

# Technology, Media & Telecom

Government Technology Sector Review | 1Q 2020



# HW Government Technology Introduction

## HARRIS WILLIAMS (“HW”)

- 25+ years and more than 1,000 closed transactions
- 360+ 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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SELECT HW  
GOVTECH  
EXPERIENCE



has received a strategic investment from



has been acquired by



has been acquired by



has been acquired by



has been acquired by



has been acquired by



has been acquired by



# HW Current Market Observations and Insights

## CURRENT MARKET OBSERVATIONS

### Economic Outlook

- Volatility in the public markets will likely remain as investors, businesses, and policy-makers evaluate rapidly evolving COVID-19 developments
- Economists and industry analysts expect a meaningful decline in GDP in 2Q'20 and 3Q'20, while they debate the shape and timing of the recovery

### Buyer Sentiment

- The desire to invest remains – buyers are actively seeking to deploy capital
- Private equity firms and strategic acquirers have focused on meeting near-term operational needs and assessing medium- to long-term impact of COVID-19
- Despite economic uncertainty, financial sponsors have record levels of capital to deploy, and many are communicating that they are “open for business,” while acknowledging high-quality deal flow will be limited
- As capital markets stabilize, companies with strong liquidity positions will be well-positioned to pursue acquisitions that accelerate growth

### Debt Markets

- In contrast to the first half of 1Q'20, debt markets have shifted to a risk-off mentality
- Concerns over liquidity and funding availability contribute to uncertainty regarding the duration of the COVID-19 risk mitigation focus

### M&A Valuations

- COVID-19 has pushed timelines for many transactions, but select deals are still closing successfully. Some may be temporarily on hold and others are preparing for market and carefully weighing timing
- Companies that prove their ability to weather the current circumstances will receive significant interest and garner premium valuations

## LATEST HW MARKET INSIGHTS



For access to HW's latest insight and perspective, email us at [insights@harriswilliams.com](mailto:insights@harriswilliams.com) or visit [www.harriswilliams.com/news-insights](http://www.harriswilliams.com/news-insights)



### Recent Publications:

Global Consumer Businesses Consider Emergence from COVID-19

M&A Learnings from Past Economic Disruptions

COVID-19 and M&A: Insights from Asia

## Deep Sector Expertise Across Key TMT Focus Areas



- Architecture, Engineering, and Construction
- Education and Training
- Financial Technology and Payments
- Healthcare IT
- Industrial and Supply Chain Technology
- ...and more

For access to HW's TMT content, email us at [TMT\\_Insights@harriswilliams.com](mailto:TMT_Insights@harriswilliams.com)

# 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

**payit**  
has received a strategic investment from  
**INSIGHT PARTNERS**

Government Software & Payments

**cPower**  
has been acquired by  
**LSPower**  
Innovation and Investment in Energy

Energy Management Technology

**Trafficware**  
has been acquired by  
**CUBIC**

Smart Transportation Technology

**nCourt**  
has been acquired by  
**PROVIDENCEEQUITY** & **GSV**  
GREATER SUMMIT VENTURES

Judicial Software & Payments

**SAFE FLEET**  
has been acquired by  
**OAK HILL CAPITAL PARTNERS**

Fleet Safety Mgmt. for Public Sector

**comverge**  
energy made better  
has been acquired by  
**Itron**

Utilities & Energy Efficiency Mgmt.

**MicroEdge**  
has been acquired by  
**blackbaud**

Grant Management Software

**T2**  
has received a strategic investment from  
**PAMLICO CAPITAL**

Smart Parking Technology

**MANATRON**  
The power to manage well.  
has been acquired by  
**THOMSON REUTERS**

Property Tax Mgmt. Software

**TRITECH**  
SOFTWARE SYSTEMS  
has received a strategic investment from  
**FFL PARTNERS**

Public Safety Software

**Global Energy Decisions**  
has been acquired by  
**Ventyx**

Energy Efficiency Software & Data

**Appriss**  
has been acquired by  
**BainCapital VENTURES** & **JMI**

Public Safety & Analytics Software



# Government Technology Market Overview

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

## U.S. Government Technology at a Glance

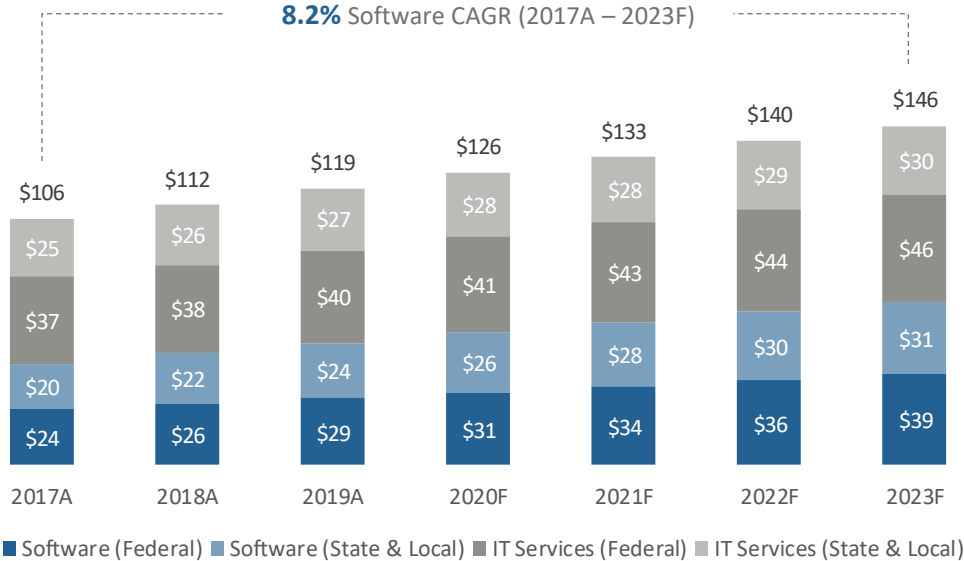
At over 35% of GDP, government represents the largest segment of the U.S. economy



