

SAAS

INDUSTRY UPDATE | Q1 2019



NOTABLE & QUOTABLE

“Today, there’s no one with more than 50 percent [of the commercial cloud market]. In fact, the highest application percentage of any company in any segment is sort of mid-20s. This generation will see a leader that’s much more material than that, and I volunteer us to do it.”

– **Mark Hurd, Oracle CEO**

“We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better.”

– **Jeff Bezos, Amazon CEO**

“A lot of what we were trying to solve was based off us trying to scratch our own itch, as we had seen that HR management was a pain point in our personal businesses. But it was only after designing prototypes, talking to customers, and seeing if they had the same pain points that we were really able to refine our product to create something not only able to solve their pain points but something they would be willing to invest in.”

– **Nir Leibovich, GoCo CEO**

OUTSOURCING

With the innate ability of platforms to scale rapidly as single instance, multi-tenant solutions, young SaaS companies often struggle to scale and grow at the same pace that the software itself would allow. Nacho de Marco looks at [the benefits of outsourcing](#) and how that can lead to outpacing competitors. While there are inherent challenges and risks associated with doing so, including managing a remote workforce and overcoming language barriers, de Marco explores the benefits that may outweigh these concerns.

PRODUCT

[Free trials don’t always work](#). Done well, free trials can be an effective tool to increase sales velocity, but they are not always the silver bullet that SaaS companies need to fuel their growth. In this write-up, Peter Cohen details what can cause free trials to fall short and outlines creative, often-unconsidered alternatives that can supplement and potentially replace free trials in some instances for SaaS companies aggressively pursuing growth.

MARKETS

SaaS company valuations have historically been among the highest of all categories of businesses participating in the capital markets, but toward the end of 2018, valuations took a hit, dropping to 8.2x revenue according to the Bessemer Cloud Index. Public markets rebounded for SaaS companies during Q1 2019 to 10x revenue on average for companies in the Bessemer Cloud Index. Alex Wilhelm at Crunchbase examines [the drivers associated with SaaS companies’ historically high valuations](#) and their implications for private market activity.

Technology Team Contacts

Zane Tarence | *Managing Director*
ztarence@foundersib.com

Chris Weingartner | *Director*
cweingartner@foundersib.com

Brad Johnson | *Vice President*
bjohnson@foundersib.com

Billy Pritchard | *Vice President*
bpritchard@foundersib.com

William Short | *Associate*
wshort@foundersib.com

Jack Houtz | *Senior Analyst*
jhoutz@foundersib.com

Matt Stanford | *Analyst*
mstanford@foundersib.com

Rebecca Askew | *Practice Group Manager*
raskew@foundersib.com

Upcoming Events

Silicon Y’all

October 7th – 9th

Ross Bridge Resort

www.siliconyall.com

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Quarterly Tip: Growth or Profitability – Which to Choose?

Growth or Profitability – Which Should I Choose?

One of the most frequent questions we are asked by SaaS founders and entrepreneurs is whether their focus should be on growing revenues or achieving profitability, especially when it comes to the impact on Enterprise Value. It is a complicated question that presents meaningful tradeoffs unique to each company and one that companies should always feel a healthy amount of tension over. There is a difference between choosing profitability over growth and not having the ability to grow efficiently. To build Enterprise Value over time, a company has to be able to execute on an efficient growth model. Efficient growth is what drives Enterprise Value.

At our annual [Silicon Y'all SaaS and Internet Summit](#), we ask this question to our Private Equity panel each year, and each year 100% of these extremely sophisticated investors indicate that they are more excited to invest in a company growing 50% and breaking even than one growing 10% with 20% EBITDA margins. However, they universally acknowledge that for operators and owners in the trenches, it isn't that simple of a decision.

The Case for Profitability

The simplistic purpose of every company is to produce returns for its owners. Beyond that ultimate goal, turning a profit is required to sustain a company and its employees. While serial entrepreneurs may have a war-chest from an earlier exit to fund early losses, bootstrapped companies do not have this luxury and often have to focus on getting to a breakeven level quickly before cash available for operations dries up. Recognizing this, there is no harm in managing to breakeven, especially if maximizing profitability would require taking in capital at an unappealing valuation or bringing on debt with restrictive terms (personal guarantees, risky covenants, high rates, etc.).

The Case for Growth

A true single-instance, multi-tenant SaaS platform has the capacity for unlimited scalability. Once the product and tech are well-developed and hardened, the success of a SaaS company shifts from overcoming product and execution risks (does it work and is the team strong?) to demand and capital risk (is it needed/used and how can we grow even faster?). Because of this, if SaaS companies can show strong bootstrapped growth with manageable churn, investors love to pour capital into a platform that has grown but is constrained by its own capital availability. Private equity investors are great to help think through strategic decisions and guide based on their experience, but they are looking for investments where much of the heavy lifting has already been done. With low churn and high ARR, PEGs can eventually dial back the sales and marketing spend for customer acquisition and significant profitability often results for the company for years to come.

What is the Right Balance between Profitability and Growth?

While they all acknowledge that it is somewhat rudimentary, PEGs examine SaaS companies based on the “Rule of 40” – that is, Growth Rate + EBITDA Margin should be greater than 40. The strongest companies are often scoring greater than 80. Therefore, as owners weigh their current options to fund growth or focus on achieving a profitability hurdle, they can determine how to effectively budget growth-driving expenses like sales and marketing, development, conference sponsorship/participation, etc. against the anticipated impact to their bottom line.

Ultimately, having a proven growth model is the key for investors and drives valuation upward. Sophisticated investors recognize that some companies may have had to choose profitability over spending for continued growth, but their capital can assist by efficiently increasing sales and marketing expenses in channels that historically have yielded fruit. If it is not clear to an investor that a company has a model for growth, the investment will be less attractive and valuations suppressed. In understanding the growth model, they'll key in on unit economics – if you can point to past trends around successful sales and marketing campaigns, they'll be excited to pour fuel on that fire.

Silicon Y'all – SaaS & Internet Summit 2019

From October 7th – 9th, Founders will host its 7th annual SaaS & Internet Summit – Silicon Y'all. For 2019, we're bringing the event back to Alabama to show off the best of our home state! The [2018 event](#) continued to build on previous years, and we look forward to an even better event in 2019. The summit continues as a unique 2-day gathering, limited to 60 operating company CEOs and 15 professionals from leading private equity firms and acquisitive strategic organizations. Attendees will engage in targeted discussions about growth, value, and current trends in the SaaS, Internet and Payment sectors, while also participating in a variety of activities and networking opportunities. For more information, please visit SiliconYall.com and click here to join the [2019 waitlist](#).

