

# Technology, Media & Telecom

Government Technology Sector Review | Q3 2020



# HW Government Technology Introduction

## HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 350+ professionals across eight office globally
- 170+ closed transactions in the last 24 months
- 10 industry groups

## FOCUSED ADVISORY SERVICES

- Mergers and acquisitions (M&A)
- Capital raises
- Corporate divestitures

## CONSISTENT RECOGNITION FOR QUALITY



## HW TECHNOLOGY, MEDIA & TELECOM (“TMT”) GROUP

- 35+ dedicated TMT professionals
- TMT offices include Boston, San Francisco, and London

## KEY TMT THEMES

- ✓ SaaS / Cloud
- ✓ Data & Analytics
- ✓ Digital Transformation
- ✓ A.I. / Machine Learning

## HORIZONTAL FOCUS SECTORS

- Application Software
- Cloud Managed Services and Hosting Solutions
- Compliance Solutions
- CRM and Marketing Automation
- Human Capital Management
- Infrastructure and Security Software
- IT and Tech-Enabled Services
- Marketing, Research, and Insights Software

## VERTICAL FOCUS SECTORS

- Architecture, Engineering, and Construction Software
- Education Technology and Services
- Energy Technology
- Facilities and Real Estate Software
- Financial Technology and Payments
- **Government Technology**
- Healthcare IT
- Industrial and Supply Chain Technology
- Internet and eCommerce
- Retail Technology

## HW GOVERNMENT TECHNOLOGY TEAM

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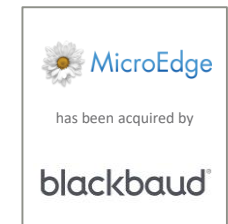
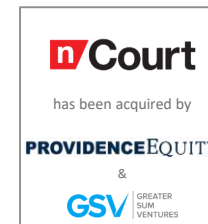
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SELECT HW  
GOVTECH  
EXPERIENCE



# Case Study: Kalkomey

HW's TMT Group advised Kalkomey, a portfolio company of Inverness Graham, on its sale to Cove Hill Partners.



*a portfolio company of*



*has been acquired by*



## TRANSACTION OVERVIEW

Kalkomey is a leading provider of online recreational safety education reaching all 50 U.S. states, as well as Australia, Canada, Guam, Mexico, New Zealand, Puerto Rico, and the U.K. The Company works hand in hand with governmental agencies to provide tailored online safety education courses and certifications for boating, scuba diving, hunting, snowmobiling, and off-roading.

Kalkomey's regulatory-approved safety education courses provide official safety certifications to nearly a million students annually. The Company's cloud-based government agency software offerings drive operational efficiencies of key workflows from licensing and registration, to certification and event management, to compliance and reporting.

Cove Hill is a long-term-oriented private equity firm focused on partnering with management teams to build market-leading technology and consumer companies. The firm manages a long-duration fund with over \$1 billion of commitments from its investors and founders. Based in Boston, Cove Hill has an innovative structure that provides the flexibility to enable a patient, concentrated, and value-added approach in a small portfolio of long-term investments.

## RELEVANT SUB-SECTORS

GOVERNMENT TECHNOLOGY

VERTICAL SOFTWARE

EDUCATION TECHNOLOGY



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# Government Technology Taxonomy

## OPERATIONS



Solutions focused on supporting core operational and administrative functions of government agencies

- ERP
- FINANCIAL MGMT.
- PROCUREMENT OPERATIONS
- CONTENT MGMT. & RECORDS LICENSING & PERMITS
- TAXATION & APPRAISAL

### Select Market Participants



## ASSET AND RESOURCE MGMT.



Solutions focused on supporting public infrastructure planning, asset management, and environmental services

- ENVIRONMENTAL SVCS.
- PARKS & RECREATION
- SMART CITIES & TRANSPORTATION
- UTILITIES
- ASSET & RESOURCE MGMT.
- PUBLIC WORKS

### Select Market Participants



## CIVIC ENGAGEMENT



Solutions focused on facilitating communication between government agencies and constituents

- COMMUNICATION
- CITIZEN ENGAGEMENT
- SERVICE REQUEST MGMT.
- HUMAN SERVICES
- VOTER REGISTRATION & MGMT.
- GRANT MGMT.

### Select Market Participants



## PUBLIC SAFETY



Solutions focused on supporting public safety departments, courts and justice systems, and corrections

- LAW ENFORCEMENT
- JUSTICE & CORRECTIONS
- EMERGENCY MEDICAL RESPONSE
- FIRE SAFETY
- COURTS MGMT.
- SECURITY & INTELLIGENCE

### Select Market Participants



## SELECT RECENT HW GOVTECH TRANSACTIONS

<p>has been acquired by</p> <p>Educational and Training Technology</p>	<p>has received a strategic investment from</p> <p>Government Software &amp; Payments</p>	<p>has been acquired by</p> <p>Energy Management Technology</p>	<p>has been acquired by</p> <p>Smart Transportation Technology</p>	<p>has been acquired by</p> <p>Judicial Software &amp; Payments</p>	<p>has been acquired by</p> <p>Fleet Safety Mgmt. for Public Sector</p>
<p>has been acquired by</p> <p>Utilities &amp; Energy Efficiency Mgmt.</p>	<p>has been acquired by</p> <p>Grant Management Software</p>	<p>has received a strategic investment from</p> <p>Smart Parking Technology</p>	<p>has been acquired by</p> <p>Property Tax Mgmt. Software</p>	<p>has received a strategic investment from</p> <p>Public Safety Software</p>	<p>has been acquired by</p> <p>Public Safety &amp; Analytics Software</p>

# Government Technology Market Overview

The govtech market is vast and represents significant opportunity for next-generation solutions.

## U.S. Government Technology at a Glance

At over 35% of GDP, government represents the largest segment of the U.S. economy

