

Technology, Media & Telecom

Government Technology Sector Review | 2Q 2020



HW Government Technology Introduction

HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 370+ 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

TECHNOLOGY, MEDIA & TELECOM

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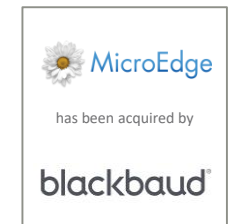
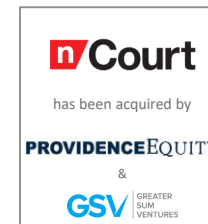
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SELECT HW
GOVTECH
EXPERIENCE



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-add approach in a small portfolio of long-term investments.

RELEVANT SUB-SECTORS

GOVERNMENT TECHNOLOGY

FINANCIAL TECHNOLOGY

VERTICAL SOFTWARE

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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

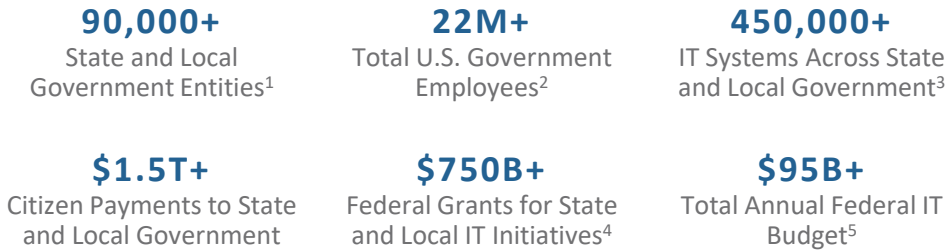
<p>has been acquired by</p> <p>Educational and Training Technology</p>	<p>has received a strategic investment from</p> <p>Government Software & Payments</p>	<p>has been acquired by</p> <p>Energy Management Technology</p>	<p>has been acquired by</p> <p>Smart Transportation Technology</p>	<p>has been acquired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

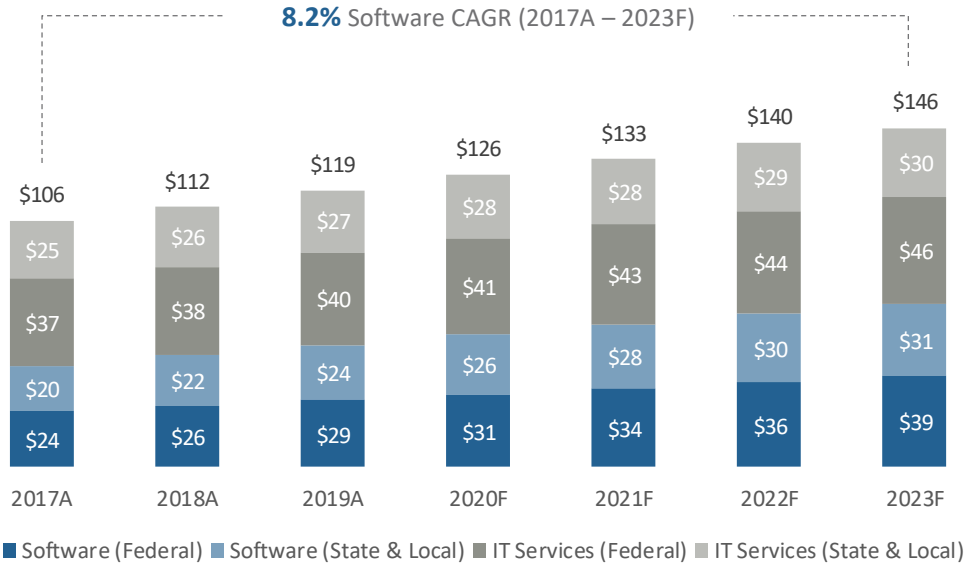
At over 35% of GDP, government represents the largest segment of the U.S. economy



U.S. Government Technology Spending⁶

\$ 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, contain costs, and seamlessly deliver services to their constituents
- Cloud-based software in particular continues to gain momentum in the public sector, driven by a combination of legislative action and mounting strategic imperatives, compelling government officials to adopt solutions that can be configured for workflows and provide greater interoperability across agencies
- Development 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
- 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

