MARKET UPDATE

Q4 2025

Government Technology

VISTA POINT ADVISORS

I. Executive Summary

Executive Summary

Sector Overview

As of 2025, the Global Government Technology sector ("GovTech") amounted to $660b and is projected to reach $1.0t by 2030, growing at a CAGR of 8.9%.

Q4 2025 GovTech M&A remained strong, with strategic and sponsor-backed acquisitions across public safety, AI, cybersecurity, and municipal platforms. Momentum in mission-critical, compliance-driven assets carried into year-end.

Looking ahead to 2026, U.S. GovTech will move from AI pilots to scaled, mission-driven deployment, supported by hybrid infrastructure and agentic systems.

Q4 2025 Report Themes

Governments are treating AI as sovereign infrastructure, prioritizing jurisdictional control, auditability, and defense-grade vendors.

Security and supply-chain assurance now outweigh features, as CMMC 2.0 and DFARS make compliance mandatory for federal contracts.

Security built around user identity and limited access is key as agencies modernize and face growing AI-related cyber threats.
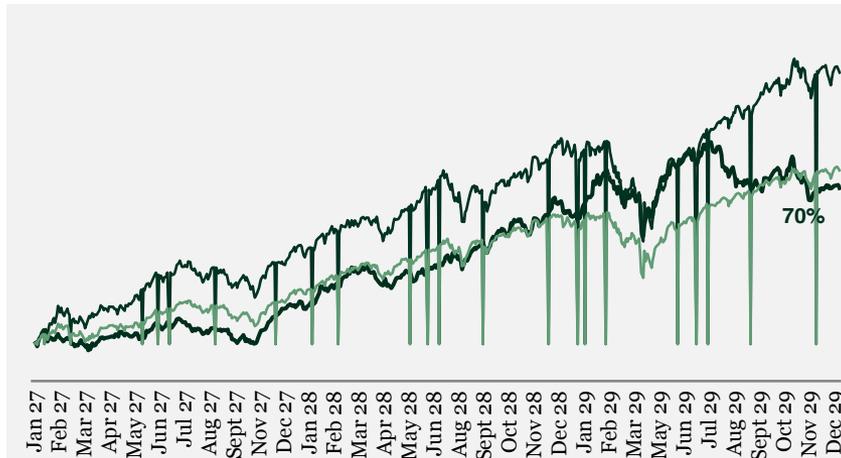
AI risks and global cyber threats are making security a national priority, speeding up adoption of post-quantum encryption.
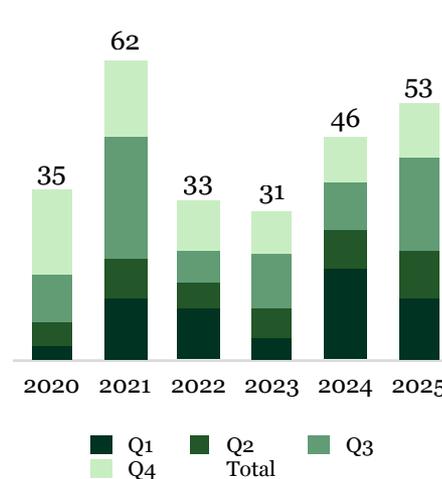
Rising state and local IT spending is driving demand for outsourced security, interoperable data, and resilient cloud infrastructure.

GovTech Companies Performance*

70%

M&A Transactions

2020	2021	2022	2023	2024	2025
35	62	33	31	46	53

Legend: Q1, Q2, Q3, Q4, Total

Private Funding Transactions

2020	2021	2022	2023	2024	2025
34	54	45	43	47	58

Legend: Q1, Q2, Q3, Q4, Total

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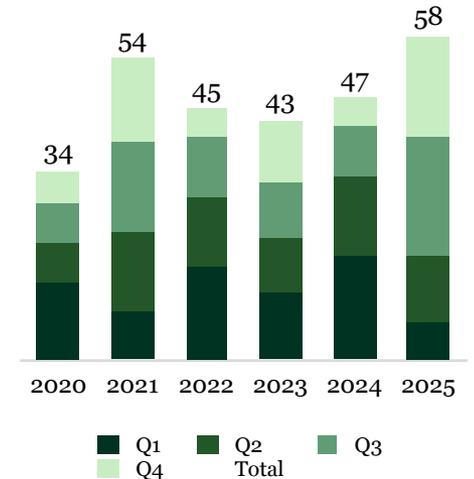
Select Key Players in Government Technology

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   PayIt   Quest

readytech   tcp   tyler

unison   Wolters Kluwer   workforce optimizer

Vertical GovTech

ACTIVE network   ARCADIS   Bonterra

ECOLAB   Everlaw   okta

Passport   QUALIFACTS   REKOR

Relativity   Submittable   UNILINK

WellSky

4

Industry Trends and Outlook (1/2)

Global Government Technology Market Size ($b)

1 The World Economic Forum reports that government technology could unlock nearly $10 trillion in public value by 2034, driven by efficiency, transparency, and sustainability through global collaboration and digital modernization.

