

## **TNS continues to seek global buys after recent deal, CEO says**

*by Deborah Balshem*

Transaction Network Services (TNS), a Koch Equity Development-backed provider of managed infrastructure, networking and communication services, continues to assess acquisitions globally, said CEO Mike Keegan.

Reston, Virginia-based TNS looks to acquire for product or geographic expansion, or scale, Keegan said. With “significant access to capital” through Koch, an investment and acquisition subsidiary of Koch Industries, TNS has no size constraints, with the ability to look at targets with revenue of more than USD 1bn, he added.

In June 2021, Koch Equity Development acquired TNS from affiliates of Siris Capital Group and other minority equity holders. Koch Industries is the second-largest privately held company in the United States, after Cargill, with revenue of USD 115bn in 2020.

Earlier this month, TNS announced its acquisition of AGNITY Global, a San Francisco-based global provider of intelligent business communication applications and infrastructure to organizations in the telecommunications and healthcare industry verticals.

Examples of ideal acquisition targets, according to Keegan, include companies with technology or tools that could help TNS’s clients migrate from legacy to newer IP-based technologies. TNS may also look to scoop up a larger competitor at some point purely for scale, the CEO noted.

TNS provides services in more than 60 countries across the Americas, Europe and Asia Pacific. Geographic areas of interest include North America, UK, Ireland, France, Italy, Australia, Japan and Singapore, Keegan said.

The company generated revenue of USD 409m in 2019. Keegan declined to comment on current sales but did say TNS was debt-free and aimed to grow by 10%-12% annually, purely through organic growth. He also noted that growth slowed slightly during the Covid-19 pandemic.

Since Keegan joined the company in 2010, TNS has completed close to 15 acquisitions. Its largest target had USD 200m in revenue, though more recent deals have been of product acceleration companies with between USD 10m and USD 50m in revenue, the CEO noted.

The company has a “significant M&A pipeline” and will likely close two or three acquisitions next year, the CEO added.

TNS caters to small to large organizations, retailers and service providers, Keegan said. Its thousands of customers include Nasdaq, Verizon, ATT, First Data, US Cellular, Citi, CapitalOne, Credit Suisse, ExxonMobil, Dow Jones, Visa, Mastercard and McDonalds. Its core services are networking and

integrated data services, and telecommunications network solutions, as well as software-based services that are ancillary to its core infrastructure-as-a-service (IaaS) solutions.

The company's primary markets are financial services, telecommunications providers and payments. The AGNITY deal was highly strategic as it allowed TNS to expand its mainly US-based telecommunications business internationally, Keegan noted.

According to Keegan, TNS has no one competitor across all three of its markets. Peers include BT Group plc, Telus, Optus, Options IT, Syniverse, First Orion and Neustar.

There has not been much consolidation in the provider services space, even though multiples were pretty robust before coming down some the past six months, according to Keegan. In the financial services and payments sectors, valuations were typically 15x-20x EBITDA for "non-established" companies and 5x-6x revenue or more for "next generation tech" players, he said. In the telecommunications arena, multiples have historically been around 10x-12x EBITDA, the CEO noted.

Average EBITDA margin in the industry generally range from the low-20s to mid-30s percentage-wise, Keegan added.

Founded in 1990, TNS has been held by several private equity firms and gone public twice. Today, the company has more than 1,100 employees.

The business gained access to a variety of law firms used by Koch, Keegan said. Its accounting firm is Grant Thornton.

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