

## SAAS

INDUSTRY UPDATE | November 2020



## NOTABLE & QUOTABLE

*“I try to schedule a call with every new Baremetrics customer as well as check in once or twice a year. The feedback you get from exchanging audible words will change your product and how you run your business because you get a level of honesty that gets distilled away with short email exchanges.” – Baremetrics Founder, Josh Pigford*

*“My way of doing business is all about creating happiness on your journey. If your employees are just working toward some goal in the distant future, every day between now and then will be a slog, and they won’t care about the seemingly little things that have a big impact on the customer experience.” – Zoom Founder & CEO, Eric Yuan*

*“Companies fail every day. Even big companies, with the most advanced strategies crafted by the most competent individuals, get disrupted out of relevance regularly. The best way to avoid that fate is to build a team that is able to ride the waves of disruption, a team that is able to challenge itself, a team that is able to constantly get out of its comfort zone, and most importantly, a team that never becomes complacent.” – Algolia Co-Founder, Nicolas Dessaigne*

### REPORTING

One of the earliest questions we get from prospective investors on SaaS opportunities we’re advising on is what is the company’s gross margins? Dale Chang at Scale Venture Partners does an excellent job highlighting [what expenses should be included as Cost of Revenue](#) and which fall into Operating Expenses, as the correct classification highlights the scalability of the business and its profitability at critical mass.

### TECH + POLITICS

With the outcome of the Presidential election seemingly settled and the White House soon to have a new, but familiar occupant, Mark Sullivan at Fast Company highlights [What Big Tech has to gain – and lose – from a Biden presidency](#). In addition to taxes, which we explore on later pages, there also are expected to be shifts in immigration policy, potential regulation of social media, and trade/IP ramifications with China.

### VALUATIONS

Much has been made about the tech sector’s performance in 2020 in the midst of the COVID-19 crisis, particularly how public tech stocks have outperformed and their lifting of stock indices masks the performance of other sectors. Nick Maggiulli at Medium examines [whether we are in a bubble poised to pop](#), similar to what we saw in the late 1990s, or if tech valuations are rationally justifiable and sustainable.

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## ELECTION PERSPECTIVE: POTENTIAL MEANINGFUL INCREASE IN TAXES

### *The Election's Potential Impact on Taxation*

One of the most closely watched political ramifications of the 2020 elections is a potential shift in personal and corporate tax policy proposed by the Democrats. The agenda, which was projected to net an additional \$2-3 trillion over a decade, was designed to pay for expanded federal spending on health, education and environmental programs. Predicated on Democratic control of Congress and the White House, the policy called for increased taxes on corporations, capital gains, and higher income households, making it a major focus for business owners.

As we "go to press" with our latest newsletter, much remains in the air. Republicans and Democrats each safely hold 50 and 48 seats, respectively, but the path to 51 for Republicans or 50 for Democrats (the Vice President holds the tiebreaker) remains undecided. Majority control hinges on both seats in Georgia, which are headed to a run-off taking place on January 5th, 2021. Few anticipated Georgia going for Biden in the Presidential race, and it remains to be seen which party's base will succeed at turning out the vote again, just two months after the November race.

Given the remaining uncertainty around the outcome in Georgia, we'll briefly look at and provide examples of the implications the proposed tax policy change would result in. U.S. tax law is extremely complex and nuanced, so we recommend speaking with your personal accountant and tax attorney before making any final conclusions, but the below may serve as a helpful base to begin a conversation.

#### Increase in Corporate Taxes

The biggest impact of Biden's plan is a walk back of cuts implemented in 2017, which resulted in a single corporate tax rate of 21%. While Biden's plan doesn't fully restore the previous corporate rate of 35%, it does propose increasing the corporate rate to 28% and adds minimum taxes on foreign generated income. If you operate a C-Corp, this 7% increase will have a material impact on distributable net income for future years' earnings. Pass through entities (S-Corporations and LLCs) are not completely off the hook, as we'll explore in the following sections.

#### Increase in Ordinary Income Taxes for High Earners

Biden campaigned that taxes should be more progressive and equitable, and the policy proposals match that rhetoric. For both single and married filers with less than \$400k in income, the proposal calls for no major changes (some deduction and credit rules will differ). The biggest impact is adding another tax bracket for top earners, and altering start and stopping points for those upper brackets, as seen in the table below. The delta becomes more pronounced as income goes up, but results in an approximate \$19,000 difference for a business owner making \$1mm annually. Additionally, income above \$400,000 would be subject to the 12.4% Social Security tax – split evenly between employees and employers not modeled below. Currently, there is a wage cap of \$137,700. Wages between those two ranges would not be taxed. There also is a proposed cap on itemized deductions at 28% of value for taxpayers making above \$400k.

