PE Hub

By: Rafael Canton
PUBLISHED: 18 Sep, 2024

PE DEALS

Bridge Growth's Alok Singh: 'Buy-in at every level' is needed when selling to a corporation

Bridge Growth announced in August the sale of Syniti to Capgemini, a deal expected to close later in the year

The sale of enterprise software provider Syniti to Capgemini, announced in August, will mark the fourth exit in three years for Bridge Growth Partners when it closes later this year.

In 2023, the mid-market private equity firm sold network performance specialist Accedian to Cisco Systems. The firm made two exits in 2021: in December, Bridge Growth sold school website and digital communications software tools provider Finalsite to Veritas Capital; in July, Bridge Growth and Frontenac sold Salient CRGT to GovernmentCIO, a portfolio company of Welsh, Carson, Anderson & Stowe.

To learn more about Bridge Growth's strategy for mid-market tech investments in general and for Syniti in particular, PE Hub caught up with Alok Singh, co-founder, CEO and chief investment officer of the New York PE firm.

Alok Singh, Bridge Growth Partners

Q Please walk us through the Syniti investment.

We made this investment in Syniti back in late 2017 and we recognized that they had a great clientele, an ability to help people transition from legacy SAP platforms to the current SAP platform, that they were essentially the best at doing what they do in that particular area and it was a software-enabled services business.

We took control of the company, and we fundamentally transformed the business over the course of our ownership. It started with the former CEO of Accenture, Bill Green, who is a member of our global advisory council. He became the chairman of the company and my partner Joe Tucci, who's the chairman and was the chairman and CEO of EMC, also joined the board. We had a number of other people, the former CFO of EMC who's a senior principal with us [Bill Teuber], joined the board. We had the former head of software for IBM [Steve Mills] join the board.

These guys know a lot about large companies. And they also understand what it takes to transform a business. It starts with management. We completely changed the whole management team over the course of our ownership. We made it a global company. And took the product to the cloud. We created alliances with major system integrators like Capgemini, Deloitte and Accenture.

We expanded the company materially in terms of size and we were thinking about what should be the next phase for this management team and the employees. Just like we did in the case of an Accedian, Finalsite and Salient CRGT, we're thinking in terms of not only making sure that we do well, but we want it to be a good home.

Working with a strategic is a very different thing than working with private equity firms where maybe there's two or three people at the top who actually make the decision. In the context of a strategic, you actually have to have buy-in at every level. You have to have understanding of how you work together, how can your clients benefit. Strategics are not buying businesses in order to take a whole bunch of costs out. That might be something which helps them get to a certain value.

What they're really looking for is, does it help them strategically with their client base? It's about building momentum and buy-in at every level and takes quite a lot of energy and time to do that.

Q What role did add-on deals play?

We bought a business called Data Migration Resources, which was a smaller company that had been part of BackOffice Associates (Syniti's original name) and was spun out. We brought them back in and did additional technology add-on acquisitions that were very valuable in driving product extensions.

Change, transformation and building companies, you can't do it in a couple of years and a lot of what people were doing in the 2020 to 2022 time frame was buying and selling in 24 months. It's all very good from a financial engineering standpoint and you can return capital and you can do all of those type of things. But I don't think too many things get built in two years. If you want to have impact and change, it takes three to five years to do that. And obviously, with covid, in many cases, it took a little bit longer. You need to get in deep from an operational and strategic standpoint if you want to create real valuable companies.

Q Describe the Bridge Growth investment approach.

First of all, we are operators and if you look at the people who are involved in the company, including myself, we've all been highly hyper-focused just on technology. We don't go outside of it. It's really all about application software. It's all about infrastructure, technology and sometimes it's tech-enabled service, but it's all within that box.

The second thing is when we look at an asset, we are middle market investors. We're not looking at the largest companies. We always look at it from the prism or the lens if you want to call it that, of what could we do to add value in that company? Who would we spend our time with at the company? What changes do we need to make? Who will we sell it to?

Q How do you foresee the exit market playing out for the rest of 2024?

I think there's a lot of wishful thinking still going on that there's going to be a spurt of M&A activity with private equity guys buying technology assets in Q4. People forget that Q4 is a very important quarter for technology companies. And with things slowing down, generally in the economy, interest rates are still pretty sticky and pretty high. You have a higher sense of volatility. You must have a compelling case to actually want to buy a business and pay a price which, from a seller perspective, meets their threshold.

I would say most private equity holders of assets which were acquired in 2020 to 2022, they've been hoping that growth, revenue and EBITDA, if it's that type of business, allows them to catch up to where they're carrying it or valuation wise. I think it's just taking them time. But at some point, people will recognize that you can't live in a world of pause for very long. When you have management teams, investments to make and it starts getting long in the tooth in some of these assets out there, they may need to reconcile where they're carrying those assets or what they think those assets are worth, and what they can obtain.

There have been a lot of what I would call processes out there which haven't really come to fruition. Any process creates a lot of stress on management teams and on companies. You can't just go in and out. You've got to say you're going to go back to the drawing board for a period of time.

Q What tech trends should be on dealmakers' radar?

The one thing which is really going to be very impactful is the use of automation and use of AI in the context of a lot of the businesses which rely upon things in the past, like labor arbitrage. Anything that can be automated much more cheaply and you can get a better result is going to be at much greater risk from a standpoint of if you have it in your portfolio already, I think that's going to be tough. Either you will use that technology to improve your business, or your clients and others will find different assets that they can partner with, and it could disintermediate some of those particular functions, especially those which rely upon labor arbitrage, companies which are very often based in other low cost locations.

The second thing I do see as a massive trend is everybody is about real time. Everybody wants real-time decision-making, real-time analytics, real-time customer experience. That's a massive trend that's going to be positive. We are very focused on that because of Solace, which is one of our companies. It is in the real-time data movement space.

Technology, for me, is everything. There isn't anything that isn't affected by technology. ■