

SAAS

INDUSTRY UPDATE | Q2 2021



NOTABLE & QUOTABLE

“Something that potential investors must understand: we do not chase revenue as the primary driver of our business. Shopify has been about empowering merchants since it was founded, and we have always prioritized long-term value over short-term revenue opportunities. We don’t see this changing.” –Shopify Co-Founder, Tobias Lutke

“The future of SaaS will be defined by doing more with less. Today, technology is proactive but tomorrow technology will be predictive.” –SalesForce Head of Technology, Chris Makkreel

“Today, 5 percent of the world’s [gross domestic product] is spent on tech. In 10 years’ time—in fact, this COVID crisis may have accelerated it—that’s going to be 10 percent. We are lucky enough to be in an industry that’s going to double, and the partner opportunity therefore is clear.” –Microsoft CEO, Satya Nadella

REPORTING

Founders Advisors continues to field questions from clients around ASC 606 and how it applies specifically to SaaS revenue. Popular SaaS blog Chargebee provides a [high-level overview](#) of the accounting standard in terms that apply specifically to the SaaS model. In addition, the article focuses on how ASC 606 affects tracking of key metrics like MRR, an important valuation benchmark for SaaS businesses.

VALUATION

Valuations for the global SaaS market are higher than ever before. PwC’s [Technology Deals Insights](#) makes the point that, although deal volume was down in Q2, valuations were up for the second highest transaction value per deal in the past 5 years. The pandemic forced companies to embrace cloud-based offerings which continues to benefit the SaaS industry in terms of deal activity.

OUTLOOK

Companies across many industries are expected to spend more on software this year. Jared Council of the Wall Street Journal states that as [pandemic restrictions ease](#) and the economy continues to recover, tech spending is expected to rise to record rates. Additionally, Deloitte’s [Technology Market Outlook](#) highlights growth opportunities throughout the technology industry.

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HOW ENTERPRISE VALUE TRANSLATES TO NET TRANSACTION PROCEEDS

In the world of private capital transactions, deal values and statistics are discussed primarily using the Enterprise Value metric. The term “Enterprise Value” (EV) is often defined as the total value ascribed to the business, inclusive of both the company’s equity and the debt used to finance operations. When deal values are reported publicly, or through other proprietary databases, we tend to see Enterprise Values for those transactions quoted as a multiple of EBITDA or Total Revenue. EV is an important metric in an investment banking process for several reasons: i) it allows buyers to state a value of the company based on true operational performance, regardless of capitalization and ii) it is the cleanest way for Sellers to compare and discuss different offers on an apples-to-apples basis. However, for many founders of private businesses, Enterprise Values often do not tell the complete story of what a transaction means to them individually.

The adage “Not all Enterprise Values are created equally” is used often around our firm. When reviewing the full scope of an offer to buy a business, the headline Enterprise Value is just a starting point as we determine the true value of the offer. Certainly, a primary factor to consider is the type of transaction (i.e., buyout vs. recapitalization) and the structure of any rollover equity consideration in a recapitalization. Equity preferences and coupon rates can make two similar EVs vastly different from a long-term perspective. However, even in a comparison between offers of 100% buyouts, there are a multitude of factors that sellers should consider in addition to the headline Enterprise Value.

During the decision-making process, we look to equate all offers to a **Net Transaction Proceeds** amount for our clients. In other words, once the deal closes, how much will the shareholders collectively receive from the transaction net of closing adjustments, debt-like items, escrows, and other transaction expenses? As a founder considers a potential liquidity event, they need to fully understand the Net Transaction Proceeds amount in order to plan for the future and make an informed decision on whether a transaction at the stated Enterprise Value trumps another competing offer or outweighs the benefits of retaining the business.

Discussed below are several variables that will impact how Enterprise Value translates into Net Transaction Proceeds. With most of these variables, a lot of time and energy is spent negotiating the specifics of each during the closing process. Sellers should have a complete understanding of these variables and how to approach those negotiations early in the process in order to maximize their Net Transaction Proceeds.

Let’s look at an example and discuss the various structural components that create the bridge from a \$100 Million Enterprise Value to a true Net Transaction Proceeds Amount (in this scenario, \$94 Million).

Letter of Intent Language

In this hypothetical example, a founder will see language in a Letter of Intent (LOI) ascribing value of \$100 Million to the business. That language would likely be worded as follows:

We propose to acquire 100% equity of the Company, on a cash-free, debt-free basis, at an Enterprise Valuation of \$100 Million. The Enterprise Valuation is based on the Trailing Twelve Months EBITDA of \$10 Million. The Purchase Price, subject to standard closing adjustments, will be paid to the Sellers upon successful completion of the definitive transaction documents.

The remainder of the Letter of Intent may discuss a few of the key closing adjustments at a high level (like an Escrow Amount range), but most Buyers will need to complete various levels of their due diligence before agreeing to specific terms and amounts. It is prudent for a Seller to push for an LOI with as much detail as possible for key structure terms. However, Buyers will be hesitant to commit with conviction without a deeper level of due diligence.

Stock Purchase Agreement Language

Once diligence is underway and legal documents are in process, language will be negotiated in the Purchase Agreement to formalize the terms and the amounts of many closing adjustments. The language in a Stock Purchase Agreement for this hypothetical would likely be structured as follows:

The “Initial Purchase Price” shall be an amount equal to (i) \$100,000,000 (the “Enterprise Value”), plus (ii) Estimated Closing Cash, minus (iii) the Adjustment Escrow Amount, minus (iv) the Indemnity Escrow Amount, minus (v) the aggregate amount of Indebtedness of Seller, minus (vi) the aggregate amount of Estimated Seller Transaction Expenses, plus or minus (vii) the Estimated Net Working Capital Adjustment.