2 Acting Federal Chief Information Security Officer Michael Duffy highlighted three priorities: stronger enterprise cyber defenses, improved operational resilience, and securing a modern government, with emphasis on interagency coordination, incident readiness, and Zero Trust–based modernization.

3 Launched in December 2025, the U.S. Tech Force recruits about 1,000 technologists into federal agencies for two-year assignments to advance AI and IT modernization, combining agency leadership roles with industry training and collaboration.

CAGR: 8.9%

Year	Value
2025	$660
2026	$719
2027	$783
2028	$852
2029	$928
2030	$1,010

2025 Outlook Trends

U.S. Federal AI Procurement Will Shift Toward Sovereign-First Models
AI will be treated as national infrastructure, not just software. Federal buying will prioritize model origin, hosting control, and governance transparency. Vendors unable to prove jurisdictional control risk exclusion.

Agentic AI Risk Will Enter the National Security Domain
Autonomous AI creates geopolitical risks beyond cybersecurity. Misuse could trigger diplomatic or economic fallout. Federal systems will require auditability, containment, and strict oversight.

Defense Vendors Gain Civilian Contracts
Rising security demands are shifting federal procurement toward defense-grade vendors. Civilian agencies now prioritize resilience and mission assurance. More major civilian contracts will go to firms with national security credentials.

Security and Governance Will Outweigh Features
Federal tech decisions are shifting from capability to defensibility. Agencies now prioritize AI governance, hosting control, data security, and risk transparency. Compliance and supply-chain assurance are becoming decisive factors.

Zero Trust Will Remain the Cybersecurity Foundation
Zero Trust continues to anchor federal cybersecurity strategy. Identity-first security and least-privilege access help manage expanding threats. Its role becomes more critical as AI increases system complexity.
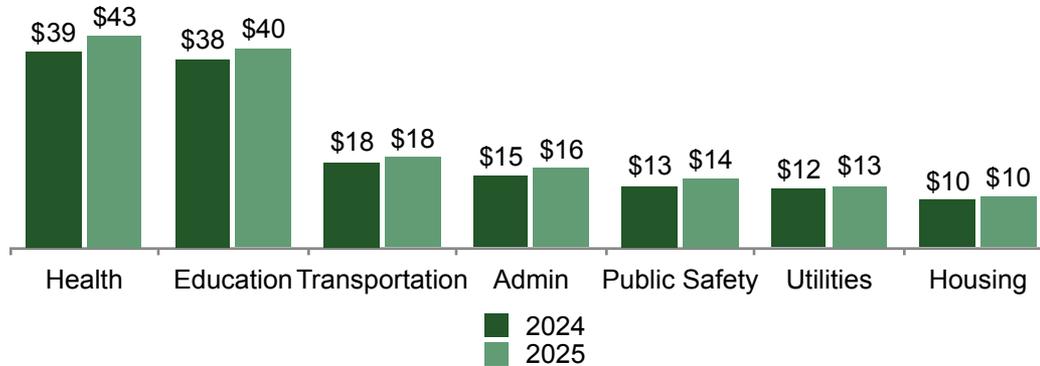
Post-Quantum Cryptography Becomes a Priority
Quantum computing threatens today's encryption standards. Agencies are beginning the shift to post-quantum cryptography to protect sensitive data. Cryptographic resilience is emerging as a national security priority.

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Industry Trends and Outlook (2/2)

Projected Government Tech Spending ($b)

	Health	Education	Transportation	Admin	Public Safety	Utilities	Housing
2024	$39	$38	$18	$15	$13	$12	$10
2025	$43	$40	$18	$16	$14	$13	$10

- Spending is expected to rise across all verticals in 2025, with the most rapid growth projected in administration and public safety.
- Total state and local government IT spending is forecasted to exceed $154 billion, reflecting a 6.4% increase over 2024. Of this, approximately $78 billion is projected to come from states, while $75 billion is expected to be driven by city and county governments.

CMMC 2.0 Becomes a Binding Requirement for Defense Contractors

The Department of Defense has finalized implementation of the Cybersecurity Maturity Model Certification (CMMC) 2.0 program.

Cybersecurity requirements have shifted from policy guidance to enforceable contract conditions.

Under the updated DFARS rule, CMMC clauses are now being incorporated into DoD solicitations and contracts.

Contractors and subcontractors handling Federal Contract Information (FCI) or Controlled Unclassified Information (CUI) must maintain the required CMMC compliance level.

