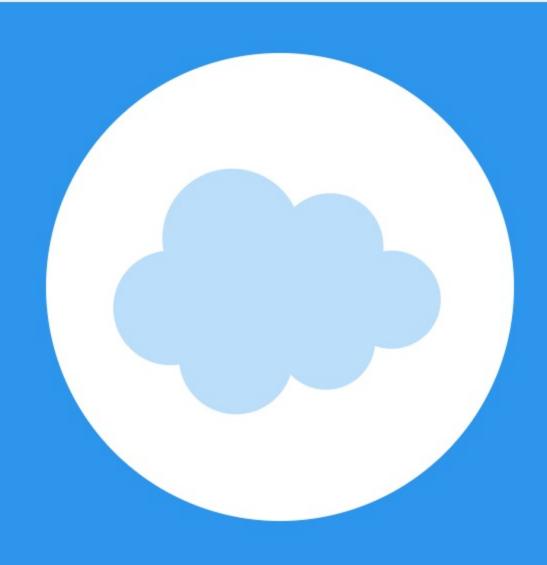Expose Hidden IT Costs within Portfolio Companies

Top 3 Hidden Capex For IT

If your acquisition target is lagging in these areas, take a closer look at the overall IT environment to reduce the potential for a large capex.

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Sourcing a portfolio company based on value and growth potential is the first step in the deal process. Reducing surprise capital expense is the second. IT is a large operating cost that warrants a full evaluation through due diligence.

When you are under LOI, it is important to understand the current state of the IT environment before fully committing to the acquisition. Knowing if the company's IT systems are saleable and able to support the future growth of the company will give you the confidence to proceed. Below are the top three hidden capex in IT:

Software Licensing

Unlicensed software can add up to fines as well as additional costs to become compliant.

o Durham, N.C.-based Burt's Bees was fined $110,000 for using unlicensed software from Microsoft, Adobe and Apple. (PC World)

Large IT Migration Projects

More than 60% of large IT initiatives are migration from old to new platforms.

o Review at the versions of software being used and dissipative systems that are loosely linked together.

Low Investment in Emerging Technology

If the company you are about to buy is lagging in the following IT solutions, expect a larger than normal investment.

ComputerWorld states that the top 5 tech spend increases in 2015 are:

o Security Technologies: 46%
o Cloud Computing: 42%
o Business Analytics: 38%
o Storage: 36%
o Wireless / Mobility: 35%