



VISTA POINT ADVISORS

Government Technology
Market Update

Q3 2024

I. Executive Summary

Executive Summary

Sector Overview

- As of 2023, the Global Government Technology sector (“GovTech”) amounted to \$575b and is projected to reach \$888b by 2026, growing at a CAGR of 15.6%.
- As of Q3 2024, M&A activity has exceeded 2022 and 2023 in terms of deal count. However, transaction count has not yet reached the levels recorded in 2021. Despite this, 2024 is shaping up to be a strong year for M&A activity.
- The sector can anticipate greater clarity and consistency in valuation, leading to increased stability in transaction volume within the industry.

Q3 2024 Report Themes



Factors such as data security and rigorous compliance standards are anticipated to drive growth in this industry.



Public companies have modernized their services to remain competitive with the private sector.



Despite evolving trends, cybersecurity is expected to remain of utmost importance.

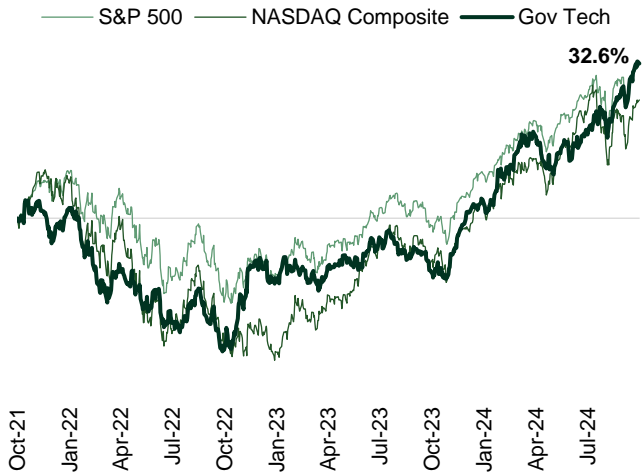


Investments in technology are expected to be influenced by a comprehensive state approach to budgeting.

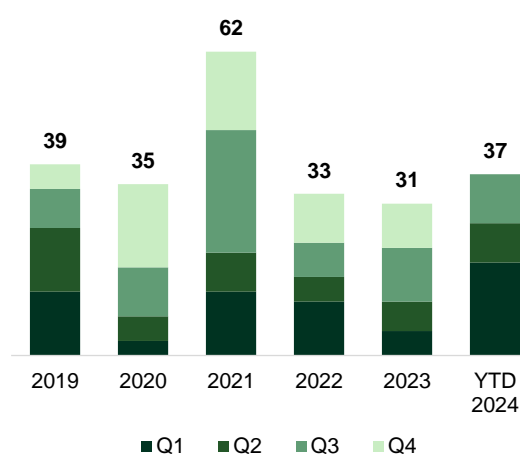


California is expected to be allocated the highest amount of state-level IT budget.

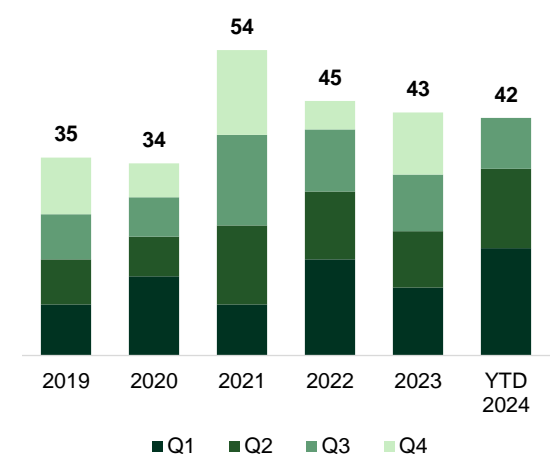
GovTech Companies Performance*



M&A Transactions



Private Funding Transactions



Select Key Players in Government Technology

Data and Record Systems

AXON, Brightly, eso, HEXAGON, Honeywell, IBM, Johnson Controls, MAGNET FORENSICS, mapbox, MARK43, Microsoft, nuix, SAP, SOUNDTHINKING

Engagement and Communications

Capita, CARBYNE, CENTRALSQUARE, CIVICPLUS, everbridge, FiscalNote, GRANICUS, nextdoor, OnBoard, Quorum, VERINT, Zencity

Operations, Admin, Finance

Accela, AVENU, EUNA solutions, HARRIS, Hyland, infor, maximus, NEOGOV, OPENGOV, ORACLE, Paylt, Quest, readytech, tcp, tyler technologies, unison, Wolters Kluwer, workforce optimizer