Current Plan					Biden's Proposals				
Rate	Over	But Not Over	Taxable Amount	Total Tax	Rate	Over	But Not Over	Taxable Amount	Total Tax
10.0%	-	20,150	20,150	2,015	10.0%	-	20,150	20,150	2,015
12.0%	20,150	82,000	61,850	7,422	12.0%	20,150	82,000	61,850	7,422
22.0%	82,000	174,850	92,850	20,427	22.0%	82,000	174,850	92,850	20,427
24.0%	174,850	333,800	158,950	38,148	24.0%	174,850	333,800	158,950	38,148
32.0%	333,800	423,850	90,050	28,816	32.0%	333,800	400,000	66,200	21,184
33.0%	423,850	635,800	211,950	69,944	33.0%	400,000	450,000	50,000	16,500
37.0%	635,800		364,200	134,754	35.0%	450,000	508,000	58,000	20,300
					39.6%	508,000		492,000	194,832
<b>Total</b>			<b>\$ 1,000,000</b>	<b>\$ 301,526</b>				<b>\$ 1,000,000</b>	<b>\$ 320,828</b>

*Assumes Married Filing Status, bracket thresholds are slightly different if a single filer*

## ELECTION PERSPECTIVE: POTENTIAL MEANINGFUL INCREASE IN TAXES

### Increase in Capital Gains Taxes

The biggest impact for business owners contemplating a liquidity event or outright exit revolves around an anticipated policy change in the treatment of capital gains taxes. For owners looking to realize liquidity from their business or sell out-right, that change in control has typically resulted in favorable tax treatment due to capital gains on the sale of their company stock being taxed at a lower rate. The Biden plan calls for capital gains and dividends to be taxed at the same rate as ordinary income for taxpayers with over \$1mm in income, or an effective doubling of taxes from 20% to 39.6% on the highest bracket earners.

	Current	Proposed
Gain on Sale of Business	\$50,000,000	\$50,000,000
Federal Capital Gains Tax	20%	39.60%
<b>Cap Gains Taxes</b>	<b>\$10,000,000</b>	<b>\$19,800,000</b>
<b>After Tax Proceeds</b>	<b>\$40,000,000</b>	<b>\$30,200,000</b>
<b>Impact</b>		<b>(\$9,800,000)</b>

For many owners, the impact of this proposal could materially alter their keep versus sell decision when looking at the net present value of proceeds. We've highlighted a very simple example above showing the impact of that potential policy at exit.

### Takeaways

Much is still in the air and any major tax policy changes appear to hinge on the results of Georgia's twin Senate run-offs. Most tax professionals do not believe that any policy changes will be put into action before January 1, 2022, so we encourage all owners considering taking liquidity or exiting outright to consider the implications of doing so next year, even if earlier than anticipated and especially when taking into consideration the eventual results of that runoff. Further, 2022 could result in another shift in power, as 34 Senate seats are up for election, with 22 of those seats held by Republicans and 12 held by Democrats. We would fully expect major tax policy changes to be back on the docket as part of 2022's campaigning. For examples specific to your own personal situation as a business owner, Founders is ready and happy to help analyze and better understand the ramifications of a potential policy shift.

### For additional reading:

[American Economic Institute](#) (Right leaning)

[Tax Policy Center](#) (Left Leaning)

## ACTIVE SaaS VERTICALS EXPERIENCE AND COVERAGE



Fleet Management



EdTech



Supply Chain



GIS Mapping



FinTech



Non-Profits



PropTech



Payments



HCIT



GovTech

## FOUNDERS' CAPABILITIES



Sell-side  
Advisory



Strategic  
Advisory



Capital  
Raises



Targeted  
Buy-side



Divestitures/  
Spin Offs



Debt  
Recapitalizations

## 17 REASONS




For years, Zane has worked to educate entrepreneurs and help them understand steps they need to take in order to build a business that would attract buyers and investors. Those lessons are now available in his recently published book: **17 Reasons Your Company is NOT Investment Grade & What To Do About It.**

For more information or to order your own copy, visit [www.17-reasons.com](http://www.17-reasons.com)