Compliance status is becoming a prerequisite for eligibility to win and perform defense contracts.

Impact on the GovTech Market

Contractors must invest in identity security, endpoint protection, monitoring, and secure cloud environments to meet control requirements.

Small and mid-tier suppliers lacking in-house security capabilities are increasingly turning to managed security service providers (MSSPs) and compliance advisors.

Prime contractors are pushing cybersecurity requirements down the supply chain, expanding market opportunity beyond direct DoD vendors.

Compliance status is becoming a competitive differentiator in defense procurements, not just a regulatory hurdle.

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III. Capital Markets & Public Trading Data

Public Companies Performance (1/3)

Select Government Technology Public Companies Constituting the Public Index

Q4 25 Government Technology Companies Performance

Capita	22.4% ⬆	Johnson Controls	11.1% ⬆	nextdoor	9.4% ⬆
IBM	5.4% ⬆	HEXAGON	1.6% ⬇	ECOLAB	1.9% ⬇
maximus	4.4% ⬇	Honeywell	6.6% ⬇	SAP	8.3% ⬇
tyler	8.5% ⬇	REKOR	13.0% ⬇	AXON	19.6% ⬇
Wolters Kluwer	21.7% ⬇	SOUNDTHINKING	32.9% ⬇	nuix	35.6% ⬇
		FiscalNote	67.3% ⬇		

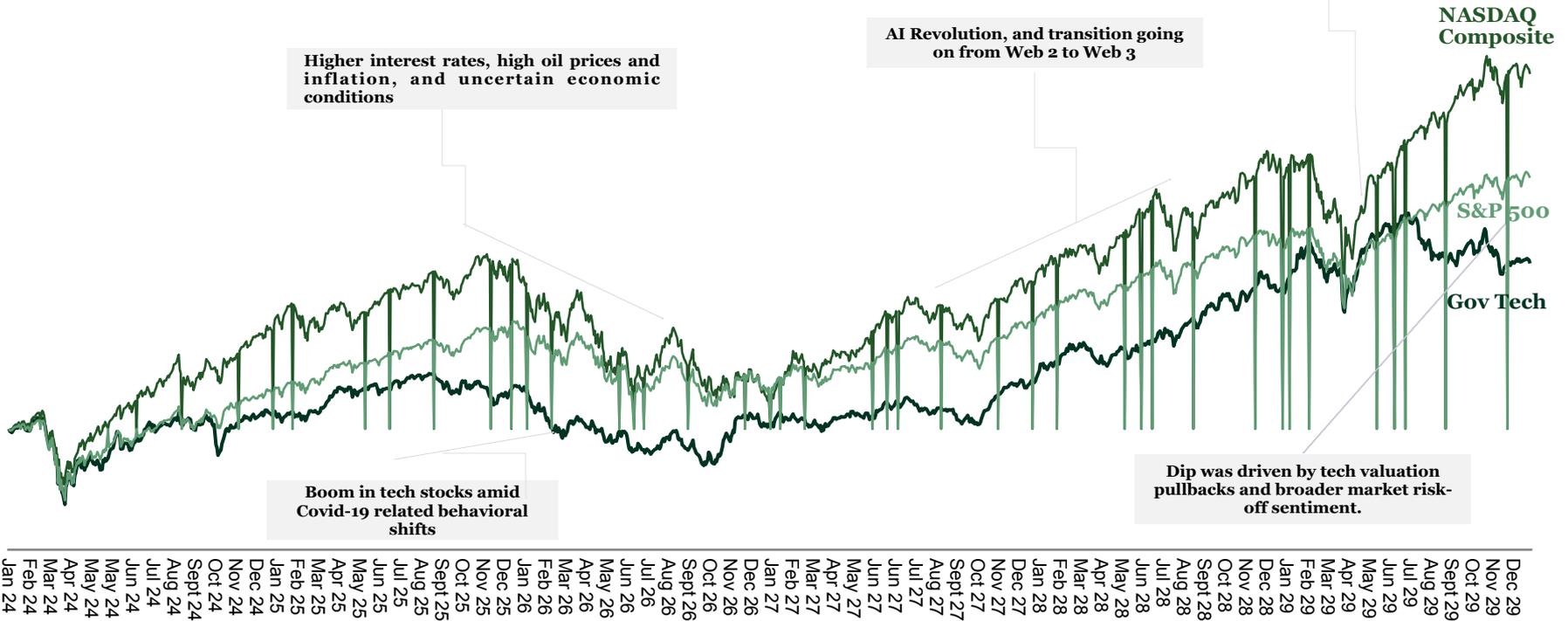VISTA POINT ADVISORS

The GovTech sector faced pressure in Q4 2025 as broader tech valuations softened and investor sentiment turned more cautious. While federal modernization and AI-driven infrastructure remained long-term tailwinds, year-end profit-taking and multiple compression weighed on performance.

