



A Considered Approach

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The most common definition of "integrity" is "firm adherence to a code of especially moral or artistic values: INCORRUPTIBILITY," according to Merriam-Webster. However, the word can also mean "an unimpaired condition: SOUNDNESS" and "the quality or state of being complete or undivided: COMPLETENESS."

When handling the high-risk electronic assets of *Fortune* 500 companies, "integrity," in all of its assorted definitions, is an important selling point.

Electronics life cycle management company Intechra, based in Jackson, Miss., has taken each of these definitions into account throughout its development. The company, which provides a range of services that includes remanufacturing, remarketing, recycling, redeployment, deployment, transportation and warehousing, has successfully achieved a national presence through strategic acquisitions. Intechra has operations centers in Casa Grande, Ariz.; Columbus, Ohio; Dallas; Hartford, Conn.; Los Angeles; Merrimack, N.H.; and Phoenix, with recycling occurring at its Casa Grande and Los Angeles facilities.

While each operations center has a logistics hub, Intechra also operates logistics centers in 12 U.S. cities (See "At a Glance" sidebar, for locations.), which help the company provide a secure chain of custody to its clients.

NOT JUST A NAME

"The one thing that is universally paramount in this business is integrity," Chip Slack, Intechra CEO, says, adding that this is the reason the company has the name it does. "We are asking companies to entrust high-value, high-risk assets to us. In a sense, we are asking them to entrust a part of their reputation to us," he says. "We are very intent and deliberate about ensuring that we are environmentally responsible and provide the highest levels of security."

Slack says Intechra's clients can see the company's commitment to security when they visit any of the company's locations, where they are greeted by metal detectors and security guards. The company also provides clients with auditable reports and fully indemnifies them from data security and environmental risks.

The company's origin dates back to 2004, when a group of investors purchased computer refurbisher and recycler Resource Concepts Inc. of Carrollton, Texas, renaming it Intechra. The goal was to establish a national solution for unwanted electronics, which the company has achieved largely through a series of strategic acquisitions that began in 2005 when Intechra merged with Columbus, Ohio-based RetroBox. In 2006, Intechra purchased Arizona-based Gold Circuit Inc., an electronics recycler with plants in Chandler and Casa Grande. The company merged Gold Circuit's Chandler plant into its existing Phoenix facility, keeping the Casa Grande location to handle the shredding and processing of end-of-life electronics. In early 2007, Intechra purchased EPC of Los Angeles, Market2Market of Columbus, Ohio; and SpaceFitters of Hartford, Conn., from Chasm Holding Corp., further extending its national reach. More recently, the company completed an acquisition of asset management and recovery services firm Lifecycle Business Partners, with operations in New Hampshire and North Carolina, and BCS Logistics, which enabled Intechra to launch a national logistics network to complement its electronics life cycle management services.

Online Exclusive -- Funding Growth

Jackson, Miss.-based Intechra has been able to use private equity capital to help fund its expansion efforts, including a \$30 million investment funded in part by SJF Ventures, Durham, N.C. Such investments are growing in the recycling industry, with electronics recyclers enjoying considerable investor interest. Intechra, for example, has received \$50 million in private equity funding in the last two years.

Chip Slack, CEO of Intechra, says private equity firms are intrigued by the electronics recycling industry because of its growth potential and the prospective returns they can realize on their investments.

SJF Ventures began investigating the electronics recycling industry nearly three years ago, says David Griest, SJF Ventures managing director. The company was intrigued by the highly fragmented industry's growth potential. "Everything I've seen says only 10 to 15 percent of used electronics are being disposed of or recycled correctly," Griest says. "Clearly there is huge market potential."

SJF was attracted to Intechra in particular because of its strategic approach to growth. "It was clear they had a growth strategy to scale the company nationwide, which was attractive," Griest says. "It is a very high quality, professionally led company with a deep management team and pretty high growth expectations, which they have done an excellent job of achieving."

As a venture capital fund, SJF Ventures focuses on the cleantech, technology-enhanced services and premium consumer products sectors. While Intechra has other private equity financing, SJF is the only fund that has sought out cleantech companies to invest in, Griest says. "We have some great co-investors," he says, "but they are all more traditional business services investors, which Intechra also falls into." Richland Ventures, Oxford Bioscience Partners, Chrysalis Ventures, First Avenue Partners and Sewanee Partners are among Intechra's investors.

Intechra's Slack says the company has learned a lot about private equity funding in the last two years. "I think we have learned from experience to match the investor with the investment in terms of their expectations in addition to their understanding of the industry and level of expertise," he says. "It also gives you the opportunity to learn in terms of having different types of investors that have a little bit different interest and view point on the industry."

