



# Government Technology Sector Brief

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Harris Williams | Q3 2023

# GovTech Observations and Key Trends

Several dynamics are contributing to a rapidly evolving GovTech landscape.

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1010

## Growing Emphasis on Digitization

As government entities grapple with trying to “do more with less” and meet increasingly challenging constituent demands, many are accelerating the use of robotic process automation (RPA) to digitize workflows



## Concerted Citizen Engagement

Government is playing “catch-up” with the private sector in offering digital and mobile technology that delivers personalized and contextual digital experiences, catalyzing demand for intelligent, cloud-based technology capable of delivering relevant and timely information and services that drive engagement and revenues



## Utilization of Emerging Technology

Government agencies are adopting emerging technologies like low-code development and chatbots to establish user-friendly digital experiences that more effectively engage citizens



## Cloud Adoption Is Accelerating

Governments are being forced to accelerate migration to cloud environments in response to remote work and digital service delivery, and large technology companies are moving quickly to establish greater market share (Amazon, Google, Salesforce)



## Changing Public Sector Labor Force

As government revenue has declined, the state and local government labor force has been reduced by 1.2 million employees<sup>1</sup>, creating additional resource constraints



## Budget Shortfalls on the Horizon

State and local governments face an estimated \$900 billion budget shortfall<sup>2</sup> due to lost revenue associated with the COVID-19 pandemic, potentially forcing government agencies to reprioritize spending and making payment collections an increasingly strategic imperative

# 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.

## Top Priorities Remain Consistent

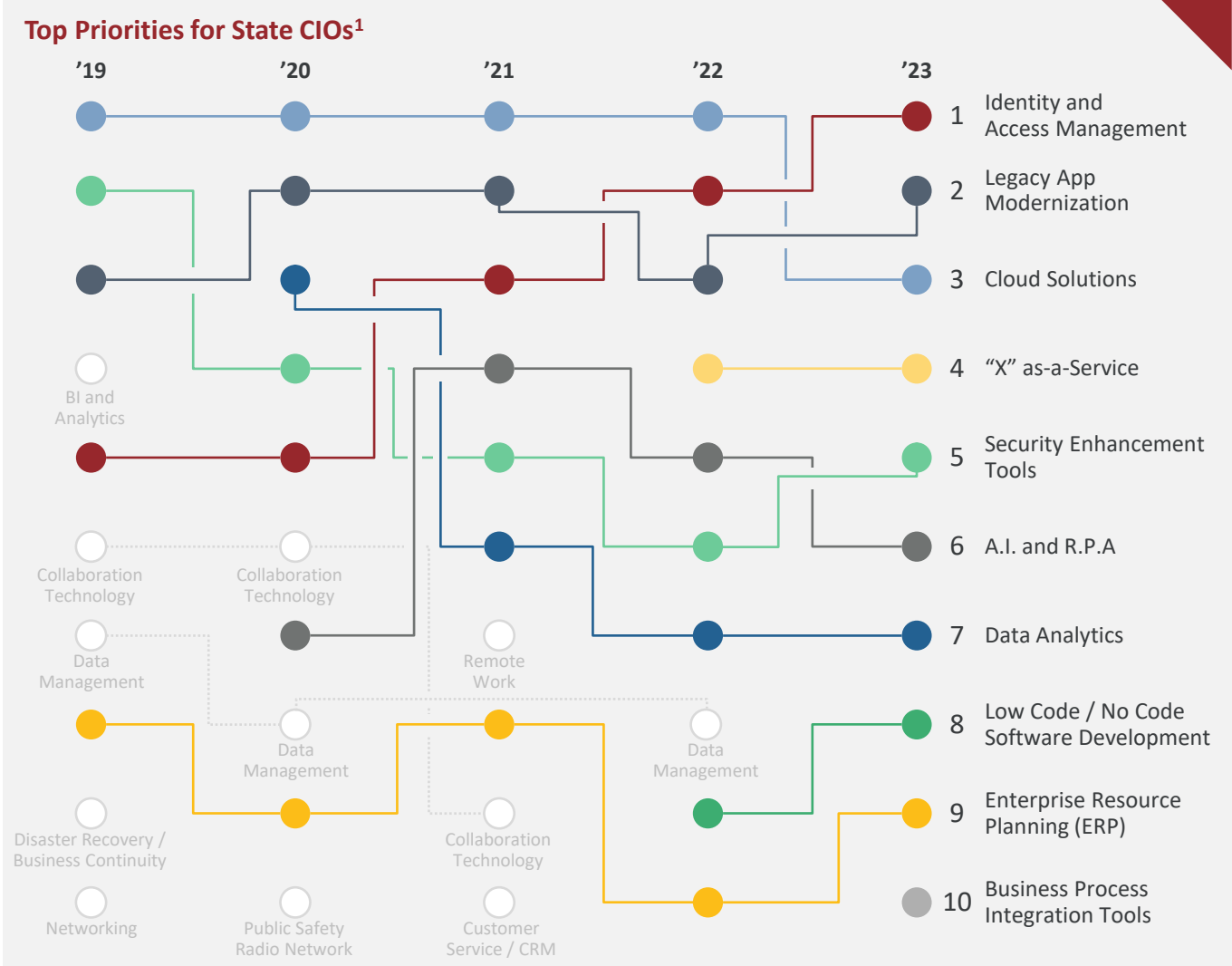
State CIOs' top three priorities have remained largely consistent across pre- and post-COVID responses, influenced by deeply entrenched drivers of digitization. Demographic shifts across both constituents and civil servants are fueling a shift from aging infrastructure and tools to more nimble, easily maintained, and user-friendly cloud-based solutions. The appearance of Low Code / No Code Solutions and "X-as-a-Service" in 2022 and 2023 are additional expressions of these trends, pointing toward continued embedded demand for digital government solutions

