



# Wall Street Systems' Acquisition of IT2: Practical Short-Term Implications

Reading tea leaves to assess the impact of change to the competitive structure of an industry is always an interesting exercise. This is certainly the case with the surprising news on January 11th that Wall Street Systems (WSS) is acquiring IT2. Though the company has purchased other TMS competitors in the past, (Trema, Richmond, City Financials, and Treasura), this is the first move since WSS itself was acquired by Ion Trading. We have previously noted that the TMS industry was in the midst of tumultuous changes and there will undoubtedly be more fallout throughout 2013—but the purpose of this update is to offer some immediate practical advice to corporate treasurers on how to respond to this news in the short term.

## **Situation 1—Your organization is currently in the midst of a TMS selection and IT2 is in the running**

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If IT2 has been identified as a potential TMS choice, we recommend suspending the final selection process until you hear from key decision makers at Wall Street Systems. If they respond quickly, the suspension does not need to last very long. You should be looking to assess WSS's plans for investment and resources in the IT2 product. It is essential that experienced IT2 developers, support analysts and implementation consultants will continue to be available and that your project would not be staffed by current WSS personnel—this consideration should be added to your selection criteria. In the long run, it is inevitable that resources will be pooled, but that should only occur within the framework of a seamless internal cross-training plan, which is unlikely to impact your current project timeframe. If you are satisfied by what you hear, and your first choice is IT2, we recommend asking WSS for references of clients that were in the midst



of implementation at time of the City Financials or Treasura acquisitions. That would provide a potential preview into what your experience would be.

## **Situation 2—You are a current IT2 client**

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If you are a current IT2 client, the chief concerns are future investment in your product and the key resources your organization relies upon. IT2 is a highly configurable product that facilitates unique implementation designs, which is likely one of the reasons you chose it. While there is a definite upside to this flexibility, the downside is that it could be difficult to maintain without experienced IT2 resources who are knowledgeable about your specific configuration. Therefore, it is very important that the IT2 resources with whom you have developed a relationship continue to be available to you. In the short term you need access to people more than you need investment in your product. You will have lots of time to assess WSS's longer term commitment to the IT2 product and whether to entrench your commitment to it or consider alternatives. For now, keep your ear close to the ground and be alert to key resources leaving IT2.

## **Situation 3—You are a current WSS client**

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If you are a current client of any WSS TMS, the biggest short term concern is distraction. Just as much as the market is attempting to digest the acquisition, so will the employees of WSS. While under normal operating conditions, they would hopefully be thinking about how best to satisfy their clients, human nature dictates that many of them will be thinking about internal concerns such as changes to the organizational structure and where they fit in. While you should ask your contacts at the company their opinion of the acquisition and what it means for the client, it is even more important to ask them what it means for them personally. Through that question, you may gain important insight into what the employees are being told internally by WSS management.



## **Situation 4—You are a current client of another TMS vendor**

If you are a current client of Sungard, Kyriba, GTreasury, Reval or any of the other main TMS vendors, your world may change very quickly. The valuation of the IT2 deal is reportedly in the neighborhood of 3.5 times revenue, which may look very attractive to the investors in Kyriba and the owner-operator of GTreasury. Sungard, which has not made an acquisition of a TMS player in a number of years, may re-enter the competition given the move by WSS and the potential threat that other vendors pose. Reval, which recently announced its intention to trade publicly, may wish to more quickly ramp up its revenues with an acquisition.

Finally, if you are just beginning to think about a TMS and hope to address the need as a 2013 project, will this change in the TMS vendor landscape impact your timeline? Probably not, if your treasury planning process is in an early stage, as presumably there will be time for the dust to settle—and better information will become available. Also, if you already know that you are looking for a cloud solution, then the issue is moot, because IT2 is not a cloud system.

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