



CALABASAS CAPITAL

Software & Technology

Capital Markets Update



March 2023

About Calabasas Capital

Calabasas Capital specializes in serving privately held companies in the lower middle market and emerging growth markets with revenues typically ranging from \$10 million to \$100 million and/or EBITDA from \$2 million to \$8 million. Our clients receive high touch service from a senior team of financial professionals with significant experience in M&A advisory and capital raising along with in-depth knowledge and management experience in the industry vertical markets we focus on. We provide our clients with connectivity to the senior management and boards of established and emerging market leaders, and their financial sponsors.

Securities offered through Fallbrook Capital Securities Corp., a licensed Broker/Dealer and Member of FINRA and SIPC. Calabasas Capital is a DBA of Fallbrook Capital.

Calabasas Capital gathers its data from sources it considers reliable however, Calabasas Capital makes no representations or warranties, express or implied, regarding the accuracy of this material.

This presentation is for informational purposes only and it should not be considered in any way an offer to buy or sell a security. Buying or selling a security involves substantial risk and may be worth more or less than the original investment.



Introduction

- Serving privately held companies in emerging growth and lower middle market (\$10 - \$100 million revenue / \$2 - \$8 million EBITDA)
- Senior team of financial professionals with experience in M&A, private placements and operating roles in PE and VC backed companies
- Strong domain expertise in target sectors and connectivity with senior management and boards of established and emerging market leaders, and their financial sponsors

Mergers & Acquisitions

- Sell-side M&A
- Buy-side M&A
- Divestitures
- JVs / Partnerships

Capital Raising

- Private Equity
- Subordinated Debt
- Senior Debt
- Venture Capital

Industry Focus and Expertise



Consumer

- Retail/Restaurants
- Food & Beverage
- E-Commerce
- CPG



TMT / Business Services

- SaaS/Software
- Cybersecurity
- IT Enabled Services
- Marketing/Media



Industrial / A&D

- Aerospace & Defense
- Defense/Govt. Services
- Industrial Technology
- Manufacturing



Senior Team

David Bonrouhi, Managing Director

- 21 Years in Investment Banking (15) & Private Equity (6)
- 2 years experience in Big 6 Public Accounting (PwC)
- CPA Licensed (non practicing)
- Series 7, 63 and 79 Securities Licenses
- Masters Degree in Taxation; Bachelors Degree in Accounting (Miami Univ. (OH))
- MBA from UCLA's Anderson School of Management

Andrew D. Williamson, Managing Director


- 15 Years in Investment Banking and VC
- 4 Years in CFO/GM roles at PE backed companies (Merex Group, DM Natural Products)
- 7 Years operating experience in VC backed software company (TSC) including 2 years with Oracle Corporation after being acquired.
- Licensed CA (ICAA), 3 years Big 6 Accounting & Consulting (PwC)
- Series 7, 63 and 79 Securities Licenses
- MBA from UCLA's Anderson School of Management, Bachelors of Commerce (University of Western Australia)

Senior Team


Brandt Blanken, Managing Director

- 20 Years in Investment Banking (15) & Private Equity (5)
- Series 7, 24, 63, 79 and 99 Securities Licenses
- Principal of Fallbrook Capital
- Bachelor of Arts in Finance (George Washington University)


Recent Software & Technology Transactions




CALABASAS
CAPITAL



Has sold substantially all of its assets to an affiliate of



and



FCP | FARRAGUT
CAPITAL PARTNERS

Calabasas Capital served as
exclusive financial advisor to APT.

High performance precision designed specialty lamps used in lasers and instruments in Medical, Instrumentation, Scientific, Aerospace & Defense and Industrial markets



CALABASAS
CAPITAL



Has been acquired by



Calabasas Capital served as
exclusive financial advisor to InvoTech.

ERP inventory control software and RFID systems primarily serving Hotels, Casinos and Resorts.

Current Software & Technology Mandates

- **Quantum Technology (Growth Financing)**
 - Emerging leader in quantum networking with near term completion of first commercially available quantum network in the U.S. Fully integrated quantum networking technology stack and industry leading patent portfolio. Status: Active.
- **Photonics - Fiber Lasers (Advisory/Strategic M&A)**
 - High performance fiber lasers and amplifiers for applications in sensing, defense, aerospace, metrology, research and medical. Status: Active.
- **Cybersecurity – SOCaaS (Sell-side M&A)**
 - Advanced cloud-based cybersecurity SOC As-a-Service platform with XDR+ solutions based on an advanced cross-correlation engine with autonomous response that incorporates multi-source security telemetry. Status: On Hold.

Selected Prior Software & Technology Transactions

 CALABASAS
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\$27 million Series B



Silicon Bandwidth is a highly innovative, fabless semiconductor company serving the high-performance, high-speed optoelectronic market.

A managing director of Calabasas Capital participated in the Series B as a principal investor while at a previous firm.

 CALABASAS
CAPITAL



\$11.7 million Series A



Auxora manufactures active and passive optical components including thin film filters.

A managing director of Calabasas Capital served as financial advisor to Auxora, Inc. while at a previous firm.

 CALABASAS
CAPITAL



\$78 million
Co-Managed Follow-On Offering

A managing director of Calabasas Capital served as financial advisor to ViaSat, Inc. while at a previous firm

 CALABASAS
CAPITAL



\$25 million Series B



Mellon Ventures



Trendium provides its ServicePath OSS software to network and content service providers

A managing director of Calabasas Capital participated in the Series B as a principal investor while at a previous firm.

 CALABASAS
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\$500,000 Venture Debt



Storactive provides enterprise data protection software technologies.

A managing director of Calabasas Capital served as financial advisor to Storactive, Inc. while at a previous firm.

 CALABASAS
CAPITAL



\$64 million
Co-Managed Follow-On Offering

A managing director of Calabasas Capital served as financial advisor to Lantronix, Inc. while at a previous firm

Why Calabasas Capital



Strong reputation in the SoCal market place



Focused on growth companies with \$10M+ Revenue / \$2M - \$8M EBITDA in sectors we know well



Senior level attention guaranteed



Expertise and relationships with strategic corporates and financial groups



Roll-up our sleeves partners in the process



Proven ability to maximize value and terms and close the transaction

Financing and M&A Market Update



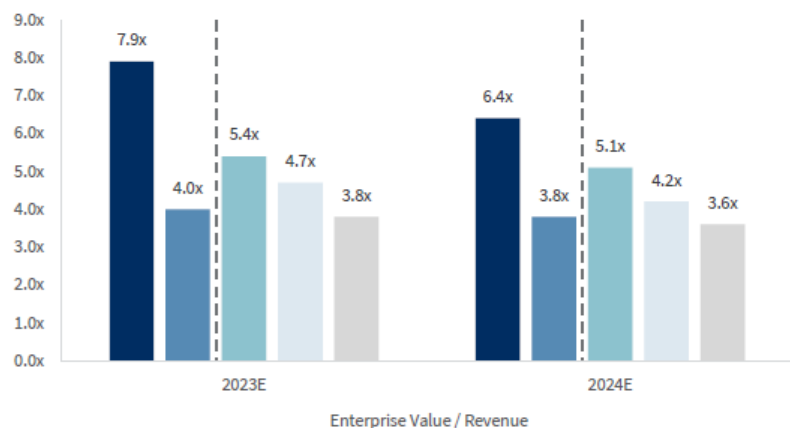
CALABASAS CAPITAL

Public Markets Trading Analysis: Software

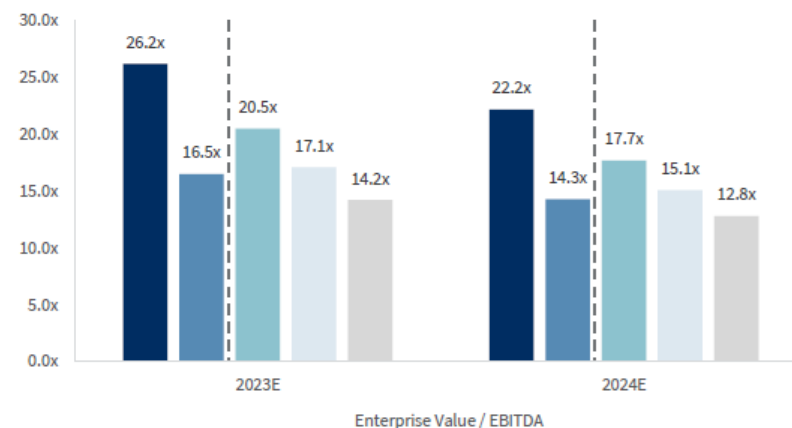
(USD in millions)

Growth Category/Sector ¹	Capitalization		Trading Performance				Enterprise Value / Revenue		Enterprise Value / EBITDA		P/E		Revenue Growth		EBITDA Margin		Long-Term	2022E
	Equity Value	Enterprise Value	YTD ²	1 Year	3 Year	5 Year	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	EPS	40 ³
High Growth Median	\$11,596.3	\$12,251.6	11.5%	(27.1%)	46.8%	205.7%	7.9x	6.4x	26.2x	22.2x	37.6x	30.9x	23.5%	21.8%	17.1%	18.8%	29.0%	49.0%
Medium / Low Growth Median	4,559.4	4,759.3	8.2%	(21.6%)	5.3%	42.8%	4.0x	3.8x	16.5x	14.3x	24.9x	22.5x	9.3%	9.4%	25.0%	26.8%	14.0%	34.0%
Horizontal Software Median	\$11,596.3	\$12,055.5	9.4%	(22.7%)	9.4%	72.8%	5.4x	5.1x	20.5x	17.7x	28.5x	24.8x	11.0%	11.0%	25.0%	26.8%	17.7%	35.0%
Vertical Software Median	2,640.1	2,736.3	8.1%	(18.3%)	17.4%	45.4%	4.7x	4.2x	17.1x	15.1x	25.8x	21.1x	9.9%	11.3%	22.7%	25.3%	19.1%	33.2%
Infrastructure Software Median	5,705.4	5,314.4	8.8%	(22.9%)	1.9%	27.9%	3.8x	3.6x	14.2x	12.8x	17.1x	17.6x	10.4%	9.6%	25.9%	27.6%	12.7%	38.1%