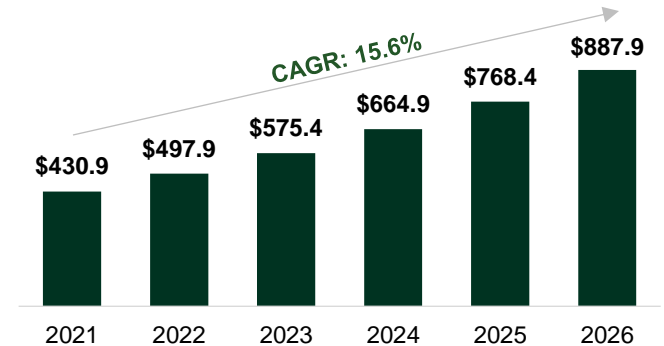
Vertical GovTech

ACTIVE network, ARCADIS, Bonterra, ECOLAB, Everlaw, okta, Passport, QUALIFACTS, REKOR, Relativity, Submittable, UNILINK, WellSky

Industry Trends and Outlook (1/2)

Global Government Technology Market Size (\$b)

- Public sector organizations have significantly modernized their services to match private sector standards. By 2025, it is expected that over 75% of governments to run more than half of their workloads on hyperscale cloud service providers.
- As workloads increase, government agencies are leveraging data as a strategic asset. They're using AI advancements to streamline processes and enhance productivity.
- Governments using decision intelligence will improve citizen services by integrating data from various sources. AI will enable better early warning systems, more efficient response measures, and agile decision-making.



2024 Outlook Trends



Cloud Technology Modernization

The GovTech sector is rapidly adopting modern cloud technologies, driven by updated FedRAMP guidance, accelerating digital transformation in government operations.



Cybersecurity will continue to be a top priority for governments

Despite evolving trends, cybersecurity remains a priority. Governments are enhancing security and ensuring resilience against cyber threats, with data security and strict compliance standards more crucial than ever.



AI governance is gaining traction with government leaders

Governments are ensuring AI is used ethically, securely, and trustworthily as it evolves. In the U.S., the White House issued an Executive Order on Safe, Secure, and Trustworthy AI Development, setting new standards for AI safety, security, and privacy protection.



Strengthened Cybersecurity

Enhanced security standards in GovTech are ensuring cloud solutions meet federal cybersecurity requirements, protecting sensitive government data.



Government technology will help agencies be more proactive

Governments will leverage decision intelligence for proactive services. AI connects data across agencies, enhancing warnings, responses, and decisions. Nearly 60% of AI investments will impact real-time decisions, advancing predictive analytics and operations.

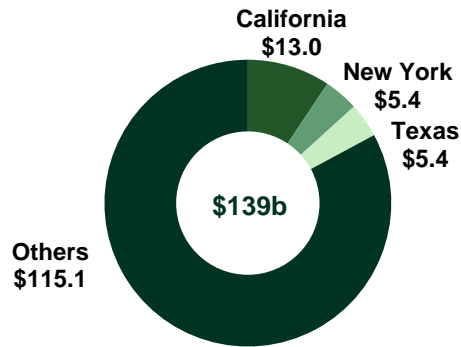


Government technology is redefining work in every way

Government agencies use data and AI to streamline processes and boost productivity, employing chatbots and virtual assistants for faster service. They're now integrating platforms that combine data, AI, and CRM to meet demands and enhance accountability.

Industry Trends and Outlook (2/2)

2024 State-Level IT Budget (\$b)



A unified state approach to budgeting and collaboration across state, local, and education (SLED) sectors will greatly impact technology investments over the next five years.

In 2024, SLED sectors are set to spend \$139b on technology, with \$59b for IT services and \$13b for software products. By 2025, projections indicate an increase to \$61b for services and \$14b for software products.

Benefits of Adopting Emerging Technologies

92%

of state and local agency leaders agree that adopting emerging technologies at their agency will increase overall efficiency

91%

of state and local agency leaders agree that adopting emerging technologies at their agency will enhance their agency's ability to use data

92%

of state and local agency leaders agree that adopting emerging technologies at their agency will improve management and insights

88%

of state and local agency leaders agree that adopting emerging technologies at their agency will free up employees' time for more valuable work

Governments must move from “doing digital” to “being digital”



Beginning Digital

Digital storefronts and websites are constructed to provide information and other basic services. There is little real change to services or Government.



Doing Digital

Digital technologies are deployed to improve customer experience resulting in improved services but very little change to government.



Becoming Digital

Some services are fully digitized, but most remain hybrid. While operations advance, cognitive intelligence for continuous improvement is still lacking.



Being Digital

The Human experience is elevated. Human-centered design and advanced technologies like AI, cyber and cloud are used to radically improve service delivery.