Index Growth	CY 24	Q4 24	Q4 25
GovTech	34.2%	4.6%	(4.1)%
S&P 500	24.0%	3.0%	2.0%
NASDAQ Composite	30.8%	7.8%	2.1%

Q2 saw a dramatic rebound after April's tariff-driven sell-off.

AI Revolution, and transition going on from Web 2 to Web 3

Higher interest rates, high oil prices and inflation, and uncertain economic conditions

NASDAQ Composite

S&P 500

Gov Tech

Boom in tech stocks amid Covid-19 related behavioral shifts

Dip was driven by tech valuation pullbacks and broader market risk-off sentiment.

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Public Companies Performance (3/3)

EV/Revenue (LTM)

AXON	tyler	SAP	HEXAGON	ECOLAB	IBM	REKOR	Honeywell	Wolters Kluwer	Johnson Controls	nuix	nextdoor	FiscalNote	maximus	SoundThinking	Capita
16.1x	8.2x	6.6x	5.7x	5.1x	4.9x	4.4x	4.0x	4.0x	3.5x	2.4x	1.8x	1.4x	1.1x	0.9x	0.4x
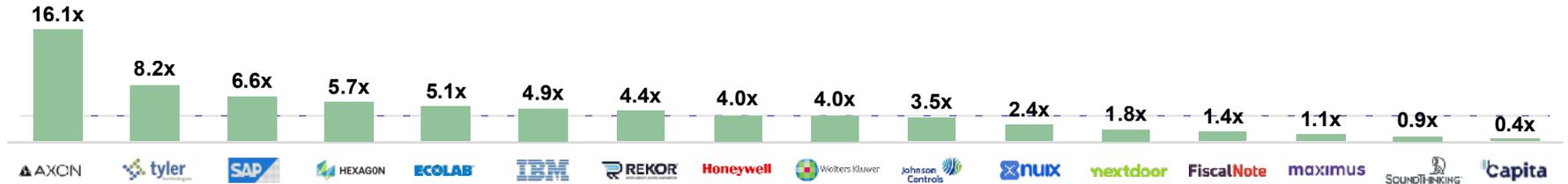
Revenue Growth (LTM)

Median: 7.1%

AXON	tyler	SAP	HEXAGON	ECOLAB	IBM	REKOR	Honeywell	Wolters Kluwer	Johnson Controls	nuix	nextdoor	FiscalNote	maximus	SoundThinking	Capita
33.5%	9.1%	22.1%	13.9%	2.2%	7.6%	6.5%	7.8%	16.5%	3.4%	12.6%	4.2%	(14.6%)	(0.2%)	0.7%	7.1%
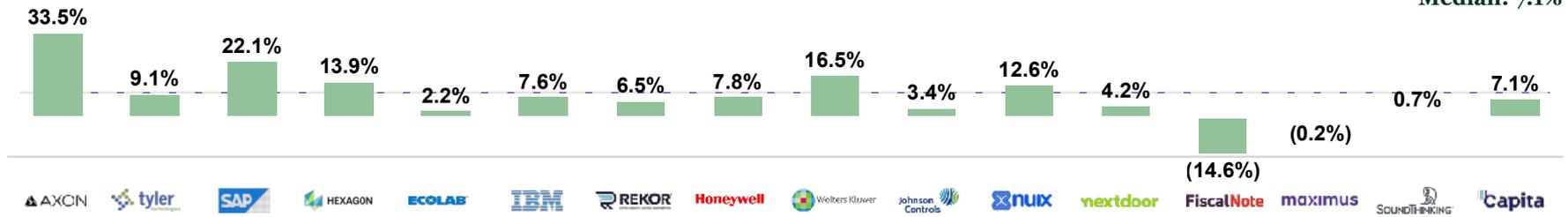
EV/EBITDA (LTM)

Median: 18.0x

AXON	tyler	SAP	HEXAGON	ECOLAB	IBM	REKOR	Honeywell	Wolters Kluwer	Johnson Controls	nuix	nextdoor	FiscalNote	maximus	SoundThinking	Capita
0.0x	44.2x	20.7x	18.0x	20.7x	19.6x	0.0x	17.7x	12.4x	20.3x	9.3x	0.0x	0.0x	8.5x	0.0x	9.5x