Revenue Multiples



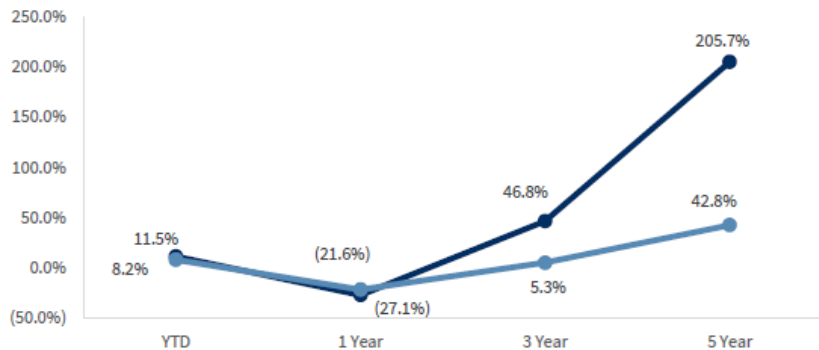
EBITDA Multiples



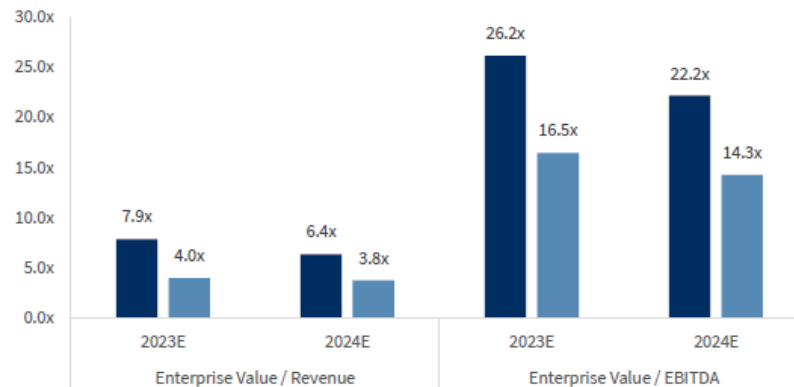
High Growth Software
 Medium / Low Growth Software
 Horizontal Software
 Vertical Software
 Infrastructure Software

