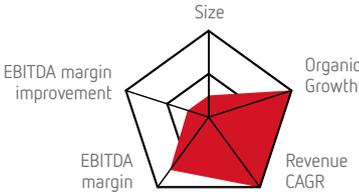
razorblue

OWNERSHIP: Owner Managed

razorblue is a managed IT support services provider, covering areas such as support desk, private Cloud, and connectivity. The company stands out in that it runs its own backbone network between Manchester, Leeds and London.

MEGABUYTE VIEW: razorblue straddles a fine line between our IT infrastructure and telecoms services cohorts and already punches above its weight when you consider the fact that it runs its own backbone network. A recent fundraising round has powered a Northern Powerhouse expansion strategy, with the company looking to acquire as it quickly scales both geographically and in terms of capabilities.

COMPANY SCORE



Find out more about our awards and view all Emerging Stars 2020 winners at www.megabuyte-awards.com

Best Performing Company
IT Consulting



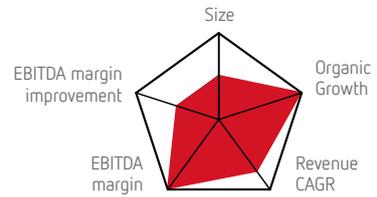
Answer Digital

OWNERSHIP: Owner Managed

Answer Digital is a digital transformation partner, with services covering bespoke transformation architecture and implementation, full stack development, experience design, and automated testing.

MEGABUYTE VIEW: It has not been an easy ride for Answer Digital over its 20 year history, but its current guise as a digital transformation partner taps into tangible demand from its core large enterprise customer base, driving its strong current growth trajectory. Additionally, a lynchpin to future growth will be its Academy, building a highly skilled workforce to carry out larger engagements.

COMPANY SCORE



Best Performing Company
Telecoms Services

SPONSORED BY



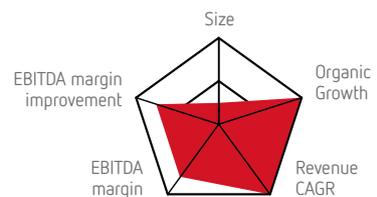
Jola

OWNERSHIP: Owner Managed

Jola is a mobile airtime platform provider focussed on mobile machine to machine (m2m) data services, targeting the retail, transport, logistics, public sector and broadcasting sectors through the channel. Its founders previously built similar channel focused business Griffin, which was sold to MDNX.

MEGABUYTE VIEW: All the signs are that management will replicate their success of Griffin with Jola, again by building an automated, partner-led network aggregation model in a fast growth market. Despite its relatively small size, Jola appears to enjoy strong MNO relationships and supports some major deployments, with an outlook of revenues doubling for at least the next three years.

COMPANY SCORE



The *Strongest Performing* Peer Groups

The tables opposite show the top-performing companies in each of the Megabyte peer groups, as well as the average scores for each peer group. From a sector perspective, ICT Services and Software both record an average of 50.

Telecoms Services and IT Consulting are the most populous Emerging Stars peer groups with five companies each, with the latter reflective of the insatiable need for digital transformation services. However, Data Centre & Hosting Services companies averaged the highest score for the second consecutive year at 62, underpinned by the high demand from corporates and Cloud service providers for data centre space and hosting services. Similarly, the Government & Healthcare Software peer group recorded the highest average in the Software sector for the second consecutive year at 55.

In contrast, there are no Security & Infrastructure Software companies in the Emerging Stars, marking the first absent peer group since we launched the Emerging Stars programme. This is partly driven by the predominantly international nature of both cyber security and infrastructure software businesses.

NB. Peer group averages are from the full qualifying short list of 172.

“

It is so gratifying that after only five years since we started, Jola has been recognised as an Emerging Star by Megabyte. With our m2m/IoT-focussed and partner-led platform model, which is profitable and self funding, we confidently predict many years of growth to come, hopefully taking us into the Megabyte50 top private companies.

