



CARRICK CAPITAL PARTNERS: NAVIGATING THE GROWING DIGITAL ECONOMY

The Largest Network of Diverse- Owned
Private Equity Firms and Hedge Funds

Transitioning from a larger, established firm to a new entrepreneurial venture in an ultra-competitive industry is challenging. This is something that Marc McMorris, Co-Founder and Managing Director of Carrick Capital Partners, knows all too well. Going from Managing Director of General Atlantic LLC, a 40-year-old private equity firm that now has more than \$30 billion in AUM, to a startup was one of the most challenging things he has undertaken in his professional career. And he is loving every minute of it.

"I am having fun. It's intellectually interesting and challenging," says McMorris. "I'm a player-coach, so I spend time managing the business and executing as well. Building out a team and seeing the team work together and get good outcomes is just fantastic. It's really enjoyable."

Launched in 2012, San Francisco-based Carrick Capital is a growth equity firm focused on software, SAAS, transaction processing, and technology-enabled services companies. With 14 portfolio companies, the firm typically looks at businesses in the \$20 million-\$100 million revenue range and adds value through operational expertise, a process improvement methodology, leveraging its broad networks and enhancing go-to-market efforts to improve margins.

Among the firm's investments are Saviynt, a leading provider of cloud security and identity governance solutions; and Exiger, a global regulatory and financial crime, risk, and compliance company for large financial institutions.

UNDER THE RADAR

Carrick is the brainchild of co-founders McMorris and Jim Madden. McMorris, who holds an MBA with a concentration in finance and accounting from The Wharton School of Business and a BA in economics from the College of the Arts & Sciences at the University of Pennsylvania, began his career at Morgan Stanley and then joined Goldman Sachs in technology investment banking. Madden earned his BBA in finance and a BA in geology from Southern Methodist University, and was Founder, Chairman, and CEO of Exult, Inc., a human resources business process outsourcing company.

After merging Exult into Hewitt in 2004 in an \$800 million transaction, Madden became a special advisor with General Atlantic where he focused on technology-enabled business services companies. It was there that he met McMorris. After working together for years, the duo saw there was an opportunity in lower middle-market technology, but companies in the \$30-\$80 million range were too small for a firm the size of General Atlantic. "The math just didn't work," McMorris recalls. "We couldn't deploy that little capital, and I couldn't spend my time, or my team's time, on an asset that didn't move the needle with the AUM base."

So, in 2012, McMorris and Madden decided to take the leap and launched Carrick Capital Partners. The two sailing enthusiasts named the company after the carrick timbers that are placed at the heart of a sailing ship. Carricks are the strongest part of the vessel and support its anchoring system. Both agreed it perfectly reflected the firm's approach to private equity – providing strength, stability, and support while working together with companies and their management to arrive at the desired location.

McMorris and Madden knew the market opportunity. Together they had a history and complementary experience building and investing in enterprise services and software. However, doing business outside of the umbrella of a larger firm and its greater resources had its challenges. “What was surprising, but shouldn’t have been, is the amount of time you have to put into firm management, building a team, and figuring out whether you have the right players,” McMorris says. “I joke about this, but it’s true. When you start a firm, the first thing you notice is you do not have an IT person. You start hiring people and you start having IT issues, and guess what? There is no IT team to rescue you. You’re it.”

For its initial fund, the team raised \$180 million and completed its first investment in 2013 – San Francisco-based Axiom, a provider of tech-enabled legal, contracts and compliance solutions for large enterprises. “There are some firms that don’t like services businesses because they view them as not scalable and there’s not a lot of leverage in the business model,” says McMorris. “We think we know how to get good returns out of service-oriented businesses when we can bring technology and automation to bear.”

The Carrick team, including Madden who was an active member of Axiom’s board, leveraged their operational expertise to help Axiom grow into a global leader in specialized on-demand legal talent with more than 2,000 lawyers and 14 offices servicing more than half of the companies on the Fortune 100. “We didn’t transform the business by any means, but we were able to help them bring its technology platform to the forefront to enhance their overall business model,” says McMorris.

That growth, unsurprisingly, attracted several suitors. Among them was Permira, a European private equity firm. “We’d been invested for a few years and saw the value creation get to where our initial expectations were, and it was the right time in the market,” recalls McMorris. Carrick completed the sale of Axiom to Permira in October 2019. “It was the largest capital investment in Fund I, so the sale of that asset was a very positive outcome for us.”

THE DIGITIZATION TRANSFORMATION

The firm is currently deploying capital from Fund III and is optimistic about the near- and long-term outlook for Software, SaaS, transaction processing, and technology-enabled services companies, particularly as their focus on large enterprise has avoided the hardest hit industries in the current environment. “There’s some pullback in the business of the customers of our portfolio companies, but it’s not dramatic,” explains McMorris.

Other portfolio companies are performing well. Among them are Everspring, a provider of full-service, customized online education solutions that partners with universities looking for innovative ways to move education online. Another, Saama, provides data analytics for clinical trials. “That performance has allowed us to not have to spend the last two months completely consumed with remediation in the portfolio, which is great,” says McMorris.

Going forward, Carrick stands to benefit from the acceleration of digitization in the economy. “We think the market opportunity for what we do is big enough for us to continue to expand the firm and get bigger without having to change strategy,” says McMorris. “There’s lots of opportunity out there and we’ve been able to figure out how to make money on the services side when we bring technology in.”