

Subject: How IT Due Diligence uncovers hidden risks in portfolio targets

Hi there,

Private equity firms spend considerable effort and budget researching the products and financial positions of portfolio targets, but what they don't know about the IT environment can significantly delay an investment's growth and payback period. A promising balance sheet and attractive product or service may be hiding hundreds of thousands of dollars in delayed IT costs.

The Hidden Risk Vector: Unmaintained IT Systems

It's no secret that some mid-market companies run on lean budgets, frugally extending the lifecycle of resources as they build their core capabilities. These decisions, while admirable, can create headaches and risks for future investors. Unfortunately, these risks do not typically show up on the balance sheets.

- Unsupported computer and server hardware can create a surprise capital expenditure to bring the PortCo into compliance with best practices and any applicable regulations.
- Unpatched and unsupported software increases the risk of future cybersecurity incidents, which can lead to expensive downtime, reputational damage, and even ransomware payments.
- Immature IT processes are inefficient and may fail to provide timely insights to make informed business decisions.

Real World Example: \$500K Savings

A private equity customer approached beiNVENTiV for help during due diligence on a PortCo they had negotiated to purchase. During the assessment, we discovered that the target company had failed to maintain their laptops and server hardware. Key software licenses had not been updated and were no longer supported by the vendor for critical security patches and feature enhancements.

The estimated investment needed to bring the PortCo's technology to a supported level was approximately \$500K. Based on the IT due diligence findings, our customer successfully renegotiated the purchase price and gained a clear blueprint for addressing priority areas to reduce risk. The new solution included replacing their legacy ERP system running on an AS/400 with a modern SaaS platform and migrating their on-premises email and file storage solutions to Microsoft 365 Business Premium.

Get Started with IT Due Diligence

Our team at beiNVENTiV helps investors uncover the technology realities behind their targets before Day 1 and create a plan for Day 1 and beyond.

It's ideal to perform IT Due Diligence before finalizing an acquisition, but our customers also find value in conducting IT Assessments on existing PortCos to inform their IT strategies and immediate priorities.

[Download the PE Solutions Brochure](#)

Best regards,

Jeff Fantalis, CEO

beiNVENTiV Private Equity Practice

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Direct 720.999.3199 | Main 800.860.0984 | <http://www.beiNVENTiV.com>