

## SAAS

### INDUSTRY UPDATE | Q4 2023



## NOTABLE & QUOTABLE

*“As we enter 2024, the potential for rate cuts in the first half of this year has renewed optimism for a soft landing. We are already seeing signs of potential resurgence in strategic activity, which is reflected in our backlog.” – Goldman Sachs CEO, David Solomon*

*“We see dealflow busy the first half of the year, but closing deals will prove difficult as credit tightens, valuation gaps between buyers and sellers remain and performance is volatile.” – Kian Capital Partner, Business Development, David Duke*

*“...if you create a profitable company, regardless of what it does, as long as it has free cash flow, there's always value in that. You don't need an exit strategy if you have a profitable company because you can always sell a profitable company to someone.” – DocSend Co-founder & former CEO, Russ Heddleston discussing exit strategies for founders on Kisan Patel's M&A Science podcast*

*“Historically, SaaS startups have been able to operate over long periods of time while increasing or maintaining cash burn and are still able to create substantial value. However, given the market shift to efficient growth, it can be beneficial to periodically achieve the state of being “cash flow positive.” In doing so, you prove that your business has the underlying economics to turn a profit when it chooses to.” – ClickUp CFO, Dan Zhang*

### M&A OUTLOOK

As we reflect on 2023 and look forward to a new year of dealmaking, business owners and M&A professionals alike are curious to know what's to come in 2024. [Bain & Company's Global M&A Report 2024](#) looks back on 2023 and lays out the factors that will shape 2024 M&A, including abundant private equity dry powder and M&A backlogs, interest rate stabilization, a narrowing bid-ask spread, and increased levels of speed and conviction required to close deals.

### DEAL STRUCTURE

Founders found great deals for profitable, growing businesses this past year despite the bid-ask spread that in the eyes of many, defined M&A in 2023. The WSJ discussed a tool used to bridge the gap in an article [Companies Turn to Earnouts to Find Common Ground on M&A Valuations](#). Founders Managing Director, Neal England, recently published a piece detailing [Key Earnout Factors](#) for sellers. Earnouts can be an excellent way for sellers to realize enterprise value on near-term growth, but thoughtful negotiations are key.

### SAAS METRICS

Exceptional gross profit margins are part of what make SaaS a superior business model. Appropriately, they are a primary focus for SaaS investors, and a key quantitative factor impacting SaaS company valuations. Founders frequently consults with business owners and CFOs who are unsure which costs should be included in Cost of Sales. SaaS thought-leader and recent Silicon Y'all contributor, SaaS Capital, provides a helpful guide in [What Should be Included in COGS for My SaaS Business](#).

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# SAAS UPDATE: RECAPPING 2023 + 2024 OUTLOOK

By: *William Short, Vice President*

**Big Picture** | With 2023 behind us, we take a look back at the key trends that shaped the software and technology M&A market during the year and what to expect in 2024. This year saw the debt markets grappling with fluctuating conditions and rising interest rates, challenging M&A activity by pushing companies to rethink deal structures and valuation metrics. Yet, as the year progressed, resilience in the M&A market was evident, with a strategic shift towards equity financing and alternative financial structures. Furthermore, the recalibration of growth strategies towards profitability and efficiency, particularly within tech companies, signaled a deeper market maturation. This trend is expected to intensify, with key performance metrics like Lifetime Value (LTV) and Customer Acquisition Cost (CAC) gaining prominence in M&A discussions. Additionally, the evolving landscape of Artificial Intelligence (AI) introduced new variables in assessing M&A opportunities, emphasizing the dual assessment of AI risks and the potential for innovation-driven growth.

As we move into 2024, many signs point to a more active M&A market for software and technology companies. The most recent quarter of deal volume data suggests that the market is rebounding, and the valuation gap we saw in 2023 seems to be narrowing. Private equity has amassed record levels of dry power and investors are anxious to set this capital in motion. Many anticipate a cycle of Fed easing at some point in 2024, which would bring welcome relief to financial buyers impacted by high borrowing costs. For software and technology companies that have right-sized operations and adjusted strategies to focus on capital efficient growth, we expect many exciting strategic alternatives to be available in 2024.

Here are the top trends we're watching in 2024:

## Debt Markets

- In 2023, the fluctuating state of debt markets and rising interest rates posed challenges for M&A activity. Early in the year, an environment of higher borrowing costs led to a cautious approach among potential acquirers, particularly those reliant on debt financing for transactions. The increased cost of capital made it more difficult for companies to justify the valuations of potential acquisitions, leading to a recalibration of deal structures and valuations. Despite these challenges, the latter part of the year saw a gradual adaptation within the M&A landscape. Companies and investors began to navigate the new financial terrain by leveraging equity financing, exploring alternative financing structures, and prioritizing deals with strong strategic fit and potential for operational synergies. This shift highlighted the resilience of the M&A market, even in the face of tighter credit conditions.
- Looking forward to 2024, the expectation is for debt markets to begin stabilizing as central banks potentially moderate their stance on interest rates in response to economic indicators. This stabilization is anticipated to gradually ease the cost of borrowing, thereby reinvigorating deal activity, especially for transactions that had been deferred due to financial uncertainties. As the debt markets are expected to stabilize, 2024 presents an opportunity for renewed M&A activity in the technology and software sectors. Companies equipped with strategic foresight and financial prudence will be well-positioned to capitalize on opportunities, driving growth and innovation in an evolving economic landscape.

## Private Equity Activity

- 2023 was a down year for software private equity. Deal count declined 18% compared to 2022, and total deal value declined a stunning 54% year-over-year. Primary factors were a difficult financing environment that disproportionately impacts financial buyers, and the ongoing disconnect on valuation expectations between buyers and sellers. Despite this, 2023 software PE levels, relative to the pre-pandemic average for the years 2017-2019, grew 24% in deal value and 4% in deal count, highlighting the sector's resilience and importance within the broader private equity market landscape.
- We are expecting an uptick in PE activity in 2024. PE capital deployed in the US in 2023 declined by nearly 30%, and these groups will work hard in 2024 to get this capital off the sidelines. The valuation gap between what sellers require and what buyers are willing to pay is shrinking. As public market valuations continue to surge, history indicates that private company valuations will follow suit, which should bring more assets to market.

## SAAS UPDATE: RECAPPING 2023 + 2024 OUTLOOK, CONTINUED

### Reevaluating Performance Metrics

- 2023 presented market volatility and investor scrutiny, and tech companies had to adjust their strategies, moving away from the "growth at all costs" mantra towards a more balanced approach that values profitability and growth efficiency. The recalibration of expectations around profitability directly impacted the valuations of private companies in the tech and software sectors. This pivot resonated across the M&A landscape, influencing how acquirers evaluate potential targets. Buyers are more discerning, prioritizing sustainable business models, robust profit margins, and efficient customer acquisition strategies. The emphasis on profitability has led to a reevaluation of key performance metrics for tech and software companies, especially within the SaaS sector. As a result, SaaS companies are increasingly focusing on improving the following indicators to attract acquisition interest:
  - Lifetime value (LTV)
  - Customer acquisition cost (CAC)
  - Churn rate
  - Cash flow
- In 2024, these metrics will likely become even more central to M&A discussions, influencing valuations and deal structures. Those that successfully navigate this shift will not only attract acquisition interest but also command premium valuations, setting a new standard for success in the tech and software M&A arena.