## Rise of Identity and Access Management (IAM)

2023's top priority has steadily progressed to the number one spot over recent years, as governments seek to effectively manage digital identities of the civil servants, companies, and constituents that they interact with. Government's challenge in managing identities is in part due to its inherently separate agencies and bureaus, and is augmented by a proliferating number and variety of applications and deployments

## Post-COVID Comedown

Initiatives that appeared through COVID, including Remote Work and Collaboration Technology, have taken a back seat as state CIOs re-prioritize and evaluate progress made in these initiatives. For some jurisdictions, especially those further along the digitization journey, the reduced emphasis reflects progress made to enable a hybrid workforce, and an acknowledgement that continued effective recruitment that is competitive with the private sector will require enabling some level of flexible work environment



# Perspectives on GovTech

Administration & Operations



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

ERP • Financial Management • Taxation & Appraisal Operations • Procurement • Licensing & Permits Content Mgmt. & Records

Select Market Participants

CIVICPLUS GRANICUS NEOGOV

payit Springbrook tyled technologies unison

Key Trends

- Transition 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
- 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>3</sup>

Asset & Resource Management



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

Environmental Services • Public Works • Utilities Smart Cities & Transportation • Parks & Recreation Asset & Resource Mgmt.

Select Market Participants

Accela ASPIRA BRANDT

EUNA solutions OPENGOV Trimble VertiGIS

Key Trends

- Focus on resource stewardship, conservation, and impact drive demand for data and solutions that help manage resources more efficiently
- Shifts to online-only education and permitting for recreation and demand for robust asset management systems to better address growing interest in and usage of public lands and resources

Civic Engagement & Public Services



Solutions focused on facilitating communication between government agencies and constituents

Communication • Citizen Engagement • Human Services Service Request Management • Grant Management Voter Registration & Management

Select Market Participants

Bonterra CIVICA CIVICPLUS

EUNA solutions GRANICUS OPENGOV

Key Trends

- Constituents expect and require personal and contextual digital experiences across government, catalyzing demand for intelligent, cloud-based technology capable of delivering relevant and timely information and services
- Establishing experiences on par with the private sector reinforces trust, establishes greater engagement, and improves satisfaction with the citizens and businesses served

Public Safety & Justice



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

Law Enforcement • Justice & Corrections • Fire Safety Emergency Medical Response • Courts Management Security & Intelligence

Select Market Participants

CENTRAL SQUARE TECHNOLOGIES GRAYSHIFT HEXAGON

JUVARE LEXIPOL motorola

Key Trends

- Predictive analytics and AI are increasingly leveraged to enable agencies to shift from reactive to proactive footing to reduce crime, enforce compliance, and prepare for natural disasters, among other initiatives
- Overhaul of legacy emergency dispatch and response systems continues to be a priority for local governments that rely on decades-old infrastructure