## U.S. Government Technology 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, contain costs, and seamlessly deliver services to their constituents
- Cloud-based software in particular continue 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
- Concurrent with the trend toward third-party cloud solutions, development of customized technology solutions continues to face challenges as government officials grapple with expensive and complex maintenance of legacy systems built over the past several decades
- Citizen engagement and digital government experience are increasingly important to leaders and technology offices, spurring ongoing investment in software solutions that enhance civic engagement, security, transparency, and service delivery

## Market Observations

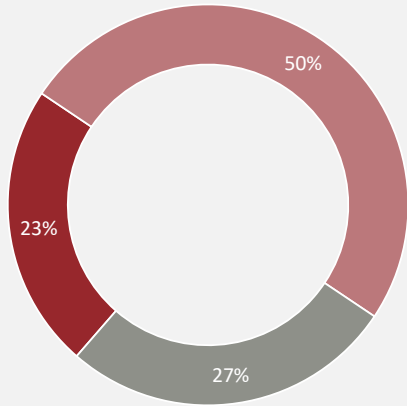
- The govtech market continues to attract strong interest from financial sponsors and strategic acquirers eager to invest in next-generation software solutions capable of modernizing government operations and services
- Consolidation of software vendors persists given the level of fragmentation across 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
- Digital payments continues to be a highly attractive segment of the govtech market given the breadth of citizen- and business-to-government transactions at all levels of government, creating opportunity for integrated software vendors to make an immediate and tangible financial impact

# State of Government Modernization

Politicians, IT leaders, and citizens are eager for government agencies to deliver modern digital solutions that improve the provision of services, but the industry has been slow to evolve and challenges persist.

## 1 Modernization is Underway...

Modernization is in process, but legacy technology systems still comprise a meaningful percentage of the govtech landscape

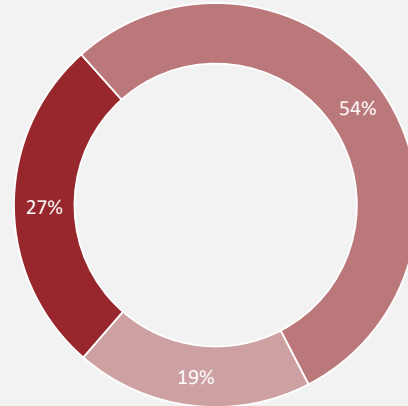


Type of IT Systems Deployed Across U.S. Government Agencies<sup>6</sup>

Modern Systems Deployed	23%
Modernization in Process	50%
Legacy Systems Deployed	27%

## 2 ...but Cloud Adoption is Still Lagging...

Despite progress made toward IT modernization, full-scale cloud adoption is still low and there is significant runway ahead

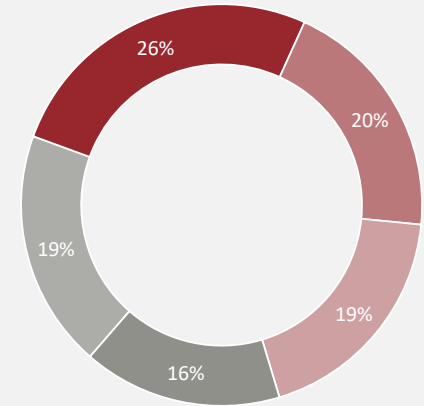


Percent of U.S. Government Agencies with Applications in the Cloud<sup>7</sup>

No Applications	27%
Some Applications	54%
Most Applications	19%

## 3 ...and There is Significant Runway Ahead

Departments across all state and local government verticals are making technology upgrades a strategic imperative



Allocation of IT Spend by U.S. State of Local Government Vertical<sup>4</sup>

Transportation	26%
Public Safety & Justice	20%
Finance & Administration	19%
Utilities	19%
Environment & Housing	16%

# Govtech Demand Drivers

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 gradually 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 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 action<sup>7</sup>

## Digitization of Operations and Services

- 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 catalyze 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

## Consumerization of Government

- In the digital age of ubiquitous connectivity, government officials must compete for public mindshare, making it increasingly imperative for them to have modern solutions that citizens have come to expect from private sector organizations
- Consumers expect highly personal and contextual digital experiences across all interactions with the government, driving demand for a unified digital identity capable of serving citizens and businesses from a single, intelligent platform

## 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

## Intelligent Civic Engagement

- As the public becomes increasingly tech-savvy and diverse, governments are seeking multi-channel engagement tools to more effectively interact with their communities, build awareness for public projects, and provide relevant and timely information
- 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

## Key Themes



Digital Citizen Identity



Data-Driven Decisions



Unified Engagement



Modern Architecture



Dept. Interoperability



Cybersecurity



Digital Workforce

# Recent News and Insights

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## Article Summary

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### Predictive Analytics Tools Can Help State and Local Governments