Public Markets: High v Med/Low Growth Software

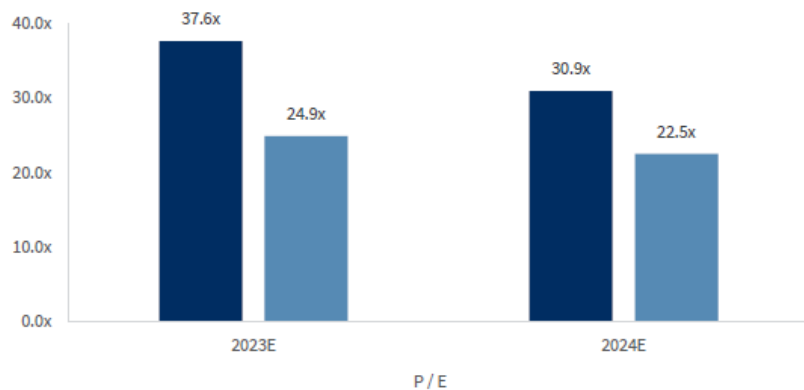
Relative Stock Price Performance



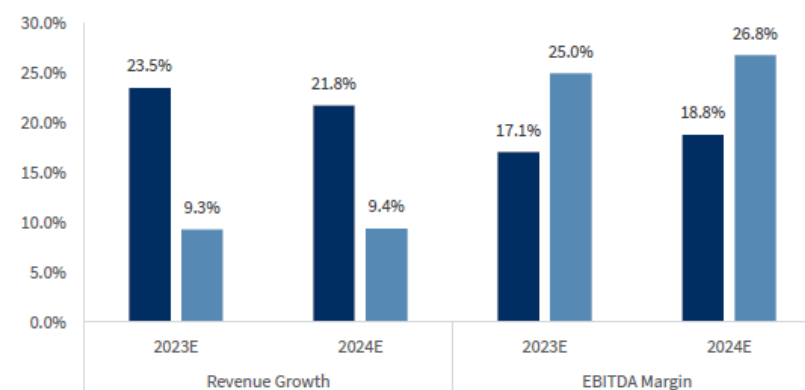
Valuation Multiple Analysis



Price / Earnings Ratio



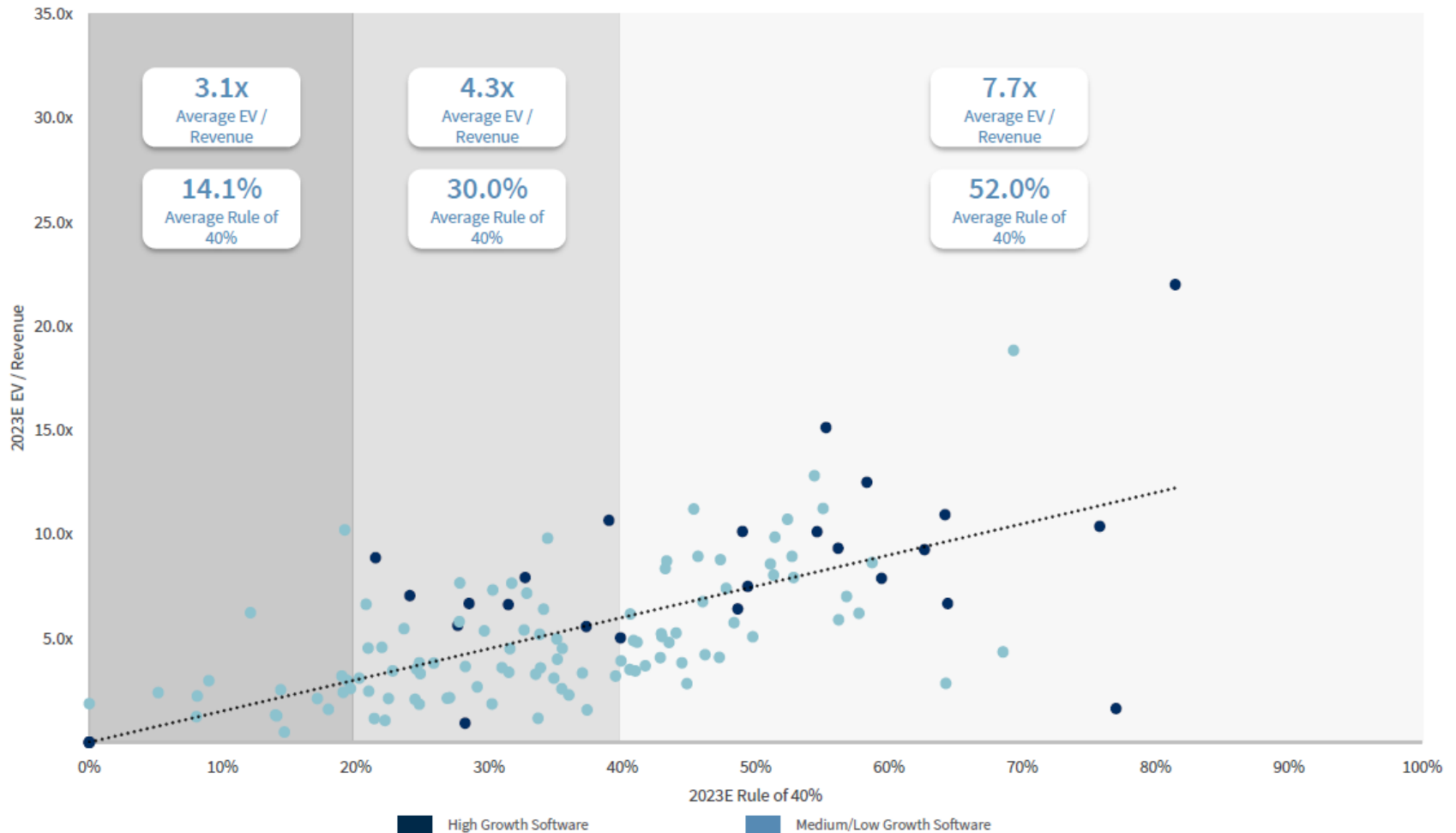
Growth and Margin Analysis



■ High Growth Software

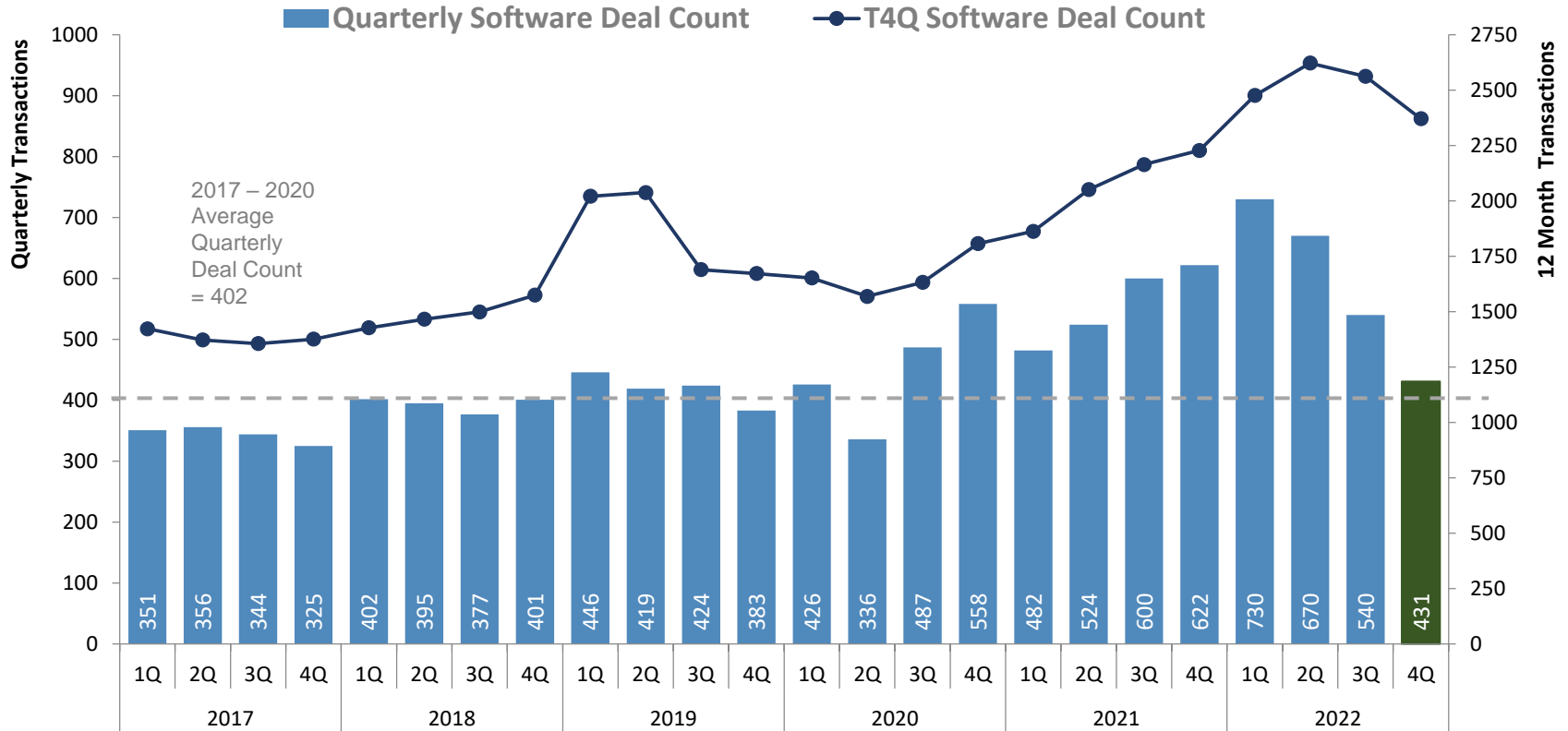
■ Medium / Low Growth Software

Growth AND Profitability Drives Higher Values



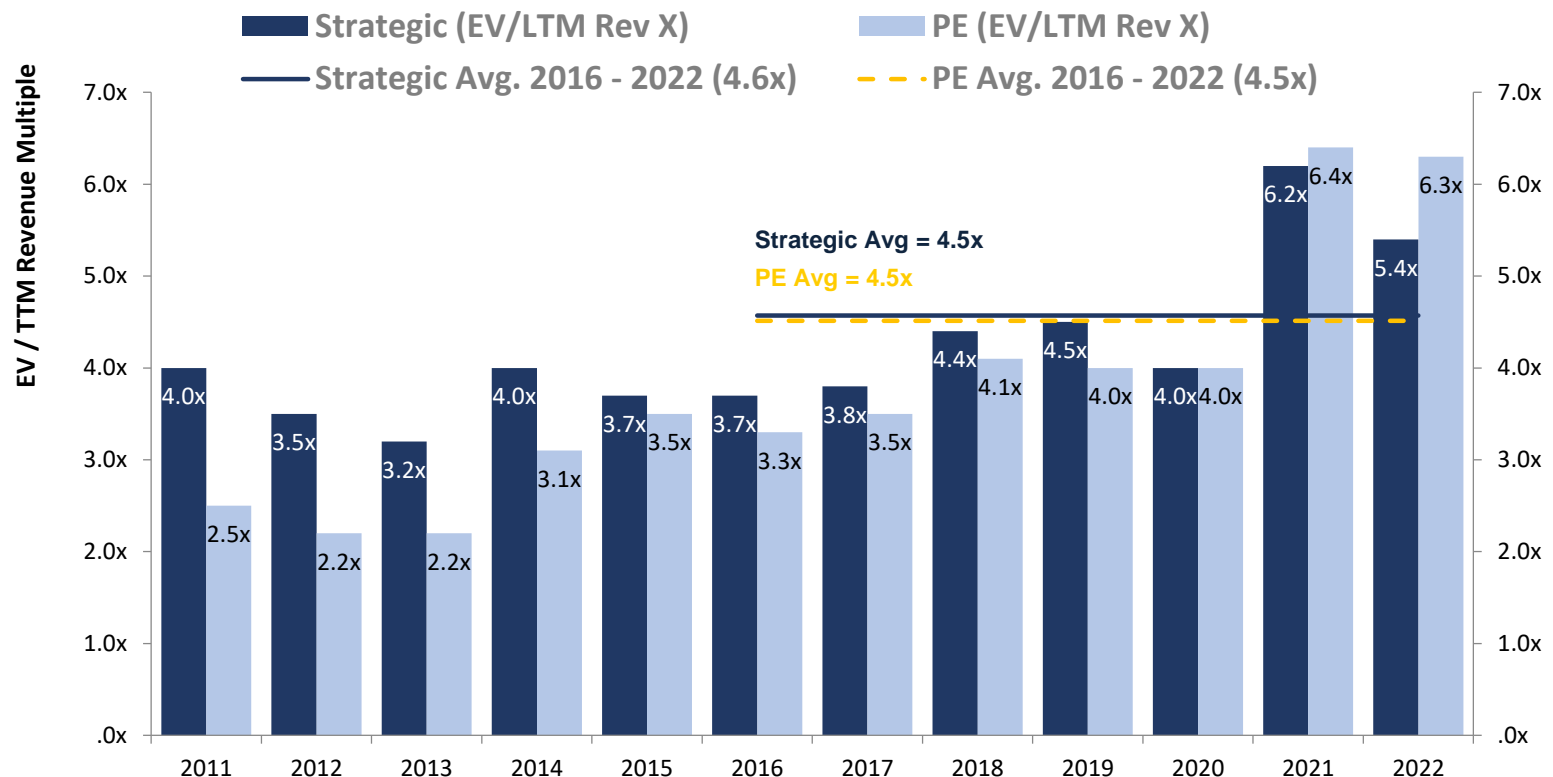
Global Software M&A

- H2 2022 deal count was 31% down from H1 2022, 20% lower than 2021 and 7% lower than 2020 however, was 7% higher than the average quarterly deal count for 2017-2020
- Average \$ value deal size was lower than any quarter since Q2 2020



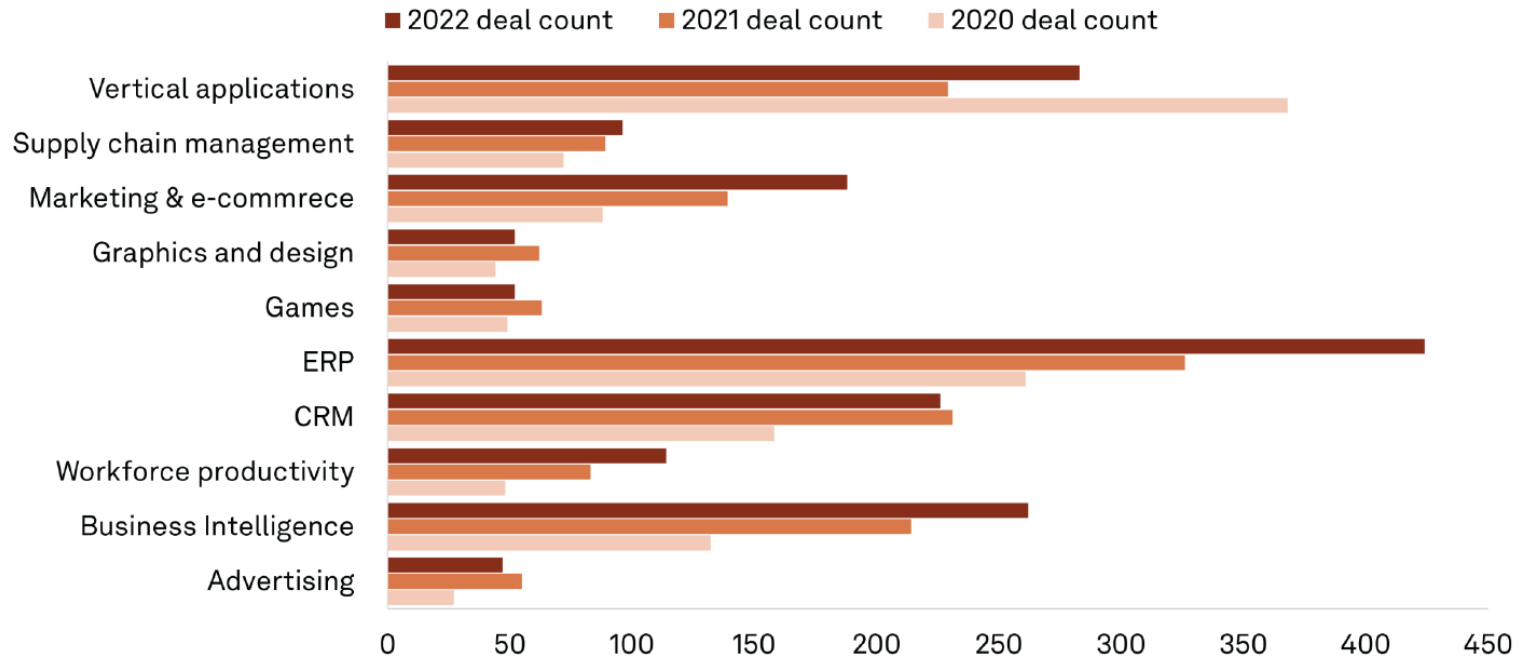
Global Software M&A Multiples

- Growth in PE Software Co. platform buyers and increase in take-private transactions drive PE deal multiples to converge toward pure public/private strategic acquirers
- Tighter strategic multiples in 2022 driven by lower public valuations



