

BAIRD'S VIRTUAL PCTS CONFERENCE TAKEAWAYS

28 – 29 July 2020



79%

59%

42%

VIRTUAL PRIVATE COMPANY TECH & SERVICES (PCTS) CONFERENCE

BAIRD

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*



**Enables Early
Diligence and Speed**

*Investors can "get smart"
early to move quickly later*



**Elicits Market
Feedback**

*Utilise feedback to tailor
story and address concerns*



**Early Evaluation of
Potential Partners**

*Rapport with management
is critical in buyer selection*

TECH & SERVICES SECTOR BACKDROP

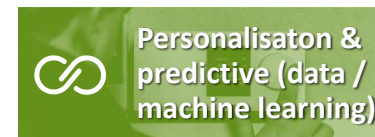
Multi-year trends were played out in a few months under Covid driven lockdown

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



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.”*

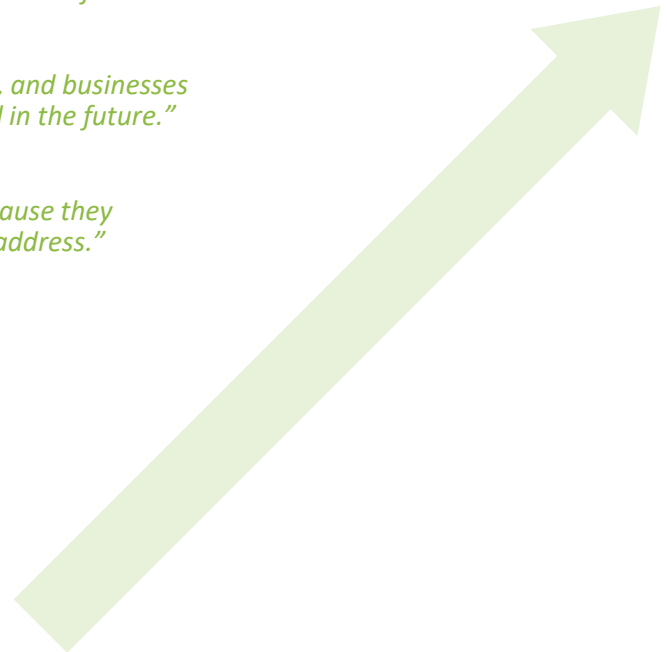
*“Consumers, especially **millennials**, and businesses want **“do it for me”** both now and in the future.”*

*“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.”*

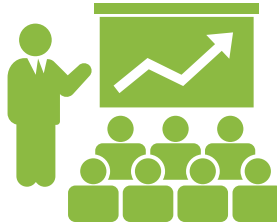
SUCCESSFUL STRATEGIES BY PRESENTING COMPANIES

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



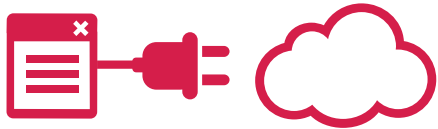
Offsetting “churn” in Covid

- 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



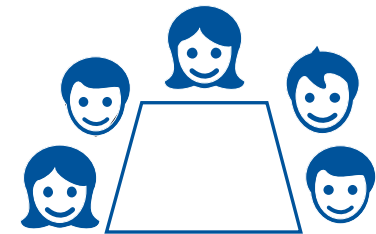
End-to-end digitalisation

- 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

PRE-COVID

Deemed mission-critical

Reactive to market needs

Selective outsourcing for lower costs

Internal risk management controls

Tech-enablement and modern ERP

Growth primarily from new clients

Underpenetrated SME market

Performance culture driven from top

Leading player in addressable market

COVID

Non-deferable

“Essential” regardless of market environment

Proactive and nimble

“Radical change” is business as usual

Broader outsourcing for full solution

Deliverability through “managed services”

Holistic business continuity

Includes third parties e.g. suppliers, customers

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

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IDEAL
MODEL SMALL
STACK 100h
DATA SEG
HW DB "Danger", 13, 10, '$'
CODE SEG
Begin:

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MOV AX, @data
MOV DS, AX
MOV DX, OFFSET HW
MOV AH, 09H

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