

CASE STUDY

SMART 421

Managed services and integration specialist

The Client

Founded in 2000, Smart421 is a managed services and integration specialist, providing outsourced IT services for mid-market and enterprise organisations in both the public and private sectors.

When founder and CEO, Julian Harris, together with his advisory board, decided to sell the business he had several key objectives. On a personal level, Julian wanted to be able to move quickly on from the company following the sale, without excessive restrictions on future ventures. He had clear ideas on his minimum sale price and conditions but also wanted a buyer who would continue to develop the company and management team that he had built, ideally with a degree of autonomy.

It was essential to find potential acquirers that offered a good strategic and cultural fit as well as a strong brand and balance sheet.

Background

Compelling positioning for optimum results

Following a competitive selection process involving more than six companies, Smart 421 chose FirstCapital as its exclusive financial advisor on the sale. "FirstCapital stood out from all the others by demonstrating their understanding of buyers' needs and focussing on how they would position our company for the best possible outcome, whereas some advisors gave the impression that we were simply one of a conveyor belt of businesses up for sale," comments Julian.

FirstCapital also offered a shared risk/reward approach, which not only lowered the risk for Smart421 but also demonstrated the company's commitment to achieving the best possible outcome for the client.

FirstCapital were confident that they could achieve the price range they had indicated and I admired the fact that they were prepared to share the risk and be rewarded only if they achieved my objectives

Julian Harris - CEO

Over several months, FirstCapital worked closely with senior management at Smart421 to refine the company's strategy, focusing on its key differentiators and value drivers in the eyes of potential buyers. The field of suitable prospective acquirers was also extended by identifying companies that would benefit from a move into IT managed services in addition to those already operating in this space.

CASE STUDY

SMART 421

Managed services and integration specialist

The Opportunity

Building on strong existing contacts within buyer organisations alongside its extensive research and analysis, FirstCapital then focused on those companies with the strongest strategic fit. A long list of potential buyers was targeted which generated genuine offers from companies in North America, India, Europe and the UK and ensured a competitive process.

“FirstCapital did an excellent job of understanding and positioning the business and our market to maximise the value to potential buyers and minimise any time wasting. Their experience and analytical approach perfectly complemented my instinctive and gut-feel style,” comments Julian.

From the outset through to sale the process was led and managed by FirstCapital, including producing full due diligence documentation, leading discussions and negotiations with all parties, recruiting lawyers on behalf of Smart421 and fielding endless, and sometimes tedious, requests during the due diligence process.

FirstCapital ran a tight and well-managed process, remaining calm and focussed throughout and keeping things on track even when they had the potential to lose momentum,” says Julian. “The strength of the initial groundwork and positioning followed by rigorous project management meant that the sale of Smart421 was completed within just four weeks of signing the Heads of Terms.

Julian Harris - CEO

The Result

Smart421 was successfully acquired by Kingston Communications, a leading provider of communications solutions, for a cash consideration of £24.2 million, including cash and cash equivalents of approximately £4.0 million. As part of the deal, SMART421’s senior management team remained with the company and benefitted financially from doing so.

Following the sale, the company retained its name and brand, continuing to operate with considerable autonomy and benefitting from synergies with Affiniti, a sister business within the group specialising in providing converged communications solutions.

Julian Harris now lives in Australia where, after a brief break following the sale of Smart421, he has set up another business - a ‘green’ IT company specialising in shared computing.

“ Working with FirstCapital was a fantastic experience and the result could not have been better. From the outset they focussed on achieving my aims, both for the business and for myself, which they did without fault. I would definitely work with them again and would recommend them to any entrepreneur seeking a successful exit from their business,” concludes Julian.

Julian Harris - CEO