Andrew Dickinson CEO, Jola

25 Best Performing Company 2020 (TS)

”

Software

Accounting & Enterprise Software

PEER GROUP AVERAGE: 52

	Score	Rank
CDSM ²⁵ <i>Award: Overall Winner & Best Performing Company</i>	93	1
ContactEngine	76	10
CIPHR	74	14

Banking & Insurance Software

PEER GROUP AVERAGE: 46

	Score	Rank
Kantox ²⁵ <i>Award: Best Performing Company</i>	77	7
SLA Digital	77	8
Aquis Exchange ²⁵ <i>Award: Overall Fastest Growing Company</i>	74	13

Government & Healthcare Software

PEER GROUP AVERAGE: 55

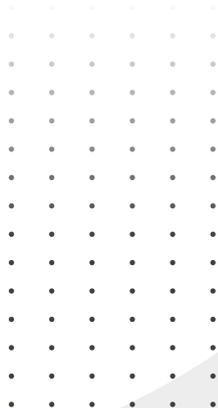
	Score	Rank
PRISYM ID ²⁵ <i>Award: Best Performing Company</i>	73	15
Impero	71	19
adam	70	22

Industry Specific Software

PEER GROUP AVERAGE: 49

	Score	Rank
ENSEK ²⁵ <i>Award: Best Performing Company</i>	76	11
Asite	69	25

Source:
– Megabyte



ICT Services

Data Centre & Hosting Services

PEER GROUP AVERAGE: 62

	Score	Rank
SecureCloud+ ²⁵ <i>Award: Best Performing Company</i>	87	2
Beeks Financial Cloud	87	3
Datum Datacentres	72	17

Infrastructure services

PEER GROUP AVERAGE: 50

	Score	Rank
razorblue ²⁵ <i>Award: Best Performing Company</i>	73	16

IT Consulting

PEER GROUP AVERAGE: 48

	Score	Rank
Answer Digital ²⁵ <i>Award: Best Performing Company</i>	79	5
Bitwise	77	6
Altus	75	12
NVT Group	72	18
Incremental Group	71	21

Telecoms Services

PEER GROUP AVERAGE: 49

	Score	Rank
Jola ²⁵ <i>Award: Best Performing Company</i>	80	4
Orbital Internet Group	76	9
Telesoft Technologies	71	20
Accelerate Technology	70	23
CloudCall Group	70	24

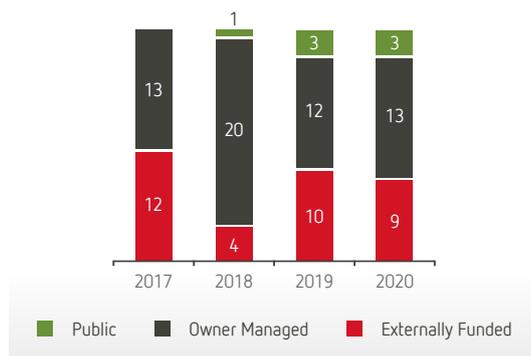
Ownership Structure

Reviewing the ownership structure of the 25 Emerging Stars companies shows a slight majority of owner managed companies, followed closely by externally funded companies, while a few are publicly-listed.

The 2020 Emerging Stars are split 13 owner managed, nine that have received external funding from private equity, venture capital or other investor institutions, and three listed on the public markets. While the ratio leans slightly in favour of owner managed businesses, the overarching trend has always been a broadly balanced split between owner managed and externally funded, with the exception of 2018's 20 vs 4 split (see Figure 5). This year's three public companies match the total from last year and is reflective of the scarcity of businesses that choose to IPO in this size range, accounting for only 16 out of the 172 eligible companies.