**90,000+**

State and Local Government Entities<sup>1</sup>

**22M+**

Total U.S. Government Employees<sup>2</sup>

**450,000+**

IT Systems Across State and Local Government<sup>3</sup>

**\$1.5T+**

Citizen Payments to State and Local Government

**\$750B+**

Federal Grants for State and Local IT Initiatives<sup>4</sup>

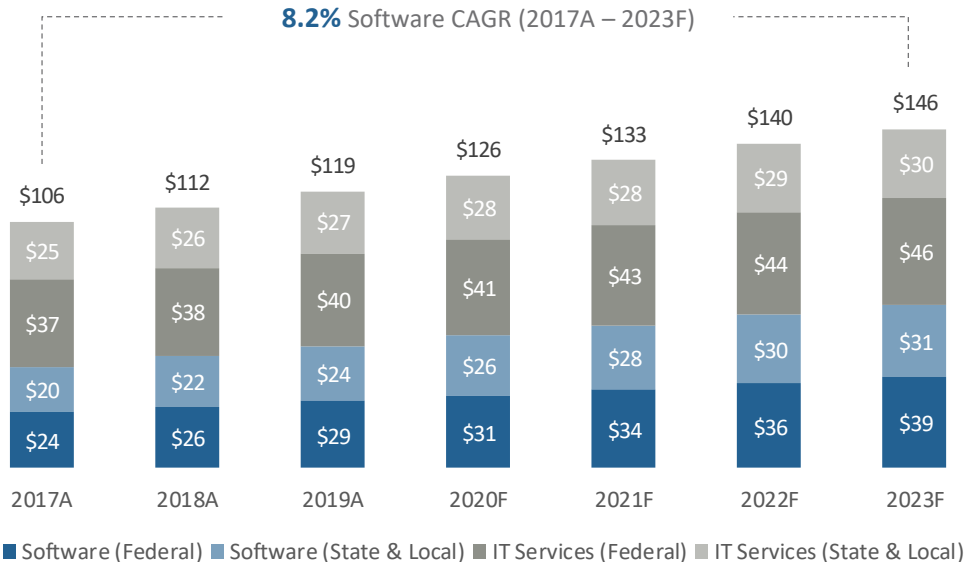
**\$95B+**

Total Annual Federal IT Budget<sup>5</sup>

## U.S. Government Technology Spending<sup>6</sup>

\$ in Billions USD

**8.2%** Software CAGR (2017A – 2023F)



## Industry Observations

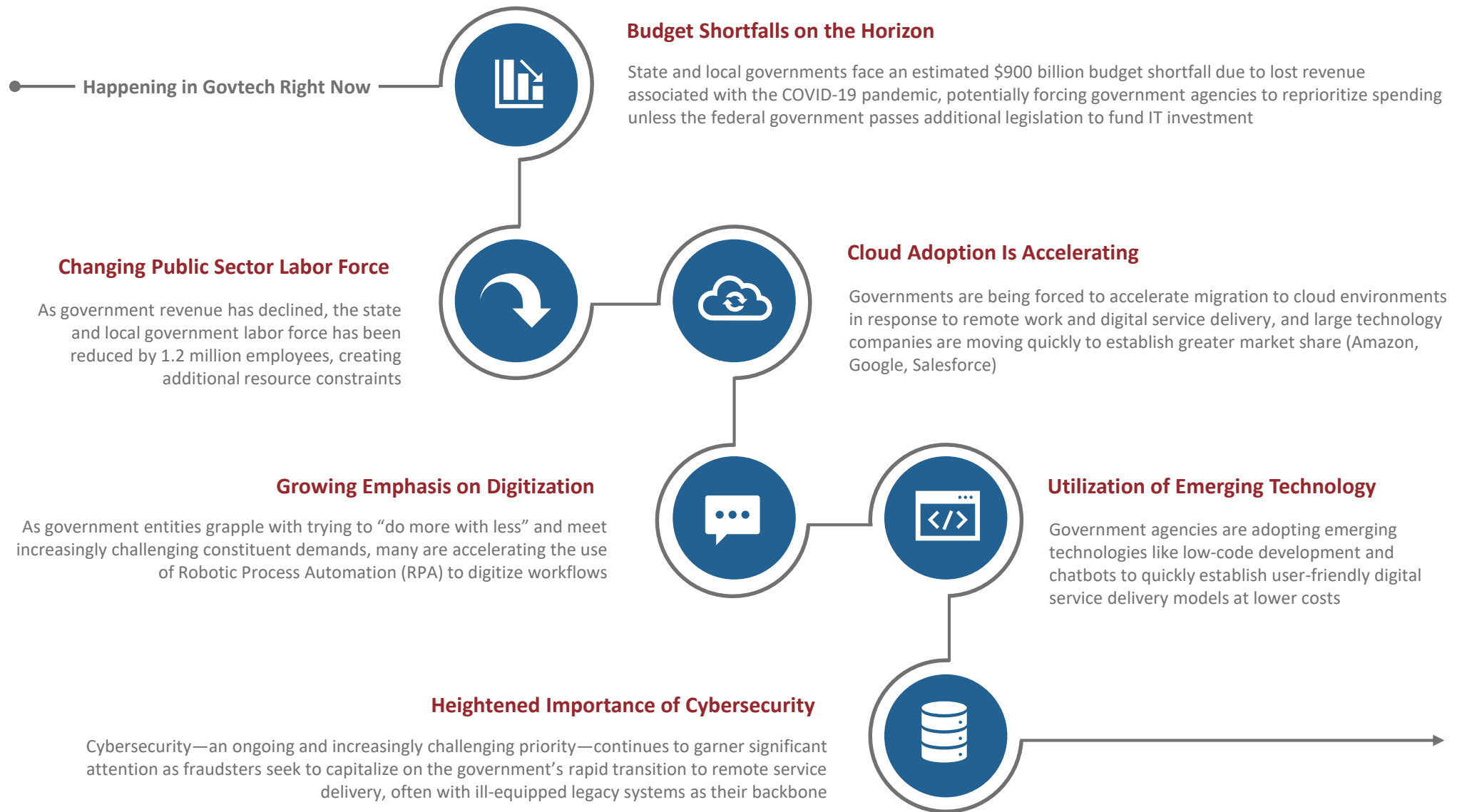
- Demand for modern government software and technology offerings continues to increase as federal, state, and local leaders look to upgrade legacy systems to improve efficiency, increase transparency, and engage with constituents
- Deployment of customized technology solutions continues to present challenges as government officials grapple with expensive and complex maintenance of legacy systems that are ill-equipped to meet current technology needs
- Cloud-based software continues to gain momentum in the public sector, driven by a combination of legislation and the strategic imperative to “do more with less”
- COVID-19 has accelerated the shift to digital government services and the speed at which agencies are moving technology to cloud environments, resulting in a ripple effect on the demand for solutions that enhance civic engagement, security, transparency, and operational efficiency

## Market Observations

- The govtech market continues to attract strong interest from financial sponsors and strategic acquirers eager to invest in next-generation software solutions capable of modernizing government operations and services
- Consolidation of software vendors persists as companies and investors look to establish comprehensive offerings across a highly fragmented landscape of specialized solutions, many of which lack scale
- With the backing of leading financial sponsors, several govtech platforms have emerged to take on incumbents, creating greater competition and innovation
- Digitization of government services has become increasingly mission critical as agencies seek to minimize in-person contact and reduce costs in response to mounting budget constraints

# Real-Time Trends in Govtech

Several dynamics are contributing to a rapidly evolving govtech landscape.



# Govtech Industry Tailwinds

Government entities are increasingly seeking cloud-based platforms that can be deployed across agencies to replace disparate legacy systems, eliminate organizational silos, and reduce costs.

## Migration to the Cloud

- Government continues to transition away from legacy on-premise technology systems to unified cloud-based platforms that can be leveraged across federal, state, and local agencies and configured—not customized—for government department workflows
- Since the establishment of the Federal Risk and Authorization Management Program (FedRAMP), government cloud adoption has increased exponentially, yet less than 5% of government agencies operate entirely in the cloud and nearly 30% continue to operate completely on-premise<sup>7</sup>

## Modernization of Operational Workflows

- U.S. government agencies are forecasted to spend nearly \$125B on software and IT services by 2023F—with an emphasis on adopting software that improves operational efficiency—as new legislation, consumer demand for digital services, and cost-saving initiatives accelerate modernization
- Next-generation technologies like Robotic Process Automation (RPA) have tremendous potential to transform government operations; for example, RPA has been estimated to save 1.3 billion hours on manual tasks if deployed across all U.S. government agencies

## Digitization of Government Services

- The current macroeconomic environment highlights the need for government agencies to remotely deliver services to citizens and businesses that meet the standards and offer digital experiences on par with other industries
- Digitization of government payments has become a strategic imperative and represents high-impact cost savings; for example, the IRS estimates that the cost of an online transaction can be as low as \$0.20, compared to \$42 for a payment processed over the phone and \$57 by check

## Consumerization of Government

- As web-based and mobile technology has rapidly improved and pervaded nearly all industries, government is playing “catch-up” in order to reinforce trust, establish greater engagement, and improve satisfaction with the citizens and businesses it serves
- Constituents not only expect but now require highly personal and contextual digital experiences across government, catalyzing demand for intelligent, cloud-based technology capable of delivering relevant and timely information and services

## Utilization of Data and Analytics

- Governments collect and have access to massive amounts of data, but existing legacy solutions are unable to quickly and accurately analyze information and glean real-time insight, hindering decision-making and magnifying operational inefficiencies
- Predictive analytics and AI can dramatically improve government effectiveness by enabling agencies to be proactive—as opposed to reactive—to reduce crime, enforce food and safety regulation, monitor inspection compliance, and prepare for natural disasters, among other initiatives

## Key Themes



Digital Citizen Identity



Data-Driven Decisions



Unified Engagement



Modern Architecture



Interoperability



Cybersecurity



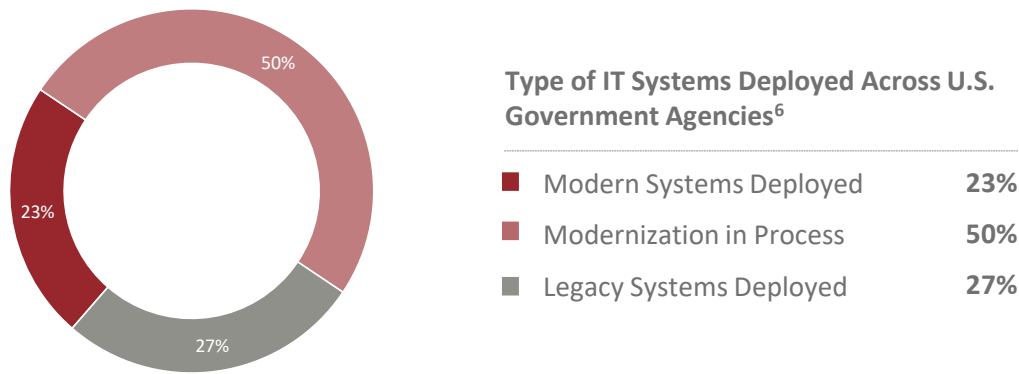
Digital Workforce

# State of Government Modernization

Politicians, IT leaders, and citizens are eager for government agencies to deliver modern digital solutions that improve government operations and digital service delivery.