## RECENT TRANSACTIONS

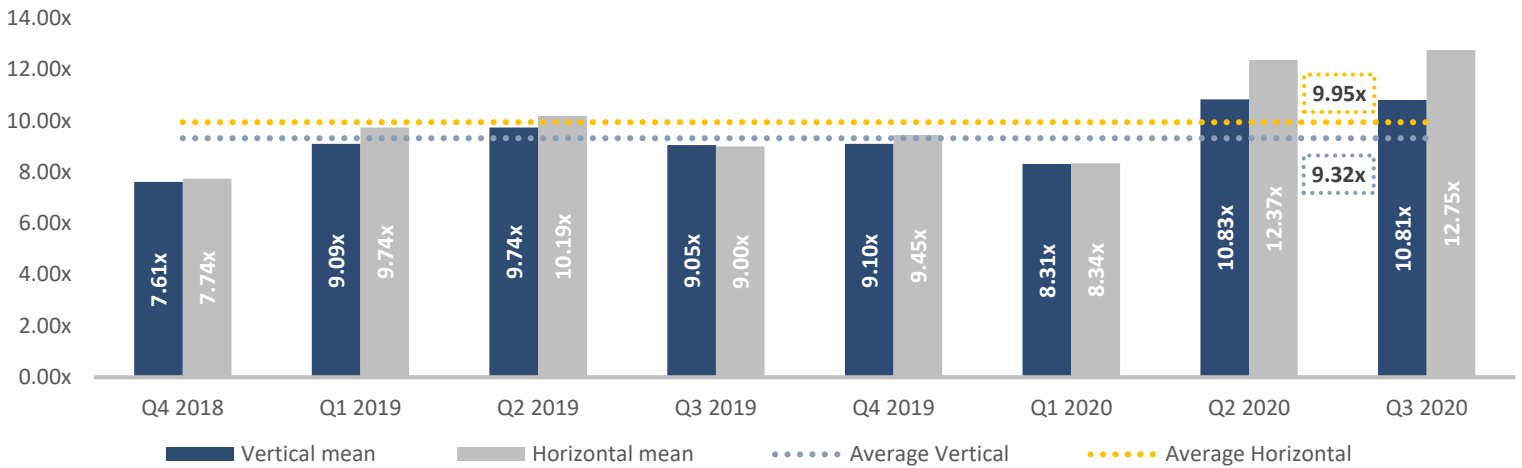
Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
11/19/20 <sup>(1)</sup>	 VERA FIN	 Nasdaq	\$2,750	\$140	N/A	19.6x	N/A
11/2/20	 LLamasoft	 coupa	\$1,500	N/A	N/A	N/A	N/A
10/16/20	 utopia <small>A PROMETHEUS GROUP COMPANY</small>	 GENSTAR <small>CAPITAL</small>	N/A	N/A	N/A	N/A	N/A
10/15/20	 EPSi	 Strata Decision <small>TECHNOLOGY</small>	\$365	N/A	N/A	N/A	N/A
10/15/20	 Rosetta Stone	 Cambium <small>LEARNING GROUP</small>	\$761	\$189	-\$1	4.2x	NM
10/1/20	 OSI	 EMERSON	\$1,600	\$167	N/A	9.6x	N/A
10/1/20	 Signal Sciences	 fastly	\$775	N/A	N/A	N/A	N/A
9/28/20	 MobileIron	 CLEARLAKE CAPITAL	\$872	\$215	-\$32	4.1x	NM
9/16/20	 XCM	 Wolters Kluwer	\$160	\$22	N/A	7.2x	N/A
9/15/20	 optimalblue	 BLACK KNIGHT	\$1,800	\$110	\$47	16.4x	38.3x
9/4/20	 EllieMae	 ICE	\$11,000	\$900	\$470	12.2x	23.4x
9/3/20	 Vertafore	 ROPER	\$5,350	\$590	\$290	9.1x	18.4x
9/1/20	 REFLEXIS	 ZEBRA	\$575	N/A	N/A	N/A	N/A
8/31/20	 EPICOR	 CLAYTON DUBILIER & RICE	\$4,700	\$800	N/A	5.9x	N/A

## RECENT TRANSACTIONS, CONT'D

Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
10/16/20	 LogMeIn	 Evergreen Coast Capital	N/A	N/A	N/A	N/A	N/A
10/15/20	 LimelightHealth	 FINEOS	\$365	N/A	N/A	N/A	N/A
10/15/20	 OSIsoft.	 AVEVA	\$761	\$189	-\$1	4.2x	NM
10/1/20	 RIB	 Schneider Electric	\$1,600	\$167	N/A	9.6x	N/A
10/1/20	 Finicity	 mastercard	\$775	N/A	N/A	N/A	N/A
9/28/20	 CYBERX	 Microsoft	\$872	\$215	-\$32	4.1x	NM
9/16/20	 O+	 NATIONAL INSTRUMENTS	\$160	\$22	N/A	7.2x	N/A
9/15/20	 Compuware.	 bmc	\$1,800	\$110	\$47	16.4x	38.3x
9/4/20	 Bluejeans	 verizon	\$11,000	\$900	\$470	12.2x	23.4x
9/3/20	 EMERSON.	 Novatti™	\$5,350	\$590	\$290	9.1x	18.4x

