

# ABC Ltd.

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Benchmarking Study for Fiscal Year Ended \_\_\_\_  
<<Date of Report>>

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## I. BACKGROUND AND UNDERSATNDING

ABC Ltd. ("the Company"), a company incorporated under the relevant laws of the Middle East and North Africa (MENA) region has engaged the firm to undertake benchmarking analysis to provide guidance on certain inter-company transaction (the "controlled transactions") between ABC Ltd. and its subsidiary company located in the United States, i.e., XYZ Inc. for the tax year .

The transactions covered ("**Covered Transactions**") for the purpose of analysis in this report is discussed below:

- **Distribution of Software as a Service (SaaS) platform (developed by MENA entity) by US entity in North America Region.**

### Relevant Transaction Flow for Covered Transaction



The study is based on OECD TP Guidelines for Multinational Enterprises and Tax Administrations ("OECD TP Guidelines") and in accordance with the US Treasury Regulations promulgated under Revenue Code Section 482. These frameworks are widely accepted as global standards for applying the arm's length principle. The analysis also takes into consideration the **Transfer Pricing practices and regulatory expectations commonly followed across the MENA region**, which are generally aligned with the OECD TP Guidelines. Collectively, these international standards and regional practices are hereinafter referred to as the "**TP Regulations.**"

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## II. SCOPE OF THE REPORT

The Firm assisted ABC Ltd. with the preparation of this report solely for undertaking the **aforementioned benchmarking analysis in connection with transaction pertaining to distribution of Software as a Service (SaaS) platform (developed by ABC Ltd.) by XYZ Inc. in North America Region**. Accordingly, this document is limited to a comparable company search and cannot be considered as the TP documentation.

This work shall not be used for any other purpose and may not have considered issues relevant to any third parties. Thereby, any use such third parties intend to make of this report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

The TP benchmarking analysis for the transaction pertaining to **distribution of Software as a Service (SaaS) platform (developed by ABC Ltd) by XYZ Inc. in North America Region**, in this report is in accordance with the TP regulations and based on the information in the public domain and analysis of documents/ information provided by the management of the Company.

This report represents our conclusions only and should not be taken as an assurance of the ultimate treatment of the controlled transactions by the tax authorities of the various countries where the Company and its affiliates operates. The analysis contained in this document is not binding on the tax authority and should not be considered as an assurance that the tax authority will necessarily agree with our conclusions or that, the Company or its affiliates will prevail if the tax authority adopts a contrary position. Any other tax matter, including, but not limited to, other corporate income tax aspects, indirect tax issues/customs issues, as well as accounting and legal matters, which may or may not relate to the covered transactions under review, fall outside the scope of this report.

The report also contains information obtained from third-party sources such as information databases, filed annual accounts and relevant industry publications. Although we have used our experience to assess, as far as was reasonably possible, the reliability and suitability of such third-party data, however its accuracy cannot be guaranteed.

The following sections of this benchmarking report provide a description of broad functional and economic/ benchmarking analysis undertaken to identify independent comparable companies and present the results of the financial analysis performed.

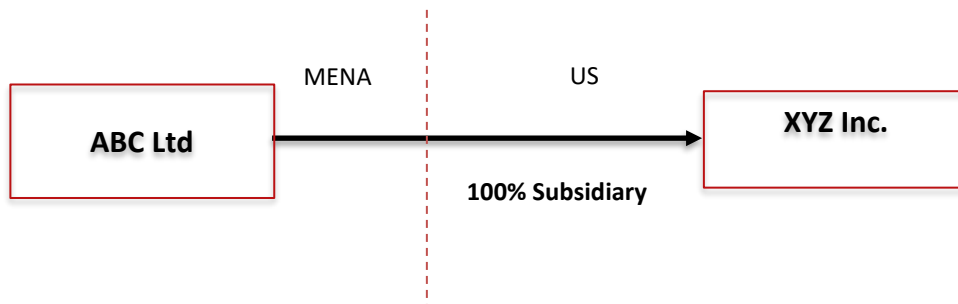
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### III. CORPORATE & BUSINESS OVERVIEW

- **Relevant Group Structure**

The following chart depicts the relationship between ABC Ltd and XYZ Inc.:

*Figure 1: Organization structure*



- **Overview of the Relevant Group Companies**

- **ABC Ltd. <<To be changed as Per Company's Business Profile>>**

**ABC Ltd.** is a company incorporated under the relevant laws of **the Middle East and North Africa (MENA) region** and serves as the parent entity of the XYZ Inc. The company provides NG9-1-1 and cloud-based emergency communication solutions and is engaged in the design, development, manufacturing, marketing, and sale of software solutions. Its mission is to empower communities and organizations to respond effectively during critical situations by eliminating barriers in emergency response. All intellectual property related to the group's products and technology is held by the parent entity.<sup>1</sup>