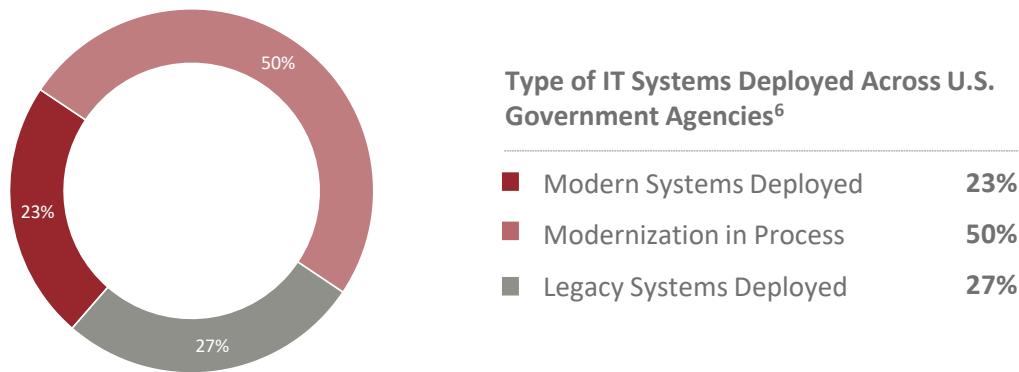
- The govtech market continues to attract strong interest from financial sponsors and strategic acquirers eager to invest in next-generation software solutions capable of modernizing government operations and services
- Consolidation of software vendors persists given the level of fragmentation across the industry and the amount of specialized point solutions operating across government verticals, many of which lack meaningful scale
- With the backing of leading financial sponsors, several diversified platforms have emerged to take on incumbents, creating greater competition and drive for innovation across the govtech landscape
- Digitization of government services has become an increasingly attractive segment in light of the current macroeconomic climate given the need for minimizing in-person contact, imperative for cost reduction in response to potential budget constraints, and the breadth of citizen- and business-to-government transactions

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 CIOs⁷

- 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

Govtech Industry Tailwinds

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

Migration to the Cloud

- Government entities continue 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% have not taken any action⁸

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 the Government Experience

- The current macroeconomic conditions highlight the need for government agencies to remotely deliver services to citizens and businesses that meet the standards and offer similar digital experiences in 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” to reinforce connectivity to and trust with the citizens and businesses they serve
- Constituents not only expect but now require highly personal and contextual digital experiences across from 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

Recent Insights: Current Demand Drivers in Govtech

Recent social and economic events are all having a dramatic impact on the way government operates.

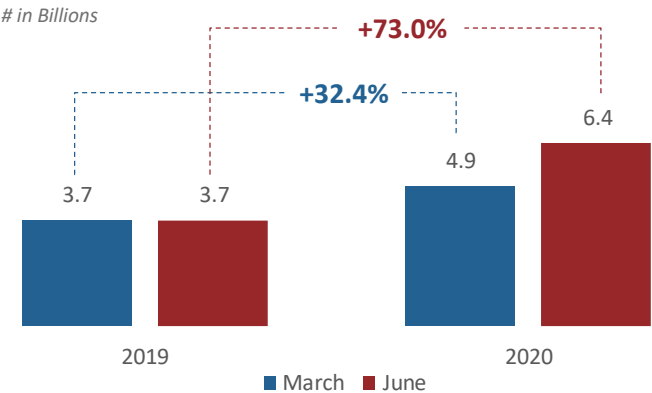
COVID-19 Shines Spotlight on Government Technology Shortcomings

- The rapid influx of citizens seeking information and government services online over the past several months has exposed the inability of many agencies to support a dramatic shift to digital service delivery models
- With jobless claims reaching historic levels and over 30 million Americans on unemployment benefits as a result of the COVID-19 pandemic, public benefit administration websites have been overwhelmed and many have crashed due to the spike in activity
- While such a dramatic increase in government website traffic may not have been predictable, it reinforces the fact that government technology is decades behind other industries in some cases and agencies are overdue for modernization
- [State Unemployment Websites Crash as COVID-19 Shines Light on Government Technology Failures](#)

Government Website Traffic Skyrocketing⁹

Visits to Government Websites Within the Past 90-Day Period

in Billions



Govtech Verticals Attracting Significant Attention in Current Environment



Operations & Workflow Mgmt.

Key Themes

Transition to remote work environments, digital collaboration, and efficient resource utilization



Communication & Engagement

Key Themes

Emphasis on real-time information sharing, shift to digital interactions, and access to services



Voter Registration & Mgmt.

Key Themes

Concerns over election security, importance of voter inclusion, and demand for digital voting solutions



Courts & Criminal Justice

Key Themes

Law enforcement reform, critical need for public safety, and growing backlog of court cases

Recent News and Insights

Article Summary

Government Employment Stable After Two Months of Losses

Source: govtech.com

Key Themes: Government Workforce

Link to Article: [Here](#)

Lawmakers Push State IT Funding

Source: fcw.com

Key Themes: IT Modernization

Link to Article: [Here](#)

Private Equity-Backed Tech Companies Help Governments Combat Coronavirus

Source: penews.com

Key Themes: IT Modernization

Link to Article: [Here](#)

