



Government Technology Sector Update

Harris Williams | Q1 2023

GovTech Observations and Key Trends

Several dynamics are contributing to a rapidly evolving GovTech landscape.

1010
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 employees¹, creating additional resource constraints



Budget Shortfalls on the Horizon

State and local governments face an estimated \$900 billion budget shortfall² 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

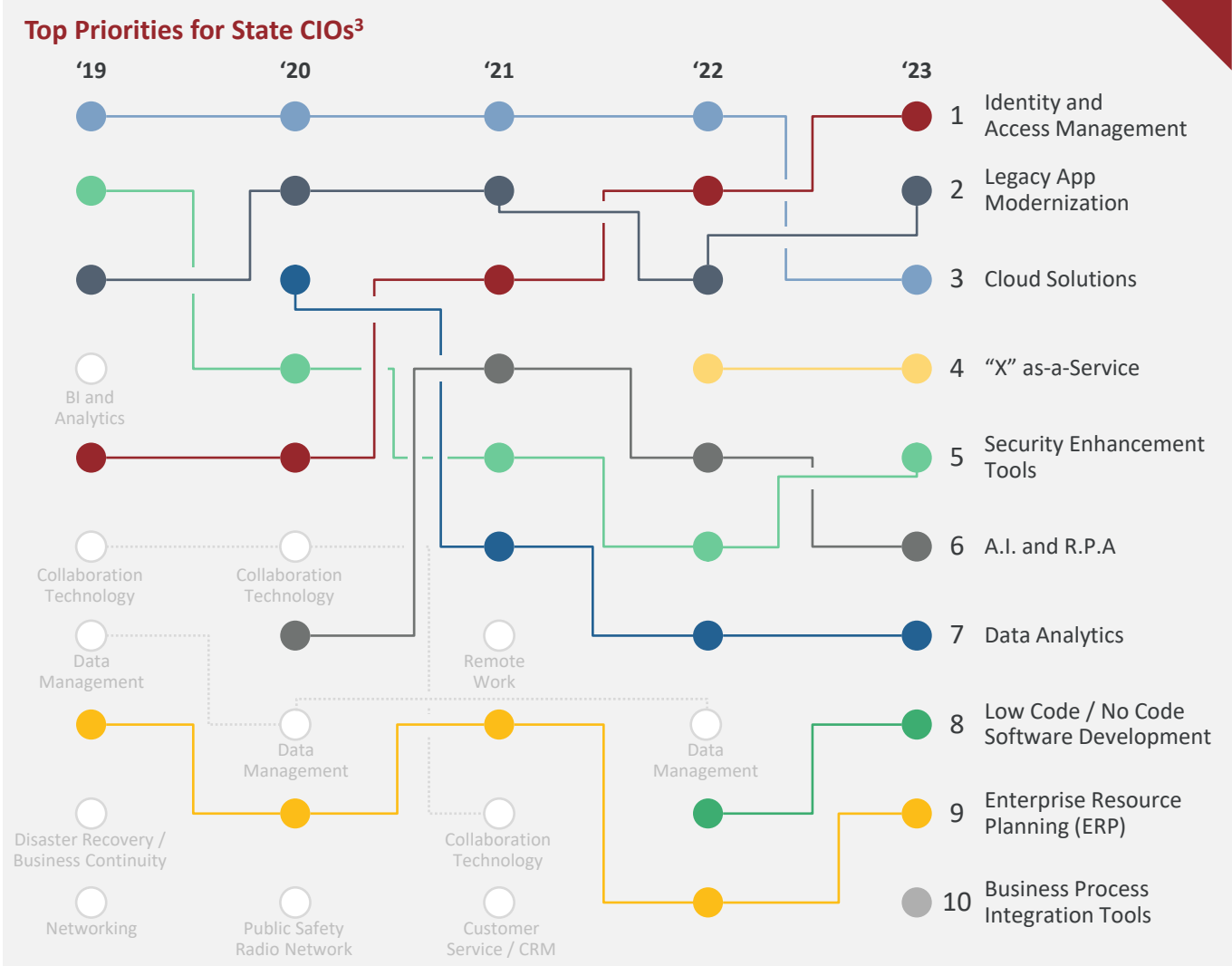
State CIOs' top three priorities have remained largely consistently across pre- and post-COVID responses, influenced by deeply entrenched drivers of digitization. Demographic shifts across both constituents and civil servants are fueling a shift from aging infrastructure and tools to more nimble, easily 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

