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GTY Technology Holdings, Inc. (GTYH)

Q3 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the GTY Technology Holdings Inc. Q3 2021 Earnings Call. My name is Hanna and I'll be your operator today. There will be an opportunity to ask questions at the end of today's call [Operator Instructions]

I will now hand over to you, John Curran, CFO, to begin today's presentation.

John J. Curran

Chief Financial Officer, GTY Technology Holdings, Inc.

Thank you. Good afternoon, everyone. I'm John Curran, GTY's CFO, and I'd like to welcome you to our third quarter 2021 earnings conference call. With me on today's call, TJ Parass, GTY's CEO. We will be presenting slides on today's call and encourage you to view the presentation found on our website at www.gtytechnology.com. Please note that our earnings release is also available on the GTY website, and contains additional information about our financial results.

Any forward-looking statements we made in the earnings release or any that we may make during this call are based upon information that we believe to be true as of today. Things often change, however, and actual results may differ materially from those projected or anticipated. Please refer to our cautionary statements in the earnings release under the heading Forward-Looking Statements.

You should also refer to our SEC filings, including our most recent Form 10-K and our subsequent SEC filings for a list of risk factors applicable to GTY, including risks associated with COVID-19. As you will hear in our comments, the pandemic is impacting our business today and for an undetermined time into the future.

During the call, we may refer to non-GAAP financial measures if we believe they are useful to investors or if we believe it will help investors better understand our results or business trends. You can see a reconciliation of our non-GAAP financial measures to their nearest comparable GAAP financial measure in Exhibit 2 of the earnings release and in the Appendix of this slide deck.

With that, I'll turn the call over to TJ.

TJ Parass

President & Chief Executive Officer, GTY Technology Holdings, Inc.

Thank you, John. Good afternoon, and thank you all for joining us. For those that are new to GTY, GTY provides cloud-based platforms that help government organizations transform the way they engage citizens and manage their operations. While the common perception is that government lags behind private sector, GTY was formed based on the founders' vision that governments were starting accelerate their digital transformation.

Even before the pandemic, governments were moving away from heavy, monolithic, on-prem solutions to modern cloud with SaaS applications, and this trend has gotten even stronger in the wake of the last year. State and local governments' modernization represents a massive opportunity for native cloud and SaaS-based platforms.

Here's how we're going about it. We're providing our best-of-breed cloud technologies through five product suites that cover the front and back offices of state and local governments. Included in our primary target sectors are municipalities and counties, colleges and universities, K-12 school districts, public healthcare agencies, public utilities like water and power, transportation and transit, state governments and federal agencies. As of today, we have over 1,850 clients and approximately 400 employees across our business units, with both of these numbers increasing weekly as they're leading into growth.

To add some color to the size of our opportunity, in 2021, state and local governments in the US is expected to spend just under $120 billion in IT. Total IT spending is growing at a healthy 7% for state and local, and within that cloud spending is growing at more than twice that rate as more organizations continue to shift workloads to the cloud.

As our customers are starting to modernize their infrastructure, GTY is well positioned to capture the opportunity at the transformation to the cloud represents. Let me unpack that a bit for you. Before I describe the product suites themselves, it's important to understand that GTY products have three broad characteristics that position us for success. First, they are cloud and largely SaaS. This means highly recurring revenue streams with remarkably low churn, often multi-year contracts, strong gross margins and predictable cash flows.

Second, each of our product suites were created specifically for government's unique requirements and are considered leaders in their respective functional areas. This leads to high win rates against older gov tech competitors as well as against horizontal players that often struggle to meet compliance or government-specific feature requirements.

Finally, combined, our product suites allow us to access a full spectrum of sizes and segments from our customers, from $10,000 to $1 million and higher price points, and across eight of our subsectors with small municipalities, all the way up to large state governments and federal agencies.

