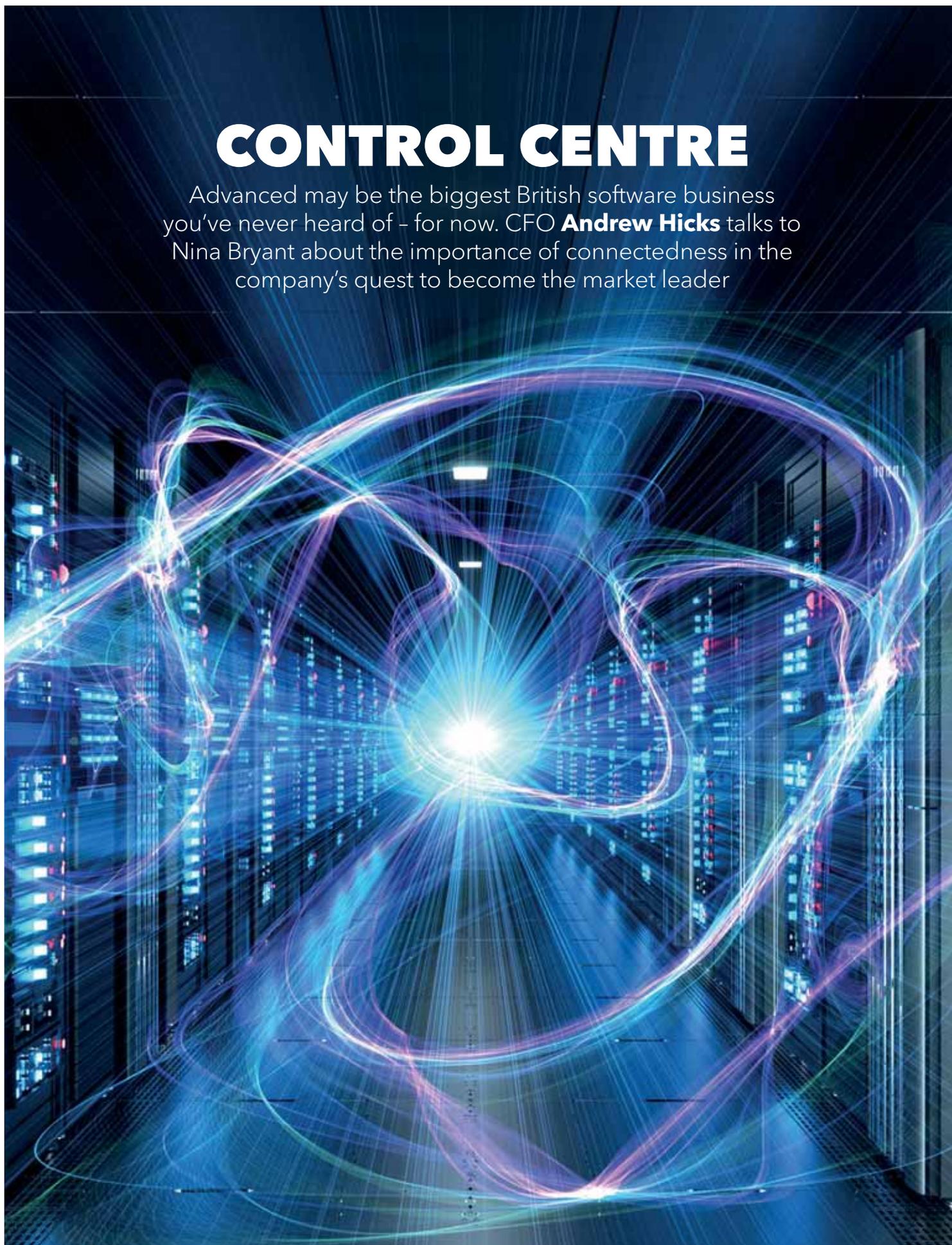


CONTROL CENTRE

Advanced may be the biggest British software business you've never heard of – for now. CFO **Andrew Hicks** talks to Nina Bryant about the importance of connectedness in the company's quest to become the market leader



Until national news media reported an impressive £2bn deal being done on a British business back in August, Advanced may well have been “the biggest software company that no one has ever heard of”. That was the modest assessment of the company’s CFO Andrew Hicks, when he spoke exclusively to *Business & Management* as the ink was drying on the deal in question.

“We’re quite a scalable business,” says Hicks. “That said, we’re small enough to be nimble and to care about our clients.” That relative smallness – Advanced is technically already the third-largest provider of business software services in the UK – represents no barrier to private equity firm BC Partners (BCP), the company whose faith thrust Advanced into the headlines. It joins US firm Vista Equity Partners in helping to shape the latest Advanced adventure, presumably attracted by that promise of scalability.

In the meantime, the world of business must play catch-up in finding out how Advanced quietly ascended to its current strong position in the Software as a Service (SaaS) market. Hicks, as a pivot around whom much of the financial and operational decision-making takes place, is the perfect person to tell the story.

CONNECTED TO CLIENTS

To clarify, the £2bn figure given in the press about Advanced was a reference to the company’s underlying enterprise value. Hicks and his team believe this makes it the UK’s largest tech deal in a decade. Back in 2008, the business that became Advanced looked quite different – even though its core offering, an accounting software product, is still the largest part of the business.

“We can trace our roots back to a company called Cedar Software,” says Hicks. Cedar’s management spent seven years pursuing “quite an aggressive M&A strategy”. It grew from a £10m business to one in the hundreds of millions with a buy-and-build mentality. At that point, in March 2015, the company was acquired by Vista Equity Partners – and so began a process of bringing a set of acquired companies into one operating company with Hicks as CFO (see box, right).