Application Software M&A Trends

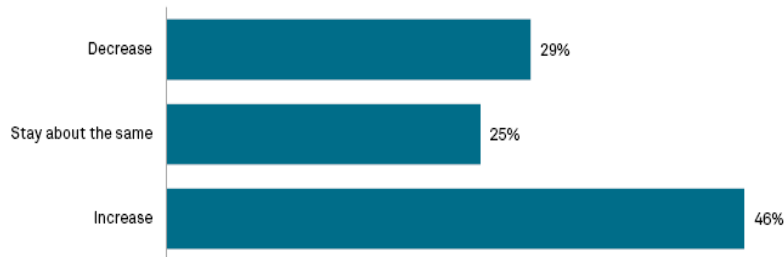
- In 2022 ERP (including HR applications), Vertical Market applications and Business Intelligence applications were the strongest segments, showing solid growth in deal volume over 2021



Software M&A Outlook is Positive

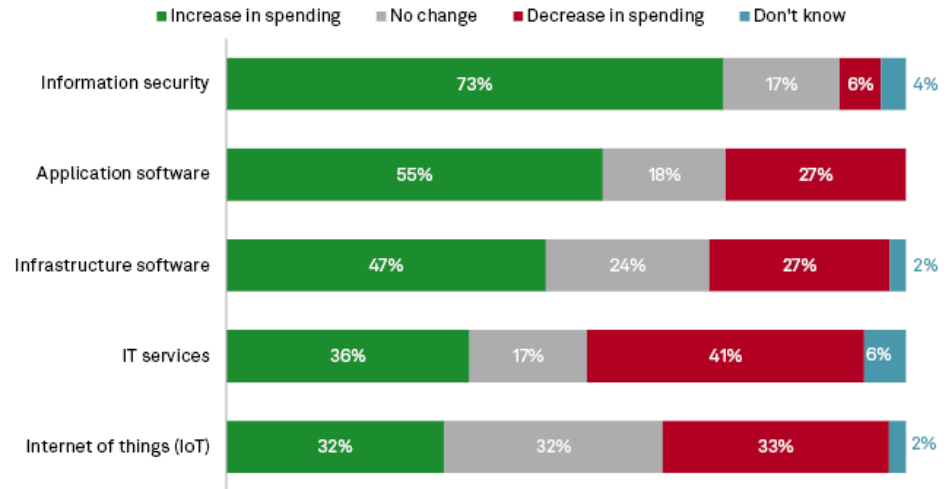
- While Tech M&A dropped sharply in late 2022, dealmakers see business picking back up in 2023, according to 451 Research's annual M&A Outlook Survey
- Software and Information Security segments are expected to receive the largest increase in M&A spending in 2023

Forecast change for tech M&A, 2023 vs. 2022



Data compiled Jan. 13, 2023.
 Q. How do you expect tech M&A activity in 2023 to change compared to 2022?
 Source: 451 Research's Tech M&A Outlook Survey, December 2022.

Forecast change in M&A spending in 2023, by sector

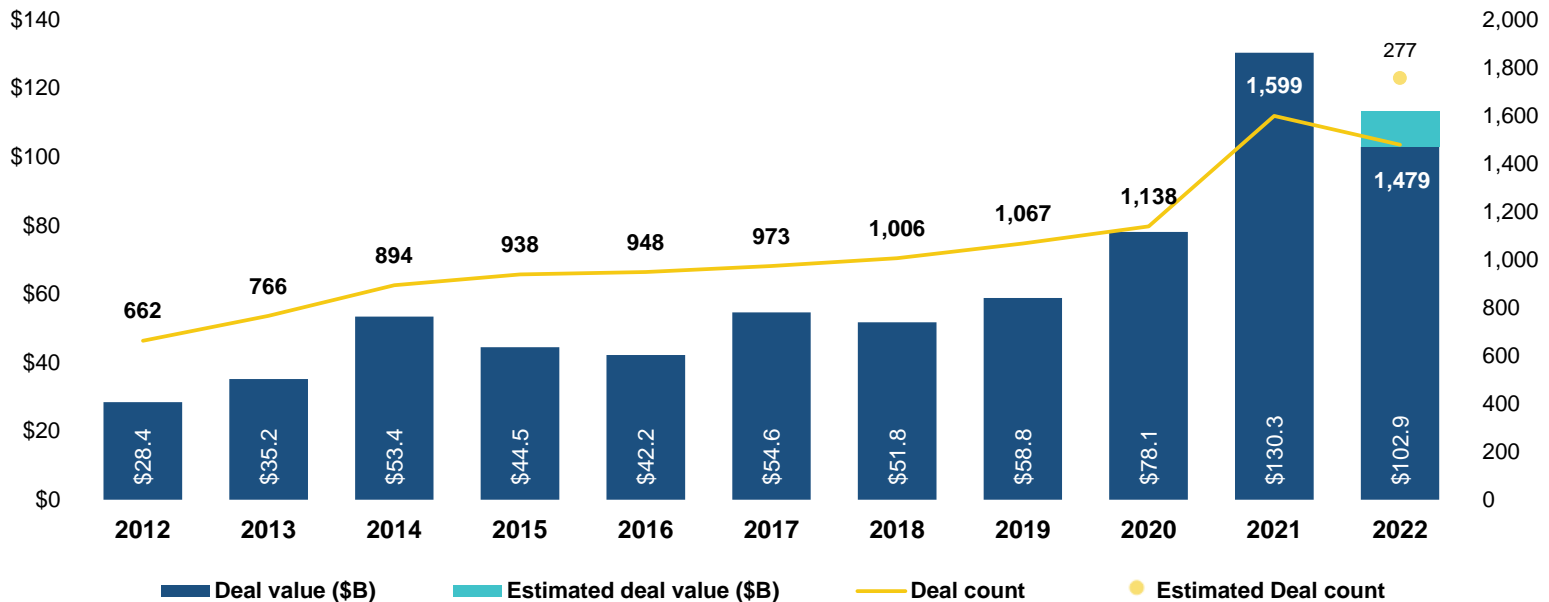


Q. What change - if any - do you expect in tech M&A spending for each of the following technologies in 2023 compared with 2022?
 Base: All respondents (n=83).
 Source: 451 Research's Tech M&A Outlook Survey, December 2022.

US PE Growth Activity

- Growth equity deal count in 2022 is estimated to exceed 2021 by as much as 10%, in contrast to the overall downtrend in PE transaction volume
- Growth equity's share of total deals was 19.7% in 2022, up from 17.5% in 2021