**Source:** statetechmagazine.com

**Key Themes:** Data & Analytics

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

### Future-Proofing Government: Building a Resilient IT Workforce

**Source:** govtech.com

**Key Themes:** IT Modernization

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

### New Bipartisan Bill Would Codify Centers of Excellence Program

**Source:** nextgov.com

**Key Themes:** Legislation

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

## Key Takeaways and Insights

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- In a recent report published by Deloitte, the global consultancy and IT solution provider highlights that while the idea that government should focus more on preventative measures rather than just reacting to problems as they arise is not new, government's ability to do so in a cost-effective manner has been made possible by the development of commercial cloud-based software solutions suitable for the public sector
- Government agencies have access to vast amounts of proprietary data that can be leveraged across a broad range of government functions, including health and public safety, law enforcement, asset management, transit, and licensing and permitting, among others, and should be leveraged to reduce costs and improve services
- Paramount to government's efforts to modernize IT infrastructure and develop new solutions tailored to the way consumers have become accustomed to interacting and transacting more broadly is its ability to attract and retain employees with the requisite skills and incentives to pursue public sector roles
- As the public sector grapples with challenges to attract and retain talent away from potentially more lucrative private sector opportunities, government officials, IT leaders, and human resources professionals need to be more coordinated than ever to ensure their respective agencies are not only well-equipped to identify areas in need of technology improvements, but staffed appropriately to execute on those initiatives
- Democrats and Republicans collaborated to introduce the Modernization Centers of Excellence Programs Act in February to pave the way for the adoption of modern information technology solutions and to promote greater collaboration between private sector technology companies and the government
- Despite significant partisanship across all levels of U.S. government in recent years, policy makers and government officials have generally agreed on and prioritized legislation to advance IT modernization, providing resources and funding to support technology upgrades that impact citizens and businesses



# Recent News and Insights: COVID-19 Impact on Govtech

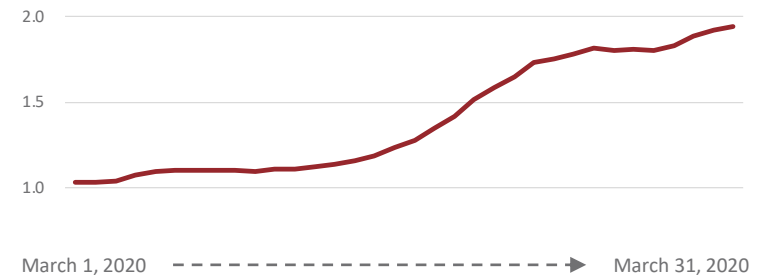
The global COVID-19 pandemic will have dramatic implications for the way government interacts with citizens and businesses, compelling public sector leaders to accelerate the adoption of technology.

## COVID-19 as a Catalyst for Digital Government Transformation

- A recent opinion piece titled *Coronavirus Is Watershed Moment for Digital Age* highlights the transformative impact COVID-19 is having on govtech as government agencies have been forced to quickly adapt to serve their constituents through digital channels
- David Weinberg, senior researcher at Harvard’s Berkman Klein Center, equates the impact that COVID-19 is having on government to the effect email had on corporations, a paradigm shift that dramatically increased digital interaction in lieu of frequent face-to-face meetings
- Beyond imperative improvements to digital civic engagement, modernization of government technology infrastructure needs to also facilitate public sector telework to avoid disruptions and ensure continuity of services to citizens and businesses

## Dramatic Increase in Digital Interactions<sup>8</sup>

Traffic to U.S. Government Websites During COVID-19 Outbreak Indexed to Traffic on January 12, 2020



## What the U.S. Coronavirus Stimulus Bill Means for Govtech

- On March 27, 2020, the U.S. government finalized the \$2.0+ trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, the largest economic stimulus package in American history, with over \$150 billion earmarked to help state and local government agencies cope with the disruption caused by the coronavirus pandemic

The categories below represent government verticals with stimulus funding directly tied to investment in technology, or where spending on technology would be considered an allowable expense under the CARES Act:



Transit / Transit Infrastructure Brands



State and Local Preparedness Grants



Department of Justice Grants



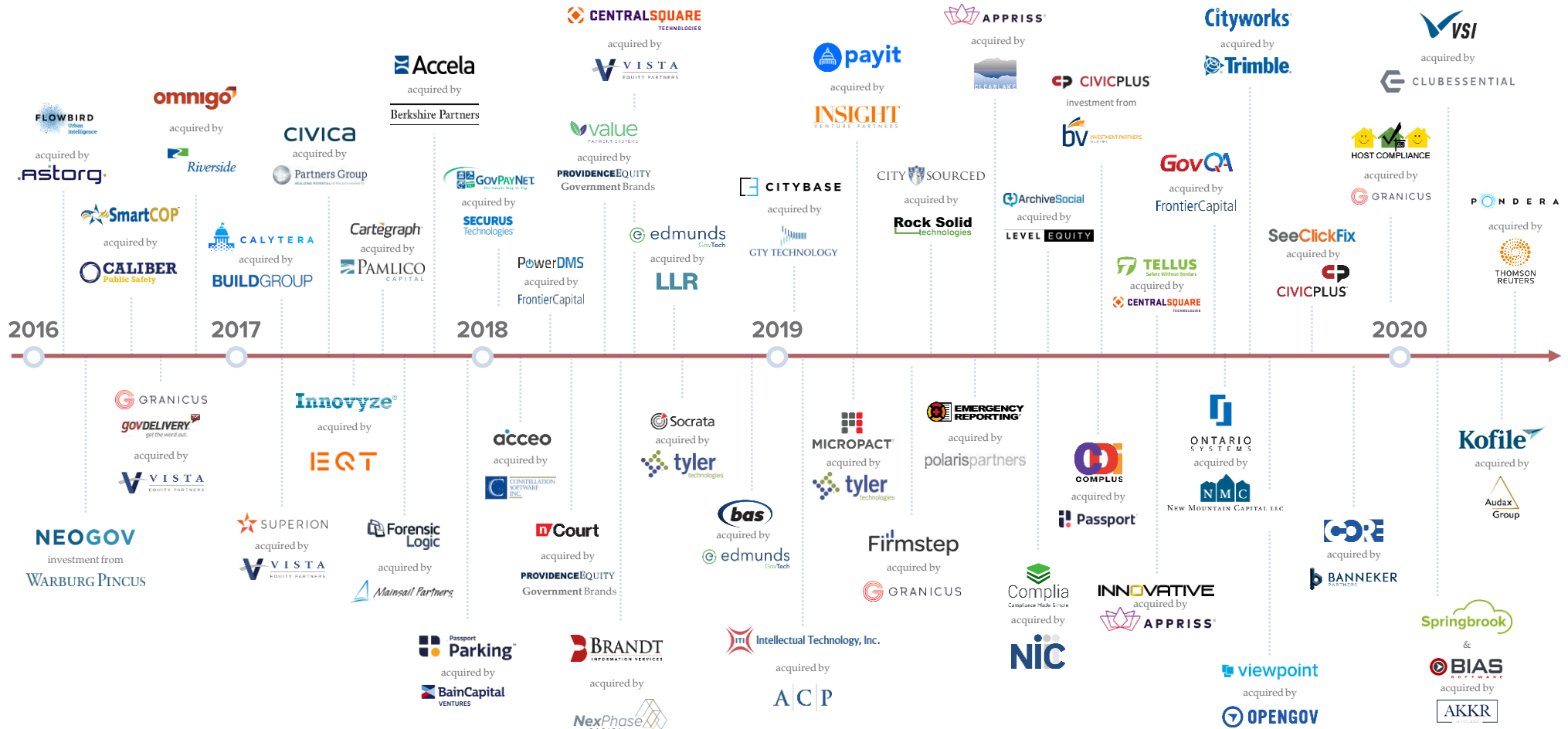
Public Health Data Surveillance / Infrastructure Modernization



