

HKW's Exit Committee process provided structure and accountability throughout Gatekeeper's investment

WHO is Gatekeeper?

Gatekeeper Systems, Inc. ("Gatekeeper") offers a product suite of intelligent shopping cart tracking solutions that reduce merchandise theft and asset/labor expenditures for grocery store and other retail customers.

Company Location: Irvine, CA
Sector: Tech-enabled Business Services
Acquisition Year: 2016
Exit Year: 2019

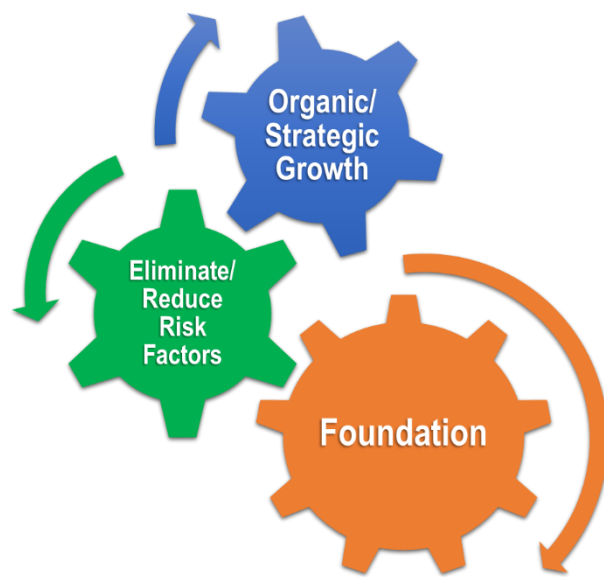
WHY were we interested?

Gatekeeper fits HKW's investment criteria as a niche-leading tech-enabled business services company with growth opportunities from existing customers, a next-generation product offering, and international expansion opportunities.

At the beginning of the investment period, a mitigation plan was developed, and the Operations Team tracked the risks during the hold period. The Exit Committee regularly evaluated the mitigation plan and evolving risk profile when considering exit timing.

WHAT did we do?

1. **Foundation** – Completed key personnel enhancements to the team, including Robert Harling (CEO from Cartrronics add-on acquisition), a CFO, director of service/installation, a loss prevention SME, and additional sales personnel. Upgrades were also made to accounting processes, reporting capabilities, and project management systems.
2. **Eliminate or Reduce Risk Factors** – New customers and add-on acquisitions reduced customer concentrations. Effective product development and product launches expanded Gatekeeper's growth opportunities and recurring maintenance revenue.
3. **Organic / Strategic Growth** – HKW assisted with two acquisitions that helped transform the business.
 1. Cartrronics – One of the leading players in this space. The acquisition added management talent, new products, and new customers.
 2. Carttec – A key European distributor. The acquisition simplified operations and aligned incentives in the fast-growing European market.





“HKW played a critical role in understanding, supporting, and helping to shape our long-term vision. They provided the resources that allowed us to invest in the development of cutting-edge technologies and the capital to support our growth and acquisition strategies, both in the US and internationally.”

Robert Harling, President and CEO Gatekeeper

TAKEAWAY:

In 2017, HKW launched the Exit Committee, a group that meets semi-annually to provide a formal process in evaluating exit timing for every company in the portfolio. The Exit Committee considers several factors that influence exit timing, including strategic initiatives in progress and changes to the risk profile. Gatekeeper was one of the first companies to utilize the Exit Committee process during a full investment period.

In the first quarter of 2019, HKW's Exit Committee and Gatekeeper's Board of Directors reviewed the company's performance, industry dynamics, risk factors, and the condition of the M&A market. Based on these factors, the Exit Committee established a timeline for the sale process believing that 2019 was an optimal time for an exit. The Exit Team, consisting of both HKW and Gatekeeper leadership, engaged Quarton International, now Cowen, to advise on the sale process. Cowen ran a broad auction that delivered significant interest amongst the private equity and strategic community. With the oversight of HKW, the sale process was well run, competitive, and on time.

The Exit Committee's process resulted in favorable exit timing; Gatekeeper was acquired by Graham Partners in October 2019.

Case studies are for illustrative purposes only and have been selected to provide examples of the types of investments made by HKW and do not purport to be a complete list thereof. It should not be assumed that investments made in the future will be comparable in quality or performance to the investments described herein.