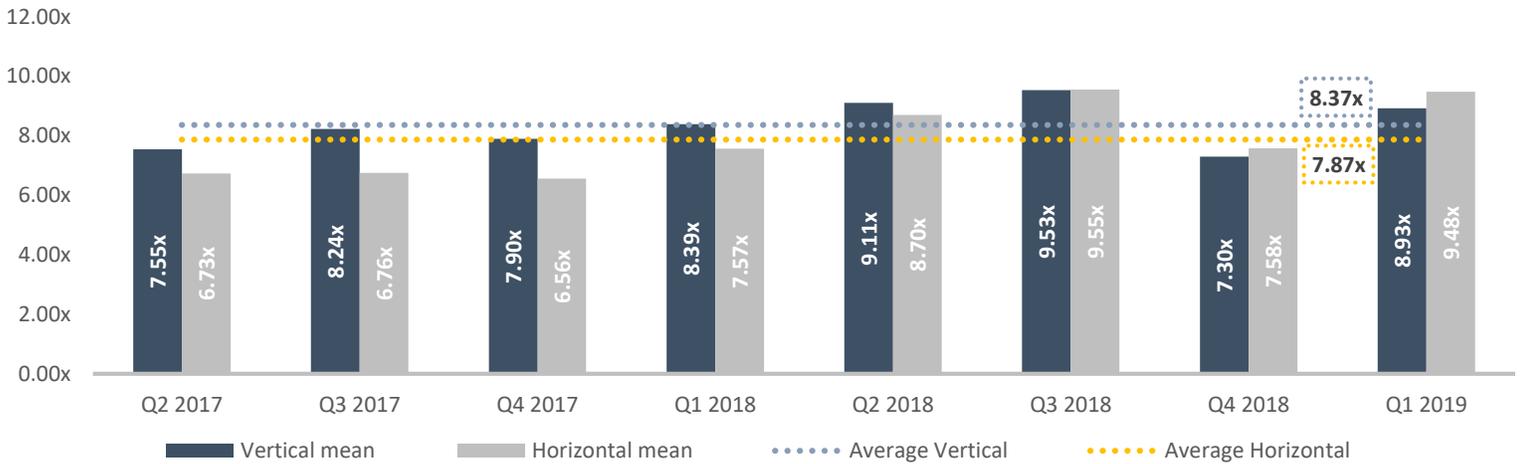


Recent Transactions

Announced Date	Target	Buyer	Purchase Price	LTM Revenue	LTM EBITDA	Enterprise Value / LTM Revenue	Enterprise Value / LTM EBITDA
01/23/2019	 TRENDKITE	 CISION	\$224	\$25	N/A	8.8x	N/A
01/31/2019	 Catalyst	 opentext™	\$75	N/A	N/A	N/A	N/A
02/01/2019	 MICROPACT™	 tyler technologies	\$204	\$70	N/A	2.9x	N/A
02/04/2019	 Ultimate SOFTWARE	 HELLMAN & FRIEDMAN	\$10,822	\$1,140	\$123	9.5x	88.0x
02/07/2019	 WEBROOT™ Smarter Cybersecurity™	 CARBONITE	\$618	\$215	N/A	2.9x	N/A
02/12/2019	 EllieMae	 THOMABRAVO	\$3,380	\$480	\$57	7.0x	59.6x
02/13/2019	 OOOYALA® Online Video Platform Assets	 brightcove	\$15	N/A	N/A	N/A	N/A
02/15/2019	 JAGGED PEAK. Enterprise Commerce Made Easy	 Singapore POST	\$38	N/A	N/A	N/A	N/A
02/19/2019	 DEMISTO	 paloalto NETWORKS	\$560	N/A	N/A	N/A	N/A
02/21/2019	 Avalara	 WARBURG PINCUS Position Exited	\$3,125	\$272	N/A	11.5x	N/A
03/08/2019	 cetuslabs	 navis®	\$15	N/A	N/A	N/A	N/A
03/10/2019	 figure eight	 appen®	\$300	\$29	N/A	10.2x	N/A
03/14/2019	 PIEtech Plan • Invest • Enjoy	 INVESTNET™	\$500	N/A	N/A	N/A	N/A
03/18/2019	 TCG Tactical Communications Group LLC	 CURTISS-WRIGHT	\$50	\$15	N/A	3.3x	N/A
03/22/2019	 eFront	 BLACKROCK	\$1,300	N/A	N/A	N/A	N/A
03/28/2019	 ipswitch®	 Progress®	\$225	\$75	N/A	3.0x	N/A