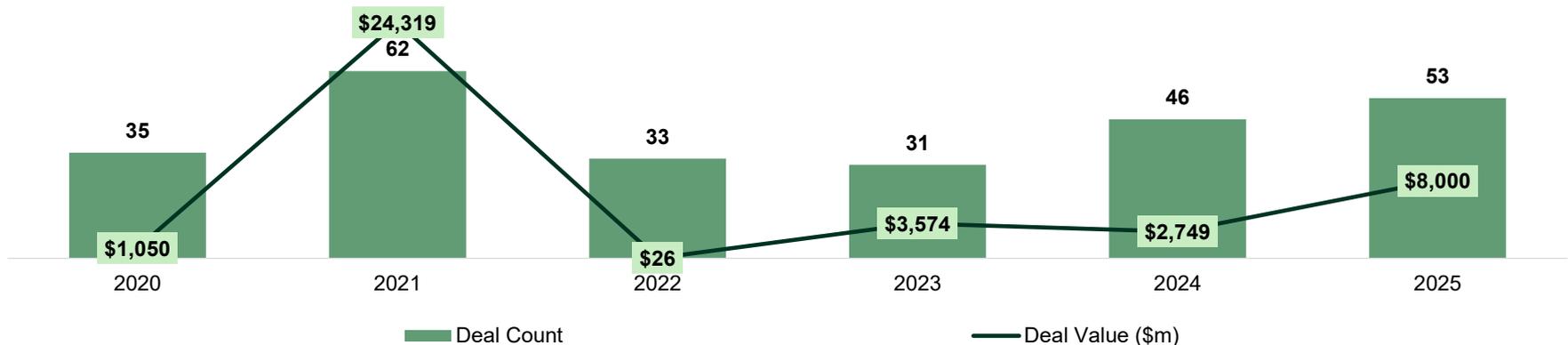VISTA POINT ADVISORS
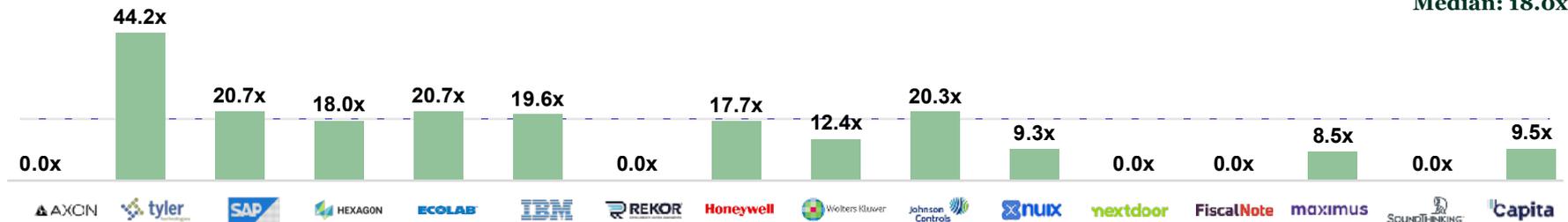
Government Technology M&A Activity (1/4)

GovTech M&A activity accelerated in Q4 2025, closing the year on elevated momentum as the market experienced a recovery in both deal volume and value, exceeding levels observed over the previous three years. The rise was driven by increased strategic sales, active private equity platform investments, and sustained demand across public safety, digital services, and infrastructure modernization, reflecting strong investor confidence in long-term public-sector growth.

Historical Q4 M&A Summary

	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024	Q4 2025
Deal Count	17	16	10	9	9	11
Deal Value ($m)	$942	$835	NA	$22	$300	$1,525

Annual M&A Summary

	2020	2021	2022	2023	2024	2025
Deal Count	35	62	33	31	46	53
Deal Value ($m)	$1,050	$24,319	$26	$3,574	$2,749	$8,000

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Government Technology M&A Activity (2/4)

Most Active Buyout Investors

			Active Investors from Q1 2019 – Q4 2025			
Company Name	**Investor Type**	**# of New Investments**	**Notable Investments**			
The Carlyle Group	PE/Buyout	6		Acentra	AGENCY360	CueHit	Background Solutions
tyler technologies	Strategic	6	AR	Arx	VendEngine	MICROPACT	myGov
Vista Software Partners	PE/Buyout	7	Rock Solid	GovQA	Granicus	Tellus	
	Growth/ Expansion	6		AGENCY360	CueHit	Granicus	INDIGOV
bv	PE/Buyout	5	Freedom Systems	PubWorks	Softline Data, Inc.	SeeClickFix	BBI
INSIGHT PARTNERS	Growth/ Expansion	5	Acadis	civicgov	CivicPlus	PayIt	Frontline
HARRIS	Strategic	4	Cushing Brooks	Dynamic Imaging	CAI	EAS	
Sagewind Capital	PE/Buyout	4	Judo	Solute	Raycon	Phacil	
AKKR	PE/Buyout	3	PubliQ Software	BIAS	Springbrook		

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Government Technology M&A Activity (3/4)

