



## Overview

Company Snapshot		Key Statistics	
Founded	YYYY	\$XXMM	FY 2018E Revenue
Legal Entity	XYZ Group, Inc.	XX	Employees
Ownership	TUV	XX%	Software Product Sales
Geographical Presence	XX	XX	Patents
Headquarters	XX	XX	World's largest mobile operators served

### Situation Overview

- ABC, Inc. ("ABC") is a Special Purpose Acquisition Corporation ("SPAC") that plans to acquire XYZ Group, Inc. ("XYZ" or the "Company") by Q4 20XX.
  - o The combined entity will be named LMN, Inc. ("LMN") and will be traded on the NYSE as LMN.
  - o LMN will be managed by a combined management and Board of Directors from all involved parties.
- ABC is headquartered in XXX, California and had its IPO in December 20XX (NYSE: ABC).
- The Company was acquired by TUV through \$XXMM public-to-private LBO on November XX, 20XX.
  - o TUV would retain a rollover equity of ~\$XXMM in LMN.



### Company Overview

- The Company is a leading cloud-optimized solutions provider for real-time communications media, applications, and infrastructure to service providers, enterprises, and developers around the globe.
- The Company's customers include XX of the world's top XX mobile operators and ~XX application developers on its networks.
- The Company recently completed a transition from hardware to software company, exhibiting an estimated revenue of ~\$XXMM (XX% software and support/professional services), XX% gross margin, and XX % EBITDA margin for 20XXE.
- The Company has a powerful "PQR" software technology that enables Visual Communication and Collaboration, which is a unique high growth opportunity in Enterprise software.
  - o VCC provides enhanced video with shared Desktop and White Board, as well as voice, text and media in a single application. It replaces Unified Communications as the primary collaboration experience.
- The top XX customers constituted ~ XX % of the total revenue in 20XX, with XX % revenue from the largest customer.
  - o The telecom customers' churn was XX % in 20XX but is projected to reach XX % in 20XX and 20XX respectively.

### Products and Services

- The Company currently provides following real-time communication PQR solutions to its customers:
  - o **Applications**
    - API-based integration and orchestration platform enabling service providers to deliver cloud applications on all types of networks.
    - Suite of real time communications applications.
    - Cloud and on-premise deployment.
  - o **Media Processing**
    - Industry leader in media processing software.

- Enables RTC-embedded applications to be delivered over a multitude of devices, via cloud and core networks:
  - Large number of software-based deployments.
  - Scalable and complete product suite for cloud delivery.
- **Infrastructure**
  - Family of fully-virtualized software-based core network products enabling service provider migration to IP Multimedia Subsystem ("IMS") and 4/5G LTE.
  - Enables new cloud based applications while supporting existing subscribers.
  - Virtualized Session Border Controller ("SBC") solution that enables cost-efficient, rich scalability.

Product Offering

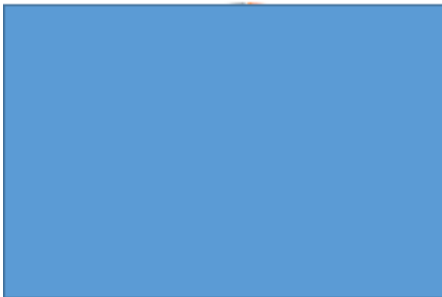


Key Product Features

Deal Rationale and Request for Financing

- DEF is engaged to raise capital for ABC that is acquiring XYZ, and is seeking ~\$XXMM of debt capital to help consummate the transaction.
- Pro forma enterprise value of \$XXMM, based on \$XX per share; a valuation of XXx 20XXE revenue representing a discount of:
  - XX% to the average of total comparable companies (Communications, Small Cap Software and UCaaS).
  - XX% to the average of Small Cap Software and UCaaS comparable companies.
- Existing XYZ shareholders to receive a \$XXMM cash consideration and will be issued XXMM roll-over shares at close.
  - XYZ equity holders will roll XX% of their equity, resulting in ~XX% pro forma ownership.
- Transaction is expected to close Q4 20XX.
- XYZ has a clean balance sheet with only \$XXMM debt in AR line.