## Modernization Is Underway, But Significant Runway Lies Ahead...

Less than a quarter of all U.S. government technology systems have been modernized, leaving significant opportunity for adoption of cloud-based software



## ... And Cloud Adoption Is Accelerating

- COVID-19 has exposed government's need to improve technology infrastructure to better serve employees, citizens, and businesses
- The silver lining to the ongoing pandemic is the widespread recognition that investment in modern, cloud-based software solutions is paramount to adapting to an increasingly digital environment

“We've seen more innovation in the past two months than we've seen in the past two years in government... it's not that [government agencies] weren't moving, but sometimes you have to move faster for a reason. We've seen leadership stepping up and saying 'we have to create the right systems'”

Teresa Carlson, VP of AWS Worldwide Public Sector

## Top Priorities for State CIOs<sup>8</sup>

- 01 Cloud Solutions / Software-as-a-Service
- 02 Legacy Application Modernization
- 03 Data Analytics and Business Intelligence
- 04 Security Enhancement Tools
- 05 Identity Access Management
- 06 Collaboration Tools
- 07 Artificial Intelligence / Robotic Process Automation
- 08 Master Data Management / Info Exchange
- 09 Enterprise Resource Planning
- 10 Public Safety Radio Network

# Recent News and Insights

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## Article Summary

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### Will COVID-19 Cause Long-Term Tech Changes for Courts?

**Source:** govtech.com

**Key Themes:** IT Modernization

**Link to Article:** [Here](#)

### How Much Will State and Local Governments Automate?

**Source:** statetechmagazine.com

**Key Themes:** Automation

**Link to Article:** [Here](#)

### Tech Firms Capitalize on COVID to Deepen Govtech Offerings

**Source:** govtech.com

**Key Themes:** Public-Private Partnerships

**Links to Articles:** [Here](#), [Here](#), and [Here](#)

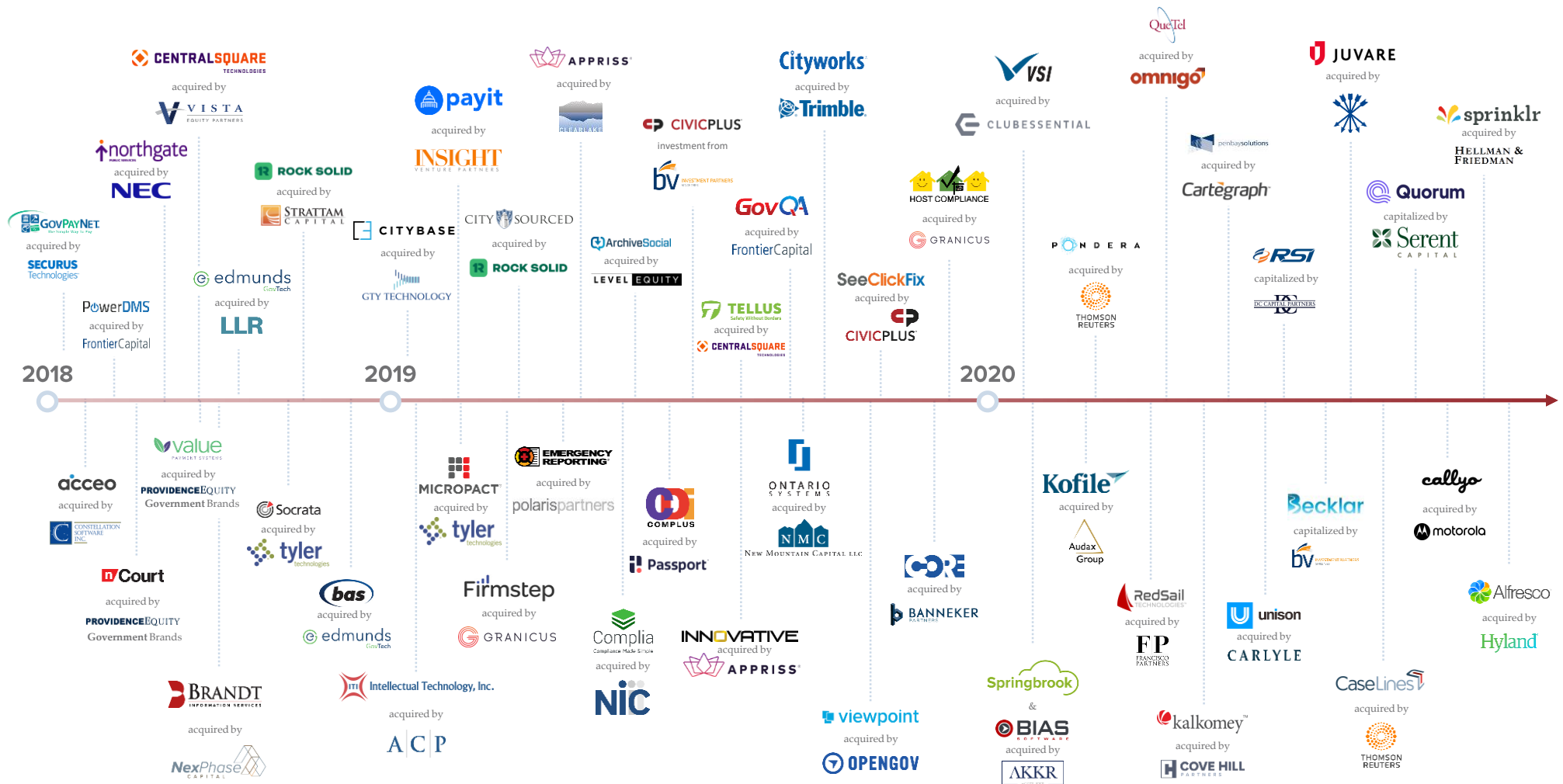
## Key Takeaways and Insights

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- The COVID-19 pandemic upended the way U.S. courts operate, forcing a system heavily reliant on in-person interactions to quickly pivot to video and other digital solutions for nearly all civil and criminal justice functions
  - Not surprisingly, jurisdictions that have already invested in modernization have found the transition less disruptive than others, highlighting the need for government to proactively address technology shortcomings
  - While some court activities such as jury trials are difficult to adapt to the virtual environment, court officials believe that the impact of COVID-19 will have a positive impact on how criminal justice operates in the future
- 
- Deployment of robotic process automation (RPA) to address repeatable, rule-based, and high-volume tasks is a growing priority for public sector IT leaders, as looming budget constraints and workforce reductions put increasing pressure on government agencies to operate more efficiently
  - A growing number of government IT professionals cite automation as a top-three priority, up to 35% from a pre-pandemic response of 23%, given its ability to free up resources for value-added work and create better experiences for the public
- 
- COVID-19 has forced government to rapidly migrate a significant amount of processes online, evidenced by an over 800% spike in local government website traffic since the pandemic began
  - Big tech firms have stepped in to facilitate the digital transition and expand their footprint within the public sector, with Salesforce, Amazon, and Google all bolstering resources, developing new solutions, and enhancing capabilities to capitalize on market shift

# Recent Market Activity

Private equity and strategic acquirers are accelerating their investment pace as they seek to create next-generation government software and payments platforms capable of serving diverse agencies.