Elections Security Grants

# 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.



# Select Govtech Transactions

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

March 12, 2020



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

## Dude Solutions' acquisition of Assetic

- Assetic is a cloud-based software platform that enables private and public sector organizations to strategically plan, monitor, and maintain critical infrastructure assets for government agencies
- Founded in 2006 and based in Australia, the Company partners with over 130 clients to provide a centralized repository of asset data that enables more efficient and effective outcomes by enhancing capital project budgeting and execution
- Dude Solutions, which is backed by Clearlake Capital Group, expands its geographic footprint with the acquisition of Assetic and enhances its solution suite, providing a meaningful bi-directional cross-sell opportunity to fuel revenue growth

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

January 21, 2020

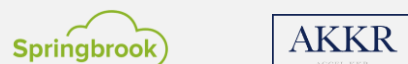


EV: Confidential      EV / Rev: Confidential  
 Rev: Confidential      EV / EBITDA: Confidential

## Clubessential's acquisition of Vermont Systems

- Vermont Systems is a leading provider of recreation and park management software solutions for public entities across the U.S.
- The company, founded in 1985, serves over 1,200 public sector clients, including state, municipal, county, and federal military government entities through a suite of operations, customer experience, and payment solutions
- Clubessential, through its financial sponsor Battery Ventures, gains a market leader in public recreation software to complement its existing membership management offerings that cater to health and fitness markets, college athletic departments, and private clubs

January 7, 2020



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

## Accel-KKR's acquisition of Springbrook Software

- Springbrook Software is a leading provider of fully integrated cloud-based enterprise resource planning (ERP) and payments software solutions for local governments that previously operated as a business unit within Accela
- Springbrook serves over 800 local and municipal government entities across the U.S. and provides solutions for finance, accounting, human resources, payroll, and civic payments
- A-KKR's carve-out of Springbrook will enable the company to operate more independently and invest more heavily in technology improvements, product expansion, and customer care

# Govtech Landscape Overview

GOVERNMENT TECHNOLOGY PLATFORMS			
OPERATIONS		ASSET AND RESOURCE MGMT.	
<p>Finance, Administration, &amp; ERP</p> <p>Procurement</p> <p>Operations &amp; Workflow Mgmt.</p> <p>Information Mgmt. &amp; Records</p> <p>Licensing &amp; Permits</p> <p>Taxation, Appraisal, &amp; Collections</p>	<p>Asset Management &amp; Public Works</p> <p>Utility Management &amp; Billing</p> <p>Smart Infrastructure &amp; Transportation</p>	<p>CIVIC ENGAGEMENT</p> <p>Communication &amp; Engagement</p> <p>311 &amp; Service Request Mgmt.</p> <p>Grant Management</p> <p>Public Welfare &amp; Human Services</p>	<p>PUBLIC SAFETY</p> <p>Law Enforcement, Fire, &amp; EMS</p> <p>Courts &amp; Criminal Justice</p> <p>Security &amp; Intelligence</p>
<p>To receive the latest <b>Government Technology</b> market maps, please contact HW at <a href="mailto:TMT_Govtech@HarrisWilliams.com">TMT_Govtech@HarrisWilliams.com</a></p>			
DIGITAL ENABLERS		DIVERSIFIED TECHNOLOGY	
BPO & CUSTOM SOLUTIONS			

