TECHNOLOGY
SOFTWARE, DATA & ANALYTICS

SOLOMON PARTNERS

NAVIGATING STRATEGIC & FINANCIAL ALTERNATIVES

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AN AFFILIATE OF
NATIXIS CORPORATE AND INVESTMENT BANKING

INTRODUCTION

IN THIS REPORT

Solomon Partners is pleased to share our primer on navigating strategic and financial alternatives.

- Clients often ask how to evaluate the universe of strategic and financial alternatives and assess the associated risks and rewards
- Key considerations include:
  - Balancing near-term objectives with long-term goals
  - Maximizing value for key stakeholders
  - Choosing the right partner to execute the business plan
- The following pages articulate the range of strategic and financial alternatives, as well as key considerations, when identifying a partner

We hope you enjoy our report, and we welcome any questions you may have.

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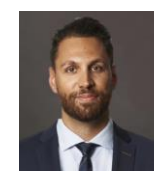

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SOLOMON PARTNERS TEAM

DECADES OF EXPERIENCE AS A TRUSTED ADVISOR TO COMPANIES EVALUATING THE UNIVERSE OF STRATEGIC AND FINANCIAL ALTERNATIVES

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20+ Years Experience

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Head of Financial Sponsors
20+ Years Experience

Tucker Laurens
Director
10+ Years Experience

M&A EXECUTION

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Partner
Chairman of M&A
30+ Years Experience

Jeff Jacobs
Partner
Head of M&A
20+ Years Experience

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Joseph Stein
Partner
Head of Capital Markets
25+ Years Experience

CORE TENETS OF OUR PRACTICE

Senior bankers with deep knowledge of the sectors they cover + Extensive experience navigating all types of transactions / situations + Independent advice free from conflicts + Relationships at the core of everything we do = **Firm best positioned to offer thoughtful, unbiased advice**

OVERVIEW OF STRATEGIC AND FINANCIAL ALTERNATIVES

SOLOMON PROVIDES COMPREHENSIVE STRATEGIC ADVICE FOCUSED ON GENERATING LONG-TERM STAKEHOLDER VALUE

KEY STRATEGIC AND FINANCIAL ALTERNATIVES

STRATEGIC ALTERNATIVES

- STATUS QUO
- TRANSFORMATIVE M&A
- TUCK-IN ACQUISITIONS
- DIVESTITURES
- SALE OF COMPANY
- BUILDOUT / SUPPLEMENT SENIOR LEADERSHIP

FINANCIAL ALTERNATIVES

- MAJORITY GROWTH EQUITY RAISE
- MINORITY GROWTH EQUITY RAISE
- STRUCTURED CAPITAL RAISE
- DEBT FINANCING
- MINORITY RECAP
- SEPARATION OF BUSINESS UNITS

IDENTIFYING THE RIGHT PARTNER

- Valuation
- Speed
- Investment Period
- Equity Rollover
- Financing
- Management Expectations
- Day-To-Day Involvement

EVALUATING THE UNIVERSE OF STRATEGIC ALTERNATIVES

SOLOMON ADVISES AND EXECUTES A RANGE OF STRATEGIC ALTERNATIVES

STRATEGIC ALTERNATIVES

	DESCRIPTION	PROS	CONS
STATUS QUO	▪ No changes to ownership, management or corporate structure	✓ No transactional or incremental capital markets risk ✓ No incremental distractions to management	× Macroeconomic environment could deteriorate, limiting options to pursue alternatives in the future
TRANSFORMATIVE M&A	▪ Scaled acquisition or merger	✓ Increase financial performance through revenue and cost synergies ✓ Alternative avenues for long-term growth	× Higher execution / integration risk × Financial risk if significant leverage is required to complete transaction × Harder to control outcomes due to target availability / competition
TUCK-IN ACQUISITIONS	▪ Smaller acquisition to consolidate within existing company infrastructure	✓ Increase market share, capabilities or geographic expansion ✓ Opportunity to extract synergies from complementary business	× Execution and integration risk × Disruption to operations and management × Availability / willingness of targets to engage
DIVESTITURES	▪ Sale of select business segments	✓ Unlock value by selling an asset that is undervalued when viewed as part of the whole ✓ Focus on core capabilities / streamline operations	× Reduced scale of the remaining company × Ability to achieve value sufficient to overcome lost earnings × Complexity of transaction
SALE OF COMPANY	▪ Full / majority sale of company to a strategic or financial buyer	✓ Certainty of value today ✓ Premium valuation driven by competitive tension in tailored M&A process	× Limited or no future upside potential for selling shareholders × Disruption to management during process
BUILD-OUT / SUPPLEMENT SENIOR LEADERSHIP	▪ Bolster senior management / board membership	✓ Build out / supplement existing capabilities ✓ Plug capability gaps to ensure enhanced execution ✓ Gain access to others' relevant experience	× Additional overhead cost × Cultural risk when integrating within existing structures

