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BRIDGE GROWTH'S SELECTIVE TECH INVESTMENT STRATEGY

CEO Alok Singh and partner Tom Manley discuss the sale of Accedian to Cisco, tech auctions and the nuances of deals with strategics.

BY CHRIS NOLTER

Bridge Growth Partners LLC's recent sale of Accedian Networks Inc. to Cisco Systems Inc. (CSCO) says a lot about the firm's approach to building and exiting portfolio companies — especially when dealing with strategics.

"Generally selling companies to strategics needs much more time than to financial buyers," Bridge Growth CEO and co-founder Alok Singh told The Deal. "If you are going to go down the path of talking with strategics, you need to upfront recognize that these relationships will need time to develop as will any partnerships, whether it be in technology or in joint go-to-market activities or both."

Cisco and Accedian developed a deep relationship before striking their deal in June, which did not involve an auction. The buyer and seller have worked together since August 2021, when Cisco began to offer Accedian's network and application monitoring technology through its network automation platform.

"They started to figure out how our technology could be used by their customers and how Accedian fit into their overall strategy," Bridge Growth partner Tom Manley said. The pact could have evolved to a deeper supplier relationship before culminating in a purchase, he suggested. "In this case, we went straight from our first-level partnership to Cisco's acquisition of Accedian," Manley said.

While sponsors have been fervid technology investors in recent years, Accedian reflects Bridge Growth's measured pace.

Bridge Growth makes just a few deals per fund and tends to develop businesses without rollups. Singh and Manley declined to disclose financial terms for the firm's deals, but a source familiar with the matter said Bridge Growth has deployed close to $1 billion in capital from its funds and co-investor commitments in five portfolio companies.

Bridge Growth Partners' Alok Singh and Tom Manley

The Accedian Thesis

Accedian's platform helps clients such as Goldman, Sachs & Co. (GS), Refinitive and Thomson Reuters Corp. (TRI) monitor the efficiency of their networks and applications, which is dubbed performance assurance.

"We're like a flashlight looking at everything going on in the network and with applications," Manley said.

Bridge Growth backed Accedian in 2017 when the Palo Alto, Calif., company had a legacy hardware business for network monitoring and employed around 225 people — compared to more than 350 today.

"Our thesis was premised on 5G and the idea that network automation and software-defined networks would become more and more important," Manley said.

Accedian projects that 76% of manufacturers plan to use private 5G networks by 2024.

"Data has to flow and has to get to the recipient," Manley said. "You can't lose data in these mission critical applications and hence why Cisco continues to invest to ensure the networks can live up to the promise of 5G and these new network assets."

From its hardware legacy roots, the company expanded into software-as-a-service offerings that can track performance on hybrid cloud environments.

Though Accedian built out its application monitoring capabilities with the acquisition of Performance Vision SA in 2018, it generally hasn't been an M&A story.

"People frequently think that driving growth is all about buying software companies and quickly consolidating them together and selling in short order," Singh said, "We don't think this approach generally results in building cohesive businesses that are strategically relevant and lasting in value."

Bridge Growth's Measured Approach

Since its founding in 2013, Bridge Growth has invested in just five portfolio companies including Accedian.

"We are a highly focused technology investor making a select number of investments from each fund," Singh said. "When we make investments, we really like to get to know the company and management team."

Bridge Growth has a deep deal-making bench. Chairman Joe Tucci was chairman and CEO of EMC Corp. when the company sold to Dell Technologies Inc. (DELL) for $67 billion in 2015.

Before co-founding Growth Bridge, Singh was a managing director at New Mountain Capital LLC. Manley was CFO of Avaya Holdings Corp. and Cognos Inc., the latter of which IBM Corp. (IBM) purchased in 2008 for $5 billion.

Bridge Growth tapped $410 million in equity capital collectively with the Bridge Growth Partners LP and Bridge Growth Partners (Parallel) LP funds in September 2016.

Bridge Growth backed the predecessor of Salient CRGT Inc., which develops IT software and services for federal agencies, in 2014 and sold the business to Welsh, Carson, Anderson & Stowe LP portfolio company GovernmentCIO LLC in August 2021.

The firm invested in data software company Solace Systems Inc. and K-12 software platform Finalsite in 2016. Veritas Capital Fund Management LLC bought Finalsite in December 2021.

Bridge Growth invested an undisclosed sum in enterprise data management company Syniti, or BackOffice Associates LLC, in 2017.

Future Opportunities

Given Bridge Growth's selectivity, a buyout binge is unlikely. Singh, however, pointed to niches where the firm may be active.

"We focus a lot on infrastructure technology," he said. "It's a complex area to invest in, and we have the background, the team and the industry relationships to do so effectively."

Bridge Growth also tracks software verticals, such as education and public sector technology, and horizontal niches that cross over multiple industries, such as supply chain and human capital management software.

As Accedian reflects, data is an area of substantial interest.

"Everything today is about data from real time movement of data and data analytics based on quality data," Singh said. "In our view data is at the core of digital transformation and there is a lot more that needs to happen in the years ahead."

Bridge Growth could also invest in software-enabled services.

Don't expect to see Bridge Growth in heated auctions, though.

"For auction processes, something is put on the shelf, and you are running through everything in a tight period of time," Singh said. "This does not give buyers the quality time needed to appropriately evaluate a business and its team." ■

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