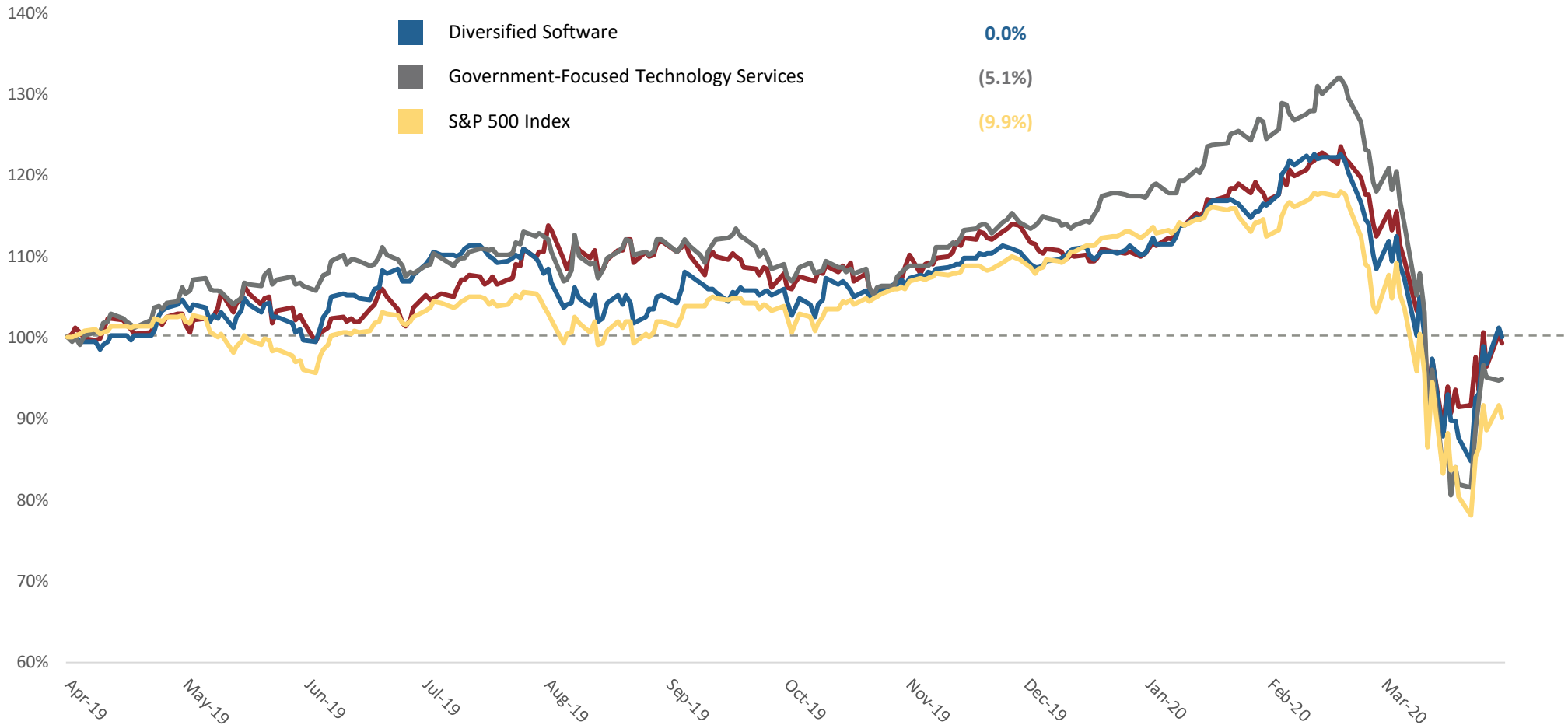
# Relative Public Equity Performance<sup>9</sup>

Publicly-traded govtech companies collectively outperformed the S&P 500 Index over the past year and have been quicker to recover from the COVID-related market downturn.

## Indexed Stock Performance

As of March 31, 2020  
Index = 100

Indexed Stock Price Performance		1-Year (%)
<span style="color: #800000;">■</span>	Government Technology	(0.8%)
<span style="color: #0056b3;">■</span>	Diversified Software	0.0%
<span style="color: #666666;">■</span>	Government-Focused Technology Services	(5.1%)
<span style="color: #f0e68c;">■</span>	S&P 500 Index	(9.9%)





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

As of March 31, 2020

\$ in Thousands

Company	Market Capitalization	Revenue		EBITDA Margin		Annual Growth Rates			
		LTM	CY2020	LTM	CY2020	Revenue		EBITDA	
						LTM	CY2020	LTM	CY2020
<b>Government Technology</b>									
Motorola Solutions, Inc.	\$22,673,374	\$7,888,800	\$8,110,408	26.7%	29.1%	7.9%	2.8%	13.4%	12.3%
Constellation Software Inc.	19,122,073	3,490,154	4,112,940	26.8%	26.9%	15.2%	17.8%	22.6%	18.3%
Tyler Technologies, Inc.	11,788,657	1,092,054	1,199,266	27.7%	27.7%	16.4%	9.8%	9.5%	10.1%
Everbridge, Inc.	3,652,721	200,015	259,951	2.6%	2.5%	36.5%	30.0%	NM	25.9%
Blackbaud, Inc.	2,656,710	896,109	934,359	20.3%	18.7%	5.5%	4.3%	(2.3%)	(3.6%)
NIC Inc.	1,560,099	352,395	385,802	23.6%	23.9%	3.4%	9.5%	(2.8%)	10.8%
Verra Mobility Corporation	1,154,181	445,330	447,326	53.6%	49.3%	14.2%	0.4%	8.3%	(7.5%)
GTY Technology Holdings Inc.	239,053	40,550	60,490	NA	NA	NA	49.2%	NA	NA
<b>Median</b>	<b>\$3,154,716</b>	<b>\$670,719</b>	<b>\$690,842</b>	<b>26.7%</b>	<b>26.9%</b>	<b>14.2%</b>	<b>9.6%</b>	<b>8.9%</b>	<b>10.8%</b>
<b>Diversified Software</b>									
Microsoft Corporation	\$1,199,549,674	\$133,040,626	\$149,078,096	44.7%	45.5%	12.3%	12.1%	19.2%	14.2%
Oracle Corporation	152,412,715	39,627,544	39,884,256	47.0%	48.2%	(0.3%)	0.6%	(0.0%)	3.4%
SAP SE	134,523,867	30,045,830	31,931,311	35.9%	36.4%	12.6%	6.3%	16.4%	7.9%
IBM	98,551,102	77,024,323	77,529,844	23.6%	24.1%	(3.3%)	0.7%	(3.1%)	2.7%
Roper Technologies, Inc.	33,086,053	5,372,367	5,583,100	35.6%	35.3%	3.8%	3.9%	7.0%	3.2%
Thomson Reuters Corporation	33,485,434	5,916,651	6,156,085	25.4%	31.6%	7.3%	4.0%	16.2%	29.5%
<b>Median</b>	<b>\$116,537,485</b>	<b>\$34,836,687</b>	<b>\$35,907,783</b>	<b>35.7%</b>	<b>35.9%</b>	<b>5.5%</b>	<b>4.0%</b>	<b>11.6%</b>	<b>5.6%</b>
<b>Government-Focused Technology Services</b>									
Infosys Limited	\$36,123,545	\$11,734,228	\$12,710,789	24.5%	24.8%	12.9%	8.3%	5.6%	9.7%
Wipro Limited	14,853,406	7,923,909	8,171,839	21.0%	19.8%	4.9%	3.1%	20.2%	(2.9%)
NTT DATA Corporation	13,555,504	20,587,261	20,797,391	13.9%	14.8%	NA	1.0%	NA	7.5%
Leidos Holdings, Inc.	13,000,290	10,970,184	12,873,445	10.3%	10.1%	7.7%	17.3%	6.9%	15.3%
Pegasystems Inc.	5,673,998	925,053	1,089,935	3.0%	5.0%	4.2%	17.8%	(60.0%)	98.4%
CACI International Inc	5,293,894	5,378,735	5,936,542	9.1%	10.5%	16.0%	10.4%	9.8%	26.7%
Axon Enterprise, Inc.	4,212,811	505,064	613,118	16.2%	16.7%	23.3%	21.4%	NM	NM
MAXIMUS, Inc.	3,721,512	3,019,306	3,034,557	13.8%	13.5%	23.7%	0.5%	18.5%	(1.4%)
Perspecta Inc.	2,945,246	4,480,000	4,477,750	17.9%	17.4%	5.5%	(0.1%)	10.9%	(3.0%)
Verint Systems Inc.	2,757,384	1,362,838	1,456,085	24.1%	25.3%	9.9%	6.8%	16.2%	12.0%
Agilysys, Inc.	388,107	156,343	162,986	7.5%	7.5%	15.2%	4.2%	7.0%	4.8%
<b>Median</b>	<b>\$5,293,894</b>	<b>\$4,480,000</b>	<b>\$4,477,750</b>	<b>13.9%</b>	<b>14.8%</b>	<b>11.4%</b>	<b>6.8%</b>	<b>9.8%</b>	<b>8.6%</b>
<b>Total Comp Set Median</b>	<b>\$11,788,657</b>	<b>\$4,480,000</b>	<b>\$4,477,750</b>	<b>23.6%</b>	<b>24.0%</b>	<b>9.9%</b>	<b>6.3%</b>	<b>9.5%</b>	<b>9.7%</b>