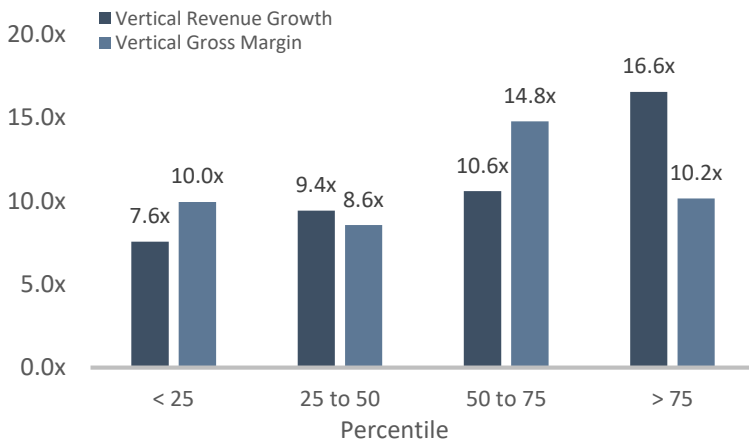
# METRICS OVERVIEW

## Public Vertical & Horizontal EV/LTM Revenue Multiples

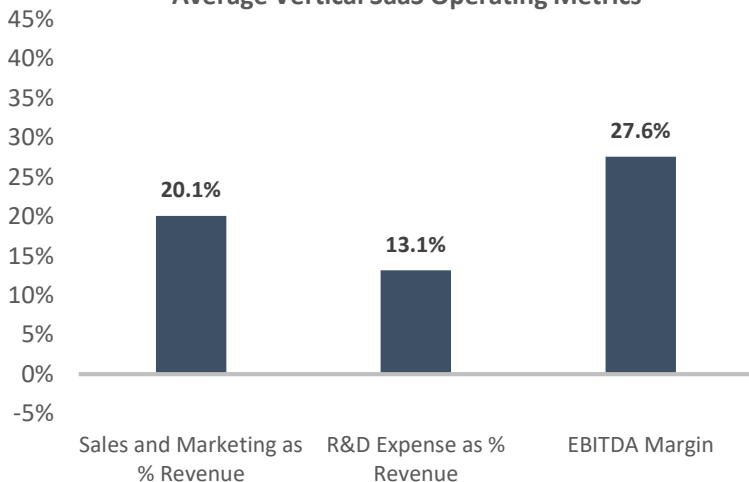


### Public Vertical

#### Percentile Revenue Growth and Margin vs. EV/LTM Revenue

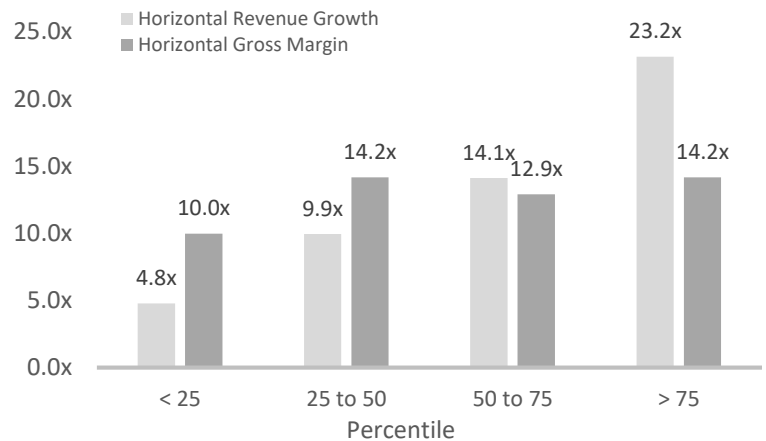


#### Average Vertical SaaS Operating Metrics

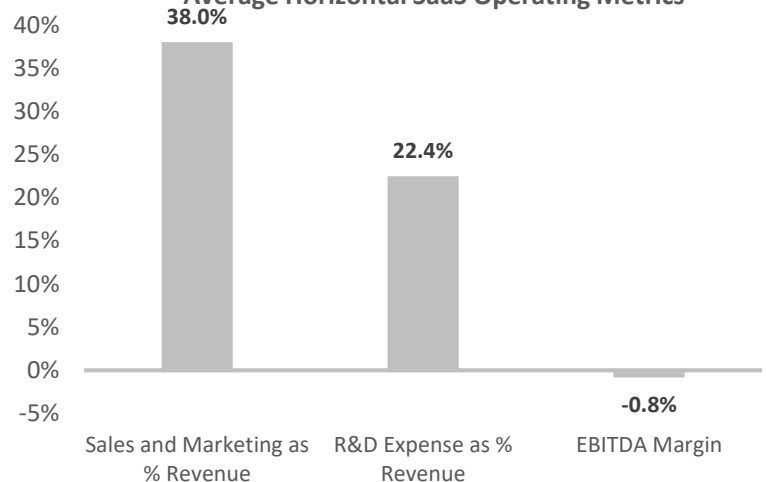


### Public Horizontal

#### Percentile Revenue Growth and Margin vs. EV/LTM Revenue



#### Average Horizontal SaaS Operating Metrics



## VALUATION & GROWTH METRICS

### FA SaaS Index - Valuation & Growth - As of Nov 2020

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
<b>Vertical SaaS Companies</b>						
TWOU	2U	\$ 722.4	7.0%	\$ (108.6)	3.1x	NM
APPF	AppFolio	\$ 305.0	5.6%	\$ 230.5	16.2x	21.4x
BKI	Black Knight (US)	\$ 1,196.5	1.1%	\$ 535.4	14.8x	33.1x
BLKB	Blackbaud	\$ 908.5	(0.7%)	\$ 132.1	3.5x	23.8x
EBIX	Ebix	\$ 549.7	1.3%	\$ 154.2	3.0x	10.6x
FDS	FactSet Research Systems	\$ 1,494.1	1.3%	\$ 537.8	8.4x	23.3x
INOV	Inovalon Holdings	\$ 651.3	(0.8%)	\$ 174.8	5.8x	21.4x
MCO	Moody's	\$ 5,314.0	2.2%	\$ 2,707.0	10.6x	20.7x
QTWO	Q2 Holdings	\$ 380.6	6.8%	\$ (51.5)	15.4x	NM
RP	RealPage	\$ 1,115.2	4.0%	\$ 244.3	6.4x	29.0x
SPSC	SPS Commerce	\$ 302.1	2.9%	\$ 65.8	10.2x	46.6x
TEMN	Temenos	\$ 914.5	(2.0%)	\$ 393.3	10.9x	25.3x
TYL	Tyler Technologies	\$ 1,122.2	0.9%	\$ 255.3	14.4x	63.2x
VEEV	Veeva Systems	\$ 1,283.2	7.3%	\$ 363.2	30.1x	106.3x
Min		\$ 302.1	(2.0%)	\$ (108.6)	3.0x	10.6x
Median		\$ 911.5	1.8%	\$ 237.4	10.4x	24.5x
Mean		\$ 1,161.4	2.6%	\$ 402.4	10.9x	35.4x
Max		\$ 5,314.0	7.3%	\$ 2,707.0	30.1x	106.3x