# What We're Reading

## Government Gets Creative to Overcome IT Staffing Gaps

GovTech.com

Staffing difficulties across government roles continues to be a challenge, with almost 70% of counties and 93% of states citing a need for help building applications and managing integrations. Mangers are turning to alternate credentialing, reevaluating hiring requirements, and refocusing on retention to help build and maintain skills within their organizations alongside automation tools or managed services to meet their needs

*Read the full article [here](#).*

## How Public Safety Is Driving the Deployment of Mission-Critical Operations Centers

StateTech Magazine

There is strong investment in data-based tools to plan for, respond to, and learn from emergency response across the local, state, and federal levels. Organizing intelligence from disparate systems is challenging, even for localities with leading digital initiatives, which has prompted growth in centralized operations centers that proactively organize and parse data to enhance responses and inter-agency coordination

*Read the full article [here](#).*

## As Federal Emergency Declaration Expires, the Picture of the Pandemic Grows Fuzzier

Government Executive

The sunseting of the Federal public heath emergency removes data sharing initiatives that enhanced the ability to track and respond to health threats, reverting to a pre-COVID regime with legal hurdles to information sharing that introduces data and access inconsistencies across jurisdictions. The expiration raises public health officials’ concerns of how to proactively plan for and respond to future public health crises

*Read the full article [here](#).*

## Is Government Ready for AI?

GovTech.com

AI has generated significant attention in 2023, with commentators issuing prognostications of how tools like ChatGPT will revolutionize work and content across industries. However, the potential impact for governments facing talent shortages while simultaneously ingesting massive volumes of previously inaccessible data opens the door for AI-powered tools to help responsibly drive effective policy and engagement

*Read the full article [here](#).*

## Recent HW Content

### Industry Update Non-Profit Technology



Harris Williams professionals reflect on trends driving SaaS and cloud adoption, heightened focus on member engagement, and competition for fundraising dollars.

[Link to Read](#)

### Industry Update K12 Education Technology



Harris Williams professionals discuss the landscape’s unprecedented digital evolution and resulting M&A opportunities driving investor interest

[Link to Read](#)

### White Paper IT Services: Digital Transformation Driving M&A



HW professionals discuss how organizations of all sizes and industries face significant pressure to modernize IT infrastructure, and embrace modern digital solutions.

[Link to Read](#)

[Access All HW Insights Here](#)

# Select Recent GovTech Transactions

## PenLink's acquisition of Cobwebs Technologies



Target



Buyer

July 11, 2023

Purchase Price Not Disclosed

- Cobwebs Technologies is a global leader in web intelligence, with AI/ML solutions tailored to the operational needs of national security agencies and the private sector
- PenLink, backed by Spire Capital, adds open-source intelligence capabilities to their digital investigation offering, creating an end-to-end modern platform to support law enforcement agencies

## Serent Capital's acquisition of BS&A Software



Target



Buyer

May 10, 2023

Purchase Price Not Disclosed

- BS&A Software provides a comprehensive enterprise resource planning (ERP) platform for local governments, offering municipal budgets, taxes assessments, ordinances, and licensing solutions
- The investment helps BS&A Software expand their reach and solution delivery as they partner with an experienced GovTech investor

## PayIt's acquisition of Sovereign Sportsman Solutions



Target



Buyer

June 2, 2023

Purchase Price Not Disclosed

- Sovereign Sportsman Solutions provides a licensing and permitting platform for state conservation agencies, offering solutions for hunting and fishing, recreational vehicles, boats, and event management
- The acquisition expands PayIt's outdoor recreation solutions and builds upon their robust offerings in property tax, DMV, and courts

## Boathouse's acquisition of Cardinality



Target



Buyer

April 7, 2023

Purchase Prices Not Disclosed

- Cardinality is a data technology company focused on helping state-level health and humans services agencies achieve better citizen outcomes with their artificial intelligence and machine learning SaaS solutions
- Boathouse joins Cardinality's Board of Directors and will play a key role as they support Cardinality's go-to-market efforts and technology development

## Clariti's acquisition of Camino



Target



Buyer

May 31, 2023

Purchase Price Not Disclosed

- Camino provides customer service software for the government sector, supporting efficient permitting and licensing experiences
- The acquisition expands Clariti's service offering into small and medium-sized governments, complementing their expertise in the enterprise permitting and licensing market

