

Overview

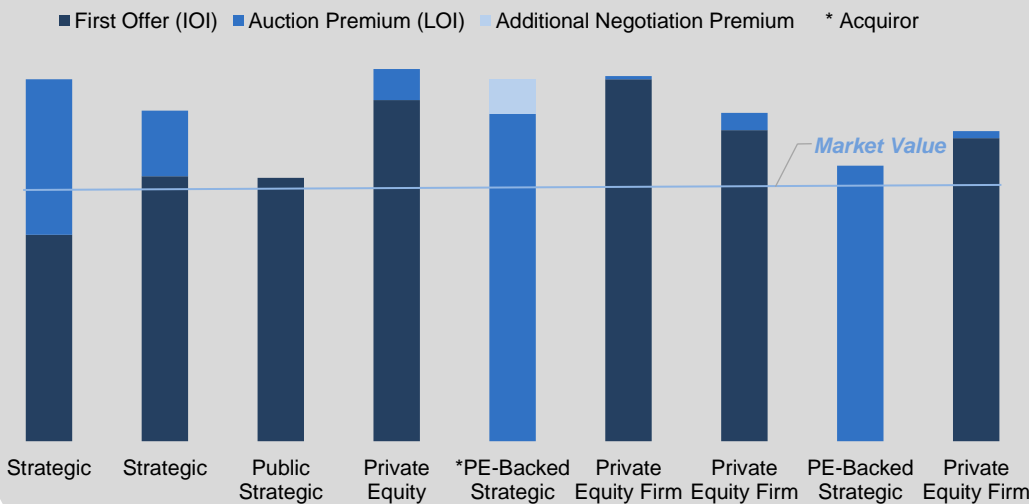


True North Mergers & Acquisitions ([TNMA](#)) was retained as the exclusive financial advisor by a premier Information Technology ("IT") Managed Services Provider (MSP). The Minnesota-based IT services company was established in 2004 and has been well-known for delivering innovative, tailored, and affordable IT solutions to its clients. Their customers see them as a trusted advisor and an outsourced IT company for small to mid-sized companies. The company's profitable history and client-centric reputation made it attractive to strategic and Private Equity buyers.

Key Takeaways

The Managed Service Providers ("MSP") and Managed Security Services Provider ("MSSP") industry is undergoing rapid consolidation, led by private equity firms (45%) and strategic acquirers (55%). For example, over 60 M&A transactions have occurred from January 2024 to May 2024. The MSP, MSSP, and IT managed services market is predicted to have a compound annual growth rate (CAGR) of 6.2% from USD 275.5 Billion in 2023 to USD 372 Billion by 2028. TNMA's Compass Exit Opinion (CEO) strategy leveraged favorable market conditions to negotiate a recapitalization deal structure comprising significant cash at close and employment agreements for each seller to ensure a successful transition for the existing employees and customers.

QuietAuction™ Negotiations



Market value is an estimate of the current price at which an asset or enterprise company can be bought or sold

Results

The QuietAuction™ generated twelve (12) Indications of Interest (IOI) from PE-backed Strategic acquirers looking to add to existing portfolio platforms. Following Management Meetings with the leading IOI submissions, TNMA's client had options as they reviewed nine (9) Letters of Intent (LOIs) detailing the multiple of adjusted EBITDA used to calculate the enterprise value of the company with creative terms, favorable tax strategies and the certainty and reasonable timeline to close. TNMA's deal team negotiated with the three (3) finalists to clarify and challenge certain aspects of the LOIs.

CEO Process Insights

01 Preparation Phase

TNMA's deal team research focused on industry trends and analyzed marketplace seller and buyer activity to create a target list of over 180 highly qualified potential buyers.

02 Marketing Phase

TNMA's marketing focused on the client's steady recurring revenue stream and consistent EBITDA growth, positioning the opportunity as an accretive acquisition target for players with a platform in the sector. TNMA's 3-phase confidential QuietAuction™ process generated strong interest from multiple qualified acquirers. With buyer competition, TNMA had the leverage to drive a final bid that yielded a 20% higher enterprise value than the seller's "Go to market" target price.

03 Execution Phase

Typically, in lower middle market ("LLM") M&A transactions, due diligence ("DD") is the most protracted and most arduous phase of the process, sometimes taking over sixty days to complete. TNMA made a concerted effort to source potential buyers with industry experience to recognize the real market value of the opportunity and thereby were able to fast-track the closing without any material changes to the price and LOI terms.

Buyer

**Private
-Equity
Firm**

Synergy

With TNMA's guidance, the acquiring PE firm calculated the synergistic revenue growth opportunities through cross-selling and up-selling a coalesced client list following integration and agreed to pay a premium for the firm. Integration with an existing platform was attractive because of a strong cultural fit and the seller's long-standing market reputation as a quality services provider.

Conclusion: TNMA's client benefited from the QuietAuction™ process by receiving multiple LOIs above market value from highly motivated and respected PE firms, allowing them to look beyond just the economics of the offer and choose the buyer that aligned with their culture and industry outlook.