

Coast Capital Pushes Blue Prism to Mull Alternatives to Sale

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By David Hellier

(Bloomberg) -- Activist investor Coast Capital said U.K. automation software maker Blue Prism Group Plc should consider alternatives to a potential private equity takeover. London-based Blue Prism shouldn't explore a sale "until more attractive options have been fully considered," Coast Capital founding partner James Rasteh wrote Tuesday in a letter to the company's board seen by Bloomberg News. The investment firm said it owns just under 3% of Blue Prism. That would put it just outside the top 10 shareholders, according to data compiled by Bloomberg. Blue Prism announced earlier Tuesday it's in talks with TPG and Vista Equity Partners about potential takeover bids for the company. Shares of Blue Prism gained 32% in Tuesday trading, giving the company a market value of about 1.1 billion pounds (\$1.5 billion) at the close in London. "We're not opposed to working with private equity firms, but there's a large valuation chasm to cross," Rasteh said in an interview. "There's a big opportunity for the company to rejuvenate its product line, strengthen its engagement with clients and list its shares on a more suitable exchange."

The software company's depressed share price reflects concerns about gaps in its offerings and its distance from key clients and investors in the U.S., Rasteh wrote in the letter. Coast Capital said it's spent five months drawing up potential operational improvements that would accelerate Blue Prism's sales growth. Blue Prism's enterprise value equates to 5.6 times the current financial year's forecast revenue, according to data compiled by Bloomberg. That compares to 34.8 times for U.S.-traded competitor UiPath Inc. and 20.9 times for Appian Corp., the data show. "Even at its current worst, the company enjoys an enviable reputation as a best-in-class performer, and as a result remains a leader in its rapidly growing and very profitable industry," Rasteh wrote. "Now is not the time to throw in the towel."

A representative for Blue Prism said she couldn't immediately comment. Coast is the biggest shareholder in London-listed transport firm FirstGroup Plc, where it recently opposed a deal to sell the company's U.S. bus operations sale to buyout firm EQT AB.

To contact the reporter on this story:

David Hellier in London at dhellier@bloomberg.net

To contact the editors responsible for this story:

Ben Scent at bscent@bloomberg.net

Matthew Monks

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