- **XYZ Inc. <<To be changed as Per Company's Business Profile>>**

**XYZ Inc.** is a company incorporated under the relevant laws of United States of America and is a wholly owned subsidiary of ABC Ltd. It is engaged in the distribution, marketing, and sale of software products developed by ABC Ltd in the North American market. The company operates as a Full-Fledged Distributor (FFD) of the parent entity's products. In addition, XYZ Inc. contributes significantly from an operational and strategic decision-making perspective, undertaking key functions within the US Market.

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## IV. FUNCTIONAL ANALYSIS

### • Background

A functional analysis identifies the functions undertaken by each enterprise, the risks each enterprise assumes, and the assets used by each enterprise in the transaction. It also assists in determining the economic value added by each enterprise involved in the controlled transaction.

The importance of functional analysis emanates from the fact that it defines roles, responsibilities and risks assumed by each transacting enterprise and examines the economic substance of the transactions and the business of the company as a whole. Functional Analysis can be defined generally as the process of identifying the components of a business transaction that contributes to the realization of proceeds from a transaction. It aims at identifying all 'Value-added activities', i.e. all activities that are encompassed in the development, manufacturing, or marketing/customer relation process or in the provision of services. The identification of these relevant activities and processes will aid in understanding the specific risks and economics associated with the transactions. Further, this analysis can aid in identifying specialized and critical business assets and activities that are fundamental to the business.

### • Functional Analysis

Provided below is a summary of the economically relevant contributions of XYZ Inc. and ABC Ltd, participating in intercompany transaction in relation to **Distribution of Software as a Service (SaaS) platform (developed by ABC Ltd.) by XYZ Inc. in North America Region.**

The marks in the following table denote the contributions made by each enterprise as follows:

Mark	Explanation
-	No or insignificant contribution
√	Limited contribution
√√	Significant contribution

**Table 1: Summary of FAR Analysis <<To be changed as per profile of companies>>**

Contribution	XYZ Inc.	ABC Ltd.
<b>FUNCTIONS PERFORMED:</b>		
Corporate Strategy/Strategic Management	√√	√√
Product Development and IP Ownership	-	√√
Research & Development	√	√√
Marketing Strategy and Development	√√	√√
Procurement, Inventory Management and Distribution function	√√	-
Human Resource Management	√√	√√
Pricing	√√	√√
Customer Relationship Management	√√	√√
Invoicing and collection	√√	-

Customer Support Services like Installation, Commissioning, Start-Up, after-sale services and Maintenance	√√	-
<b>ASSETS HELD:</b>		
Tangible Assets	√√	√√
Intangible Assets	-	√√
<b>RISKS UNDERTAKEN:</b>		
Business/Market Risk	√√	√√
Inventory Management and Distribution Risk	√√	-
R&D Risk	√	√√
Price Risk	√√	√√
Credit and Collection Risk	√√	-
Regulatory Risk	√√	√√
Foreign exchange risk	-	√√

- CHARACTERIZATION OF ENTITY**

Functional analysis serves as the foundation to characterize entities for purposes of TP analysis of inter-company transactions. Based on the facts as presented in the above analysis of functions performed, risks borne and assets employed, **ABC Ltd. is characterized as the entrepreneurial entity with respect to the Tested Transaction while XYZ Inc. is characterized as Full Fledged Distributor in North America region.**

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## V. ECONOMIC ANALYSIS

The following section describes the economic analyses performed in order to assess the arm's length nature of the Covered Transactions. In light of the same, this section summarizes the economic analysis undertaken to evaluate whether the price for the transactions between XYZ Inc. and ABC Ltd are in accordance with the arm's length standard as per the TP Regulations. The economic analysis includes a description of the TP method selected and an explanation of why that method was selected as the most appropriate method.

### A. SELECTION OF THE MOST APPROPRIATE METHOD

A discussion of methods prescribed in the TP Regulations and its appropriateness, or lack thereof, is necessary to properly identify the Most Appropriate Method ("MAM"). The MAM is that method which, under the facts and circumstances of the transaction under review, provides the most reliable measure of an arm's length result.

