

Background and Partnership

Potomac Equity was proactively searching for IT services investment opportunities to capture sector growth, with a particular focus on data and analytics solutions. Potomac Equity met Orion, and was impressed by Orion's capabilities and the depth of its customer relationships, and believed that the company's positioning, market-leading solutions, and management team could drive above market returns. At the time, Orion was an entrepreneur-owned IT services provider with a small sales organization and limited infrastructure. Potomac Equity recognized the potential to accelerate growth by investing in sales and marketing and corporate infrastructure, enhancing the company's solutions offerings, and executing accretive add-on acquisitions. Orion's founder/owner/entrepreneur was attracted to Potomac Equity because of its sector expertise and industry contacts, as well as the collaborative collegiality of its principals.

In October 2014, Potomac Equity and Orion's founder/owner/entrepreneur completed a recapitalization of Orion whereby Potomac Equity acquired approximately 60% of the company. Subsequent to the initial investment, Potomac Equity also invested additional capital as the company grew.

The Potomac Equity Difference

In partnership with Orion's management team, Potomac Equity's key contributions towards the successful investment included:

Growth:

- Introduced Orion to a variety of new potential customers at the CIO and CTO level, which were sourced through the Potomac Equity Partners network
- Sourced, negotiated, and helped execute two strategic add-on acquisitions to benefit the company
- Diversified the company's customer concentration through the addition of incremental customer relationships
- Created an equity incentive plan to enable Orion management to benefit from value creation at the company

Leadership:

- At the request of Orion's founder, developed a strategy to transition the day-to-day management responsibilities to a newly recruited CEO
- Recruited several key incremental senior management executives, including a CFO at the close of the initial investment and a VP of Sales to complement the new CEO
- Identified and recruited two relevant industry experts to become members of the newly created Orion Board

Strategy and Advice:

- Repositioned the company to become a digital solutions provider with focused areas of expertise in business process improvement and data and analytics
- Helped the company set a strategy to materially increase gross and EBITDA margins, including the investment in proprietary software solutions and IP
- Served as a sounding board for management as it continually evaluated various strategic options and operational opportunities and challenges

The Results

Over the four-year period, Orion grew significantly; the employee base increased from 1,100 at the time of investment to 1,600 at the sale of the company; during that same time period, the EBITDA of the company tripled. As a result of the increased growth rates and margins, greater scale, more diversified customer base, and company repositioning, when the company was sold in October 2018, the founder/owner/entrepreneur, Potomac Equity, and Orion's management team all meaningfully benefited. Potomac Equity achieved a 7.5x multiple of invested capital (MOIC) and 74% internal rate of return (IRR) for the investors, with the opportunity for additional cash returns tied to Orion's future performance.

Recommendation

"Orion has grown significantly and repositioned itself during its partnership with Potomac Equity. When I was looking for a partner, Potomac Equity stood out with its collaborative approach, industry insights, and network of relationships to benefit Orion. Potomac Equity has been a key contributor to Orion's success, making numerous customer introductions, sourcing and executing two add-on acquisitions, helping add key senior management team members, and serving as a critical sounding board for Orion as we grew."

– Sunil Mehta, Orion Founder and Owner/Entrepreneur