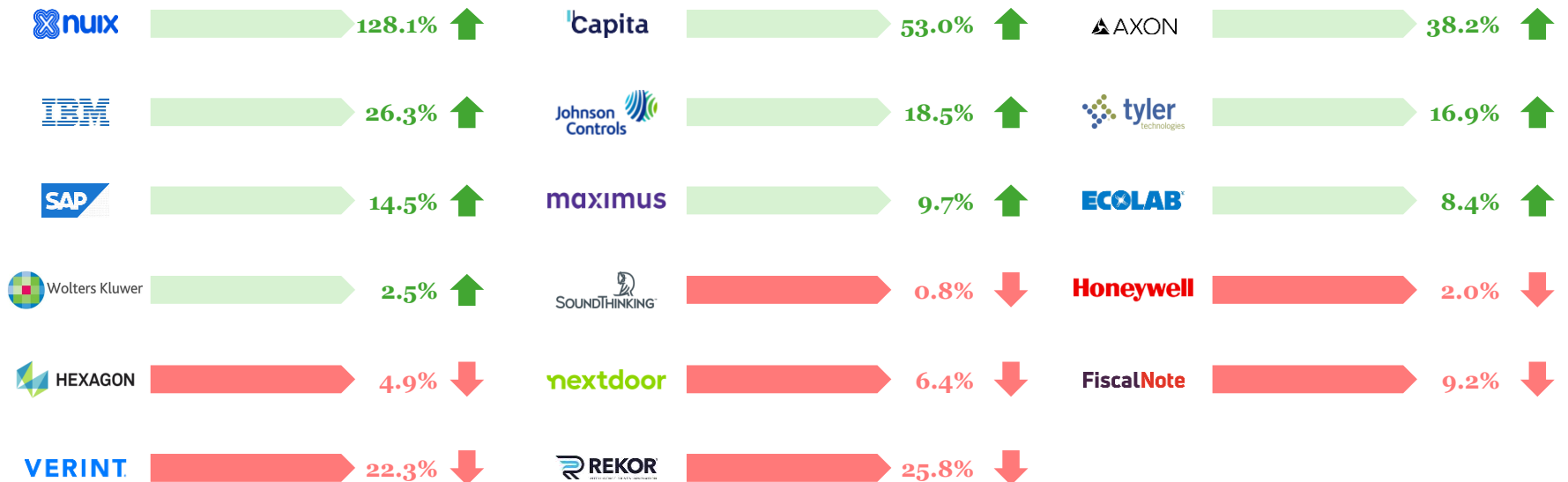
III. Capital Markets & Public Trading Data

Public Companies Performance (1/3)

Select Government Technology Public Companies Constituting the Public Index



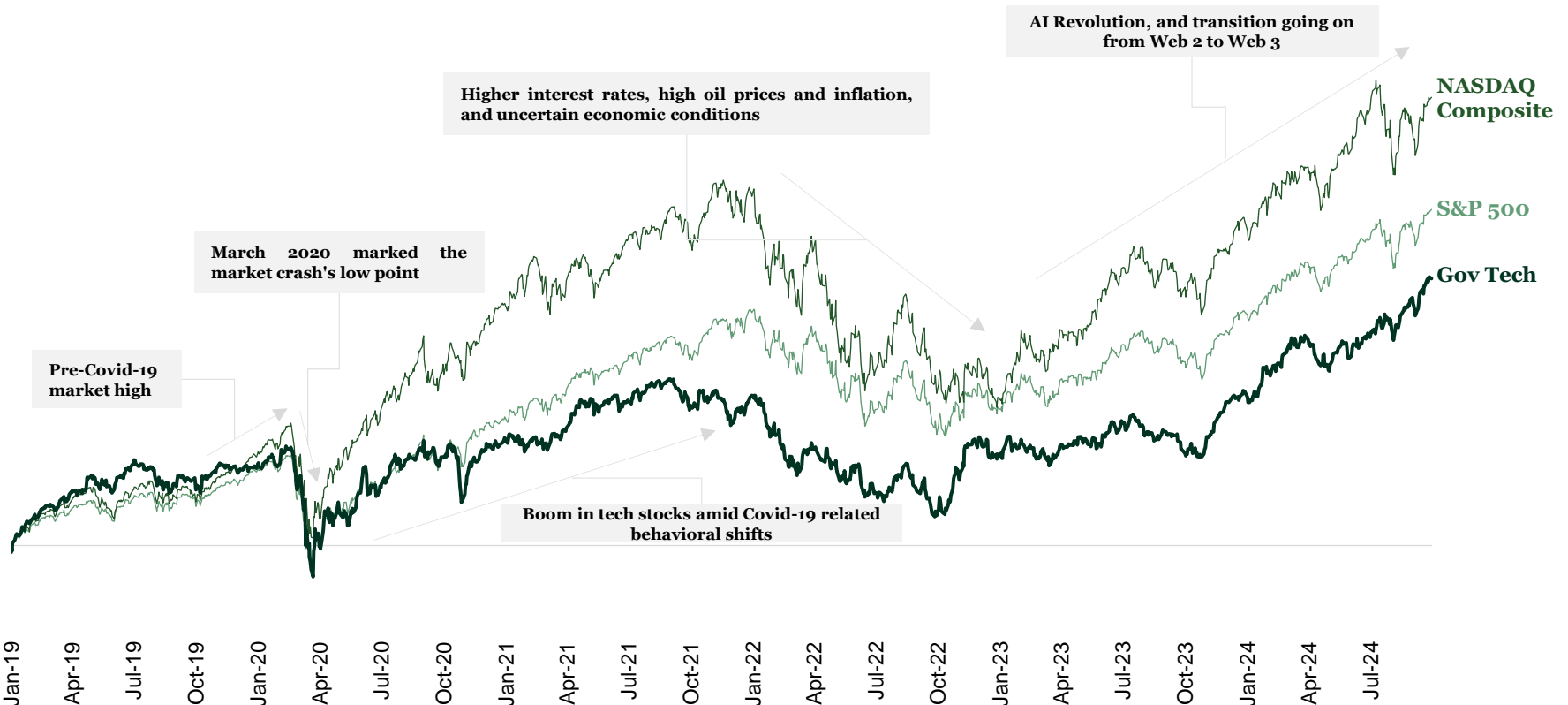
Q3 24 Government Technology Companies Performance