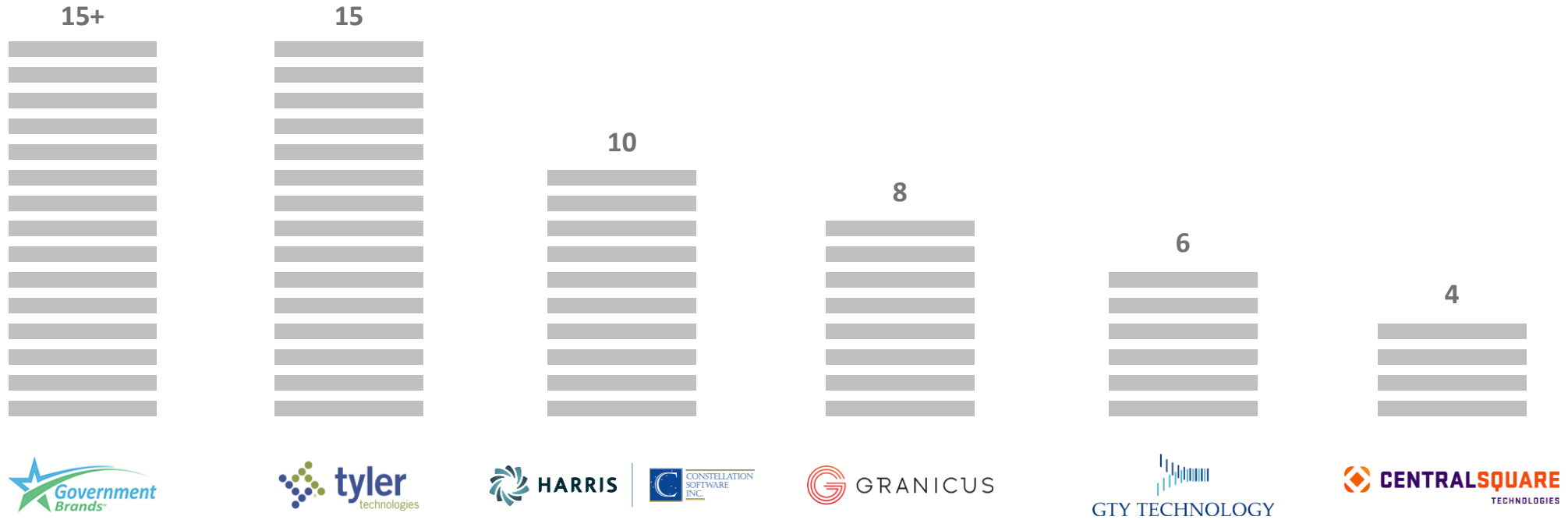


# Active Government Technology Consolidators

Govtech providers continue to consolidate the highly fragmented industry to establish platforms of scale.

## Most Active Govtech Consolidators

Since 2015, the six most active govtech consolidators have acquired over 60 companies



## Drivers of Consolidation

- 01** Fragmented industry composed of specialized, and in some cases regional, solution providers
- 02** Breadth of public sector operations continuously creating new opportunities to serve government agencies
- 03** Ongoing impetus to create unified digital ecosystem capable of connecting disparate government services
- 04** Continued consolidation among government IT decision makers driving vendor consolidation

# Select Govtech Transactions

September 9, 2020



EV: Confidential      EV / Rev: Confidential  
Rev: Confidential      EV / EBITDA: Confidential

## Hyland's acquisition of Alfresco

- Alfresco creates cloud-native enterprise content management solutions that enable digitization of processes and stakeholder connectivity in government services and other verticals
- Alfresco is used by over 1,300 customers including NASA, the FAA, and the Department of the Navy, among other public sector agencies
- The acquisition by Thoma Bravo-backed Hyland will expand the Company's geographic footprint and strengthen its industry expertise, including within government, enabling the platform to deliver greater digital transformation solutions

August 31, 2020



EV: Confidential      EV / Rev: Confidential  
Rev: Confidential      EV / EBITDA: Confidential

## Motorola's acquisition of Callyo

- Callyo provides cloud-based mobile applications for law enforcement that simplify interactions between first responders and citizens and provide investigative tools that empower digital evidence collection
- Callyo is used by 20% of law enforcement officers and has partnerships across the law enforcement and public safety landscape
- Motorola's acquisition of Callyo will expand its existing command center offerings, giving Motorola additional solutions to offer first responders as they increasingly rely on technology to enhance collaboration and improve outcomes

August 17, 2020



EV: Confidential      EV / Rev: Confidential  
Rev: Confidential      EV / EBITDA: Confidential

## Serent's investment in Quorum Analytics

- Quorum Analytics provides public affairs professionals with online tools to track and analyze legislative developments, stakeholder engagement, and grassroots advocacy
- Quorum is utilized by thousands of public affairs officials in all 50 state legislatures, thousands of U.S. municipalities, the European Union, over a dozen other countries, and major corporations, nonprofits, and advocacy groups
- Serent's growth investment and experience investing across government services and nonprofit software will help Quorum to continue developing new solutions, scaling go-to-market strategy, and expanding into new markets

July 28, 2020



EV: Confidential      EV / Rev: Confidential  
Rev: Confidential      EV / EBITDA: Confidential

## Five Arrows' acquisition of Juvare

- Juvare is a leading software provider for emergency preparedness and critical incident response management that enables first responders and stakeholders through real-time data and communication tools
- Juvare connects over 80% of state public health agencies, 3,500 hospitals, and 50 federal agencies and has clients across 25 countries
- Five Arrows' investment was split across Five Arrows' U.S.- and European-oriented funds, with the goal of helping Juvare expand its footprint both domestically and internationally

July 8, 2020

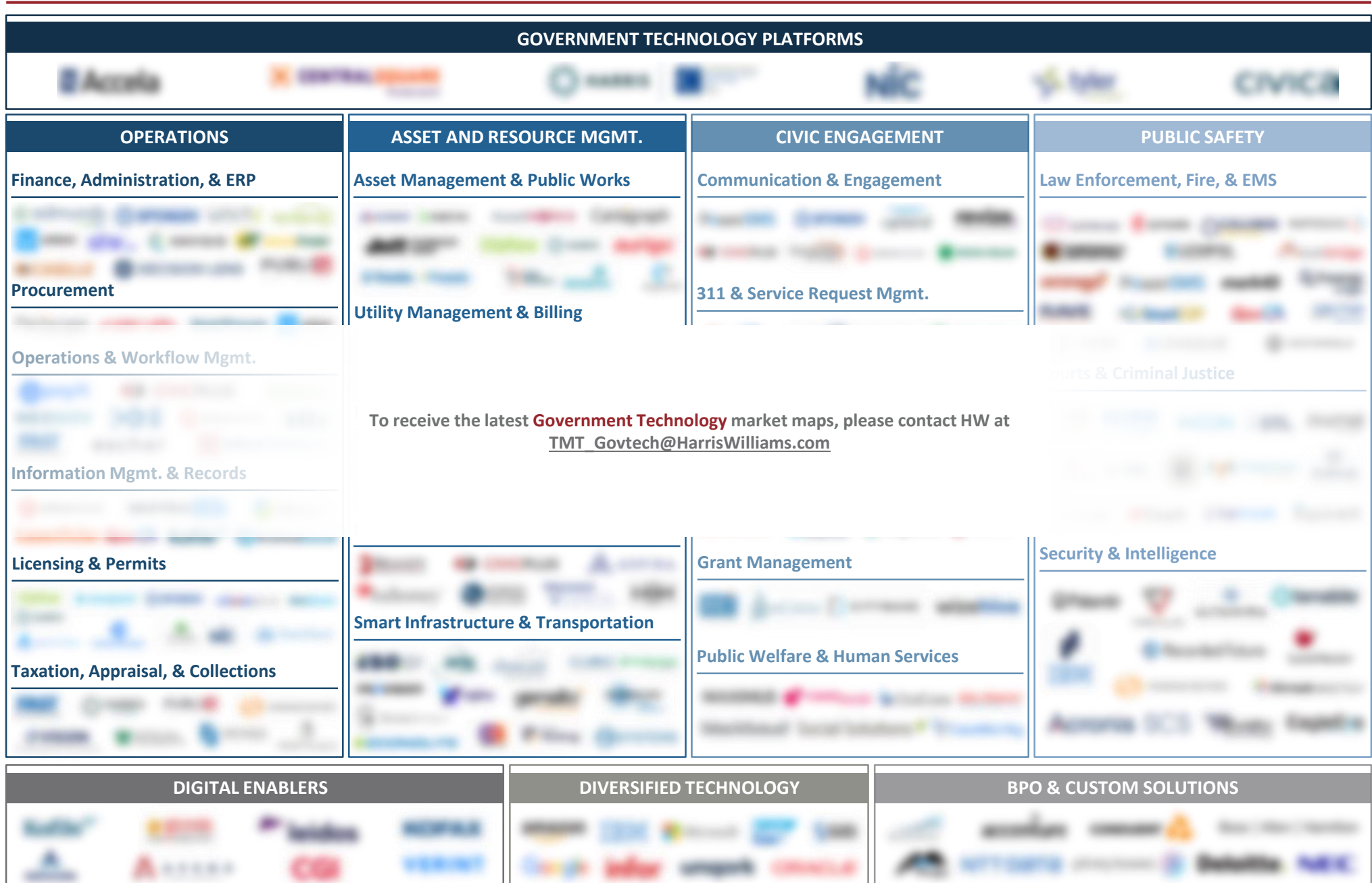


EV: Confidential      EV / Rev: Confidential  
Rev: Confidential      EV / EBITDA: Confidential

