



Electrosoft considering minority PE partner, CEO says

22 Oct 2024

07:35 EDT

Proprietary

Summary

- Electrosoft looking to scale prior to small business graduation
- Cybersecurity-focused firm generates double-digit profits most years
- Ideal targets provide technical expertise or access to different government customers

Electrosoft, a Reston, Virginia-based IT services contractor to the federal government, is having conversations with private equity about a minority stake sale to fund a future acquisition, said founder and CEO Sarbari Gupta.

“We have enough money to make a couple of small acquisitions, but I'm thinking bigger,” Gupta said. A majority sale might make sense “down the road,” she said.

Electrosoft has never taken outside investment and remains “very profitable” with no debt, said Gupta, the majority shareholder.

“We've had healthy double-digit profits in most years,” she said.

The company generates annual revenue of about USD 55m, Gupta said.

Electrosoft wants to strike a deal because it's graduating in March 2025 from its US Small Business Administration 8(a) designation. In acquiring a larger target, Electrosoft could achieve more scale, allowing it to bid on bigger and additional

prime and unrestricted contracts, she said, noting it could also potentially reach new customers.

The company is searching for a private equity firm for mentorship and assistance to “avoid making mistakes,” Gupta said, noting it is also building an advisory board.

Potential acquisition targets would fill gaps and strengthen Electrosoft’s core focus areas of cybersecurity and identity management, Gupta said, pointing to technical expertise or actual contracts that bring new customers. Although Electrosoft has been targeting the Department of Homeland Security (DHS) and the Defense Information Systems Agency (DISA) as customers for months, it hasn’t yet gotten a foothold, Gupta said.

With its graduation pending, the company’s biggest internal push is to change its revenue mix from mostly set-aside work, which is reserved for small contractors, to mostly unrestricted work in which it will be competing against big players for open contracts, Gupta said.

Two-thirds of Electrosoft’s business is within the defense sector. The Defense Logistics Agency (DLA) is its largest customer. It works in a slew of civilian agencies and departments, with other customers including the US Transportation Command, the National Institute of Standards and Technology (NIST) and the Bureau of Engraving and Printing (BEP), Gupta said.

A large push within the Department of Defense (DoD) concerns the implementation of “zero trust architecture,” which at a high level handles security access to IT systems. Some directives have come via executive orders, and many of the agencies have target milestones to reach, Gupta said, noting that Electrosoft is helping the US Transportation Command with its zero-trust journey.

The company has made one acquisition previously, acquiring government cybersecurity services firm [Achilles Shield in June 2022](#) for an undisclosed sum.

Electrosoft came to know Achilles from a contract bid and paid cash on the “small deal,” which was more for capabilities than contracts, according to Gupta. It used legal advisor **Holland & Knight**, which also handles its day-to-day affairs.

Electrosoft uses **SC&H** for accounting.

The company has approximately 350 employees and subcontractors, she said.

by James Ward in Charlottesville, Virginia

[Editor's note: The third paragraph has been amended post-publication to remove an erroneous reference to a minority shareholder of Electrosoft.]