



Telcordia Acquired by Warburg Pincus and Providence Equity

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On November 18, Telcordia announced that Providence Equity Partners and Warburg Pincus acquired the company from SAIC for \$1.35 billion in cash. Several bidders had taken interest in Telcordia in recent months as the company set out actively to seek a new parent company. Telcordia's desire for a parent that could better support its plans to expand its business and execute acquisitions was a primary driver behind the sale. Similarly, Telcordia CEO Matt Desch explained that given SAIC's focus in customized government solutions, making the investments Telcordia requires was not a priority for the conglomerate.

Telcordia's new owners appear well suited to advance its intention of acquiring other OSS companies, in a similar vein to its acquisition of Granite Systems. Warburg Pincus, which has raised nine private equity funds totaling more than \$13.8 billion, has a history of building telecommunications through acquisitions as evidenced by its experience with BEA and Bharti. Telcordia's other new parent, Providence Equity, has raised in excess of \$14 billion of public debt, equity and bank debt for its portfolio companies since 1996.

Industry observers tend to believe that Telcordia will continue its acquisition strategy. During the press conference announcing the sale, Desch acknowledged the support of the new owners for that strategy. According to Desch, Telcordia's management team is receiving total support from the new parents and will be permitted to operate independently, reporting to the parent companies as it did to SAIC's board. Elementive will remain at the center of Telcordia's strategy and business model, as will pursuing growth in wireless and international markets. Concerning practical measures, Desch said the move provides "needed capital equity to allow us to continue to grow."

Sources close to Telcordia and the parent companies suggest Telcordia's go-forward and acquisition strategies are yet to be defined and that the new parents will play a significant role in formulating those strategies. What the end-game will be for Telcordia remains open to speculation. Some experts believe Telcordia will be given a short leash to execute its strategy. It is suggested that success could lead to an IPO or re-sale to another major buyer at a higher value. Failure, it is assumed, could lead to a typical LBO scenario given both Warburg Pincus' and Providence Equity Partners' roots.