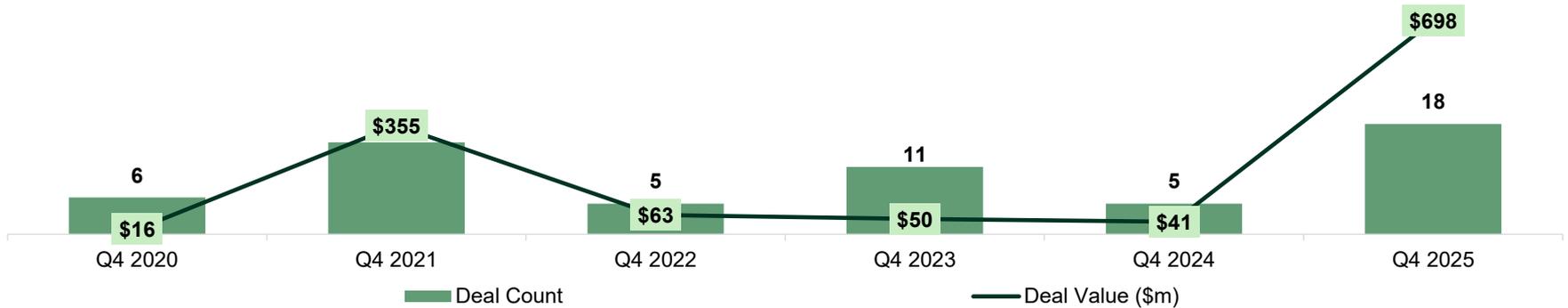| Date	Target	Buyer	Sub-Sector	Deal Size	EV/ Revenue	Target Description
19-Dec	SAM IS	NOVOTX	Operations, Admin & Finance	Undisclosed	Undisclosed	Operator of cloud software for municipalities to manage public infrastructure and assets.
17-Dec	IA	Geosyntec consultants	Operations, Admin & Finance	Undisclosed	Undisclosed	Provider of technical and mission support services for government agencies in energy, national security, and environmental sectors.
15-Dec	FIRSTTWO	CENTRALSQUARE	Engagement & Communications	Undisclosed	Undisclosed	Developer of real-time situational awareness software for law enforcement and fire agencies.
10-Nov	TRUE NORTH	GovHost	Data & Record Systems	Undisclosed	Undisclosed	Developer of public safety software for law enforcement agencies covering dispatch and records management.
06-Nov	CARBYNE	AXON	Engagement & Communications	$625m	Undisclosed	Developer of emergency communication software for public safety agencies with real-time multimedia and location data.
01-Nov	FALCON	Mobile Tornado	Engagement & Communications	Undisclosed	Undisclosed	Developer of push-to-talk communication software for secure field team coordination.
27-Oct	BidData	LotusPetal AI	Operations, Admin & Finance	Undisclosed	Undisclosed	Developer of AI-powered government contracting software that helps businesses find, prepare, and manage public sector bids.

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Government Technology M&A Activity (4/4)

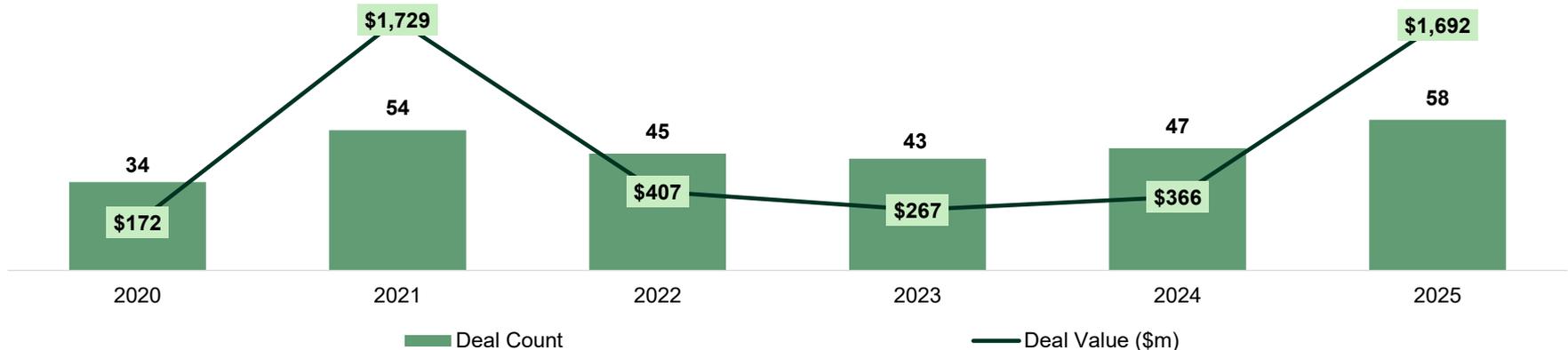| Date	Target	Buyer	Sub-Sector	Deal Size	EV/ Revenue	Target Description
22-Oct		ORANICUS	Engagement & Communications	Undisclosed	Undisclosed	▪ Developer of constituent management software for government offices to handle public inquiries.
15-Oct	CITYSTRIVE	Tunica-Biloxi Tribe Of Louisiana	Operations, Admin & Finance	Undisclosed	Undisclosed	▪ Provider of HR, civil rights, and workforce support services and technology solutions for federal government agencies.
09-Oct		LIBERTY VOTE	Data & Record Systems	Undisclosed	Undisclosed	▪ Developer of electronic voting and election management systems for government agencies.
02-Oct	Prepared	AXON	Engagement & Communications	$900m	Undisclosed	▪ Developer of AI-driven emergency response software that assists public safety agencies in call handling and operational workflows.
			Median	**$762.5m**	**NA**	

