Inside the private equity partnership fueling By Light’s acquisition strategy

BY NICK WAKEMAN

The list of private equity-backed platforms in the federal market’s middle tier continues to grow.

Joining that list alongside others like Applied Insight, EverWatch and E3 Sentinel is By Light Professional IT Services.

However, By Light is not a recent entrant to the private equity world. It’s just been a little quieter. But that is changing as it closes its second deal in less than two months and third deal in 18 months.

Two years ago, By Light was acquired by Sagewind Capital. Founder and CEO Bob Donahue and the rest of the management team stayed on board. In that first year, Sagewind helped By Light build the financial and management systems to move the company from the small business world into full-and-open competition.

That management team was a critical part of Sagewind’s reason for buying the company in May 2017, according to Steve Lefkowitz, managing partner of Sagewind.

“For me it is all about the people,” Lefkowitz said. “We met with Bob and he’s built this fabulous business and his team has a cohesive vision and is very mission focused.”

The company also is in areas that are priorities for the government like cybersecurity, intelligence, contingency and communications support, rapid prototyping and satellite communications.

“You don’t want a great management team that is in the buggy whip industry,” Lefkowitz said.

For Donahue, Sagewind’s focus on people also won him over when By Light was looking for a private equity partner. He had other options but he knew from Lefkowitz’s track record, which he had several IDIQ contracts. Donahue said that for example, By Light didn’t win a spot on the Army ITES-3S contract but Phacil did.

“Getting on these large IDIQs is key to our strategy,” he said. The vehicles give By Light flexibility in how they serve current customers as well as the ability to pursue new ones.

The acquisition of Metova gave By Light a new line of business — cyber range training — that complements the cyber work it has been doing for several years for customers such as the Joint Special Operations Command.

Motova brings a software product called CyberCENTS that emulates multi-domain environments which is critical to training the cyber response teams that have proliferated across the Defense Department.

By Light was drawn into training because of its contract to support the Joint Regional Security Stacks. Through an Other Transaction Authority contract, By Light worked with a commercial company that had an emulation technology that could simulate the JRSS environment.

“That got us focused on training and we are dead focused on it,” Donahue said. “And this is an example of our partnership with Sagewind. We guided them that this is what we needed and that’s how we got to Metova.”

“We are getting a nice product focused on cyber ranges and it’ll help us enhance and grow our cyber business,” Lefkowitz said.

The acquisitions feed By Light’s strategy for more organic growth. The company had several IDIQ contracts including the Veterans Affairs Transformation Twenty-One Total Technology-Next Generation contract known as T4NG.

By Light was a small business incumbent under the T4 contract and won in the full-and-open competition for T4NG.

A major project under that contract is the MyHealthVet portal that will become even more important as both the VA and the Defense Department roll out new electronic health record systems built on the Corner platform.

With the addition of Phacil, By Light now has a deep stable of contract vehicles such as Alliant 2, ITES 3S, the Army’s Responsive Strategic Sourcing for Services (RS3), Custom SATCOM Solutions and Encore 3.

By Light has a long runway with these contracts because the earliest one expires in 2026. The rest run through 2028 and 2028.

“We are bringing people on who know how to leverage these large, rapid task order IDIQs and that’s how you get the exponential growth you are looking for,” Donahue said.

His goal is to quickly reach $1 billion in annual revenue from the current spot between $500 million and $700 million.

For Sagewind, the hunt will continue for more acquisitions that fit with By Light. Lefkowitz predicted a pace of about a deal a year on average.

“We are looking for services and customer relationships and contract vehicles that can accelerate our move up the food chain,” he said. “By Light is in the right place and they have a lot of opportunities to grow.”

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