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TradingScreen Raises Over $100 Million in Private Equity Deal to Keep the EMS Provider Independent

Private equity firms are still chasing financial technology companies, especially in the hot electronic trading space. TradingScreen, a global player in the execution management system (EMS) space, has raised over $100 million from two private equity firms to restructure the ownership of the company and to cash out existing investors.

Looking to remain independent in the electronic trading space without selling out to a broker, TradingScreen is expected to announce" the minority recapitalization," which pulled in new capital from Technology Crossover Ventures and Continental Investors LLC, a small private equity vehicle for Philip Purcell, the former CEO of Morgan Stanley, and other undisclosed investors. "The money was used mostkly to buy out old shareholder that had been in for awhile and to give the company a fresh group of investors to grow the company in the future," says Steve McLaughlin, managing partner at FT Partners, a boutique investment banking firm that announced the completion of the TradingScreen transaction in mid-September.

While a number of leading EMSs are now owned by brokers such as Townsend Analytics' Real Tick by Lehman Brothers, Neovest by JP Morgan, Macgregor by Investment Technology Group and REDIPlus by Goldman Sachs, Trading Screen CEO Philippe Buhannic stresses the decision was made to remain independent and continue to grow fast. "We could have easily sold out and we chose not to," he says. "Our strategy is different," says Buhannic. "We want to be the largest independent player in the field," he says. "It became obvious that the best solution was to go to a private equity firm because we didn't want to go public," adds Buhannic. While the insiders and founders still control the company there were investors that were around for seven years that wanted some liquidity, explains Buhannic.

Though Trading Screen, which has 850 buy-side clients and connections to exchanges, ECNs and broker algorithms, had the top ten private equity firms pursuing an investment in the company, it hired FT Partners, that has a niche in financial technology deals. This is the second largest recap to date, says McLaughlin. FT Partners has worked on a series of deals in the financial technology/electronic trading space including the $250 million recapitalization of Liquidnet in 2005 (with stakes sold to TCV and Summit Partners), the $230 million acquisition of Macgregor by Investment Technology Group (ITG) and advised Latent Zero in its $125 million sale to Fidessa. FTP also handled the recent sale of Automated Trading Desk to Citi. And Buhannic also points out that he has known TCV for five years.

"Steve helped us (decide) what would be the ideal shareholder structure for the future, and decide which firm to select, noting that the top firms including General Atlantic, TA Associates, Advent International Summit Partners were competing with each other to make an investment. Ultimately, the decision was based on compatibility, says Buhannic. TCV has been involved in private technology ventures including Liquidnet, RiskMetrics and FXall, says Trading Screen's CEO. In addition, TCV has a position in thinkorswim, an online options broker, which also has an institutional order management system, and recently sold a stake in Automated Trading Desk to Citi.

What attracted the private equity firms to Trading Screen? "The recurring revenue model, strong growth and large market size combined with the global product set and the multi-asset class products that the company has," says McLaughtln. "It's really one of the most unique players out there that has software as a service, that has multiple asset classes that actually work and that is fully international and that is approaching 50 percent of its customers from outside the U.S," he adds. The firm is now getting 40 percent of its business from Europe, 40 percent from the U.S. and 20 percent from Asia.