### Horizontal SaaS Companies

EGHT	8X8	\$ 491.0	4.2%	\$ (124.4)	4.7x	NM
ADBE	Adobe Systems	\$ 12,436.3	3.2%	\$ 4,743.3	18.0x	46.0x
ALRM	Alarm.com Holdings	\$ 592.9	5.5%	\$ 102.9	5.7x	32.7x
TEAM	Atlassian	\$ 1,710.3	6.0%	\$ (363.8)	28.0x	NM
BNFT	Benefitfocus	\$ 279.1	(2.8%)	\$ 15.4	2.0x	36.8x
BL	BlackLine	\$ 336.3	4.7%	\$ 1.7	17.7x	3616.2x
BOX	Box	\$ 736.6	2.8%	\$ (60.7)	4.0x	NM
BCOV	Brightcove	\$ 191.3	0.9%	\$ (5.1)	2.7x	NM
CSLT	Castlight Health	\$ 146.1	(0.3%)	\$ (66.3)	1.0x	NM
ECOM	ChannelAdvisor	\$ 139.5	2.7%	\$ 22.7	2.4x	14.8x
CTXS	Citrix Systems	\$ 3,236.9	1.1%	\$ 691.0	4.9x	22.8x
CSOD	Cornerstone OnDemand	\$ 683.6	8.7%	\$ 77.5	5.7x	49.9x
COUP	Coupa	\$ 458.4	7.2%	\$ (46.8)	47.4x	NM
DOCU	DocuSign	\$ 1,163.6	10.1%	\$ (129.4)	33.7x	NM
EGAN	eGain	\$ 74.6	2.6%	\$ 10.6	4.1x	28.8x
EVBG	Everbridge	\$ 252.6	8.0%	\$ (44.3)	16.3x	NM
FIVN	Five9	\$ 399.3	7.6%	\$ 10.0	22.9x	911.7x
HUBS	HubSpot	\$ 817.1	7.2%	\$ (17.5)	19.5x	NM
INTU	Intuit	\$ 7,679.0	12.0%	\$ 2,391.0	11.8x	37.9x
KXS	Kinaxis	\$ 225.6	3.7%	\$ 50.4	14.4x	64.4x
LPSN	LivePerson	\$ 343.6	6.1%	\$ (84.8)	10.4x	NM
MIME	Mimecast	\$ 462.2	4.4%	\$ 87.6	6.2x	32.5x
MOBL	MobileIron	\$ 212.7	(1.0%)	\$ (39.7)	3.5x	NM
MODN	Model N	\$ 156.2	4.4%	\$ (7.4)	6.1x	NM

## VALUATION & GROWTH METRICS, CONT'D

### FA SaaS Index - Valuation & Growth - As of Nov 2020

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
<b>Horizontal SaaS Companies</b>						
NEWR	New Relic	\$ 641.3	3.3%	\$ (40.2)	4.8x	NM
PAYC	Paycom Software	\$ 813.9	2.7%	\$ 249.7	26.9x	87.6x
PCTY	Paylocity	\$ 570.4	1.6%	\$ 101.7	17.7x	99.0x
PEGA	Pegasystems	\$ 995.5	0.9%	\$ (94.1)	10.1x	NM
PFPT	Proofpoint	\$ 1,018.3	4.0%	\$ 3.6	5.5x	1574.9x
QLYS	Qualys	\$ 352.8	3.0%	\$ 123.5	9.4x	26.8x
RNG	RingCentral	\$ 1,102.0	6.8%	\$ (2.5)	24.6x	NM
CRM	Salesforce	\$ 19,380.0	6.3%	\$ 3,494.0	11.9x	65.7x
SCWX	SecureWorks	\$ 563.0	0.3%	\$ 6.3	1.4x	123.8x
NOW	ServiceNow	\$ 4,220.9	6.7%	\$ 471.0	23.5x	211.0x
SHOP	Shopify	\$ 2,456.9	18.1%	\$ 145.7	43.1x	727.5x
SMAR	Smartsheet	\$ 326.8	8.9%	\$ (102.6)	17.3x	NM
UPLD	Upland Software	\$ 279.6	7.3%	\$ 6.2	5.6x	254.0x
VRNS	Varonis Systems	\$ 270.1	4.3%	\$ (69.1)	13.8x	NM
WIX	Wix.com	\$ 910.8	6.7%	\$ (164.5)	15.1x	NM
WDAY	Workday	\$ 3,994.8	4.6%	\$ (98.3)	13.3x	NM
WK	Workiva	\$ 338.0	4.3%	\$ (42.8)	9.7x	NM
YEXT	Yext	\$ 331.2	5.0%	\$ (123.0)	6.3x	NM
ZEN	Zendesk	\$ 975.9	5.6%	\$ (158.5)	15.3x	NM
ZIXI	Zix	\$ 211.0	3.4%	\$ 32.7	3.2x	20.8x
ZUO	Zuora	\$ 291.1	1.8%	\$ (68.5)	4.0x	NM
Min		\$ 74.6	(2.8%)	\$ (363.8)	1.0x	14.8x
Median		\$ 491.0	4.4%	\$ (2.5)	10.1x	57.2x
Mean		\$ 1,628.2	4.8%	\$ 241.9	12.8x	367.5x
Max		\$ 19,380.0	18.1%	\$ 4,743.3	47.4x	3616.2x



## OPERATING STATISTICS

### FA SaaS Index - Operating Statistics - As of Nov 2020

(In millions)