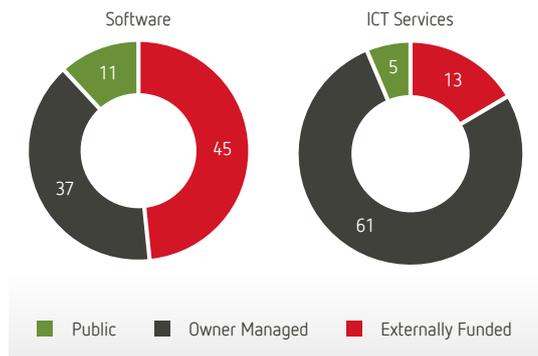
Reviewing the ownership dynamics by sector shows that the penetration of external investment is much greater in Software companies versus ICT Services (see Figure 6). This disparity filters through into the Emerging Stars as more than half of the 11 Software companies are externally funded (six externally funded, four owner managed, one public), in contrast to a one fifth penetration for the ICT Services (three externally funded, nine owner managed, two public).

Figure 5: Emerging Stars by Ownership



Source:
– Megabuyte

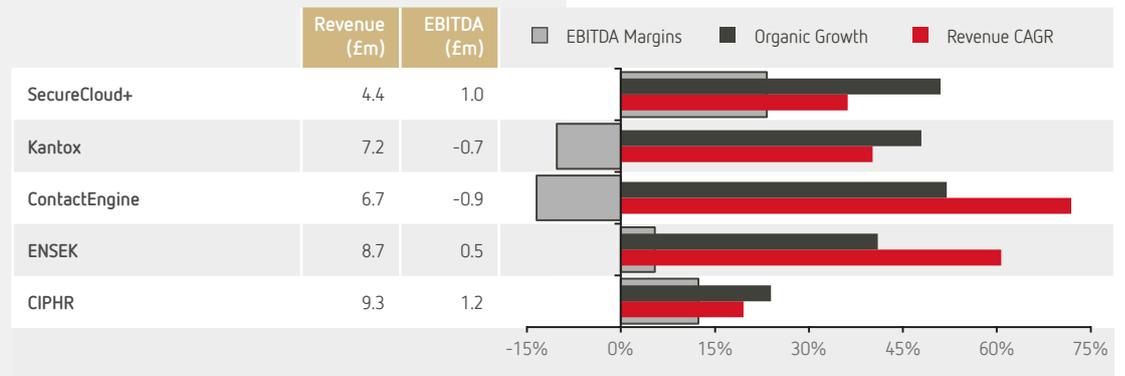
Figure 6: 2020 Sector Splits



TOP EXTERNALLY FUNDED COMPANIES

The leading Emerging Star that has received external funding is SecureCloud+, which placed second overall. The remaining four externally funded businesses are all in the Software sector, including Kantox, ContactEngine, ENSEK and CIPHR, which placed 7th, 10th, 11th and 14th overall.

Figure 7: Top 5 Externally Funded Companies

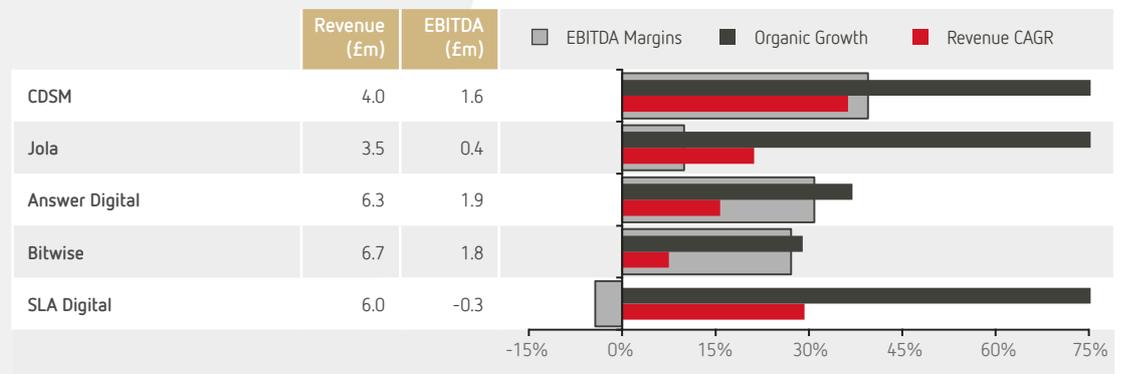


Source:
– Megabyte
– Company Accounts

TOP OWNER-MANAGED COMPANIES

In contrast to the externally funded companies, the top five owner managed businesses are predominantly from the ICT Services sector, including CDSM, Jola, Answer Digital and Bitwise, which all placed in the top six overall. The only software vendor to feature in this list was SLA Digital, which placed 8th overall.

