

NEWSFLASH

Wall Street Systems and Trema Combine: Warburg Pincus Forges Treasury Management Metal

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NEWS UPDATE

This Financial Insights NewsFlash discusses the August 1, 2006, announcement that global private equity firm Warburg Pincus had acquired two leading treasury management technology providers, Wall Street Systems and Trema Group. The new combined company, with \$120 million in revenue, will carry the name Wall Street Systems and the best of each company's competencies. The financial and market engineers at Warburg Pincus have created an entity much stronger than its individual parts. The metal they have created (conditioned on debt integration) is sure to put some strain on rival SunGard and its AvantGard treasury management line of business, especially in the areas of treasury risk management and liquidity. SunGard formed AvantGard from the acquisition of four treasury management players during 1998 and 1999.

OUR VIEW

The Bottom Line

Warburg Pincus combined two companies that come up on the short list of three for very sophisticated treasury and financial functions, the type of capability needed by the largest institutions and companies managing complex risk and liquidity issues in the front, middle, and back offices.

The combination of the two firms makes sense on several levels. Both firms are close to the same size in terms of revenue. From a technology perspective, the combination of Wall Street Systems and Trema gives each company what it needs. Wall Street Systems needs a new technology platform, and in this area, Trema is a couple of years ahead. Trema would benefit from a more comprehensive front-office trading capability, at which Wall Street Systems excels. Geographically, the firms are complementary. Trema has made its largest inroads in Europe, where it originated, but it has had difficulty

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penetrating the stubborn U.S. market. Wall Street Systems has significant U.S. presence and has also made some inroads in Asia. The client bases of the two companies are also complementary; Wall Street Systems has a significant large financial institution presence, whereas Trema has a significant corporate presence. Trema also has a presence in the central bank and government sectors and is known for its integration, risk management, and liquidity capabilities.

Upstart Trema, established in 1992 and headquartered in London, is known for its contemporary systems architecture that supports real-time processing. The technology has allowed the company to deliver sophisticated treasury management and financial solutions to the world's largest corporations, central banks, and governments. Trema's technology prowess and execution skill have also allowed it to grow both organically and through acquisition — of Alterna in 2004 and of Richmond Software Ltd. in 2005. These acquisitions allowed the company to quickly fill gaps in sophisticated liquidity management functionality and the middle-market corporate customer segment, respectively. At the time of this announcement, Trema had more than 250 clients (see Table 1), with a concentration in the corporate, central bank, and government sectors and in the European region.

TABLE 1		
Wall Street Systems and Trema at a Glance		
	Wall Street Systems	Trema
Year founded	1986	1992
FY05 revenue	60*	57
Number of employees	215	303
Number of clients	40	>250
Market segment	Financial institutions, corporate	Central banks, corporate, financial institutions, asset management

* estimated

Source: Financial Insights, 2006

Wall Street Systems is a leader in treasury management, foreign exchange, and global back-office systems, especially for the institutions sector, with customers such as ABN AMRO, Deutsche Bank, CSFB, Bank of Tokyo-Mitsubishi, and RBS. The 20-year-old company is known for its front-to-back straight-through processing and its front-, middle-, and back-office applications. Wall Street

Systems' global top-tier institutional clients have driven the depth of its processing capability in front-, middle-, and back-office applications, but the company has struggled advancing to newer contemporary technology. Trema can help fill this gap. Although a major share of its clientele comprises financial institutions, Wall Street Systems also counts among its customers large corporate firms such as BP, Ford, and HP.

Essential Guidance

The devil is in the execution, it is said. It seems that Warburg Pincus is assuring this based on the almost entirely new management team that has been put in place. Joel Mandelbaum, previously president of Thomson Market Information Services, will take over as president and CEO of the new Wall Street Systems. Larry Ng, cofounder of Moneyline Telerate, will serve as managing director for marketing and products. Managing director for technology and development will be Michael Gort, formerly CEO of the Student Loan Finance Corporation, and Karl Jaeger, formerly CFO of TF Database Group (a division of Thomson Financial), will take the top financial spot. Michèle Fitzpatrick, CEO of Trema and formerly SVP of Oracle, EVP of Lotus Development Corp., and president of Network Associates, will take the top demand-side position as managing director for sales and account management. Paul Wheeler, formerly CFO at Trema, will serve as managing director for professional services.

One area to watch will be how the technology organizations of both firms are wed. At this point, Mike Gort, managing director of Wall Street Systems; Shiva Ramabadran, CTO of Trema; and Tony White, development director of Wall Street Systems will manage the integration program. Because one of the clear benefits of the acquisition is to move Wall Street Systems onto the more advanced Trema technology platform, it will be incumbent upon management to retain senior Trema IT staff who currently hold the technology "vision" for the newly combined entity.

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Related Research

- *Treasury Management Direction Shift*, (Financial Insights #FIN1683, November 2005)
- *Treasury Management: The Next Wave* (Financial Insights #FIN1459, May 2004)
- *Treasury Management Systems Architecture: The Road Ahead* (Financial Insights #FIN1458, May 2004)

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