

Datatel Graduates In \$570M Exit For Thoma Bravo

Daniel Hausmann

November 10, 2009

There's no time like a recession to go back to school - and for Thoma Bravo LLC there likely wasn't a better time to exit a company that serves colleges.

The firm will earn back four times its money on the pending \$570 million sale of higher-education software business Datatel Inc. to Hellman & Friedman LLC, JMI Equity and management, a person familiar with the deal said. The transaction is expected to close by the end of the year.

This exit is basically gravy for Thoma Bravo and its co-investors Trident Capital, HarbourVest Partners and JP Morgan Asset Management; the last two are limited partners in Thoma Bravo's fund. The investors largely took out their equity in a \$124 million dividend recap in 2006. Thoma Bravo and Trident owned 60% and 20%, respectively, with management holding the balance, according to prior LBO Wire reports. Thoma Bravo Managing Partner Orlando Bravo declined to specify the ownership breakdown.

Having doubled earnings and significantly paid down debt, Thoma Bravo started to consider an exit late in 2008, Bravo said. Hellman & Friedman got into deeper discussions with the company and Thoma Bravo roughly a month ago, and the deal was on.

"The fact that things were bad in '07, '08, '09 really doesn't affect this business," Bravo said. "The vertical market is a long-term sustainable growth market ... their customers don't go out of business. And the products and services they provide these higher-education institutions are mission critical." Datatel makes software that colleges use in their student aid, registrar and billing offices, among others.

Hellman & Friedman had actually first met with Datatel as far back as 2003, firm director Anupam Mishra said. Hellman & Friedman started considering this deal around the time Thoma Bravo decided to start looking at an exit.

The company's financial performance was not disclosed. At the time of the 2005 acquisition by Thoma Bravo and Trident, the company generated \$108 million in revenue and \$33 million of Ebitda for the year. According to Moody's Investors Service, the 2005 deal was worth about \$265 million.

"Over the past two to three years the company has done an exceptional job at listening to the market and developing compelling new products that customers want," Mishra said.

Some examples he cited include technology for retaining students, portals to improve the user experience and software for learning and teaching.

Hellman & Friedman is returning to a sector it has experience in. The firm, along with JMI Equity, previously backed Blackbaud Inc., a company that provides software to non-profit organizations, including schools. The firm took that company public in 2004, completely exiting in 2006.

Thoma Bravo, JMI and Hellman & Friedman are certainly familiar to each other. The firms teamed up in 2006 to acquire supply-chain management software company Activant Solutions Inc. for \$750 million.

Fairfax, Va.-based Datatel is another exit for Thoma Cressey Fund VII LP - a fund managed by Thoma Bravo but raised by predecessor firm Thoma Cressey Equity

Partners - which closed in 2001 at \$554 million. That fund had generated a two-times multiple and internal rate of return of 48% as of the most recent exit, the sell-off of the firm's position in JDA Software Group Inc. in September.

Datatel is set to be one of the last portfolio companies of the \$8.4 billion Hellman & Friedman Capital Partners VI LP, which closed in 2007. The firm closed Hellman & Friedman Capital Partners VII LP last month at \$8.8 billion.

JMI, Trident and HarbourVest officials could not be reached for comment.

Reach Thoma Bravo at 415-263-3660; Hellman & Friedman at 415-788-5111; Datatel at 703-968-9000.

Document DJFLBO0020091109e5ba001e1