



IMB PARTNERS: BUILDING A BILLION-DOLLAR PORTFOLIO IN UTILITIES AND GOVERNMENT SERVICES

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

America's electric and natural gas infrastructure is a complex network of millions of miles of power lines, piping and other equipment that supplies these utilities to power millions of homes, factories, and offices. As critical as these utilities are to the nation, the underlying infrastructure is aged, under-invested and needs billions in capital expenditures to bring fully into the 21st Century. But where many see a worn energy backbone, IMB Partners sees investment opportunities.

With a portfolio of companies that collectively generate more than \$700 million, Bethesda, MD-based IMB Partners is a private equity independent sponsor focused on making control acquisitions in lower middle market companies in electric and gas utilities and service providers to government agencies. Founded in 2010, IMB Partners (the IMB stands for Investors in Minority Business) focuses on businesses with \$5-\$25 million in EBITDA (\$1 million-plus for add-ons), stable cash flow and clear growth avenues.

The firm also looks for existing suppliers to utility and/or government customers that value diversity and a minimum of 10% EBITDA margins where capital expenditures are less than 20% of EBITDA. IMB has a long-term investment strategy, looking to own businesses for 10 years or more, with some form of recapitalization occurring every three to five years. "In the utilities space, the demand for MBE suppliers is coming from the industry," explains Farrah Holder, Managing Director, IMB. "And part of it is driven by the fact that commissions in different states often require utility companies to declare what their spend is and what their procurement goals are in terms of diverse suppliers."

On the government services side, IMB looks primarily at food supply to the military and IT and cybersecurity services to government agencies. These areas have little diverse representation, and government agencies often struggle to identify qualified suppliers that also meet diversity guidelines. IMB brings these companies under its umbrella and helps them navigate the MBE certification process to meet those guidelines. "I like to think of MBE as just one tool in our toolkit, as opposed to the unique, special sauce of the firm because in some situations, it's very helpful. In other situations, it's not," says Derrick Weatherspoon, Managing Director. "We come as strategic partners, and this is a special thing that makes us unique, but we're doing all the other things that create value for our portfolio companies."

IMB does not have a traditional private equity fund with a 10-year life where the first five years are spent making investments and the remainder working to monetize those investments. "It gives us a lot more flexibility with the capital we deploy, and so we're raising both debt and equity capital in each deal that we do and so that equity capital doesn't have a timeline on it, says Weatherspoon. "That allows us to us to steadily transition management, invest in functions and just take a much longer-term perspective, and that's unique because of our fund structure."

IMB Partners then adds value by providing cost-effective back-office services and support for diversity and inclusion, social impact and community initiatives, and implementing the following strategies:

M&A

IMB looks at companies where a majority of sales are derived from one client – 80% or more – and creates an organic growth and acquisition strategy to expand and acquire additional market share. "Five years later, there's less customer concentration. What may have been 100% is now 40% for the

largest customer,” says Tarrus Richardson, Founder & CEO. The idea is that the marketplace misprices businesses with high customer concentration. By acquiring those businesses at a discount and subsequently increasing business with existing and new clients, a company acquired at a 3x multiple could increase in value to 7x or 8x because the market places a higher valuation on broadly diversified enterprises.

MBE Sales Advantage

Through partnerships, IMB has the capability to assist companies with national, regional, state and/or local minority certifications to meet supplier diversity initiatives. The firm works with companies that are hub zone, or small business certified businesses with the government, a unique certification understanding and strategy. “We see diversity as an advantage, and that’s a little nebulous, but I do think ultimately just having different voices at the table leads to better outcomes,” says Holder.

Entrepreneurial Operating System (EOS)

A comprehensive suite of business tools to align and synchronize all aspects of a business to improve results by ensuring the company’s strategic vision is carried out through accountability, tracking and scorecards. Through this process, portfolio companies systematically engage in strategic planning and implementing goals from 90 days through five years.

Among IMB’s investments is e&e IT Consulting Services, a \$24 million, woman-owned IT consulting firm that provides all levels of skilled staffing services in central Pennsylvania and surrounding areas. IMB initially invested in e&e back in 2014 and completed its buyout two years later. Since then, the company’s valuation has grown by 3x. Other investments include a 51% stake in Alder Foods, a \$54 million woman-owned grocery products supplier to the U.S. military, and Ashburn Consulting, a \$13 million cybersecurity and network engineering firm serving government, education and commercial clients.

Another investment, LaFata Contract Services, is a project and construction management firm that IMB grew from \$15 million to \$30 million a year. “We think that it’s nearly impossible to start a utility construction firm or utility contractor, and so by using M&A, we can buy into a network that is closed to new startups,” says Richardson. And then through M&A and business development, we can help that company grow much faster than it historically did.”

IMB’s companies were spared the worst of last year’s tumultuousness, partly due to many being deemed essential by federal and state governments. “We’ve invested in a sector that, while we did not necessarily start off with the definition that these are essential businesses, what we have found is that our sectors are essential and have been unaffected or not negatively affected by COVID,” explains Kelvin Pennington, Managing Director. “Sure, you’re worried about people getting sick, but the demand for all the work has been continuous.”

The firm remains particularly bullish on the utilities industry, citing an aging infrastructure and increasing demand. As the auto industry slowly weans itself off fossil fuels in favor of electric-powered vehicles, there needs to be a solid infrastructure in place to support this new dynamic. “The opportunities over the next five years to make some deep, heavy investment are there,” says Pennington. “There’s nothing sexy about it, other than there’s an opportunity to build larger strategically more valuable businesses via organic growth and M&A that can assist our utility customers with rebuilding the grid for the future.”