### Future of AI

- The rapid advancement and integration of Artificial Intelligence (AI) introduced a new dimension to evaluating M&A opportunities: the assessment of AI risks and opportunities. In 2023, investors and acquirers began to place a heightened focus on the AI risk landscape, evaluating target companies' approaches to managing these challenges. The past year also highlighted the vast opportunities presented by AI, from automating processes to creating new products and services. Companies that demonstrated innovative AI applications or AI-driven business models attracted significant interest from investors and acquirers.
- In 2024, investors' comprehensive assessment of AI risks is expected to become even more pronounced, significantly influencing due diligence processes and investment decisions. In addition, companies with an ability to identify and capitalize on AI opportunities will attract significant interest from investors and acquirers. Companies demonstrating innovative AI applications and AI-driven business models will drive M&A activity in sectors where AI can deliver significant value to customers.

### Founders Select 2023 Deals Spotlight



Software Development  
for Government  
Agencies



Payroll & Benefits SaaS  
Platform



Microsoft Dynamics  
Systems Integrator



Technology Provider  
for 1031 Exchanges



Power Systems Analysis  
Software



# SILICON Y'ALL & PEER GROUP PROGRAMS

## SILICON Y'ALL – 2024 TECHNOLOGY SUMMIT

Founders is preparing to host its tenth annual Technology Summit, Silicon Y'all, October 21<sup>st</sup> – 23<sup>rd</sup> at the Renaissance Ross Bridge Resort and Spa in Birmingham, AL. Silicon Y'all is an invitation-only event of technology CEOs and leading private equity companies. Over three days, participants engage in meaningful discussions about growth, value, and current industry trends while enjoying delicious food, scenic views, and true Southern charm and hospitality Birmingham has to offer.

We plan to launch registration and begin curating invitations in April and invite you to join the 2024 waitlist and learn more about Silicon Y'all [here](#).



-  Learn from top entrepreneurs in the tech world who have created substantial wealth for themselves and their shareholders.
-  Network with other executives and entrepreneurs amidst the scenic beauty, rich heritage, and friendly Southern Hospitality that Birmingham has to offer.
-  Enjoy the finest southern cuisine and tradition during the Technology Summit while you socialize with industry peers.
-  Hear from keynote speakers as they provide first-hand accounts of their experiences, both missteps and successes.
-  Engage with private equity groups and strategic acquirers that are focused on SaaS and Internet businesses.










## INVESTMENT GRADE COACHING & ADVISORY BOARD PROGRAM

Born out of the Silicon Y'all community of entrepreneurs, Founders established an exclusive value creation program that is a collaboration of Investment Banking and Value Creation Consulting. We have partnered with former entrepreneurs, advisors, and investors to develop a peer group program to serve SaaS and software-enabled service company owners and operators who are seeking to create investment grade companies.
















The program was officially announced at Silicon Y'all 2023, and we've already filled our first cohort for the inaugural 12-month program. Based on interest, we are already working with our value creation consultants to fill the second cohort of CEOs. Each group is curated to ensure companies have similar attributes, and the selection process targets CEOs that have a giver orientation, offer an area of expertise to the group, commit to regular attendance and contribution to peers, and have a relentless commitment to growth. If you're interested in discussing the program and our 2024 cohorts, please reach out to Zane Tarence and Rachael Fairchild.

Objectives	<ul style="list-style-type: none"> <li>• Accelerate enterprise value creation, yielding a better business to hold &amp; operate while also generating more exit optionality</li> <li>• Create investment grade companies that are attractive and sellable to both private equity firms and strategic buyers</li> <li>• Close the knowledge and skill gap compared to institutionally-backed peers by helping founders move to more of a "professional" CEO role</li> </ul>	<ul style="list-style-type: none"> <li>• Provide owners and operators with a peer group of other growth-oriented CEOs</li> <li>• Offer private equity portfolio company-like services with no equity dilution</li> <li>• Benchmark your business against other high performing peers while also understanding your company's current valuation, including key needle movers</li> </ul>
How We Do This	<ul style="list-style-type: none"> <li>• Monthly classes on strategies and operations led by software-focused private equity groups and market experts</li> <li>• KPI benchmarking reviews and peer accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Highly curated referral network of functional area specialists</li> <li>• Monthly group meetings to process key issues and decisions with peer CEOs and advisory group leader</li> </ul>
Sample Program Topics	<ul style="list-style-type: none"> <li>• Creating an M&amp;A landscape and execution playbook</li> <li>• How to assess pricing and charge higher rates</li> <li>• Common problems in unit economics and how to fix them</li> <li>• How to use customer segmentation to unlock meaningful growth and outsized margins</li> <li>• Identifying structural barriers to becoming investment grade</li> <li>• Best practices for establishing scalable business processes</li> </ul>	<ul style="list-style-type: none"> <li>• What to do before establishing a board of directors and how to work with these advisors</li> <li>• Hiring a sales team that can scale and why 90% of companies initially hire the wrong people for this role</li> <li>• What to expect from a CFO and what a well-run finance department looks like</li> <li>• How to design and execute a product/service road map</li> </ul>