Public Companies Performance (2/3)

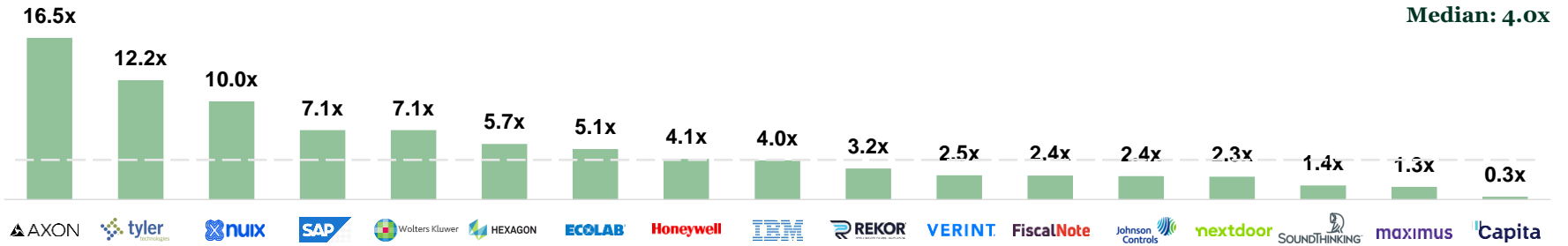
The GovTech industry continues its growth in an uptrend, although it lagged behind the S&P 500 and NASDAQ Composite, it experienced a surge in early 2024, driven by robust funding, international events, sustained government focus, and a recovering IPO market, despite ongoing regulatory challenges. Increased defense spending, prompted by geopolitical tensions, further supported the sector's growth and contributed to economic stability amid broader challenges.

Index Growth	CY 23	Q3 23	Q3 24
GovTech	18.0%	(7.2%)	12.6%
S&P 500	24.7%	(3.8%)	5.2%
NASDAQ Composite	44.5%	(4.3%)	1.7%

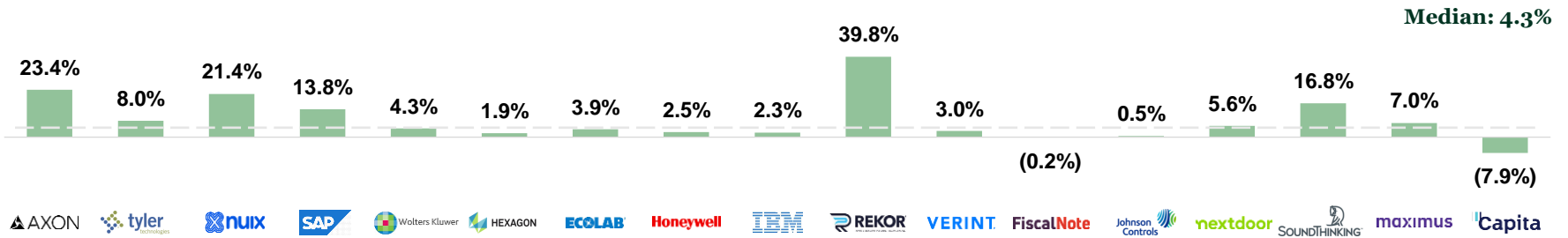


Public Companies Performance (3/3)