SJF Ventures is an expansion-stage fund, meaning it invests in companies that have at least \$1 million in historical revenue and that have shown commercial traction, Griest says. "We don't do seed stage or concept investing. We are looking for companies that have achieved validation of their services in the market and are seeking capital to expand their services."

A limited-life fund, SJF's typical holding period for an investment is five years. However, Griest says SJF has not ruled out additional investments in Intechra. "There are certainly other acquisition opportunities that the company is considering, so we are considering possible sources of funding to do that, which could include another round of financing."

Slack says Intechra has maintained a focus on security and environmental responsibility in its pursuit to establish the national scale required to meet the needs of its corporate clients.

"Asset managers, CTOs and CIOs all have enough to deal with every day not to have to worry about what's happening with their used electronic equipment after it is no longer useful to the company," he says. "We've made some strategic moves over the past two years to make sure we have the size and scale to handle any company's assets, we have the geographic reach to make it attractive from a cost standpoint and we have the breadth of services and expertise to be second to no one in quality."

Intechra's strategy and an emphasis on developing best practices have helped it become a leader in the largely fragmented electronics recycling industry. "With a 20-year history, we have developed a number of what we believe are best practices for this industry," Slack says. "We have developed a variety of practices that set us apart—serialized reporting, indemnification, online commerce for employee purchase programs and nonprofit donations are a few." He adds, "The customization of our equipment, the fact that we make ISO certification a priority for all of our facilities, the procedures and processes we use to ensure zero landfill for the electronics we receive are other examples. In addition, we believe our national logistic network will clearly set us apart. This will give our clients a secure chain of custody that no one else has been able to provide satisfactorily."

FROM A TO B

Slack says he believes Intechra's acquisition of BCS Logistics will result in obvious benefits for Intechra as well as for the company's clients. "By handling logistics internally, we are more closely controlling the security of assets and raising the bar on quality of service," he says. "With an initial fleet of 25 vehicles—ranging from vans to box trucks to full tractor-trailer rigs—we are able to handle assets for virtually any size company. We also have a national network of 19 logistics centers that complement the national footprint of our processing and recycling centers. We have the advantage of being able to route to the closest facility."

According to Slack, the BCS acquisition also benefits the company in less tangible ways. "BCS also gave us a tremendous advantage in bringing a leadership team with more than 100 years of logistics experience to Intechra," he says.

Intechra employs GPS technology to track the movement of its vehicles, ensures full documentation of the assets it transports and employs fully trained employees who have undergone extensive background testing, according to Slack.

"The real difference is that we are offering a single, secure chain of custody for IT assets, with full-time logistics security specialists trained to handle IT assets and help clients manage the packing, scheduling and shipping," he says. "The expertise we gained through BCS will be noticeable."

Logistics play an integral role in the asset disposition process at the start of every job. Intechra arranges for the transportation of its clients' assets, using its own logistics network 80 percent of the time, according to Slack.

If required by the contract, hard drives may be punched on site using a piece of mobile equipment that punches a hole in the drive as well as bending the platter, which Slack says is more secure than just punching a hole through the drive. Once the devices are at an Intechra facility, they are barcoded with an asset ID number, which is used to track the overall asset and its components.

OPPORTUNITY KNOCKS
"Market conditions for reputable national electronics life cycle management firms are excellent," Chip Slack, CEO of Jackson, Miss.-based Intechra, says.

According to Slack, a number of factors have helped to create a favorable market for electronics life cycle management firms like Intechra.

"Data security requirements of Sarbanes-Oxley, the Graham Leach Bliley Act and HIPAA have made companies more cognizant of the need to be careful and deliberate in the way they discard old electronic equipment.

"The 'green wave' is everywhere—people are serious about protecting our environment, and there is growing concern about the way hazardous materials in used electronic equipment have been allowed to be thrown into landfills," he continues. "Environmental regulations are also on the increase, which creates yet more impetus for companies to be responsible in the way they get rid of their used electronic equipment."

Finally, Slack says, "Businesses are unsure of what to do with old electronic equipment. IDC recently published a report indicating that 17 percent of companies are still getting rid of their old electronics by throwing it in the trash."

assuring that the company fulfills the terms of its various contracts. Slack says the software is able to track large numbers of contracts with a number of variables. "We are able to process a large number of contracts across all our facilities using one database," he says.

Slack says when it comes to hard drives most of Intechra's customers feel secure with the company's data overwriting process, which uses Blancco software. However, he adds, many organizations in the healthcare industry often require destruction of hard drives. Intechra uses a quality control process that includes randomized internal audits as well as external audits to ensure that hard drives are properly sanitized. As an added security

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If an asset has market value, it will be remarketed. If it does not have value as a whole unit, technicians will extract the valuable parts for remarketing. Valueless assets are recycled. According to Slack, nearly 30 percent of incoming assets can be remarketed, while the remaining 70 percent must be recycled.