Figure 8: Top 5 Owner-Managed Companies



Source:
– Megabyte
– Company Accounts

NB:
– Organic Growth:
CDSM (163%),
Jola (95%) and
SLA Digital (85%)

Corporate Activity

A look back at the Emerging Stars class of 2019

In this section, we look back at the corporate activity of the 2019 Emerging Stars class. The limited deal volume since the last awards reflects the fact that Emerging Stars find themselves as more of a target than an acquirer, with five being bought by trade buyers over the last year. However, two Emerging Stars have completed bolt-on acquisitions. Surprisingly, none of last year's cohort have received any private equity or growth capital investment, although one of the listed companies raised money on the public markets.

EMERGING STARS STILL A HEALTHY SOURCE FOR TRADE BUYERS

Across the Megabyte universe there continues to be significant corporate interests from overseas trade buyers, driven to some degree by the weaker Pound but, in many cases, by the high quality assets in a thriving UK technology sector. This trend has also been prevalent among the Emerging Stars as Telesis, EU Supply and Wax Digital were all acquired by European trade buyers (Firstcom Europe, Merzell and Medius respectively). Meanwhile, active acquirer Access Group led some consolidation in the e-learning technology space as it bought Unicorn Training Group and Safety Media.

In a rare reversal, two Emerging Stars assumed the role as the acquirer. HeleCloud, in its first ever acquisition, bought Netherlands-based AWS peer OlinData, and Beeks Financial Cloud acquired US-based low latency hosting peer Commercial Network Services. Onto fundraising, there was a surprising absence of any growth capital or private equity investment. However, CloudCall raised £12m on the public markets, while Seal Software from the class of 2018 raised \$15m from DocuSign.

View all previous years' Emerging Stars winning companies at

www.megabyte-awards.com

Table 2: ES 2019 businesses... where are they now?

Company	Peer Group	2019 Ranking	Transaction Type	Role	Target/ Acquirer/ Investor	Deal EV
HeleCloud	ITC	4	M&A	Buyer	OlinData	-
Beeks Financial Cloud	AES	5	M&A	Buyer	Commercial Network Services	£1m
Safety Media	AES	7	M&A	Seller	Access Group	*£43m
Telesis	TS	5	M&A	Seller	Firstcom Europe	*£19m
Unicorn Training Group	AES	17	M&A	Seller	Access Group	*£23m
EU Supply	AES	19	M&A	Seller	Mercell	£16m
Wax Digital	AES	21	M&A	Seller	Medius	*£48m
CloudCall	TS	22	FPO	-	-	£12m

Source:

- Megabyte
- Company Accounts

NB:

- All deal values with an * are Megabyte estimates
- FPO: Follow On Public Offer



#emergingstars

Prospects for Megabuyte50 & Megabuyte Quoted25

What now for the class of 2020?

Looking ahead to next year's Emerging Stars, we expect the cohort of companies to, again, experience a high level of churn, given that companies in this size range are often subject to M&A, experience greater volatility in financial performances while some, as we detail on the next page, are on track to outgrow the Emerging Stars revenue criteria.

Despite owner-managed businesses accounting for the majority of Emerging Stars for all four years since starting the programme, we expect the proportion of externally funded businesses to remain material due to the enormous amount of private equity money still left to deploy and the increasing interest in smaller companies, partly on account of a scarcity of high quality mid-market assets.

