



Thrive to shift managed service M&A focus to Southeast, Midwest, and abroad, CEO says

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Thrive Operations, a private equity-backed IT managed services and consulting provider, is in active conversations with four targets as it focuses on new domestic and international geographies, said CEO Rob Stephenson.

The company has more than 1,000 employees and will have north of USD 250m in revenue for 2022, Stephenson said.

The Foxborough, Massachusetts-headquartered company has been [backed](#) by **Court Square Capital Partners** since January 2021 when the PE firm became the majority owner, and **M/C Partners** since December 2016. M/C now holds a minority position, he said.

For a 2019 [report](#), active conversations were being held with six to 10 target companies. According to *Mergermarket* data, Thrive made one acquisition in 2020, three in 2021, and four in 2022.

The company now has good density in the Northeast and a presence in the UK that was solidified with three recent acquisitions. Going forward, the geographic M&A focus is on the Carolinas and Atlanta, Stephenson said. The goal is to fill out the region following 2021 buys in Florida and Alabama.

Many of the company's financial services clients including private equity firms opened offices in Florida during the COVID-19 pandemic, he added.

"Towards the middle of next year, we'll start to move into the Midwest and Texas up to Chicago," he said. "We plan on being very active."

Thrive is also looking at international expansion in Canada, Ireland, and Europe, Stephenson said.

M&A activity has “slowed significantly” in the sector over the last four months, Stephenson said. This is likely to remain the case for large deals in the USD 50m to USD 250m range for another six to nine months until interest and inflation rates stabilize, he said.

“When interest rates double in six months, the guys that are writing the checks tend to slow down evaluations,” he said. He thinks smaller deals in the space can still get done because they don't require debt. Thrive has very strong capabilities with VMWare and Microsoft Azure.

“But we're certainly looking to amplify a little bit more AWS firepower, maybe some Google Cloud firepower, and maybe some IBM AIX firepower as we're into some very large private cloud hosting deals,” Stephenson said. The company is also interested in targets that could augment its security practices, he said.

Stephenson said he would like to complete a deal by year's end but 1Q is probably more realistic. With its acquisitions of UK-based ONI in June 2021 and UK-based Custard Technical Services earlier this month, the company now has the ability in the UK, through integration, to handle that market just like it does the US, Stephenson said.

“Right now, most of our marketing efforts are to mid-market to enterprise clients (in the UK),” he said, adding it will also expand its managed services to the small and medium size business markets outside of London.

The CEO said sector EBITDA multiples probably peaked in late 1Q or 2Q of this year, but demand remains high for platforms. He said some smaller companies can still go for north of 10x EBITDA.

"I think those multiples have not gone down. They may have even gone up because there's a shortage of companies that have proven themselves," Stephenson said. Non-platform prices are probably flattening or coming down a little bit, he said.

The CEO said there are roughly 50,000 managed service providers in the US. Around 97% have 20 or fewer employees. The industry is "ripe for consolidation, roll-up, and then economies of scale," he said.

In the security segment, other players include **Dell Technologies** [NYSE:DELL] and **Arctic Wolf**, he said. For cloud, there is **Rackspace Technology** [NASDAQ:RXT), **TierPoint**, and **IBM** [NYSE: IBM].

Thrive's legal advisors are **McGuireWoods** and **Dechert**.

By James Ward in Charlottesville, Virginia

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