



BLUESTONE CAPITAL PARTNERS ADVISES PRIMESCAPE SOLUTIONS IN ITS SALE TO HIGHPOINT GLOBAL

On October 23, 2017, Primescape Solutions, Inc. (“Primescape” or the “Company”) announced the completion of its sale to HighPoint Global (“HPG”), a provider of training, contact center optimization, IT and quality assurance services to government agencies. Headquartered in Herndon, Virginia, Primescape is a leading provider of complex, enterprise-scale IT services and solutions in support of government technology transformation initiatives. The Company supports a diversified base of federal civilian and defense customers including Department of Treasury, Department of Health and Human Services, Defense Logistics Agency, Department of State, Defense Media Activity, and Pension Benefit Guaranty Corporation that depend on Primescape to design, develop, lead, integrate, and manage transformative projects and critical technology systems.



The acquisition highlights several key themes in the government information technology services market:

- **Emergence of New Middle-Market Consolidators** – While large (\$1+ billion) government technology and service providers have begun to re-emerge from a multi-year period of relative dormancy, a new tier of middle-market consolidators has emerged as a major force in the M&A landscape. Compounding the trend of middle-market consolidation driven by companies such as SOSi and MacAulay Brown, the recent M&A landscape has featured several new entrants (e.g., HighPoint Global, Orbis Technologies, and Buchanan & Edwards) each of which made its first acquisition in 2017.
- **Robust Lending Environment** – A robust and readily available supply of capital is fueling the M&A appetite and activity of many private equity and middle-market acquirers. With rates at all-time lows and lenders facing stiff competition to deploy funds, third-party capital is as abundant and inexpensive as it has been since a decade ago when the credit markets reached historic levels. As a result, middle-market acquirers are increasingly able to finance acquisitions at attractive valuations with little or no additional equity contributions and have become increasingly competitive in M&A processes.
- **Strong Market Demand for Well-Positioned Companies** – Middle-market consolidators, especially first-time acquirers in the sector, are often risk averse and selective when pursuing acquisitions. While companies with heavy revenue concentration, large reliance on subcontracts, near-term recompute exposure, and meaningful small business or set-aside revenue continue to find mixed results in the M&A market, well-positioned companies with minimal exposure to these issues are in high demand. As a result, companies that embark on a concerted effort to minimize these risks are being rewarded in today’s market. Primescape’s diversified base of largely prime, full and open contract awards, as well as its multi-year revenue visibility, were highly attractive to HPG.

In addition, Primescape possesses several additional characteristics that attracted HPG’s interest, including its diverse and long-term customer relationships, strong recompute success rate, highly educated employee base, solid financial performance, and strong management team, to name a few. Our current market insights give us confidence that strategic and financial buyers will continue to pursue acquisitions that share these strong characteristics and will place premium valuations on differentiated businesses.

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