

How udu led to a NexPhase add-on acquisition

NexPhase Capital is a private equity firm that merges thematic sourcing and operational focus to evaluate each investment opportunity. To create value for its investors, the firm integrates industry-specific insights into a comprehensive investment approach. By targeting control buyouts in lower-middle market, growth-oriented companies with specific characteristics, NexPhase has created a sophisticated, disciplined approach to private equity investing.

Challenge

NexPhase was specifically interested in locating rollup opportunities in fragmented sectors where it could execute its sourcing and acquisition strategies. The large-scale data harvesting and analysis that udu provides would enable NexPhase to cover more ground faster and uncover opportunities that would otherwise be overlooked.

NexPhase was performing proprietary outreach in fifteen subsectors, which required deep knowledge across markets. The research phase of this process created significant lag between ideation and acquisition. Searching for businesses to acquire was also limited to the markets in which individual analysts were familiar, while other unknown sectors remained unexamined.

Solution

udu searched across thousands of data sources to identify potential targets, then analyzed its findings using machine learning and statistical analysis to prioritize the results. udu's initial findings included 105,000 companies that met specified, unique acquisition criteria, allowing NexPhase to identify numerous companies that its analysts would have never found through their legacy process. **By leveraging machine learning to harvest data and analyze at scale**, udu provided more comprehensive results and also saved countless employee hours, freeing up analysts to do more value-added work. After further research on approximately 2,400 of these new leads, NexPhase contacted three hundred companies, which resulted in thirty opportunities for a ten percent conversion of contacted-to-potential acquisition. One of these was a subscription-based pharmaceutical news provider that NexPhase ultimately integrated into its educational technology portfolio company.



“udu provided the data, analytics and targeting that vastly expanded our reach when seeking add-on acquisition candidates for our EdTech portfolio company. Without these analytics, we simply would not have been able to identify and evaluate such a vast array of leads.”

“In today's highly competitive and efficient deal market, udu's sourcing support provided the edge required to identify and, ultimately, acquire a highly attractive tuck-in business.”

— Lex Leeming,
Partner & Head of BD
NexPhase Capital

Result

In May 2020, udu delivered its listing of potential acquisition targets to NexPhase. The target noted was sixty-sixth on udu's algorithmically prioritized list of 4,200 entries. NexPhase analysts initially consolidated their options to seventy-six potential companies, then after further research reduced the list to thirty-three. By August, NexPhase was ready to reach out to the CEO of the target company. By November, NexPhase had made a bid to acquire the business. The deal, which would have been highly unlikely without the help of udu, was ultimately closed in March 2021.