Ticker	Company Name	COGS As a % of Revenue	Gross Margin	SG&A As a % of Revenue	R&D Expense As a % of Revenue	Sales & Marketing As a % of Revenue	EBITDA Margin
<b>Vertical SaaS Companies</b>							
TWOU	2U	30.4%	69.6%	75.4%	20.6%	52.6%	(15.0%)
APPF	AppFolio	37.9%	62.1%	33.8%	15.7%	18.9%	75.6%
BKI	Black Knight (US)	NM	NM	NM	NM	NM	44.7%
BLKB	Blackbaud	46.8%	53.2%	37.0%	10.8%	23.9%	14.5%
EBIX	Ebix	44.7%	55.3%	21.9%	6.9%	2.8%	28.0%
FDS	FactSet Research Systems	46.5%	53.5%	24.0%	NM	NM	36.0%
INOV	Inovalon Holdings	25.2%	74.8%	42.9%	5.0%	9.6%	26.8%
MCO	Moody's	26.7%	73.3%	22.5%	NM	NM	50.9%
QTWO	Q2 Holdings	54.8%	45.2%	37.5%	24.2%	18.7%	(13.5%)
RP	RealPage	43.5%	56.5%	31.5%	11.1%	16.3%	21.9%
SPSC	SPS Commerce	32.1%	67.9%	40.2%	10.2%	24.5%	21.8%
TEMN	Temenos	21.6%	78.4%	25.3%	NM	16.3%	43.0%
TYL	Tyler Technologies	51.3%	48.7%	23.8%	7.8%	NM	22.7%
VEEV	Veeva Systems	28.0%	72.0%	27.9%	19.2%	17.1%	28.3%
	Min	21.6%	45.2%	21.9%	5.0%	2.8%	(15.0%)
	Median	37.9%	62.1%	31.5%	11.0%	17.9%	27.4%
	Mean	37.7%	62.3%	34.1%	13.1%	20.1%	27.6%
	Max	54.8%	78.4%	75.4%	24.2%	52.6%	75.6%

### Horizontal SaaS Companies

EGHT	8X8	45.3%	54.7%	70.4%	16.9%	50.9%	(25.3%)
ADBE	Adobe Systems	14.0%	86.0%	35.4%	17.1%	27.8%	38.1%
ALRM	Alarm.com Holdings	37.2%	62.8%	24.4%	24.2%	11.9%	17.3%
TEAM	Atlassian	16.4%	83.6%	33.9%	47.9%	17.7%	(21.3%)
BNFT	Benefitfocus	49.2%	50.8%	35.4%	17.0%	20.9%	5.5%
BL	BlackLine	19.3%	80.7%	71.4%	14.5%	51.5%	0.5%
BOX	Box	30.2%	69.8%	55.2%	28.1%	40.6%	(8.2%)
BCOV	Brightcove	39.4%	60.6%	44.4%	18.6%	29.9%	(2.7%)
CSLT	Castlight Health	37.9%	62.1%	42.1%	36.0%	23.9%	(45.4%)
ECOM	ChannelAdvisor	20.7%	79.3%	53.1%	13.0%	36.1%	16.3%
CTXS	Citrix Systems	15.0%	85.0%	47.4%	16.5%	37.1%	21.3%
CSOD	Cornerstone OnDemand	29.6%	70.4%	51.0%	15.4%	36.4%	11.3%
COUP	Coupa	36.8%	63.2%	55.5%	23.0%	38.9%	(10.2%)
DOCU	DocuSign	25.3%	74.7%	71.9%	18.8%	58.2%	(11.1%)
EGAN	eGain	27.3%	72.7%	38.1%	23.0%	27.5%	14.3%
EVBG	Everbridge	31.5%	68.5%	70.6%	23.3%	44.9%	(17.5%)
FIVN	Five9	41.8%	58.2%	45.6%	15.6%	30.3%	2.5%
HUBS	HubSpot	19.0%	81.0%	63.6%	23.6%	50.7%	(2.1%)
INTU	Intuit	17.9%	82.1%	35.5%	18.1%	26.7%	31.1%
KXS	Kinaxis	28.8%	71.2%	36.2%	19.1%	22.5%	22.4%
LPSN	LivePerson	29.2%	70.8%	62.7%	30.2%	44.5%	(24.7%)
MIME	Mimecast	25.1%	74.9%	51.8%	18.9%	37.4%	18.9%
MOBL	MobileIron	21.8%	78.2%	61.2%	37.0%	45.1%	(18.7%)
MODN	Model N	42.2%	57.8%	43.8%	21.8%	24.8%	(4.7%)

## OPERATING STATISTICS, CONT'D

### FA SaaS Index - Operating Statistics - As of Nov 2020

(In millions)