## Grayshift's acquisition of Magnet Forensics



Target



Buyer

April 6, 2023

EV: \$1,214B  
EV / LTM Revenue: 12.3x  
EV / LTM EBITDA: NM

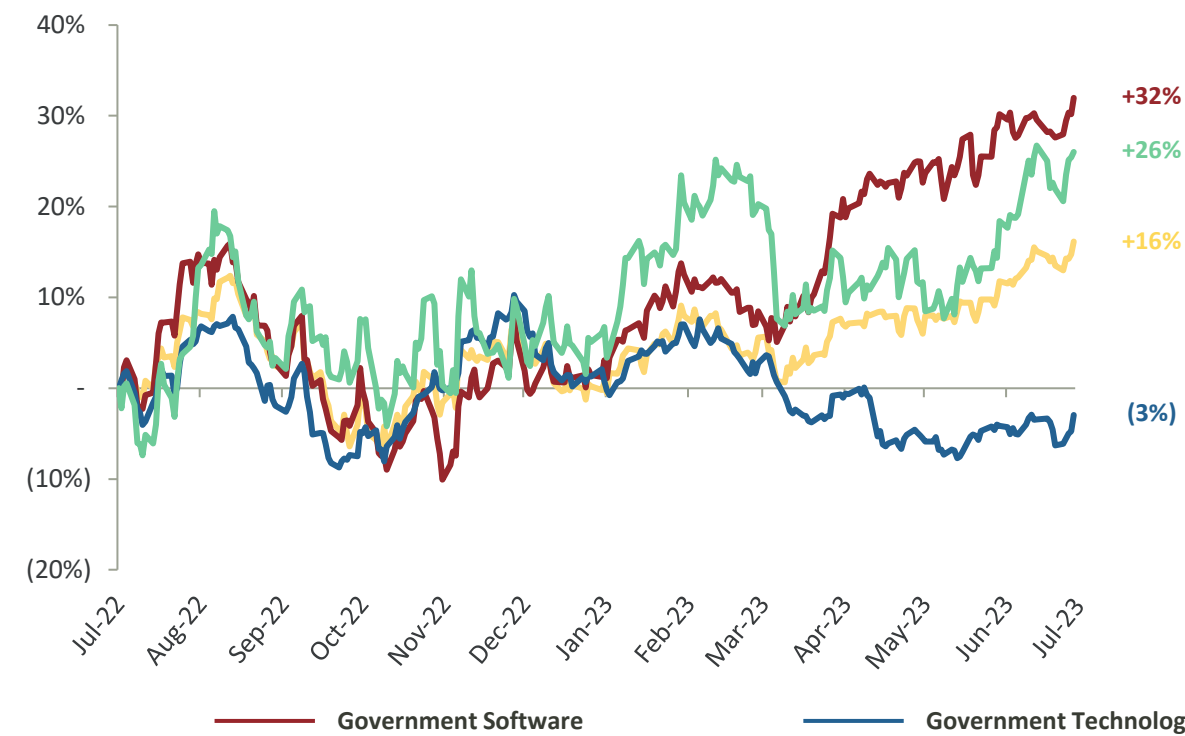
- Magnet Forensics provides digital investigation solutions including digital forensics for use on mobile devices and computers and evidence management tools
- Thoma Bravo acquired Magnet Forensics via their portfolio company Grayshift, merging the two businesses following the acquisition to form a consolidated digital forensics platform