Further, for analyzing inter-company transactions to determine the arm's length result of the transaction, taxpayer must select the MAM that provides the reliable results. According to Chapter II and Chapter III of the OECD Guidelines, the TP methods available for analyzing the arm's length transfer price include traditional transactions methods, such as the comparable uncontrolled price, resale price and cost plus methods and Profit-based methods, such as the transactional net margin method and profit split method, may also be used if they provide a better result than those methods classified as transactional.

The following section discusses each of the methods and selection of the MAM for the transaction under review between XYZ Inc. and ABC Ltd:

#### Traditional Transaction Methods

##### I. Comparable Uncontrolled Price Method

The Comparable Uncontrolled Price Method ("CUP Method") evaluates the arm's-length character of a controlled transaction by comparing the price charged in the controlled transaction to the amount charged in a comparable uncontrolled transaction in comparable circumstances<sup>2</sup>. CUP Method requires a high degree of comparability of products and functions such as quality; contractual terms; geographic market; embedded intangibles; and foreign currency risks etc.

XYZ Inc. is engaged in distribution of Software Products (developed by ABC Ltd.) in North America Region and not procuring similar products from any unrelated parties, under similar business commercials. Also, ABC Ltd. is not providing the similar product to any other unrelated parties for further distribution under the similar business commercials. Therefore, the unavailability of the reliable data renders application of CUP method unfeasible. Further, no public information is available with regard to the prices paid for similar services, as would be rendered between unrelated parties.

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<sup>2</sup> OECD Guidelines: Para 2.13 to 2.20

## **II. Resale Price Method**

The resale price method (“RPM”) tests the arm's-length character of a transfer price in a controlled transaction by reference to the gross profit margin (i.e., gross profit divided by net sales) realized in a comparable uncontrolled transaction. The RPM begins with the price at which a product is resold to an independent enterprise. This price (the resale price) is then reduced by an appropriate gross margin (the “resale price margin”) from which the reseller would seek to cover its operating expenses and make an appropriate profit. The RPM is most often used for distributors that resell products without physically altering them or adding substantial value to them.

In the preparation of the economic analysis, adequate external comparable companies were identified. However, even when it has been determined that the comparables are highly functionally comparable it is still necessary to determine if the accounting definitions of gross margins used by each comparable and the taxpayer coincide. Financial information that would allow for such a comparison was unavailable for the comparables identified. As a result, the resale price method is not considered to be the most appropriate method in the circumstances, due to the lack of reliable data.

## **III. Cost Plus Method**

The Cost-Plus Method tests the arm’s length character of a transfer price in a controlled transaction by reference to the profit mark-up realized in a comparable uncontrolled transaction. The profit mark-up provides both compensation for the performance of manufacturing, assembly or service functions and a return on capital invested and risks assumed by the manufacturer / service provider.

The cost-plus method requires detailed comparisons of products manufactured or services provided, functions performed, risks borne, cost structures and intangibles between controlled and uncontrolled transactions. Comparability is most likely found among controlled and uncontrolled transactions involving the same suppliers (i.e., internal cost-plus method). In the absence of such transactions, an appropriate comparison may be derived from comparable uncontrolled transactions involving other suppliers (i.e., external cost-plus method).

Since the cost-plus method is most suitably applied in situations in which the tested party provides routine manufacturing, assembly or services, it is unlikely that an application of this method based on aggregate financial data obtained from comparable external entities to test the distribution returns earned by XYZ Inc. would be appropriate in this situation.

## **Profit-Based Methods**

### **I. Profit Split Method**

The Profit Split Method (“PSM”) evaluates whether the allocation of the combined profit or loss attributable to one or more controlled transactions is arm’s length by reference to the relative value of each controlled taxpayer’s contribution to that combined profit or loss. The PSM is designed to be applied where transactions are very interrelated and cannot be reliably evaluated on a separate basis using one of the transactional methods. PSM is particularly relevant when each party to the transaction has significant intangible assets and/ or the operations of the parties to the transaction are highly integrated and cannot be evaluated on a separate basis.

These conditions are not applicable to the transactions analyzed in this report. The operations of XYZ Inc. or ABC Ltd. are distinct and as such there is no difficulty in evaluating the transactions independently. Having regard to these factors, the PSM is not an appropriate method to be used in case of the subject transaction.

## II. **Transactional Net Margin Method (“TNMM”)/ Comparable Profits Method (“CPM”)**

The TNMM/CPM examines the net profit margin relative to an appropriate base (e.g., costs, sales, and assets) realized on the transaction. For example, return on capital employed, or the ratio of operating income to operating assets, may be examined.

