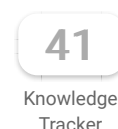Startup Europe. Grown up reporting.

\Deeptech How To/

The "try before you buy" model: Siemens' £100m+ purchase of PSE

Siemens and PSE had been in talks for four years and in partnership for 18 months.

BY **MAIJA PALMER**   24 SEPTEMBER 2019

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Siemens' acquisition of Process Systems Enterprise [the value of which was not publicly disclosed but which Sifted understands to have been in excess of £100m] did not come out of the blue. Siemens and London-based PSE began talks about collaboration four years ago and started working jointly on projects a year and a half ago.

Moving from that a full acquisition happened organically says Costas Pantelides, PSE's founder and chief executive. At the very least it saves on due diligence.

Partnership before acquisition — try before you buy — appears a common modus operandi for Siemens; the company had also been a long-term partner of ESTEQ, the Africa and Middle East-focused software company it bought earlier this year. [If you are a startup hoping to become Siemens' next purchase here is an interesting article about how best to turn partnerships into acquisitions here.]

"If you care about more than money, if you want to find a company that is a good fit, this is definitely the way to do this," says Pantelides. "I'd hate to make a decision like this based on just three months of due diligence and stressful negotiations."

PSE, originally a spin-out from the UK's Imperial College, was looking for an exit. Investors Albion VC had held their stake in the company for 12 years, and despite being extremely patient capital thanks to a venture capital trust structure, had been looking for a way to cash out.

Rob Whitby Smith, partner at Albion, said the company had considered all options including an IPO, but decided a stock market listing was too much of a challenge for a business-to-business software company whose products are tricky to explain to the general public.
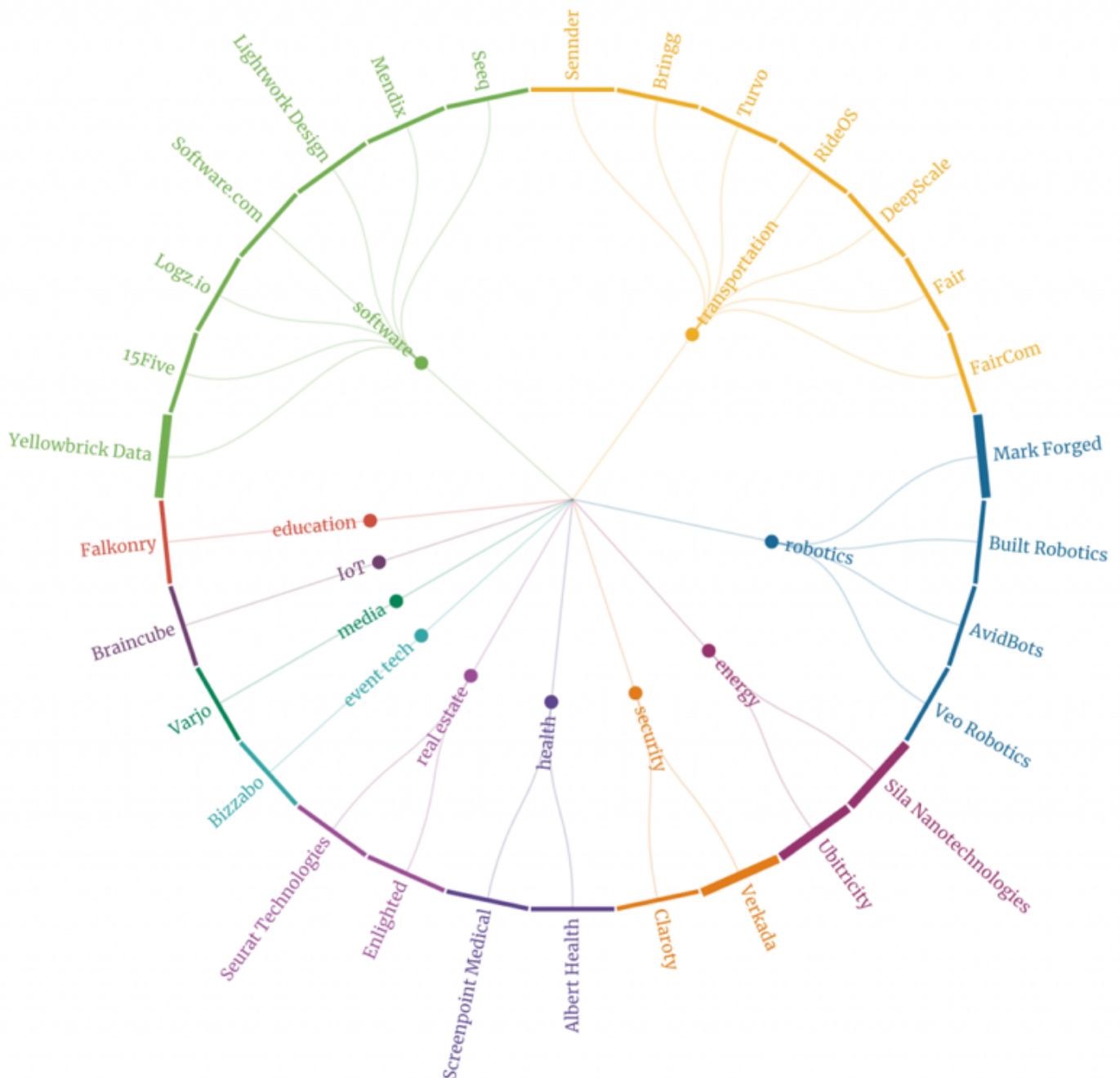
Startups Siemens has invested in over the past 2 years. Source: Dealroom

Process modelling software is not the sort of technology that makes the headlines. It isn't a scooter or a game-playing AI. In fact, even Pantelides admits he struggles to explain to laypeople what the company does.

Pantelides was keen to make sure, however, that the 160-person team, which includes more than 60 PhDs, would not face redundancies after a deal.

PSE software is used by some of the world's biggest companies, from oil

companies such as BP and Shell to Nestle and Honda. It helps companies model any industrial process to make it operate more efficiently.

It made about £16.6m in revenues last year but invests aggressively in research and development so there is not generally a huge amount of profit. PSE competes with big companies like Boston-based Aspen Technology, which has a market value of more than $8.6bn, there is huge pressure to keep pushing the technology forward.
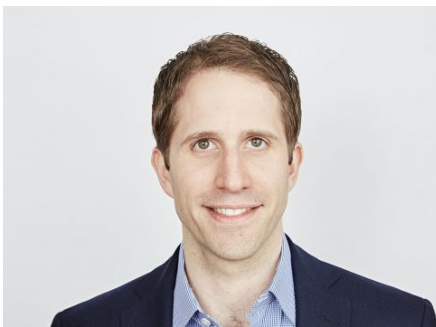
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