tyler 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-premise⁴

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
CONNECTED EXPERIENCES

BRANDT

kalkomey™

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

CIVIX

GTU

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

JUVARE

LEXIPOL

PENLINK

VERSATERM

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

2023 GovTech 100

GovTech Leaders

GovTech’s annual listing of leaders modernizing government reflects ongoing momentum across the ecosystem. Continued acknowledgement of the critical role digitization plays, combined with government stimulus and a growing investor appetite for quality assets, is driving both innovation and creation of new solutions as well as consolidation by established platforms.

Read the full article [here](#).

Digital States Survey 2022: Resident-Focused and Data-Driven

Data and Analytics / Citizen Engagement

The Center for Digital Government’s 2022 Digital States Survey highlights leading states’ success in “Human-centered design,” focusing heavily on the end-user experience as remote work and digital services remain in high demand post-COVID. While data continues to drive informed decision making, the most successful states also expanded their defense postures amid a challenging cybersecurity environment.

Read the full article [here](#).

State and Local Agencies Automate Data Analysis with Software as a Service

Data and Analytics

State and local governments are increasingly leveraging cloud-based data management and analysis tools to automate and centralize reports and information, reducing reliance on on-prem data analytics solutions and the need for IT staff to build custom reports and tools. Increasingly flexible access to information breaks down data silos, enables employee self-service, and provides real-time and actionable insights.

Read the full article [here](#).

Governments Can Deliver Exceptional Customer Experiences – Here’s How

Citizen Engagement

McKinsey’s State of the States Survey, with responses from over 80,000 Americans, revealed that satisfaction with government services ranks last relative to nine private-sector industries. However, pockets of services were ranked on par with leading industries, with investment in key services, attentiveness to experience, and nailing critical early steps influencing overall satisfaction with their states’ standard of living.

Read the full article [here](#).

Recent HW Content

Industry Update Technology Services



The Harris Williams technology services vertical reflects on key trends in the IT services sector and provides insights into the current M&A market

[Link to Read](#)

Industry Update Smart City and Mobility Tech Update



Professionals from the Harris Williams industrial technology vertical discuss trends and momentum across Smart Cities and Mobility

[Link to Read](#)

[Access All HW Insights Here](#)

Select Recent GovTech Transactions

Thoma Bravo's pending take private of Magnet Forensics



Target



Buyer

THOMABRAVO

Announced January 20, 2023

EV: \$1,240B
EV / LTM Revenue: 13.9x
EV / LTM EBITDA: NM

- Magnet Forensics provides digital investigation solutions including digital forensics for use on mobile devices and computers and evidence management tools
- The acquisition by Thoma Bravo follows on its 2022 investment in Grayshift. Grayshift and Magnet will merge following the acquisition, forming a consolidated digital forensics platform

Granicus' acquisition of Rock Solid



Target



Buyer

October 12, 2022

Purchase Price Not Disclosed

- Rock Solid provides local governments with technology to more efficiently connect with constituents through legislative management, public records requests, and citizen relationship management software
- The acquisition expands Granicus' footprint in Puerto Rico and Latin America and enhances its existing platform with deeper public meetings and service management solutions

Motorola's acquisition of RAVE Mobile Safety



Target



Buyer

December 14, 2022

Purchase Price Not Disclosed

- RAVE Mobile Safety provides mass notification and incident management solutions that enable emergency responders to effectively coordinate and communicate
- The acquisition expands Motorola's public safety and personal security offerings, and will integrate into its existing technology portfolio, which includes critical command and communications software and solutions

Madison Dearborn Partners' acquisition of Unison



Target



Buyer

September 19, 2022

Purchase Price Not Disclosed

- Unison provides U.S federal government agencies and contractors with procurement, supply chain, and contract management software to more efficiently and effectively comply with federal contracting requirements
- MDP's capital and expertise in vertical enterprise software will support Unison's growth of software offerings and global exposure

gWorks' acquisition of Softline Data and PubWorks



Targets



Buyer

October 18 and December 2, 2022

Purchase Prices Not Disclosed

- Softline, a provider of utility billing and public alert software, and PubWorks, a provider of public works operations management software, were acquired by gWorks, a portfolio company of BV Investment Partners
- The acquisitions expand gWorks' geographical reach and breadth of solutions available for target small-city customers, including new capabilities in asset management