So, let's meet the products and business units. First is Bonfire, our next-generation sourcing and procurement platform. Second is CityBase, our payment platform that helps centralize the citizen interface of a government agency. Third, eCivis provides a grant management system that helps governments stay on top of one of their most important sources of funding. Fourth, Open Counter streamlines government permitting, which is one of the major touch points with citizens. And finally, rounding out our product suites are our budgeting platform companies, Questica and Sherpa, which we collectively call GTY Budget. Budgeting is a core and mission-critical financial activity of all levels of government. Combined, these product suites give GTY a strong starting position to capture the opportunity ahead.

With that context for the newcomers of GTY, let's turn to Q3. GTY reported one of our best quarters of the public company, highlighted by the largest city-based kiosk installation with the Detroit-based diversified energy company DTE Energy. The rollout of these kiosks was completed ahead of schedule. We are excited about the momentum we are seeing in the market as the economic environment for our customers continues to improve despite challenges that persist from the new Delta variant of COVID-19.

The core strength of our business is our ARR, which remains robust in a quarter yet again. Our ARR growth rate of 25% in Q3 was slightly ahead of last quarter, as well as Q3 of last year. More importantly, we have been able to deliver consistently solid mid 20s ARR growth for eight consecutive quarters.

Turning to bookings, Q3 improved greatly from Q2 as we closed all deals that's of Q2. Year-to-date, our bookings are in line with expectations and we expect Q4 to remain in line or better. As we've stated in the past, the exact timing of deals is somewhat hard to predict, but we are seeing a strong pipeline of opportunity and a solid momentum in the market.

During our quarterly business review, I was extremely pleased with the sheer number of deals each business unit has closed, too many to discuss. So I want to highlight some more of these impactful deals.

In total, we added 74 new clients with wins across all eight of our target sectors, as well as many customer expansions. Additionally, the average ARR per customers consistently growing, up 3% quarter-over-quarter and 30% from a year ago.

Our CityBase business unit continues to implement payment solutions with new customers, as well as expand with current customers. In Q1, we signed a large multimillion dollar deal with DTE Energy that was roughly half kiosks and half subscription revenue. We originally expected the kiosk implementation to take place evenly over Q3 and Q4. We're excited to report we were able to execute on this project faster than expected to finish the installations in Q3. The key here was CityBase implementation team, and I'm extremely proud of the job the team has done. The team has been laser focused on gaining efficiencies through the implementation process and increasing customer satisfaction. The only downside is we pulled about $400,000 of revenue for Q4.

In other CityBase news, we continue to expand with great customers like Lawrence, Indiana, after introducing 24/7 self-service payment kiosks last year, the city has also launched mobile-friendly web payments. The finance and customer service team at the city can research, report and reconcile transactions made online or via kiosk. CityBase solutions provide the city a centralized revenue management solution, which provides greater efficiencies and better customer service.

Our cloud-based budgeting tools, Questica and Sherpa, have been selected by a wide range of organizations and went live in the quarter with the city and county of San Francisco, the state of New Mexico and the state of Idaho. Questica has partnered with the Washington School Information Processing Cooperative, or WSIPC, to offer budgeting solutions to more than 300 cooperative member districts. WSIPC's purchasing program through an official RFP process awards contracts to technology vendors like Questica, which enables K-12 organizations a streamlined purchasing process of modernizing school districts. We are pleased to be supporting this organization and look forward to connecting with each member district and solving their pain points and replacing legacy budgeting systems with Questica budget, performance measurement and open book transparency solutions.

Our grant management platform, eCivis, continues to move upmarket from small non-profits to larger state and local governments. During the quarter, we signed the state of Rhode Island to a statewide grants management contract, they expect to implement this over the coming quarters. A few other notable deals were King County, Washington, a few tribal governments, and the Alaska Department of Transportation. Additionally, we completed two major implementations, one with the California Department of Housing and Community, and the Georgia Department of Community Affairs.