Under the TNMM/CPM, the standards of comparability are less stringent relative to the other methods with only broad similarity of functions required. Accordingly, comparables need to be broadly similar and some product diversity and limited functional diversity between the controlled and uncontrolled parties is acceptable under the TNMM/CPM.

The TNMM/CPM has the following practical advantages:

- In the case of TNMM/CPM, the net margins (e.g. return on assets, operating income to sales, and possibly other measures of net profit) are less affected by transactional differences than is the case with price, as used in the CUP;
- The net margins may also be more tolerant to some functional differences between the controlled and uncontrolled transactions than gross profit margins; and
- The differences in functions performed between enterprises are often reflected in variations in operating expenses. Consequently, enterprises may have a wide range of gross profit margins but still earn broadly similar levels of profits.

In the instant case, TNMM has been selected as the MAM to benchmark the subject international transaction of the Company with its AE.

### **CONCLUSION**

Keeping in view the nature of transaction and degree of comparability, **TNMM is selected as MAM** which provides the most reliable measure of an arm’s-length price for the services performed by both the related entities.

## **B. SELECTION OF TESTED PARTY**

In any transaction, there would be a minimum of two enterprises. A question arises as to which of the two should be taken for comparison of prices or profit margins with potential uncontrolled comparables. The enterprise which is taken up for comparison is called the “tested party”. It may be either the local or the foreign enterprise i.e., any one enterprise to the transaction. Thus, the concept of tested enterprise is of paramount importance in TP examination as it forms the basis of comparability analysis, which is undertaken for ensuring compliance with the TP Regulations.

In order to make comparability analysis to be meaningful, the economically relevant characteristics of the situation being compared must be sufficiently comparable. The tested party should normally be the enterprise in respect of which reliable and accurate data for comparison is easily and readily available with minimal and most accurate adjustments in data used. The tested party is generally the least complex controlled enterprise of the two parties

to the transaction. For reasonable adjustments to be made, the costs incurred, and revenue earned by the tested enterprise should be easily identifiable and separately available from the financials of the group entity, to enable examination for TP purposes.

Given the above, the tested enterprise would be the participant engaged in the least complex business operations i.e., not owning any valuable intangibles/ assets and assuming minimal business risks in its business operations. The tested enterprise, thus selected, would facilitate comparability of functions-assets-risks with potential uncontrolled comparables.

Based on the functional analysis, it appears that XYZ Inc. is a less complex entity in the covered transaction. Hence, **we selected XYZ Inc. as the tested party for the purposes of this economic analysis.**

### **C. SELECTION OF PROFIT LEVEL INDICATOR**

The arm's-length result of profitability can be established by one of several financial indicators. A variety of indicators may be used in a given review; the choice between Profit Level Indicator ("PLI") depends upon the activities of the tested party, the reliability of the data of comparable uncontrolled companies and the extent to which the indicator will produce a reliable measure of an arm's-length result. These indicators include the rate of return on capital employed, net profit margins and various other financial ratios. A critical factor to be considered in selecting an appropriate PLI is the extent to which that PLI is likely to produce a reliable measure of an arm's length result.

**For the application of TNMM/ CPM, we have selected Operating Margin ("OM" or "Net Profit Margin" or "Return on Sales") (which measures the ratio of operating income by operating revenue) as the PLI.** The OM is an appropriate PLI for companies that engage in distribution activities similar to those undertaken by XYZ Inc. Since this PLI computes the appropriate return which XYZ Inc. is entitled for its services. Further, in applying a PLI to the tested party, the denominator or base of the PLI should not be influenced by the controlled transactions.

### **D. SEARCH FOR COMPARABLE UNCONTROLLED DATA**

The objective of our search for comparable companies was to identify a group of independent companies with publicly available data that perform similar functions, operate in similar markets, and bear broadly similar risks to that of XYZ Inc. For this search, we relied upon Refinitiv Fundamentals, Capital IQ and Worldwide Private Company Database by Tax.com™.

The following section describe the steps taken for search performed in Tax.com in order to identify comparable entities:

## Search Process

### ➤ Step 1

To identify comparable, engage in the similar type of activities in the identical industries and markets, we have conducted the search on an overseas database, **Refinitiv Fundamentals, Capital IQ and Worldwide Private Company Database from Tax.com** (“the database”). The database provides business and financial information on international companies. It provides access to a range of corporate and industry information such as company profiles, news, business/ trade articles, research reports, executive profiles, industry intelligence and financial data.

The benchmarking undertaken by the firm was to analyse the operating returns of the Distribution of Software Products (developed by ABC Ltd.) by XYZ Inc. in North America Region. Therefore, our search focused on the scope of functions considered comparable to those of XYZ Inc.

