

ACQUIRER DESCRIPTION

Our Client is a minority woman owned IT services organization founded in 2017 that provides end-to-end IT solutions, strategic technology consulting, and offshore product development services worldwide. The Company is a leading enabler of digital transformation, digital connection, SAP, outsourced product development, digital commerce, and marketing services with a focus on ISMAC (Internet of Things, Social, Mobile, Analytics, Cloud) technologies for customers. Its mission is to empower organizations to create and sustain digital innovation while minimizing development risk and accelerating speed to market. Our Client is seeking to strategically acquire two IT services companies that will significantly enhance their capabilities, market reach, and service depth. The acquisition targets will provide complementary services that seamlessly align with our Client’s core focus areas: digital transformation, AI/ML, and cloud innovation.

SELECT FINANCIAL HIGHLIGHTS

- Our Client, on a consolidated basis (including acquisition targets) in 2024, yielded ~\$35MM in revenue and \$5.6MM in gross profit at a ~16.4% gross margin
- In 2024, the consolidated companies yielded a ~8.4% EBITDA margin, and pro forma for 2025 and 2026 the Company expects EBITDA margins of 8%+.
- In 2024, the acquirer's revenue was ~\$8.5MM, gross profit was ~\$1.5MM, and EBITDA was ~\$740K – our Client is acquiring \$2.1MM+ in EBITDA (2024)
- Approximately 80% of revenues are for services which have recurring characteristics and have an average tenor of more than five years.

\$ in Thousands

Financials Summary	Client 2022A	Client 2023A	Consol. 2024A	Consol. 2025P	Consol. 2026P
Revenue	\$8,403	\$7,996	\$34,660	\$36,717	\$38,553
Gross Profit	\$1,022	\$1,301	\$5,671	\$5,691	\$5,976
EBITDA	\$195	\$600	\$2,896	\$3,011	\$3,188
Net Income/(Loss)	\$3	\$335	\$2,502	\$2,196	\$2,141
AR	\$775	\$1,121	\$4,924	\$5,820	\$5,760
Unbilled AR	\$4	\$9	\$1,022	\$1,339	\$1,232
Total Assets	\$5,585	\$6,168	\$13,721	\$26,334	\$25,276
Total Liabilities	\$2,310	\$2,558	\$3,659	\$14,076	\$10,877
Total Net Worth	\$3,275	\$3,610	\$10,062	\$12,258	\$14,399

TERM SHEET DEADLINE: 8/15/2025

TRANSACTION TEAM

CHUCK DOYLE	MICHAEL HENGL	JEFFREY SCOTT	TIM GAINES	WESTON WEINBERG	JACOB CALL
PRESIDENT	CHIEF CREDIT OFFICER	MANAGING DIRECTOR	VICE PRESIDENT	ASSOCIATE	ANALYST
cdoyle@bizcap.com	mhengl@bizcap.com	jscott@bizcap.com	tgaines@bizcap.com	wweinberg@bizcap.com	jcall@bizcap.com

TARGET DESCRIPTION

The target sellers have almost ~40 US-based clients utilizing their well-established expertise in IT consulting, workforce solutions, enterprise services, program management, business consulting, and technology innovation. In addition, the Targets have a strong footprint in healthcare, finance, public services, public agencies, and enterprise clients.

With the target companies' strengths in project delivery, IT modernization, strategic advisory, proven delivery infrastructure and talent engine, the combined entity is ideally positioned to pursue mid-to-large enterprise and public sector contracts that demand deep domain knowledge and scalable delivery models.

Customers are billed on a T&M basis and are considered sticky due to the intellectual property and value proposition of the target companies. The average contract tenor or renewal rate is approximately five years, while the largest enterprise client has been under contract since 2008.

\$ in Thousands

Cost Synergies	2022A	2023A	2024A
Cost Add-Backs of Target	\$438	\$462	\$496

The Targets’ key employees will migrate to our Client, which should contribute to a seamless transition of IT service delivery. Our Client will be able to adjust costs by ~\$500K a year due to the removal of excess personnel and the removal of discretionary spending.

TARGET DESCRIPTION

Our Client is seeking to raise a **\$7MM line of credit** secured by ~\$4.8MM AR and ~\$1.1MM unbilled AR and a **\$500K term loan** to support the acquisition of two target companies. Unbilled AR is represented by the timing difference associated with invoices/timecards from the Company’s customers' actual invoicing. The transaction structure will include a ~\$1.3MM equity investment and \$3MM of working capital support from the immediate acquirer and an ~\$3.9MM earnout over 2 years. Our Client has ample EBITDA to service the acquisition debt.

\$ in Thousands

Sources	Uses	
Equity Investment	\$1,271	Initial Acquisition Pmt. \$6,351
Acquisition Loan	\$5,080	
Total	\$6,351	\$6,351