What did that involve? “We rationalised locations and opened up flagship offices where we could get a critical mass of employees and really develop them,” recalls Hicks. “We brought the company on to a single set of key standards.” It also started engaging in what Hicks calls

logical adjacency. This is evolving beyond the core finance offering into a broader suite of business software, expanding in specific verticals that Advanced was already working in: “We have solutions to help health and care organisations run their business and ultimately deliver a better patient experience; and we help legal practices with the entire client-to-court process,” explains Hicks.

Logical adjacency is at the heart of several recent acquisitions. These will enable interoperability for clients between IBM mainframe technology and modern cloud services without taking the risk of a full migration via off-the-shelf solutions. Bringing clients willingly to the cloud is one of its key areas for development, but from a base of understanding their needs and buying habits.

“We’re not forcing our clients on any particular timeline,” says Hicks. “We’re trying to stay far enough ahead of our clients’ needs while working on client satisfaction and building trust; that way we help them shape their cloud strategy, and Advanced is the logical place for them to continue placing trust.”

CONNECTED TO THE MARKET

Advanced has been pitching squarely to the mid-market and earning 20% a year with a growth strategy that combines organic activity with strategic purchases of complementary companies. The business has approached £300m in the past four years. The goal is to “double

“We’re trying to stay far enough ahead of clients’ needs while working on client satisfaction and building trust”

our business size again over the next five years”. Hicks doesn’t see a need to go in search of bigger fish to achieve that.

“The annual spend in our market is about £1.5bn, he says. “We see a lot of potential still for growth. Part of that market is quite fragmented, so there’s an opportunity to bring companies together to provide cloud solutions.

“We don’t do software for everyone. Even though our software could work for any company, it typically works well for the verticals that we’re most present in.” That includes the NHS and charitable organisations. Specific technical needs drive product differentiation.

While Hicks admits Advanced’s growth plan does sound aspirational, he believes it can also be done in a managed and organised way. The intention is to become the SaaS supplier of four or five core products that clients use on a daily basis, whereas now they might only provide two or three.

ROUTE TO CONNECTEDNESS

Andrew Hicks has been a CFO for the past 10 years, but qualified as an ACA in 2000 with a mid-tier firm that was absorbed by BDO.

“I went into accountancy to get a qualification,” he says. “But I never intended to stay in practice for long.”

The intention was to get out into the wide world of business and Hicks heard that internal audit was a good route. A job with software company Misys enabled him to do exactly that.

“I spent nine years with Misys, including the

year in internal audit, and two years in a group management accounting information role,” says Hicks, who was attracted by the company’s investment in development.

He then went to a subsidiary in the US and worked his way around three states. By 2009, Hicks had joined a Vista company in Colorado as CFO.

It was here that he experienced the positive potential of working in software companies with private equity backing. After two years, he returned to the UK to work on a carve-out of a business bought by Vista, before moving to Kewell (now Blue Jay), and then Advanced, where he has been CFO since 2015.





“I seek to challenge my peers and also help them to understand the decisions they’re making through the numbers”

As a CFO on the ground, Hicks sees three main objectives in achieving this goal: to continue to drive overall business strategy (understanding what Advanced wants to do); finding out what solutions the market needs; and deciding whether the company will buy or build them.

“I’ll be driving the M&A engine to achieve that goal,” he says. “If we decide that we’re going to build it, that feeds into our product road map, and the strategy and process. I seek to challenge my peers and also help them to understand the decisions they’re making through the numbers.”

Product value is hugely important to Advanced’s road map and the investment in supporting growth ambitions must be balanced with the overall business risk profile. Some activity is naturally dedicated to developing new products for sale, and the company has launched to market 14 cloud-based products in the past 18 months.

However, says Hicks: “What we’ve been challenging the R&D team to do is really think about the investment made in maintaining customers - keeping them satisfied by sorting defects or adding little pieces of functionality that we’re really not going to sell to anyone else, but which keep them satisfied. We think of that investment in the context of how much recurring revenue they represent, so that we can benchmark it in the checks and balances.”

CONNECTED TO INVESTORS

As well as being informed by his ACA background, the time Hicks has spent working with private equity-backed businesses means he is energised by the opportunities afforded by the involvement of BC Partners and Vista Equity Partners in Advanced. He describes their backing as “an external validation of our progress to date, underwriting and being excited about our future”.

Hicks believes that PE firms involved in software are inherently analytical and engage in pattern matching: “They continually compare their portfolio companies and look for technology which does well, then use that as ammunition to challenge the weaker ones. They’re really focused on challenging businesses to use metrics and numbers to inform what can and can’t be done.”

This is especially important where it might be easy to be swayed by innovation for innovation’s sake. Hicks helps to keep this in check by making sure he is on top of the data.

“The CFO really needs to understand how data comes together and how it flows through the systems so they can challenge the business on what teams need and why they need it,” he says. “There’s a lot of cool tech out there, but what the CFO should be doing with IT teams is making sure the business invests to where the clients benefit.

“Some tools based on newer, emerging technologies such as robotic process automation are very much in their infancy and arguably still in development as opposed to operation - for a complex business like Advanced, investing too early could pose a huge risk and no client benefit.”

What technology has afforded the CFO is the chance to move away from compliance work towards sharper analysis and insight. “I spend time on historical results to inform projections,” Hicks says. “But the actual closing of the books I spend negligible time on.”

Weekly tracking of metrics allows Hicks to regularly review and challenge teams operationally. New tools and tools that have interoperability between each other make such iteration possible.

Today’s CFO, Hicks adds, is in a position to use their inherent analytical skills and curiosity to join the dots: “They see which dots can link together in the most valuable way, in terms of ROI or achievability. “For our clients, that’s exciting - you spend more of your time thinking about how their business works and how it should work.” ●