Key Takeaways and Insights

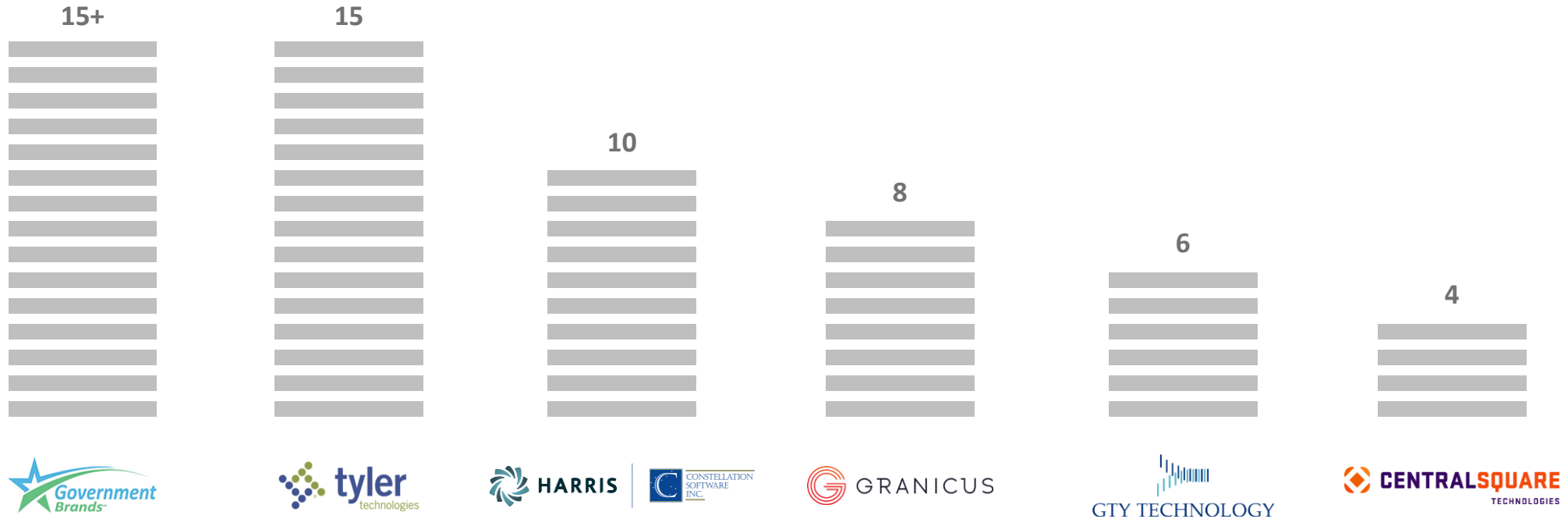
- The global COVID-19 pandemic has had a material impact on nearly every industry, including the public sector, particularly at the local government level where non-education related employment has decreased by over 7% year-over-year through June 30, 2020
- More recently, public sector employment has stabilized, but the reduction in the labor force has two important implications for the future government technology; first, government agencies are now more pressed to “do more with less,” a reality that has been looming within government, but has been accelerated by the impact of COVID-19; and second, as government agencies downsize, they have the opportunity to realign skills with modern technology infrastructure and applications
- While budget constraints are quickly becoming a reality for many state and local government entities, there is widespread recognition that the path to more efficient and cost-effective government is through adoption of technology, and—perhaps more importantly—mounting bipartisan support for investment
- In a letter from lawmakers to leaders of the House of Representatives, Democrats and Republicans urged legislators to dedicate stimulus funds to technology infrastructure expenditures, the rationale being that enabling digital service and benefit delivery is just as important as the economic relief itself
- In the wake of technology turmoil caused by COVID-19, private sector technology companies, many of which are backed by private equity firms, have stepped in to help government technology departments quickly improve their systems to achieve digital business continuity
- The increase in private- and public-sector collaboration and dramatic adoption of new cloud-based technologies will likely serve as a pivotal moment in govtech as state, local, and Federal officials get a crash course in the benefits of modern IT infrastructure and software

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

June 25, 2020



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

Carlyle's acquisition of Unison

- Unison is a provider of procurement and contract management software to Federal government agencies and government contractors that leverages machine learning and robotic process automation (RPA) to improve efficiency and compliance
- The Company's cloud-based solutions enable more than 200,000 users in Federal agencies, major DoD programs, and leading contractors to efficiently navigate the complex rules and regulations mandated by the Federal government for procurement, grants, and contracts
- Carlyle previously owned Unison, formerly known as Compusearch from 2005 to 2011, and will support the existing management team in investing in continued product development to expand Unison's reach, as well as support inorganic growth initiatives

April 9, 2020



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

Omnigo's acquisition of QueTel

- QueTel is a provider of a back-office law enforcement automation software platform for digital and physical evidence, forensic request processing, impounded vehicle management, training, and certification
- The Company serves over 2,000 customers in 20 different countries and enables them to secure their organizations' property, control operational costs, and ensure the safety of the general public
- The acquisition will allow Omnigo and QueTel to expand their portfolio of public safety and security tools to enhance community safety and help law enforcement manage costs and meet compliance requirements

April 1, 2020



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

Francisco Partners' acquisition of Smith Technologies (nka RedSail Technologies)

- Smith Technologies is a provider of operations software solutions for pharmacies (QS/1, Integra, and Powerline), as well as property tax management, billing, and accounting software for local governments (PUBLIQ Software)
- The Company's govtech offering, PUBLIQ Software, provides citizen-facing utility billing and payment processing solutions and operational software for financial and property tax management, that help public sector agencies digitize and improve civic engagement
- Francisco's carve-out of Smith Technologies from J M Smith Corporation will help the Company accelerate its growth and market leadership by focusing on product investments that address governments' critical needs