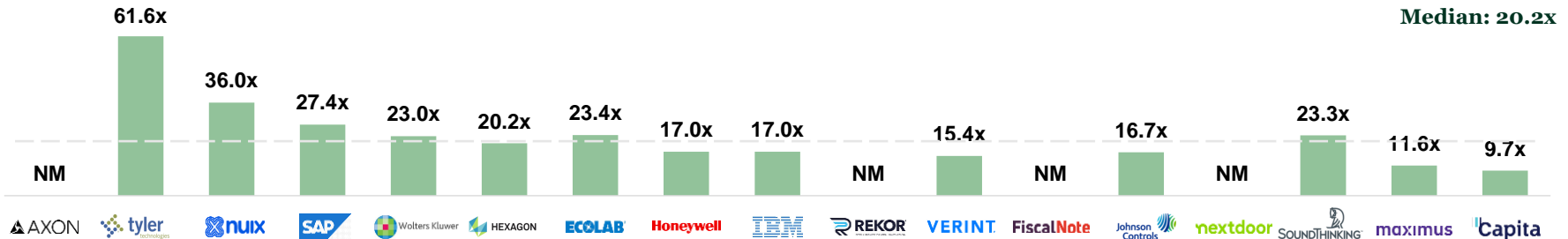
EV/Revenue (LTM)



Revenue Growth (LTM)



EV/EBITDA (LTM)

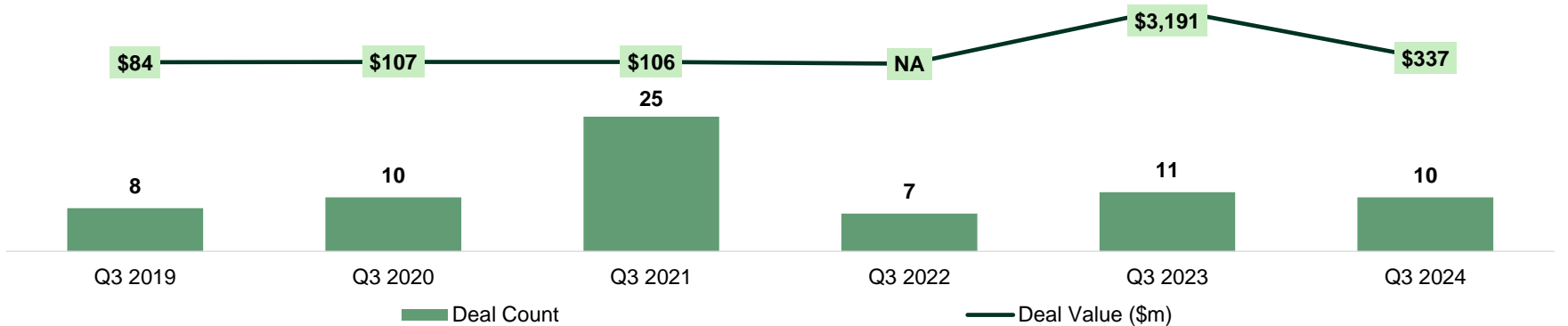


Source: S&P Capital IQ, Pitchbook
 Note: Market and Financial data latest reported as of 9/30/2024;
 NA – not available; NM – not meaningful (in case EV/Revenue: >25.0x; <0.0x or EV/EBITDA: >100.0x; <0.0x)

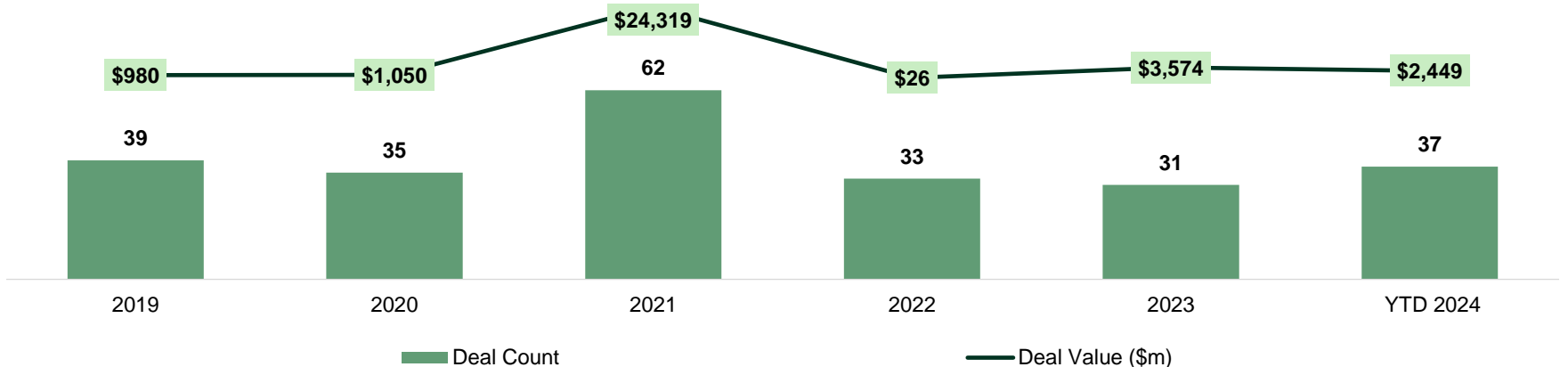
Government Technology M&A Activity (1/4)