Find out more about our awards and
view all Emerging Stars 2020 winners at
www.megabuyte-awards.com

TOP PROSPECTS

We have identified six prospects from the class of 2020 that, on their current revenue growth trajectories, look likely to exceed the Emerging Stars upper revenue limit of £10m in their next set of results, and, assuming continued/improved profitability, are strong candidates primarily for our privately-focused Megabyte50 awards. However, Megabyte Quoted25 prospects include Beeks Financial Cloud, which (at the time of writing) is expected to report year to June 2020 revenues of £10.7m (+45%) with EBITDA margins of 36% according to consensus estimates, while there is every chance that one or more of this year's Emerging Stars will undertake an IPO.

We'd also like to commend 2019 Emerging Star Interact's impressive feat of winning this year's Megabyte50 awards. Agilitas IT Solutions has also graduated to the Megabyte50 and won the Best Performing Infrastructure Services peer group award. Both of these achievements underpin the potential for Emerging Stars businesses to maintain their high growth trajectories and establish themselves in the UK mid-market tech industry.

Table 3: Top prospects for Megabyte50 & Megabyte Quoted25

Company	Peer Group	Ownership	Revenue £m	Revenue CAGR	EBITDA Margin
Beeks Financial Cloud	DCH	Public	7.4	40%	28%
ENSEK	ISS	Externally funded	8.7	61%	5%
Altus	ITC	Owner Managed	9.1	15%	18%
CIPHR	AES	Externally funded	9.3	20%	12%
NVT Group	ITC	Owner Managed	10.0	15%	1%
Excelerate Technology	TS	Owner Managed	8.9	19%	13%

“It's nice to see Beeks make it into the Megabyte Emerging Stars awards for a third year running, reflecting our strong growth track record. We'll make the most of it, as with analysts forecasting over £10m revenues for this current year, we'll be hoping to feature in the Quoted25 next year.

Gordon McArthur CEO, Beeks Financial Cloud

Best Performing Company 2020 (DCH)
Best Performing Company 2019 (DCH)
Emerging Stars 2018 – Top 25 Company



About the Megabuyte Award Series

The annual Megabuyte Emerging Stars awards identify the UK's best-performing scale-up technology companies, as defined by their Megabuyte Scorecard rating.

They are part of the annual Megabuyte100 award series, which collectively identifies the UK's 100 best performing technology companies and includes the Megabuyte50 awards (privately-

owned technology companies) and the Megabuyte Quoted25 awards (quoted technology companies), alongside the Megabuyte Emerging Stars awards.

For further information about our awards visit www.megabuyte-awards.com

megabuyte Forum

Introducing the Megabuyte Forum

The Megabuyte Forum is an umbrella term for a number of initiatives designed to propagate the experience and best practice, at CxO level, of the most successful companies in the UK technology sector, such that all companies may be more successful. These activities are an adjunct to Megabuyte's core research activities.

CEOSUMMIT

FORUM EVENTS Our Forum events include a number of CEO round table events held throughout the year and two annual flagship events – the Megabuyte100 Awards, which take place in January, and the Megabuyte CEO Summit, which takes place in October. The 2020 CEO Summit takes place on **20th October 2020**.

For a full list of our forthcoming events visit www.megabuyte.com/forum/events

CEO HUB

CEOHub In addition to events, we will shortly be launching a dedicated magazine-style, on-line resource for tech sector CxOs delivering invaluable insights from CEOs themselves, the Megabuyte team and selected content partners across a number of key content streams. Megabuyte's CEOHub will go live in **February 2020**.

About Megabuyte



Megabuyte is the leading source of independent data and insights on UK technology and tech-enabled businesses, analysing the financial and corporate strategy of some 2,000 companies.

Our independence, analytical rigour and sector expertise have made us an indispensable resource for many of the UK's leading CxOs, investors and advisers in support of their origination, due diligence, M&A, benchmarking, competitor analysis and corporate strategy activities.

Our proprietary insights and data are delivered online, through the Megabuyte database, analyst interaction and bespoke reporting.

To discover how the Megabuyte platform can give you the competitive edge visit www.megabuyte.com to request a platform demo.



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