

Multicompany Acquisition Improves Intechra's Market Position

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Intechra's purchase of three companies will increase its IT asset disposition business to more than \$80 million, expand its processing capabilities and extend its geographic reach.

NEWS ANALYSIS

Event

On 1 February 2007, Intechra, one of the largest IT asset disposition companies in the U.S., announced it has acquired three companies from Chasm Holding. Chasm's "electronics life cycle management services" cover the full PC life cycle, from deployment through disposition, along with all the relevant reporting. The three companies are EPC of Los Angeles, California; Market2Market of Columbus, Ohio; and SpaceFitters of Hartford, Connecticut. Terms of the deal were not disclosed.

Analysis

This deal is the fourth acquisition by Intechra in as many months. Chasm's five processing centers are located in Los Angeles, Baltimore, Chicago, Columbus and Windsor, Connecticut. The centers will significantly expand Intechra's processing capabilities for remarketing, refurbishing and recycling. The combination of Intechra and Chasm represents a marriage of two companies with distinct and complementary strengths, which together may alter the IT asset disposition service market.

Though this market is still in its infancy, its growth, capabilities and challenges have reached a critical point. Historically, IT asset disposition services have been provided by small local and regional companies, as well as hundreds of even smaller operations with revenue of less than \$1 million per year. But enterprises are beginning to recognize that improper disposal of IT assets and the data residing on these devices poses significant environmental and regulatory risks. To mitigate these risks, enterprises seek financially sound providers with broad service capabilities, an extensive geographic presence and, most important, documented, repeatable processes. The combined companies will be able to meet those requirements, which will enhance their competitive position.

From an environmental perspective, it is worth noting that Intechra is member of the Basel Action Network (BAN; see <http://www.ban.org/>), and was one of the first companies to sign the BAN-sponsored Electronics Recycler's Pledge of True Stewardship. BAN seeks to prevent all forms of "toxic trade," and represents a global network of toxics and development activist organizations that share a vision of international environmental justice. Intechra's expanded coverage leaves it well-positioned for further growth as "green" issues appear more frequently on companies' IT agendas.

As with all acquisitions, successful integration is the key to success. This is particularly important for IT asset disposition service providers, since a process failure for them could create a financial liability for the companies they serve. Intechra will have to sustain operating performance while integrating back-office operations, sale forces and compensation plans, and assimilating differing corporate cultures.

RECOMMENDATIONS

Chasm customers

- Analyze the Intechra IT asset disposition and reporting process to ensure it meets your process requirements.

Intechra customers

- Explore additional service offerings now available to you (such as redeployment and lease returns).

Current customers of both companies

- Ascertain what logistical changes, if any, will be made post-acquisition. With the addition of the new facilities, your shipping destinations may change, which could result in a reduction in shipping costs.
- Scrutinize all operational transactions to verify accuracy and conformance to process during this period of assimilation.
- Thoroughly document all sales force commitments.
- Find out if your company plans to make any changes to account management. Seek alternative contacts and escalation routes during the transition period to avoid “falling between the cracks.”

Prospects

- Keep Intechra on your shortlist for IT asset disposition needs.

RECOMMENDED READING

- "IT Asset Management Conference 2007 Survey Results: IT Asset Disposition" — Results of a Gartner poll suggest that the message to outsource IT asset disposal is spreading as more companies focus on data security and privacy risks associated with equipment disposal. **By Frances O'Brien**
- "Creating a Process for PC Disposal" — To minimize the risk in PC disposal, develop processes that address the associated business, legal and environmental issues. **By Frances O'Brien**

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