Netik LLC

Staying Focused on the Big Picture

Three Parties; Three Deals; Under Time Pressure

Londoner John Wise has a knack for solving the perennial problem of how to help financial institutions manage data from multiple sources—rationalize, transform, reconcile and accurately warehouse it so that it can be leveraged by the firm's information applications.

In 1997, after having built and sold one financial technology company, Wise co-founded Netik. Within a short period, the company opened offices in New York and London and became one of the leading global providers of financial data warehouse solutions to the securities industry.

In 2004, Bank of New York (BNY) acquired majority control of Netik, leaving Wise and his team in charge with enough autonomy and equity to motivate them to help build the bank's burgeoning business of servicing asset managers.

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Three years later, BNY announced plans to merge with Mellon Financial Corporation. With the new service business going strong and realizing that the bank's priorities had changed, Netik CEO Wise and his partners decided that the time was right to try to buy back their company.

"We knew BNY's management would be pre-occupied with the Mellon merger," says John Wise. "And we felt that to be able to take the business to the next level, we had to become more independent."

Wise and his partners sought an advisor who could help negotiate an MBO and find an investor to replace BNY. Ideally, they needed an expert with sector knowledge, international reach and experience managing complex transactions.

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After meeting with several advisory firms, Netik management engaged Marlin & Associates (M&A).

"We chose M&A because they are well connected and well respected among investment communities on both sides of the Atlantic," says Wise. "You don't waste time waiting for them to learn the business. M&A knows the market and valuation better than anyone. They are great at finding, motivating and closing with buyers."

With the approval of BNY, management and M&A presented Netik to several firms. The field quickly narrowed to three serious parties. The proposal that most intrigued Wise and his partners was by Symphony Technology Group (STG) of Palo Alto, California, a strategic holding company. STG controlled The Capco Group, a leading provider of consulting, technology and services to the financial services industry. Capco owned Capco Reference Data Services (CRDS), which all parties agreed seemed to be a better fit with Netik than with Capco.

The challenge was to negotiate three overlapping transactions with three parties, each with its own needs.

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STG was willing to fund the MBO of Netik and, as part of its effort to increase its presence in the reference data sector, they were willing to support the sale of CRDS to Netik.

BNY was prepared to sell Netik back to management, as long as the MBO was signed by year end and they could continue using Netik's software and expertise for their services business. As they were to retain equity, BNY also would have to agree on the value of CRDS.

Netik management liked the synergism with CRDS and saw STG as a partner that could provide expertise and growth capital. They were willing to partner with STG as long as the deals were fair and they would have a reasonable opportunity to derive cash and equity.

The approach required the team of Netik management and M&A to negotiate a deal with STG and agree to a valuation for CRDS, while simultaneously working with STG to negotiate an MBO with BNY, which had to agree on the CRDS valuation.

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In the early hours of Christmas Day, BNY, STG and management reached final agreement. The deal closed a month later.

"This was a bit more complicated than a normal two-party deal," says M&A founder, Ken Marlin. "We were negotiating a PE financing, a merger, an acquisition and a management buyout with parties in New York, California and London. And, we felt the time pressure."

"M&A ran a smooth process and kept us focused on the big picture," says Wise. "They found and contacted STG and Capco and expertly advised us as we negotiated three concurrent deals, with different parties and issues."

Since the move, Netik is on track for 25% organic revenue growth and is planning at least one complementary acquisition in the near future. With the acquisition of CRDS, the "new" Netik can supply all reference and market data as well as the infrastructure to communicate with other global data systems.

> "We couldn't have done it all without the Marlin team."

What does John Wise suggest to those making a move in today's market? Keep all options open, fully run the process, think consolidation, and don't try to pull off a multi-party deal without expert advice.

"It was great to have M&A on our side," says Wise. "They're not intrusive, they're full of ideas and they provide valuable insight into the industry and the transaction process. We couldn't have done it all without the Marlin team."

> As advisors to London-based Netik LLC, Marlin & Associates helped management negotiate a buyout from Bank of New York, financing with Symphony Technology Group, and an acquisition from Capco, all at the same time.

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