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

As of March 31, 2020

\$ in Thousands

Company	Market Capitalization	Enterprise Value	Multiples Summary			
			Enterprise Value/Revenue		Enterprise Value/EBITDA	
			LTM	CY2020	LTM	CY2020
<b>Government Technology</b>						
Motorola Solutions, Inc.	\$22,673,374	\$27,437,374	3.5x	3.4x	13.0x	11.6x
Constellation Software Inc.	19,122,073	19,540,073	5.6x	4.8x	20.9x	17.7x
Tyler Technologies, Inc.	11,788,657	11,539,785	10.6x	9.6x	38.2x	34.7x
Everbridge, Inc.	3,652,721	3,566,818	17.8x	13.7x	NM	NM
Blackbaud, Inc.	2,656,710	3,209,165	3.6x	3.4x	17.7x	18.3x
NIC Inc.	1,560,099	1,356,868	3.9x	3.5x	16.3x	14.7x
Verra Mobility Corporation	1,154,181	1,918,591	4.3x	4.3x	8.0x	8.7x
GTY Technology Holdings Inc.	239,053	238,207	5.9x	3.9x	NM	NM
<b>Median</b>	<b>\$3,154,716</b>	<b>\$3,387,992</b>	<b>5.0x</b>	<b>4.1x</b>	<b>17.0x</b>	<b>16.2x</b>
<b>Diversified Software</b>						
Microsoft Corporation	\$1,199,549,674	\$1,152,465,674	8.7x	7.7x	19.4x	17.0x
Oracle Corporation	152,412,715	180,766,715	4.6x	4.5x	9.7x	9.4x
SAP SE	134,523,867	146,281,246	4.9x	4.6x	13.6x	12.6x
IBM	98,551,102	157,985,102	2.1x	2.0x	8.7x	8.4x
Roper Technologies, Inc.	33,086,053	37,928,453	7.1x	6.8x	19.8x	19.2x
Thomson Reuters Corporation	33,485,434	35,875,434	6.1x	5.8x	23.9x	18.5x
<b>Median</b>	<b>\$116,537,485</b>	<b>\$152,133,174</b>	<b>5.5x</b>	<b>5.2x</b>	<b>16.5x</b>	<b>14.8x</b>
<b>Government-Focused Technology Services</b>						
Infosys Limited	\$36,123,545	\$33,903,545	2.9x	2.7x	11.8x	10.8x
Wipro Limited	14,853,406	11,494,631	1.5x	1.4x	6.9x	7.1x
NTT DATA Corporation	13,555,504	18,938,014	0.9x	0.9x	6.6x	6.1x
Leidos Holdings, Inc.	13,000,290	15,855,290	1.4x	1.2x	14.0x	12.1x
Pegasystems Inc.	5,673,998	5,674,130	6.1x	5.2x	NM	NM
CACI International Inc	5,293,894	7,228,646	1.3x	1.2x	14.7x	11.6x
Axon Enterprise, Inc.	4,212,811	3,872,672	7.7x	6.3x	NM	37.8x
MAXIMUS, Inc.	3,721,512	3,786,251	1.3x	1.2x	9.1x	9.2x
Perspecta Inc.	2,945,246	5,701,246	1.3x	1.3x	7.1x	7.3x
Verint Systems Inc.	2,757,384	3,344,586	2.5x	2.3x	10.2x	9.1x
Agilysys, Inc.	388,107	360,292	2.3x	2.2x	30.9x	29.4x
<b>Median</b>	<b>\$5,293,894</b>	<b>\$5,701,246</b>	<b>1.5x</b>	<b>1.4x</b>	<b>10.2x</b>	<b>10.0x</b>
<b>Total Comp Set Median</b>	<b>\$11,788,657</b>	<b>\$11,494,631</b>	<b>3.9x</b>	<b>3.5x</b>	<b>13.6x</b>	<b>11.9x</b>

