VIRTUAL PRIVATE COMPANY TECH & SERVICES (PCTS) CONFERENCE

*Showcasing best-in-class companies that are either Covid beneficiaries or Covid resilient*

BAIRD’S VIRTUAL PCTS CONFERENCE

**Powering through Covid**

- **28 – 29 July 2020**
  - 36 participating companies
  - 635 1x1 meetings held virtually
  - 967 attendees from private companies, growth equity investors and private equity firms
  - 10+ subsectors represented including:
    - BPO (business process outsourcing)
    - Data & marketing
    - Digitalisation services
    - FIRE (facility, industrial, rental and environmental)
    - GRC (governance, risk & compliance)
    - Government services
    - Human capital
    - Knowledge solutions
    - Professional services
    - Software

UNIQUE OPPORTUNITY FOR COMPANIES

- **Engage With Priority Investors**
  - Unique setting to efficiently meet top potential partners
- **Sets Competitive Atmosphere**
  - Conference participation signals a premium asset
- **Proactive Positioning**
  - Introduce or reintroduce the story to “level set” the market
- **Elicits Market Feedback**
  - Utilise feedback to tailor story and address concerns
- **Enables Early Diligence and Speed**
  - Investors can “get smart” early to move quickly later
- **Early Evaluation of Potential Partners**
  - Rapport with management is critical in buyer selection
**In-Covid observations**

- **Enterprise (large) customer base** – cash rich and typically able to pay vendors on time
- **Public sector** – government and state level customer base proven to be relatively stable
- **Upselling** – profitable growth lever as lower customer acquisition cost than new logo wins
- **Working from home** – ability to serve clients with majority of office staff still WFH in July
- **e-commerce** – rapid acceleration of shift, benefitting those with tech infrastructure

- **SME customer base** – holding off payments to vendors or not renewing contracts with vendors to conserve cash / bankruptcy risk
- **Lower client wins** – new bookings growth rates for many vendors have decreased
- **End market exposure** – non-essential brick & mortar retail and travel, leisure & hospitality substantially affected
- **Discretionary** – transactional, volume based revenue streams often macro dependent

**Post-Covid accelerated / new growth themes**

- Long lasting and broad impact from **inevitable adoption of decentralised working** / working from home
- **Cloud infrastructure growing 15% p.a.** – huge implications post-Covid for **remote operations and digitalisation**
- Cloud based / digital models enable **new agile ways of working**, access to the latest technology and **scalability**
- **Outsourcing penetration** – demand and scope continues to grow in certain areas e.g. environmental, hygiene
- Accelerating **burden of regulatory compliance**, especially for **EHS** (environmental, health & safety)
- Video conferencing and **online collaboration** growth – other categories to follow through **innovation**
- **Online learning** – greater blended instruction, especially for higher education and corporate training

- **Decentralised working / WFH**
- **Cloud services / infrastructure**
- **Integrated risk management**
- **e-commerce penetration**
- **Personalisation & predictive (data / machine learning)**
- **Smart, real-time, digitised assets**
- **Online education & training**
- **B2B hygiene (facility services)**
- **Outsourcing penetration**

Multi-year trends were played out in a few months under Covid driven lockdown
EXAMPLES OF “POWERING THROUGH COVID”

Presenting companies saw market and client trends from Covid that are here to stay

“The market is flat this year, but we are growing revenue 7% from market share gains – Covid has driven a flight to quality.”

“The need for B2B upskilling has been accelerated by Covid, especially for digital education.”

“Covid has accelerated the shift from low technology services to software centric solutions for the utilities market.”

“Consumers, especially millennials, and businesses want “do it for me” both now and in the future.”

“B2C platforms like Uber and Lyft don’t make profit because they don’t have density – we have 350 people at one client address.”

“We invested in electrostatic cleaning equipment before Covid, a specialised method of disinfecting 3 dimensional surfaces.”

“We are not a software or services company, but an ecosystem for digital transformation – we build technology for teams.”