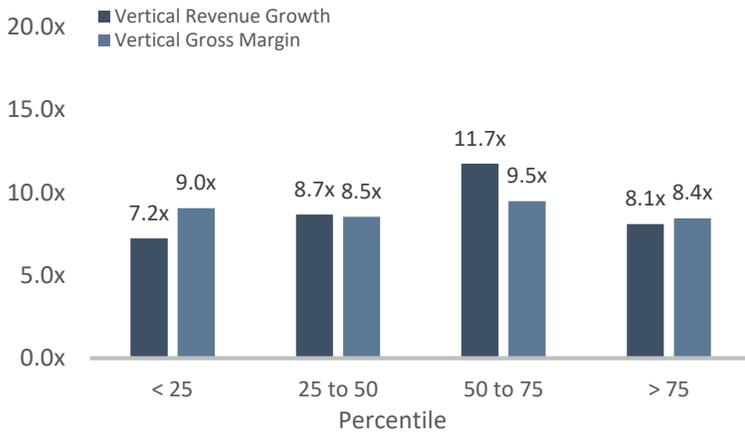
METRICS OVERVIEW

Public Vertical & Horizontal EV/LTM Revenue Multiples

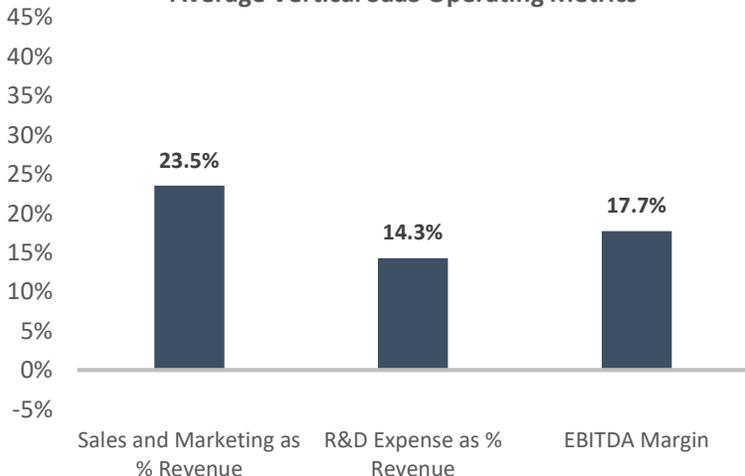


Public Vertical

Percentile Revenue Growth and Margin vs. EV/LTM Revenue

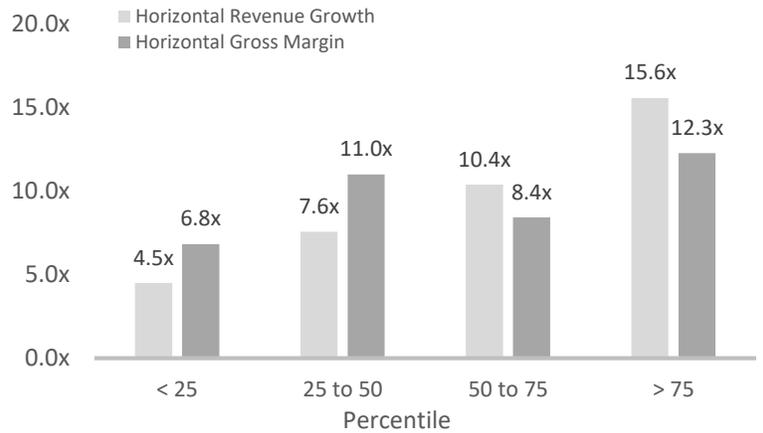


Average Vertical SaaS Operating Metrics

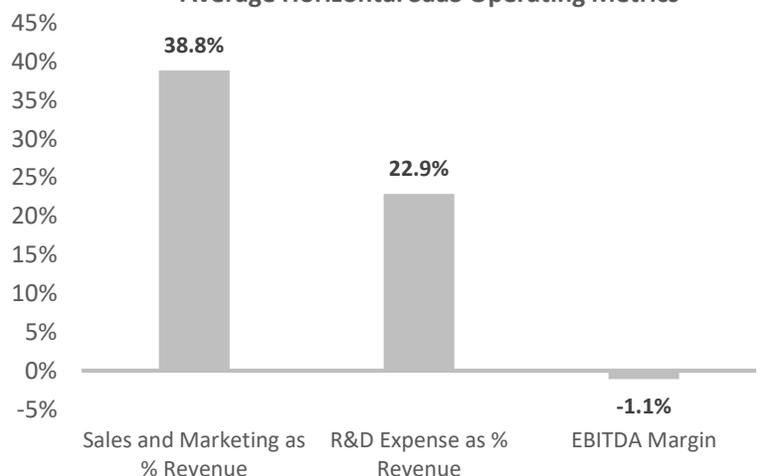


Public Horizontal

Percentile Revenue Growth and Margin vs. EV/LTM Revenue



Average Horizontal SaaS Operating Metrics



VALUATION & GROWTH METRICS

FA SaaS Index - Valuation & Growth - As of Q1 2019

(In millions)

Ticker	Company Name	LTM Revenue	YoY Growth	LTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
Vertical SaaS Companies						
TWOU	2U, Inc.	\$ 441.7	40.6%	\$ (17.9)	8.9x	NM
APPF	AppFolio, Inc.	\$ 204.8	33.0%	\$ 21.8	13.9x	107.9x
BKI	Black Knight, Inc.	\$ 1,126.8	5.9%	\$ 361.0	8.4x	25.9x
BLKB	Blackbaud, Inc.	\$ 860.3	6.5%	\$ 121.6	4.9x	30.9x
EBIX	Ebix, Inc.	\$ 532.5	35.5%	\$ 169.0	4.3x	13.1x
FDS	FactSet Research Systems Inc.	\$ 1,392.3	6.8%	\$ 471.1	7.0x	20.7x
INOV	Inovalon Holdings, Inc.	\$ 580.4	33.8%	\$ 155.0	5.2x	23.4x
INST	Instructure, Inc.	\$ 219.6	25.9%	\$ (45.5)	7.3x	NM
MDSO	Medidata Solutions, Inc.	\$ 660.0	16.7%	\$ 80.6	6.7x	49.7x
MCO	Moody's Corporation	\$ 4,458.1	2.4%	\$ 2,087.6	8.6x	18.0x
QTWO	Q2 Holdings, Inc.	\$ 257.6	26.1%	\$ (24.4)	12.5x	NM
RP	RealPage, Inc.	\$ 902.5	25.5%	\$ 146.6	6.8x	42.0x
SPSC	SPS Commerce, Inc.	\$ 256.1	12.7%	\$ 43.2	6.9x	43.3x
TEMN	Temenos AG	\$ 871.9	13.9%	\$ 256.2	12.9x	44.9x
TYL	Tyler Technologies, Inc.	\$ 961.2	11.5%	\$ 190.1	8.2x	39.9x
VEEV	Veeva Systems Inc.	\$ 862.2	24.9%	\$ 236.9	20.3x	73.8x
Min		\$ 204.8	2.4%	\$ (45.5)	4.3x	13.1x
Median		\$ 760.1	20.8%	\$ 150.8	7.7x	39.9x
Mean		\$ 911.7	20.1%	\$ 265.8	8.9x	41.0x
Max		\$ 4,458.1	40.6%	\$ 2,087.6	20.3x	107.9x

Horizontal SaaS Companies

EGHT	8x8, Inc.	\$ 352.6	18.9%	\$ (76.1)	5.4x	NM
ADBE	Adobe Inc.	\$ 9,552.0	24.1%	\$ 3,247.3	13.7x	40.3x
ALRM	Alarm.com Holdings, Inc.	\$ 440.1	23.1%	\$ 75.2	7.2x	40.2x
AMBR	Amber Road, Inc.	\$ 86.2	7.0%	\$ (6.6)	3.1x	NM
TEAM	Atlassian Corporation Plc	\$ 1,115.1	37.9%	\$ 6.3	25.3x	NM
BNFT	Benefitfocus, Inc.	\$ 264.7	9.6%	\$ (24.9)	6.3x	NM
BL	BlackLine, Inc.	\$ 240.6	27.5%	\$ (12.4)	10.6x	NM
BOX	Box, Inc.	\$ 608.4	20.2%	\$ (87.9)	4.4x	NM
BCOV	Brightcove Inc.	\$ 165.5	3.7%	\$ (7.9)	1.7x	NM
CARB	Carbonite, Inc.	\$ 313.6	27.3%	\$ 33.8	2.6x	25.8x
CSLT	Castlight Health, Inc.	\$ 155.4	10.4%	\$ (29.7)	3.0x	NM
ECOM	ChannelAdvisor Corporation	\$ 131.3	4.5%	\$ 0.1	2.2x	NM
CTXS	Citrix Systems, Inc.	\$ 2,995.9	4.8%	\$ 802.8	4.6x	16.5x
CSOD	Cornerstone OnDemand, Inc.	\$ 544.9	8.2%	\$ 16.1	5.9x	240.6x
COUP	Coupa Software Incorporated	\$ 260.4	39.4%	\$ (38.2)	20.8x	NM
DOCU	DocuSign, Inc.	\$ 701.0	35.2%	\$ (391.0)	12.1x	NM
EGAN	eGain Corporation	\$ 66.0	9.4%	\$ 5.2	4.7x	70.5x
EVBG	Everbridge, Inc.	\$ 159.4	42.3%	\$ (36.6)	16.7x	NM
FIVN	Five9, Inc.	\$ 273.3	28.8%	\$ 18.7	11.8x	171.3x
HUBS	HubSpot, Inc.	\$ 550.2	34.9%	\$ (32.6)	12.8x	NM
INTU	Intuit Inc.	\$ 6,233.0	10.7%	\$ 1,779.0	10.7x	37.6x
KXS	Kinaxis Inc.	\$ 159.6	16.0%	\$ 30.1	8.7x	48.5x
LPSN	LivePerson, Inc.	\$ 258.0	14.1%	\$ (11.6)	7.2x	NM