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

\$ in Millions

Date	Target	Acquirer	Enterprise	LTM Multiples	
			Value	Revenue	EBITDA
<b>Government Technology</b>					
03/19/20	Pondera Solutions, LLC	Thomson Reuters Corporation	NA	NA	NA
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
11/12/19	Host Compliance, LLC	Granicus, Inc.	NA	NA	NA
10/23/19	Core Business Technologies	Banneker Partners	NA	NA	NA
10/11/19	SeeClickFix, Inc.	CivicPlus, LLC	NA	NA	NA
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
07/08/19	Innovative Enterprises, Inc	Apriss Inc.	NA	NA	NA
05/22/19	Tellus Safety Solutions, LLC	CentralSquare Technologies	NA	NA	NA
05/15/19	Complis Data Innovations	Passport Labs, Inc.	45	NA	NA
05/13/19	CivicPlus	BV Investment Partners	NA	NA	NA
05/08/19	ArchiveSocial	Level Equity	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	Apriss	Clearlake Capital Group	Non-Public Information		
04/05/19	CitySourced	Rock Solid Technologies (Strattam Capital)	NA	NA	NA
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.	GT Technology Holdings Inc.	160	10.0x	NA
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		
11/01/18	Edmunds & Associates	LLR Partners	NA	NA	NA
10/24/18	Trafficware Group Inc.	Cubic Transportation Systems, Inc.	236	4.7x	15.2x
08/01/18	Central Square Technologies (Tritech Software, Superior, Apteon)	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	645	NA	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	Apteon Superior Holdings, Inc.	NA	NA	NA
11/15/17	iView Systems	Omnigo Software (The Riverside Company)	NA	NA	NA
10/31/17	Recorded Future	Insight Partners	225	NA	NA
10/26/17	Syscon Justice Systems	Constellation Software, Inc.	NA	NA	NA
10/03/17	3M Attenti Ltd. (nka:Attenti)	Apax Partners LLP	200	2.1x	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	270	6.4x	16.9x
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
<b>Median</b>			<b>\$200</b>	<b>4.7x</b>	<b>15.5x</b>

# Case Study: PayIt

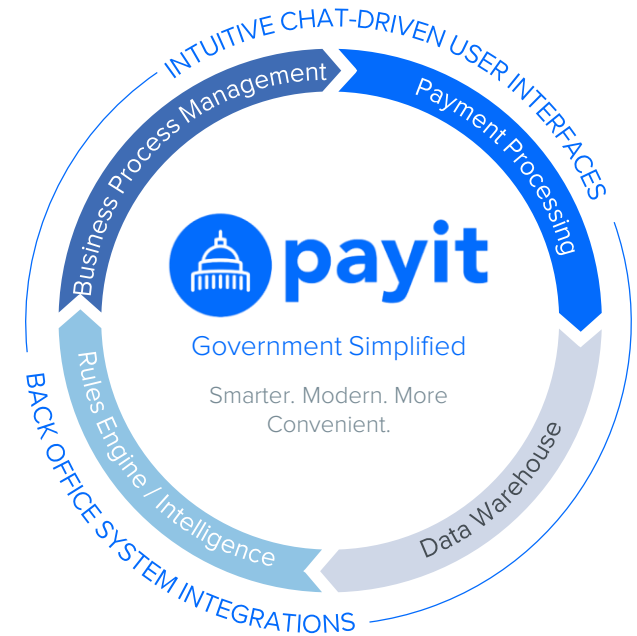
## Business Summary and Transaction Overview



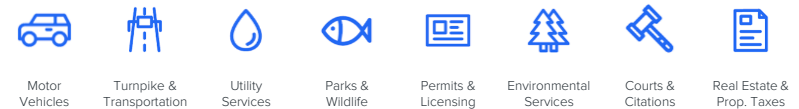
- PayIt is the leading provider of next generation integrated digital government software and payment solutions
- PayIt improves the way citizens interact with government by providing a modern, mobile technology platform designed to simplify the maze of government agencies and provide users with an intuitive,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