Pro Forma Summary of Ownership Post-Closing



Transaction Cash Sources & Uses (\$M)	
<b>Sources<sup>(5)</sup></b>	
SPAC cash in trust (assuming no redemptions)	
<b>Total Cash Sources</b>	
<b>Uses</b>	
Cash to Company balance sheet (before debt retirement)	
Cash Consideration	
Transaction expenses	
<b>Total Cash Uses</b>	

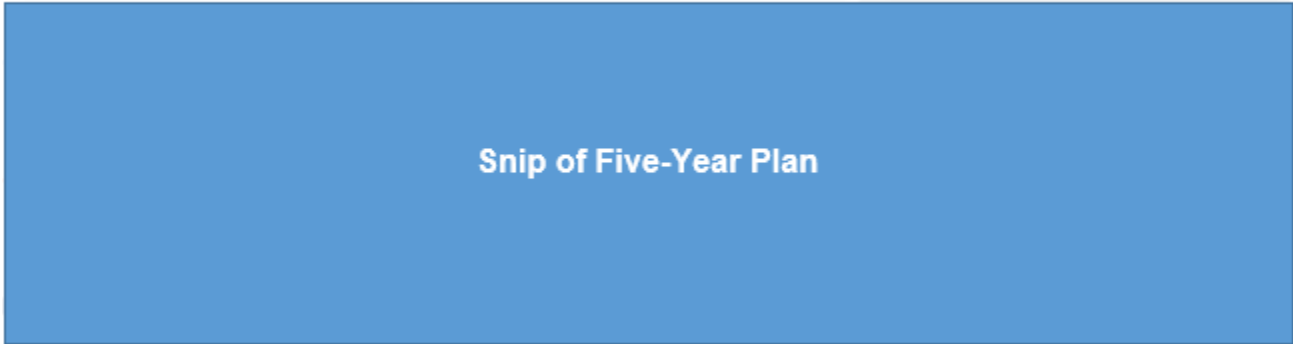


### Earnout Structure

- Additional \$XXMM in cash consideration to XYZ shareholders and management team upon achievement of certain business performance and stock price thresholds.
  - o \$XXMM cash payable, in the event revenue projections are achieved and the closing price equals or exceeds \$XX per share for any XX-day trading period within a XX-day period before December XX, 20XX.
  - o \$XXMM cash payable, in the event revenue projections are achieved and the closing price equals or exceeds \$XX per share for any XX-day trading period within a XX-day period before December XX, 20XX.
- Triggers only upon meeting threshold of XX% of targets.
  - o For achievement below XX% of the revenue projections, the \$XXMM cash earnout shall be paid as a linear percentage to the actual revenues achieved (i.e. if XX% of revenue projection is achieved, XYZ shareholders and management would receive XX% of the earnout).

### Growth Opportunities

- For the AAA division, the deals per year is projected to increase from XX in 20XX to XX in 20XX (XX% growth). However, the average deal size is projected to decline from \$XX in 20XX to \$XX in 20XX.
  - o For XXX (part of AAA offering), the license per customer is expected to increase as portfolio of apps and the number of subscribers both grow. It shall be modeled on licenses per app plus per subscriber fees.
- For CCC (part of BBB offering), the ports shipped shall increase from XX in 20XX to XX in 20XX. However, the average revenue per port shall decrease from \$ XX in 20XX to \$XX in 20XX.
- For DDD (part of EEE offering), the deals per year are projected to rise from XX in 20XX to XX in 20XX (XX% growth).
- The Company will be termed as a software company going forward following the sale of FFF division.
  - o The rebranded company will be positioned as the market leader in VCC
  - o The Company will provide channels into both Telecom Service Providers and Enterprise, and build scale by introducing new products through acquisition of strategic assets.
- Currently, the Company sells perpetual licenses with recurring professional services and support model. In future, the Company intends to add SaaS offering.



- The Company has substantial invested capital, human resources, and time to develop new products to drive future growth:
  - o The XXX application addresses a huge demand among service providers for a single platform that integrates existing, siloed infrastructure and enables them to compete with OTT app providers.

- The GGG application provides a highly differentiated Unified Communications platform that facilitates the deployment of UC and readily integrates new applications with plug and play features.



#### Acquisitions

- Both ABC and XYZ have extensive experience in creating long-term value through strategic acquisitions.
- After being acquired by TUV, the Company made two major acquisitions:
  - XYZ acquired **MNO**, a leading provider of a standards-based, software-based Media Resource Broker and Software Load Balancer, in February 20XX, after which XYZ's BBB customers were able to deploy software media servers in large scale environments.
  - In 20XX, the Company started offering real-time communications applications to its service provider customers through the acquisition of **GHI**.



