

Summary Overview

Audience: Platform

Strategy Summary	<p>Combined CRA platform with automation to eliminate middleman wholesaler costs and deliver a subscription (vs transactional fee pricing) to partners and end customers.</p> <ol style="list-style-type: none"> 1. Capitalize on the industry landscape of subscale providers by replacing manual with tech-enabled automation; 2. For partners, provide a subscription solution vs transaction fee model with access to records and tools beyond local service providers; and 3. For customers, provide HR Compliance “Concierge” support, via a Dashboard of preferred and vetted solutions, and access to certified pros.
Benefits	<ul style="list-style-type: none"> ✓ Eliminates manual processes through 90% of the process automated ✓ Optimizez SLAs <ul style="list-style-type: none"> ○ Time, reduces time-to-fill, time-to-complete ○ Accuracy, of reporting is 99% ✓ Eliminates middlemen, wholesalers, vendors ✓ Consolidates vendor stack ✓ Creates unlimited opportunities for packaging compliance by industry, need, & situation
Model Summary	<p>Scalable model w/ 80% Gross Profit and 25% EBITDA</p> <ul style="list-style-type: none"> • Strategy provides 2x revenues per customer FY1 • Consolidation of the vendors creates recurring annuity 5x NLTV
Growth Strategy	<ol style="list-style-type: none"> 1. Acquire books with opportunity to eliminate middleman, wholesalers, vendors 2. Target partners and customers who value subscription model
Why Now	<p>2018 – Old-School Market Dynamics - Fragmented compliance market with a few strategic buyers outside screening & HR assessment vendors.</p> <p>2019 – Market Shift – Demand for compliance expertise beyond simple record retrieval</p> <p>2020 – Economic Headwinds – Demand for virtual model; while legacy industry service models struggle to transition from services to solutions. Attractive subscale to scaled valuations and structure.</p>
Transaction Details	<p>Acquisition Deals under LOI</p> <ul style="list-style-type: none"> ○ D: \$9.8m ○ D2: \$2.3m, \$4.5m ○ B: \$1.2m ○ T: \$1.3, \$1.1m ○ C: \$1m ○ P: \$1.1m <p>Period of exclusivity (DATEs) and LOI (Dates) signed with all through YE 2020</p>
Combined Entity 2020	<p>Combined Revenues exceed \$30m</p> <p>Combined Gross Profit >80%</p> <p>Combined EBITDA >25%</p> <p>Combined Billable Recurring Customer Count > 10,000</p>

Summary Presentation


EXECUTIVE SUMMARY

BUY


- Merge [Platform Company] with [Confidential] automation expert and launch rebranded as subscription solution
- Acquire add-on resellers that benefit from the platform

Combined Platform Solution Benefits & Impact


- Subscription model vs transactional fees model
- Consolidates end-to-end compliance vendors into 1 preferred marketplace solution ("trusted concierge sourcing")
- Eliminates cost of middleman, wholesaler, and 3rd party vendors




SERVICES




Screening




Testing & Verifications



HR Compliance



Vendor Compliance



Continuous Monitoring

Versus \$ per transaction, unlimited searches for a monthly fee

- County search
- DB search
- Criminal search
- Other as applicable per industry

Marketplace of preferred, vetted vendors available on-demand with a few clicks based on your industry, situational needs

- Employment Compliance
- Workforce Management
- Corporate Compliance

Summary

Subscription Model

- Screening & Compliance
- Marketplace of preferred vendors
- End-to-end compliance packages, services

Economics

- Acquire revenues at 1.5x
- Recap at \$10m ARR
- Growth pays for itself through automation & COGS savings

Growth Strategy


- Target resellers and compliance vendors
- Target industry verticals

Platform

- Automation of data/records
- Elimination of middlemen
- Consolidation
- Marketplace
- Concierge sourcing

FINANCIALS

Year 3 - Revenue \$24 million



REVENUE FORECAST - CAGR 37%

- Top line growth
- 2x FY revenues per customer
- Cash positive year 1
- Acquisitions in year 2
- Exit strategy in 10 years

Deal Sourcing Summary

Depth of discussion recap summary

Company	Stats
TazWorks MS HQ	\$1m 12 EE Founded 1991 3k clients
TazWorks CA HQ	\$1m 4 EE Founded 1997
Tazworks PA HQ	\$1m 11 EE Founded 2006 100 recurring, 1k clients
Reseller-multiple OH HQ	\$1m 4 EE Gounded 1999 1950 clients
BGSecured NE HQ	\$1m 13 EE Founded 2010
Clearstar IN HQ	\$2m 28 EE Founded 1979
Tazworks IA HQ (1)	\$1m 9 EE Founded 1997
Reseller-multiple CA HQ	\$1m 5 EE Founded 2016 /Know Better
EZYCheck KY, NV, CA offices	\$1m 9 EE Founded 1996
BGSecured TX (1)	<\$1m 10 EE Founded 1995 Ultipro partnership
Reseller Memphis TN (1)	<\$1m 2 EE Founded 1998
Reseller NYC	\$1m 5 EE Founded 1979