The search on this database was carried out using the industry classification and the primary “Standard Industrial Classification” (SIC) codes. We selected the following codes while performing search on **Refinitiv Fundamentals, Capital IQ and Worldwide Private Company Database**:

**Table 2: Code Selection**

SIC Code	Code Description
5045	Wholesale-Computers & Peripheral Equipment & Software
5734	Retail-Computer & Computer Software Stores
7370	Services-Computer Programming, data processing, etc.
7371	Serv: Computer Programming Services
7372	Services-Prepackaged Software
7373	Services-Computer Integrated Systems Design

Further, the above search was limited to the companies operating in the same geographic location as XYZ Inc. The search was conducted for companies in North America Region.

**The above search variables resulted in a total number of 6,097 companies.**

### ➤ Step 2 Bulk Rejection

Post the keywords screening 5,580 companies were rejected for the following additional criteria:

**Table 3: Summary of the Bulk Rejections**

Rejection Criteria	No. of Companies rejected
Consolidated and Unconsolidated Net Sales missing for 3 or more years	4,970
Consolidated and Unconsolidated Operating income loss for 2 or more consecutive years	610
<b>Total Rejection</b>	<b>5,580</b>

The above search variables resulted in a total number of **517** companies.

➤ **Step 3 Further Evaluation of initial sample.**

After applying the above steps, we were left with a broad set of 517 potentially similar companies. In order to refine the sample and to eliminate non-comparable companies, we reviewed the business descriptions, as provided by the Tax.com. The selection was based on a comprehensive review of business descriptions, annual reports, and other publicly available information. Key selection parameters to identify comparable companies for FFD includes:

- **Marketing and Brand Development:** Companies that demonstrate a strong commitment to local marketing, branding, and promotional activities. This is reflected in their consistently high levels of selling, distribution, and general administrative (SG&A) expenses.
- **Inventory Management and Distribution Risk:** Companies that undertake comprehensive distribution functions, including procurement, inventory management, warehousing, and logistics.
- **Value-Added Functions:** In addition to their core distribution activities, companies who engage in ancillary functions such as R&D and post-sale customer support. The presence of these value-added services further reinforces their classification as FFD, as it demonstrates a broader operational scope and deeper customer engagement beyond basic distribution.

After a considerable review, we rejected the companies on the basis of following reasons.

**Table 4: Summary of Analysis**

Rejection Criteria	No. of Companies rejected
Companies rejected due to <b>multiple occurrences/ duplication</b> across different databases.	74
Companies that perform <b>dissimilar functions</b> were rejected during review of business description of comparable companies.	388
Companies whose <b>information was not available</b> for analysis of business carried out by the company were rejected.	48
<b>Total</b>	<b>510</b>

Finally, the following **Seven** companies were identified as potential comparable.

**Table 5: Final set of comparables**

No.	Comparable Companies Name
1	PC Connection, Inc.
2	Climb Global Solutions, Inc
3	ePlus Inc.
4	Lumen Technologies Inc
5	Paylocity Holding Corp
6	N-able, Inc.
7	Simulations Plus, Inc.

## E. FINAL SET OF COMPARABLES

The search steps incorporated above resulted in the identification of a final set of **seven** independent comparable companies. The final set for eleven comparable companies along with the weighted average is summarized below:

**Table 6: OM of the final set of comparable companies**

S. No.	Company Name	OM			Three-year Weighted Average
		FY 2022	FY 2023	FY 2024	
1	PC Connection, Inc.	3.86%	3.71%	3.48%	3.69%
2	Climb Global Solutions, Inc	5.69%	4.68%	6.01%	5.51%
3	ePlus Inc.	8.24%	7.28%	6.94%	7.48%
4	Lumen Technologies Inc	18.84%	8.45%	3.64%	11.08%
5	Paylocity Holding Corp	9.92%	13.20%	18.54%	14.57%
6	N-able, Inc.	12.75%	16.67%	17.67%	15.88%
7	Simulations Plus, Inc.	34.55%	14.64%	8.76%	18.73%
<b>Count</b>		<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>
<b>Minimum</b>		<b>3.86%</b>	<b>3.71%</b>	<b>3.48%</b>	<b>3.69%</b>
<b>Mean</b>		<b>13.41%</b>	<b>9.81%</b>	<b>9.29%</b>	<b>10.99%</b>
<b>Median</b>		<b>9.92%</b>	<b>8.45%</b>	<b>6.94%</b>	<b>11.08%</b>
<b>Lower Quartile (25%)</b>		<b>5.69%</b>	<b>4.68%</b>	<b>3.64%</b>	<b>5.51%</b>
<b>Upper Quartile (75%)</b>		<b>18.84%</b>	<b>14.64%</b>	<b>17.67%</b>	<b>15.88%</b>
<b>Maximum</b>		<b>34.55%</b>	<b>16.67%</b>	<b>18.54%</b>	<b>18.73%</b>