VALUATION & GROWTH METRICS, CONT'D

Ticker	Company Name	LTM Revenue	YoY Growth	LTM EBITDA	Enterprise Value / LTM Revenue / LTM EBITDA	
Horizontal SaaS Companies						
LOGM	LogMeIn, Inc.	\$ 1,232.5	14.0%	\$ 344.8	3.4x	11.7x
MIME	Mimecast Limited	\$ 340.4	30.0%	\$ 28.6	9.0x	112.7x
MOBL	MobileIron, Inc.	\$ 197.6	9.0%	\$ (38.6)	2.5x	NM
MODN	Model N, Inc.	\$ 146.3	(1.3%)	\$ (14.8)	3.7x	NM
NEWR	New Relic, Inc.	\$ 479.2	35.0%	\$ (9.3)	12.0x	NM
PAYC	Paycom Software, Inc.	\$ 612.4	31.0%	\$ 205.6	19.1x	56.6x
PCTY	Paylocity Holding Corporation	\$ 443.9	24.3%	\$ 60.0	11.0x	105.8x
PEGA	Pegasystems Inc.	\$ 868.9	0.2%	\$ (25.2)	5.5x	NM
PFPT	Proofpoint, Inc.	\$ 757.5	33.7%	\$ (30.9)	9.1x	NM
QLYS	Qualys, Inc.	\$ 289.4	19.3%	\$ 85.8	10.7x	37.5x
RNG	RingCentral, Inc.	\$ 724.8	33.8%	\$ 6.7	12.7x	NM
CRM	salesforce.com, inc.	\$ 13,282.0	26.0%	\$ 1,524.0	9.1x	79.5x
SCWX	SecureWorks Corp.	\$ 518.7	10.9%	\$ (7.5)	2.6x	NM
NOW	ServiceNow, Inc.	\$ 2,808.5	35.1%	\$ 134.8	16.7x	NM
SHOP	Shopify Inc.	\$ 1,179.4	55.1%	\$ (84.9)	19.6x	NM
SMAR	Smartsheet Inc.	\$ 177.7	59.7%	\$ (47.4)	22.9x	NM
DATA	Tableau Software, Inc.	\$ 1,191.6	29.1%	\$ (91.5)	8.6x	NM
ULTI	The Ultimate Software Group, Inc.	\$ 1,198.8	21.2%	\$ 117.0	9.0x	83.8x
UPLD	Upland Software, Inc.	\$ 166.8	53.3%	\$ 40.2	7.8x	34.0x
VRNS	Varonis Systems, Inc.	\$ 273.1	19.1%	\$ (30.9)	6.0x	NM
WIX	Wix.com Ltd.	\$ 640.2	36.0%	\$ (27.6)	9.1x	NM
WDAY	Workday, Inc.	\$ 2,822.2	31.7%	\$ (240.2)	15.0x	NM
WK	Workiva Inc.	\$ 254.4	17.8%	\$ (34.3)	8.9x	NM
YEXT	Yext, Inc.	\$ 228.3	34.1%	\$ (68.8)	9.8x	NM
ZEN	Zendesk, Inc.	\$ 650.4	39.6%	\$ (114.9)	15.4x	NM
ZIXI	Zix Corporation	\$ 83.1	25.1%	\$ 7.2	4.8x	23.9x
ZUO	Zuora, Inc.	\$ 235.2	40.1%	\$ (68.3)	8.5x	NM
Min		\$ 66.0	(1.3%)	\$ (391.0)	1.7x	11.7x
Median		\$ 396.3	24.7%	\$ (8.6)	8.9x	44.4x
Mean		\$ 1,148.6	24.4%	\$ 137.6	9.5x	68.7x
Max		\$ 13,282.0	59.7%	\$ 3,247.3	25.3x	240.6x

OPERATING STATISTICS

FA SaaS Index - Operating Statistics - As of Q1 2019

Ticker	Company Name	COGS <i>As a % of Revenue</i>	Gross Margin	SG&A <i>As a % of Revenue</i>	R&D Expense <i>As a % of Revenue</i>	Sales & Marketing <i>As a % of Revenue</i>	EBITDA Margin
Vertical SaaS Companies							
TWOU	2U, Inc.	22.1%	77.9%	74.1%	15.8%	55.4%	(4.1%)
APPF	AppFolio, Inc.	39.1%	60.9%	31.4%	18.9%	18.1%	10.6%
BKI	Black Knight, Inc.	55.5%	44.5%	1.0%	0.2%	N/A	32.0%
BLKB	Blackbaud, Inc.	45.6%	54.4%	35.4%	13.7%	23.6%	14.1%
EBIX	Ebix, Inc.	32.8%	67.2%	27.6%	8.3%	3.7%	31.7%
FDS	FactSet Research Systems Inc.	47.3%	52.7%	23.1%	15.6%	N/A	33.8%
INOV	Inovalon Holdings, Inc.	25.6%	74.4%	42.5%	5.2%	8.8%	26.7%
INST	Instructure, Inc.	30.1%	69.9%	65.3%	31.2%	46.7%	(20.7%)
MDSO	Medidata Solutions, Inc.	25.6%	74.4%	41.9%	26.0%	24.0%	12.2%
MCO	Moody's Corporation	28.5%	71.5%	24.6%	1.1%	N/A	46.8%
QTWO	Q2 Holdings, Inc.	51.3%	48.7%	39.7%	24.8%	20.6%	(9.5%)
RP	RealPage, Inc.	38.3%	61.7%	31.4%	18.7%	19.0%	16.2%
SPSC	SPS Commerce, Inc.	32.6%	67.4%	45.1%	9.0%	27.7%	16.9%
TEMN	Temenos AG	28.2%	71.8%	27.4%	N/A	17.4%	29.4%
TYL	Tyler Technologies, Inc.	52.9%	47.1%	22.5%	7.2%	N/A	19.8%
VEEV	Veeva Systems Inc.	28.4%	71.6%	27.3%	18.5%	17.3%	27.5%
Min		22.1%	44.5%	1.0%	0.2%	3.7%	(20.7%)
Median		32.7%	67.3%	31.4%	15.6%	19.8%	18.3%
Mean		36.5%	63.5%	35.0%	14.3%	23.5%	17.7%
Max		55.5%	77.9%	74.1%	31.2%	55.4%	46.8%

