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Apax and JMI in \$1bn deal for Paradigm

By Stanley Pignal

Buyout groups Apax Partners and JMI Partners are to pay \$1bn for Paradigm, a software provider for the oil and gas industry, in a further indication of private equity's interest in energy-related assets.

Paradigm is a specialist in interpreting the vast quantities of data generated in the drilling of underground wells, and counts energy groups [Total](#) and [Gazprom](#) among its 700 customers.

Ian Jones, head of Apax's energy practice, said demand for Paradigm's sophisticated IT products was buoyed by high energy prices which have made previously uneconomic sources of oil and gas viable – and by the rapid growth of shale gas and other “unconventional” sources.

“Existing reserves are being depleted – oil and gas groups have to drill in more challenging locations and to better exploit existing reserves,” he said.

Paradigm does not itself generate data from wells, but rather interprets, models and visualises information provided to it, often alongside the driller's proprietary IT systems. Many groups have reprocessed previously discarded data as computers have become more powerful, unearthing previously undiscovered reserves.

Energy is one of the few buoyant parts of private equity, which has invested in producers and companies that provide services to them. [Apollo Global Management](#), a US-listed group, in February paid \$7.15bn for parts of [El Paso](#), an energy producer, just months after rival KKR led a \$7.2bn buyout of [Samson](#), a US oil and gas explorer.

Paradigm was delisted from Nasdaq in 2002 after being taken private by Fox Paine, a US buyout fund, in a \$102m transaction. The fund took it from a niche Israeli player to one of the global market leaders, with sales of about \$200m and earnings before interest, tax, depreciation and amortisation margins in the 25-30 per cent range.

The valuation of the asset, in the 15-20 times ebitda range, is at the higher end of transactions in the oil services sector.

Including dividends and additional capital provided to Paradigm over the past decade, Fox Paine will make a 7.8 times return on its investment, the fund said in a letter to its shareholders.

Apax is the lead partner in the buyout, which will be financed with approximately \$500m in bank debt from [UBS](#) and [Royal Bank of Canada](#).

The London-based group recently raised €4.3bn for its next buyout fund, for which it is hoping eventually to collect €9bn.

[Bank of America Merrill Lynch](#) and [Simmons & Co](#) advised Apax. [Jefferies](#) advised Paradigm.

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