OpenGov's acquisition of Cartegraph



Target



Buyer

September 1, 2022

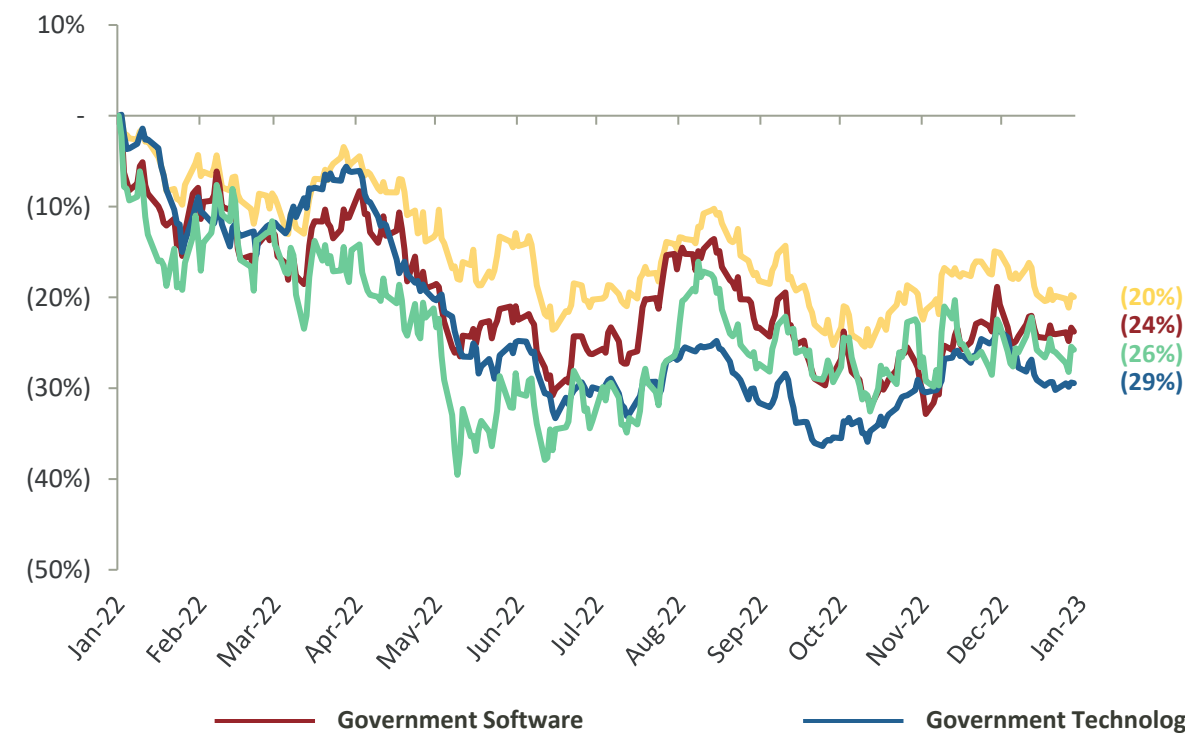
Purchase Price Not Disclosed

- Cartegraph provides local governments, utilities, parks, and schools with infrastructure management tools including physical asset management, work order management, and space management software
- The acquisition will expand OpenGov's infrastructure asset management solutions and broaden Cartegraph's customer base and geographic footprint