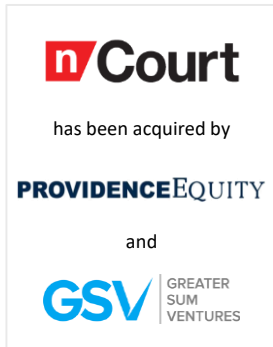


## Process Notes

- 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

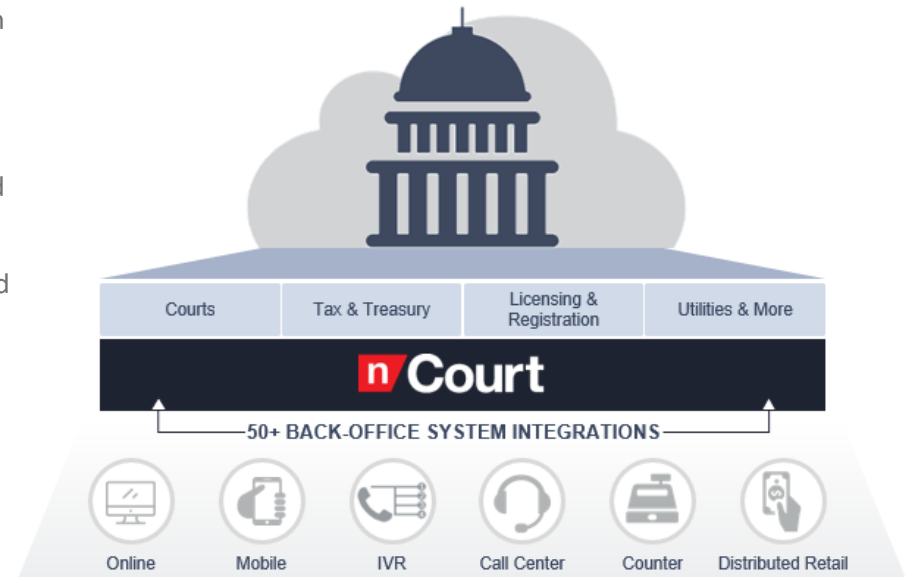
## Business Summary and Transaction Overview



- 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 Reinig, and Vice President Mike Qualey 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 government technology is growing—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 \$9.3 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 2024, 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 2016. 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 the cost of the risks. That's what's driving 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!

Support the public financial report. These agencies, antiquated, and state or private systems can also impede an entity's ability to recruit to mission. 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."



**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! "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 and early 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."

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 offering 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 modernized payment solutions," notes Dewing. He adds that for vendors of payments solutions that also have software for other areas of an entity's operations, having such a measurable, highly visible impact on payments can open doors to other opportunities.

"Modernizing payments is a quick win for both government agencies and technology vendors," says Dewing. "The agencies, a delivery of an instant return 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 Qualey**  
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

 made a strategic investment in  MRI	 acquired by  Bregal Investments	 investment from  INSIGHT PARTNERS  Kennet Augmentum	 acquired by  WENDEL	 recapitalized by  SQUARE	 acquired by  ventiv	 acquired by Waud Capital	 significant growth investment from  MARTIS CAPITAL	 acquired by  Deltek	 acquired by  Advent International	 significant growth investment from  THOMABRAVO	 acquired by  eSolutions	 acquired by  RL Datix	 has received a controlling investment from  COVE HILL PARTNERS	 acquired by  CALIBER SOFTWARE
 acquired by  pec	 acquired by  mailgun	 strategic investment from  INSIGHT PARTNERS	 acquired by  DiscoverOrg	 acquired by  combell.group	 acquired by  DASSAULT SYSTEMES	 acquired by  Wrike	 acquired by  CUBIC	 acquired by  WCAS	 acquired by  sympplr	 acquired by  BERTELSMANN	 acquired by LIGHTYEAR CAPITAL & OAK HC/FT	 acquired by  PIXOMONDO	 acquired by  Luminate education	 acquired by  GENSTAR
 acquired by  THE JORDAN COMPANY	 acquired by  JRelation	 a wholly-owned affiliate of  GFH Finance acquired by  imprivata & inspirata	 invested in  RL Datix	 majority investment from  Hg	 acquired by  GI PARTNERS	 acquired by  BDT CAPITAL PARTNERS	 acquired by  PAMPLONA CAPITAL MANAGEMENT	 acquired by  EQUIAN	 acquired by PROVIDENCE EQUITY & GSV	 investment from  INSIGHT PARTNERS	 acquired by  PERFORCE	 acquired by  HIG CAPITAL	 merged with  research now	 investment from  bv investment partners
 acquired by  accruent	 acquired by  MSOUTH	 acquired by  Healthlogistics	 acquired by  RIVERSIDE PARTNERS	 investment from  INSIGHT PARTNERS	 acquired by  amazon	 acquired by  intelligent	 acquired by  VISTA EQUITY PARTNERS	 acquired by  Itron	 acquired by  abila	 majority investment from  GENSTAR	 growth investment from  PAMLICO CAPITAL	 acquired by  Ministry Brands	 majority investment from  INSIGHT PARTNERS	 acquired by  exponent
 majority investment from  THE CARLYLE GROUP	 recapitalized by  GI PARTNERS	 acquired by  PHILIPS	 acquired by  MedHOK	 acquired by  WorkForce SOFTWARE	 acquired by  WASSERSTEIN & CO.	 acquired by  SYKES	 acquired by  RPX NATIONAL PATENT	 acquired by  GSM GLOBAL EQUITY MANAGEMENT	 recapitalized by  GENSTAR	 acquired by  HIG CAPITAL	 acquired by  BIOCLINICA	 acquired by  technicolor	 acquired by  CIP CAPITAL	 acquired by  ParkerGale
 acquired by  kpn	 acquired by  SoLera	 acquired by  roper	 acquired a majority stake in  access	 acquired by  GI PARTNERS	 majority investment from  HGCC	 minority investment from  SUNPOWER	 acquired by  blackbaud	 acquired by  YASKAWA	 acquired by  emdeon	 acquired by  THE CARLYLE GROUP	 strategic investment from  TCV	 merged with  Accellos	 acquired by  Automic	 acquired by  THE CARLYLE GROUP
 acquired by  HEARST	 acquired by  inVentiv Health	 acquired by  RELIAS LEARNING	 acquired by  GENPACT	 acquired by  TDx	 acquired by  PAREXEL	 acquired by  LGP	 acquired by  HEARST	 acquired by  VISTA EQUITY PARTNERS	 acquired by  SUMMIT PARTNERS	 acquired by  Imtech	 acquired by  Aresenal Capital Partners	 majority recapitalization by  PAMLICO CAPITAL	 recapitalized by  Goldman Sachs	 acquired by  THOMSON REUTERS

# 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
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3. Tyler Technologies
4. GovTech Navigator
5. Whitehouse.gov
6. Gartner
7. Government Business Council
8. Cloudflare
9. CapIQ
10. Pitchbook

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