Horizontal SaaS Companies

EGHT	8x8, Inc.	36.9%	63.1%	71.3%	17.6%	50.5%	(21.6%)
ADBE	Adobe Inc.	14.0%	86.0%	37.8%	17.3%	29.5%	34.0%
ALRM	Alarm.com Holdings, Inc.	35.5%	64.5%	24.8%	22.5%	13.2%	17.1%
AMBR	Amber Road, Inc.	43.6%	56.4%	50.9%	18.8%	26.2%	(7.6%)
TEAM	Atlassian Corporation Plc	17.3%	82.7%	39.7%	48.8%	21.7%	0.6%
BNFT	Benefitfocus, Inc.	49.4%	50.6%	46.4%	20.1%	29.4%	(9.4%)
BL	BlackLine, Inc.	22.0%	78.0%	76.8%	18.7%	56.3%	(5.2%)
BOX	Box, Inc.	28.5%	71.5%	66.6%	26.9%	51.3%	(14.5%)
BCOV	Brightcove Inc.	40.0%	60.0%	48.2%	20.7%	34.3%	(4.8%)
CARB	Carbonite, Inc.	22.8%	77.2%	46.1%	19.7%	27.9%	10.8%
CSLT	Castlight Health, Inc.	38.2%	61.8%	45.4%	40.2%	28.6%	(19.1%)
ECOM	ChannelAdvisor Corporation	22.6%	77.4%	65.4%	16.6%	45.3%	0.1%
CTXS	Citrix Systems, Inc.	12.9%	87.1%	47.6%	17.1%	36.6%	26.8%
CSOD	Cornerstone OnDemand, Inc.	25.9%	74.1%	57.0%	21.0%	40.4%	2.9%
COUP	Coupa Software Incorporated	32.1%	67.9%	61.8%	24.9%	40.6%	(14.7%)
DOCU	DocuSign, Inc.	27.2%	72.8%	106.8%	26.9%	77.0%	(55.8%)
EGAN	eGain Corporation	33.3%	66.7%	38.5%	22.3%	26.0%	7.9%
EVBG	Everbridge, Inc.	32.1%	67.9%	67.6%	32.6%	46.4%	(23.0%)
FIVN	Five9, Inc.	40.3%	59.7%	43.5%	13.5%	27.9%	6.8%
HUBS	HubSpot, Inc.	19.5%	80.5%	65.8%	24.7%	51.3%	(5.9%)
INTU	Intuit Inc.	16.8%	83.2%	38.6%	19.5%	28.1%	28.5%
KXS	Kinaxis Inc.	30.8%	69.2%	36.3%	18.1%	23.2%	18.8%
LPSN	LivePerson, Inc.	26.0%	74.0%	61.1%	23.5%	43.5%	(4.5%)
LOGM	LogMeIn, Inc.	24.0%	76.0%	44.8%	15.7%	31.8%	28.0%
MIME	Mimecast Limited	26.7%	73.3%	56.7%	17.0%	40.9%	8.4%

OPERATING STATISTICS, CONT'D

Ticker	Company Name	COGS <i>As a % of Revenue</i>	Gross Margin	SG&A <i>As a % of Revenue</i>	R&D Expense <i>As a % of Revenue</i>	Sales & Marketing <i>As a % of Revenue</i>	EBITDA Margin
Horizontal SaaS Companies							
MOBL	MobileIron, Inc.	18.8%	81.2%	62.9%	39.8%	48.1%	(19.6%)
MODN	Model N, Inc.	44.2%	55.8%	50.4%	20.6%	23.7%	(10.1%)
NEWR	New Relic, Inc.	16.2%	83.8%	68.6%	22.7%	53.6%	(1.9%)
PAYC	Paycom Software, Inc.	13.1%	86.9%	42.5%	8.7%	24.7%	33.6%
PCTY	Paylocity Holding Corporation	34.4%	65.6%	45.5%	13.9%	24.2%	13.5%
PEGA	Pegasystems Inc.	34.6%	65.4%	50.8%	21.4%	45.3%	(2.9%)
PFPT	Proofpoint, Inc.	27.7%	72.3%	60.8%	25.7%	48.1%	(4.1%)
QLYS	Qualys, Inc.	23.5%	76.5%	37.6%	19.5%	24.6%	29.7%
RNG	RingCentral, Inc.	23.8%	76.2%	63.9%	14.9%	49.0%	0.9%
CRM	salesforce.com, inc.	26.0%	74.0%	55.6%	14.2%	45.7%	11.5%
SCWX	SecureWorks Corp.	47.4%	52.6%	45.1%	16.9%	27.3%	(1.5%)
NOW	ServiceNow, Inc.	23.7%	76.3%	56.8%	20.8%	45.6%	4.8%
SHOP	Shopify Inc.	44.7%	55.3%	42.1%	22.3%	32.0%	(7.2%)
SMAR	Smartsheet Inc.	19.0%	81.0%	78.8%	33.7%	59.7%	(26.7%)
DATA	Tableau Software, Inc.	12.6%	87.4%	64.9%	33.7%	51.8%	(7.7%)
ULTI	The Ultimate Software Group, Inc.	38.1%	61.9%	37.5%	19.4%	25.0%	9.8%
UPLD	Upland Software, Inc.	31.6%	68.4%	35.1%	13.7%	14.1%	24.1%
VRNS	Varonis Systems, Inc.	10.7%	89.3%	74.2%	26.8%	61.2%	(11.3%)
WIX	Wix.com Ltd.	21.5%	78.5%	51.9%	32.9%	41.8%	(4.3%)
WDAY	Workday, Inc.	29.6%	70.4%	43.0%	42.9%	31.6%	(8.5%)
WK	Workiva Inc.	27.1%	72.9%	55.1%	32.8%	37.2%	(13.5%)
YEXT	Yext, Inc.	25.2%	74.9%	92.2%	15.8%	69.6%	(30.2%)
ZEN	Zendesk, Inc.	30.4%	69.6%	66.0%	26.1%	48.9%	(17.7%)
ZIXI	Zix Corporation	27.4%	72.6%	55.6%	15.0%	N/A	8.7%
ZUO	Zuora, Inc.	49.6%	50.4%	59.5%	23.7%	42.8%	(29.0%)
Min		10.7%	50.4%	24.8%	8.7%	13.2%	(55.8%)
Median		27.1%	72.9%	53.5%	20.8%	40.4%	(3.5%)
Mean		28.4%	71.6%	54.8%	22.9%	38.8%	(1.1%)
Max		49.6%	89.3%	106.8%	48.8%	77.0%	34.0%