- Presently, the Company is proposed to be acquired by ABC to form LMN. The transaction is planned to close by QXX 20XX.
- LMN has a targeted acquisition pipeline of over XX targets as shown below:

Business Overview	Headquarters	Size (Rev)	Description
Target 1			
Target 2			
Target 3			
Target 4			
Target 5			
Target 6			
Target 7			
Target 8			
Target 9			
Target 10			
Target 11			
Target 12			
Target 13			
Target 14			
Target 15			
Target 16			
Target 17			
Target 18			
Target 19			
Target 20			
Target 21			
Target 22			
Target 23			

M&A Pipeline Table

**Financials**



Income Statement  
 All values in USD

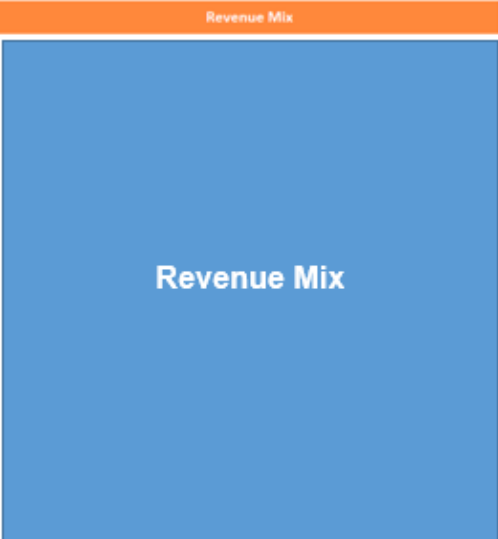
(\$000s)
Revenue
Product
Professional Services
Recurring Support
<b>Total Revenue</b>
YoY Growth (%)
COGS
Product
Services
Operations
Total COGS
Gross Profit
Product
Services
<b>Total Gross Profit</b>
Gross Margin (%)
Operating Expenses
Research & Development
Sales & Marketing
General & Administrative
Occupancy
Total OpEx
<b>EBITDA</b>
Adjustments
<b>Adjusted EBITDA</b>
Adjusted EBITDA Margin (%)

Historical and Forecasted Income Statement

The revenue for FY 20XX was \$XXMM, which fell XX% YoY.

- o The Company reports that decline in revenue between 20XX and 20XX was mainly due to hardware infrastructure reduction and end of life of hardware components of MMM.

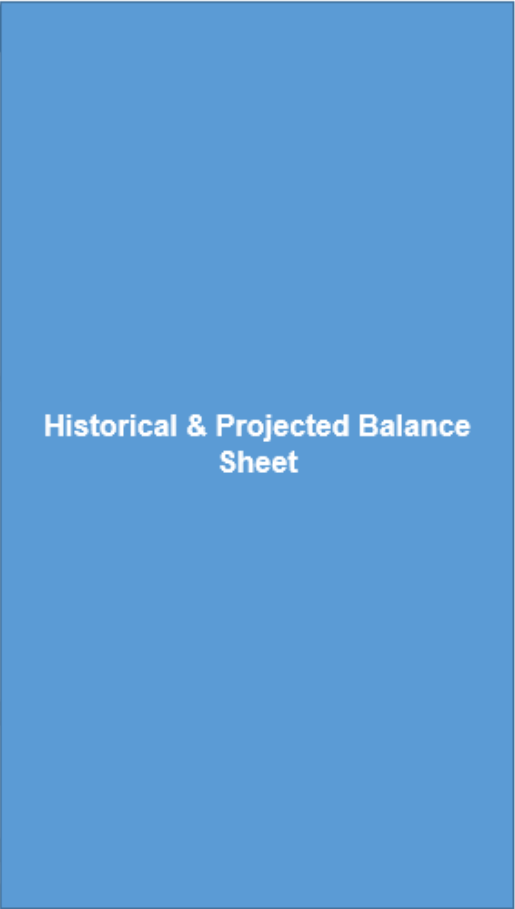
- The Company projects revenue to rise to \$XXMM at a CAGR of XX% over 20XX-20XX.
- The revenue by category for FY 20XX was AAA (XX%), BBB (XX%), EEE (XX%).
- The gross profit for FY 2017 was \$XXMM, which fell XX% YoY.
  - The gross margin for FY 20XX was XX%, which is expected to rise to XX% by 20XX.
- The Company's adjusted EBITDA for FY 20XX was \$XXMM, implying a margin of XX%, which rose from XX% in the previous year.
  - The Company predicts adjusted EBITDA to reach \$XXMM by 20XX, with a margin of XX%.
- The Company incurred GAAP net losses of \$XXMM, and \$XXMM in FY 20XX and 20XX respectively.
  - Going forward, the Company expects its GAAP Net Profit to be EBIT minus only XX% tax over FY 20XX-20XX.