## DC Capital's investment in Revenue Solutions

- Revenue Solutions provides mission critical, end-to-end tax, labor, and compliance solutions to state and local tax authorities that increase tax collections, improve customer experience, and enhance efficiency and compliance
- Revenue Solutions' products are deployed across 35 federal, state, and local government agencies within the U.S.
- DC Capital, a leading investor in government technology and services, brings significant experience in building public sector businesses and will enable Revenue Solutions to invest more extensively in expanding its offering and broadening its sales reach

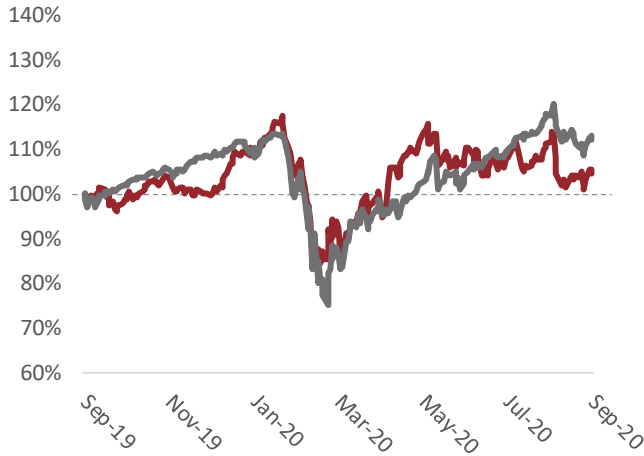
# Govtech Landscape Overview



# Relative Public Equity Performance<sup>9</sup>

## GOVERNMENT SOFTWARE

### Stock Price Performance



— Government Software — S&P

### Valuation Metrics

Enterprise Value /

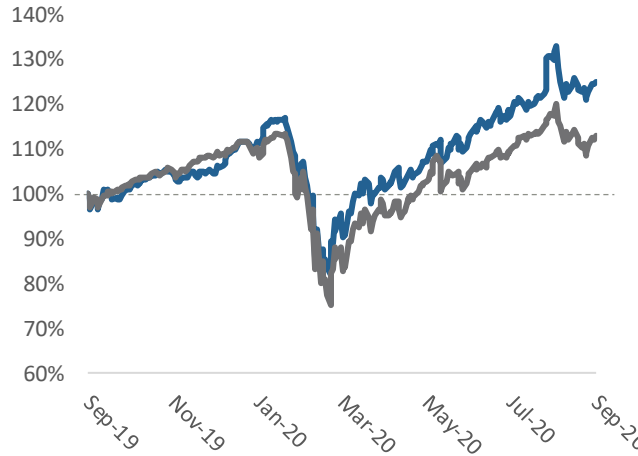
LTM Rev.	LTM EBITDA	2020E EBITDA
5.9x	21.9x	15.1x

### Key Public Comps



## DIVERSIFIED SOFTWARE

### Stock Price Performance



— Diversified Software — S&P

### Valuation Metrics

Enterprise Value /

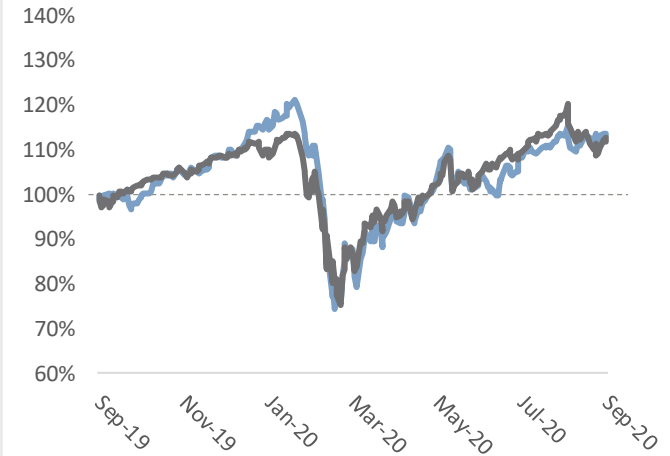
LTM Rev.	LTM EBITDA	2020E EBITDA
7.1x	23.5x	22.2x

### Key Public Comps



## GOVERNMENT TECHNOLOGY & SERVICES

### Stock Price Performance



— Government Technology & Services — S&P

### Valuation Metrics

Enterprise Value /

LTM Rev.	LTM EBITDA	2020E EBITDA
2.6x	12.7x	11.8x

### Key Public Comps



# Comparable Public Company Operating Metrics<sup>9</sup>

As of September 30, 2020

\$ in Thousands

Company	Market Capitalization	Revenue		EBITDA Margin		Annual Growth Rates			
		LTM	CY2020	LTM	CY2020	Revenue		EBITDA	
						LTM	CY2020	LTM	CY2020
<b>Government Software</b>									
Motorola Solutions, Inc.	\$26,624,314	\$7,643,000	\$7,327,154	26.6%	27.6%	0.1%	(7.1%)	1.7%	(3.9%)
Constellation Software Inc.	23,534,074	3,700,000	3,849,301	17.4%	28.9%	13.7%	10.3%	(3.0%)	19.1%
Palantir Technologies Inc.	15,673,100	901,115	1,063,000	NM	NM	NM	NA	NM	NA
Tyler Technologies, Inc.	14,026,330	1,111,869	1,134,344	18.8%	28.4%	11.2%	3.9%	10.2%	6.5%
Appian Corporation	4,522,843	280,412	288,355	NM	NM	16.5%	8.6%	NM	NM
Everbridge, Inc.	4,348,387	233,935	264,885	NM	2.5%	36.0%	32.4%	NM	28.8%
Blackbaud, Inc.	2,695,661	914,571	912,578	12.9%	24.3%	4.9%	1.8%	(1.6%)	22.4%
Verra Mobility Corporation	1,562,376	437,223	384,735	43.1%	42.4%	6.4%	(13.7%)	(6.6%)	(31.5%)
NIC Inc.	1,320,321	362,166	378,633	19.1%	23.5%	5.8%	6.9%	(7.7%)	27.9%
GTY Technology Holdings Inc.	142,816	42,675	48,020	NM	NA	30.8%	31.8%	NM	NA
<b>Median</b>	<b>\$4,435,615</b>	<b>\$669,169</b>	<b>\$648,656</b>	<b>19.0%</b>	<b>27.6%</b>	<b>11.2%</b>	<b>6.9%</b>	<b>(2.3%)</b>	<b>19.1%</b>
<b>Diversified Software</b>									
Microsoft Corporation	\$1,591,704,443	\$143,015,000	\$149,161,868	45.6%	46.0%	13.6%	12.1%	19.6%	15.5%
salesforce.com, inc.	228,701,200	19,380,000	20,802,302	10.8%	30.0%	31.6%	22.3%	0.6%	27.2%
SAP SE	185,643,281	31,617,151	33,157,798	26.5%	35.5%	6.2%	2.1%	8.7%	1.1%
IBM	179,750,016	39,217,000	39,392,160	42.8%	49.4%	(0.8%)	(0.6%)	3.9%	4.6%
International Business Machines Corporation	108,356,717	75,499,000	74,158,117	20.6%	23.8%	(3.0%)	(3.7%)	(9.5%)	(3.0%)
Roper Technologies, Inc.	41,372,288	5,405,000	5,582,689	35.5%	35.5%	1.7%	3.9%	4.3%	3.6%
Thomson Reuters Corporation	39,602,182	5,921,000	5,969,468	22.3%	31.9%	3.5%	1.1%	26.7%	74.0%
<b>Median</b>	<b>\$179,750,016</b>	<b>\$31,617,151</b>	<b>\$33,157,798</b>	<b>26.5%</b>	<b>35.5%</b>	<b>3.5%</b>	<b>2.1%</b>	<b>4.3%</b>	<b>4.6%</b>
<b>Government Technology &amp; Services</b>									
Infosys Limited	\$58,162,256	\$12,770,000	\$13,055,557	24.4%	25.2%	5.5%	7.4%	5.0%	10.7%
Wipro Limited	24,374,332	8,104,481	8,294,841	19.5%	21.1%	(5.8%)	1.1%	(9.4%)	1.6%
NTT DATA Corporation	17,845,061	21,061,270	20,845,714	14.6%	14.6%	3.9%	(1.3%)	4.4%	4.1%
Leidos Holdings, Inc.	12,676,555	11,592,000	12,396,287	10.5%	10.1%	10.1%	13.0%	18.5%	10.8%
Pegasystems Inc.	9,733,462	986,211	1,065,834	NM	4.4%	12.4%	15.2%	NM	68.0%
Axon Enterprise, Inc.	5,757,235	591,109	613,525	NM	17.6%	32.0%	21.5%	NM	32.2%
CACI International Inc	5,350,135	5,720,042	5,911,354	10.0%	10.2%	14.7%	9.9%	20.0%	23.0%
MAXIMUS, Inc.	4,194,396	3,292,667	3,329,285	11.5%	11.0%	22.4%	10.3%	2.9%	(11.9%)
Verint Systems Inc.	3,150,980	1,260,474	1,271,175	14.1%	25.6%	(1.0%)	(6.7%)	0.5%	(1.2%)
Perspecta Inc.	3,126,745	4,505,000	4,465,333	13.9%	15.7%	3.7%	(0.3%)	15.7%	(12.4%)
Agilysys, Inc.	565,222	152,175	141,354	NM	10.4%	4.8%	(9.6%)	NM	26.0%
<b>Median</b>	<b>\$5,757,235</b>	<b>\$4,505,000</b>	<b>\$4,465,333</b>	<b>14.0%</b>	<b>14.6%</b>	<b>5.5%</b>	<b>7.4%</b>	<b>4.7%</b>	<b>10.7%</b>
<b>Total Comp Set Median</b>	<b>\$13,351,442</b>	<b>\$4,102,500</b>	<b>\$4,157,317</b>	<b>19.1%</b>	<b>24.3%</b>	<b>6.2%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>10.7%</b>