PROPRIETARY SOFTWARE: INTECHRA
Intechra's proprietary software

Leadership: CEO Chip Slack, President Jim Campbell, Chief Financial Officer, Senior Vice President of Sales Dave Ryan

Headquarters: Jackson, Miss.
based tracking system

Operations Centers:
located in processing
by the Casa Grande, Ariz.
asset ID.

Size (Sq. Ft.): 72,000

Pounds Recycled Per Month: 5 million

Columbus, Ohio

Size (Sq. Ft.): 283,000

Assets Processed Per Month: 100,000

Dallas

measure, the company also invites its customers to perform random audits of their hard drives.

Size (Sq. Ft.): 153,000
Assets Processed Per Month: 100,000

Intechra has standardized these practices throughout the operations that it has acquired, but successfully integrating various distinct corporate cultures goes beyond ensuring that the company's policies and procedures are adhered to.

Hartford, Conn.

Size (Sq. Ft.): 85,000

Assets Processed Per Month: 60,000

INTEGRATION EXPERTISE

Los Angeles

"Each of our acquisitions has responded to a strategic need," Slack says. "RetroBox helped us gain necessary scale. EPC and Gold Circuit helped us significantly build our recycling capacity and helped us more closely control the waste stream. SpaceFitters was key in helping us gain the right geographic reach and continue building scale and capacity. BCS Logistics and Lifecycle Partners brought us new logistics expertise, which is a tremendous differentiator, and helped further round out our geographic presence and increase our enhanced asset security." He adds, "None of our acquisitions has been simply for the sake of growth. Each has been strategically targeted to fill a gap, build necessary capacity, add new service or bolster our ability to set the standard for data security and environmental responsibility."

Size (Sq. Ft.): 80,000

Pounds Recycled Per Month: 3 million

Merrimack, N.H.

Size (Sq. Ft.): 48,000

Assets Processed Per Month: 15,000

Phoenix

Size (Sq. Ft.): 100,000

Assets Processed Per Month: 75,000

With an emphasis on growth through acquisition, Intechra has had to become adept at integrating firms with potentially dissimilar cultures, ensuring that all employees share the same vision and mission.

Assets Processed Per Month: 350,000

Pounds Recycled Per Month: 8 million

Logistics Centers: Atlanta; Austin, Texas; Baltimore; Chicago; Dallas; Durham, N.C.; Houston; Oklahoma City; Orlando, Fla.; Sacramento, Calif.; Seattle; Tulsa, Okla.

"One of the things that I've learned over the years is that you absolutely cannot let integration efforts disrupt the service you provide your existing clients," says Slack, who first became acquainted with merger integration and business investment analysis when he worked for First American Corp., Nashville.

Revenues: More than \$100 million per year

Employees: 680

As no two integrations are alike, Intechra does not have a prescribed time frame in mind at the outset of an acquisition. "We do extensive integration planning so we can be sure we get the execution right," Slack says, "and the length of time it takes depends on the complexity of bringing the companies together."

Intechra has a dedicated team that works to integrate the company's operational, IT, facility security, human resources and financial sectors with those of its newly acquired companies. "Our end goal is a transparent operation where clients know their assets will go through the same secure and environmentally responsible process regardless of the facility," Slack says.

He adds that Intechra takes a proactive approach in communicating with the clients of the companies it acquires. "With any merger, you'll have integration issues to be solved. The measure of success is how you react to those."

Intechra keeps track of the number of IT trouble tickets, or alerts to specific problems in need of resolution, following a merger. Slack says that while the number of trouble tickets still spikes following a merger, the spike has lessened with each successive merger. "We've been able to see a tangible benefit from being able to do it better and better each time," he says.

Outside clients are not the only potential benefactors of Intechra's merger activity. According to Slack, the processing centers the company has acquired have seen clear improvements in the number of assets they are able to process in a given time and employees have seen improved compensation and benefits.

Intechra continues to define its own history as well as the direction of the electronics recycling industry, and, as the company's CEO, growth is very much on Slack's mind.

"With changing technology and the need for more frequent refreshes by companies, with more knowledge of the environmental hazards in electronic equipment, there will continue to be significant growth in the electronics waste stream," he says. "That's one reason we have invested in developing scale to absorb the growing volume."

Slack continues, "We do anticipate the need for additional recycling capabilities, given the current legislative environment and growth opportunities in the industry."

Intechra is also contemplating global growth opportunities. According to Slack, the company is employing the same strategic approach it took in growing its domestic capacity, analyzing its customers' needs and the economic environment before coming to a decision about which international markets merit investment. With such a carefully considered approach, the industry is sure to take note.

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