While deal activity slowed in 2022 and 2023 compared to 2021, the steady flow of government contracts suggests promising prospects for 2024. System modernization continues to drive growth in Government IT Services, while rising demand for AI solutions is boosting strategic M&A activity. Despite inflation and higher debt costs, top-tier companies with strong margins and unique capabilities are seeing increased demand and premium valuations.

Historical Q3 M&A Summary



















Annual M&A Summary



Government Technology M&A Activity (2/4)




Most Active Buyout Investors

Active Investors from 2019 – Q3 2024							
Company Name	Investor Type	# of New Investments	Notable Investments				
	PE/Buyout	6					
	Strategic	5					
	PE/Buyout	5					
	Growth/Expansion	5					
	PE/Buyout	4					
	Growth/Expansion	4					
	Strategic	4					
	PE/Buyout	4					
	PE/Buyout	3					

Government Technology M&A Activity (3/4)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/Revenue	Target Description
27-Sep	Critical Mission Solutions	 amentum	Vertical GovTech	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Provider of technology-enabled solutions intended to serve federal government agencies.
16-Sep	 NOVITAS	 PROTEUS DISCOVERY GROUP	Data & Record Systems	<\$10m	Undisclosed	<ul style="list-style-type: none"> Developer of electronic discovery and document management solutions intended for law firms, corporations and government agencies.
6-Sep	 SDG	 ALIGN CAPITAL PARTNERS	Data & Record Systems	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of geo-centric property record and analysis software for local governments.
5-Sep	Cloudpermit 	 Riverside	Operations	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of an international e-permitting platform intended to serve local governments with online community development software.
3-Sep	 BACKGROUND SOLUTIONS	NEOGOV	Operations	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of software, a case management tool designed for law enforcement background investigators.
9-Aug	witeris [®] n	Almaviva	Vertical GovTech	\$335m	1.8x	<ul style="list-style-type: none"> Provider of smart mobility infrastructure management solutions.
8-Aug	 ALASTAR	 Cleartronic	Operations	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of situational awareness software intended to improve the mission effectiveness of public safety agencies.
6-Aug	BOLDEND	 SIXGEN	Vertical GovTech	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of cybersecurity products designed to defend cyberspace, enabling government and government agencies to protect the nation's resources from cyber threats.

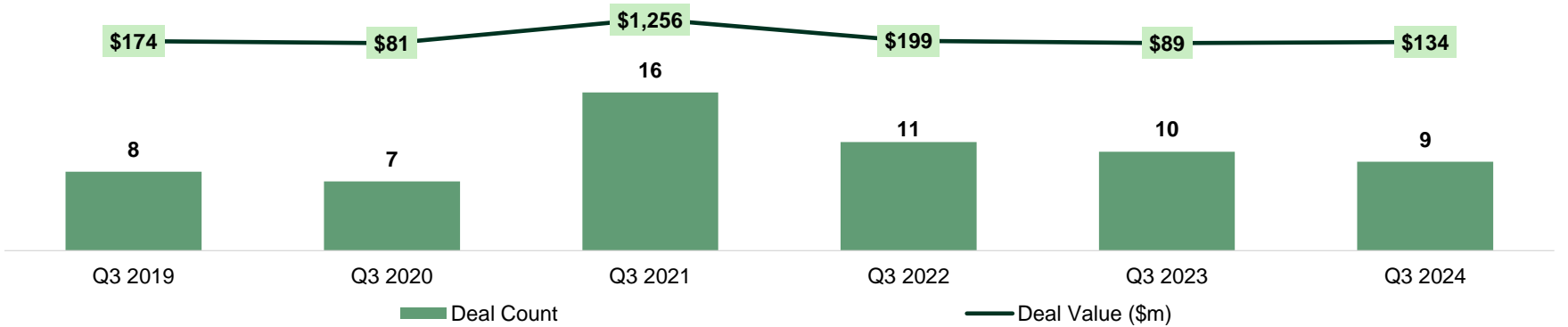
Government Technology M&A Activity (4/4)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/Revenue	Target Description
11-Jul	 PIOToolkit	 Lighthouse FOR PUBLIC SAFETY.	Engagement & Communications	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of a platform designed to support public communicators with resources and training.
10-Jul	 LEFTA SYSTEMS	 LEXIPOL	Operations	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of software designed for law enforcement mission-critical processes.
			Median	\$169m	1.8x	