## RECENT TRANSACTIONS

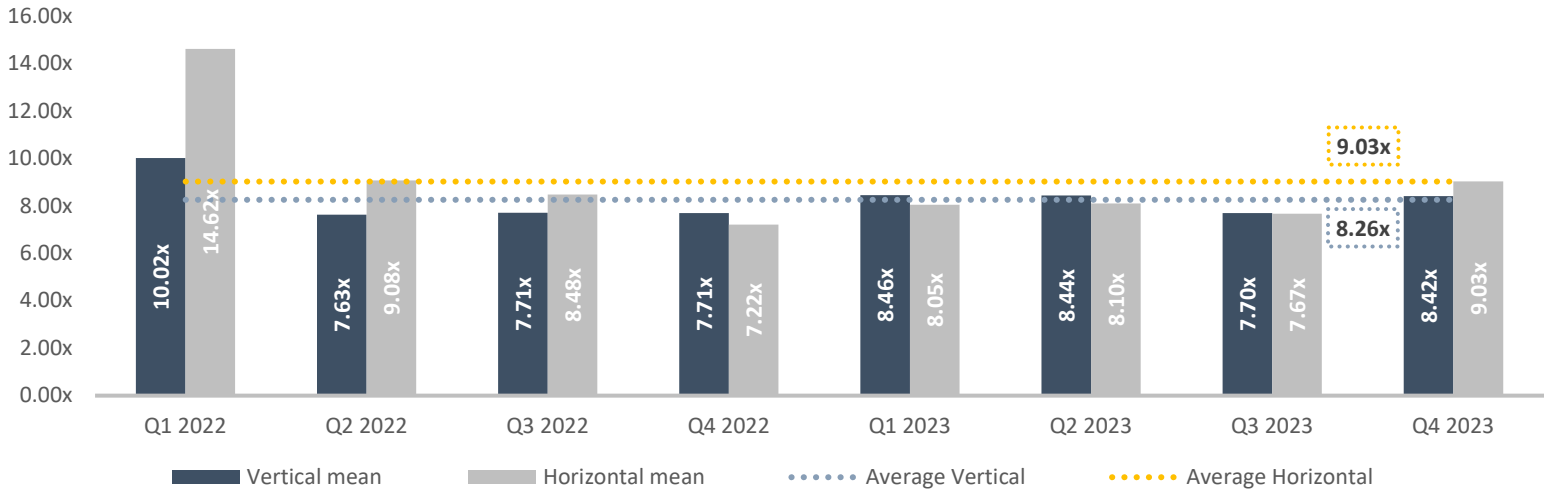
Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
12/26/2023	 floodid	 GLORY	\$164.4	N/A	N/A	N/A	N/A
12/23/2023 <sup>(1)</sup>	 IRIS	 LGP	\$3,980.3	N/A	N/A	N/A	N/A
12/22/2023	 LIVEVOX	 NICE	\$316.6	\$143.3	N/A	2.6x	N/A
12/21/2023	 STN VIDEO	 minute media	\$150.0	\$60.0	N/A	2.5x	N/A
12/19/2023 <sup>(1)</sup>	 EXIGER	 CARRICK CARLYLE INSIGHT PARTNERS	\$1,350.0	N/A	N/A	N/A	N/A
12/19/2023 <sup>(1)</sup>	" " TERRA INSIGHTS	 ORICA	\$372.2	N/A	\$24.4	N/A	15.2x
12/18/2023 <sup>(1)</sup>	 alteryx	 CLEARLAKE INSIGHT PARTNERS	\$3,765.0	\$920.0	N/A	4.8x	N/A
12/18/2023 <sup>(1)</sup>	 StreamSets™	 IBM	\$2,130.0	N/A	N/A	N/A	N/A
12/18/2023	 Trusted House Sitters™	 MAYFAIR EQUITY PARTNERS	\$100.0	N/A	N/A	N/A	N/A
12/14/2023	 Volpara HEALTH	 Lunit	\$187.4	\$23.3	N/A	8.3x	N/A
12/12/2023	 OnTheMarket	 CoStar Group™	\$111.0	\$41.7	\$4.7	3.0x	26.5x
12/12/2023	 Hivestack	 Perion	\$100.0	N/A	N/A	N/A	N/A
12/1/2023	 visitgroup	 PSG	\$109.7	N/A	N/A	N/A	N/A
11/30/2023	 loom	 ATLASSIAN	\$975.0	N/A	N/A	N/A	N/A
11/22/2023 <sup>(1)</sup>	 CIVICA	 Blackstone	\$2,500.0	N/A	N/A	N/A	N/A
11/15/2023 <sup>(1)</sup>	 EQS GROUP	 THOMABRAVO	\$441.7	\$71.7	\$8.6	6.3x	52.6x
11/13/2023	 Q4	 Sumeru	\$183.2	\$58.5	N/A	3.5x	N/A
11/3/2023	 arcion	 databricks	\$100.0	N/A	N/A	N/A	N/A
11/2/2023	 payzer™	 wex™	\$250.0	N/A	N/A	N/A	N/A
11/1/2023 <sup>(1)</sup>	 altitude	 Five9	\$1,268.0	N/A	N/A	N/A	N/A

## RECENT TRANSACTIONS, CONTINUED

Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
11/1/2023	 TRIBAL	 ellucian.	\$207.3	\$101.7	\$9.1	2.1x	23.0x
10/31/2023 <sup>(1)</sup>	 Energy Exemplar	 Blackstone  VISTA	\$1,000.0	\$100.0	N/A	10.0x	N/A
10/30/2023	 parchment	 INSTRUCTURE	\$835.0	N/A	N/A	N/A	N/A
10/30/2023	 Follow Up Boss	 ZILLOW GROUP	\$500.0	N/A	N/A	N/A	N/A
10/23/2023	 EngageSmart	 VISTA	\$5,787.8	\$364.5	\$64.8	16.9x	94.9x
10/2/2023	 Appetize	 SHIFT 4	\$100.0	N/A	N/A	N/A	N/A
10/1/2023	 Trustwave®	 TheChertoffGroup	\$205.0	N/A	N/A	N/A	N/A