We are seeing eCivis customers use American Rescue Plan Act or ARPA funding to purchase our software as well to directly manage those funds. To support our customers, we have added new functionality to automate and streamline ARPA grants management and compliance with the latest federal guidelines. While it's still very early in the process, we are pleased with the high level of engagement.

Finally, our procurement platform, Bonfire, launched Bonfire Open Access Community Projects. This freely accessible tool will provide public procurement teams with access to an extensive database of public projects from across North America to streamline the RFI and RFP creation process. During the quarter, we had a material expansion with Eastern Municipal Water District in California and signed up the city of Scottsdale, Arizona, and the city of Sioux Falls, South Dakota.

Turning to our outlook, the pipeline of opportunities in the market, we believe are being driven by several macro drivers that are providing tailwinds for our business. Our customers and prospects are becoming more comfortable with their budgets and their outlook.

First, the continuing economic recovery as more Americans are vaccinated and the economy opens up. Second, budgets for 2021 and 2022 are less negatively impacted than initially feared. And finally, the American Rescue Plan Act of 2021 or ARPA includes provisions that will help states and local municipalities get more comfortable, creating long-term investment plans knowing additional funding will be there to support it.

In response to the positive market dynamics, increased sales productivity and an expanding pipeline of opportunities, we are investing in our sales and marketing capacity, our development teams, as well as our recruitment engine. Since the pandemic, there has been a well-documented challenge facing all businesses when it comes to labor. The great resignation, as it's been called, presents a challenge not only for our business, but also for our customers. Our customers generally have an older employee base those retiring and a greater volume than prior to the pandemic. The effect is that it elongates the sales and implementation timelines.

In response to a more competitive hiring environment, we have expanded our HR recruiting team and placed an increased presence, our unique employer brand. The result was a net gain of 22 staff, including 13 in sales and marketing. We are excited about the quality of candidates and the number of exceptional staff that are joining GTY and its business units. While our attrition is in line with the tech industry average, it remains elevated when compared to prior years. We have implemented a number of programs that have had the effect of lowering our attrition in the quarter.

In conclusion, we are excited to have multiple tailwinds supporting our business and look forward to executing on our growth initiatives.

Thank you. Back to you, John.

John J. Curran

Chief Financial Officer, GTY Technology Holdings, Inc.

Thank you, TJ. As TJ mentioned, Q3 was another excellent quarter, highlighted by revenue that exceeded guidance and continued improvements in our operating results. For Q3, our GAAP revenue increased 29% to $16.3 million, compared with $12.6 million in Q3 of 2020. On a non-GAAP basis, revenue was $16.4 million for Q3 of 2021, compared with $12.7 million in Q3 of 2020, an increase of 29%. A reconciliation between our GAAP and non-GAAP results is included in Exhibit 2 of our press release and in the Appendix of our slide deck. We'll provide a more detailed explanation of the change in revenue on the subsequent slides.

Our third quarter 2021 GAAP gross profit was $10.3 million or 64% margin, compared with $8 million in Q2 of 2020 or 63% margin. Our third quarter non-GAAP gross profit increased to $10.9 million or 67% margin compared with $8.3 million or 65% margin in Q3 of 2020. Continued growth in our recurring revenue is driving the improvements in our gross margins.

Turning to our operating expenses, we saw a $400,000 or 4% increase in our operating expenses in Q3 of 2021 compared to Q2 of 2021. We saw about $150,000 of currency impact in the quarter. Excluding the impact of currency, we had about $550,000 of expense increases in the quarter, primarily related to additional head count.

Our third quarter 2021 GAAP operating loss was $8.5 million, compared with a loss of $7.9 million in Q2 of 2021 and a loss of $7.3 million in Q3 of 2020. Our third quarter non-GAAP operating loss decreased to $100,000, compared with $1.1 million in Q2 of 2021, driven primarily by growth and revenue and improvements in gross margins.