March 19, 2020

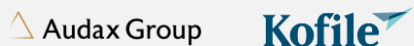


EV: Confidential EV / Rev: Confidential
 Rev: Confidential EV / EBITDA: Confidential

Thomson Reuters' acquisition of Pondera Solutions

- Pondera Solutions is a leading provider of fraud detection software designed to identify and combat waste and abuse in large government programs by marrying and analyzing program-specific data with third-party information
- Founded in 2011, the Company serves both the Federal and state government agencies and helps collect hundreds of millions of dollars in improper payments through its advanced analytics platform, while also improving public sector processes
- Through this acquisition, Thomson Reuters will enhance its product offering in risk, fraud, and compliance and deliver a highly differentiated suite of tools to government customers to reduce fraud

February 4, 2020

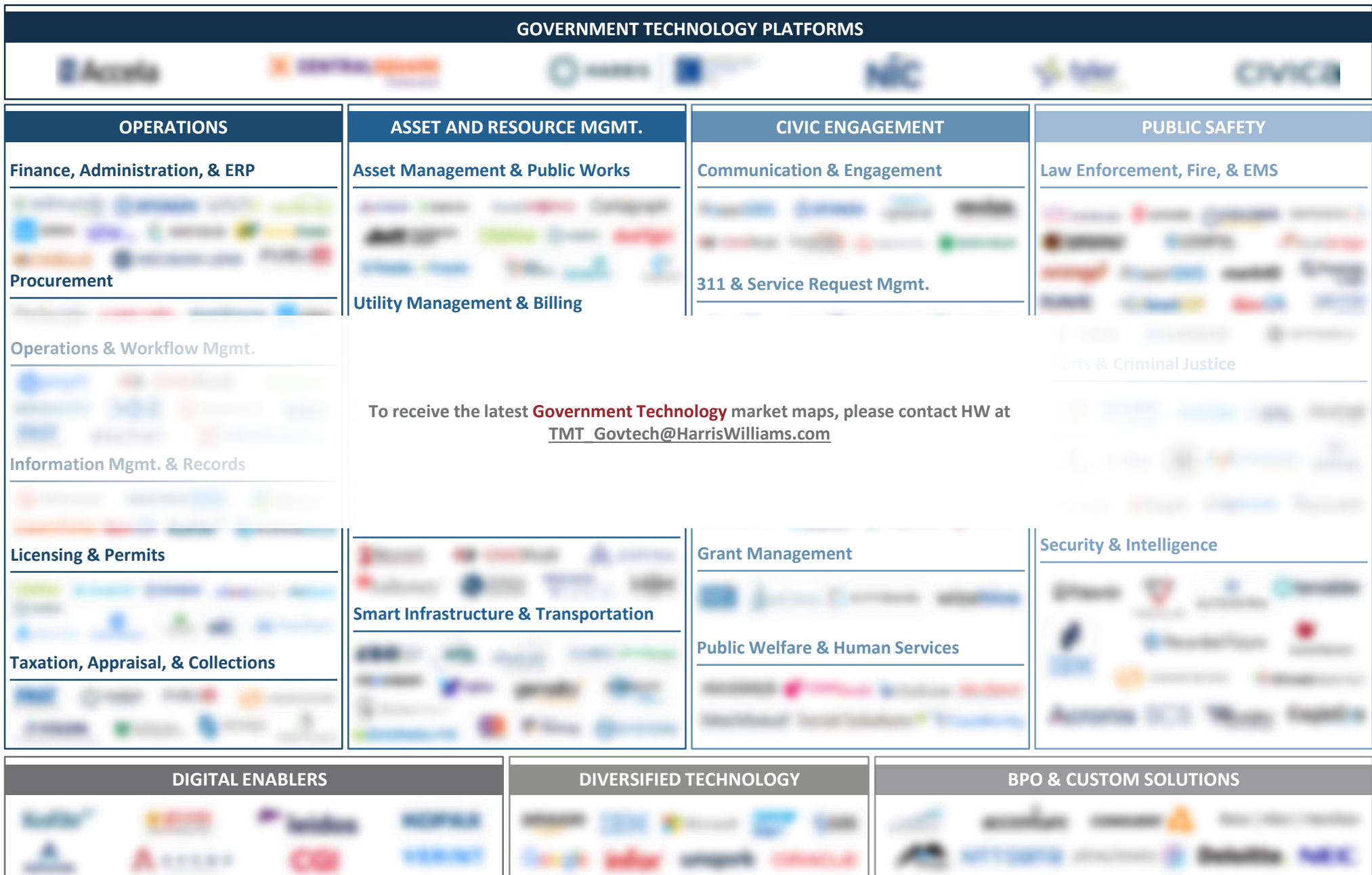


EV: Confidential EV / Rev: Confidential
 Rev: Confidential EV / EBITDA: Confidential