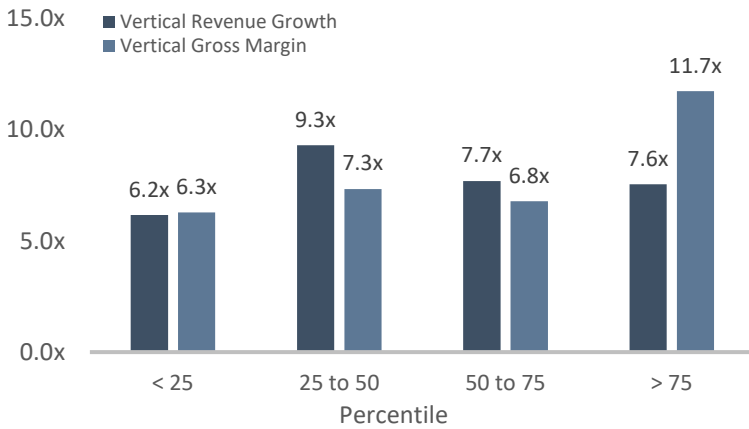
# METRICS OVERVIEW

## Public Vertical & Horizontal EV/LTM Revenue Multiples

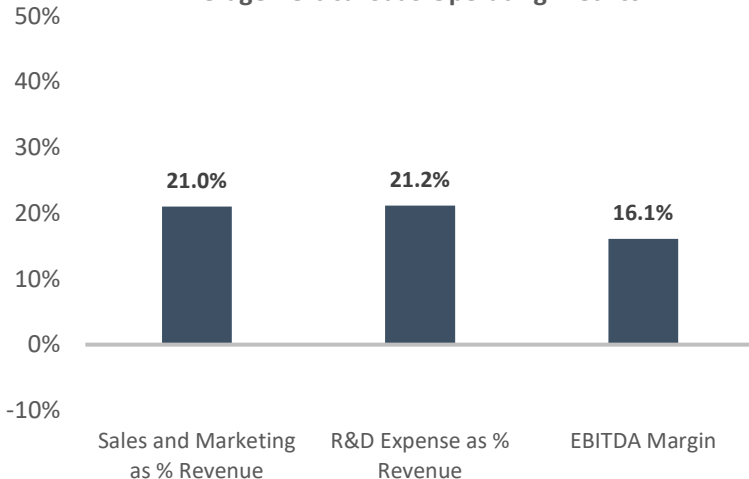


### Public Vertical

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

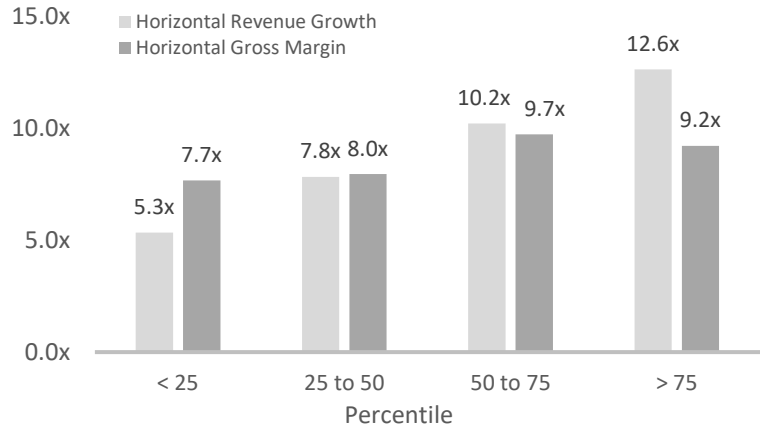


#### Average Vertical SaaS Operating Metrics

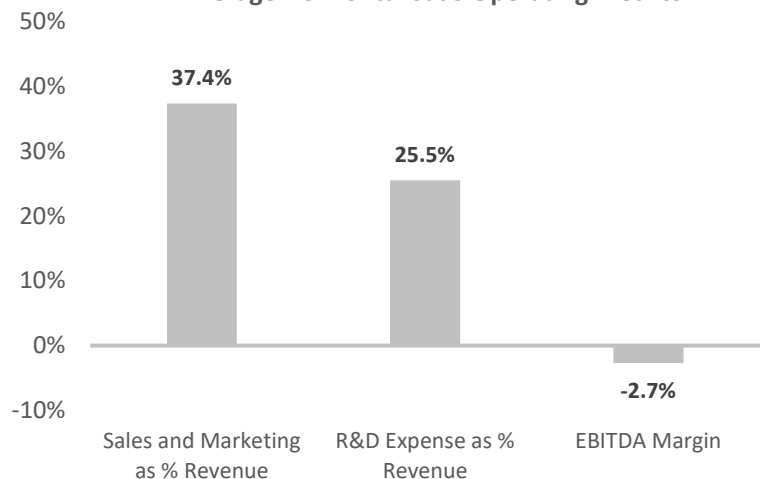


### Public Horizontal

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



#### Average Horizontal SaaS Operating Metrics



# VALUATION & GROWTH METRICS

## FA SaaS Index - Valuation & Growth - As of Q4 2023

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
<b>Vertical SaaS Companies</b>						
ADSK	Autodesk	\$ 5,346.0	9.1%	\$ 1,207.0	9.9x	26.5x
AGYS	Agilysys	\$ 217.5	20.0%	\$ 16.2	9.7x	69.1x
ANSS	Ansys	\$ 2,159.0	6.5%	\$ 678.8	14.7x	35.5x
APPF	AppFolio	\$ 572.7	29.1%	\$ (17.4)	10.6x	NM
AZPN	Aspen Technology	\$ 1,042.7	N/A	\$ 323.4	13.4x	36.2x
BLKB	Blackbaud	\$ 1,085.2	5.2%	\$ 107.3	5.0x	16.9x
BSY	Bentley Systems	\$ 1,204.7	11.6%	\$ 320.9	14.1x	42.6x
CHGG	Chegg	\$ 733.5	(4.6%)	\$ 138.2	2.3x	6.2x
COUR	Coursera	\$ 609.1	22.7%	\$ (151.6)	3.7x	NM
ENV	Envestnet	\$ 1,220.9	(3.6%)	\$ 73.5	3.0x	14.5x
FDS	FactSet Research Systems	\$ 2,085.5	13.1%	\$ 775.2	9.2x	23.5x
GWRE	Guidewire Software	\$ 917.5	9.0%	\$ (88.3)	9.4x	NM
MCO	Moody's	\$ 5,726.0	0.2%	\$ 2,427.0	13.4x	30.9x
MDRX	Veradigm	\$ 1,529.0	89.7%	\$ 300.3	1.9x	NM
MLNK	MeridianLink	\$ 299.6	6.4%	\$ 68.0	7.6x	22.2x
MORN	Morningstar	\$ 1,974.9	6.3%	\$ 356.3	6.6x	31.4x
MSCI	MSCI	\$ 2,415.0	8.7%	\$ 1,461.7	20.1x	33.1x
NCNO	nCino	\$ 462.0	23.5%	\$ (11.6)	8.2x	NM
NICE	NICE	\$ 2,322.9	9.1%	\$ 569.5	5.1x	15.4x
PCOR	Procore Technologies	\$ 892.0	34.3%	\$ (180.3)	10.5x	NM
QTWO	Q2 Software	\$ 609.0	10.5%	\$ (10.5)	4.6x	NM
ROP	Roper Technologies	\$ 5,995.2	15.3%	\$ 2,486.0	10.8x	26.5x
SPNS	Sapiens International	\$ 503.2	6.0%	\$ 97.1	3.0x	14.2x
SPSC	SPS Commerce	\$ 514.0	19.1%	\$ 113.3	13.4x	44.2x
SSNC	SS&C Technologies	\$ 5,429.5	3.6%	\$ 1,986.8	4.0x	10.5x
TEMN	Temenos Headquarters	\$ 980.2	1.9%	\$ 333.6	7.6x	18.5x
TWOU	2U	\$ 926.3	(4.6%)	\$ (95.0)	1.1x	NM
TYL	Tyler Technologies	\$ 1,923.0	5.0%	\$ 387.5	9.5x	35.6x
U	Unity	\$ 2,029.0	61.6%	\$ (432.0)	8.4x	NM
VEEV	Veeva Systems	\$ 2,296.4	10.6%	\$ 572.4	11.8x	28.2x
Min		\$ 217.5	(4.6%)	\$ (432.0)	1.1x	6.2x
Median		\$ 1,144.9	9.1%	\$ 219.2	8.8x	26.5x
Mean		\$ 1,800.7	14.7%	\$ 460.4	8.4x	27.7x
Max		\$ 5,995.2	89.7%	\$ 2,486.0	20.1x	69.1x