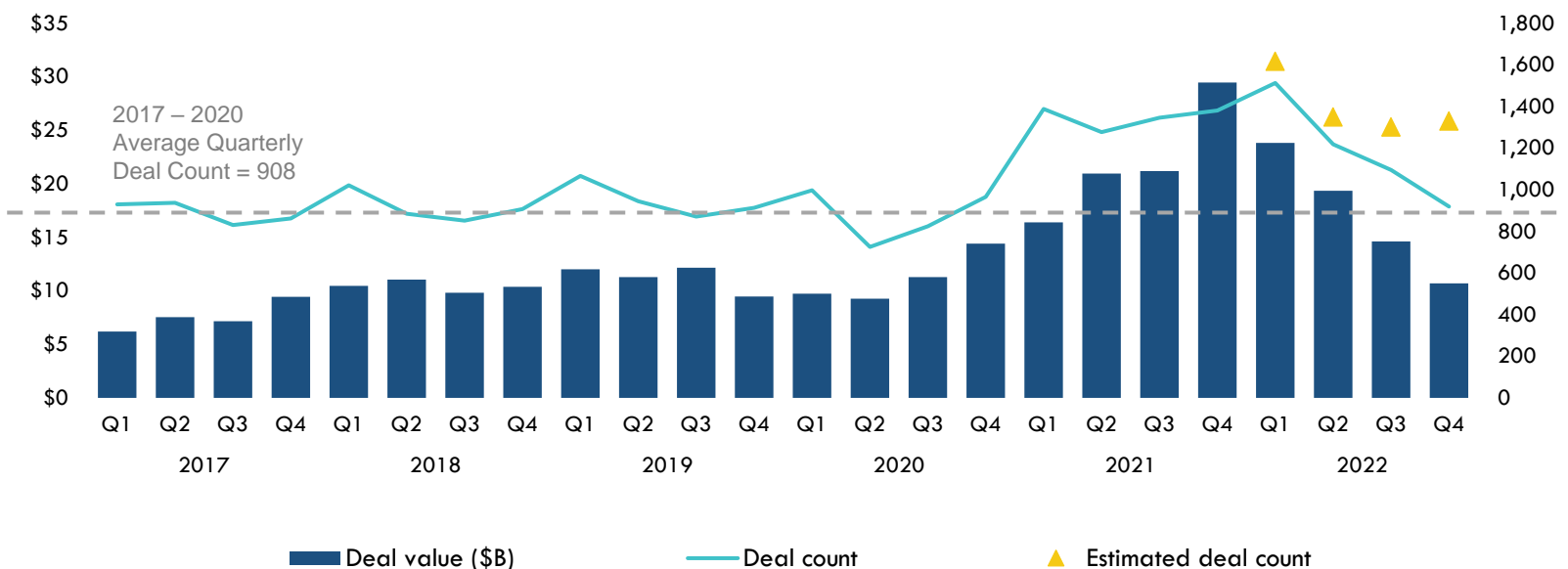
US PE Growth Equity Activity



US Early-Stage VC by Quarter

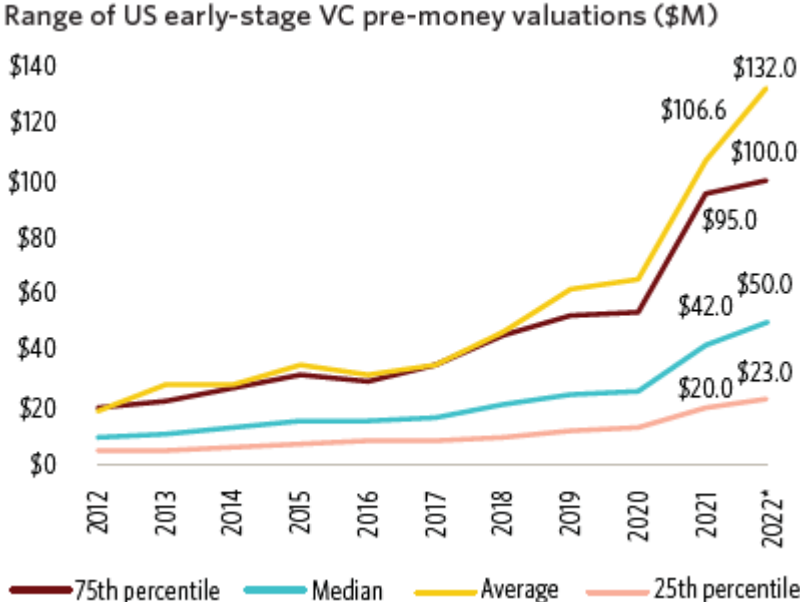
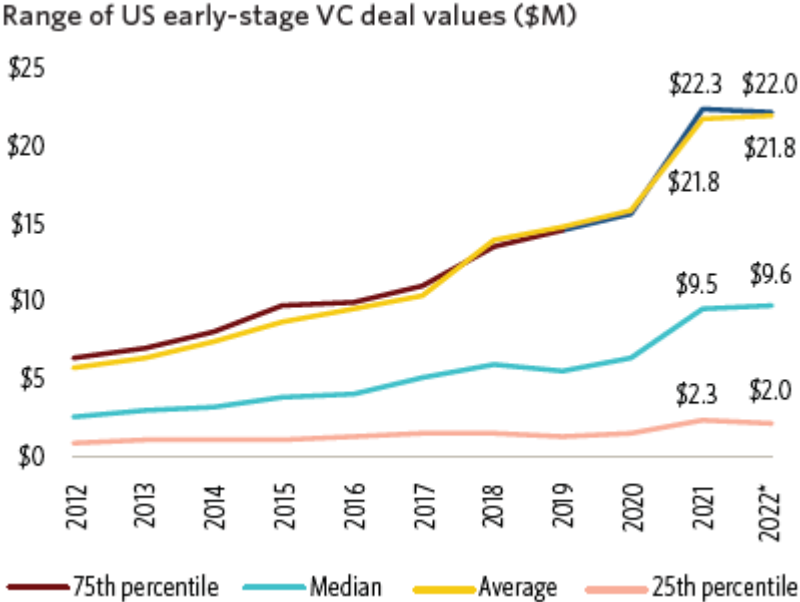
- 2022 Est. Annual deal count (5,598) is 4% higher than 2021 however, nearly 64% of early-stage deal value occurred in H1, bolstering annual figures
- While further contraction in 2023 is expected, H2 2022 avg. est. quarterly deal count (1,316) is 31% higher than long term quarterly average (908) for 2017 – 2020

US Early-Stage VC Activity



US Early-Stage VC Deal Size and Valuation

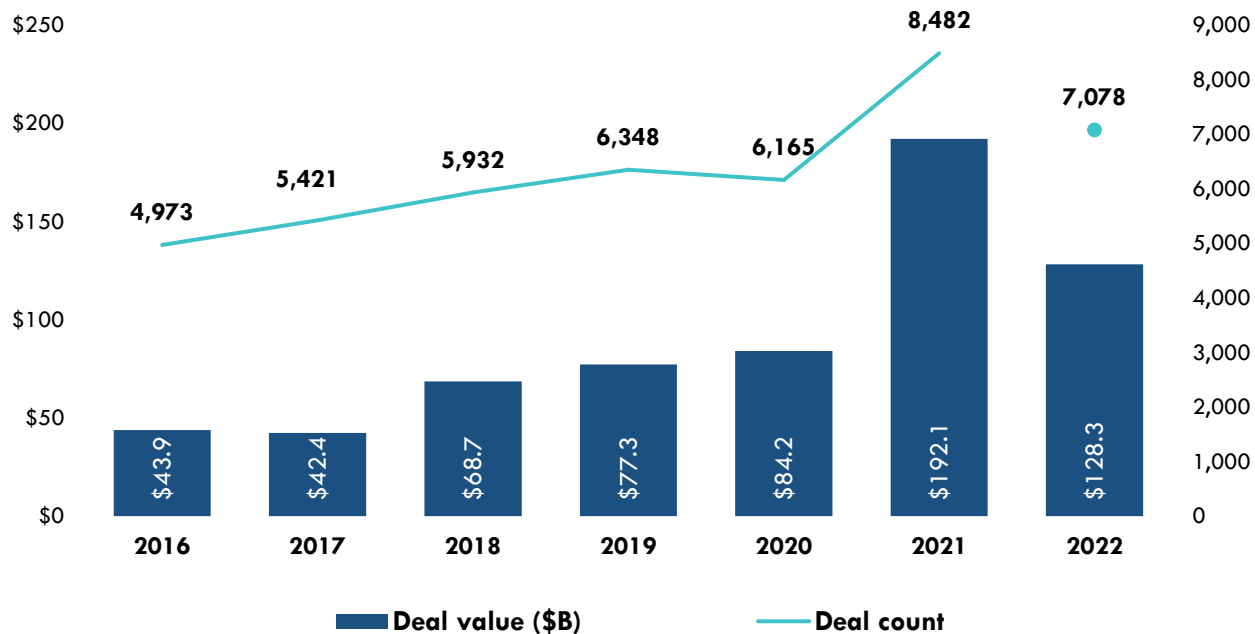
- *Financing deal values flattening and pre-money valuations moderating across the range of Early-Stage VC financings*



US B2B Technology VC Deal Activity

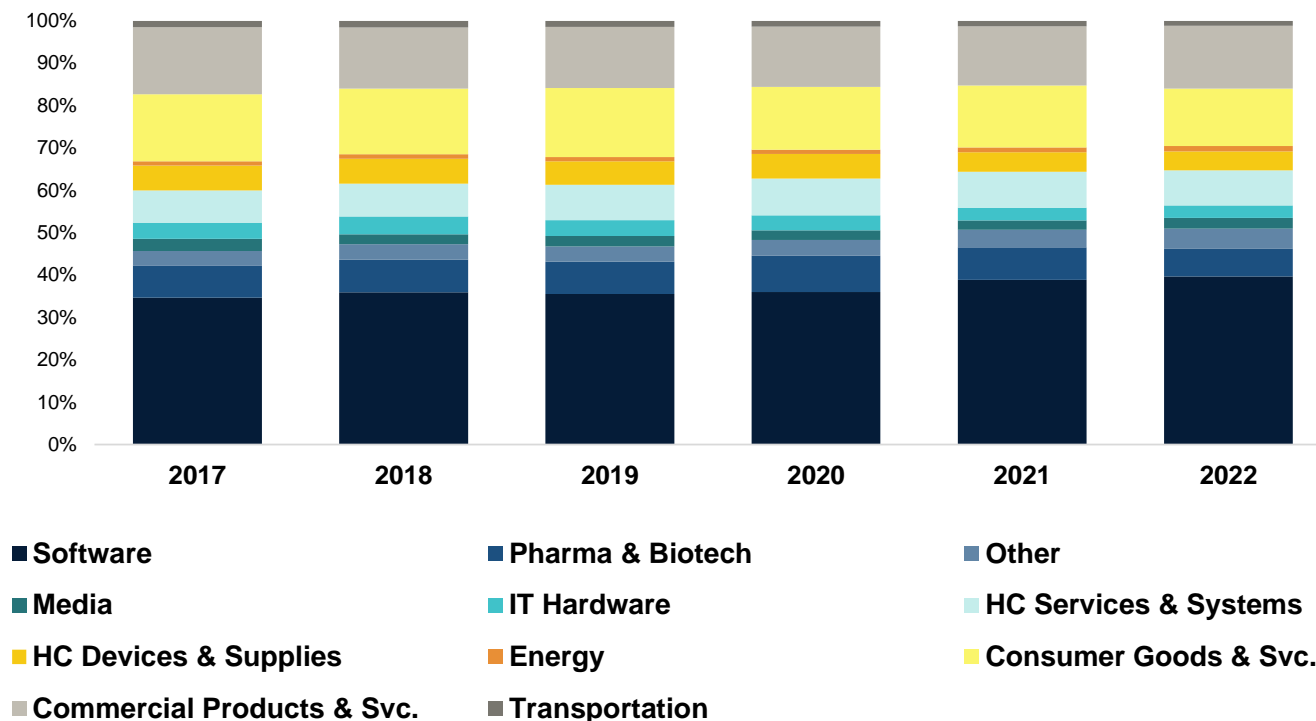
- Enterprise tech deal activity significantly outpaced pre-pandemic levels with higher levels of investment across all stages of investment
- Late-stage deals increased at significantly higher proportions than early-stage

US Enterprise Technology VC Activity



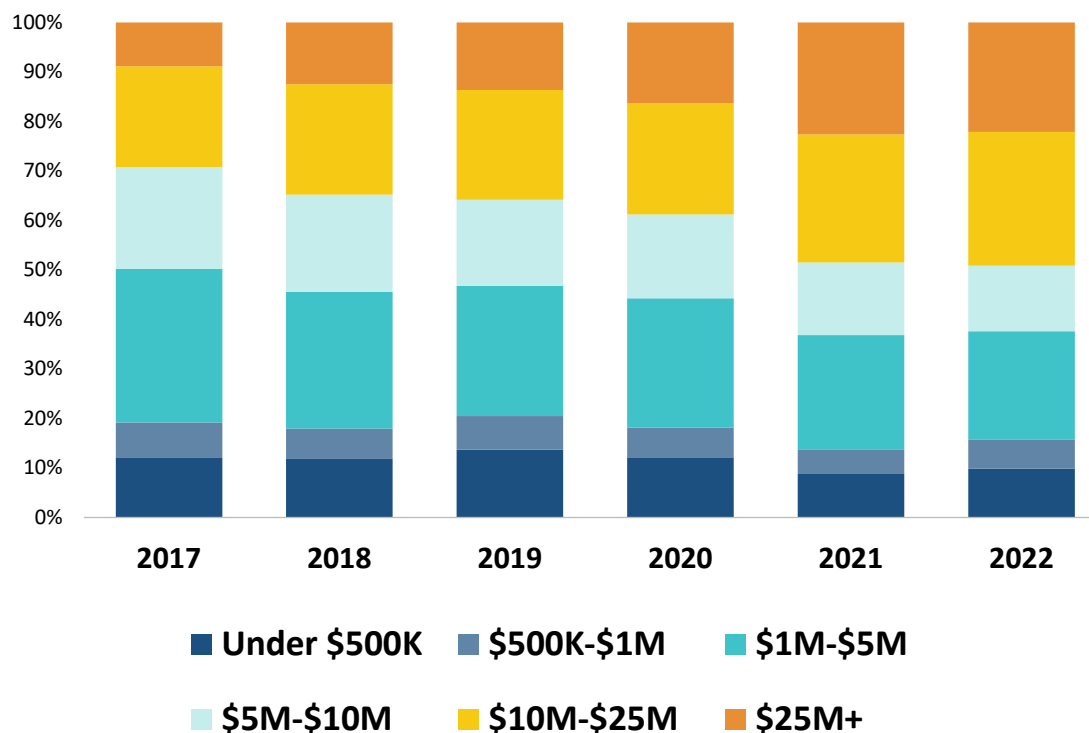
Software Still #1 Segment for VC

- *Software represented 40% of total US VC deal volume in 2022 up from 35% in 2017*