Financial Summary ProForma

EBITDA Margin	2018	2019	2020	2021	2022	2023	2024	2025	2026
Pre-G&A / R&D EBITDA									
1_Co_CRA		9.6%	15.1%	17.3%	18.8%	19.5%	20.0%	19.6%	18.0%
2_Automation_Co		16.2%	23.2%	27.2%	31.8%	36.1%	41.6%	45.3%	46.6%
3_HoldCo acquisitions		5.6%	8.1%	23.7%	28.1%	29.0%	32.2%	33.5%	33.9%
New Growth Initiatives		N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Pre-G&A / R&D EBITDA		9.4%	13.6%	20.8%	23.9%	25.2%	27.7%	31.0%	32.0%
Pro Forma EBITDA		9.4%	13.6%	11.3%	10.8%	12.7%	16.0%	18.9%	22.3%
Financial Stats	2018	2019	2020	2021	2022	2023	2024	2025	2026
1_Co_CRA									
Recurring Revenues	\$2,000,000	\$2,000,000	\$2,300,000	\$2,839,488	\$3,505,518	\$4,327,773	\$5,342,895	\$6,596,124	\$8,143,311
Transaction Revenues	182,244	205,533	189,760	211,540	251,235	277,812	470,261	518,715	513,681
Other	137,674	23,015	10,877	32,649	84,351	111,262	182,579	190,357	197,285
Total	\$2,319,918	\$2,228,548	\$2,500,637	\$3,083,677	\$3,841,105	\$4,716,847	\$5,995,735	\$7,305,196	\$8,854,277
2_Automation_Co									
Recurring Revenues	\$1,000,000	\$1,000,000	\$1,000,000	\$5,066,665	\$5,691,484	\$6,378,762	\$7,075,152	\$7,801,928	\$8,577,551
Transaction Revenues	341,223	195,037	9,000	731,099	880,652	962,541	1,067,839	1,183,898	1,295,454
Float Income	131,388	18,323	15,918	100,320	270,794	437,993	917,455	1,159,144	1,185,411
Total	\$1,472,610	\$1,213,359	\$1,024,918	\$5,898,084	\$6,842,930	\$7,779,296	\$9,060,445	\$10,144,970	\$11,058,416
3_HoldCo acquisitions									
Recurring Revenues	\$2,129,472	\$2,091,613	\$2,130,112	\$2,394,748	\$2,620,531	\$2,907,852	\$3,133,798	\$3,356,028	\$3,594,924
Transaction Revenues	56,616	185,628	324,179	484,773	634,947	679,180	737,550	790,995	847,610
Other	170,454	27,642	0	36,724	95,050	38,401	178,705	175,901	173,444
Total	\$2,356,542	\$2,304,883	\$2,454,291	\$2,916,245	\$3,350,527	\$3,625,433	\$4,050,053	\$4,322,924	\$4,615,978
New Growth Initiatives									
Recurring Revenues	\$0	\$0	\$0	\$104,454	\$610,171	\$1,296,291	\$2,356,075	\$3,755,640	\$4,663,524
Transaction Revenues	0	0	0	18,401	139,011	346,776	719,142	1,172,684	1,461,279
Other	0	0	0	1,274	18,222	46,281	179,648	316,050	410,716
Total	\$0	\$0	\$0	\$124,129	\$767,404	\$1,689,348	\$3,254,864	\$5,244,374	\$6,535,519
Consolidated									
Recurring Revenues	\$5,129,472	\$5,091,613	\$5,430,112	\$10,405,355	\$12,427,704	\$14,910,678	\$17,907,920	\$21,509,721	\$24,979,311
Transaction Revenues	580,083	586,198	522,939	1,445,813	1,905,845	2,266,309	2,994,792	3,666,292	4,118,023
Other	439,516	68,979	26,794	170,967	468,417	633,937	1,458,386	1,841,452	1,966,856
Consolidated Revenue	\$6,149,071	\$5,746,790	\$5,979,845	\$12,022,134	\$14,801,966	\$17,810,924	\$22,361,097	\$27,017,464	\$31,064,191

Financial Summary Forecast Drivers

- Subscription deals sold
- HoldCo acquisition timing & sequence

Investment Returns Summary

Summary

Transaction Details			
	1 Co. CRA	Automation Co	Total
Purchase Price			
Initial Consideration	\$3,000,000	\$1,500,000	\$4,500,000
Contingent Consideration	\$0	\$0	\$0
Purchase Price	\$3,000,000	\$1,500,000	\$4,500,000

