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GovTech M&A

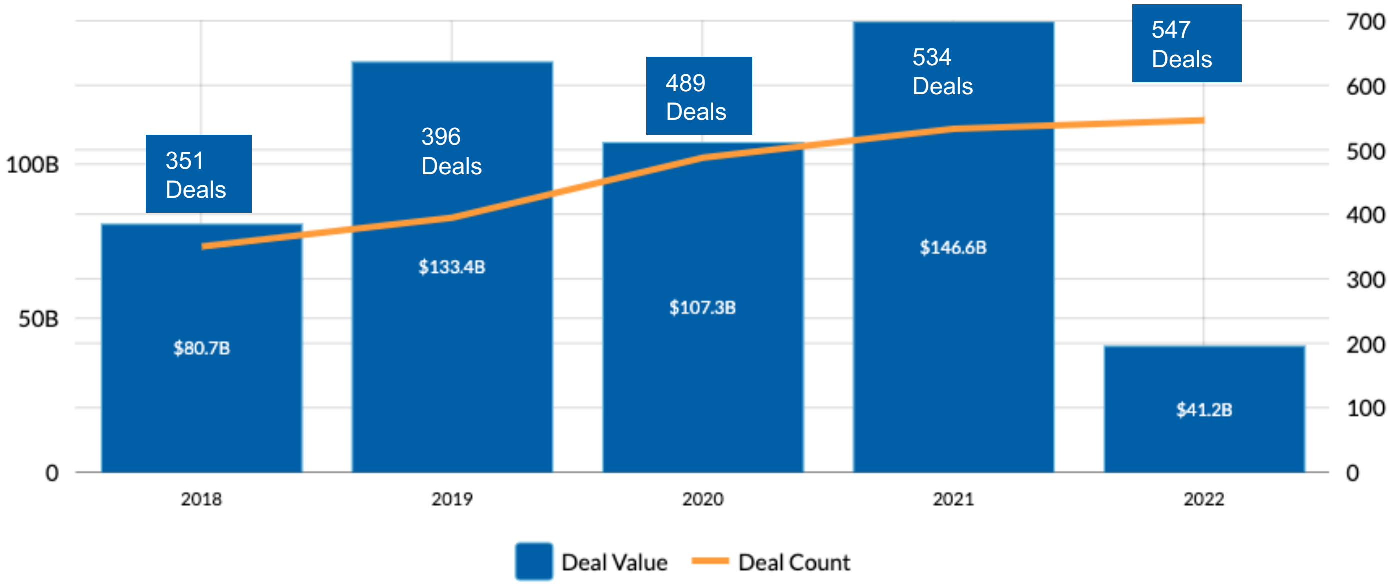
January 2023

Confidential

Executive Summary:

GovTech transactions have increased steadily over the past 5 years and interest is likely to remain strong in 2023