### Horizontal SaaS Companies

ADBE	Adobe	\$ 18,886.0	9.9%	\$ 7,425.0	13.8x	29.1x
ASAN	Asana	\$ 631.6	24.1%	\$ (287.8)	6.3x	NM
AYX	Alteryx	\$ 920.0	26.4%	\$ (214.0)	4.4x	NM
BOX	Box	\$ 1,031.3	6.6%	\$ 100.9	4.1x	15.3x
CRM	Salesforce	\$ 33,954.0	12.1%	\$ 7,652.0	7.5x	20.5x
CRWD	CrowdStrike Holdings	\$ 2,847.6	39.9%	\$ 32.8	20.7x	90.3x
DAY	Dayforce	\$ 1,450.1	21.6%	\$ 202.6	7.7x	29.9x
DBX	Dropbox	\$ 2,465.4	7.6%	\$ 354.2	4.4x	11.7x



## VALUATION & GROWTH METRICS, CONTINUED

### FA SaaS Index - Valuation & Growth - As of Q4 2023

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
<b>Horizontal SaaS Companies</b>						
DDOG	Datadog	\$ 2,008.1	31.1%	\$ (56.9)	19.1x	NM
DOCU	DocuSign	\$ 2,709.1	11.2%	\$ 115.1	4.2x	15.0x
DOMO	Domo	\$ 318.4	6.5%	\$ (69.3)	1.4x	NM
ESTC	Elasticsearch	\$ 1,158.9	18.5%	\$ (120.0)	9.4x	NM
EVBG	Everbridge	\$ 450.2	7.8%	\$ 42.7	2.8x	15.6x
FIVN	Five9	\$ 879.8	18.2%	\$ (29.7)	6.6x	NM
FRSH	Freshworks	\$ 569.5	21.1%	\$ (177.1)	10.2x	NM
FSLY	Fastly	\$ 487.5	18.6%	\$ (97.7)	5.1x	NM
HUBS	HubSpot	\$ 2,058.0	26.2%	\$ (136.5)	13.8x	NM
INTU	Intuit	\$ 14,749.0	10.8%	\$ 4,171.0	12.1x	30.0x
MNDY	Monday.com	\$ 677.0	45.7%	\$ (33.9)	11.9x	NM
NOW	ServiceNow	\$ 8,474.0	22.5%	\$ 1,140.0	16.9x	52.5x
OKTA	Okta	\$ 2,168.0	25.3%	\$ (410.0)	6.6x	NM
PANW	Palo Alto Networks	\$ 7,207.4	23.9%	\$ 838.0	12.7x	45.0x
PATH	UiPath	\$ 1,211.4	16.5%	\$ (159.1)	10.2x	NM
PAYC	Paycom	\$ 1,629.7	26.4%	\$ 585.0	7.0x	16.2x
PCTY	Paylocity	\$ 1,238.9	34.0%	\$ 259.8	7.3x	21.9x
PD	PagerDuty	\$ 420.5	20.7%	\$ (63.3)	4.8x	NM
PEGA	Pegasystems	\$ 1,354.9	9.5%	\$ (10.0)	3.2x	NM
PTC	PTC	\$ 2,097.1	8.5%	\$ 593.7	10.7x	27.3x
QLYS	Qualys	\$ 540.7	15.4%	\$ 181.8	12.6x	27.5x
SHOP	Shopify	\$ 6,650.9	26.8%	\$ (1,237.3)	14.5x	NM
SMAR	Smartsheet	\$ 913.7	28.3%	\$ (123.4)	6.6x	NM
SNOW	Snowflake	\$ 2,620.8	40.9%	\$ (959.9)	23.7x	NM
SPLK	Splunk	\$ 3,980.6	20.5%	\$ 167.6	6.8x	26.4x
SPT	Sprout Social	\$ 309.7	30.4%	\$ (58.2)	11.0x	NM
TEAM	Atlassian	\$ 3,705.0	23.7%	\$ (291.8)	16.3x	NM
TWLO	Twilio	\$ 4,102.6	12.6%	\$ (567.1)	2.7x	NM
UPLD	Upland Software	\$ 304.5	(3.1%)	\$ (100.8)	1.6x	NM
VRNS	Varonis Systems	\$ 487.7	6.6%	\$ (106.0)	9.7x	NM
WDAY	Workday	\$ 6,983.0	17.4%	\$ 293.1	9.9x	37.0x
WIX	Wix.com	\$ 1,512.9	10.8%	\$ (231.0)	4.7x	NM
WK	Workiva	\$ 607.2	17.9%	\$ (89.1)	9.1x	NM
YEXT	Yext	\$ 405.1	1.3%	\$ 10.1	1.6x	11.2x
ZM	Zoom Video Communications	\$ 4,498.6	3.5%	\$ 541.5	3.4x	7.7x
ZS	Zscaler	\$ 1,758.1	44.6%	\$ (146.4)	18.1x	NM
Min		\$ 304.5	(3.1%)	\$ (1,237.3)	1.4x	7.7x
Median		\$ 1,481.5	18.6%	\$ (45.4)	7.6x	26.4x
Mean		\$ 3,487.1	19.3%	\$ 430.2	9.0x	27.9x
Max		\$ 33,954.0	45.7%	\$ 7,652.0	23.7x	90.3x

# OPERATING STATISTICS

## FA SaaS Index - Operating Statistics - As of Q4 2023

(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>							
ADSK	Autodesk	9.4%	90.6%	44.4%	25.0%	33.4%	22.6%
AGYS	Agilysys	39.7%	60.3%	27.4%	24.8%	11.8%	7.4%
ANSS	Ansys	12.2%	87.8%	39.0%	22.2%	N/A	31.4%
APPF	AppFolio	39.7%	60.3%	37.5%	25.8%	20.2%	(3.0%)
AZPN	Aspen Technology	36.5%	63.5%	61.5%	20.5%	46.7%	31.0%
BLKB	Blackbaud	46.2%	53.8%	39.7%	14.1%	20.0%	9.9%
BSY	Bentley Systems	21.6%	78.4%	33.2%	22.5%	17.8%	26.6%
CHGG	Chegg	31.6%	68.4%	52.2%	26.2%	18.4%	18.8%
COUR	Coursera	46.1%	53.9%	54.4%	27.2%	37.2%	(24.9%)
ENV	Envestnet	37.6%	62.4%	N/A	N/A	N/A	6.0%
FDS	FactSet Research Systems	46.7%	53.3%	37.4%	N/A	N/A	37.2%
GWRE	Guidewire Software	45.7%	54.3%	N/A	N/A	N/A	(9.6%)
MCO	Moody's	N/A	N/A	N/A	N/A	N/A	42.4%
MDRX	Veradigm	57.2%	42.8%	6.3%	3.5%	N/A	19.6%
MLNK	MeridianLink	36.8%	63.2%	8.2%	3.2%	2.2%	22.7%
MORN	Morningstar	42.2%	57.8%	N/A	N/A	N/A	18.0%
MSCI	MSCI	17.7%	82.3%	21.3%	6.2%	13.8%	60.5%
NCNO	nCino	40.5%	59.5%	8.9%	5.0%	5.5%	(2.5%)
NICE	NICE	32.2%	67.8%	N/A	70.0%	N/A	24.5%
PCOR	Procore Technologies	18.7%	81.3%	29.1%	13.0%	21.1%	(20.2%)
QTWO	Q2 Software	52.8%	47.2%	25.6%	15.4%	12.5%	(1.7%)
ROP	Roper Technologies	30.2%	69.8%	N/A	N/A	N/A	41.5%
SPNS	Sapiens International	57.5%	42.5%	1.3%	1.0%	N/A	19.3%
SPSC	SPS Commerce	34.0%	66.0%	N/A	N/A	N/A	22.1%
SSNC	SS&C Technologies	52.5%	47.5%	N/A	N/A	N/A	36.6%
TEMN	Temenos Headquarters	30.3%	69.7%	N/A	N/A	N/A	34.0%
TWOU	2U	29.0%	71.0%	N/A	N/A	N/A	(10.3%)
TYL	Tyler Technologies	56.2%	43.8%	47.6%	12.5%	15.7%	20.2%
U	Unity	30.2%	69.8%	62.5%	55.3%	41.7%	(21.3%)
VEEV	Veeva Systems	29.1%	70.9%	30.4%	30.0%	18.3%	24.9%
Min		9.4%	42.5%	1.3%	1.0%	2.2%	(24.9%)
Median		36.8%	63.2%	35.3%	21.3%	18.3%	23.6%
Mean		36.5%	63.5%	33.4%	21.2%	21.0%	16.1%
Max		57.5%	90.6%	62.5%	70.0%	46.7%	60.5%

