

Shared Values Drive Successful Mergers



Today's information technology (IT) landscape has challenged the Managed Service Providers (MSPs) that provide outsourced IT support for small- to medium-sized companies to keep pace with escalating cybersecurity threats while grappling with a growing shortage of skilled IT talent. MSP clients now expect their IT partners to have at their command robust cloud and security capabilities, which is difficult for most MSPs to deliver when cybersecurity experts are in short supply. To deal with that dual urgency, many MSPs are affiliating, partnering and buying the capabilities they need – rather than taking the time to build them.

When the Board of Directors of IT Solutions (ITS) felt it was time to expand the company's cloud and security services, it recommended to President Garrett Graney that it might be time for another acquisition. ITS had already completed four transactions to fuel its growth, and Graney had been in charge of post-merger integration three times.

Graney consulted Cogent Growth Partners looking for an MSP with cloud and cyber security capabilities. Ideally, the candidate company's geographic service area would enable ITS to enlarge its own footprint. Most importantly, Graney wanted to find a company that valued its employees as much as he did his.



“Cogent Growth Partners was the perfect M&A partner for us because they are an absolute expert in the national MSP space,” Graney said. “I looked around but could not find any other company that understood the intricacies of the MSP landscape as well as they did.”

–Garrett Graney, President



Cogent is the country's leading buy-side intermediary with a specialization in mergers and acquisitions involving MSPs. When Graney first talked to Cogent, he was clear on what he wanted to find: an MSP that specialized in cloud and security capabilities services, had a robust customer list and a stable of highly skilled talent. “Cogent has an excellent tool they

developed called the Transaction Analysis Model[®], TAM for short. It takes you on a deep dive of each of the candidate companies from a financial perspective,” he said.

When the results of various TAM comparisons were complete, one company stood out – SecurElement.

Culture Mattered to Employees on Both Sides

It wasn't the two companies' highly complementary services or common geographical footprints that made the merger attractive to both sides. It was their shared employee-first cultures.



“Most of our employees have been here a long time, and many of them joined on Day One,” Patrick Baird, CEO of SecurElement said. “As I thought about the prospect of selling, each of them was on my mind and I wanted to be sure they would have a fair shot with the new owner, whomever that turned out to be.” Baird said this assurance was so important to him that he was willing to offer a price concession to the company who would take care of his employees with the same care he did.

Baird was happy to find out that in 2012, ITS became 100% employee-owned. ITS's employees had voted the company a “Best Place to Work” seven times. Baird and Graney had confidence in the culture and employee management match but before they could get down to the specific numbers, they had to deal with some blank sheets of paper.

Eliminating 'Blank Paper Syndrome'

Not having led a company through the offer-to-close portion of a merger before, Graney dreaded creating all the transaction-related documentation of employees, customers and financials from blank sheets of paper. He was delighted to find out that Cogent has complete sets of templated transaction documents, which have been vetted through actual use in a variety of MSP-specific transactions.

"From the first Letter of Intent through to the Asset Inventory, Cogent had a template for everything. All we had to do was customize the documents," Graney said. "Cogent completely eliminated 'Blank Paper Syndrome' for me."

When two companies are thinking about merging, it's usually the emotions, not the numbers, that need constant attention.



"Cogent was able to take the emotion out of the transaction and keep both sides, and their attorneys, talking," Graney said. "We revised the TAM as we went through negotiations to keep everyone on the same page, and Cogent did a great job of offering fair solutions all along the way."



Graney admitted that while growing by acquisition can be tricky, it doesn't have to be. "You just need the right partner at your side," he said. "I am thrilled with the talent base we acquired with SecurElement."

About Cogent Growth Partners

Cogent Growth Partners, LLC, a buy-side intermediary for mergers and acquisitions, taps into the in-organic growth opportunities found by combining America's 20,000+ IT businesses. Cogent has brought buyers and sellers together for over a decade, closing more than 135 deals, and still counting. Cogent accelerates the M&A timeline using a set of proprietary tools and processes that enable buyers and sellers to stay focused on running their respective businesses, while Cogent does the heavy lifting. Anyone who wants to know why Cogent is different, need look no further than our business card: "Providing Transaction Therapy™ for IT Business Owners Since 2010." For more information on M&A in the IT Services sector and buy-side intermediary services, please visit www.cogentmergers.com, or email us at info@cogentmergers.com, or call **678-820-5288**.