Acquired Asset Transaction Multiples			
TTM as of Date 20xx	1 Co. CRA	Automation Co	Combo
Recurring Revenues (ARR)	1.50x	1.50x	1.50x
Consolidated Revenue	0.30x	0.30x	0.30x

Transaction Sources & Uses			
	Acq.	Close	Total
Financial Sponsor	2,845,000	2,845,000	54.0%
Mgmt Reinvest (Redeemable Preferred)	2,425,000	2,425,000	46.0%
ERGO Promote & Fee Roll	225,000	225,000	4.3%
Hall Reinvest	200,000	200,000	3.8%
CRA Reinvest	1,200,000	1,200,000	22.8%
Auto Reinvest	600,000	600,000	11.4%
Ops Reinvest	200,000	200,000	3.8%
Other Reinvest	0	0	0.0%
Other Reinvest	0	0	0.0%
Other Reinvest	0	0	0.0%
Senior Debt	0	0	0.0%
5% Annual	0	0	0.0%
Sources	5,270,000	5,270,000	100.0%
Purchase Price	4,500,000	4,500,000	85.4%
Working Capital Requirements	500,000	500,000	9.5%
Debt Fees	0	0	0.0%
1% Principal	1% Principal		
Transaction Costs	270,000	270,000	5.1%
8% Purchase Price			
Uses	5,270,000	5,270,000	100.0%

		6/30/2020	7/1/2020	
Ownership		Current	All Close	Total
Financial Sponsor	10% PK Dividend		2,845,000	45.0%
Management Reinvest			2,425,000	38.3%
ERGO Promote & Fee Roll	100%	225,000	225,000	3.6%
Hall Reinvest		200,000	200,000	3.2%
CRA Reinvest		1,200,000	1,200,000	19.0%
Auto Reinvest		600,000	600,000	9.5%
Ops Reinvest		200,000	200,000	3.2%
Other Reinvest		0	0	0.0%
Other Reinvest		0	0	0.0%
Other Reinvest		0	0	0.0%
Management, Equity, EE Pool	20% Total Shares	1,054,000	1,054,000	16.7%
Total		0	6,324,000	100.0%

Liquidation Analysis							
202x Liquidation Event		Exit Multiple					
	Recurring Revenue	2.50x	2.85x	3.45x	4.10x	4.24x	5.84x
Recurring Revenue	\$ 3,300,000	\$ 8,250,000	\$ 9,465,000	\$ 11,385,000	\$ 13,530,000	\$ 13,992,000	\$ 19,272,000
Transaction Revenue	\$ 198,760	\$ 198,760	\$ 198,760	\$ 198,760	\$ 248,450	\$ 248,450	\$ 248,450
Other Revenue	\$ 26,794	\$ 26,794	\$ 26,794	\$ 26,794	\$ 26,794	\$ 26,794	\$ 26,794
Enterprise Value	8,475,555	9,630,555	139,862,174	166,299,682	171,864,991	235,468,523	
Debt-Cash (Net Cash Position)	(14,172,530)	(14,172,530)	(14,172,530)	(14,172,530)	(14,172,530)	(14,172,530)	
Equity Value	22,648,084	23,803,084	154,034,704	180,472,212	186,037,521	249,641,052	
Management Reinvest	3,880,000	3,880,000	3,880,000	3,880,000	3,880,000	3,880,000	
ERGO Promote & Fee Roll	360,000	360,000	360,000	360,000	360,000	360,000	
Hall Reinvest	320,000	320,000	320,000	320,000	320,000	320,000	
CRA Reinvest	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	1,920,000	
Auto Reinvest	960,000	960,000	960,000	960,000	960,000	960,000	
Ops Reinvest	320,000	320,000	320,000	320,000	320,000	320,000	
Other Reinvest	0	0	0	0	0	0	
Other Reinvest	0	0	0	0	0	0	
Other Reinvest	0	0	0	0	0	0	
Remaining	14,216,084	15,371,084	145,602,704	172,040,212	177,605,521	241,209,052	
Total Payout							
Financial Sponsor	10,947,440	11,467,043	70,054,798	81,948,332	84,452,017	113,065,960	
Management Reinvest	9,331,297	9,774,193	59,712,789	69,850,511	71,984,584	96,373,984	
Management Pool/ERGO Promote	2,369,347	2,561,847	24,267,117	28,673,369	29,600,920	40,201,509	
Total Payout	22,648,084	23,803,084	154,034,704	180,472,212	186,037,521	249,641,052	