Consistent with previous quarters, we wanted to provide a little more color on the change in non-GAAP revenue. As you can see in this chart, our recurring revenue grew by 3% on a quarter-over-quarter basis and grew by 29% on a year-over-year basis. Adjusting for seasonality in our payments business, our quarter-over-quarter recurring revenue grew by 7%. Services and other increased by 55% on a quarter-over-quarter basis and 28% from the year-ago period.

In Q3 of 2021, we recorded $1.2 million kiosk revenue, primarily associated with the DTE energy installation, which provided a significant boost to our services and other revenue in the quarter. Our current services backlog remains strong and we expect our services revenue in Q4 to be at similar levels compared to Q3. Our service revenue can vary from quarter to quarter due to the timing of large projects, and we expect professional services to decline as a percentage of revenue, as our base of recurring revenue continues to grow. Other revenue includes sales of kiosks and software license sales that we also expect to decline as a percentage of revenue over time.

We continue to expect recurring revenue to grow in the mid- to high-20% range for the year and expect their services and other revenue will grow in the high teens compared with 2020. Our recurring revenue growth should continue to be higher in percentage and dollar terms than service and other revenue as we continue to forecast growth in our base of subscription business.

Taking a look at our balance sheet, there's only one material change that I would like to discuss. This would be the change in our receivables, which decreased by roughly $1 million this quarter, driven by strong collections. From a cash perspective, we started the quarter with $15.4 million and ended with $15.3 million in cash. From an inflow perspective, our cash from operations was approximately $900,000 this quarter, a $1.6 million increase from an operating burn of $700,000 in Q2. The change in working capital was an inflow $700,000, primarily driven by strong AR collections. From an outflow perspective, we paid $500,000 in interest and $800,000 for a royalty payment associated with the Questica acquisition that occurred prior to the formation of GTY. This is the final installment of contingent consideration for that acquisition. Based on our reduced burn rates and our current forecast, we believe we have sufficient cash to support our growth initiatives as well as our ongoing operations through 2022 and beyond.

Turning to our outlook for the fourth quarter and full year 2021, for the fourth quarter of 2021, we expect total revenue to be in the range of $16.3 million to $16.8 million, approximately 25% year-over-year growth at the midpoint. For the full year 2021, we expect total revenue to be in the range of $60.5 million to $61 million or approximately 24% year-over-year growth at the midpoint. From an operating loss perspective, we expect our loss to be in the range of $2 million to $2.5 million for the fourth quarter of 2021. For the full year, we expect our operating loss to be in the range of $4.7 million to $5.2 million.

As TJ mentioned, we're seeing improvements in our market outlook and we anticipate increased investment in the fourth quarter to support increasing demand. However, given the ramp time for our new resources, we don't expect to see any material benefits to our top line in 2021. Given these investments our operating expenses will be increasing in the fourth quarter to fund our growth initiatives for 2022 and beyond. Obviously, this will affect our operating cash flow forecast for the fourth quarter, which we now expect to be negative, driven by our hiring plans.

With that, I'd like to turn things back to TJ.

TJ Parass

President & Chief Executive Officer, GTY Technology Holdings, Inc.

In summary, we're very pleased with our third quarter with GAAP revenues up 29% in the quarter and ARR growing 25% over a year. As we enter the final quarter of the year and start planning for 2022, we are feeling good about our market opportunity and look forward to increasing our investments to meet the needs of our customers in 2022 and beyond. I'm continuously amazed by the quality of the products we bring to the public sector, our high NPS scores and loyal customers. Personally, I want to thank all the staff at GTY for their hard work and dedication to helping bring the public sector into the cloud.

With that, I want to thank you all for your time today. Operator, would you please open up the line for questions?

QUESTION AND ANSWER SECTION

Operator: Thank you, both. We have now reached the Q&A portion of today's call. [Operator Instructions] Our first question today comes from Joshua Reilly of Needham. Your line is open. Please go ahead.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

All right. Thanks, guys. Congrats on the strong quarter. Maybe we can start off with getting a little more color on RFP activity. Has it returned to kind of pre-COVID levels? And maybe what's kind of the general level of confidence with customers at this point now versus maybe like six months ago? And then secondarily, how should we expect the disbursal of these ARPA funds over the next year? Should we expect somewhat of like a steady spending or could there be an acceleration of opportunities next year?