BALANCE SHEET METRICS

FA SaaS Index - Balance Sheet Metrics - As of Q1 2019

Ticker	Company Name	Return on Assets	Return on Equity	Current Ratio	Days Sales Outstanding	Days Payable Outstanding	Liabilities/Assets	Debt/Equity
Vertical SaaS Companies								
TWOU	2U, Inc.	(4.8%)	(8.3%)	5.1x	45.7	81.3	19.6%	9.0%
APPF	AppFolio, Inc.	6.8%	20.7%	1.5x	11.1	6.1	52.6%	76.4%
BKI	Black Knight, Inc.	4.4%	9.6%	1.2x	63.4	35.1	54.7%	93.6%
BLKB	Blackbaud, Inc.	2.3%	7.3%	0.7x	38.1	26.2	78.5%	192.4%
EBIX	Ebix, Inc.	7.1%	16.5%	1.5x	95.8	207.2	64.0%	134.4%
FDS	FactSet Research Systems Inc.	17.6%	51.6%	2.5x	44.8	34.5	59.1%	95.9%
INOV	Inovalon Holdings, Inc.	2.0%	(4.7%)	1.9x	61.6	76.4	65.3%	152.7%
INST	Instructure, Inc.	(12.0%)	(34.3%)	1.4x	43.4	34.5	52.4%	33.9%
MDSO	Medidata Solutions, Inc.	2.6%	9.1%	2.6x	86.1	17.6	36.1%	31.9%
MCO	Moody's Corporation	12.8%	353.3%	1.4x	102.7	7.4	96.6%	1895.6%
QTWO	Q2 Holdings, Inc.	(5.1%)	(31.7%)	2.1x	26.5	23.0	68.9%	144.2%
RP	RealPage, Inc.	2.7%	4.4%	0.8x	45.7	31.0	49.4%	66.0%
SPSC	SPS Commerce, Inc.	5.0%	8.9%	4.8x	38.7	17.2	18.8%	6.4%
TEMN	Temenos AG	10.0%	47.4%	0.8x	103.9	214.0	77.8%	194.3%
TYL	Tyler Technologies, Inc.	5.3%	10.5%	1.0x	97.9	4.5	28.8%	8.1%
VEEV	Veeva Systems Inc.	9.7%	21.4%	3.6x	118.4	11.9	25.2%	N/A
Min		(12.0%)	(34.3%)	0.7x	11.1	4.5	18.8%	6.4%
Median		4.7%	9.3%	1.5x	53.6	28.6	53.6%	93.6%
Mean		4.1%	30.1%	2.1x	64.0	51.7	53.0%	209.0%
Max		17.6%	353.3%	5.1x	118.4	214.0	96.6%	1895.6%

Horizontal SaaS Companies

EGHT	8x8, Inc.	(13.8%)	(37.9%)	5.3x	21.8	78.9	54.4%	86.6%
ADBE	Adobe Inc.	10.3%	29.0%	1.0x	45.8	37.7	49.4%	41.9%
ALRM	Alarm.com Holdings, Inc.	8.3%	7.4%	3.2x	41.4	39.7	39.1%	37.1%
AMBR	Amber Road, Inc.	(5.9%)	(39.7%)	0.6x	63.2	24.4	72.7%	101.3%
TEAM	Atlassian Corporation Plc	(1.2%)	(54.3%)	3.3x	18.0	46.1	75.9%	122.1%
BNFT	Benefitfocus, Inc.	(9.0%)	N/A	2.7x	58.9	14.4	103.0%	-2649.7%
BL	BlackLine, Inc.	(4.0%)	(9.2%)	1.3x	98.1	37.1	35.7%	5.2%
BOX	Box, Inc.	(13.9%)	(580.6%)	0.9x	101.2	34.1	95.2%	359.5%
BCOV	Brightcove Inc.	(5.1%)	(23.8%)	0.9x	58.0	37.8	55.8%	28.4%
CARB	Carbonite, Inc.	0.3%	(1.4%)	0.9x	47.5	37.1	81.6%	270.6%
CSLT	Castlight Health, Inc.	(8.3%)	(18.3%)	1.9x	79.6	44.0	28.2%	12.6%
ECOM	ChannelAdvisor Corporation	(2.6%)	(7.7%)	1.9x	59.7	31.3	39.0%	22.7%
CTXS	Citrix Systems, Inc.	7.9%	100.5%	0.9x	55.5	69.2	89.3%	388.2%
CSOD	Cornerstone OnDemand, Inc.	0.3%	(39.1%)	1.5x	69.2	24.9	90.8%	500.5%
COUP	Coupa Software Incorporated	(4.3%)	(20.1%)	1.1x	109.8	14.9	57.7%	55.7%
DOCU	DocuSign, Inc.	N/A	N/A	1.9x	84.1	41.5	62.0%	71.4%
EGAN	eGain Corporation	4.6%	N/A	1.3x	60.5	47.8	68.3%	0.0%
EVBG	Everbridge, Inc.	(8.2%)	(40.3%)	2.4x	66.2	32.0	56.8%	60.7%
FIVN	Five9, Inc.	1.6%	(1.3%)	6.1x	30.4	21.1	63.7%	143.8%
HUBS	HubSpot, Inc.	(2.7%)	(14.5%)	4.0x	40.9	34.0	56.3%	85.4%
INTU	Intuit Inc.	19.1%	63.4%	1.3x	31.8	129.8	47.6%	14.8%
KXS	Kinaxis Inc.	5.3%	9.5%	2.7x	92.9	38.1	34.8%	6.0%
LPSN	LivePerson, Inc.	(4.9%)	(24.2%)	2.8x	68.7	35.1	61.2%	99.5%
LOGM	LogMeIn, Inc.	1.0%	1.2%	0.5x	25.9	46.0	27.8%	10.9%
MIME	Mimecast Limited	(0.2%)	(5.1%)	1.3x	78.5	31.1	68.7%	78.2%