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Government Technology Investment Activity (1/5)

GovTech investment activity strengthened in Q4 2025, contributing to a record year for capital deployment across the sector. Increased investor participation and larger growth financings supported elevated funding volumes, driven by continued demand for digital government platforms, public safety technologies, and data-centric solution, reflecting strong investor confidence in long-term public-sector growth.

Historical Q4 Financing Summary

Deal Count | Deal Value ($m)

	Q4 2020	Q4 2021	Q4 2022	Q4 2023	Q4 2024	Q4 2025
Deal Count	6		5	11	5	18
Deal Value ($m)	$16	$355	$63	$50	$41	$698

Annual Financing Summary

Deal Count | Deal Value ($m)

	2020	2021	2022	2023	2024	2025
Deal Count	34	54	45	43	47	58
Deal Value ($m)	$172	$1,729	$407	$267	$366	$1,692

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Government Technology Investment Activity (2/5)

Most Active Minority Investors

			Active Investors from Q1 2019 – Q4 2025				
Company Name	**Investor Type**	**# of New Investments**	**Notable Investments**				
Govtech Fund	Venture Capital	6	INDIGOV	KODEX	FORGEMETRICS	authorium	OPENLATTICE
andreessen horowitz	Venture Capital	9	KODEX	Everlaw	OPENGOV	LONGEYE	SHARP PERFORMANCE
Alumni Ventures	Venture Capital	6	INDIGOV	OPENGOV	FORGEMETRICS	Multitude Insights	ADYTON
8VC	Venture Capital	5	SECONDFRONT	INDIGOV	OPENGOV		
Gaingels	Venture Capital	5	CIVITECH	SECONDFRONT	MARK43	FORGEMETRICS	Holly
RESPONDER VENTURES	Venture Capital	4	CARBYNE	SkyeBrowse	NSENA	SOMA GLOBAL	
VALOR	Venture Capital	4	CARBYNE	INDIGOV			
FOUNDERS FUND	Venture Capital	3	CARBYNE	Peregrine			
GFC	Venture Capital	3	govdash.com	INDIGOV			

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Government Technology Investment Activity (3/5)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/ Revenue	Target Description
30-Dec	CHAMP	Berkley	Operations, Admin & Finance	$55m	Undisclosed	Developer of a digital vehicle title management platform for secure government title processing and transfer.
22-Dec	govdash.com	Hunter Capital	Operations, Admin & Finance	$30m	Undisclosed	Developer of an AI platform supporting government contractors with capture, proposals, and contract management.
15-Dec	CYLERA	CONTOUR / DREAMIT	Data & Record Systems	<$10m	Undisclosed	Developer of a cybersecurity platform providing asset visibility, risk detection, and device threat protection.
11-Dec	PRYON	CROSSCOURT	Data & Record Systems	Undisclosed	Undisclosed	Developer of an enterprise AI memory platform enabling secure knowledge access for government workflows.
03-Dec	PermitFlow	Accel	Operations, Admin & Finance	$54m	Undisclosed	Developer of a software platform streamlining municipal construction permit applications and approvals.
01-Dec	ManyBond	GOVTECH VENTURES	Operations, Admin & Finance	Undisclosed	Undisclosed	Operator of a platform enabling fractional municipal bond investment and community capital access.
01-Dec	Rapid	GOVTECH VENTURES	Engagement & Communications	Undisclosed	Undisclosed	Developer of a video engagement platform helping local governments communicate directly with residents.