Ticker	Company Name	COGS As a % of Revenue	Gross Margin	SG&A As a % of Revenue	R&D Expense As a % of Revenue	Sales & Marketing As a % of Revenue	EBITDA Margin
<b>Horizontal SaaS Companies</b>							
NEWR	New Relic	20.7%	79.3%	72.3%	25.8%	54.9%	(6.3%)
PAYC	Paycom Software	14.7%	85.3%	46.1%	10.2%	27.6%	30.7%
PCTY	Paylocity	33.1%	66.9%	44.0%	11.7%	25.6%	17.8%
PEGA	Pegasystems	31.3%	68.7%	59.6%	23.1%	53.1%	(9.5%)
PFPT	Proofpoint	26.4%	73.6%	56.2%	26.9%	46.4%	0.4%
QLYS	Qualys	21.3%	78.7%	32.4%	20.3%	19.7%	35.0%
RNG	RingCentral	27.2%	72.8%	66.8%	15.6%	49.7%	(0.2%)
CRM	Salesforce	25.4%	74.6%	56.9%	17.3%	46.8%	18.0%
SCWX	SecureWorks	44.3%	55.7%	45.2%	17.0%	27.4%	1.1%
NOW	ServiceNow	21.8%	78.2%	50.9%	22.3%	41.2%	11.2%
SHOP	Shopify	47.0%	53.0%	34.9%	20.2%	23.6%	5.9%
SMAR	Smartsheet	20.6%	79.4%	82.6%	32.8%	64.3%	(31.4%)
UPLD	Upland Software	33.1%	66.9%	39.7%	13.9%	16.5%	2.2%
VRNS	Varonis Systems	15.3%	84.7%	81.7%	34.5%	64.8%	(25.6%)
WIX	Wix.com	29.6%	70.4%	55.3%	32.6%	44.3%	(18.1%)
WDAY	Workday	28.7%	71.3%	39.6%	42.2%	29.8%	(2.5%)
WK	Workiva	26.5%	73.5%	59.8%	27.7%	41.6%	(12.7%)
YEXT	Yext	25.5%	74.5%	95.9%	16.9%	70.6%	(37.1%)
ZEN	Zendesk	25.2%	74.8%	63.9%	24.6%	49.2%	(16.2%)
ZIXI	Zix	50.4%	49.6%	38.7%	10.6%	NM	15.5%
ZUO	Zuora	46.0%	54.0%	56.5%	26.0%	38.7%	(23.5%)
Min		14.0%	49.6%	24.4%	10.2%	11.9%	(45.4%)
Median		27.3%	72.7%	51.8%	20.3%	38.0%	(0.2%)
Mean		29.2%	70.8%	52.9%	22.4%	38.0%	(0.8%)
Max		50.4%	86.0%	95.9%	47.9%	70.6%	38.1%

## BALANCE SHEET METRICS

### FA SaaS Index - Balance Sheet Metrics - As of Nov 2020

(In millions)

Ticker	Company Name	Return on Assets	Return on Equity	Current Ratio	Days Sales Outstanding	Days Payable Outstanding	Liabilities/Assets	Debt/Equity
<b>Vertical SaaS Companies</b>								
TWOU	2U	(17.5%)	(29.9%)	2.6x	25.7	91.8	38.9%	36.7%
APPF	AppFolio	54.7%	100.7%	3.6x	11.3	16.8	27.8%	11.5%
BKI	Black Knight (US)	4.8%	10.1%	1.1x	41.9	NM	87.5%	89.2%
BLKB	Blackbaud	1.3%	5.6%	0.7x	41.1	323.4	150.3%	120.9%
EBIX	Ebix	6.0%	17.2%	1.7x	95.2	131.5	57.2%	115.8%
FDS	FactSet Research Systems	20.3%	49.5%	3.0x	37.4	57.4	32.8%	97.7%
INOV	Inovalon Holdings	0.3%	0.9%	2.0x	73.9	75.2	51.3%	141.8%
MCO	Moody's	16.9%	217.0%	2.5x	93.7	48.1	40.2%	408.4%
QTWO	Q2 Holdings	(10.4%)	(24.0%)	3.3x	28.6	19.2	30.2%	75.6%
RP	RealPage	1.8%	4.0%	1.2x	43.6	30.4	82.6%	82.4%
SPSC	SPS Commerce	9.1%	11.3%	4.8x	37.6	17.0	20.9%	5.3%
TEMN	Temenos	6.7%	36.1%	0.8x	125.0	476.2	127.4%	249.9%
TYL	Tyler Technologies	8.3%	10.9%	1.9x	117.7	7.2	54.0%	1.0%
VEEV	Veeva Systems	15.0%	19.5%	3.6x	63.1	29.0	28.1%	2.9%
Min		(17.5%)	(29.9%)	0.7x	11.3	7.2	20.9%	1.0%
Median		6.4%	11.1%	2.2x	42.7	48.1	45.7%	85.8%
Mean		8.4%	30.6%	2.3x	59.7	101.8	59.2%	102.8%
Max		54.7%	217.0%	4.8x	125.0	476.2	150.3%	408.4%

### Horizontal SaaS Companies

EGHT	8X8	(25.5%)	(88.5%)	2.3x	28.2	86.0	43.4%	227.5%
ADBE	Adobe Systems	18.2%	35.9%	1.4x	41.0	104.5	69.4%	40.3%
ALRM	Alarm.com Holdings	12.1%	19.5%	4.7x	47.0	57.4	21.4%	36.3%
TEAM	Atlassian	(12.0%)	(60.1%)	0.9x	23.4	89.3	113.4%	168.3%
BNFT	Benefitfocus	(9.2%)	NM	3.6x	42.3	17.8	27.7%	1059.7%
BL	BlackLine	(3.5%)	(8.8%)	3.7x	100.7	51.5	27.0%	99.1%
BOX	Box	(11.5%)	(315.0%)	0.9x	65.2	22.5	113.5%	762.3%
BCOV	Brightcove	(8.2%)	(20.1%)	0.8x	56.9	54.7	119.0%	24.0%
CSLT	Castlight Health	(36.0%)	(50.9%)	2.3x	84.2	79.1	43.6%	12.0%
ECOM	ChannelAdvisor	11.8%	17.1%	2.3x	57.8	10.0	42.7%	5.3%
CTXS	Citrix Systems	13.7%	229.4%	0.9x	68.2	131.3	110.5%	2801.3%
CSOD	Cornerstone OnDemand	(2.3%)	(16.8%)	0.8x	69.3	31.0	129.3%	539.7%
COUP	Coupa	(6.5%)	(24.1%)	1.6x	75.4	10.0	62.3%	349.0%
DOCU	DocuSign	(11.0%)	(38.1%)	1.1x	61.5	33.5	88.2%	137.0%
EGAN	eGain	9.5%	25.3%	1.5x	84.1	33.6	66.4%	7.3%
EVBG	Everbridge	(10.2%)	(35.8%)	2.8x	98.2	40.5	35.3%	181.3%
FIVN	Five9	(4.9%)	(15.5%)	9.3x	31.8	25.5	10.7%	250.3%
HUBS	HubSpot	(4.8%)	(11.8%)	3.6x	38.5	29.7	27.4%	107.5%
INTU	Intuit	24.1%	43.6%	2.3x	11.0	108.9	44.2%	71.2%
KXS	Kinaxis	6.4%	9.4%	2.8x	63.1	58.9	35.2%	6.2%
LPSN	LivePerson	(23.9%)	(83.9%)	1.4x	73.1	43.9	72.4%	163.9%
MIME	Mimecast	2.2%	6.6%	1.2x	65.6	43.0	84.4%	88.8%
MOBL	MobileIron	(22.8%)	(129.3%)	1.2x	76.0	14.9	84.2%	40.7%
MODN	Model N	(7.9%)	(22.5%)	3.3x	65.1	15.7	30.2%	96.4%