“SMEs are taking a pause on discretionary spending, but larger customers are now investing more in digital transformation.”
Probing for validation of competitive differentiation is critical in Covid world

**DISCUSSION AREAS IN 1X1 MEETINGS**

- Evolution of business, differentiation and impact of Covid
- Core addressable market and whitespace for growth
- Potential for geographic expansion (organic or M&A)
- Customer acquisition process and key contract terms
- Revenue visibility, customer retention / upsell / churn
- Cash flow generation / burn, investment requirements
- Use of proprietary technology and data in business model
- Buy-and-build opportunity – M&A pipeline / integration

**PRESENTER SNIPPETS**

- “Data services is now the fastest growing service line while managed IT services remains the oldest recurring revenue line.”
- “We help SME sellers and brands optimise their e-commerce profit through our SaaS AI platform for an attractive $59 / month.”
- “With 370+ new financial regulations worldwide, we assist strategically so our clients are not just reacting to obligations.”
- “We have vertical market specific templates so clients can change the end user experience with the push of a button.”
- “We grew within a client from $0.1m of ARR in 2014 to $1.6m today, providing a managed service and data management.”
- “We grew client account management from 2 to 30 people – upselling to existing clients is the easiest and lowest hanging fruit.”
- “Each manager operates 18 units, instead of 9, because we have a worker app, a client portal and a resident app, all cloud based.”
- “We knocked on doors and took some risk to do acquisitions – we plan to triple revenue again over the next 3 years.”
SUCCESSFUL STRATEGIES BY PRESENTING COMPANIES

Mid-market players taking share even if underlying market shows slower growth in 2020

- Proactive response to Covid
  - scale to nimbly serve large clients
  - quicker than large competitors and more resources than small competitors

- Offsetting “churn” in Covid
  - win new clients and / or upsell to existing customers

- Buy-and-build M&A platform
  - broader offering, new verticals, new regions, cross-selling, synergies and multiple arbitrage

- End-to-end digitalisation
  - cloud based technology supporting automation of solution delivery
  - competitive differentiator in Covid

- Profitability through “density”
  - FIRE services for multiple customers in close proximity
  - broader efficiency of serving similar clients in same way

- Management team expertise
  - Handful of roles e.g. CEO, CFO, COO, CTO, CPO, CMO, CIO, CLO, CRO (risk), CRO (revenue)
## WHAT DOES GOOD LOOK LIKE IN COVID?

### Common attractive business model characteristics across presenting companies

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<th><strong>PRE-COVID</strong></th>
<th><strong>COVID</strong></th>
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<tr>
<td>Deemed mission-critical</td>
<td>Non-deferable “Essential” regardless of market environment</td>
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<td>Reactive to market needs</td>
<td>Proactive and nimble “Radical change” is business as usual</td>
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<td>Selective outsourcing for lower costs</td>
<td>Broader outsourcing for full solution Deliverability through “managed services”</td>
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<td>Internal risk management controls</td>
<td>Holistic business continuity Includes third parties e.g. suppliers, customers</td>
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<td>Tech-enablement and modern ERP</td>
<td>Firm-wide / end-to-end digitalisation Real-time cloud based apps for workers and end users</td>
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<td>Growth primarily from new clients</td>
<td>Growth primarily from existing clients Up- and cross-selling with “land and expand” strategy</td>
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<td>Underpenetrated SME market</td>
<td>Both SME and enterprise clients Ability to win larger clients and contracts</td>
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<td>Performance culture driven from top</td>
<td>Engagement culture driven by all Firm-wide contributions and communication</td>
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<td>Leading player in addressable market</td>
<td>Unique / differentiated offering Winning market share – clients switch from incumbent</td>
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PRE-COVID

### Holistic business continuity
- Non-deferable
- “Essential” regardless of market environment

### Firm-wide / end-to-end digitalisation
- Real-time cloud based apps for workers and end users

### Growth primarily from existing clients
- Up- and cross-selling with “land and expand” strategy

### Both SME and enterprise clients
- Ability to win larger clients and contracts

### Engagement culture driven by all
- Firm-wide contributions and communication

### Unique / differentiated offering
- Winning market share – clients switch from incumbent

COVID
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