Based on 25th percentile and 75th percentile of the weighted average unadjusted interquartile range of OM's earned by independent comparable companies performing functions similar to the functions/ activities performed by the XYZ Inc. are **5.51 percent** and **15.88 percent** respectively. The median and arithmetic mean of the aforesaid comparable companies is **11.08 percent** and **10.99 percent** respectively (*The computation of Weighted Average OM and the business description of eleven comparable companies listed above are given in **Annexure A** and **Annexure B** respectively*).

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## **VI. ANNEXURES**

**ANNEXURE A: MARGIN COMPUTATION OF THE COMPARABLE COMPANIES**

**ANNEXURE B: BUSINESS DESCRIPTION**

**ANNEXURE C: ACCEPT REJECT MATRIX**

## A. MARGIN COMPUTATION OF THE COMPARABLE COMPANIES

### 1. PC Connection, Inc.

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	31,24,996	28,50,644	28,02,118
Cost of Goods Sold (COGS)	25,98,819	23,38,908	22,82,324
<b>Gross profit (GP)</b>	<b>5,26,177</b>	<b>5,11,736</b>	<b>5,19,794</b>
Selling, general and administrative expenses	4,05,625	4,05,896	4,22,317
<b>Total Operating expenses (OE)</b>	<b>4,05,625</b>	<b>4,05,896</b>	<b>4,22,317</b>
<b>Operating Income (OI)</b>	<b>1,20,552</b>	<b>1,05,840</b>	<b>97,477</b>
<b>Operating Margin (OM=OI/R)</b>	<b>3.86%</b>	<b>3.71%</b>	<b>3.48%</b>
<b>Three-Year Weighted Average OM</b>	<b>3.69%</b>		

### 2. Climb Global Solutions, Inc.

Income Statement	Amount (in USD millions)		
Particulars	2022	2023	2024
Revenue (R)	3,04,348	3,52,013	4,65,607
Cost of Goods Sold (COGS)	2,50,254	2,87,766	3,74,527
<b>Gross profit (GP)</b>	<b>54,094</b>	<b>64,247</b>	<b>91,080</b>
Selling, general, and administrative expenses	34,144	44,330	56,508
Acquisition related costs	582	629	2,311
Depreciation and amortization expense	2,054	2,798	4,269
<b>Total Operating expenses (OE)</b>	<b>36,780</b>	<b>47,757</b>	<b>63,088</b>
<b>Operating Income (OI)</b>	<b>17,314</b>	<b>16,490</b>	<b>27,992</b>
<b>Operating Margin (OM=OI/R)</b>	<b>5.69%</b>	<b>4.68%</b>	<b>6.01%</b>
<b>Three-Year Weighted Average OM</b>	<b>5.51%</b>		

### 3. E Plus Inc.

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	20,67,718	22,25,302	20,68,789
Cost of Goods Sold (COGS)	15,50,194	16,74,509	14,99,668
<b>Gross profit (GP)</b>	<b>5,17,524</b>	<b>5,50,793</b>	<b>5,69,121</b>
Selling, general, and administrative	3,33,520	3,67,734	3,99,744
Depreciation and amortization	13,709	21,025	25,753
<b>Total Operating expenses (OE)</b>	<b>3,47,229</b>	<b>3,88,759</b>	<b>4,25,497</b>
<b>Operating Income (OI)</b>	<b>1,70,295</b>	<b>1,62,034</b>	<b>1,43,624</b>
<b>Operating Margin (OM=OI/R)</b>	<b>8.24%</b>	<b>7.28%</b>	<b>6.94%</b>
<b>Three-Year Weighted Average OM</b>	<b>7.48%</b>		

### 4. Lumen Technologies, Inc.

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	17,478	14,557	13,108
Cost of Goods Sold (COGS)	7,868	7,144	6,703
<b>Gross profit (GP)</b>	<b>9,610</b>	<b>7,413</b>	<b>6,405</b>
Selling, general and administrative	3,078	3,198	2,972
Depreciation and amortization	3,239	2,985	2,956
<b>Total Operating expenses (OE)</b>	<b>6,317</b>	<b>6,183</b>	<b>5,928</b>
<b>Operating Income (OI)</b>	<b>3,293</b>	<b>1,230</b>	<b>477</b>
<b>Operating Margin (OM=OI/R)</b>	<b>18.84%</b>	<b>8.45%</b>	<b>3.64%</b>
<b>Three-Year Weighted Average OM</b>	<b>11.08%</b>		