GovTech Public Company Trended Stock Performance

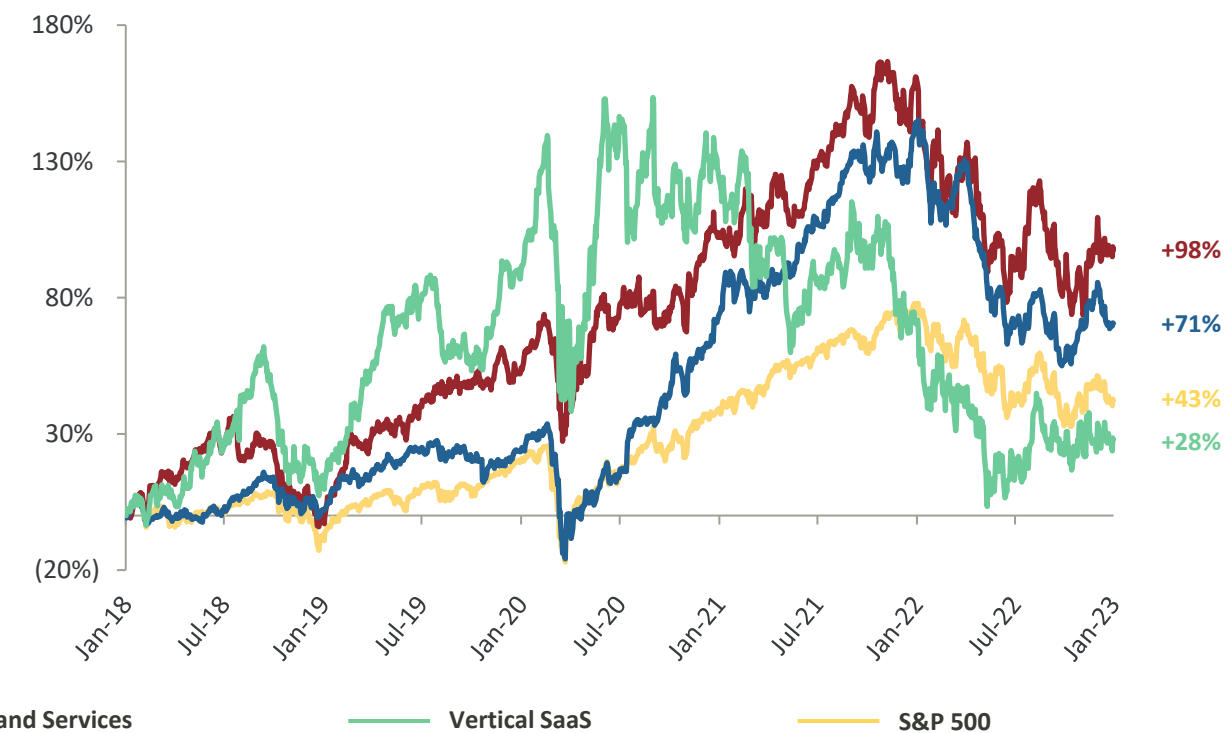
Public Company Stock Performance – Last 12 Months

