

# Coronavirus shows strength of recurring revenues as M&A continues



The coronavirus has exposed all that is vital to businesses, and chief among these crucialities is an effective DR strategy for end users and a recurring revenue model for ICT providers.

"If anyone was in any doubt that a server or PBX in an office cupboard was not a sustainable way to run their business comms and IT, they won't be now," stated Adam Zoldan (pictured left), Director at Knight Corporate Finance.

"When we exit this crisis it will have changed the way we look at many aspects of our life and business, and disaster planning and remote working will feature heavily in this. It's a good reason for the channel to be optimistic in their outlook."

Zoldan urged resellers to grasp the gaps in cloud uptake that are being revealed by coronavirus, because the outbreak proves beyond doubt that recurring revenue models are a fundamental driver of value in the channel.

"For those companies with a high level of recurring revenue we do not expect to see business failures," he added.

"When we look back to the financial crisis in 2008 the notable failures were those with a heavy reliance on equipment sales and leasing. This could well be replicated."

Shifts in ICT spending between traditional comms and cloud-based solutions are now both urgent and sensible.

It's an imperative that has also been underlined by ongoing interest in M&A in the sector, despite the current crisis, noted Paul Billingham (pictured right), Director at Knight Corporate Finance, who also pointed to the value buyers place on recurring revenues. "Most of the deals we are working on are still progressing and we are also receiving calls from new buyers and investors in the sector, suggesting that there is much to be positive about long-term," he stated.

"There is bound to be a reduction in transactions during the short-term, but as long as the sector continues to receive support from private equity and debt providers we do not expect transaction volumes to reduce over the medium-term." Furthermore, Billingham believes that the coronavirus crisis has highlighted just how vital a role the ICT sector plays in the economy.

"Businesses are seeing a new way of working, and ICT is ever more key to economic success," he added. The increasing importance of ICT providers should also be reflected in valuations longer-term, which can only be positive for business owners in the sector."