# GovTech Public Company Trended Stock Performance

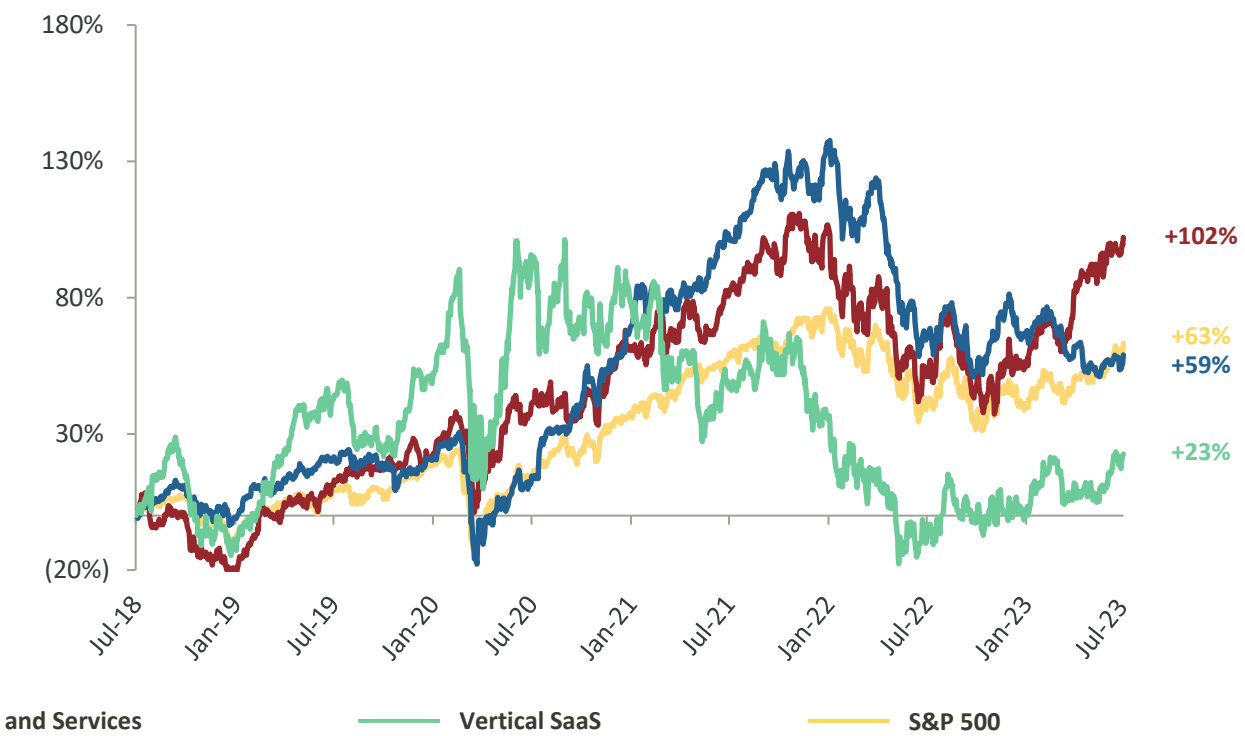
## Public Company Stock Performance – Last 12 Months

Indexed Stock Price Performance for the period July 2022 – July 2023



## Public Company Stock Performance – 5 Years

Indexed Stock Price Performance for the period July 2018 – July 2023



**Government Software**

blackbaud, Cellebrite, Constellation Software Inc., everbridge, SOUNDTHINKING, tyler technologies, VERRA MOBILITY