Investor Return (x)	3.8x	4.0x	24.6x	28.8x	29.7x	39.7x
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Preferred Equity						
	Close	2021	2022	2024	2025	2026
Financial Sponsor	2,845,000	3,129,500	3,414,000	3,983,000	4,267,500	4,552,000
Management Reinvest	2,425,000	2,667,500	2,910,000	3,395,000	3,637,500	3,880,000
ERGO Promote & Fee Roll	225,000	247,500	270,000	315,000	337,500	360,000
Hall Reinvest	200,000	220,000	240,000	280,000	300,000	320,000
CRA Reinvest	1,200,000	1,320,000	1,440,000	1,680,000	1,800,000	1,920,000
Auto Reinvest	600,000	660,000	720,000	840,000	900,000	960,000
Ops Reinvest	200,000	220,000	240,000	280,000	300,000	320,000

Consolidated Returns Summary:

- Valuations: <2X TTM Revenue for recurring revenue
- Exit Returns: 3.8x to 4.8x invested capital

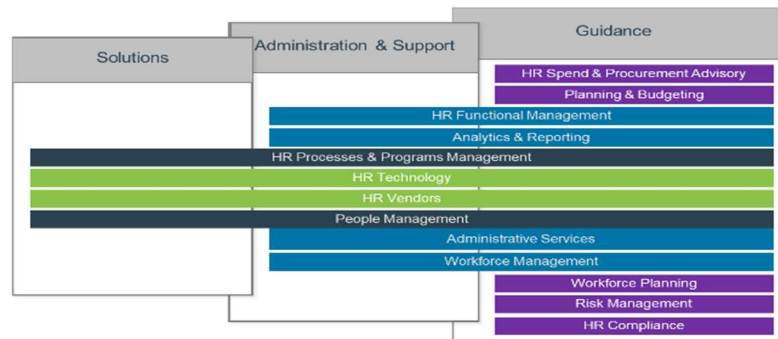
North America Market Segments

- **30M** microbusinesses: contractors, freelancers, Gig professional, solopreneurs
- **1M** small business
- **200,000** midmarket firms leave the public payroll/PEOs annually

HR Support <i>HR Marketplace of Preferred Solutions</i>	Midmarket <i>HR Compliance & Admin Support by SHRM Certified HR Pros</i>	Partners <i>Custom Industry Solutions</i>
HR-in-the-Cloud HR Marketplace	Administration Service HR Pro Support	HR Compliance HR partnership
HR Solutions On-Demand	Guidance & Support	Low-Cost Bundles
<ul style="list-style-type: none"> • eRecruiting • Screening & Testing • Insurance • Talent Development • eTraining and LMS • HR resources 	<ul style="list-style-type: none"> • HR Compliance • HR Administration • HR Support • WFM 	<ul style="list-style-type: none"> • Benefits Administration • HR Vendor Services • Prepackaged industry solutions

Solutions Model

Concierge model to delivering industry centric solution for buyers looking for an alternative to consultants, payroll, PEOs, brokers; desiring a partner-centric and industry-centric solution



Employee Compliance Portfolio Model

Primary	Workforce	Partners	Industry Partners
+ Screening	+ Contractor 1099 Management & Compliance	+ Payroll	+ GDPR, Digital, Privacy, Identity
+ Testing	+ Vendor Management	+ HR	+ GovTech, GovCon, Contractors
+ HR Compliance	+ eRecruiting	+ Benefits / Insurance	+ Healthcare, Medical, HIPPA
+ Vendor Management	+ Screening: Criminal, Database, Professional, Health	+ Financial	+ RegTech
+ Continuous Monitoring	+ Testing	+ Marketplaces	+ InsurTech
+ HR Marketplace & Concierge Sourcing	+ Verification	+ Communities	
	+ HR Compliance		
	+ Safety & Risk Management		
	+ Legal & Insurance		
	+ Compliance Reporting		
	+ Healthcare		
	+ Wellness		
	+ Financial Wellness		
	+ Tax Credits		

Tech-Enablement Trends

- BOTS impact on interviewing, verifications, data processing
- Marketplaces impact on sourcing, recruiting, staffing
- Continuous monitoring
- Identity verification and privacy management
- The rise of Compliance-as-a-Service

WHAT IS VERIBOT?

Add virtual researchers to your team with VeriBot's web verification services. VeriBot is the automated employment verification system built directly into the Accio Enterprise workflow process, allowing CRAs and their clients to complete employee screenings quickly and efficiently.

CDaaS
100% Wholesale Court Data as a Service for CRAs

Record Verification Automation Runners Monitoring Partner Data

CONTINUOUS MONITORING

FREE WEBINAR

Continuous Monitoring and the FCRA

August 21, 2019 1:00 PM ET

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