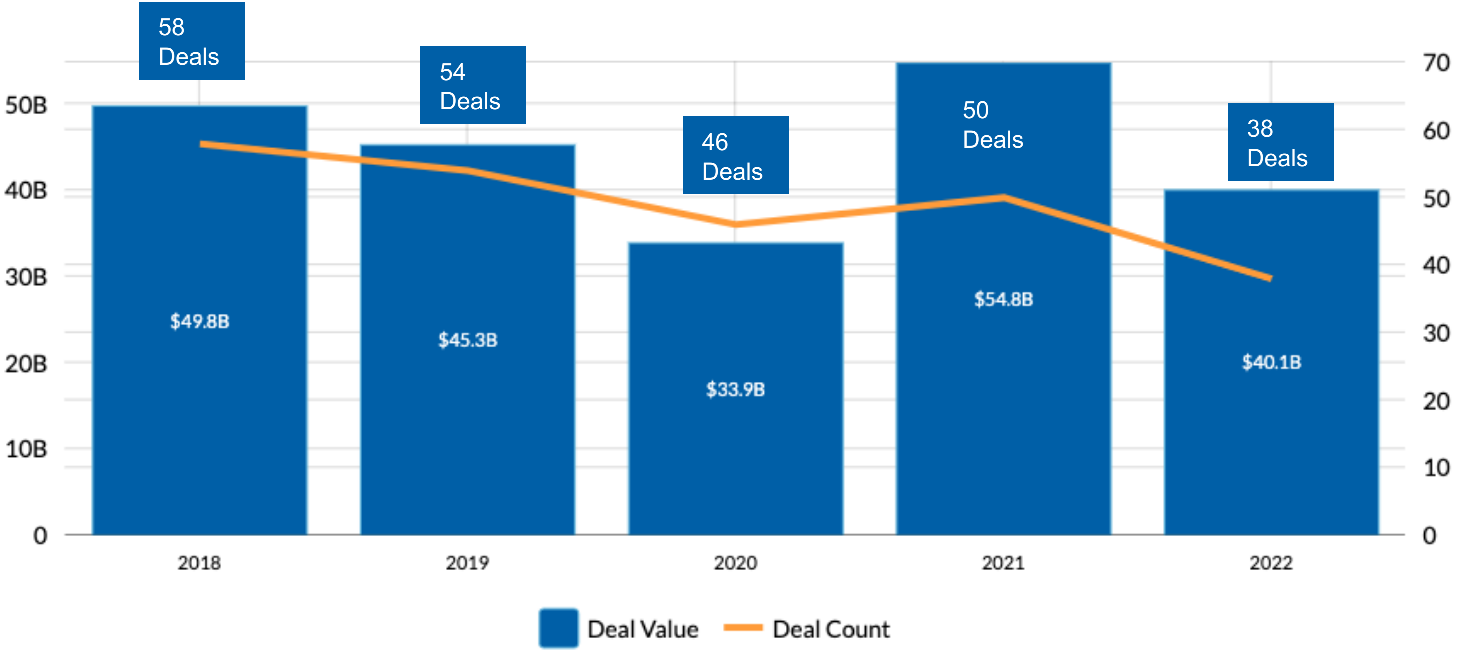
Annual M&A Deal Trend in GovTech



2022 saw a slight increase over 2021's deal volume and printed the highest number of transactions in the last 5 years

Source: M&A KnowledgeBase 451 Research, LLC

GovTech Deals $100M to $50B EV



Although volume was up overall, 2022 saw fewer big-ticket deals inked than the previous 4 years

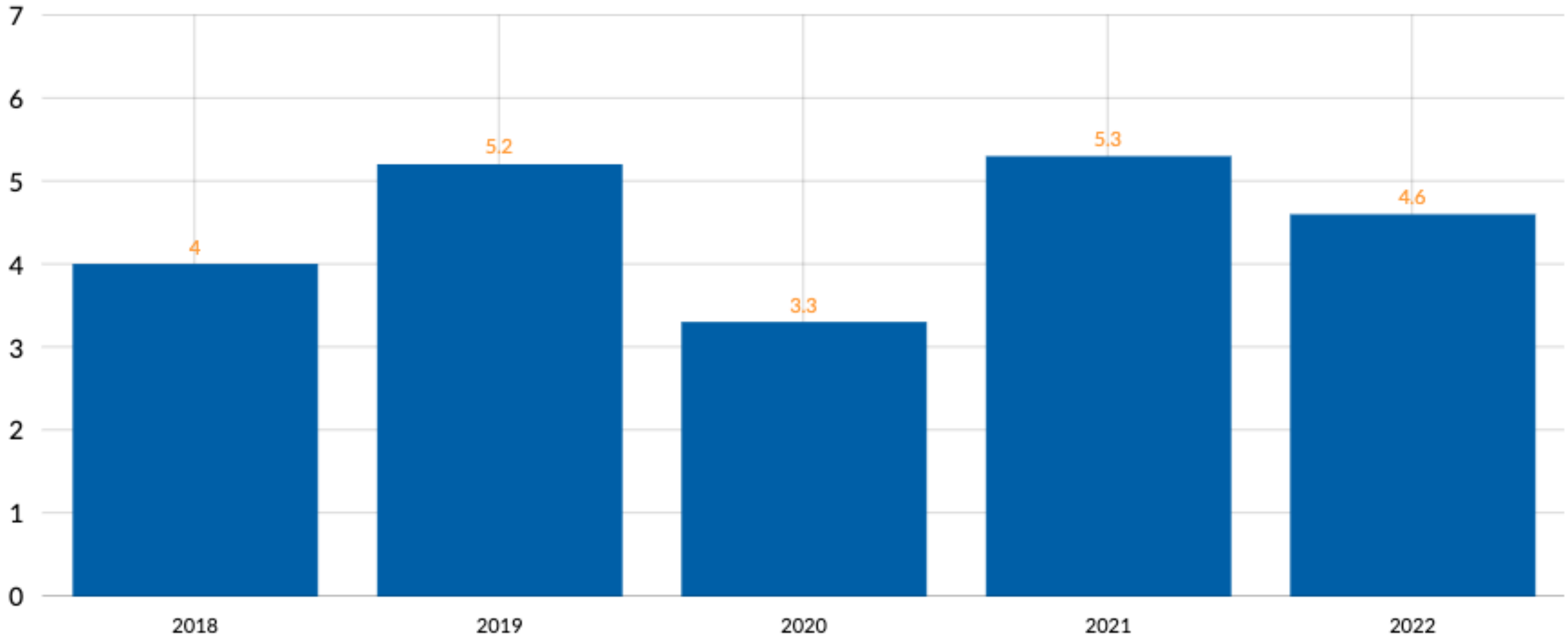
Source: M&A KnowledgeBase 451 Research, LLC