## BALANCE SHEET METRICS, CONT'D

### FA SaaS Index - Balance Sheet Metrics - As of Nov 2020

(In millions)

Ticker	Company Name	Return on Assets	Return on Equity	Current Ratio	Days Sales Outstanding	Days Payable Outstanding	Liabilities/Assets	Debt/Equity
<b>Horizontal SaaS Companies</b>								
NEWR	New Relic	(11.1%)	(35.1%)	2.9x	62.3	46.5	34.8%	130.4%
PAYC	Paycom Software	7.6%	29.2%	1.1x	3.7	27.1	91.5%	5.0%
PCTY	Paylocity	3.1%	17.6%	1.2x	3.0	6.7	86.3%	46.4%
PEGA	Pegasystems	(5.1%)	(11.8%)	2.5x	61.2	25.1	39.4%	108.9%
PFPT	Proofpoint	(6.8%)	(27.2%)	1.6x	71.4	14.9	60.9%	146.7%
QLYS	Qualys	13.0%	22.8%	1.7x	72.9	5.9	58.9%	15.0%
RNG	RingCentral	(6.3%)	(21.8%)	2.7x	39.9	75.8	37.2%	491.5%
CRM	Salesforce	4.7%	7.5%	1.1x	66.3	224.6	87.3%	15.2%
SCWX	SecureWorks	(2.1%)	(3.3%)	1.2x	74.6	31.6	85.8%	3.3%
NOW	ServiceNow	11.2%	31.9%	1.4x	56.3	30.9	71.5%	82.4%
SHOP	Shopify	4.3%	5.0%	17.9x	25.6	72.3	5.6%	14.6%
SMAR	Smartsheet	(14.3%)	(21.5%)	2.8x	54.5	23.8	36.3%	14.2%
UPLD	Upland Software	(7.6%)	(31.7%)	2.6x	61.5	61.7	39.1%	185.6%
VRNS	Varonis Systems	(23.5%)	(103.5%)	2.7x	74.1	11.0	37.0%	319.8%
WIX	Wix.com	(13.8%)	(80.4%)	1.8x	7.4	74.7	54.9%	341.2%
WDAY	Workday	(6.4%)	(17.3%)	1.5x	61.9	13.9	68.7%	75.3%
WK	Workiva	(8.8%)	(80.3%)	2.4x	53.2	20.3	41.2%	410.3%
YEXT	Yext	(24.3%)	(62.2%)	1.6x	56.6	64.6	63.9%	67.7%
ZEN	Zendesk	(10.8%)	(42.2%)	1.9x	46.7	39.2	51.4%	269.3%
ZIXI	Zix	(1.6%)	(16.8%)	0.6x	21.3	50.5	174.9%	546.7%
ZUO	Zuora	(21.8%)	(47.6%)	1.7x	71.1	18.3	59.7%	43.9%
	Min	(36.0%)	(315.0%)	0.6x	3.0	5.9	5.6%	3.3%
	Median	(6.4%)	(18.7%)	1.7x	61.5	33.6	58.9%	99.1%
	Mean	(4.9%)	(23.3%)	2.5x	55.0	47.4	62.0%	235.7%
	Max	24.1%	229.4%	17.9x	100.7	224.6	174.9%	2801.3%

# FOUNDERS TECHNOLOGY TRANSACTIONS

 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	Vertical SaaS Company Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	Vertical Software Provider Has been recapitalized by  Financial Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	Software Application Provider Has been acquired by  Financial Advisor	 Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	Ministry Brands and in10sity. Have been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been recapitalized by  Financial Advisor
 Has been acquired by  Sell-Side Advisor	K-12 Content & Messaging Platform Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been acquired by  A subsidiary of  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has secured growth capital from   Strategic Advisor	 Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	Top Insurance Lead-Gen Company Has been acquired by  Financial Advisor
 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by An Undisclosed Strategic Buyer Sell-Side Advisor	PORTFOLIO OF TRUCKING EMPLOYMENT WEBSITES OWNED BY VERTICAL ALLIANCE GROUP, LLC. Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor



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**FOUNDERS**  
 ADVISORS

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