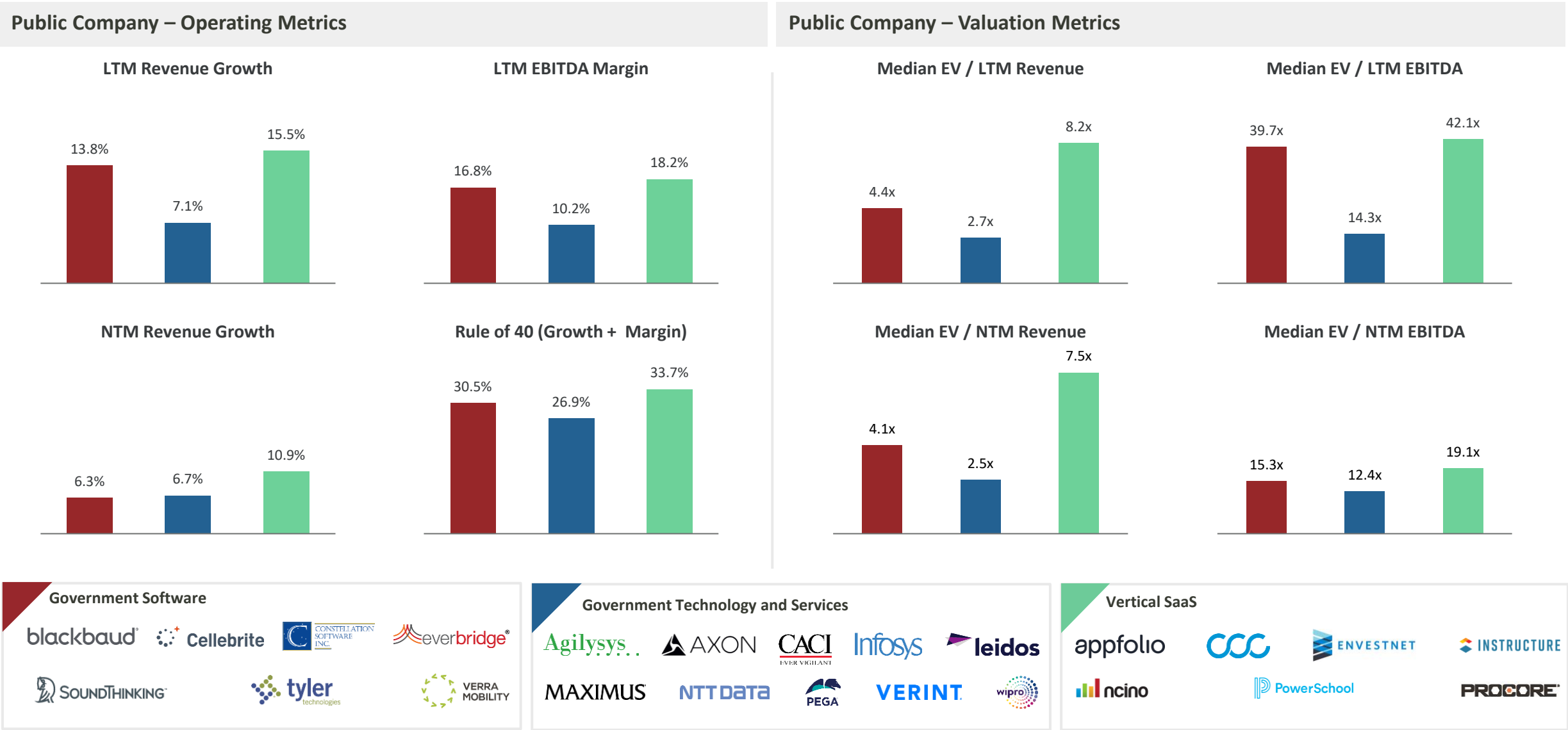
**Government Technology and Services**

Agilysys, AXON, CACI, Infosys, leidos, MAXIMUS, NTT DATA, PEGA, VERINT, wipro

**Vertical SaaS**

appfolio, CCC, ENVESTNET, INSTRUCTURE, incino, PowerSchool, PROCORE

# GovTech Public Company Operating and Valuation Metrics





# GovTech Market Landscape

To view full market map, please contact:  
[TechnologyInsights@harriswilliams.com](mailto:TechnologyInsights@harriswilliams.com)

## Diversified Government Technology Platforms



## Administration and Operations

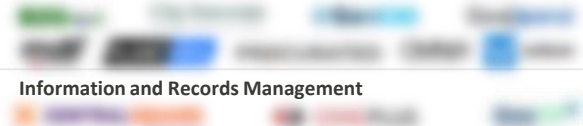
### Finance, Administration, and ERP



## Operations and Workflow Management



## Procurement



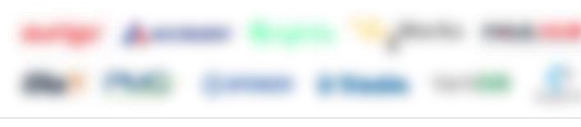
## Taxation and Appraisals

## Digital Enablers

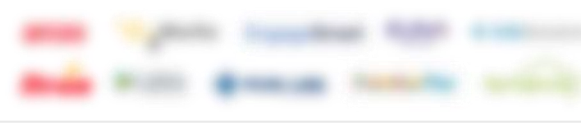


## Asset and Resource Management

## Asset Management and Public Works



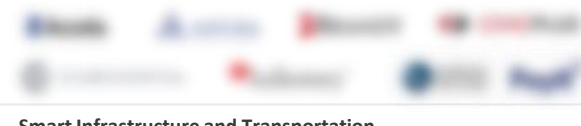
## Utility Management and Billing



## Environmental Mapping and Zoning



## Parks and Recreation



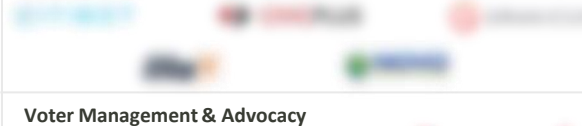
## Smart Infrastructure and Transportation



## Civic Engagement and Public Service

## Communication and Engagement

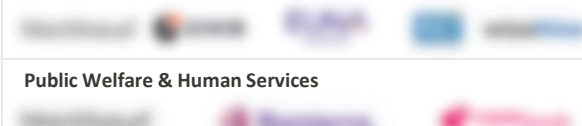
### 311 & Service Request Mgmt.