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Government Technology Investment Activity (4/5)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/ Revenue	Target Description
25-Nov	policyedge	PERRY CAPITAL	Operations, Admin & Finance	$20m	Undisclosed	▪ Developer of an AI-driven regulatory intelligence platform translating policies into executable compliance controls.
24-Nov	civicReach		Engagement & Communications	Undisclosed	Undisclosed	▪ Developer of a voice AI platform automating resident services and multilingual government support.
13-Nov	BLACKBIRD.AI	Dorilton. TENELEVEN	Data & Record Systems	$27.3m	Undisclosed	▪ Developer of an AI narrative intelligence platform detecting misinformation and influence threats.
06-Nov	Deltek	THOMABRAVO	Operations, Admin & Finance	Undisclosed	Undisclosed	▪ Developer of enterprise project and financial management software widely used by government contractors.
05-Nov	PSCI.AI Procurement Sciences	CATALYST	Operations, Admin & Finance	$30m	Undisclosed	▪ Developer of an AI bidding intelligence platform supporting government procurement strategy.
30-Oct	MARK43	BLUE OWL	Data & Record Systems	$50m	Undisclosed	▪ Developer of a public safety platform for dispatch, records, analytics, and evidence management.
27-Oct	ONTIC	JMI SILVERTON PARTNERS KKR	Data & Record Systems	$426.4m	Undisclosed	▪ Developer of a security intelligence platform helping agencies detect, assess, and mitigate threats.

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Government Technology Investment Activity (5/5)

Date	Target	Buyer	Sub-Sector	Deal Size	EV/ Revenue	Target Description
23-Oct	OffenderWatch	STG	Data & Record Systems	Undisclosed	Undisclosed	▪ Developer of a registry and compliance platform for law enforcement offender tracking and notification.
03-Oct	THE ANTIFRAUD COMPANY	Abstract.	Operations, Admin & Finance	<$10m	Undisclosed	▪ Developer of an AI fraud detection platform addressing waste, abuse, and improper public spending.
01-Oct	btg	ACTIVATE	Operations, Admin & Finance	Undisclosed	Undisclosed	▪ Provider of outsourced technology procurement services for government agencies.
01-Oct	PLIX	samsara	Data & Record Systems	Undisclosed	Undisclosed	▪ Developer of wearable recording and evidence management solutions for law enforcement and security teams.

VISTA POINT ADVISORS

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, internet, and AI companies.

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

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

- Software and Internet domain expertise

VPA Key Metrics

136
TRANSACTIONS

22
INVESTMENT BANKERS

27%
CROSS BORDER DEALS

$25 – $500M
TRANSACTION SIZE RANGE

$11B
TOTAL ENTERPRISE VALUE

15+ Years
SENIOR BANKER TENURE

100%
SELL-SIDE TRANSACTIONS

1,600+
LOIs RECEIVED

900+
BUYER RELATIONSHIPS

Investment
42%

Full Sale
58%

Strategic
23%

PE Platform
38%

PE-Backed Strategic
39%

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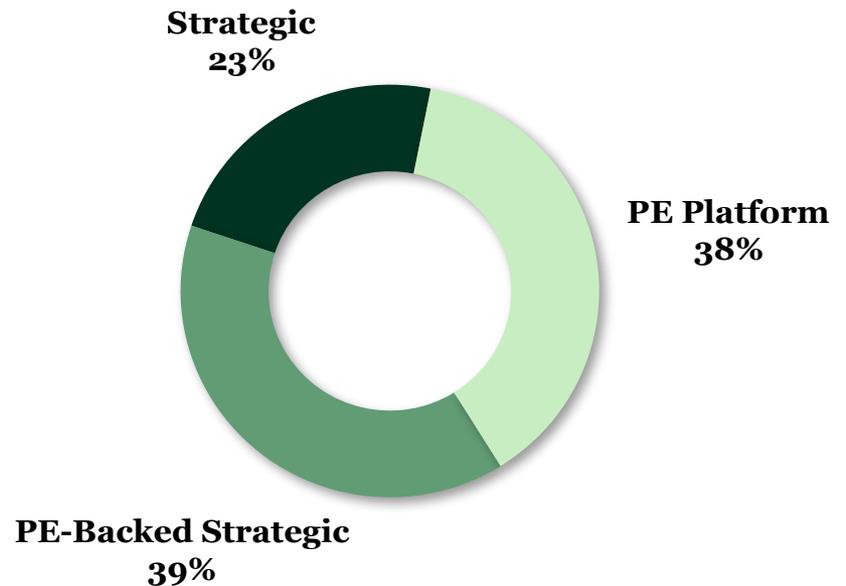
Leading Advisor to Founder-Owned Technology Companies

In the past 4 years, here are our results:

52
CLOSED TRANSACTIONS

$3.7B
ENTERPRISE VALUE

9.1x
AVG. ARR MULTIPLE

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For Founders

Perspectives
Learn More

Insights
Learn More

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

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

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