Audax Group's acquisition of Kofile

- Kofile is one of the largest providers of information management and access systems solutions for local government in the U.S., helping 2,700+ agencies modernize records management across a variety of departments
- The Company was founded in 2009 and serves more than 50% of counties with over one million residents, including 75% of the country's fastest-growing counties
- Audax Group's acquisition of Kofile will help the Company continue to enhance its existing digital government solution offering and accelerate growth through the development and acquisition of public sector technology offerings

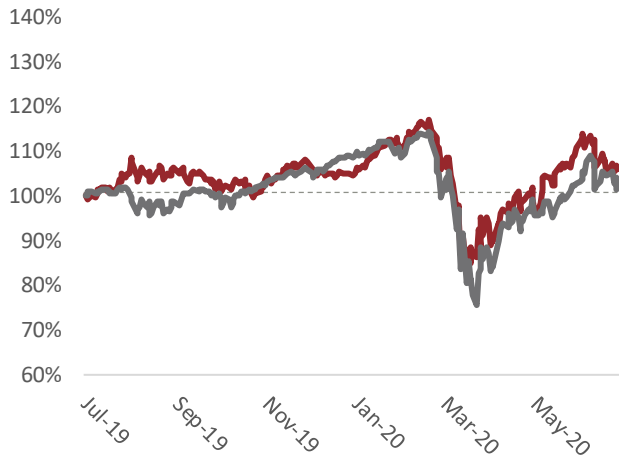
Govtech Landscape Overview



Relative Public Equity Performance

GOVERNMENT TECHNOLOGY

Stock Price Performance



— Government Technology — S&P

Valuation Metrics

Enterprise Value /

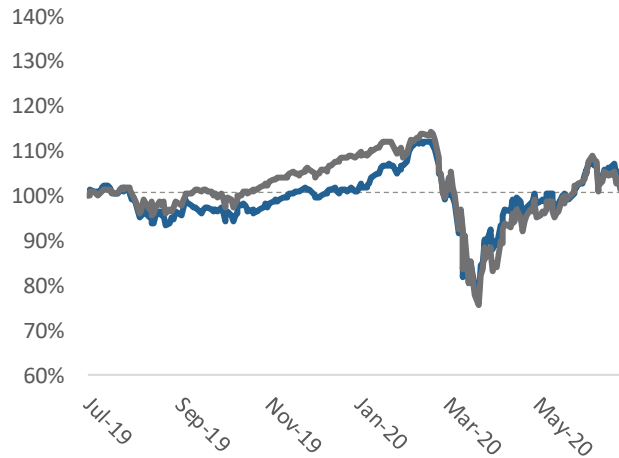
LTM Rev.	LTM EBITDA	2020E EBITDA
5.5x	19.5x	15.1x

Key Public Comps



DIVERSIFIED SOFTWARE

Stock Price Performance



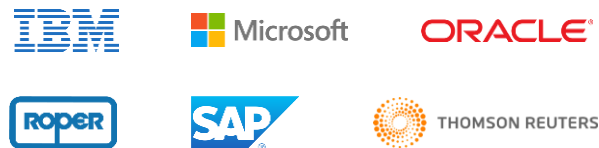
— Diversified Software — S&P

Valuation Metrics

Enterprise Value /

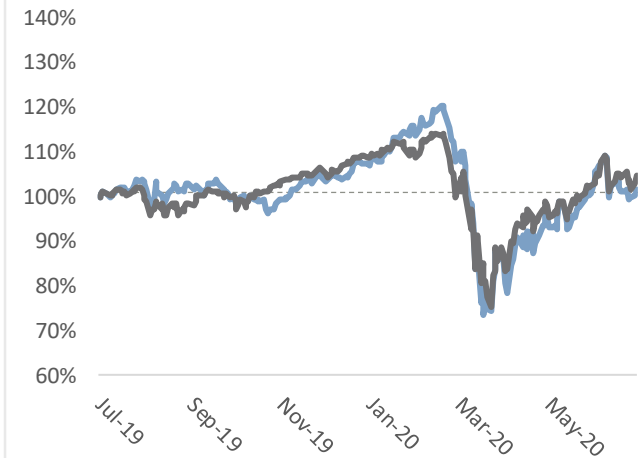
LTM Rev.	LTM EBITDA	2020E EBITDA
6.0x	22.8x	17.6x