# Comparable Public Company Valuation Metrics<sup>9</sup>

As of September 30, 2020

\$ in Thousands

Company	Market Capitalization	Enterprise Value	Multiples Summary			
			Enterprise Value/Revenue		Enterprise Value/EBITDA	
			LTM	CY2020	LTM	CY2020
<b>Government Software</b>						
Motorola Solutions, Inc.	\$26,624,314	\$31,434,314	4.1x	4.3x	15.4x	15.6x
Constellation Software Inc.	23,534,074	23,671,074	6.4x	6.1x	36.8x	21.3x
Palantir Technologies Inc.	15,673,100	16,601,163	18.4x	15.6x	NM	NM
Tyler Technologies, Inc.	14,026,330	13,642,985	12.3x	12.0x	65.1x	42.4x
Appian Corporation	4,522,843	4,319,371	15.4x	15.0x	NM	NM
Everbridge, Inc.	4,348,387	4,326,166	18.5x	16.3x	NM	NM
Blackbaud, Inc.	2,695,661	3,264,378	3.6x	3.6x	27.8x	14.7x
Verra Mobility Corporation	1,562,376	2,321,386	5.3x	6.0x	12.3x	14.2x
NIC Inc.	1,320,321	1,111,328	3.1x	2.9x	16.0x	12.5x
GTY Technology Holdings Inc.	142,816	157,875	3.7x	3.3x	NM	NA
<b>Median</b>	<b>\$4,435,615</b>	<b>\$4,322,768</b>	<b>5.9x</b>	<b>6.1x</b>	<b>21.9x</b>	<b>15.1x</b>
<b>Diversified Software</b>						
Microsoft Corporation	\$1,591,704,443	\$1,537,322,443	10.7x	10.3x	23.6x	22.4x
salesforce.com, inc.	228,701,200	225,606,200	11.6x	10.8x	NM	36.2x
SAP SE	185,643,281	196,381,521	6.2x	5.9x	23.4x	16.7x
IBM	179,750,016	208,862,016	5.3x	5.3x	12.4x	10.7x
International Business Machines Corporation	108,356,717	164,154,717	2.2x	2.2x	10.5x	9.3x
Roper Technologies, Inc.	41,372,288	45,367,888	8.4x	8.1x	23.7x	22.9x
Thomson Reuters Corporation	39,602,182	42,307,182	7.1x	7.1x	32.0x	22.2x
<b>Median</b>	<b>\$179,750,016</b>	<b>\$196,381,521</b>	<b>7.1x</b>	<b>7.1x</b>	<b>23.5x</b>	<b>22.2x</b>
<b>Government Technology &amp; Services</b>						
Infosys Limited	\$58,162,256	\$55,828,256	4.4x	4.3x	17.9x	16.9x
Wipro Limited	24,374,332	20,675,817	2.6x	2.5x	13.1x	11.8x
NTT DATA Corporation	17,845,061	22,360,038	1.1x	1.1x	7.3x	7.4x
Leidos Holdings, Inc.	12,676,555	17,750,555	1.5x	1.4x	14.5x	14.1x
Pegasystems Inc.	9,733,462	9,793,222	9.9x	9.2x	NM	NM
Axon Enterprise, Inc.	5,757,235	5,204,884	8.8x	8.5x	NM	NM
CACI International Inc	5,350,135	7,067,870	1.2x	1.2x	12.4x	11.7x
MAXIMUS, Inc.	4,194,396	4,443,123	1.3x	1.3x	11.7x	12.1x
Verint Systems Inc.	3,150,980	3,641,416	2.9x	2.9x	20.4x	11.2x
Perspecta Inc.	3,126,745	5,787,745	1.3x	1.3x	9.2x	8.3x
Agilysys, Inc.	565,222	540,312	3.6x	3.8x	NM	36.7x
<b>Median</b>	<b>\$5,757,235</b>	<b>\$7,067,870</b>	<b>2.6x</b>	<b>2.5x</b>	<b>12.7x</b>	<b>11.8x</b>
<b>Total Comp Set Median</b>	<b>\$13,351,442</b>	<b>\$15,122,074</b>	<b>4.8x</b>	<b>4.8x</b>	<b>15.7x</b>	<b>14.5x</b>

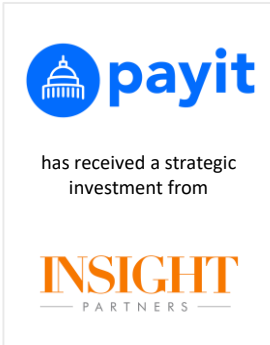
# Notable Recent Transactions<sup>9,10</sup>