BALANCE SHEET METRICS, CONT'D

Ticker	Company Name	Return on Assets	Return on Equity	Current Ratio	Days Sales Outstanding	Days Payable Outstanding	Liabilities/Assets	Debt/Equity
Horizontal SaaS Companies								
MOBL	MobileIron, Inc.	(13.9%)	(81.8%)	1.4x	68.1	18.1	76.5%	37.0%
MODN	Model N, Inc.	(8.5%)	(63.6%)	1.3x	63.6	13.4	66.7%	95.7%
NEWR	New Relic, Inc.	(2.6%)	(14.7%)	2.9x	83.8	31.2	67.7%	115.2%
PAYC	Paycom Software, Inc.	6.3%	39.1%	1.0x	1.8	16.9	80.7%	14.8%
PCTY	Paylocity Holding Corporation	1.4%	17.1%	1.1x	3.6	9.2	86.3%	N/A
PEGA	Pegasystems Inc.	(3.8%)	(4.8%)	1.9x	130.1	14.4	38.5%	9.8%
PFPT	Proofpoint, Inc.	(5.8%)	(29.6%)	0.8x	68.0	29.5	60.0%	11.6%
QLYS	Qualys, Inc.	5.8%	16.6%	1.8x	74.3	5.0	41.3%	11.2%
RNG	RingCentral, Inc.	(1.3%)	(9.8%)	3.1x	43.2	25.0	65.7%	122.9%
CRM	salesforce.com, inc.	1.3%	8.5%	0.9x	121.5	12.7	49.2%	21.6%
SCWX	SecureWorks Corp.	(2.9%)	(5.5%)	1.1x	104.9	29.2	33.1%	N/A
NOW	ServiceNow, Inc.	(0.6%)	(3.8%)	1.1x	51.6	20.9	72.8%	91.4%
SHOP	Shopify Inc.	(3.2%)	(3.9%)	12.6x	6.0	70.7	11.4%	4.9%
SMAR	Smartsheet Inc.	(16.2%)	(53.8%)	1.8x	46.3	39.4	45.9%	3.6%
DATA	Tableau Software, Inc.	(5.1%)	(12.4%)	2.6x	75.4	18.3	44.6%	26.4%
ULTI	The Ultimate Software Group, Inc.	1.9%	8.4%	1.0x	67.0	13.1	69.6%	11.5%
UPLD	Upland Software, Inc.	2.4%	(17.1%)	0.6x	72.2	23.3	82.1%	333.4%
VRNS	Varonis Systems, Inc.	(8.4%)	(33.6%)	1.7x	49.6	6.9	64.0%	51.1%
WIX	Wix.com Ltd.	(3.8%)	(49.6%)	2.0x	8.4	111.1	83.4%	253.9%
WDAY	Workday, Inc.	(5.2%)	(23.6%)	1.1x	79.7	10.9	64.5%	61.5%
WK	Workiva Inc.	(11.0%)	N/A	1.0x	64.4	24.1	98.5%	1082.0%
YEXT	Yext, Inc.	(20.1%)	(90.2%)	1.3x	79.9	39.0	68.3%	N/A
ZEN	Zendesk, Inc.	(7.3%)	(35.7%)	1.5x	40.2	33.2	69.5%	138.1%
ZIXI	Zix Corporation	0.4%	7.4%	0.4x	23.9	119.0	62.3%	118.3%
ZUO	Zuora, Inc.	N/A	N/A	1.9x	83.8	6.4	48.9%	8.8%
Min		(20.1%)	(580.6%)	0.4x	1.8	5.0	11.4%	(2649.7%)
Median		(2.8%)	(12.4%)	1.4x	63.4	31.3	63.0%	55.7%
Mean		(2.6%)	(25.4%)	2.0x	60.4	35.4	61.3%	54.9%
Max		19.1%	100.5%	12.6x	130.1	129.8	103.0%	1082.0%

FOUNDERS SAAS INDEX KEY

Ticker	Company Name	Vertical/Business Description	Website
Vertical SaaS Companies			
TWOJ	2U, Inc.	Higher Education: Learning management system for colleges and universities	https://www.2u.com
APPF	AppFolio, Inc.	Real Estate and Legal: Property management solution for real estate industry; practice and case management solution for the legal industry	https://www.appfolioinc.com
BKI	Black Knight, Inc.	Integrated technology, services, data and analytics to the mortgage and real estate industries	https://www.blackknightinc.com/
BLKB	Blackbaud, Inc.	Cloud software solutions for nonprofits and other charitable giving entities in the United States, Canada, Europe, and Australia	https://www.blackbaud.com/
EBIX	Ebix, Inc.	Insurance: End-to-end solutions ranging from infrastructure exchanges, carrier systems, agency systems and risk compliance solutions to custom software development	https://www.ebix.com
FDS	FactSet Research Systems Inc.	Financial information and analytic software for investment professionals	https://www.factset.com/
INOV	Inovalon Holdings, Inc.	Cloud-based healthcare software and services platform	https://www.inovalon.com/
INST	Instructure, Inc.	Higher Education: Learning management platform for academic institutions and corporations	https://www.instructure.com
MDSO	Medidata Solutions, Inc.	Life Sciences: Data analytics platform for clinical research	https://www.mdsol.com
MCO	Moody's Corporation	Financial analysis software and services	https://www.moody.com/
QTWO	Q2 Holdings, Inc.	Financial: Virtual banking solutions for regional and community banks and credit unions	https://www.q2banking.com
RP	RealPage, Inc.	Rental Housing: Property management solutions	https://www.realpage.com
SPSC	SPS Commerce, Inc.	Consumer Packaged Goods/Retail/Distribution: Supply chain management solutions	https://www.spscommerce.com
TEMN	Temenos AG	Enterprise software for banks and financial services	https://www.temenos.com/en/
TYL	Tyler Technologies, Inc.	Integrated software and technology services for the public sector	https://www.tylertech.com/
VEEV	Veeva Systems Inc.	Life Sciences: Content management, CRM, customer master and customer data platforms	https://www.veeva.com
Horizontal SaaS Companies			
EGHT	8x8, Inc.	Communications suite that provides call center solutions, business phone services, collaboration and virtual meetings	https://www.8x8.com
ADBE	Adobe Inc.	Multimedia, creativity and digital marketing software	https://www.adobe.com/
ALRM	Alarm.com Holdings, Inc.	Security, video monitoring, home automation, and energy management solutions for consumers and businesses	https://www.alarm.com
AMBR	Amber Road, Inc.	Global trade management (GTM) solutions	https://www.amberroad.com
TEAM	Atlassian Corporation Plc	Offer project tracking, content creation and sharing, real-time communication, and service management products to large and small organizations	https://www.atlassian.com/
BNFT	Benefitfocus, Inc.	Benefits management platform for employers and carriers	https://www.benefitfocus.com
BL	BlackLine, Inc.	Provides financial accounting close solutions to address various aspects of the financial closing process	https://www.blackline.com/
BOX	Box, Inc.	Application that allows for the storage, management and sharing of content online	https://www.box.com
BCOV	Brightcove Inc.	Media, Marketing & Enterprise: Video marketing suite and video delivery	https://www.brightcove.com
CARB	Carbonite, Inc.	Automatic cloud backup for businesses and consumers	https://www.carbonite.com
CSLT	Castlight Health, Inc.	Health benefits platform that engages employees to make better healthcare decisions and enables employers to communicate and evaluate their benefit programs	https://www.castlighthealth.com
ECOM	ChannelAdvisor Corporation	E-commerce: Platform that enables retailers and brands to manage their e-commerce operations	https://www.channeladvisor.com

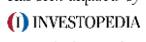
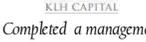
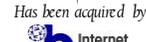
FOUNDERS SAAS INDEX KEY, CONT'D