Early-Stage VC Trends to Larger Rounds

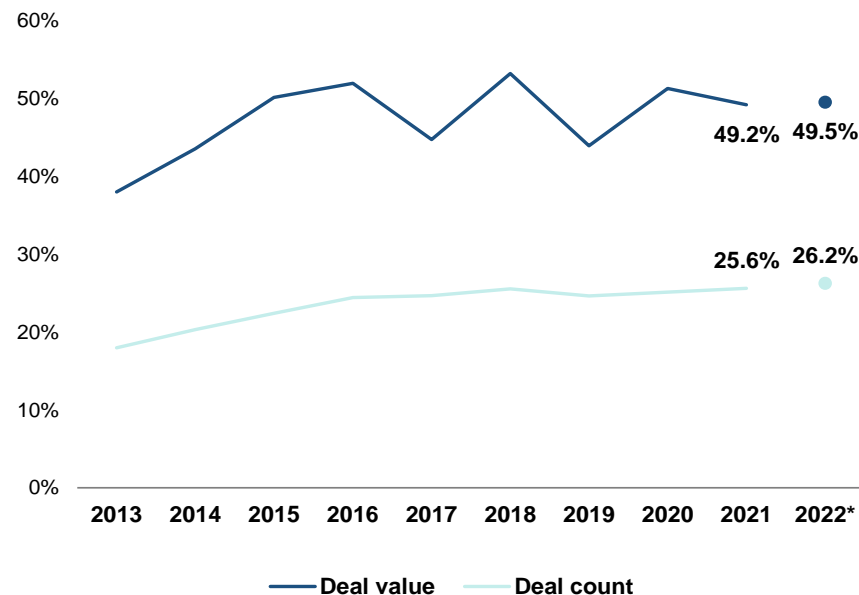
- *\$25M+ rounds grew from 4% of Early-Stage in 2016 to 10% in 2022*
- *\$5M - \$25M rounds trended higher on average, representing 20% of Early-Stage in 2016 down marginally to 19% in 2022*



US Corporate VC by Quarter

- *Corporate VCs remained active in 2022, participating at a similar percentage of total VC activity in terms of both dollars (49%) and deal count (26%)*
- *Corporate VCs that have become accustomed to the risk of venture will continue to see strategic value – more recent entrants will closely reassess level of participation*

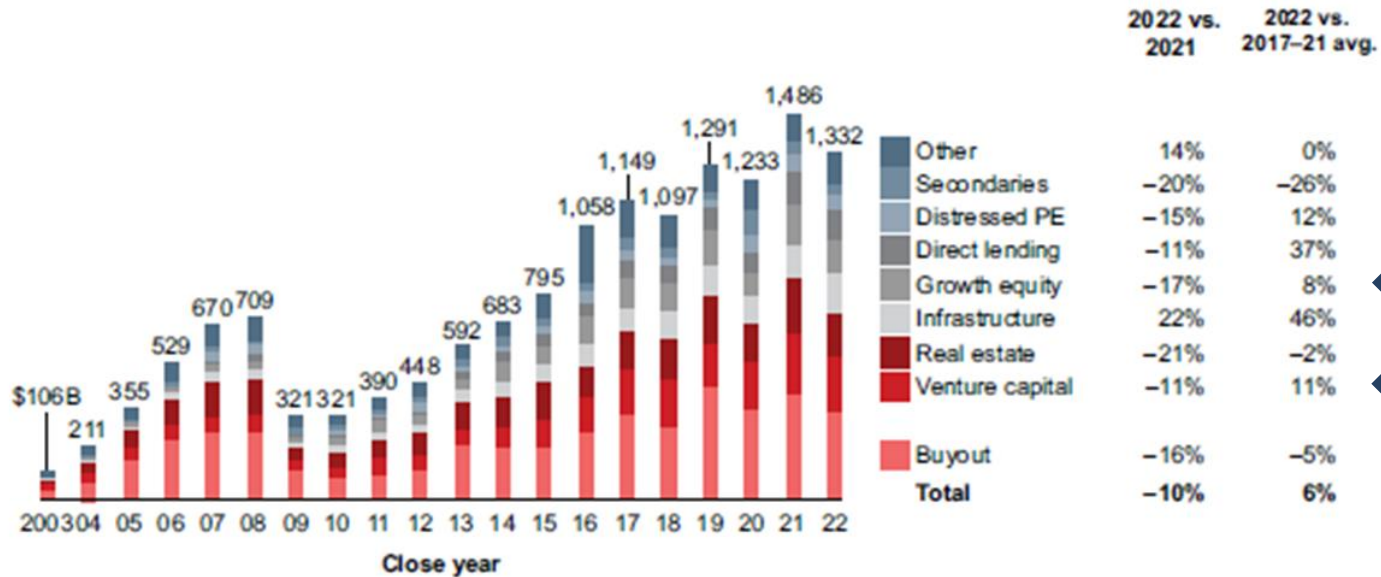
US Corporate VC / Total VC Activity



Growth Equity and VC Fundraising Still Trends Up

- *Global Growth Equity (+8%) and VC Funds (+11%) Continue to Raise Capital at Levels Higher than the 2017 – 2021 Average*

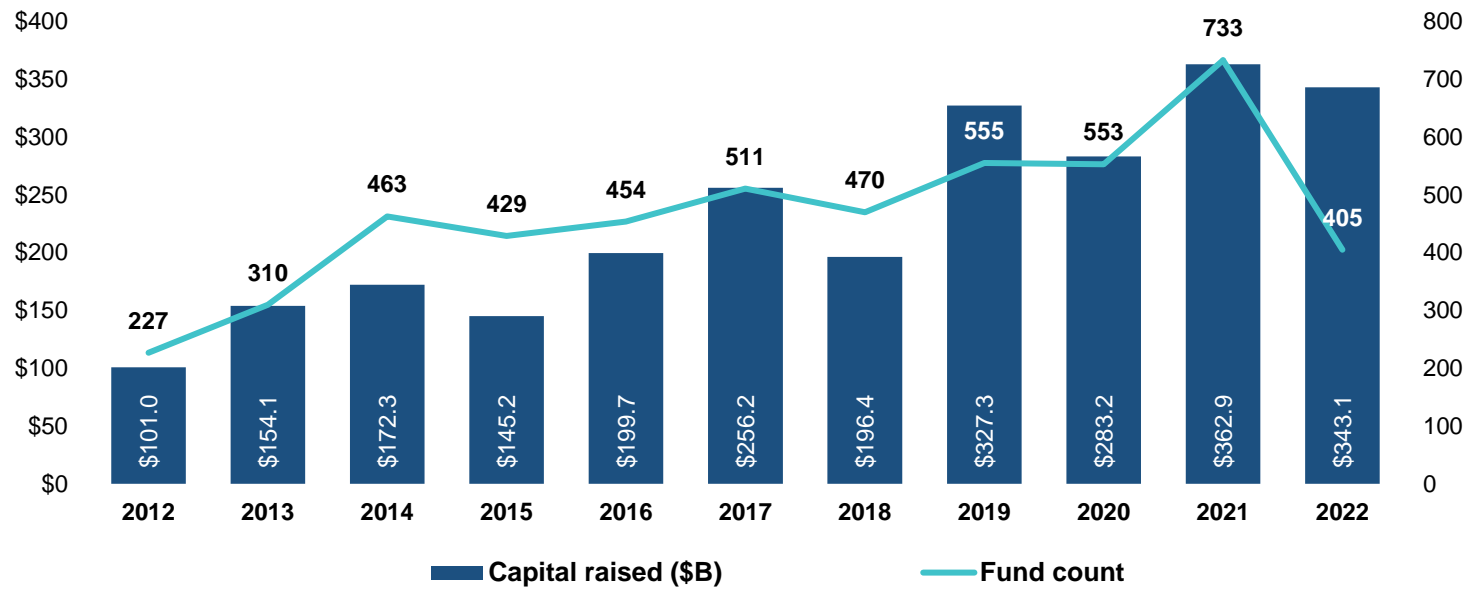
Global Private Capital Fundraising (\$ Billions)



US Private Equity Fund Raising

- *New fund raising took a step back in Q4 2022 as a majority of institutional LPs had fully allocated capital by the end of Q3*
- *2023 deployment and fundraising cycles will likely revert to more recent historical norms given an unsustainable pace in 2021*