## Voter Management & Advocacy



## Grant Management
















Public Welfare &amp; Human Services



## BPO and Custom Solutions



Our Technology Group and Aerospace, Defense & Government Services Group collaborate to advise leading companies worldwide.

 <i>a portfolio company of</i>  <i>has acquired</i> 	 <i>a portfolio company of</i>  <i>has received a strategic investment from</i> 	 <i>a portfolio company of</i>  <i>has been acquired by</i> 	 <i>a portfolio company of</i>  <i>has acquired</i>  <i>a portfolio company of</i> 	 <i>has acquired</i>  <i>a portfolio company of</i> 	 <i>has acquired</i>  <i>a portfolio company of</i> 	 <i>a portfolio company of</i>   <i>has been acquired by</i> 
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# Select Harris Williams GovTech Experience

## Harris Williams Transaction Spotlight



**Company Background**  
Provider of cloud-based software solutions that enable federal, state, and local government entities to automate workflows, increase transparency, and more effectively connect with constituents.

**Successful Outcome**  
The transaction delivered a successful outcome for Granicus, which will leverage the increased investment and partnership with Harvest Partners to continue its support of governments and agencies as they transition to the cloud and find ways to more effectively deliver critical constituent services.

Harris Williams served as financial advisor to Harvest Partners in this transaction.

## Harris Williams Transaction Spotlight



**Company Background**  
Provider of online recreational safety education, certifications, and cloud-based agency management solutions for outdoor enthusiasts and government agencies. Kalkomey's fully integrated product suite provides a differentiated, regulatory-approved content library addressing a broad spectrum of recreational activities.

**Successful Outcome**  
The transaction delivered a successful outcome for Kalkomey and Inverness Graham. The acquisition will enable Kalkomey to maintain its leadership in safety education and agency management solutions while expanding innovation across the outdoor recreation industry.

Harris Williams served as exclusive financial advisor to Kalkomey, a portfolio company of Inverness Graham, in this transaction.

## Harris Williams Transaction Spotlight

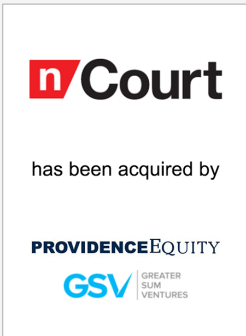


**Company Background**  
Provider of modern, mobile technology platform designed to simplify government operations and provide users with intuitive, contextual interactions. Best-in-class software solution with sleek design and differentiated chat-based user experience that enables government to provide digital services and collect payments.

**Successful Outcome**  
The transaction delivered a successful outcome for PayIt, which will leverage the investment to expand its product suite and deliver high-quality payment technology and experiences to the public sector.

Harris Williams served as exclusive financial advisor to PayIt in this transaction.

## Harris Williams Transaction Spotlight



**Company Background**  
Provider of software and payment technology designed for state and local government agencies, most notably within courts and criminal justice and tax and treasury. SaaS platform designed to simplify government operations and facilitate a variety of payments across multiple channels, including online and mobile.

**Successful Outcome**  
The transaction delivered a successful outcome for nCourt and Mainsail Partners. The acquisition will expand nCourt's product suite and enable expansion across new customers.

Harris Williams served as exclusive financial advisor to nCourt, a portfolio company of Mainsail Partners, in this transaction.



