

# NetCentrix and SystemHOST



**Matt Newing,**  
Founder, Elite

“For an acquisition to be successful, both companies need to be a good fit for one another. When we come across a company that has a similar ethos and culture to us, I know it is very likely to become a successful part of the Elite Group.

Since founding Elitetele.com in 2000 we have acquired 15 companies with the aim of making Elite a high-quality, high-growth organisation.

During that time, and with the benefit of hindsight, it is clear that the most successful acquisitions have been where the cultures of both Elite and the vendor are similar.

Where this occurs the transition period post-acquisition is smoother and there is less customer and staff churn. For me, this is important, because our aim for any strategic acquisition is to double the size of the acquired business in 24 months and ensure little or no customer or employee churn. ”

## Choosing the right company

Elite was looking to grow its Managed IT and Cloud division by acquiring an established group that would offer a complementary, innovative product set. NetCentrix and SystemHOST provided that opportunity as they specialised in architecting bespoke cloud platforms for a mixture of public and private sector clients.

NetCentrix had an excellent reputation for designing, implementing and managing enterprise IT solutions and had been guiding clients in their transition towards cloud-based solutions for storage and workforce collaboration. SystemHOST, a wholly owned subsidiary, specialised solely in hosted IT solutions which allowed SMEs and corporate clients to outsource part or all of their IT function.

The fit was good, both in terms of product and service offering and also culturally. The business was also ideally located just 20 minutes from Elite's Chorley offices and their specialist technical team would enhance Elite's own workforce. The acquisition would also bring a third data centre on-net to Elite's UK wide NGN core network, increasing Elite's capacity to offer IT and cloud solutions.

## The acquisition journey

The NetCentrix management team and shareholders began to look for a possible buyer for a number of reasons. Primarily, the team knew the firm and its subsidiary SystemHOST would benefit hugely from being part of a wider group. Organic growth was challenging and they wanted to cross-sell their cloud and IT services as part of a larger organisation. They also had some shareholders who were ready to exit from the business.

NetCentrix employed an M&A specialist agent to help them decide whether it was the right time to sell. The agent helped them prepare a 'taster document' that could then be sent to possible acquirers to find out more about the business. The agent looked at around 40 businesses in the market who they knew were active in M&A.

“They went with the Elite offer because we were the best 'fit' ”

The NetCentrix team met with a number of companies and conducted exploratory discussions including with Elite. They received several written offers but none were appropriate at the time so they were rejected. The team then decided to approach an IT business, which subsequently made an offer for the business. During the due diligence process, it quickly became clear that the two businesses were not a good fit culturally so the process was halted.

Still looking to be bought, the M&A agent kept an eye out on the market while the NetCentrix and SystemHOST team continued to grow the business. They decided to go back to the market with a better set of accounts, more customers, and a bigger business.

Six months on, Matt Newing and the Elite acquisition team met with Phil Scanlon, the Managing Director of NetCentrix and SystemHost and following initial talks they accepted an offer from us. Although Phil and his team had had a better offer from another firm, they went with the Elite offer because we were the best 'fit' and they liked Matt Newing's genuine desire to work with the team and continue to grow and develop the firm's IT services within the Elite group.

The due diligence process took about three months and was straightforward as Elite led the way and had a clear process which everyone followed. During the process, Phil delegated many tasks to his management team and put the onus on them to provide checked, factually correct information. Being truthful and honest in every response saves time and difficulties in the long run.

**“If you are preparing for sale it is a good idea to start collating your data and contracts early so that you are ahead of the game when the due diligence process starts. With hindsight, we would have created our own data room sooner making sure we had dedicated people responsible for updating information as required.”**

## Overcoming challenges

Some of NetCentrix's shareholders had reservations about not accepting the highest bid for the business. However, once Phil Scanlon had demonstrated that Elite was the best fit and would provide the best option for the long-term growth of the business and its staff, the shareholders accepted the offer. There was a clear cultural fit for both staff and customers, which longer-term helped create a smoother integration.

**“Having stumbled on cultural fit with the first company we started due diligence with, it was easier for me to persuade the shareholders that we needed to find a company to purchase us where the cultural fit was good.”**

## Integration process

Elite's aim for any strategic acquisition is to double the size of the acquired business in 24 months and ensure little or no customer or employee churn. After only six months the NetCentrix and SystemHOST acquisition achieved this.

Communication is vital in the early stages of an acquisition for both employees and customers. Elite worked closely with Phil Scanlon to ensure communication was at the forefront of all activity. Disseminating the right information to employees and customers alike and gaining their feedback as the acquisition progressed was critical to its success.

Ensuring new employees feel comfortable talking to Elite is a key step to building relationships and trust. Importantly, NetCentrix and

SystemHOST's employees reported they felt secure and happy, following the employee on-boarding process which encourages friendly discussion and direct access to the senior team. Because this process went so well, it enabled us to move ahead with providing the new product suite to our customers earlier than planned.

Together we overcame some challenges on the way, including some complex technical integration projects which brought synergies and joined up working. We made sure project teams were made up of employees from both businesses, aiding each other in prioritising workloads and ensuring the teams had a platform for reporting back to the business if they needed assistance or guidance.

## Successful outcomes

A few months post-acquisition we were cross-selling our new IT product suite to our corporate and SME customers, and NetCentrix and SystemHOST customers were benefitting from our unified communications offering. Elite also acquired a knowledgeable and highly skilled technical team who supported the new product set into our customer base. NetCentrix and SystemHOST have subsequently been rebranded as Elite and are fully integrated into the Elite Group. Phil Scanlon remains with the business and is now Commercial Director of IT Services at Elite.



Phil Scanlon

**“We didn't go for the best money; we went with the right deal for the business and staff as a whole. Working with Matt was a good experience. He took time to speak to us and made it clear he wanted to invest in the business and grow it to be a part of the core Elite team; a promise which he kept.”**

**“Selling your business is time-consuming and challenging, but the process is also hugely rewarding. It took us considerable time and a couple of failed attempts to find the right buyer, but it was worth the effort in the end. As part of Elite, I'm doing more of what I always liked doing, with less of the responsibility for the legal, HR, and health and safety issues that used to take me away from the business I'm good at.”**

## Is acquisition right for your business?

Elite's aim for any strategic acquisition is to double the size of the acquired business in 24 months and ensure little or no customer or employee churn. We have an excellent reputation for continuing to work with business owners who are not ready to retire. We want to work in partnership with you and your management team to ensure a smooth transition for staff and clients in order to avoid churn.

**If you would like to talk to Elite about acquiring your business, please contact: Alex Cliffe or Rob Burbidge on 0844 875 8880.**