

Swallowing the competition

MICHELLE PERRY ANALYSES THE SHAKE-DOWN IN THE TREASURY SOFTWARE MARKET.

Five years ago the chief executive of Integrity Treasury Solutions, a UK-based independent treasury software developer, issued a press release bemoaning the acquisitive trail that SunGard Treasury Systems was blazing across the treasury software landscape. At the time he said Integrity would remain independent.

Les Halpin, then Chief Executive Officer (CEO) of Integrity, went on to warn of the dangers of digesting other companies' products and staff, voicing his concern about the effect the move would have on customers for years to come.

In March this year Integrity Treasury Solutions, whose products include Integra-T, a web-enabled front-middle-and back-office cash and risk management solution, was taken over by SunGard Treasury Systems. Integrity Treasury Solutions' current CEO Charles Cooke-Hurle, said: "Becoming part of SunGard is an opportunity to further our growth by joining SunGard's vast resources and financial strength, and offering those benefits to our customers, including experts who share our passion for excellence and customer service."

SunGard assured users that Integrity's Integra-T would be an

Executive summary

- Trema's recent acquisition of Richmond Solutions has sparked renewed interest in the consolidation of the treasury software market.
- The UK treasury software market has matured in the past few years.
- Many companies prefer to use specialist products if they are backed by larger IT companies.
- The only immediate downside for treasurers is that prices will rise.

integrated part of SunGard's AvantGard suite of treasury solutions for web-based, straight-through processing (STP) of treasury transactions and information. Some in the market reckon that the company is still struggling to integrate the different suites.

Ken Lillie, Principal Business Consultant at SunGard Treasury Systems, disputes such suggestions. He says: "There's no problems at all. It's all going to plan and everyone's fitted in very well."

Industry shake-downs are a natural commercial process expected in any sector when it's in its development stage. Consolidation usually comes in waves and the recent acquisition of Richmond Solutions by Trema, one of the largest providers of treasury software, marks a new cycle in the treasury software market, say industry experts.

"We've been expecting this. The market is pretty consolidated now. They've been fighting each other on price for the last few years, driving the prices down. The requirements in treasury software haven't changed a lot until the recent International Financial Reporting (IFRS) stuff, so the bigger players have been picking up market share by buying up the smaller providers," says Paul Morton, senior manager in charge of the treasury technology team at PricewaterhouseCoopers.

Broadly speaking market players have welcomed the acquisition news. The new round of consolidation shows how the treasury software market has matured a great deal in the past few years, particularly in the UK market. Trema's acquisition of Richmond, a 15-year specialist treasury outfit, also highlights how accounting and treasury reporting are converging due to new transatlantic regulation and legislation.

Trema's acquisition follows a year-long investigation into the marketplace. With Richmond's suite, Trema is now able to cover both the high-end space, which has been its traditional stronghold, and the more volume-driven middle market, where clients require less demanding but more cost-efficient solutions.

Michele Fitzpatrick, CEO of Trema, says: "The product lines don't cross over and we have separate development teams. The overlap between the products is less than 5%. There are two worlds in the marketplace and you need the most suitable arsenal of tools for the market. For the corporate market we now have the absolute complete arsenal for the marketplace."

Lillie, says: "As far as consolidation is concerned it's something that's good for the market."

Small, independent suppliers face an increasingly tough treasury solutions marketplace, say experts. "It must be difficult for an independent supplier to continue to be profitable. The large investment that is required for continual progress in solutions in order to maintain larger clients is difficult to sustain without the necessary resources," says Lillie.

Still, in the UK the market is more mature than in continental Europe where providers can offer end-to-end, complex treasury packages. Here smaller specialist companies can still thrive. City Financials has proved that. It has blossomed over the past few years through the development of "popular products using modern technology", says Morton.

In May FTSE 100 company Vodafone licensed eTC from City Financials for its global treasury operations. The system will be used at Vodafone's treasury headquarters in Newbury to manage the group's treasury transactions, liquidity position, accounting and IAS 39 *Financial Instruments: Recognition and Measurement* reporting. Vodafone is just one of between 15 to 20 FTSE clients City Financials now has. That said, experts say many companies, especially larger public companies, prefer to use specialist products if they are backed by larger companies. The Trema acquisition of Richmond provides them with that opportunity.

"There's more and more demand placed on treasury reporting now. It's a partnership between supplier and clients so you don't just

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buy products and that's it," adds Lillie. He suggests the Richmond-Trema tie-up will benefit clients because it provides financial stability for the Richmond suite. Indeed Fitzpatrick says there are only benefits for both existing Trema and Richmond clients.

Fitzpatrick underlines this. "For Trema clients we are able to address both ends of the market. This means we are able to improve our financial position and therefore our leadership position is much stronger. We are on our way to being number one and that's always good for customers," she says.

She assures any doubters that there are absolutely no plans to take any Richmond products out of the market. "We acquire to invest and not to stop. It's too strategically important for us," says Fitzpatrick, who has been chief executive since September 2003.

At present Fitzpatrick says the company, whose clients include the European Central Bank, Lucent Technologies and Porsche, has no immediate plans for any further acquisitions. "We aren't driven by acquisitions. We want to build high quality software for the low and high end of the market. We have now completed the execution of what we wanted to achieve," says Fitzpatrick.

Indeed, for Richmond customers, particularly the fast-growing ones, any expansion plans could well be eased through the tie-up. "We are able to invest more and more aggressively as we can bring more scale because of our global reach. We will take the product line forward very aggressively not only in marketing but also in development." The only immediate downside for clients, say industry experts, is that it's inevitable prices will rise. "I don't think they can get away with not raising prices," adds PwC's Morton.

Treasurers may not welcome price rises but it's worthwhile remembering though that there are some benefits that should accrue from a price rise, as clients should receive a better service and all the added security of a bigger software company.

As for further market consolidation, it's unlikely at the moment. Although City Financials remains independent in the UK, it has little global reach; something that a potential buyer would be interested in. If anyone were to look to pick up City Financials, it could be a professional services provider, say experts.

Although Trema has no immediate plans for further acquisitions, Fitzpatrick says in the future if it did look to expand it would be looking to North America, particularly the US. On the other hand, it might get eaten up itself before it has chance to satiate its own appetite.

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