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Government Services



Business Services



Consumer



Energy, Power &  
Infrastructure



Healthcare &  
Life Sciences



Industrials



Technology



Transportation  
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90% Revenue from Sell-side transactions



87% Managing Directors promoted from within the firm



30+ Year history

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## Appendix

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# Public Market Operational and Valuation Metrics

As of July 1, 2023

\$ in Thousands

\$ in Thousands	Market	Enterprise	% of 52-Week	LTM	LTM	Enterprise Value/			
Company	Capitalization	Value	High	Gross Margin	EBITDA Margin	LTM Revenue	NTM Revenue	LTM EBITDA	NTM EBITDA
Government Software									
Constellation Software Inc.	\$43,925,135	\$45,711,135	97.4%	34.5%	17.0%	6.4x	5.3x	37.8x	20.7x
Tyler Technologies, Inc.	17,460,638	18,227,480	97.8%	42.4%	16.5%	9.8x	9.1x	59.1x	36.5x
Blackbaud, Inc.	3,738,157	4,654,194	94.3%	52.9%	10.5%	4.4x	4.1x	41.6x	13.0x
Everbridge, Inc.	1,090,777	1,392,568	62.7%	69.6%	NM	3.2x	3.0x	NM	15.3x
Verra Mobility Corporation	2,965,722	4,089,728	99.5%	62.8%	41.0%	5.4x	5.1x	13.1x	11.0x
SoundThinking, Inc.	267,682	265,442	55.4%	56.3%	4.5%	3.3x	2.8x	73.3x	10.3x
Cellebrite DI Ltd.	1,401,467	1,213,645	99.4%	81.8%	6.0%	4.3x	3.8x	71.4x	29.2x
Median	\$2,965,722	\$4,089,728	97.4%	56.3%	13.5%	4.4x	4.1x	50.4x	15.3x
Government Technology and Services									
Infosys Limited	\$67,339,866	\$66,079,866	79.8%	29.6%	23.1%	3.6x	3.4x	15.7x	14.3x
Wipro Limited	25,973,985	23,231,635	87.5%	28.7%	17.9%	2.1x	2.0x	11.8x	10.5x
NTT DATA Group Corporation	19,461,211	38,077,367	92.4%	26.4%	15.2%	1.5x	1.3x	9.5x	9.2x
Leidos Holdings, Inc.	12,136,559	17,388,559	79.8%	14.2%	9.9%	1.2x	1.1x	12.0x	11.1x
Axon Enterprise, Inc.	14,416,502	14,040,428	84.9%	60.9%	9.7%	11.0x	9.2x	NM	47.1x
Pegasystems Inc.	4,089,988	4,419,157	94.4%	70.1%	NM	3.5x	3.2x	NM	23.4x
CACI International Inc	7,768,787	9,746,423	99.4%	34.1%	10.2%	1.5x	1.4x	14.3x	13.0x
Maximus, Inc.	5,136,824	6,552,431	97.4%	20.1%	8.9%	1.4x	1.3x	15.6x	11.8x
Verint Systems Inc.	2,253,883	2,884,762	68.7%	69.5%	14.3%	3.2x	3.0x	22.5x	10.9x
Agilysys, Inc.	1,711,111	1,650,470	77.9%	61.0%	8.2%	8.3x	7.1x	NM	54.6x
Median	\$9,952,673	\$11,893,425	86.2%	31.9%	10.2%	2.7x	2.5x	14.3x	12.4x
Vertical SaaS									
Procore Technologies, Inc.	\$9,142,176	\$8,621,727	94.7%	80.0%	NM	11.1x	9.0x	NM	NM
CCC Intelligent Solutions Holdings Inc.	7,043,400	7,559,830	98.3%	75.7%	19.4%	9.4x	8.7x	48.7x	22.0x
nCino, Inc.	3,381,075	3,366,369	75.6%	59.1%	NM	7.9x	6.8x	NM	52.7x
Envestnet, Inc.	3,228,882	4,226,544	85.7%	26.3%	7.7%	3.5x	3.2x	45.1x	15.6x
AppFolio, Inc.	6,108,532	5,987,974	96.7%	59.3%	NM	11.9x	9.8x	NM	NM
Instructure Holdings, Inc.	3,609,920	4,016,546	79.9%	64.0%	28.7%	8.2x	7.5x	28.5x	19.1x
PowerSchool Holdings, Inc.	3,119,239	4,257,093	73.5%	67.1%	17.0%	6.6x	6.0x	39.0x	18.2x
Median	\$3,609,920	\$4,257,093	85.7%	64.0%	18.2%	8.2x	7.5x	42.1x	19.1x
Total Comp Set Median	\$4,613,406	\$5,321,084	90.0%	59.2%	14.3%	4.3x	3.9x	28.5x	15.5x