### Horizontal SaaS Companies

ADBE	Adobe	12.1%	87.9%	35.3%	17.8%	28.0%	39.3%
ASAN	Asana	9.9%	90.1%	86.7%	51.1%	63.8%	(45.6%)
AYX	Alteryx	14.0%	86.0%	87.8%	24.8%	65.5%	(23.3%)
BOX	Box	25.1%	74.9%	46.1%	24.0%	33.6%	9.8%
CRM	Salesforce	25.0%	75.0%	45.1%	14.0%	37.8%	22.5%
CRWD	CrowdStrike Holdings	25.4%	74.6%	51.7%	26.2%	38.5%	1.2%
DAY	Dayforce	57.8%	42.2%	35.5%	N/A	N/A	14.0%
DBX	Dropbox	19.2%	80.8%	27.8%	38.7%	18.3%	14.4%

## OPERATING STATISTICS, CONTINUED

### FA SaaS Index - Operating Statistics - As of Q4 2023

(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>							
DDOG	Datadog	20.0%	80.0%	38.6%	46.2%	29.8%	(2.8%)
DOCU	DocuSign	20.8%	79.2%	58.4%	19.0%	43.3%	4.2%
DOMO	Domo	23.4%	76.6%	67.7%	27.0%	52.3%	(21.8%)
ESTC	Elasticsearch	26.4%	73.6%	57.6%	27.6%	44.6%	(10.4%)
EVBG	Everbridge	29.4%	70.6%	59.7%	20.9%	35.9%	9.5%
FIVN	Five9	47.3%	52.7%	45.7%	17.6%	32.9%	(3.4%)
FRSH	Freshworks	17.8%	82.2%	91.7%	24.0%	63.3%	(31.1%)
FSLY	Fastly	48.1%	51.9%	61.9%	31.0%	38.5%	(20.0%)
HUBS	HubSpot	16.4%	83.6%	60.9%	27.7%	49.7%	(6.6%)
INTU	Intuit	21.9%	78.1%	34.4%	17.6%	25.3%	28.3%
MNDY	Monday.com	11.2%	88.8%	74.1%	21.7%	60.8%	(5.0%)
NOW	ServiceNow	21.5%	78.5%	47.1%	23.8%	37.5%	13.5%
OKTA	Okta	26.5%	73.5%	68.5%	30.2%	48.2%	(18.9%)
PANW	Palo Alto Networks	26.6%	73.4%	42.4%	22.8%	35.9%	11.6%
PATH	UiPath	15.7%	84.3%	75.8%	27.1%	57.4%	(13.1%)
PAYC	Paycom	16.0%	84.0%	41.6%	11.2%	24.8%	35.9%
PCTY	Paylocity	31.0%	69.0%	40.1%	13.6%	24.7%	21.0%
PD	PagerDuty	18.0%	82.0%	70.2%	33.0%	46.6%	(15.1%)
PEGA	Pegasystems	28.1%	71.9%	49.8%	22.0%	42.6%	(0.7%)
PTC	PTC	21.0%	79.0%	36.4%	18.8%	25.3%	28.3%
QLYS	Qualys	20.0%	80.0%	31.4%	20.5%	20.0%	33.6%
SHOP	Shopify	51.1%	48.9%	27.2%	28.0%	18.1%	(18.6%)
SMAR	Smartsheet	20.2%	79.8%	70.7%	25.3%	55.0%	(13.5%)
SNOW	Snowflake	32.9%	67.1%	63.0%	44.5%	50.9%	(36.6%)
SPLK	Splunk	21.0%	79.0%	53.3%	23.9%	41.7%	4.2%
SPT	Sprout Social	22.8%	77.2%	74.1%	23.8%	50.4%	(18.8%)
TEAM	Atlassian	18.1%	81.9%	38.0%	52.7%	21.6%	(7.9%)
TWLO	Twilio	51.4%	48.6%	38.2%	23.9%	26.3%	(13.8%)
UPLD	Upland Software	32.6%	67.4%	40.3%	15.9%	20.0%	(33.1%)
VRNS	Varonis Systems	14.2%	85.8%	73.7%	37.1%	57.2%	(21.7%)
WDAY	Workday	25.3%	74.7%	39.5%	35.0%	29.7%	4.2%
WIX	Wix.com	34.1%	65.9%	36.4%	31.5%	26.0%	(15.3%)
WK	Workiva	24.8%	75.2%	8.6%	3.7%	6.1%	(14.7%)
YEXT	Yext	22.8%	77.2%	5.7%	1.6%	4.1%	2.5%
ZM	Zoom Video Communications	24.4%	75.6%	N/A	N/A	N/A	12.0%
ZS	Zscaler	22.6%	77.4%	66.9%	22.1%	43.7%	(8.3%)
Min		9.9%	42.2%	5.7%	1.6%	4.1%	(45.6%)
Median		22.8%	77.2%	47.1%	24.0%	37.6%	13.5%
Mean		25.3%	74.7%	51.3%	25.4%	37.5%	(2.5%)
Max		57.8%	90.1%	91.7%	52.7%	65.5%	39.3%

