



## ACQUIRER DESCRIPTION

Our Client is an IT services organization founded in 2009 that provides end-to-end IT solutions, strategic technology consulting, and offshore product development services worldwide. The Company's ultimate parent is headquartered in India and is publicly traded on the Bombay Stock Exchange. A significant portion of all revenue is sourced from over 70 US clients. The Company is a leading enabler of digital transformation, digital connected, SAP, outsourced product development, digital commerce, and marketing services with a focus on ISMAC (Internet of Things, Social, Mobile, Analytics, Cloud) technologies for customers located primarily in India and the US. Our Client works with the top eCommerce companies, digital wallet providers, and large airlines and was recently named one of the fastest growing technology companies in India.

## SELECT FINANCIAL HIGHLIGHTS

- The immediate parent company's existing cash flow will be the primary support of the new mezzanine loan.
- In 2023, the parent company yielded a ~9.5% EBITDA margin, and pro forma for 2024 and 2025 the Company expects EBITDA margins of 4% and 5%, respectively.
- Approximately 60% of revenues are for services which have recurring characteristics and have an average tenor of 5.

*\$ in Thousands*

Summary P&L	2021A	2022A	2023A	2024P	2025P
Revenue	\$55,012	\$57,575	\$61,828	\$62,640	\$65,772
Gross Profit	\$8,387	\$10,108	\$13,126	\$10,617	\$11,669
EBITDA	\$1,919	\$2,089	\$5,789	\$2,553	\$3,362
Net Income/(Loss)	\$1,191	\$880	\$4,279	\$787	\$1,353

## TARGET DESCRIPTION

The target sellers have over ~60 US based clients utilizing its services based on their expertise in cloud transformation and IT services in the healthcare space. Both companies provide services under contracts valued at \$3K to \$3.7MM, ranging from 6 months to 10 years. Most of the contracts are renewed or extended because of the company's ability to deliver services effectively and efficiently. Our Client plans to acquire these contracts through a sister concern that serves as a technology consulting and services company.

The contracts, all billed on a T&M basis, are considered sticky due to intellectual property and value proposition of the target companies. Contracted clients have outs, such as ability to terminate the contract with a notice period. Despite this, the average contract tenor or renewal rate is approximately 3 years.

*\$ in Thousands*

Summary P&L	2021A	2022A	2023A	2024P	2025P
Revenue	\$3,143	\$2,428	\$3,197	\$29,887	\$34,495
Gross Profit	(\$139)	\$212	\$121	\$5,655	\$6,567
EBITDA	(\$276)	\$134	\$74	\$3,363	\$3,995
Net Income/(Loss)	(\$332)	\$86	\$74	\$2,237	\$2,745

## TRANSACTION SUMMARY

Our Client is seeking to raise a \$7MM term loan to support the acquisition of over 60 healthcare IT service contracts via purchases from the target. A majority of the target's employees will migrate to our Client, which should contribute to a seamless transition of IT service delivery. The PV of the contracts' gross profit is equal to ~\$22MM. The transaction structure will include \$3MM of working capital support from the immediate parent company and an \$8MM earnout over 3 years, with ~\$2MM paid out in each of the first 2 years, and \$3MM in year 3. All the contracts to be acquired are billed on a T&M basis and are primarily associated with healthcare clients.

*\$ in Thousands*

Sources	Uses		
Cash	\$310	Initial Seller Payment	\$7,000
New Mezz Loan	\$7,000	Est. Transaction Fees	\$310
<b>Total</b>	<b>\$7,310</b>		<b>\$7,310</b>

## TRANSACTION TEAM

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