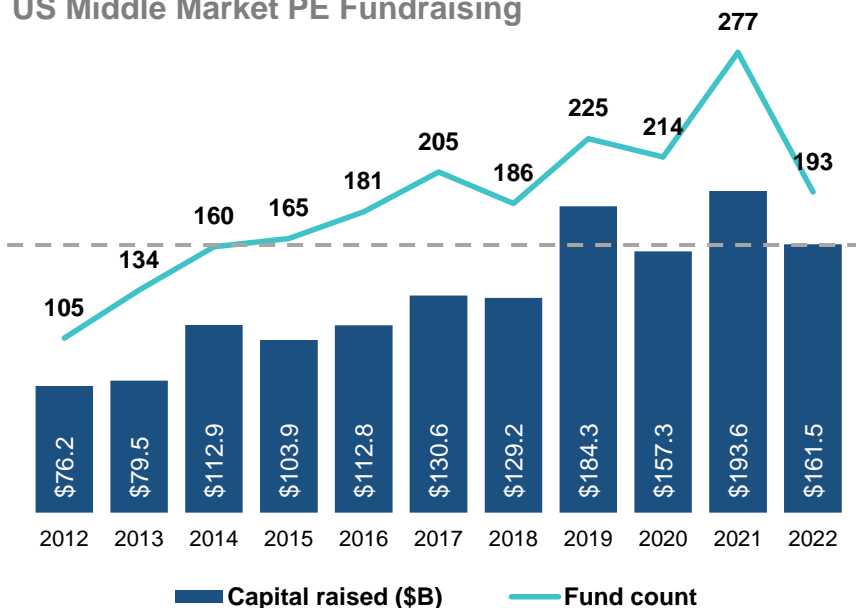
US Private Equity Fundraising



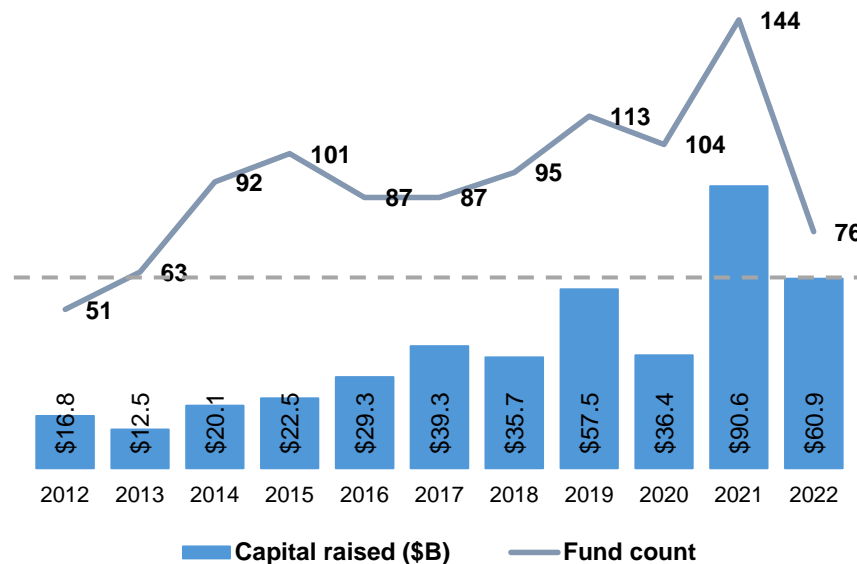
US PE Middle Market and Growth Fund Raising

- *Growth Equity and Middle Market funds continue as key assets classes*
- *Total New PE Fund Count in 2022: Growth Equity share was 18.8% (consistent with 2017 - 2021 average = 19.2%) whereas Middle Market was up to 48% (2017 - 2021 average = 39%)*

US Middle Market PE Fundraising



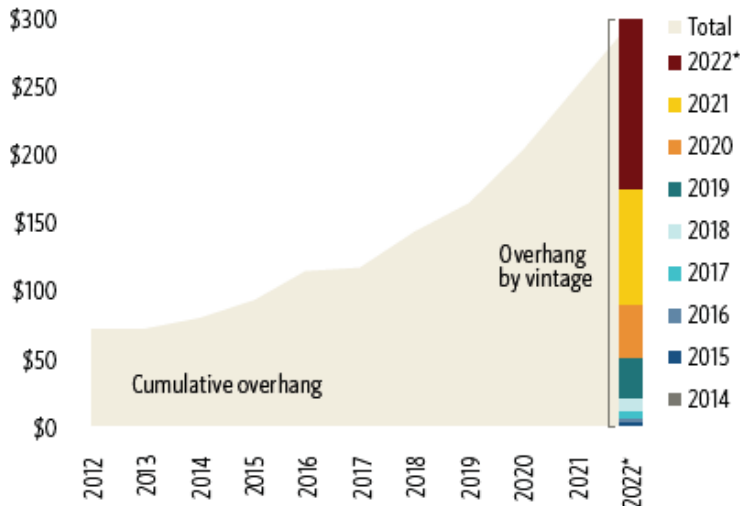
US PE Growth Equity Fundraising



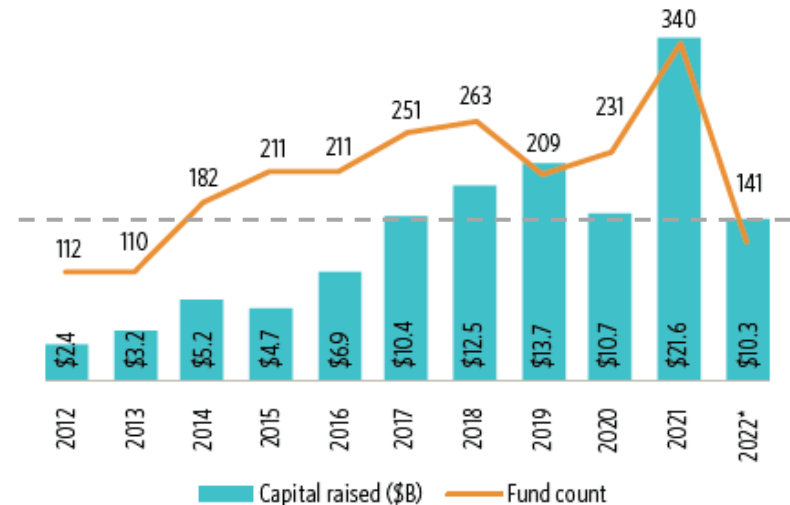
US VC Fund's Dry Powder at Record Levels

- US VC funds have close to \$300B in dry powder as of 9/30/22 up from \$230B as of 12/31/21
- US First-time VC fundraising \$ down 25.3% versus 2017 – 2021 average but consistent with 2 of the previous 5 years

US VC dry powder (\$B) by vintage



US VC first-time fundraising activity



Private Capital Markets Profile & Process



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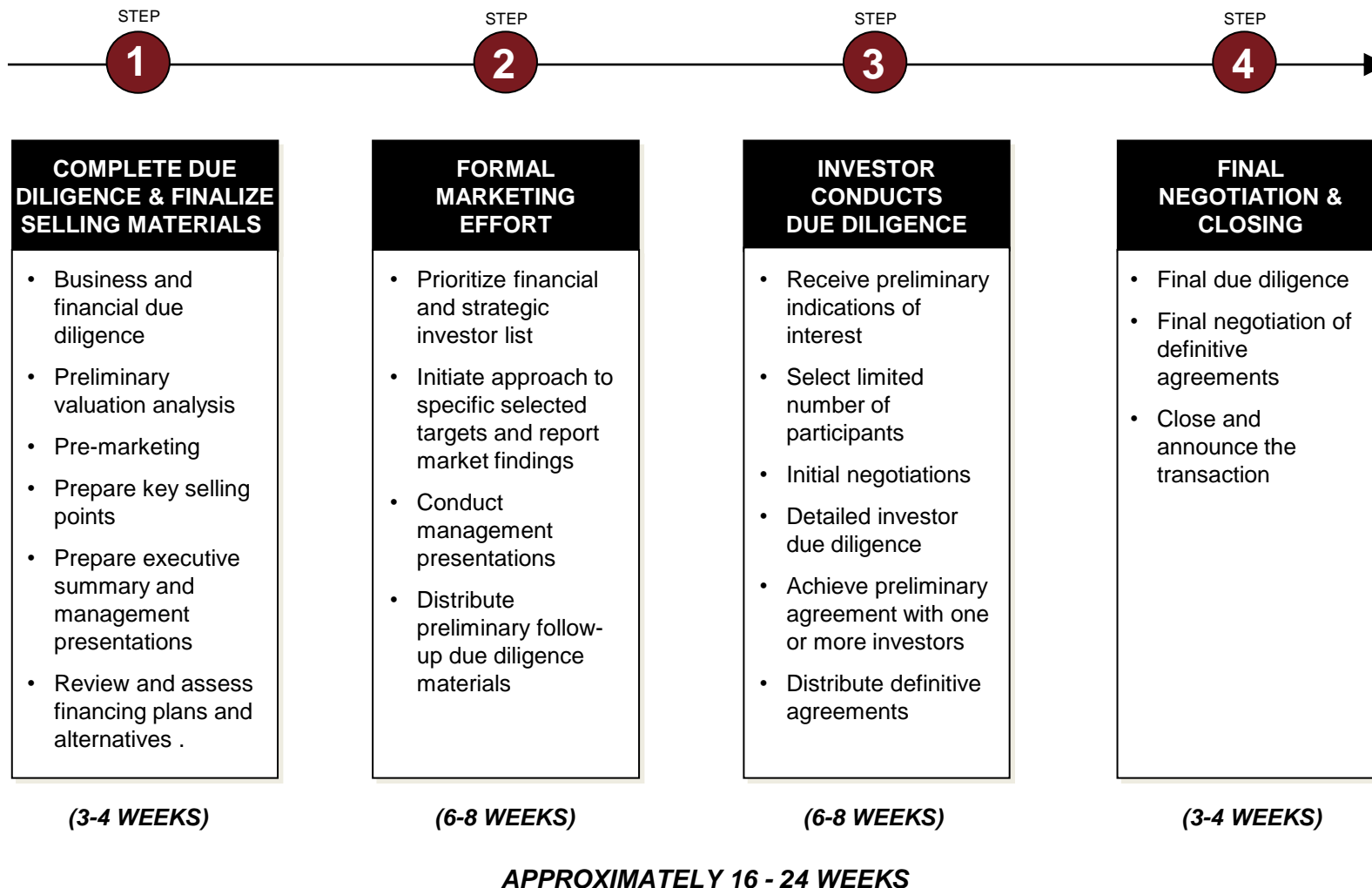
Typical Private Placement Profile