M&A Deal Trends in GovTech

- 2022 saw 547 GovTech deals – the highest number in the last 5 years
- The drop in total cumulative valuation in 2022 is a result of fewer blockbuster deals during the year; instead, we saw a higher volume of add-on transactions to the platform investments made by PE and Corporate buyers in previous years, as well as a lack of published information when sub $100m deals are announced
- Private Equity comprised 30% to 37% of all transactions in this timeframe; strategic buyers made up the majority at 63% to 70% - strategic buyers continue to lead the market in GovTech transactions
- Across SaaS transactions, the median multiple in 2022 was 4.6x, only slightly down from 2021’s high of 5.3x

SaaS companies remain prime targets by strategics and PE buyers

SaaS & License GovTech Deals
Median Multiple (Annual)



Source: M&A KnowledgeBase 451 Research, LLC

Sample Key GovTech Deals since 2018

Announced	Acquirer Name	Target Name	Target Employee Count	Total Deal Amount	Target TTM Revenue	EV / TTM Rev
2022-06-06	Becton, Dickinson and Company	Parata Systems LLC [Frazier Healthcare Partners]	201-500	$1,525,000,000.00	$220,000,000.00	6.90
2022-04-29	GI Partners LP	GTY Technology Holdings Inc.	201-500	$374,271,168.00	$57,649,000.00	6.70
2022-03-23	TPXimpact Holdings PLC [fka The Panoply Holdings	Swirrl IT Limited	11-50	$3,464,027.00	$2,650,348.00	1.30
2021-06-03	Tyler Technologies Inc. [fka Tyler Corporation]	VendEngine Inc.	11-50	$84,000,000.00	$70,000,000.00	1.20
2021-02-10	Tyler Technologies Inc. [fka Tyler Corporation]	NIC Inc.	5,001-10,000	$2,276,912,000.00	$460,454,000.00	4.40
2020-03-19	Thomson Reuters Corporation [fka The Thomson Co	Pondera Solutions LLC	51-200	$125,000,000.00	$10,000,000.00	12.50
2020-02-04	Audax Management Company LLC [dba Audax Priv	Kofile Technologies Inc.	201-500	$210,000,000.00	$40,000,000.00	5.30
2020-01-07	Accel-KKR LLC	Springbrook Software Inc. [Accela]	51-200	$150,000,000.00	$25,000,000.00	6.00
2019-07-11	Motorola Solutions Inc. [fka Motorola Inc.]	WatchGuard Inc. [aka WatchGuard Video]	500	$270,000,000.00	$120,000,000.00	2.30
2019-05-03	Clearlake Capital Group LP	Dude Solutions Inc. [Warburg Pincus LLC]	201-500	$525,000,000.00	$100,000,000.00	5.30
2019-04-25	TCMI Inc. [dba TCV]	Rave Mobile Safety	201-500	$225,000,000.00	$40,000,000.00	5.60
2019-03-04	Comcast Corporation [fka American Cable Systems]	BluVector [LLR Partners]	70	$30,000,000.00	$3,000,000.00	10.00
2018-12-10	GI Partners LP / TA Associates Management LP	Netsmart Technologies Inc. [Allscripts Healthcare Solutions,	1,700	$525,000,000.00	$344,962,000.00	1.50
2018-10-01	Tyler Technologies Inc. [fka Tyler Corporation]	TradeMaster Inc. [aka MobileEyes]	11-50	$4,800,000.00	$4,500,000.00	1.10
2018-04-18	Tyler Technologies Inc. [fka Tyler Corporation]	Socrata Inc. [fka blist]	150	$150,000,000.00	$25,000,000.00	6.00
2018-02-01	Bomgar Corporation [Thoma Bravo]	Lieberman Software Corporation	201-500	$100,000,000.00	$30,000,000.00	3.30