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Okay. Thanks, Joshua, for the question. TJ here. So, I'll answer the first part. With the RFP activity and general activity has increased in the second half of the year compared to the middle of the year and certainly since last year during the pandemic, we believe there's a number of factors that are fueling that. So, one of them is that our customers are increasingly – we're starting to put first of all COVID behind us, it's looking further and further in the rearview mirror. We are seeing the funding starting to flow, the CARES Act funding that started last year and now the ARPA funding is starting to flow. We'll remind you also that the number of our deals are not necessarily going to RFP, so overall pipelines and transactions have been in terms of deals coming through have been steady. But we feel we're looking at that pipeline and see it growing. That's a lot has to do that because of the ARPA funding.

And we also – looking into next year to answer your question on the funding, the ARPA funding, we continue to see rest of the CARES Act money being used and also ARPA funding starting to gain momentum now. So, just like all funding rounds we've experienced in the past, it takes a while for our customers to figure out how to use it and takes a little while for us to learn how to speak with our customers about it. We're just starting to see the first few deal come through using ARPA funding.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

Okay. Great. And then, I'm curious what are you seeing now in terms of payment volumes returning nationwide for CityBase and then maybe you can talk a little bit about how the implementations for the Denver and Austin deployments are going and then how many payment cases you've got up and running in these locations and maybe how that could drive revenue over the next year?

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

I'll tackle the implementation question and turn the transaction volume over to John. We had a very concerted effort with CityBase, the team has come together really looking at honing down on how they go from contract to deployment. Like we mentioned in this call, excellent work by the team to really get super focused on how to get from contracts to transactions happening. I think six months for DTE Energy in rolling out that number of kiosks, which is a significant amount, was remarkable. So, this has to do with all the work with the CEO, Mike Duffy, and he is also working with our COO and their implementation team and excellent results.

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Hey, Josh. This is John. With regard to kind of transaction volumes, we're continuing to see, if we kind of break it into two parts, the way you asked the question around activity with existing customers, the ones that are – no one's fully implemented, but the ones that are substantially implemented, we are seeing volume improve. They're not back to normal yet. We're still – just got a little room to go before we get back to normal. But we are continuing to see improvement in transaction volumes there.

With regards to Denver and Austin, we have both of those customers online. So, we've brought a number of their scheduled payment streams online on schedule to TJ's point about implementation work with CityBase there. The team there is doing an excellent job. They've got a lot on their plate and they're hitting their milestones and deadlines. There's still more activity to bring on board. So, we'll see continued growth with those customers as we move forward in Q4 and into next year. The implementation timelines are lengthy with CityBase for these larger customers, because there's multiple streams to bring online, so we have to kind of do that in an orderly fashion based on customer availability.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

Okay. Great. That's helpful. And then maybe just one more for me. You know, clearly the setup for next year looks pretty attractive here. I'm just curious, how do you think about accelerating the sales investments now here in the fourth quarter and then maybe the implications for that for cash burn relative to your expectations kind of going into next year?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Sure. So, as TJ may have said in his comments, we did make some headway with our hiring in Q3, but we were behind our plans, right? We added net 22 heads, 12 or 13 in sales and marketing. So, we made good progress in the sales and marketing heads, but still behind to our expectations for the quarter. We have a big number that we're going after in terms of hiring in the fourth quarter and – but we're happy with the progress we made in the third quarter. It does give us incremental capacity as we look forward to 2022. Now, and as we said, the market environment is really warming up, we feel good about the market opportunity as we roll into 2022.