Balance Sheet  
 All values in USD

(\$000s)

<b>Assets</b>	
Current assets:	
Cash and cash equivalents	
Restricted cash	
Accounts receivable, net	
Inventory	
Prepaid expenses & Other Current Assets	
Current assets held for sale	
<b>Total current assets</b>	
Property and equipment, net	
Intangible assets, net	
Goodwill	
Deferred taxes & Other Assets	
Long-term assets held for sale	
<b>Total assets</b>	
<b>Liabilities</b>	
Current liabilities:	
Bank indebtedness	
Accounts payable	
Accrued liabilities	
Deferred revenue (Short and Long Term)	
Income tax payable	
Current liabilities held for sale	
<b>Total current liabilities</b>	
Long-term debt	
Other LT Liab & Deferred Rent	
Long-term liabilities held for sale	
<b>Total liabilities</b>	
Stockholders' Equity/Deficit:	
Common shares and additional paid-in capital	
Accumulated other comprehensive loss	
Accumulated deficit	
<b>Total stockholders' deficit</b>	
<b>Total liabilities and stockholders' deficit</b>	



- The total assets as of 20XX was \$XXMM, which shall fall over the next year to \$XXMM, and consequently rise back to \$XXMM by 20XX.

- Accounts receivable formed the largest portion of the assets over the above mentioned forecasted years, followed by intangible assets.
  - In 20XX, intangible assets were valued the highest at \$XXMM followed by accounts receivable (\$XXMM).
- The Company plans to repay its entire long-term debt of \$XXMM as of 20XX.

**Industry**

- Expansive market opportunity in Communications and Telecom markets.
  - \$XXTN global information technology market, of which \$XXTN (XX%) of the market is comprised of Communications-related spend.
  - Rapidly expanding global Telecom Application Programming Interface (“API”) market expected to reach \$XXBN in 20XX, growing at a XX% CAGR from 20XXE-20XXE.
- Leveraging existing core Telecom infrastructure as a conduit into the Enterprise market
  - \$XXBN market opportunity.

**Advantage Over Existing Communication Platforms**

Feature	Feature	Feature	Feature	Feature	Feature
Unified Communicator Application	●	○	○	○	○
Voice and Text Communications Application	●	○	○	◐	◐
Slack-like Collaboration Application	●	○	○	○	○
Web Conferencing Application	●	○	●	●	◐
Visual Communications and Collaboration Components	●	○	○	○	○
API Automation Engine	●	○	○	○	○
Advanced APIs for Enterprise and Telecom	●	●	○	◐	◐
Enterprise Platform and Services	●	○	○	○	◐
Media Request Broker	●	○	○	○	○
Selective Forwarding Unit	●	◐	◐	◐	◐
Multipoint Control Unit	●	○	○	○	○
Advanced Media Encoding, Transcoding, Decoding, and Mixing	●	○	○	○	○
Infrastructure Equipment (eSession Border Controller, PBC, Centrex)	●	○	○	○	○



SWOT Analysis	
Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Backed by the industry's most extensive portfolio of patents.</li> <li>- The Company has an edge over its competitors in the communication platforms in terms of the services offered.</li> </ul>	<ul style="list-style-type: none"> <li>- Large amount of unused cash in the balance sheet.</li> <li>- GAAP net loss in historical years (20XX &amp; 20XX)</li> <li>- High churn of about XX% is projected in 20XX for telecom clients.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- Opportunity to gain market share in the Enterprise market while continuing to grow in Telecom.</li> <li>- The combined entity will be listed on NYSE, making it easier to access capital for future growth.</li> </ul>	<ul style="list-style-type: none"> <li>- The Company has invested in multiple offices only located only in LLL and face the threat of consolidation, or being acquired.</li> <li>- The revenues of the Company are driven by its affiliations and there is a constant threat of losing them.</li> <li>- Pressure on the reimbursement rates can impact the profit margins.</li> </ul>

**Key Questions / Data Requests**

- What is the average LTV and CAC for XYZ?
- What are the key tailwinds in this market?
- Are there any new product/solutions in the pipeline for LMN?
- What is the reason for high estimated churn in 20XX for telecom customers? Is this because they're getting out of the hardware business?

Category	Yes	No	Unsure
High Growth Industry (~10%)	✓		
Large Addressable Market		✓	
Market Leader	✓		
Fragmented Market		✓	
Scalability	✓		
Low Customer Concentration			✓
Recurring Revenue	✓		
Low Technology Risk		✓	