- **Early-stage and Mid-stage, growth and buyout financing**
 - Financing rounds of \$5M or more
- **Validated high growth sector**
 - Defined market exceeds/on track to exceed \$1B with attractive CAGR
- **Experienced and committed management team**
 - Core management team has proven entrepreneurial/growth track record
- **Customer/partner validation**
 - Repeatable sales model, strong validation from highly referenceable clients
- **Proven business model**
 - Quarterly revenue exceeding \$1M, continuing quarter on quarter growth
- **First institutional financing**
 - Clean capitalization table

Why use a Private Capital Markets team

- **Access to more of the right potential investment partners**
 - Increase selectivity, assess qualitative and quantitative factors
- **Achieve optimal pricing and terms**
 - Achieving a well timed semi-auction process maximizes valuation and terms, especially for first institutional financing opportunities
- **Implement a streamlined execution process**
 - A proven process minimizes financing risk and is highly efficient with management's time, enabling continued business focus
- **Faster time to close a financing**
 - Get the right deal with the right partner closed sooner
- **Good investors are more selective and more demanding**
 - Getting and keeping attention is harder, increased due diligence requirements
- **Provide value added services – during/ongoing**
 - Dual-track financing/M&A, institutional market readiness, strategic advisory/partnering, exit planning

Indicative Placement Timeline



Appendix



CALABASAS CAPITAL

Selected Prior Transactions



has been acquired by:

DUBIN CLARK & COMPANY INC

Merex is a leading distributor and manufacturer of legacy aerospace parts and MRO services.

A managing director of Calabasas Capital served as financial advisor to Merex Incorporated while at a previous firm.



have been acquired by:



DUBIN CLARK & COMPANY INC

Aircraft Logistic Support Co. is an MRO facility for aircraft components.

A managing director of Calabasas Capital served as financial advisor to Dubin Clark & Company while at a previous firm.



\$67 million
Senior Credit Facility



Antares

A managing director of Calabasas Capital was a principal member of the senior management team for Kellstrom Defensed Aerospace, Inc. and Merex Group



has been acquired by:



Kelstrom Industries Defense is a leading distributor of legacy aerospace parts and provider of MRO services and Program Mgt.

A managing director of Calabasas Capital was a principle member of the senior management team that executed this transaction.



Buyside M&A Advisory

EADS North America represents the North American activities of Airbus including Airbus Helicopters and Airbus Military North America

A managing director of Calabasas Capital served as financial advisor to AEDS North America while at a previous firm.



has been recapitalized by



Blue Sky provides a cloud-based fleet management and tracking solution to the airline, marine and trucking industries.

Calabasas Capital served as financial advisor to Blue Sky Network and initiated this transaction.

Selected Prior Transactions

 CALABASAS
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has been acquired by:



hyfn is a leading social media digital agency and application platform.

A managing director of Calabasas Capital served as financial advisor to hyfn while at a previous firm.

 CALABASAS
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NTN Wireless
Communications

has been acquired by:



NTN Wireless Communications is one of the largest manufacturers and distributors of restaurant paging systems.

A managing director of Calabasas Capital served as financial advisor to NTN Wireless Communications while at a previous firm.

 CALABASAS
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Berkley MF LLC



BERKLEY

Has been acquired by

INTERNATIONAL  PAPER

Calabasas Capital advised Berkley on the transaction, identified the buyer and assisted in negotiations.

 CALABASAS
CAPITAL



Has been acquired by



A managing director of Calabasas Capital served as financial advisor to [Storactive, Inc.](#) while at a previous firm

 CALABASAS
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The assets of NTN Software Solutions, Inc.



have been acquired by:

ESP Systems, LLC

NTN Software is a provider of hospitality reservation and table management systems.

A managing director of Calabasas Capital served as financial advisor to NTN Software Solutions, Inc. while at a previous firm.

 CALABASAS
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Has been acquired by



A managing director of Calabasas Capital served as financial advisor to the Tuvalu Government while at a previous firm

Selected Prior Transactions



i.e. distribution

has acquired the assets of World Industries



With \$3.5MM in Mezzanine Debt Financing Raised From:



World Industries is a leading action sports footwear brand.

A managing director of Calabasas Capital served as financial advisor to i.e., distribution while at a previous firm.



KT's Kitchens, Inc. has sold certain assets related to



Bob's Big Boy Salad Dressings & Sauces

To

The Flavor of California, LLC

An affiliate of Salt Creek Capital

Calabasas Capital served as exclusive financial advisor to KT's Kitchens, initiated the transaction, identified the buyer and assisted in structuring and negotiating the transaction.



Revolution Eyewear Inc. private debt financing

Revolution Eyewear is a branded manufacturer and distributor of proprietary eyeglass frames.

Calabasas Capital served as exclusive financial advisor to Revolution and initiated this transaction.



has been acquired by:



BRADFORD

Hugo Naturals is an established natural CPG personal care product business

A managing director of Calabasas Capital served as GM & CFO of the holding company.



Buyside M&A Advisory

LaSalle Capital

Impex Global is a value-added distributor of flexible packaging.

Calabasas Capital served as buyside M&A advisor for Impex Global and its private equity owner LaSalle Capital.



Tranzlogic

has raised private equity from a group of investors led by:

SJ Investment Co.

Tranzlogic is a rapidly growing provider of retail customer analytics leveraging payment processor networks.

Calabasas Capital served as exclusive financial advisor to Tranzlogic, LLC. and initiated this transaction.

Selected Prior Transactions

CALABASAS CAPITAL



has been acquired by



a portfolio company of

TRIVE CAPITAL

Modul is an importer and distributor of premium natural stone and tile products.

Calabasas Capital served as exclusive financial advisor to Modul Marble & Granite and initiated this transaction.

CALABASAS CAPITAL



Buy-side M&A Advisory



Resourcing Edge is a PED which offers outsourced payroll, employee benefits and HR services to small and medium sized businesses with offices across the U.S.

Calabasas Capital served as buy-side M&A advisor for Resourcing Edge and its investor CVF Capital Partners.

CALABASAS CAPITAL



Has sold its apartment management business to



Calabasas Capital served as exclusive financial advisor to SK Management, identified the buyer, initiated the transaction and assisted in structuring and negotiating the deal.

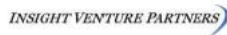
CALABASAS CAPITAL



has been acquired by:



a portfolio company of:



PrintRunner and UPrinting are both leading online commercial printers.

Calabasas Capital served as majority shareholder of PrintRunner, Inc. and initiated this transaction.

CALABASAS CAPITAL

The shareholders of



Have completed a recapitalization with financing provided by



Information Forecast, Inc. is a business-to-business services company that provides conferencing, event hosting and marketing services.

Calabasas Capital served as exclusive financial advisor to the acquiring shareholder of Infocast.

CALABASAS CAPITAL



Has sold its HOA management business to



Calabasas Capital served as exclusive financial advisor to SK Management, identified the buyer, initiated the transaction and assisted in structuring and negotiating the deal.

Selected Prior Transactions



Buyside M&A Advisory



Raymundo's is a manufacturer and distributor of refrigerated foods primarily targeting the Hispanic community.

Calabasas Capital served as buyside M&A advisor for Raymundo's and its private equity owner AUA Private Equity Partners.



has been acquired by:



ASI Entertainment and Screen Engine are both entertainment-industry focused full-service market research services companies.

Calabasas Capital served as financial advisor to ASI Entertainment and initiated this transaction.



has acquired a majority interest in



Visual Data Media Services provides content management, storage, distribution and post-production services to the entertainment and television broadcast industries.

Calabasas Capital served as exclusive financial advisor to Visual Data.



Stix Holdings, LLC has acquired the assets of:



from **CARLSON**
Carlson Restaurants, Inc.

Pick Up Stix is a chain of fast casual Chinese restaurants, including 70 company-owned stores and 4 franchises.

Calabasas Capital served as financial advisor to Stix Holdings, LLC an affiliate of Mandarin Express, Leeann Chin & Chin's Asia Fresh.



Hamlet Group, Inc. & Subsidiaries have been acquired by:

A Private Investment Group

Hamlet Group is an iconic national casual dining restaurant chain.

A managing director of Calabasas Capital served as financial advisor to Hamlet Group while at a previous firm.



Background Images, Inc. has raised \$3.6 million in financing from:



Background Images is a leading equipment rental services company to the television, motion picture, concert production and tradeshow industries.

Calabasas Capital served as exclusive financial advisor to Background Images, Inc. and initiated this transaction.

Client Testimonials

“My partners and I are extremely pleased to have successfully completed this transaction and are optimistic about the growth potential of the two businesses working closely together in the future. We are very thankful to have had the guidance of the highly experienced investment bankers at Calabasas Capital led by David Bonrouhi and Andrew Williamson. They were steadfast partners throughout the entire process and overcame numerous obstacles to get this deal across the finish line, vastly exceeding our expectations.”

Len Goldfine

President and CEO of Applied Photon Technology, Inc.

“My business partner I were very pleased with the comprehensive representation we received from Calabasas Capital throughout this sales process. David and his team gave us hands-on attention and made sure every element of the deal ran smoothly. We were so pleased that we later rehired Calabasas Capital to assist us in finding another company to acquire.”

Mike Zaya,

Majority Shareholder at PrintRunner

“I am deeply grateful to have had Calabasas Capital as my advisor in this transaction. This involved quite challenging negotiations; without David Bonrouhi’s wise counsel, skilled representation, and sustained effort, I doubt the deal would have closed.”

William Meyer,

Founder of Information Forecast, Inc.

“We are incredibly pleased to have completed this transaction with a world class organization such as HID Global which shares our values as a family-owned and operated business. We also very much appreciate and value the guidance provided by our investment banking firm, Calabasas Capital, in completing this transaction. David Bonrouhi and Andrew Williamson did an excellent job helping us evaluate strategic alternatives, procuring proposals from a wide variety of interested parties and through a structured and well-designed process got us a fantastic result.”

Harvey Welles

Chairman and CEO of InvoTech



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