## 5. Paylocity Holding Corp

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	8,52,651	11,74,598	14,02,515
Cost of Goods Sold (COGS)	2,87,002	3,67,039	4,41,729
<b>Gross profit (GP)</b>	<b>5,65,649</b>	<b>8,07,559</b>	<b>9,60,786</b>
Sales and marketing	2,14,455	2,96,716	3,34,954
Research and development	1,02,908	1,63,994	1,78,333
General and administrative	1,63,692	1,91,823	1,87,406
<b>Total Operating expenses (OE)</b>	<b>4,81,055</b>	<b>6,52,533</b>	<b>7,00,693</b>
<b>Operating Income (OI)</b>	<b>84,594</b>	<b>1,55,026</b>	<b>2,60,093</b>
<b>Operating Margin (OM=OI/R)</b>	<b>9.92%</b>	<b>13.20%</b>	<b>18.54%</b>
<b>Three-Year Weighted Average OM</b>	<b>14.57%</b>		

## 6. N-able, Inc.

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	3,71,769	4,21,880	4,66,147
Cost of Goods Sold (COGS)	58,610	68,208	80,679
<b>Gross profit (GP)</b>	<b>3,13,159</b>	<b>3,53,672</b>	<b>3,85,468</b>
Sales and marketing	1,25,301	1,34,691	1,35,592
Research and development	63,484	78,180	90,714
General and administrative	71,125	69,885	76,514
Amortization of acquired intangibles	5,853	597	278
<b>Total Operating expenses (OE)</b>	<b>2,65,763</b>	<b>2,83,353</b>	<b>3,03,098</b>
<b>Operating Income (OI)</b>	<b>47,396</b>	<b>70,319</b>	<b>82,370</b>
<b>Operating Margin (OM=OI/R)</b>	<b>12.75%</b>	<b>16.67%</b>	<b>17.67%</b>
<b>Three-Year Weighted Average OM</b>	<b>15.88%</b>		

## 7. Simulations Plus, INC.

Income Statement	Amount (in USD thousands)		
Particulars	2022	2023	2024
Revenue (R)	59,577	59,577	70,013
Cost of Goods Sold (COGS)	10,822	11,630	26,862
<b>Gross profit (GP)</b>	<b>48,755</b>	<b>47,947</b>	<b>43,151</b>
Research and development	3,208	4,504	5,754
Sales and marketing	4,879	6,558	8,915
General and administrative	20,086	28,160	22,351
<b>Total Operating expenses (OE)</b>	<b>28,173</b>	<b>39,222</b>	<b>37,020</b>
<b>Operating Income (OI)</b>	<b>20,582</b>	<b>8,725</b>	<b>6,131</b>
<b>Operating Margin (OM=OI/R)</b>	<b>34.55%</b>	<b>14.64%</b>	<b>8.76%</b>
<b>Three-Year Weighted Average OM</b>	<b>18.73%</b>		