Key Public Comps



GOVERNMENT-FOCUSED TECHNOLOGY SERVICES

Stock Price Performance



— Government Focused Business Services — S&P

Valuation Metrics

Enterprise Value /

LTM Rev.	LTM EBITDA	2020E EBITDA
1.7x	12.5x	12.3x

Key Public Comps



Comparable Public Company Operating Metrics⁹

As of June 30, 2020

\$ in Thousands

Company	Market Capitalization	Revenue		EBITDA Margin		Annual Growth Rates			
		LTM	CY2020	LTM	CY2020	Revenue		EBITDA	
						LTM	CY2020	LTM	CY2020
Government Technology									
Constellation Software Inc.	\$23,881,113	\$3,624,000	\$3,972,411	17.6%	26.9%	14.6%	13.8%	3.7%	14.4%
Motorola Solutions, Inc.	23,831,536	7,885,000	7,309,278	26.9%	28.3%	4.7%	(7.3%)	9.4%	(1.8%)
Tyler Technologies, Inc.	13,792,514	1,115,902	1,151,024	18.3%	27.3%	16.1%	5.4%	8.0%	4.1%
Everbridge, Inc.	4,753,788	216,963	262,039	NM	2.1%	36.1%	31.0%	NM	8.4%
Blackbaud, Inc.	2,757,215	908,214	893,369	11.7%	19.2%	5.6%	(0.3%)	(13.1%)	(5.4%)
Verra Mobility Corporation	1,662,218	466,989	391,619	46.8%	43.4%	16.9%	(12.1%)	9.2%	(28.8%)
NIC Inc.	1,537,632	360,144	379,644	19.0%	23.2%	4.9%	7.7%	(13.3%)	6.1%
GTY Technology Holdings Inc.	223,214	39,757	46,805	NM	NA	28.3%	15.4%	NM	NA
Median	\$3,755,501	\$687,602	\$642,494	18.6%	26.9%	15.4%	6.6%	5.9%	4.1%
Diversified Software									
Microsoft Corporation	\$1,543,305,925	\$138,699,000	\$148,141,038	46.2%	45.4%	13.5%	11.4%	23.6%	13.2%
Oracle Corporation	169,606,054	39,068,000	39,007,121	41.8%	48.9%	(1.1%)	(1.6%)	1.6%	2.5%
SAP SE	166,602,812	30,750,549	32,225,208	25.7%	35.0%	7.3%	2.3%	5.7%	(0.2%)
IBM	107,230,712	76,536,000	73,677,330	20.9%	23.7%	(2.8%)	(4.3%)	(6.4%)	(4.2%)
Roper Technologies, Inc.	40,533,039	5,430,300	5,394,380	35.7%	35.3%	2.9%	0.4%	6.7%	(0.5%)
Thomson Reuters Corporation	33,664,474	5,939,000	5,973,049	20.3%	31.3%	5.9%	1.0%	15.6%	24.5%
Median	\$136,916,762	\$34,909,275	\$35,616,164	30.7%	35.1%	4.4%	0.7%	6.2%	1.2%
Government-Focused Technology Services									
Infosys Limited	\$41,319,304	\$12,780,000	\$12,308,319	23.9%	23.9%	8.3%	4.1%	2.4%	1.7%
Wipro Limited	16,553,947	8,079,037	8,006,112	19.2%	19.6%	(6.1%)	0.3%	(10.7%)	(6.7%)
NTT DATA Corporation	15,598,791	21,066,598	20,815,165	14.6%	14.9%	7.9%	(0.3%)	11.2%	7.6%
Leidos Holdings, Inc.	13,305,240	11,406,000	12,693,230	10.0%	9.9%	10.4%	15.7%	10.2%	10.5%
Pegasystems Inc.	8,102,773	964,428	1,065,098	NM	4.4%	11.0%	15.1%	NM	69.2%
Axon Enterprise, Inc.	6,227,950	562,212	607,657	0.6%	16.7%	29.3%	20.3%	NM	24.4%
CACI International Inc	5,440,725	5,598,339	5,906,007	9.5%	10.0%	17.1%	9.8%	16.5%	20.6%
MAXIMUS, Inc.	4,319,474	3,122,040	3,115,006	11.9%	11.0%	22.1%	3.2%	2.7%	(17.8%)
Perspecta Inc.	3,731,883	4,504,000	4,433,750	15.1%	15.9%	11.8%	(1.0%)	42.9%	(11.9%)
Verint Systems Inc.	2,915,269	1,275,670	1,253,357	11.6%	25.0%	1.6%	(8.0%)	(20.2%)	(4.8%)
Agilysys, Inc.	416,069	160,757	142,040	NM	8.0%	14.1%	(9.1%)	NM	(2.7%)
Median	\$6,227,950	\$4,504,000	\$4,433,750	11.9%	14.9%	11.0%	3.2%	6.5%	1.7%
Total Comp Set Median	\$13,305,240	\$4,504,000	\$4,433,750	19.0%	23.4%	10.4%	2.3%	6.2%	2.1%