Ticker	Company Name	Business Description	Website
Horizontal SaaS Companies			
CTXS	Citrix Systems, Inc.	Solutions that power business mobility through secure, mobile workspaces that provide instant access to apps, desktops, data and communications	https://www.citrix.com
CSOD	Cornerstone OnDemand, Inc.	Applications to recruit, train, manage and connect people across an organization	https://www.cornerstoneondemand.com
COUP	Coupa Software Incorporated	Provides a cloud-based spend management platform	http://www.coupa.com/
DOCU	DocuSign, Inc.	Electronic signature technology and digital transaction management services	https://www.docusign.com/
EGAN	eGain Corporation	Customer engagement cloud solutions and knowledge-powered software applications	http://www.egain.com/
EVBG	Everbridge, Inc.	Communications and enterprise safety applications that enable customers to automate and accelerate the process of keeping people safe and businesses running during critical events	https://www.everbridge.com/
FIVN	Five9, Inc.	Contact Centers: Virtual contact center platform	https://www.five9.com
HUBS	HubSpot, Inc.	Customer relationship management, marketing, and sales solutions	https://www.hubspot.com
INTU	Intuit Inc.	Business, financial, accounting and tax preparation software and related services for small businesses, accountants and individuals	https://www.intuit.com/
KXS	Kinaxis Inc.	Manufacturing: Supply chain management solutions	https://www.kinaxis.com
LPSN	LivePerson, Inc.	Enables mobile and online messaging between brands and consumers	https://www.liveperson.com
LOGM	LogMeIn, Inc.	Suite of products that enable individuals and business to securely connect with their workplace, colleagues and customers	https://www.logmeininc.com
MIME	Mimecast Limited	Cloud security and risk management	https://www.mimecast.com
MOBL	MobileIron, Inc.	Enterprise mobility management tools including traditional mobile device management, mobile application management, and mobile content management capabilities	https://www.mobileiron.com
MODN	Model N, Inc.	Life Sciences and Technology: Revenue management solutions	https://www.modeln.com
NEWR	New Relic, Inc.	Software: Analytics platform to monitor software performance	https://www.newrelic.com
PAYC	Paycom Software, Inc.	Human capital management software	https://www.paycom.com
PCTY	Paylocity Holding Corporation	Payroll and human capital management solutions for medium sized organizations	https://www.paylocity.com
PEGA	Pegasystems Inc.	Customer relationship management applications, application development platform, and operations applications	https://www.pega.com
PFPT	Proofpoint, Inc.	Enables large and mid-sized organizations to defend, protect, archive, and govern their sensitive data worldwide	https://www.proofpoint.com/us
QLYS	Qualys, Inc.	Information security and compliance solutions	https://www.qualys.com
RNG	RingCentral, Inc.	Cloud-based business communications	https://www.ringcentral.com
CRM	salesforce.com, inc.	Customer relationship management	https://www.salesforce.com
SCWX	SecureWorks Corp.	Provides information security services, protecting its customers' computers, networks and information assets from malicious activity such as cybercrime	https://www.secureworks.com
NOW	ServiceNow, Inc.	Suite of products including service management, IT service management, IT operations management and business management solutions	https://www.servicenow.com
SHOP	Shopify Inc.	E-commerce/Retail: E-commerce platform for small and medium-sized businesses	https://www.shopify.ca
SMAR	Smartsheet Inc.	Collaboration and work management software application	https://www.smartsheet.com/
DATA	Tableau Software, Inc.	Interactive data visualization and business intelligence software products	https://www.tableau.com/
ULTI	The Ultimate Software Group, Inc.	Human resources and payroll solutions	https://www.ultimatesoftware.com

FOUNDERS SAAS INDEX KEY, CONT'D

Ticker	Company Name	Business Description	Website
Horizontal SaaS Companies			
UPLD	Upland Software, Inc.	Enterprise document and workflow automation, financial management, mobile engagement management, professional services automation applications	https://uplandsoftware.com
VRNS	Varonis Systems, Inc.	Platform that enables enterprises to map, analyze, manage, and migrate their unstructured data	https://www.varonis.com
WIX	Wix.com Ltd.	Web development, design and management through an online platform, enabling businesses, organizations, professionals and individuals to create a digital presence	https://www.wix.com/
WDAY	Workday, Inc.	Financial management and human capital management solutions	https://www.workday.com
WK	Workiva Inc.	All-in-one platform for risk, audit, finance and compliance	https://www.workiva.com
YEXT	Yext, Inc.	Cloud-based network of apps, search engines and other online brand management tools	https://www.yext.com/
ZEN	Zendesk, Inc.	Customer service platform	https://www.zendesk.com
ZIXI	Zix Corporation	Email encryption/security	https://www.zixcorp.com
ZUO	Zuora, Inc.	Recurring billing, collections, quoting, revenue recognition and subscription metrics automation software	https://www.zuora.com/

FOUNDERS TECHNOLOGY TRANSACTIONS

<p>Predikto</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>COCONSTRUCT BUILD TOGETHER</p> <p>Has been recapitalized by</p>  <p>Financial Advisor</p>	<p>NXGEN</p> <p>Has been recapitalized by</p>  <p>Sell-Side Advisor</p>	<p>Software Application Provider</p> <p>Has been acquired by</p>  <p>Financial Advisor</p>	<p>A Vertical SaaS Company</p> <p>Has been acquired by a portfolio company of</p>  <p>Sell-Side Advisor</p>	<p>CHURCHSTREAMING TM</p> <p>Has been recapitalized by</p>  <p>Sell-Side Advisor</p>	<p>COVALENTWORKS</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>
<p>RothIRA.com</p> <p>Has been acquired by</p>  <p>A subsidiary of</p>  <p>Sell-Side Advisor</p>	<p>TheraNest</p> <p>Has been recapitalized by</p>  <p>Financial Advisor</p>	<p>LIVETEXT Learn what's possible</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>DepositAccounts</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>GradesFirst</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>DoughRoller</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>BULLDOG MEDIA GROUP</p> <p>Has been recapitalized by</p>  <p>Financial Advisor</p>
<p>SmarterServices Enlighten you. Make smarter decisions.</p> <p>Has been recapitalized by</p>  <p>Sell-Side Advisor</p>	<p>ion INTERACTIVE</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>money under 30</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>FlexOffers.com Smart results. No spy software.</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>SHIPT</p> <p>Has secured growth capital from</p>  <p>Strategic Advisor</p>	<p>DAMAC PREMIUM BAKERY PARTNER</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>K-12 Content & Messaging Platform</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>
<p>SOUTH CYPRESS</p> <p>Has secured growth funding from</p>  <p>Financial Advisor</p>	<p>TICKET-BISCUIT</p> <p>Has been recapitalized by</p>  <p>Financial Advisor</p>	<p>Ministry Brands and</p> <p>in10sity.</p> <p>Have been acquired by</p>  <p>Sell-Side Advisor</p>	<p>ACTEKSOFT INTEGRATE AUTOMATE COMPENSATE RELATE</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>TriNovus</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>	<p>HEALTH INFORMATION DESIGNS</p> <p>Has been recapitalized by</p>  <p>Financial Advisor</p>	<p>LowCards.com The Low-Cost Business Card Solution</p> <p>Has been acquired by</p>  <p>Sell-Side Advisor</p>
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 ADVISORS

Technology Team Contacts

Zane Tarence
 Managing Director / Partner
ztarence@foundersib.com

Chris Weingartner
 Director
cweingartner@foundersib.com

Brad Johnson
 Vice President
bjohnson@foundersib.com

Billy Pritchard
 Vice President
bpritchard@foundersib.com

William Short
 Associate
wshort@foundersib.com

Jack Houtz
 Senior Analyst
jhoutz@foundersib.com

Matt Stanford
 Analyst
mstanford@foundersib.com

Rebecca Askew
 Practice Group Manager
raskew@foundersib.com

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