\$ in Millions

Date	Target	Acquirer	Enterprise	LTM Multiples	
			Value	Revenue	EBITDA
<b>Government Technology</b>					
Pending	Alfresco Software	Hyland Software (Thoma Bravo)	NA	NA	NA
09/09/20	Sprinklr	Hellman & Friedman	2,700	6.8x	NA
09/01/20	Everwin SAS	N. Harris Computer	NA	NA	NA
08/31/20	Callyo	Motorola Solutions	NA	NA	NA
08/19/20	Quorum Analytics	Serent Capital	NA	NA	NA
08/13/20	CaseLines	Thomson Reuters Corporation	NA	NA	NA
07/23/20	Juware	Five Arrows Capital	NA	NA	NA
07/13/20	Becklar	BV Investment Partners	NA	NA	NA
07/08/20	Revenue Solutions	DC Capital Partners	NA	NA	NA
07/01/20	Verus Analytics	Kroll	NA	NA	NA
06/29/20	Unison Software, Inc.	The Carlyle Group	NA	NA	NA
06/25/20	PenBay Solutions LLC	CarteGraph Systems, Inc.	NA	NA	NA
04/30/20	Kalkomey Enterprises, LLC	Cove Hill Partners, LP.	HW Confidential		
04/09/20	QueTel Corporation	Omnigo Software, LLC	NA	NA	NA
04/01/20	Smithtech Ltd (nka:RedSail Technologies)	Francisco Partners Management, LP.	NA	NA	NA
03/19/20	Pondera Solutions, LLC	Thomson Reuters Corporation	Non-Public Information		
02/03/20	Kofile	Audax Group	Non-Public Information		
01/21/20	Vermont Systems Inc.	Clubessential LLC	NA	NA	NA
01/14/20	BIAS Software, Inc.	Springbrook Software, Inc.	NA	NA	NA
01/07/20	Springbrook Software, Inc.	Accel-KKR	NA	NA	NA
10/23/19	Core Business Technologies	Banneker Partners	NA	NA	NA
10/11/19	SeeClickFix, Inc.	CivicPlus, LLC	Non-Public Information		
10/03/19	Cityworks	Trimble	NA	NA	NA
09/05/19	ViewPoint Government Solutions, Inc.	OpenGov, Inc.	NA	NA	NA
08/22/19	Ontario Systems	New Mountain Capital	HW Confidential		
07/09/19	GovQA	Frontier Capital	NA	NA	NA
05/22/19	Tellus Safety Solutions, LLC	CentralSquare Technologies	NA	NA	NA
05/15/19	Complus Data Innovations	Passport Labs, Inc.	45	NA	NA
05/13/19	CivicPlus	BV Investment Partners	NA	NA	NA
05/06/19	Complia, LLC	NIC Inc.	15	NA	NA
04/25/19	Rave Mobile Safety	TCV	NA	NA	NA
04/15/19	Appriss	Clearlake Capital Group	Non-Public Information		
04/04/19	Firmstep	Granicus (Vista Equity Partners, K1)	NA	NA	NA
03/20/19	Paylt	Insight Venture Partners	HW Confidential		
02/28/19	MicroPact Inc.	Tyler Technologies, Inc.	204	Non-Public Information	
02/19/19	Citybase, Inc.	GTY Technology Holdings Inc.	160	Non-Public Information	
01/28/19	Intellectual Technology	Arlington Capital Partners	NA	NA	NA
01/09/19	BAS	Edmunds & Associates	NA	NA	NA
12/18/18	Invoice Cloud	General Atlantic	Non-Public Information		
11/29/18	Rock Solid Technologies, Inc.	Strattam Capital, LLC	NA	NA	NA
11/01/18	Edmunds & Associates	LLR Partners	NA	NA	NA
10/24/18	Trafficware Group Inc.	Cubic Transportation Systems, Inc.	236	HW Confidential	
08/01/18	Central Square Technologies (Tritech Software, Superion, Aptean)	Bain Capital, Vista Equity Partners	NA	NA	NA
04/30/18	Socrata, Inc.	Tyler Technologies, Inc.	150	6.0x	NA
03/31/18	Brandt Information Services, LLC	NexPhase Capital	Non-Public Information		
03/06/18	Value Payment Systems, LLC	Government Brands (Providence Strategic Growth)	Non-Public Information		
02/21/18	nCourt	Government Brands (Providence Strategic Growth)	HW Confidential		
02/01/18	Northgate Public Services	NEC Corporation	642	2.9x	NA
01/25/18	PowerDMS	Frontier Capital	NA	NA	NA
01/16/18	Acceo Solutions	Constellation Software, Inc.	186	2.1x	NA
01/04/18	GovPayNet	Securus Technologies, Inc.	NA	NA	NA
<b>Median</b>			<b>\$164</b>	<b>5.7x</b>	<b>14.7x</b>

# Case Study: PayIt

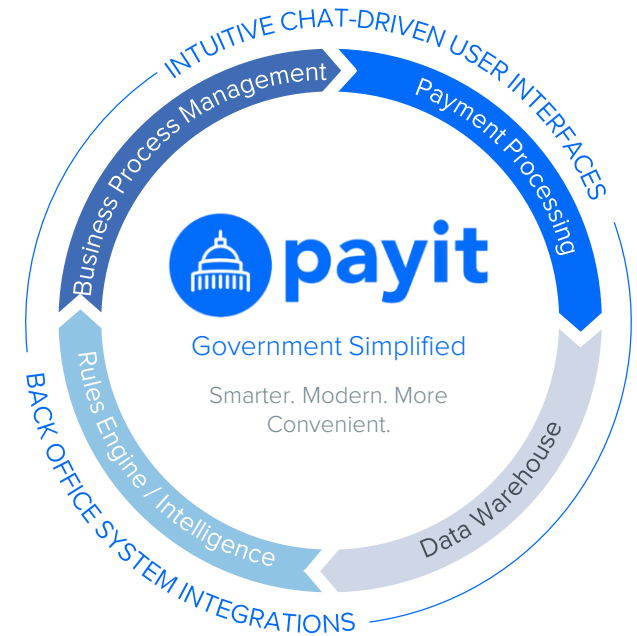
## Business Summary and Transaction Overview



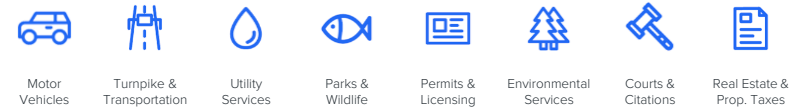
- PayIt is a leading provider of next-generation integrated digital government software and payment solutions
- PayIt improves the way citizens interact with government by providing a modern, mobile technology platform designed to simplify the maze of government agencies and provide users with an intuitive, contextual experience
- The Company received a strategic investment from Insight Partners on March 28, 2019

## Key Value Drivers

- Best-in-class software solution with sleek design and differentiated chat-based user experience capable of displacing multiple solutions across government services with a single, unified platform
- Compelling customer growth and rapidly expanding user adoption, demonstrating the value proposition to both the government and the public
- Accelerating growth in a highly attractive, underpenetrated market segment overdue for software solutions that drive efficiencies and improve public engagement
- Robust and growing sales pipeline across diverse market segments, providing significant visibility into future growth
- Attractive opportunity to augment growth through expansion into new government adjacencies and continued product development



MULTIPLE SERVICES. ONE APPLICATION.

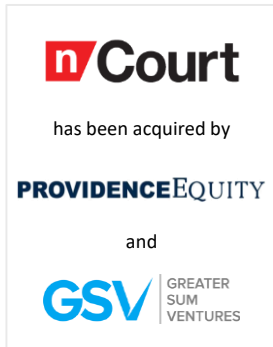


## Process Notes

- PayIt garnered significant interest from a targeted group of strategic and financial buyers across the govtech landscape
- The Company received numerous compelling offers, with several parties differentiating themselves on value
- Opportunity for scalability, revenue growth opportunities, and market tailwinds drove a premium outcome for PayIt

# Case Study: nCourt and Government Brands

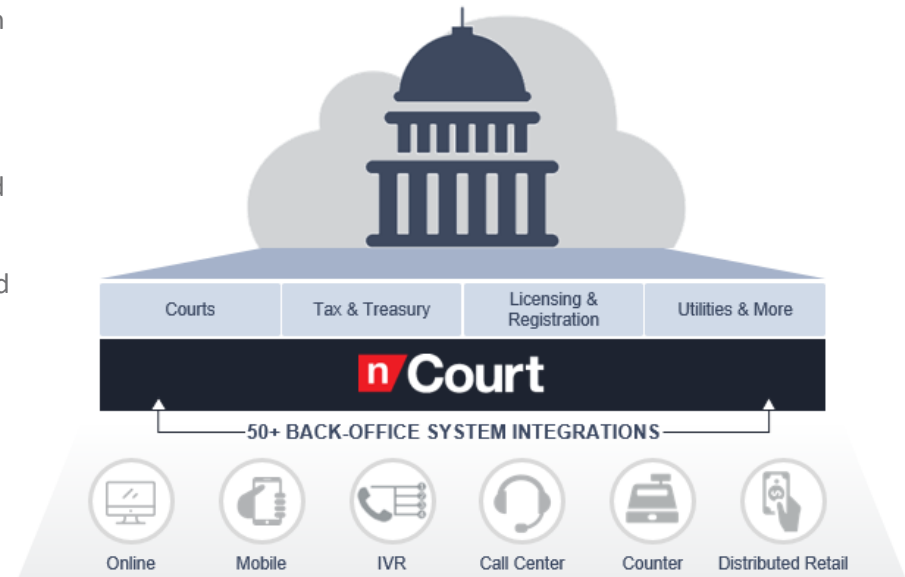
## Business Summary and Transaction Overview