Comparable Public Company Valuation Metrics⁹

As of June 30, 2020

\$ in Thousands

Company	Market Capitalization	Enterprise Value	Multiples Summary			
			Enterprise Value/Revenue		Enterprise Value/EBITDA	
			LTM	CY2020	LTM	CY2020
Government Technology						
Constellation Software Inc.	\$23,881,113	\$24,107,113	6.7x	6.1x	37.8x	22.5x
Motorola Solutions, Inc.	23,831,536	28,679,536	3.6x	3.9x	13.5x	13.9x
Tyler Technologies, Inc.	13,792,514	13,474,200	12.1x	11.7x	NM	NM
Everbridge, Inc.	4,753,788	4,711,086	21.7x	18.0x	NM	NM
Blackbaud, Inc.	2,757,215	3,380,056	3.7x	3.8x	31.9x	19.7x
Verra Mobility Corporation	1,662,218	2,422,640	5.2x	6.2x	11.1x	14.3x
NIC Inc.	1,537,632	1,330,294	3.7x	3.5x	19.5x	15.1x
GTY Technology Holdings Inc.	223,214	233,283	5.9x	5.0x	NM	NM
Median	\$3,755,501	\$4,045,571	5.5x	5.5x	19.5x	15.1x
Diversified Software						
Microsoft Corporation	\$1,543,305,925	\$1,489,688,925	10.7x	10.1x	23.2x	22.1x
Oracle Corporation	169,606,054	200,904,054	5.1x	5.2x	12.3x	10.5x
SAP SE	166,602,812	177,095,120	5.8x	5.5x	22.4x	15.7x
IBM	107,230,712	164,947,712	2.2x	2.2x	10.3x	9.5x
Roper Technologies, Inc.	40,533,039	44,809,839	8.3x	8.3x	23.1x	23.5x
Thomson Reuters Corporation	33,664,474	36,518,474	6.1x	6.1x	30.4x	19.5x
Median	\$136,916,762	\$171,021,416	6.0x	5.8x	22.8x	17.6x
Government-Focused Technology Services						
Infosys Limited	\$41,319,304	\$38,872,304	3.0x	3.2x	12.7x	13.2x
Wipro Limited	16,553,947	13,439,345	1.7x	1.7x	8.6x	8.6x
NTT DATA Corporation	15,598,791	21,190,629	1.0x	1.0x	6.9x	6.8x
Leidos Holdings, Inc.	13,305,240	17,722,240	1.6x	1.4x	15.5x	14.2x
Pegasystems Inc.	8,102,773	8,133,043	8.4x	7.6x	NM	NM
Axon Enterprise, Inc.	6,227,950	5,886,628	10.5x	9.7x	NM	NM
CACI International Inc	5,440,725	7,301,211	1.3x	1.2x	13.8x	12.3x
MAXIMUS, Inc.	4,319,474	4,540,719	1.5x	1.5x	12.2x	13.3x
Perspecta Inc.	3,731,883	6,458,883	1.4x	1.5x	9.5x	9.1x
Verint Systems Inc.	2,915,269	3,455,786	2.7x	2.8x	23.4x	11.0x
Agilysys, Inc.	416,069	384,801	2.4x	2.7x	NM	33.9x
Median	\$6,227,950	\$7,301,211	1.7x	1.7x	12.5x	12.3x
Total Comp Set Median	\$13,305,240	\$13,439,345	3.7x	3.9x	13.8x	14.0x

Notable Recent Transactions^{9,10}

\$ in Millions

Date	Target	Acquirer	Enterprise	LTM Multiples	
			Value	Revenue	EBITDA
Government Technology					
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, L.P.	HW Confidential		
04/09/20	QueTel Corporation	Omnigo Software, LLC	NA	NA	NA
04/01/20	Smithtech Ltd (nka:RedSail Technologies)	Francisco Partners Management, L.P.	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	Paylit	Insight Venture Partners	HW Confidential		
02/28/19	MicroPact Inc.	Tyler Technologies, Inc.	204	Non-Public Information	
02/19/19	Citybase, Inc.	GT 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
12/22/17	Praeses LLC / Jurisdiction Online Div	Aptean Superior Holdings, Inc.	NA	NA	NA
11/15/17	iView Systems	Omnigo Software (The Riverside Company)	NA	NA	NA
10/26/17	Syscon Justice Systems	Constellation Software, Inc.	NA	NA	NA
09/29/17	Forensic Logic	Mainsail Partners	20	NA	NA
09/28/17	Accela, Inc.	Berkshire Partners	Non-Public Information		
07/26/17	Civica Group Ltd.	Partners Group	Non-Public Information		
05/05/17	Innovyze, Inc.	EQT Partners	Non-Public Information		
02/02/17	Sungard (Public Sector / Education)	Vista Equity Partners	850	NA	NA
01/31/17	CSDC	BuildGroup	NA	NA	NA
10/19/16	Granicus, Inc.	Vista Equity Partners	153	4.4x	NA
Median			\$175	5.3x	15.2x

Case Study: PayIt

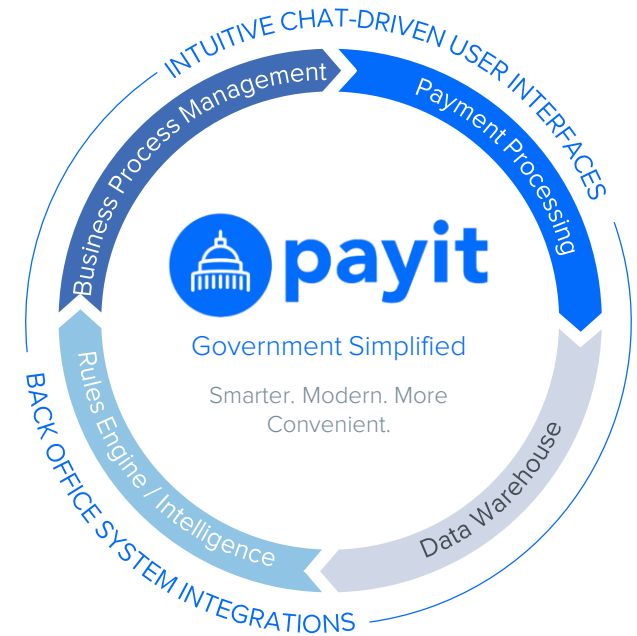
Business Summary and Transaction Overview



