

Cogent Growth Partners' Transaction Therapy Plays Role in Charles IT Acquisition



A shared and unwavering commitment to customer service may have been the driving force behind Charles IT's acquisition of NST Systems, but it was Cogent Growth Partners' Transaction Therapy™ that got the deal done.

Regional leader Charles IT, which is headquartered in Middletown, Connecticut, provides advanced cybersecurity and compliance services to companies located throughout Connecticut and New England. A mature SOC 2 Type 2 certified solution provider, the MSP's key vertical foci include the highly regulated industries of healthcare, manufacturing, government, non-profits and financial services. Known for its aggressive customer service which features a response time of less than five minutes and a resolution time of 5.5 hours, Charles IT is rated in the top 3% of all IT services providers.

"As this acquisition would be our first," Foster Charles, Founder and CEO of Charles IT, said, "I needed someone to advise us that had been through the process many times, knew where the roadblocks would be and could resolve them. I wanted advice about how to evaluate a company's client, vendor and employee relationships. That was why Cogent made sense."

Charles IT was seeking a soon-to-be partner who was not only a strong and strategic advocate for each one of its clients, but who also passionately cared about its employees.

Cogent introduced Charles to several MSPs that were interested in joining larger companies, but only one MSP aligned with Charles IT's unparalleled commitment to client and employee success – NST Systems. Stamford-based NST Systems' specialty IT services included data loss prevention, disaster backup and recovery, 24/7 monitoring and live support. The company had been providing expert IT consulting services and support services to small and medium-sized businesses for 27 years.

Charles IT expects to make additional acquisitions in its growth-fueled future. "Because this transaction was our first, we leaned on Cogent a great deal," he said. "They dove deep into our financials and capabilities to understand what we were looking for and why. I believe that's why their recommendation of looking at NST Systems was so on point."

TAM Value Apparent

In addition to seeing the value of Cogent's ongoing Transaction Therapy, Charles lauded the company's proprietary Transaction Analysis Model™. Cogent used the TAM to amass a highly detailed view of NST's operational and financial results and trends, along with the company's strengths and opportunities when combined with Charles IT. Charles credited Cogent's TAM as being thorough and accurate, which gave him confidence as he evaluated NST in preparation for acquisition.



"For me, the TAM was vital," Charles said. "I kept coming back to it throughout due diligence and negotiations to remind myself of why we were doing this and what we planned to gain from it. Then, I continued to use the TAM during the integration of the two companies."

—Foster Charles, Charles IT Founder and CEO



Keys to Process Integration

Anyone who has been through an acquisition or two will tell you that signing the paperwork signals the beginning of the challenging work associated with combining two formerly separate organizations – each with its own distinctive procedures and processes. "It took about six months for us to standardize NST's operations on our processes," Charles said. "We were happy to see what strong relationships they had with clients and vendors."

NST's account management approach impressed Charles from Day One. "NST's account managers connected with their clients at the executive level and were involved in high-level business strategy issues," Charles said. "They were able to demonstrate the value of the client's IT investment and show how IT could accelerate business success. I stole that approach right away because our account managers worked more at the technical level!"

However, the integration revealed one surprising element. "I discovered that many of NST's clients operated under hourly billing arrangements rather than contracts with a stated budgetary commitment," Charles said. "I wanted to add to those client relationships a stated annual budget that would be reflected in our plan."

While integrating the two operations, Charles instructed his staff to continue servicing the NST clients under their existing NST billing arrangement until each one could be moved to the Charles IT way of doing business. He wanted to ensure that each client's experience was typical of a Charles IT engagement even if the billing was not.

Prepare Your Employees

When first considering an acquisition, Charles believes it's important to let your staff know what's ahead of them. He went out of his way to set their expectations early and he kept reminding them of the difficulty built into the M&A process. "The first thing I did when we started looking at companies was to tell our people, especially our support staff, to expect this to be stupid hard," he said.

The Charles IT staff had experienced rapid growth before, but Charles wanted them to know that the M&A experience would be entirely different. "We grow at a rate of 30% to 40% a year,

and we know that processes and procedures are going to break at that pace," Charles said. "Putting an acquisition into the mix accelerated the breaking point, but I wanted them to know it would be worth it."

Maintaining Momentum Through Integration

When this dust of the acquisition settled, how did Charles lead his newly enlarged team through the integration process? "Once the papers were signed, I just told everyone to keep servicing the clients – that was the top priority," he said. "We could figure out the rest of it as we went."

Charles continued to remind everyone that they were all gaining valuable insights into how to execute the next acquisition. Charles plans to supplement the company's organic growth with strategic acquisitions as the company continues to expand.

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"We are looking forward to the next deal and now that we have been through one, maybe we won't require as much therapy the next time," Charles said.

–Foster Charles, Charles IT Founder and CEO

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