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Yeah. Josh, the only thing I'd add to that is like we had discussed in the last quarter that our goal was to add about 20 new people to the sales and marketing team. And while we're behind on the total amount of staff we want to add, we made some good inroads on that 20 people and got about 13 of them on board now. I also kind of just want to point out we've also brought on our first cross-selling director to start working on the cross-selling efforts.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

Great. Congrats on the quarter. Thanks, guys.

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Thanks, Josh.

Operator: Thank you. Our next question comes from Rudy Kessinger of D. A. Davidson. Your line is open. Please continue.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Hey, guys. Thanks for taking my questions. I want to kind of narrow in on the recurring revenue ex payments. There is one of the weaker sequential growth rates that we've seen, is there anything in particular to call out there just in the quarter, something maybe seasonal? And then also as I look to Q4, just if I assume kind of maybe a bit more muted seasonal jump in the payments revenue, but also, like you said, sort of similar levels on services and other, that also implies kind of another weak sequential Q3 to Q4 in the recurring revenue ex payments, is there anything to call out there that is contributing to that strong growth?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

So Rudy, if we – so Q3 is a seasonal low point, right, so of the quarter-over-quarter, if we adjust for the seasonality and payments, our recurring revenue grew 7%. So, the quarter-on-quarter growth rate is solid and on track, are aligned with our year-over-year growth rates in our recurring business of 29%. So, we're happy with our quarterly trajectory on the recurring path. So – and looking forward to Q4, we do see, anticipate seeing this typical seasonal bump in payments, as you point out, we're still muted by the pandemic. But we will see a step function increase in the payments business from Q3 to Q4 for the Q4-related volume change. So for our expectation for the year are in line with where we wanted to be from a recurring perspective, high-20s in growth on the recurring business.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Got it. On the sales addition, TJ, I want to make sure I'm clear, I think you said previously you were looking to do a 20% increase in sales capacity and then I think you just said a moment ago there's 20 heads and maybe they're both true, but you should be thinking that those 13 heads then represent a 13% increase in sales capacity or just trying to get clarity on that?

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Yeah. You've got about just exactly right. So, we're looking at about 20 people which represents about 20% increase in our sales capacity – sales and marketing capacity.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Okay. Got it. That's all.

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

We've got 13 of those 20 on board now.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Got it. And then the cross-sell director that you just brought in, what kind of your expectation, I guess both, near-term and longer-term? I mean, what's kind of is the goal for him over the next six months? What kind of cross-sell motions are you looking to establish? Which kind of products do you think fit best together for joint sales motions, just kind of give me the overview of what your plans are for him near and I guess more longer-term too?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Right. Yeah. So Julie joined us, has done this before in the gov-tech sector, has a very prescribed way that she wants to approach this. But, if you ask me where we'll probably see some natural fits, there's no question about our budgeting and grants, our companies will work together. They already have a combined sales force and sells to the same department. We're also seeing some opportunities between Open Counter and CityBase on the payments and then permitting because permitting often link lead to payments. They're working together. And I think Julie is like the facilitator that brings those two together, working with the sales team. So, it's a little early to necessarily talk about what our – what this is going to do for the company, we want to walk it through the first few months and then we start talking about it somewhat later.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Got it. And then just lastly, if I could sneak one last one in. On the ARPA funding, you said it's been used to purchase the first couple of deals. Has it been used to purchase anything outside of eCivis yet or has it been isolated to just eCivis sales so far?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

So far, the one – the ones I'm directly aware of our eCivis. Speaking with our CRO earlier today, he said that there are a number of deals in the pipeline that are outside the eCivis that have ARPA funding possibilities with them.

Rudy Grayson Kessinger
Analyst, D. A. Davidson & Co.

Q

Got it. Great. Helpful. I'll jump back in the queue.

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Thank you.

Operator: Thank you. Our next question today comes from Jeff Van Rhee of the Craig-Hallum Capital Group.

