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How This PE Firm Uses IT Skills to Outpace the Market



Danielle Fugazy | June 5, 2018

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In today's competitive M&A market all private equity firms are looking for ways to get a leg up on the competition. Bertram Capital is no exception. The San Mateo, California-based private equity firm targets investments in the lower middle market. Years ago, it created Bertram Labs, an approximately 25-person team that helps portfolio companies grow through tech-enablement. We caught up with David Hellier, a partner with Bertram Capital, to discuss Bertram Labs and how it helps the firms compete for deals.

MMR: What is Bertram Labs and why do you consider it unique?

David: We have worked hard to hire the best and the brightest IT folks to sit in house at Bertram and help us diligence companies, figure out how to tech enable companies, and then implement the tech necessary for each company to realize significant growth. Bertram Labs hits the ground running and builds out the initiatives that the portfolio companies need.

It's a huge differentiator from a limited partner perspective. LPs today are less inclined to work with generalist funds and they want to see a differentiated approach. Bertram Labs is that differentiator that the LPs want to see. It helps us source better deals and build better companies. From a value creation standpoint this resonates with LPs as well management teams that are looking to stay on with the company and want to grow.

MMR: How did Bertram Labs come about?

David: Jeff Drazan, Managing Partner at Bertram Capital, founded the firm with a central belief that we could create value for our investors and drive significant growth in our portfolio companies by leveraging technology in our portfolio companies. We initially outsourced technology initiatives but quickly learned that in order to achieve the cost, quality and time to completion metrics we wanted, we could not rely on outsourced technology providers. In 2010 Bertram Labs became a reality when we hired our first member of the team, Brian Wheeler, who is now a partner. Jeff realized that every company we invest can benefit and grow based on focused technology initiatives. You can use IT in many different ways to drive growth and that's what our goal is. This is also different from operational partners, which are very popular today. However, operational partners can be pontificators; they don't necessarily have the ownership and day to day commitment to the portfolio company. Oftentimes, they tell the portfolio companies what to do and then check in to see if they are hitting their milestones. We call our team "dirty fingernail guys." They do the work.

MMR: Who decides what the portfolio companies need, Bertram or management teams?

David: We take direction from our portfolio company management and help with ideation, and our Labs team does the work and implementation. We set an agreed-upon agenda and priority for projects, which vary widely from company to company.

What kinds of services do you provide?

David: It really varies from company to company, but we support our portfolio companies in a few main areas: internal system enhancement and improvements such as implementing ERP systems; custom application development and Internet-related services such as web design and social media marketing; and help with e-commerce channels.

MMR: Can you give an example of how Bertram Labs has helped a portfolio company?

David: We recently bought a company called Spectrio, which does on-hold messaging and digital signage for businesses. There is a technology backbone with this business that we felt could be enhanced through Bertram Labs. There was also opportunity to drive improved customer acquisition through our online marketing expertise. The founder, who built the business through acquisitions and was retaining a significant stake after the sale, decided to work with Bertram in large part because of our Bertram Labs capability. They saw the opportunity for expansion through Bertram Labs and didn't have the in-house resources and capabilities to push the company to the next level. Until recently, the company had exclusively grown through add-on acquisitions, but now that are experiencing organic growth.

But as I said, it's different for every company. Bertram Labs is versatile. For Maxcess International, a company we bought in 2012, there were eight different ERP systems being used across the platform due to acquisitions. If you are familiar with ERP integration, you wouldn't wish that on your worst enemy. We worked with the Maxcess team to integrate those eight ERP systems into one solution in a fraction of the time and cost versus outsourcing. We also helped them improve their website and customer service capability. The company could have hired one of the major IT consulting firms, which a many companies do, but it would likely take them multiple years and many millions of dollars. We completed the integration in approximately 18 months and made other upgrades for a fraction of the time and cost that our portfolio company would have incurred.