EVALUATING THE UNIVERSE OF FINANCIAL ALTERNATIVES

SOLOMON ADVISES AND EXECUTES A RANGE OF FINANCIAL ALTERNATIVES

FINANCIAL ALTERNATIVES

	DESCRIPTION	PROS	CONS
MAJORITY GROWTH EQUITY RAISE	▪ Common equity investment for a majority ownership position	✓ Usually both primary capital for growth and secondary capital for partial cash-out ✓ No recurring cash obligations ✓ Valuation carries control premium	× Loss of equity control × Dilutes existing ownership × Expensive form of capital in upside scenarios
MINORITY GROWTH EQUITY RAISE	▪ Common equity investment for a minority ownership position	✓ Shareholders maintain control ✓ Access to capital for growth ✓ No recurring cash obligations	× Typically lower valuation than majority raise × Dilutes existing ownership × Requires minority protection rights
STRUCTURED CAPITAL RAISE	▪ Structured capital, often with a preference to common equity	✓ Can be less dilutive than common equity ✓ Can be structured to achieve company objectives	× More expensive than traditional debt raise × May include some form of equity dilution (warrants / conversion) × Can carry cash obligations
DEBT FINANCING	▪ Raise debt to support growth initiatives	✓ No equity dilution (if not convertible) ✓ No governance / board rights ✓ Least expensive form of capital in upside scenarios	× Increased financial risk (interest / repayment obligations) × Covenants may restrict certain activities × Can limit financial / strategic alternatives in the future
MINORITY RECAP	▪ Raise incremental debt to provide liquidity to existing minority shareholders	✓ Shareholders can maintain upside in the business ✓ Incremental tax shield from use of interest-bearing debt	× Can limit financial / strategic alternatives in the future × Debt restrictions or covenants
SEPARATION OF BUSINESS UNITS	▪ Spin out business unit into separate operating entity while maintaining ownership	✓ Optimize operations as units focus on core capabilities ✓ Separately capitalize each entity ✓ Unlock value of undervalued business unit without losing control	× Execution risk × Properly allocating resources across business units × Potential misalignment of objectives × Potential tax considerations

KEY DIFFERENCES BETWEEN STRATEGIC AND FINANCIAL BUYERS

CONSIDERATIONS FOR DETERMINING THE IDEAL TYPE OF BUYER / INVESTOR

STRATEGIC BUYERS		FINANCIAL BUYERS
Incremental value based on strategic fit and potential synergies	Valuation	Often constrained by debt pricing / availability
Slower as a result of organizational restrictions and often less transaction experience	Speed	Faster as a result of smaller teams and structural ability to move quickly
Long-term focus on integration within existing business	Investment Period	Typically 3-5 years, can be longer or shorter depending on investor objectives
Limited depending on acquirer structuring objectives	Equity Rollover	Often requires meaningful equity rollover
Can be structured using acquirer equity and / or cash	Financing	Can be funded with debt based on target balance sheet, often structured as all-cash transaction with equity rollover
Varies, but potential transition often within 1-2 years	Management Expectations Post-Transaction	Typically expected to continue running and growing the company (with equity performance incentives)
Often integrated with acquirer with new management oversight	Day-To-Day Involvement	Targeted involvement to help drive operational and long-term value

Solomon has broad experience advising both strategics and financial sponsors globally, providing deep insights into their decision-making process

THE SOLOMON DIFFERENCE

HELPING COMPANIES NAVIGATE STRATEGIC AND FINANCIAL ALTERNATIVES

- Decades of directly relevant experience with deep industry knowledge
- Independent, unbiased advice free from conflicts
- Extensive track record helping companies evaluate and navigate the range of strategic and financial alternatives
- Strong relationships with financial and strategic buyers offer unparalleled insight
- 100% focus and dedication to ensuring the best possible outcome for our clients

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