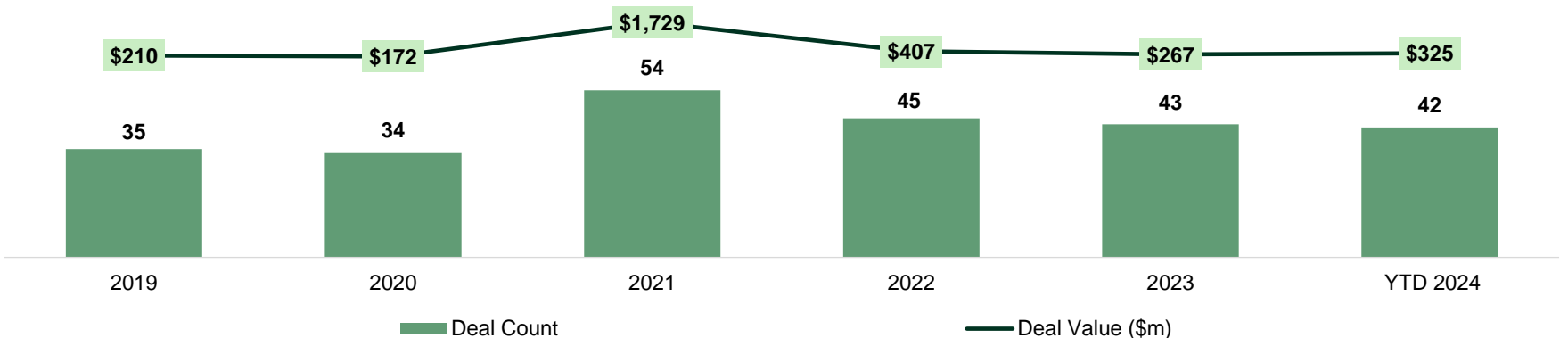
Government Technology Investment Activity (1/3)

GovTech investment activity is on an upward trend, with year-end projections set to exceed 2023 and 2022 levels. Private equity interest is driven by the sector's stability during downturns and its role in modernizing government operations. GovTech is viewed as recession-resistant, offering opportunities for public sector innovation. Increased demand for ESG-focused technologies has also attracted PE investments in alignment with these values.

Historical Q3 Financing Summary











































Annual Financing Summary



Government Technology Investment Activity (2/3)

Most Active Minority Investors

Active Investors from 2019 – Q3 2024			
Company Name	Investor Type	# of New Investments	Notable Investments
	Venture Capital	6	    
	Venture Capital	6	    
	Venture Capital	5	   
	Venture Capital	5	  
	Venture Capital	4	   
	Venture Capital	4	   
	Venture Capital	4	 
	Venture Capital	3	 
	Venture Capital	3	 

Government Technology Investment Activity (3/3)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/Revenue	Target Description
26-Sep	 PREPARED	andreesen. horowitz	Engagement & Communications	\$27m	Undisclosed	<ul style="list-style-type: none"> Developer of a safety application designed to transform the way one communicates during any emergency specifically in schools.
16-Sep		techstars	Engagement & Communications	<\$10m	Undisclosed	<ul style="list-style-type: none"> Developer of a civic engagement platform designed to promote active voter involvement and enhance transparency in the political process.
13-Sep		salesforce ventures	Vertical GovTech	\$70m	Undisclosed	<ul style="list-style-type: none"> Developer of a security and cloud hosting platform designed to accelerate third-party application delivery and accelerate cloud adoption in public sector markets.
3-Sep		BLUE DELTA CAPITAL PARTNERS	Vertical GovTech	\$25m	Undisclosed	<ul style="list-style-type: none"> Provider of information technology (IT) support and enterprise services intended for federal agencies focused on national security.
14-Aug		GRAY LINE	Operations	\$12m	Undisclosed	<ul style="list-style-type: none"> Developer of a security software designed to recognize firearms and other public safety threats in security camera feeds.
1-Aug	allpaid	LONETRÆ	Finance	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of financial software designed for local government agencies and municipalities.
1-Jul		FUTALEUFU PARTNERS HUNTER SEARCH CAPITAL	Admin & Finance	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Operator of a government company intended to specialize in integrated payment and cloud-based ERP solutions.
1-Jul		SPACE CAPITAL andreesen. horowitz	Vertical GovTech	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of a gaming platform intended to enhance strategic planning, training, and readiness for military and government agencies.
1-Jul		BROADFIELD CAPITAL	Data & Record Systems	Undisclosed	Undisclosed	<ul style="list-style-type: none"> Developer of SaaS-based geospatial software designed to provide live historical analysis for public safety.