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



Public Company Stock Performance – 5 Years

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

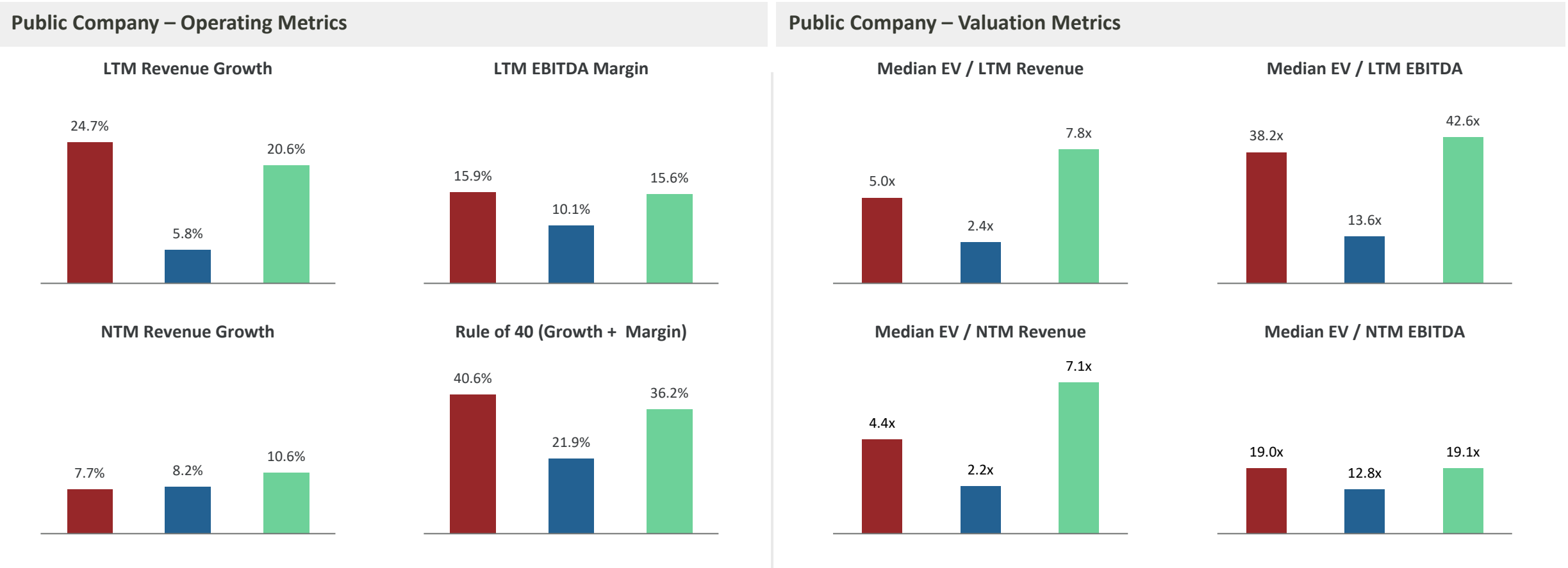


Government Software

Government Technology and Services

Vertical SaaS

GovTech Public Company Operating and Valuation Metrics



Government Software

blackbaud

Cellebrite

CONSTITUTION SOFTWARE INC.

everbridge

MAGNET FORENSICS

ShotSpotter

tyler technologies

VERRA MOBILITY

Government Technology and Services

Agilysys

AXON

CACI EVER VIGILANT

Infosys

leidos

MAXIMUS

NTT DATA

PEGA

VERINT

wipro

Vertical SaaS

appfolio

CCC

ENVESTNET

INSTRUCTURE

incino

PowerSchool

PROCORE



Key Coverage Areas

Horizontal Software

- › Compliance, ESG, and Risk Management
- › Cybersecurity
- › Enterprise Resource Planning
- › Human Capital Management
- › Infrastructure
- › Integrated Payments
- › Office-of-the-CEO
- › Sales & Marketing Automation
- › Supply Chain Management









Vertical Software

- › Architecture, Engineering, & Construction
- › eCommerce & Retail
- › Education & Training
- › Financial
- › Government
- › Healthcare and Life Sciences
- › Industrial
- › Legal
- › Real Estate & Property Management
- › Transportation & Logistics

Technology & Data Services

- › Data Services
- › Information Services
- › IT Services
- › Managed Services

Recent Technology Group Transactions

 a portfolio company of  KEENSIGHT CAPITAL has been acquired by 	 Prima Compliance divisions of  a portfolio company of CARLYLE have been acquired by 	 a portfolio company of LLR has been recapitalized by 
 a portfolio company of RLH Equity Partners has been acquired by 	 a portfolio company of  has acquired 	 a portfolio company of RLH Equity Partners has been acquired by 

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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 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

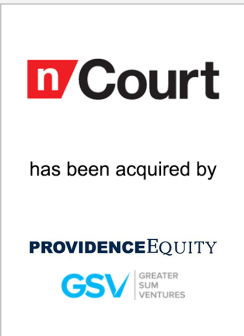


Company Background
Provider of modern, mobile technology platform designed to simplify government operations and provide users with intuitive, contextual interactions. Best-in-class software solution with sleek design and differentiated chat-based user experience that enables government to provide digital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