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Notable Transactions in GovTech 2018-2022 YTD

Date	Buyer	Seller	Theme	Total Deal Amount	Target TTM Rev	EV/TTM Rev	Type
2022-06-06	Becton, Dickinson and Company	Parata Systems	RPA, SaaS	$1.53B	$220.00M	6.9x	Strategic
2022-04-29	GI Partners	GTY Technology Holdings	SaaS	$374.27M	$57.65M	6.7x	Private Equity
2021-02-10	Tyler Technologies	NIC Inc.	SaaS	$2.28B	$460.45M	4.4x	Strategic
2019-09-11	Ansys Inc.	Livermore Software (LSTC)	SaaS	$775.00M	n/a	n/a	Strategic
2019-05-03	Clearlake Capital	Dude Solutions (Warburg Pincus)	SaaS	$525.00M	$100.00M	5.3x	Private Equity
2019-01-07	Motorola Solutions	VaaS International Holdings	SaaS, Machine Learning	$445.00M	n/a	n/a	Strategic
2018-12-10	GI Partners / TA Associates	Netsmart Technologies	SaaS	$525.00M	$344.96M	1.5x	Private Equity
2018-07-31	Fortive Corp	Accruent LLC	SaaS, Compliance	$2.00B	n/a	n/a	Strategic (Target backed by Genstar Capital)

GovTech in 2023

- The activity in big deals by Private Equity in the last few years is likely to put a focus now on smaller, add-on opportunities in 2023
- GovTech is seen as a stable bet and becomes more appealing in a down market – Governments are seen as more stable sources of sales and returns than other areas of the economy – governments can't stop operating
- There is a lot of tech debt in government that we are just now starting to see shift – one of the main reasons this space is attracting so much money and interest
- The pandemic accelerated digital efforts among public agencies who quickly needed to cover gaps to address remote workforces, virtual public meetings, and things like web-based citizen engagement
- The pandemic also created more streamlined procurement processes that will likely have a knock-on effect
- As in other markets, government and associated markets are now moving toward cloud computing and SaaS solutions (at least 1/3 of US cities report that at least 30% of their systems are in the cloud and the percentage for counties at that same stage of cloud migration is ~ 26%)

GovTech in 2023

Influences on GovTech M&A activity in 2023 are likely to come from interest in:

- Citizen engagement and digital services
- Public safety – law enforcement, fire protection, and medical response
- Increasing focus on disaster response as wildfires, hurricanes, and other natural disasters are increasing in frequency and severity
- Real-time data and video feeds to provide "of the minute" critical information
- The adoption of AI into many solutions to provide agencies with more intelligence while improving other IT systems
- Continued focus on User Experience - Citizens are pushing for more ability to do what they need to online (buy permits, process payments for example), and understand what's going on at all levels of government and as a result, governments are responding to that demand by investing in digital solutions
- Continued move to the cloud and hybrid cloud

The market is going through a major shift post COVID – moving to the cloud and software as a service has picked up momentum which is likely to continue as Gov Tech providers continue to expand

Big Cloud Companies Like AWS, Microsoft, and Google are all trying to capture more of this market

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THANK YOU

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