

Heiden Group Helps Terremark, Dedigate Merge

By Philbert Shih, theWHIR.com

August 16, 2005 -- (WEB HOST INDUSTRY REVIEW) -- Mergers and acquisitions are a regular occurrence in the Web hosting industry. But while major transactions make the headlines, the behind-the-scenes role of management consultants often goes unexplained.

In last week's [Terremark Worldwide acquisition](#) of European dedicated hosting and managed services provider Dedigate, The Heiden Group ([heidengroup.com](#)), a consulting and staffing services firm based out of Virginia, introduced the two companies and ultimately helped broker a deal that saw Terremark purchase Dedigate for 1.6 million shares of its common stock.

Nearly nine months ago, The Heiden Group started working with Terremark's ([terremark.com](#)) chairman and CEO Manuel Medina, who wanted to move the company into the enterprise hosting space, says Clint Heiden, partner and co-founder of The Heiden Group. They got together with Terremark's management, business development team and engineers, and started to look at ways to turn an infrastructure company focused on the carrier and government sectors into a mainstream enterprise hosting player.

On the other side of the Atlantic, a similar process was going on between Jason Weisberger, partner and co-founder of The Heiden Group, and a member of Dedigate's ([dedigate.com](#)) board of directors, with the conversations quickly graduating to the CEO level.

While Dedigate was a profitable company, it had come to the conclusion that to grow the business, it had to penetrate the US market, possibly with the help of a US-based partner. They wanted to "find a US partner that would really be able to take advantage their skills and catapult them up to that next level," says Weisberger.

Dedigate hired Heiden Goup to conduct a strategic assessment, comparing every facet of its operations with hosts and managed services providers in the US and trying to determine where it fit that competitive landscape. Heiden Group presented Dedigate with several options on how to enter the US market. After comparing the scenarios, Dedigate took The Heiden Group's top recommendation, which was to seek a US parent to buy them out and offer their services in the US market.

The Heiden Group quickly turned its efforts to finding a buyer. A list of 20 companies was compiled and then drawn up into about 10 different scenarios. This impressed Dedigate and they flew into to accelerate the process. Eventually three candidates emerged.

Terremark went to the top of the list. "It very rapidly became that they were the core frontrunner," says Weisberger. After many months of working with Terremark, Heiden Group had become very familiar with the company and felt it fit well with Dedigate. "The match there was just fantastic," says Weisberger. "[Terremark] saw how well this accelerated their business plan." Terremark's customers had already been pushing them for managed services - one of Dedigate's core competencies - and they knew if they wanted to serve the enterprise market this was a capability they had to have, Weisberger explains. Terremark's high customer retention rates and bevy of long-term contracts proved to be attractive as well. "The more familiar they got with Dedigate, the more in love they fell with the company."

With a match found, the two sides moved to secure an agreement, turning things over to the lawyers and due diligence teams. The Heiden's Group played a major role in the auditing and assessment, and gathered the valuation details. The process of putting an agreement in place presented certain disagreements that required consultation with industry experts. For example, compensation standards in Europe are different from the US, and what constitutes standard industry practice can be a point of contention as well.

Weisberger's experience lent the process a credible voice. He had built his own hosting company and sold it to Digital Island, was there when Digital Island sold to Cable & Wireless, when C&W bought Exodus, and finally when C&W was bought by SAVVIS. "He came in with a lot of clout in terms of what was the norm, what was acceptable, as the voice of reason. That saved us getting into ugly discussions," says Heiden. "And to their credit, they placed a lot of trust in what Jason said."