Aerospace, Defense
& Government Services



Business
Services



Consumer



Energy, Power
& Infrastructure



Healthcare &
Life Sciences



Industrials



Technology



Transportation
& Logistics

70% Revenue from
repeat clients

83% Managing directors
promoted from
within the firm

30+ Year
history



BANKING



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Appendix

Public Market Operational and Valuation Metrics

As of January 1, 2023

\$ in Thousands

Company	Capitalization	Value	High	Gross Margin	EBITDA Margin	LTM Revenue	NTM Revenue	LTM EBITDA	NTM EBITDA
Government Software									
Constellation Software Inc.	\$33,099,885	\$34,656,885	88.8%	35.5%	15.9%	5.6x	4.7x	35.4x	18.2x
Tyler Technologies, Inc.	13,425,120	14,336,365	59.8%	42.5%	19.1%	7.8x	7.3x	41.0x	29.9x
Blackbaud, Inc.	3,055,106	3,932,311	70.1%	52.1%	5.4%	3.8x	3.6x	70.2x	13.7x
Everbridge, Inc.	1,180,999	1,519,722	43.4%	68.7%	NM	3.6x	3.3x	NM	19.8x
Verra Mobility Corporation	2,072,781	3,270,888	76.3%	63.0%	42.0%	4.5x	4.3x	10.7x	9.3x
ShotSpotter, Inc.	412,589	406,023	86.1%	57.3%	5.2%	5.5x	4.5x	NM	19.1x
Magnet Forensics Inc.	1,127,896	1,012,686	84.2%	92.9%	7.1%	11.3x	8.6x	NM	43.4x
Cellebrite DI Ltd.	826,689	680,153	52.5%	80.7%	1.5%	2.6x	2.2x	NM	21.2x
Median	\$1,626,890	\$2,395,305	73.2%	60.2%	7.1%	5.0x	4.4x	38.2x	19.5x
Government Technology and Services									
Infosys Limited	\$75,800,173	\$74,328,173	77.2%	29.7%	23.3%	4.1x	3.9x	17.8x	16.1x
Wipro Limited	25,987,456	23,624,013	54.1%	28.5%	17.6%	2.2x	2.0x	12.6x	10.7x
NTT DATA Corporation	20,539,973	24,281,312	67.0%	26.2%	16.0%	1.3x	0.8x	8.1x	6.2x
Leidos Holdings, Inc.	14,378,375	19,217,375	94.7%	14.6%	10.1%	1.4x	1.3x	13.4x	12.5x
Axon Enterprise, Inc.	11,808,467	11,453,961	85.6%	61.4%	6.3%	10.7x	8.7x	NM	46.5x
Pegasystems Inc.	2,814,218	3,219,883	30.6%	70.8%	NM	2.6x	2.4x	NM	29.8x
CACI International Inc	7,062,945	8,859,563	94.1%	34.6%	10.1%	1.4x	1.3x	13.9x	12.3x
Maximus, Inc.	4,456,503	5,921,960	89.7%	20.3%	9.4%	1.3x	1.2x	13.6x	13.1x
Verint Systems Inc.	2,389,628	3,019,913	64.3%	67.9%	10.9%	3.4x	3.3x	30.8x	11.4x
Agilysys, Inc.	1,953,728	1,908,980	96.3%	60.8%	7.3%	10.5x	9.1x	NM	57.2x
Median	\$9,435,706	\$10,156,762	81.4%	32.1%	10.1%	2.4x	2.2x	13.6x	12.8x
Vertical SaaS									
Procore Technologies, Inc.	\$6,511,270	\$6,038,943	58.4%	79.3%	NM	9.1x	7.3x	NM	NM
CCC Intelligent Solutions Holdings Inc.	5,400,190	6,011,810	75.4%	77.1%	20.9%	7.9x	7.3x	37.5x	18.5x
nCino, Inc.	2,935,753	2,910,532	46.9%	58.3%	NM	7.8x	6.3x	NM	82.4x
Envestnet, Inc.	3,413,623	4,146,288	72.9%	23.6%	6.9%	3.3x	3.3x	47.7x	17.3x
AppFolio, Inc.	3,705,280	3,623,088	82.5%	59.3%	NM	8.2x	6.7x	NM	NM
Instructure Holdings, Inc.	3,340,270	3,597,613	90.2%	63.4%	28.3%	7.8x	7.1x	27.6x	19.1x
PowerSchool Holdings, Inc.	3,681,106	4,811,029	98.5%	65.8%	10.2%	7.8x	7.1x	76.4x	22.7x
Median	\$3,681,106	\$4,146,288	75.4%	63.4%	15.6%	7.8x	7.1x	42.6x	19.1x
Total Comp Set Median	\$3,681,106	\$4,146,288	76.3%	59.3%	10.2%	4.5x	4.3x	27.6x	18.5x