Q

Hey, guys. This is [ph] Aaron (33:54) on for Jeff. I think most of mine has been hit here, but it's kind of at a high level. Was there anything that you'd call out anything unique in the makeup of the pipeline, anything in size, it looks different now than it did say six, 12, 24 months ago?

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Well, John will jump in on this one also, but my impression, and certainly, as you saw in the presentation that our ARR – our net ARR is increasing. And so, we're seeing that we're moving more upmarket, I would say, like we're seeing bigger and bigger deals. We're seeing more of these multimillion dollar deals coming in. And in general, as our sales teams are maturing, that movement upmarket is moving in the right direction for us. So that's probably the biggest change in makeup in my opinion from what I'm seeing in the market right now.

John, anything you want to add to that?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Yeah. I'd echo TJ's comments definitely seeing a consistent trend in larger transaction sizes. And again, given kind of the robust stimulus dollars we're seeing from the government, of course, we're seeing an increase in inbound demand for eCivis or grants management platform. So, they're probably seeing things are very warm for them these days, but we're also seeing solid increases in pipe across the business units.

Q

Awesome, thanks, that's helpful. And then one another one, I don't want to beat a dead horse here on the ARPA funding, but any sense as far as any kind of concern or anything you're seeing with customers. I know there's a lot of confusion, kind of lack of clarity about what ARPA funding can be used for. Are you seeing any of that play through in conversations that sales teams are having and kind of what's your take on the potential risk of maybe ARPA funding not coming through the way that people are expecting?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

I think we've – I'm sorry. Yeah. Go ahead, TJ.

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Go ahead, John. Okay, sure. I think there's a couple of dimensions to look at an answer for that. And I think this is very typical of what you see when somebody comes out like this, back to 2008, when the CARES Act was out and the last CARES Act, and now ARPA, it takes time for the government to figure out how to use it. We saw with the CARES Act funding, for instance, this shows you largely to help with COVID, but some of our customers, they were able to start using with the kiosks, because that helps with hands-free transactions. And so, I think we – what you'll find is with ARPA, which actually is a little bit more open than how you can use it, our customers will figure that out.

The second dimension I would say on this answer is that even if they're not directly allocated towards us, they're allocating some of their spend for something else that helps them free up some of the budget. So look at projects like ours. So I think it works in two ways for us. And certainly, historically, it's been always helpful for our sales and pipelines when these grants come back out, back to 2008, and certainly last CARES Act and we expected that ARPA they'll be even more – considering it's open than the last two. John, sorry?

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Yeah, I would agree. We are seeing based on our conversations with our sales teams and our customers, we are starting to see that the money flow, right? Our customers are commenting that money is flowing and which you can read in the news, if it is very early days for the trickle down of ARPA. It has a multi-year lifecycle for ARPA. So, we do anticipate that we'll see that the flow of money increasing as we go to the next couple of quarters, and to TJ's point, some of it will be used directly to buy our products as we see in the grants space. And – but even if it's not used directly to buy our products, we believe it will provide benefits to us, because it will free up budget dollars. And then, the third thing I'd add is that we are seeing significant infrastructure bill working its way through the federal government. Those are also incremental funds. So, ultimately, when those start trickling down, they will trickle down in the form of grants, and while they're more focused on hard infrastructure, there's still a grant benefit from any of these funds coming through the federal government.

Q

That's very helpful. That's it for me.

John J. Curran
Chief Financial Officer, GTY Technology Holdings, Inc.

A

Thanks, [ph] Aaron (38:54).

Operator: Thank you.

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

A

Thank you.

Operator: [Operator Instructions] We have no further questions on the line. So, I'll hand back over to management for any final remarks.

TJ Parass
President & Chief Executive Officer, GTY Technology Holdings, Inc.

Just wanted to say thank you for joining us today. We're very pleased with the quarter, pleased with what GTY has started doing out in the public sector here, and I want to thank you and have a great night and we'll see you next quarter.

Operator: We thank you all for joining today's call. The call has now concluded. Thank you.