- nCourt connects government entities and the public through an integrated SaaS civic engagement and payments platform
- The Company's solutions improve the operational efficiencies and revenue generation capacity of government entities by streamlining payments and reporting through intuitive web and mobile applications
- The Company was acquired by Providence Strategic Growth and Greater Sum Ventures as the platform for Government Brands

## Key Value Drivers

- Differentiated, multi-tenant SaaS platform with compelling value proposition for both sides of the government transaction
- Large addressable market underpinned by favorable industry tailwinds as payments move online and governments become more digitally focused
- Impressive unit economics and cohort performance with 102% net revenue retention, and accelerating recurring revenue with high visibility
- Compelling growth trajectory with several recent key customer wins in attractive adjacent markets
- Attractive opportunity to consolidate fragmented court and judicial software ecosystem and pursue strategic acquisitions to expand its solution offering



## Process Notes

- HW commenced work in late November and began contacting a targeted group of buyers in early December
- After receiving several compelling offers, shareholders proceeded with Providence Strategic Growth and Greater Sum Ventures
- HW conducted an expedited diligence process, signing the transaction three weeks after granting exclusivity

# HW Insights | Government Technology: The Sleeping Giant Stirs


HW's TMT team shares its views on the increasingly active govtech sector in a recent article, highlighting the attractiveness of the integrated software and payments opportunities in the segment.

## Sector Observations


Government agencies are under increasing pressure to modernize their IT systems, especially those serving today's digital consumers. That's opening up a \$100B+ opportunity for technology vendors, and for the strategic buyers and financial investors that understand the space.

In this article, Managing Director Tyler Dewing, Director Scott Reinig, and Vice President Mike Quealy of the Harris Williams Technology, Media & Telecom (TMT) Group explain the key drivers of this shift and reveal one specific area creating noteworthy growth opportunities.

## Recent HW Govtech Transactions



has received a strategic investment from




has been acquired by




GREATERSUM VENTURES



**Government Technology: The Sleeping Giant Stirs**

**Key Takeaways**

- Covering federal and external forces are heightening government demand for modern IT solutions to replace outdated, brittle, and costly systems and help government entities more effectively serve their citizens.
- The demand for modernizing payments is particularly high for technology providers—especially those of cloud-based solutions—as well as for strategic buyers and financial investors interested in the government technology sector.
- The payments category is especially attractive, as a wide range of interactions between the public and government entities depend on it for some critical government services.

**A \$93 Billion Opportunity**

The U.S. state and local government technology is vast, encompassing more than 90,000 entities with nearly 20 million employees. Considering these entities are all critical to citizens across operations, social and financial management, civic engagement, and public safety. A full one-third of these systems are 10 years old or older!

With a renewed emphasis on modernization and innovation, U.S. state and local governments are forecast to spend more than \$40 billion on technology in 2016, a figure that is expected to reach \$63 billion in 2022 (Figure 5). Spending on software alone has a CAGR of more than 7% since 2010.<sup>1</sup> Many politicians are making technology modernization a key part of their platform, while emphasizing the potential for both improved experiences and lower costs.



**Two Key Trends Driving Growth**

Two long-term trends are powering the rapid modernization of government technology: the internal pressure to modernize and improve efficiency, and external consumer demands for better digital experiences.

**Trend One: Growing internal pressure to modernize antiquated legacy systems**

Government entities have long benefited from their own highly customized solutions—often in collaboration with costly consultants. IT services providers, and large systems integrators, need highly customized enterprise software tools, with the notable being that each government entity's needs are too unique for out-of-the-box offerings.

Today, government entities are paying to cover gaps for obsolescing needs. That's what's pushing change for these systems was massive, often costing entities tens of millions of dollars. Just as significant, these systems have required substantial maintenance every year to keep running, which gets more expensive and difficult as the systems age, and age is a huge problem. For instance, the 50 oldest systems still operating at the federal level are over 40 years old, with the top six exceeding 60 years in service.<sup>2</sup>

Support the jump financial report. These agencies, antiquated, and state or province systems can also impede an entity's ability to recruit to remain. Such systems can keep employees from effectively competing worldwide. Perhaps more importantly, they can also prevent government agencies from effectively analyzing the treasure trove of data they often possess. Outdated systems can also create an information gap between the public and government that contributes to the ineffective delivery of services, decreased collection of revenues, and exacerbated public dissatisfaction.

The California DMV offers perhaps one of the most extreme examples. The state's governor, Gavin Newsom, has backed an overhaul of the agency, which includes opening to third parties a paid, email- and payment-enabled services company among the public about long lines and poor service. Newsom put the blame squarely on the agency's technology. "Recognize that people are not going by their experience at the DMV. It can tell you about the challenges at the DMV. The technology is antiquated."<sup>3</sup>



**Consumer-to-Government payments total more than \$1.5 trillion annually**

In fact, with most state and local entities collecting some form of revenue, people make more than \$1.5 trillion in payments to state and local governments every year.<sup>4</sup> "Modern payments represent a logical starting point for governments to modernize, as they sit at the heart of an entity's engagement with the public.

Modern digital payment channels can generate many benefits for government entities. These include higher satisfaction with government and more streamlined transactions, as well as increased revenue generation. Better collection, the ability to offer payment plans to those who need them, and greater compliance.

One of the biggest benefits from migrating payments online is that it removes barriers and highly targets expanding online opportunities for government organizations. The IRS estimates that the cost of an online individual tax can be as low as \$0.20, a far cry from the \$40 for a phone payment, and the \$67 for payment via a mailed check.<sup>5</sup>

Even better, government entities can get these benefits with no upfront or monthly cost. Most vendors of cloud-based payments solutions offer a pricing model in which the vendors provide the solution free of charge and, instead, take a percentage of each payment the entity processes.

Even if there is a cost for the software, it's often in the form of a monthly subscription. Instead of a large upfront fee for an on-premise solution, government entities can offset some of their monthly costs by charging the public a small fee to use digital services—in the many people are willing to pay to avoid the inconvenience of having to visit an office or mail a check.

"We've seen government entities experience substantial increases in customer adoption of digital payments and revenue when launching modern and mobile-first payment solutions," notes Dewing. "The ability for vendors of payments solutions that also have software for other areas of an entity's operations, ranging from a measurable, highly visible impact on payments can open doors to their other efforts."

"Modernizing payments is a quick win for both government agencies and technology vendors," says Dewing. "The agencies, it delivers an almost instant and significant operational efficiency boost for employees and service improvement for the general public, without requiring a big-budget purchase. For vendors, it creates an attractive revenue model and enables those with a broad suite of solutions to get a foot in the door."



**Tyler Dewing**  
Managing Director



**Scott Reinig**  
Director



**Mike Quealy**  
Vice President

## Article Excerpt

"Modernizing payments is a quick win for both government agencies and technology vendors," says Dewing. "For agencies, it delivers an almost instant and significant operational efficiency boost for employees and service improvement for the general public—without requiring a big-budget purchase. For vendors, it creates an attractive revenue model and enables those with a broad suite of solutions to get a foot in the door."

# M&A Advisor of Choice for Leading TMT Companies

 acquired by 	 acquired 	 acquired 	 acquired by 	 acquired by 	 strategic investment in 	 acquired by 	 investment from   	 acquired by 	 recapitalized by 	 acquired 	 acquired by 	 significant growth investment from 	 acquired by 	 acquired by 
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# Our Firm

Harris Williams has a broad range of industry expertise, which creates powerful opportunities. Our clients benefit from our deep-sector experience, integrated industry intelligence, and collaboration across the firm, and our commitment to learning what makes them unique. For more information, visit our website at [www.harriswilliams.com/industries](http://www.harriswilliams.com/industries).



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## SOURCES

1. Census of Governments
2. US Bureau of Labor Statistics
3. Tyler Technologies
4. GovTech Navigator
5. Whitehouse.gov
6. Gartner
7. Government Business Council
8. National Association of State CIOs
9. CapIQ
10. Pitchbook

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