# BALANCE SHEET METRICS

## FA SaaS Index - Balance Sheet Metrics - As of Q4 2023

(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>								
ADSK	Autodesk	10.1%	81.4%	0.8x	39.8	140.4	133.1%	173.9%
AGYS	Agilysys	5.8%	12.6%	2.1x	43.2	49.8	47.4%	15.3%
ANSS	Ansys	7.4%	10.0%	2.4x	114.4	73.3	41.1%	17.1%
APPF	AppFolio	(12.7%)	(18.7%)	3.2x	11.4	6.8	30.9%	15.7%
AZPN	Aspen Technology	(0.9%)	(1.0%)	2.3x	39.5	63.9	44.2%	0.4%
BLKB	Blackbaud	(0.9%)	(3.3%)	0.6x	38.5	407.4	161.8%	95.6%
BSY	Bentley Systems	5.5%	28.4%	0.5x	75.6	62.8	181.9%	232.9%
CHGG	Chegg	0.5%	1.0%	2.3x	11.8	27.3	43.2%	59.9%
COUR	Coursera	(15.7%)	(22.2%)	2.8x	37.4	134.8	35.7%	0.2%
ENV	Envestnet	(4.7%)	(12.7%)	0.8x	33.2	20.8	133.0%	130.1%
FDS	FactSet Research Systems	11.7%	30.4%	1.6x	40.8	59.3	62.9%	111.8%
GWRE	Guidewire Software	(3.5%)	(5.8%)	3.7x	46.9	30.2	26.9%	36.4%
MCO	Moody's	10.5%	54.1%	1.8x	101.2	N/A	56.2%	213.8%
MDRX	Veradigm	5.4%	8.8%	3.2x	56.1	7.1	31.2%	18.1%
MLNK	MeridianLink	(1.7%)	(3.2%)	2.1x	41.8	26.1	48.0%	76.0%
MORN	Morningstar	2.1%	5.8%	0.9x	55.8	30.8	106.8%	94.2%
MSCI	MSCI	19.6%	N/A	1.4x	92.1	20.5	73.5%	N/A
NCNO	nCino	(5.1%)	(6.5%)	1.1x	53.3	21.9	90.6%	5.8%
NICE	NICE	6.7%	10.6%	2.4x	79.9	24.4	40.8%	17.0%
PCOR	Procore Technologies	(13.4%)	(20.7%)	1.5x	51.8	36.0	66.7%	7.6%
QTWO	Q2 Software	(6.4%)	(18.4%)	2.3x	26.6	14.7	44.4%	121.7%
ROP	Roper Technologies	4.6%	7.7%	0.5x	41.6	47.1	187.0%	37.4%
SPNS	Sapiens International	9.0%	14.6%	2.1x	62.6	10.3	48.1%	14.4%
SPSC	SPS Commerce	8.9%	11.0%	2.7x	29.8	15.5	36.9%	1.7%
SSNC	SS&C Technologies	3.8%	10.3%	1.1x	51.2	12.9	87.7%	112.0%
TEMN	Temenos Headquarters	6.3%	18.8%	0.4x	96.9	347.0	241.0%	79.3%
TWOU	2U	(16.8%)	(71.6%)	0.7x	24.7	67.1	134.5%	374.7%
TYL	Tyler Technologies	3.4%	5.9%	0.9x	110.5	47.3	108.0%	26.2%
U	Unity	(12.1%)	(27.1%)	2.3x	100.7	237.8	42.6%	78.2%
VEEV	Veeva Systems	11.6%	14.5%	5.6x	63.4	43.9	17.7%	1.1%
	Min	(16.8%)	(71.6%)	0.4x	11.4	6.8	17.7%	0.2%
	Median	3.6%	5.9%	1.9x	49.0	36.0	52.1%	37.4%
	Mean	1.3%	4.0%	1.9x	55.7	72.0	80.1%	74.8%
	Max	19.6%	81.4%	5.6x	114.4	407.4	241.0%	374.7%

### Horizontal SaaS Companies

ADBE	Adobe	18.6%	35.0%	1.2x	35.3	127.6	80.1%	25.5%
ASAN	Asana	(30.2%)	(82.0%)	1.9x	43.3	163.8	53.2%	79.8%
AYX	Alteryx	(17.7%)	N/A	1.3x	56.8	50.6	75.3%	N/A
BOX	Box	4.6%	N/A	1.2x	64.1	82.2	83.4%	N/A
CRM	Salesforce	2.8%	4.4%	1.0x	64.3	241.8	96.0%	19.3%
CRWD	CrowdStrike Holdings	(0.3%)	(0.8%)	1.7x	68.5	28.3	57.6%	37.9%
DAY	Dayforce	0.0%	0.2%	1.1x	47.6	26.5	91.5%	54.3%
DBX	Dropbox	18.8%	N/A	1.2x	8.5	84.6	81.6%	N/A

## BALANCE SHEET METRICS, CONTINUED

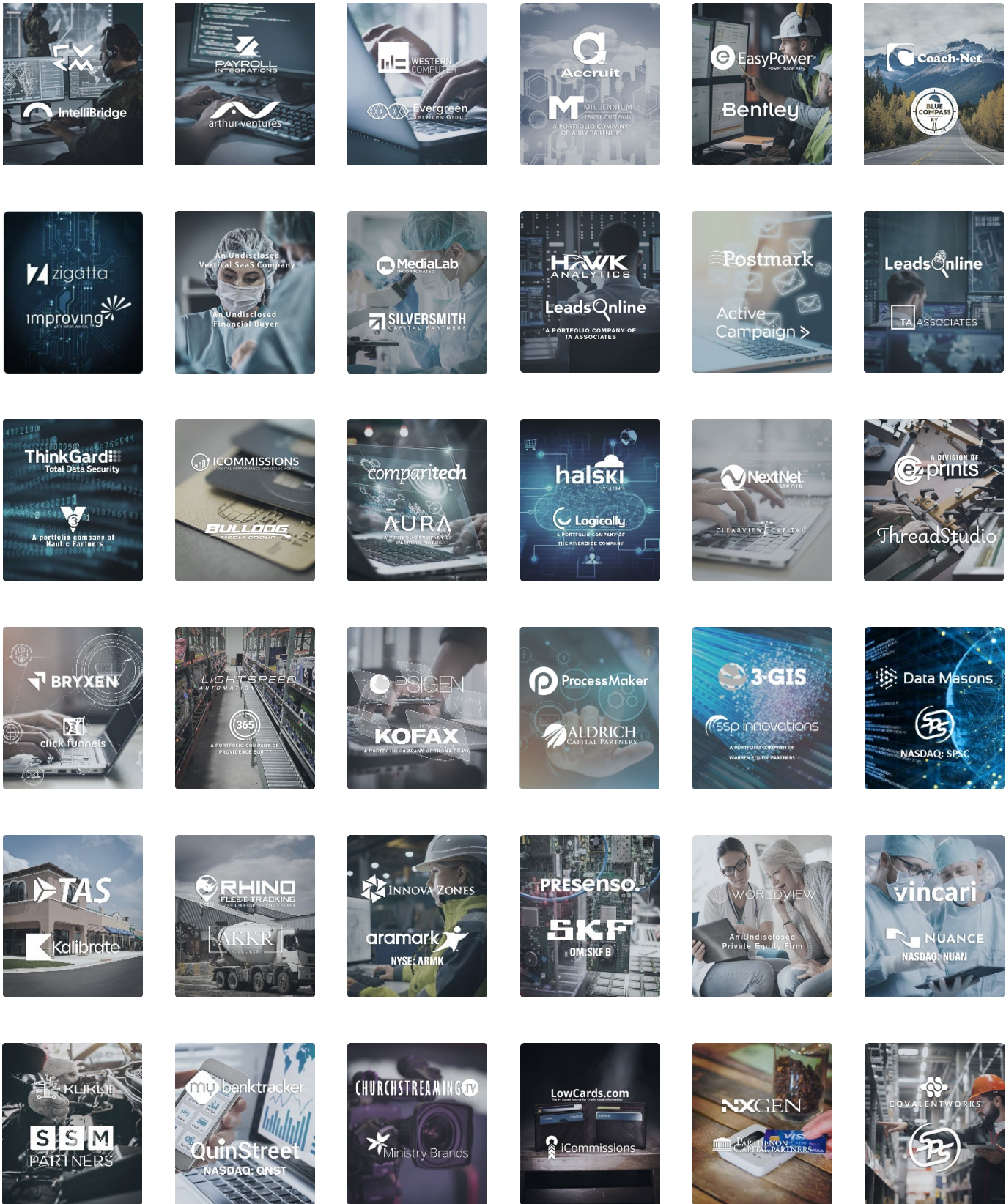
### FA SaaS Index - Balance Sheet Metrics - As of Q4 2023