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## B. BUSINESS DESCRIPTION

S. No.	Company Name	Business Description
1	PC Connection, Inc.	<p><b>PC Connection, Inc. delivers custom-configured computer systems overnight from its ISO 9001:2015 certified technical configuration lab at its distribution center in Wilmington, Ohio.</b> The Company provides a range of information technology (IT) solutions, from the desktop to the cloud, including computer systems, data center solutions, software and peripheral equipment, networking communication, and other products and accessories, which the Company purchases from manufacturers, distributors and other suppliers. The Company operates through three segments: Connection Enterprise Solutions, Connection Business Solutions and Connection Public Sector Solutions. Connection Enterprise Solutions segment is engaged in serving large enterprise customers. Connection Business Solutions segment is engaged in serving small to medium-sized businesses (SMBs). Connection Public Sector Solutions segment is engaged in serving federal, state, and local government and educational institutions.</p> <p><b>Source: <a href="https://www.connection.com/">https://www.connection.com/</a></b></p>
2	Climb Global Solutions, Inc	<p><b>Climb Global Solutions, Inc distributes technology products developed by others to resellers who in turn sell to end customers worldwide. The Company also is a cloud solutions provider and value-added reseller of software, hardware and services to customers worldwide.</b> The Company also operates in Canada, the United Kingdom and Europe. The Company offers an extensive line of products from leading software vendors and tools for virtualization/cloud computing, security, networking, storage and infrastructure management, application lifecycle management and other technically sophisticated domains as well as computer hardware.</p> <p>The Company is organized into two reportable operating segments. The “Distribution” segment distributes technical software to corporate resellers, value added resellers (“VARs”), consultants and systems integrators worldwide under the name “Climb Channel Solutions”. The “Solutions” segment is a cloud solutions provider and value-added reseller of software, hardware and services to customers worldwide under the name “Grey Matter”.</p> <p><b>Source: <a href="https://www.climbglobalsolutions.com/">https://www.climbglobalsolutions.com/</a></b></p>
3	ePlus Inc.	<p><b>ePlus inc. is a distributor of technology solutions across the spectrum spanning security, cloud, data center, networking, collaboration, artificial intelligence, and emerging solutions.</b> The Company’s segments include Product, Professional Services, Managed Services, and Financing. The Product segment includes sales of information technology (IT) products, third-party software, and third-party maintenance, software assurance, and other third-party services. The Professional services segment includes its advanced professional services, staff augmentation, project management services, cloud consulting services and security services.</p> <p><b>Source: <a href="https://www.eplus.com/">https://www.eplus.com/</a></b></p>

4	Lumen Technologies Inc	<p><b>Lumen Technologies, Inc. is a facilities-based technology and communications company. The Company provides a range of <u>integrated products and services</u> to its domestic and global business customers and its domestic mass markets customers.</b> It operates through two segments: Business segment and Mass Markets segment. Its Business segment provides its products and services under four sales channels to meet the needs of its enterprise and commercial customers. Its products and services in this segment include Dark Fiber, Edge Cloud Services, Internet Protocol (IP), Managed Security Services, Software-Defined Wide Area Networks (SD WAN), Secure Access Service Edge (SASE), Optical Services, Ethernet, VPN Data Networks, Voice Services, IT Solutions and Other Legacy Services. Its Mass Markets segment provides products and services to residential and small business customers. Its products and services in this segment include Fiber Broadband, Other Broadband and Voice and Other.</p> <p><b><u>Source:</u> <a href="https://www.lumen.com/en-us/home.html">https://www.lumen.com/en-us/home.html</a></b></p>
5	Paylocity Holding Corp	<p><b>Paylocity Holding Corporation is a <u>distributor</u> of cloud-based human capital management (HCM) and payroll software solutions. The Company provides its software-as-a-service (SaaS) solutions to clients across the United States.</b> The Company's HCM and payroll platform offers a product suite that helps businesses attract and retain talent, build culture and connection with their employees, and streamline and automate human resource (HR) and payroll processes. Its product suite includes various categories, such as payroll, human resources, time and labor, talent, benefits and employee experiences. Its payroll product suite includes payroll and tax services, expense management, on demand payment and garnishments.</p> <p><b><u>Source:</u> <a href="https://www.paylocity.com/">https://www.paylocity.com/</a></b></p>
6	N-able, Inc.	<p><b>N-able, Inc. <u>distributes cloud-based security, data protection, and unified endpoint management software solutions for managed service providers in the United States, the United Kingdom, and internationally.</u></b> The company's solutions enable MSPs to support digital transformation and growth within small and medium-sized enterprises. It also offers software platform designed to be an integrated enterprise-grade solution that serves as an operating system for its MSP partners and scales. In addition, the company offers remote monitoring and management solutions that provide MSP partners with visibility and insights into the availability and performance of their customers' networks, infrastructure, devices, and applications through a centralized dashboard; and data protection as-a-service solutions, such as backup and disaster recovery for servers, virtual machines, workstations, files, data, and key cloud-based applications, as well as multi-tenant platform and secure remote delivery architecture.</p> <p><b><u>Source:</u> <a href="https://www.n-able.com/">https://www.n-able.com/</a></b></p>
7	Simulations Plus, Inc.	<p><b>Simulations Plus is a <u>leading distributor of modeling and simulation software and consulting services supporting drug discovery, development research, and regulatory submissions.</u></b> They offer solutions that bridge artificial intelligence (AI) and machine learning (ML), physiologically based pharmacokinetics, quantitative systems pharmacology/toxicology.</p> <p><b><u>Source:</u> <a href="https://www.simulations-plus.com/about/">https://www.simulations-plus.com/about/</a></b></p>

## C. ACCEPT REJECT MATRIX

As enclosed herewith



Annexure C\_Accept  
Reject Matrix

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