IV. Vista Point Advisors Overview & Credentials

A Truly Unconflicted Approach

**Vista Point Advisors Is
The Leading Sell-Side
Investment Bank
Exclusively Focused On
M&A and Capital Raising
For Founder-Led
Software And Internet
Companies**

- Focus on **Founder-Led**, minimally-funded businesses

- Unconflicted advice: **exclusively** a sell-side advisor

- Software and Internet domain expertise

Key Metrics

120

TRANSACTIONS

22

INVESTMENT BANKERS

24%

CROSS BORDER DEALS

\$50 – \$400M

TRANSACTION SIZE RANGE

\$7.8B

TOTAL ENTERPRISE VALUE

\$6.0B

LIQUIDITY TO FOUNDERS

100%

SELL-SIDE TRANSACTIONS

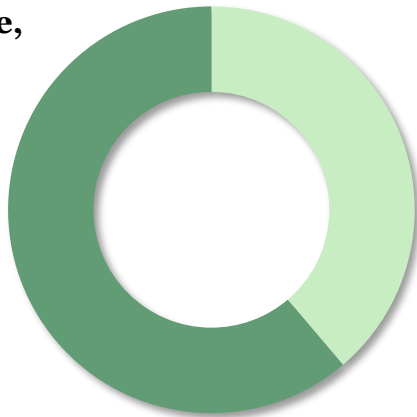
1,500+

LOIs RECEIVED

10+ Years

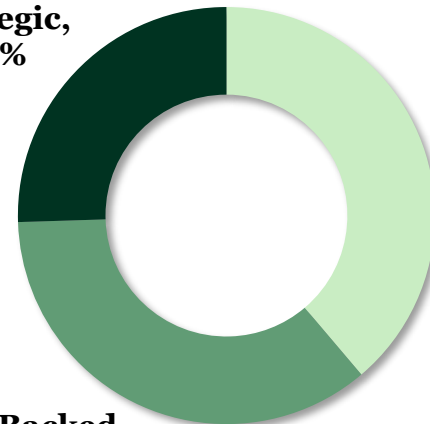
SENIOR BANKER TENURE

**Full Sale,
61%**



**Investment,
39%**

**Strategic,
26%**



**PE Platform,
39%**

**PE-Backed
Strategic, 36%**

Leading Advisor to Founder-Led Technology Companies

The past thirty-six months have been a record at VPA. Here are our results:

42
CLOSED TRANSACTIONS

\$3.6B
ENTERPRISE VALUE

9.0x
AVG. ARR MULTIPLE

 investment from 	 acquired by 	Undisclosed acquired by 	 acquired by 	 acquired by 	 acquired by 	 investment from
 investment from 	 investment from 	 acquired by 	 investment from 	 investment from 	Undisclosed acquired by 	 acquired by
 acquired by 	Undisclosed acquired by 	 investment from 	 investment from 	 investment from 	 investment from 	 acquired by
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For Founders

Perspectives

[Learn More](#)

SaaS Founder Focus in an Election Year: Separating Hype from Market

The Pitfalls of Prematurely Sharing Data with Investors

The Reason So Many Private Equity Firms Call You

For Founders :
Why Do So Many Private Equity Firms Call You?
 with
Michael Lyon
 Founder & CEO, Vista Point Advisors
 VISTA POINT ADVISORS

When private equity firms start to reach out to you at your company, you might feel like you've made it.

Insights

[Learn More](#)

The Do's and Don'ts of Sell-Side Due Diligence

Why Hire an Investment Banker When Selling Your Company

Transaction Options: Minority vs. Majority vs. Full Sale

For Founders :
Transaction Options: Minority vs. Majority vs. Full Sale Transaction
 with
Michael Lyon
 Founder & CEO, Vista Point Advisors
 VISTA POINT ADVISORS

As the time approaches to engage with potential buyers of your business, you will face an important question: How much of your business do you want to sell?

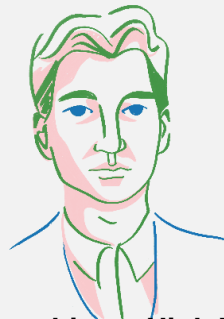
Sell-Side Stories

[Browse All Founder Stories](#)



Keeping Buyers Competitive Through Non-Exclusive Diligence

By: Jonathan Pototschnik
 Co-Founder, Service Autopilot



Reaching a High Valuation Through Strategic Positioning

By: Jake Harrington
 Founder, On-Site

The Path To Exit

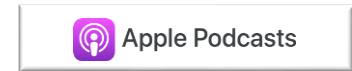
A VISTA POINT ADVISORS PODCAST

Learn what every technology founder needs to know as they grow their business towards an eventual M&A transaction.

In this podcast, Mike Lyon from Vista Point Advisors chats with tech founders and the VPA team to address questions like: - What is the process for selling a software or internet business? - What drives the valuation of a SaaS business? - What are my different transactions options? - And more.



Listen On:



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Unconflicted Advice

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