(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>								
DDOG	Datadog	(1.1%)	(2.2%)	3.3x	67.2	45.8	29.9%	48.1%
DOCU	DocuSign	1.7%	7.1%	0.9x	57.2	13.9	107.2%	12.9%
DOMO	Domo	(34.9%)	N/A	0.6x	68.0	80.0	159.2%	N/A
ESTC	Elasticsearch	(11.4%)	(47.2%)	1.9x	67.1	66.3	52.8%	127.5%
EVBG	Everbridge	(1.0%)	(4.2%)	0.9x	82.7	30.5	117.1%	120.4%
FIVN	Five9	(6.3%)	(22.2%)	5.2x	32.7	23.2	19.3%	158.5%
FRSH	Freshworks	(11.9%)	(15.6%)	4.3x	45.4	44.9	23.2%	2.5%
FSLY	Fastly	(8.7%)	(16.2%)	3.8x	63.6	25.9	26.0%	54.1%
HUBS	HubSpot	(6.8%)	(17.1%)	2.4x	35.8	12.4	42.5%	63.8%
INTU	Intuit	9.3%	15.4%	1.2x	13.8	132.5	80.2%	37.4%
MNDY	Monday.com	(1.4%)	(2.2%)	2.8x	8.2	54.4	35.5%	6.0%
NOW	ServiceNow	11.7%	27.1%	1.1x	51.6	42.0	92.6%	30.2%
OKTA	Okta	(5.2%)	(8.4%)	1.8x	65.9	12.7	56.6%	24.8%
PANW	Palo Alto Networks	4.4%	48.0%	0.9x	79.4	23.2	116.0%	12.7%
PATH	UiPath	(5.7%)	(7.8%)	3.9x	89.4	65.2	25.8%	2.9%
PAYC	Paycom	8.8%	26.4%	1.2x	3.9	19.9	80.8%	2.0%
PCTY	Paylocity	3.9%	19.1%	1.1x	7.6	7.0	89.6%	6.8%
PD	PagerDuty	(9.0%)	(31.5%)	2.7x	62.8	35.5	36.4%	261.1%
PEGA	Pegasystems	(3.2%)	(30.3%)	1.6x	50.1	16.5	60.9%	338.6%
PTC	PTC	4.3%	9.8%	0.8x	114.1	38.7	130.8%	69.3%
QLYS	Qualys	19.4%	46.1%	1.5x	74.3	6.2	65.9%	6.1%
SHOP	Shopify	(10.8%)	(14.0%)	7.2x	15.4	57.6	13.8%	13.4%
SMAR	Smartsheet	(12.4%)	(27.0%)	1.3x	66.7	4.0	75.7%	6.6%
SNOW	Snowflake	(11.8%)	(16.6%)	2.1x	66.3	22.3	47.1%	5.1%
SPLK	Splunk	1.8%	N/A	1.7x	99.6	7.0	59.1%	N/A
SPT	Sprout Social	(18.1%)	(40.5%)	1.2x	44.0	40.0	83.2%	62.5%
TEAM	Atlassian	(13.3%)	(82.2%)	1.4x	35.3	105.2	69.7%	152.5%
TWLO	Twilio	(7.2%)	(8.6%)	6.5x	49.3	33.6	15.3%	11.4%
UPLD	Upland Software	(18.5%)	(84.7%)	2.4x	47.4	65.8	41.9%	179.7%
VRNS	Varonis Systems	(10.7%)	(22.8%)	2.6x	77.5	12.3	38.9%	67.8%
WDAY	Workday	0.5%	1.1%	2.1x	64.8	21.1	47.0%	N/A
WIX	Wix.com	(0.5%)	N/A	1.3x	11.5	46.6	78.2%	N/A
WK	Workiva	(15.7%)	N/A	2.2x	54.0	18.1	46.2%	N/A
YEXT	Yext	(2.6%)	(9.0%)	1.4x	61.6	23.2	71.4%	67.6%
ZM	Zoom Video Communications	2.7%	3.6%	4.3x	45.8	31.5	23.4%	0.7%
ZS	Zscaler	(5.1%)	(27.1%)	2.0x	81.1	23.8	51.0%	145.8%
Min		(34.9%)	(84.7%)	0.6x	3.9	4.0	13.8%	0.7%
Median		(2.9%)	(8.4%)	1.7x	57.0	32.6	60.0%	37.6%
Mean		(3.8%)	(10.2%)	2.1x	53.4	48.0	64.3%	64.3%
Max		19.4%	48.0%	7.2x	114.1	241.8	159.2%	338.6%



# FOUNDERS TECHNOLOGY TRANSACTIONS



# FOUNDERS TITLE SPONSORS THE 2023 IMPACT LEADERSHIP CONFERENCE

Founders Advisors hosted the annual [Impact Leadership Conference](#) on Wednesday, December 6th featuring Dr. John C. Maxwell, Pastor Chris Hodges, Pulitzer Prize Winner Doris Kearns Goodwin, and Chick-fil-A Chairman & CEO Dan Cathy. Attendees experienced world-class professional leadership development with practical applications. Read more about the event [here](#).

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# FOUNDERS ADVISORS

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- Internet of Things
- Software Integrators

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