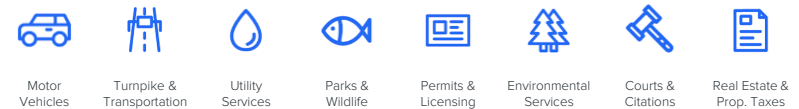
- PayIt is the leading provider of next generation integrated digital government software and payment solutions
- PayIt improves the way citizens interact with government by providing a modern, mobile technology platform designed to simplify the maze of government agencies and provide users with an intuitive, 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.

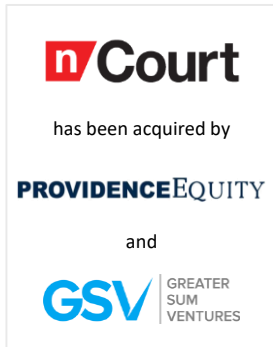


Process Notes

- 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

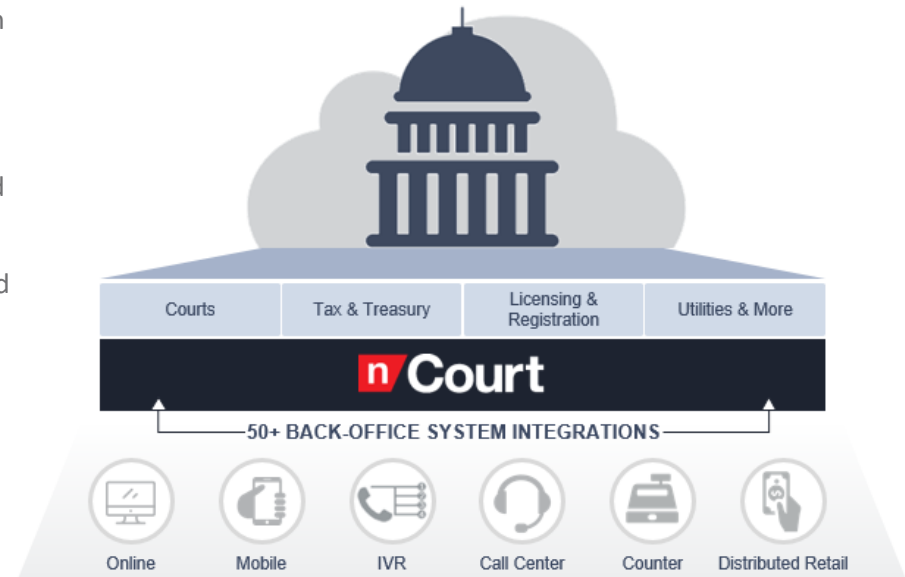
Business Summary and Transaction Overview



- 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 Reing, 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





Government Technology: The Sleeping Giant Stirs

Key Takeaways

- Growing 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 our most citizens.
- The demand for modernizing the growing opportunities 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 create robust opportunities for some forward government leaders.

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, core 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 \$61 billion in 2022 (Figure 5). Spending on software alone has a CAGR of more than 7% since 2010.¹ 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.²

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."³



Figure 3: Consumer-to-Government payments total more than \$5.5 billion annually

Category	Amount
State and Local Government	\$5.5 billion
Federal Government	\$1.5 billion
Non-Profit	\$0.5 billion
Other	\$0.5 billion

In fact, with most state and local entities collecting some form of revenue, people make more than \$15 billion in payments to state and local governments every year! "Modern payments represent a regular, recurring part 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.⁴

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. He adds that for vendors of payments solutions that also have software for other areas of an entity's operations, migrating such 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, a follow 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 Reing
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
 significant growth investment from 	 acquired by 	 acquired by 	 has received a controlling investment from 	 acquired 	 acquired by 	 acquired 	 strategic investment from 	 acquired by 	 acquired 	 acquired by 	 acquired 	 acquired by 	 acquired by 	 acquired
 acquired by 	 acquired by 	 acquired 	 acquired by 	 acquired by 	 acquired by 	 acquired 	 a wholly-owned affiliate of acquired by 	 invested in 	 majority investment from 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by
 investment from 	 acquired 	 acquired by 	 merged with 	 investment from 	 acquired by 	 acquired by 	 acquired 	 acquired by 	 investment from 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired
 majority investment from 	 growth investment from 	 acquired by 	 majority investment from 	 acquired by 	 majority investment from 	 recapitalized by 	 acquired by 	 acquired 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 recapitalized by
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired a majority stake in 	 acquired by 	 majority investment from 	 minority investment from 	 acquired by 	 acquired by 	 acquired by
 acquired by 	 strategic investment from 	 merged with 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by

Our Firm

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