Each of these variables will have separate definitions in the Purchase Agreement, and the negotiations will be centered on what those definitions include or exclude in order to land at an estimated amount for each at the time of closing. While a true-up period will exist post-closing to clean up any missed estimates at the closing table, the negotiated definitions will control the post-closing adjustment process.

HOW ENTERPRISE VALUE TRANSLATES TO NET TRANSACTION PROCEEDS

Key Closing Adjustments

In the chart below, we have highlighted several of the common closing adjustments and some key considerations when thinking through how each will impact the Net Proceeds amount.

Structure Item	Overview	Key Considerations
Closing Cash	The amount of Cash left in the business at closing; given the cash-free setup of this transaction, the Buyer is buying that cash amount from the Seller on a dollar-for-dollar basis in most transaction scenarios.	<ul style="list-style-type: none"> Timing of Close (end of month v. mid-month) and the impacts of AR and Payroll cycles Is a Minimum Cash amount required to offset a lack of NWC?
Adjustment Escrow Amount	The Adjustment Escrow is an amount of the purchase price that is set aside at Closing to fund any adjustments to the Initial Purchase Price calculation during the true-up period.	<ul style="list-style-type: none"> The amount of Estimated Closing Adjustments, including Transaction Expenses & Indebtedness, will determine the reasonable level of the escrow amount
Indemnity Escrow Amount	The Indemnity Escrow is an amount of the purchase price that is set aside at Closing to fund any indemnity claims that arise post-closing.	<ul style="list-style-type: none"> Indemnity Escrows are typically determined by a percentage of EV and may be adjusted up or down based on certain findings during the diligence process RWI Insurance Policies can reduce the need for a larger Escrow amount
Seller Indebtedness	As part of a “debt-free” transaction, Buyers will direct an amount of Transaction Proceeds to payoff any long-term debt. Seller Indebtedness will include any third-party bank debt, but the definition may also be extended to include items such as Accrued Bonuses, Accrued Commissions, and Deferred Revenue.	<ul style="list-style-type: none"> For third party debt obligations, Sellers should consider the timing and the bank’s process for paying off that debt amount For the business-related liabilities, Sellers will want to negotiate the definition of Indebtedness to prevent a Purchase Price reduction by keeping certain accounts in the Net Working Capital definition
Seller Transaction Expenses	As part of the Closing funds flow, certain transaction expenses of the Seller will be paid directly from the total proceeds amount. These expenses will include professional fees, and the definition can also be broadened to capture company related expenses like Management Transaction Bonuses.	<ul style="list-style-type: none"> Sellers should understand the structure of professional fees, including success-based fees For any management bonuses or other employee incentive compensation, the tax implications of those payments should be considered as part of the funds flow
Net Working Capital Adjustment	The Net Working Capital adjustment is a protection mechanism for the buyer, which sets a definition for the business’s normal course of Working Capital and requires that the Seller deliver that amount through the Balance Sheet at Closing. At a high level, Net Working Capital is typically defined as Current Assets (excluding Cash) minus Current Liabilities.	<ul style="list-style-type: none"> In general, Sellers should continue to operate their business on normal course, as NWC primarily protects Buyers from a Seller playing with key Balance Sheet accounts prior to Closing Sellers should be focused on the exact accounts that are included in the definition of Net Working Capital, and the timing of Closing should also be considered, as mid-month closes can have an impact to key NWC accounts

Summary Thoughts

- “Not all Enterprise Values are created equally.”
- Sellers, along with a team of experienced advisors, should look at a Net Transaction Proceeds estimate early in the sell-side process to fully understand the impact of the potential transaction.
- While Letters of Intent are formal offers, they often remain vague on key structure items that can materially impact a Seller’s Net Transaction Proceeds, until further diligence can be performed.
- The definitions of each Closing Adjustment should be carefully reviewed and negotiated by the Seller’s team during the legal negotiation process.
- Sellers, along with their advisory team, should be prepared to deliver specific closing day estimates based on the definitions of each Closing Adjustment.
- An experienced sell-side advisor should prepare Sellers for this process by introducing a comprehensive [Proceeds Analysis](#) or [Flow of Funds](#) model prior to a decision at the Letter of Intent Stage.

View the full blog post, complete with sample proceeds calculations, on Founders Advisors’ [website](#).

FOUNDERS ADVISORS OVERVIEW

ACTIVE SaaS VERTICALS EXPERIENCE AND COVERAGE



Fleet Management



EdTech



Supply Chain



GIS Mapping



FinTech



Non-Profits



PropTech



Payments



HCIT



GovTech

SILICON Y'ALL – SAAS & TECHNOLOGY SUMMIT 2021

From October 26th – 28th, Founders will host its 8th SaaS & Technology Summit – Silicon Y'all. For 2021, the event will take place at the scenic Renaissance Golf Resort and Spa at Ross Bridge, allowing us to show off the best of our home state. The summit is an exclusive gathering of select SaaS and Technology company leaders – registration is limited to 60 CEOs and 15 of the top tech private equity groups spanning the capital continuum. Attendees engage in meaningful discussions about growth, value, and current industry trends.

For more information, please visit SiliconYall.com and click here to join the [2021 waitlist](#).

SY
SILICON Y'ALL



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.



Enjoy southern cuisine and tradition at its finest during the SaaS & Internet 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.



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

RECENT TRANSACTIONS

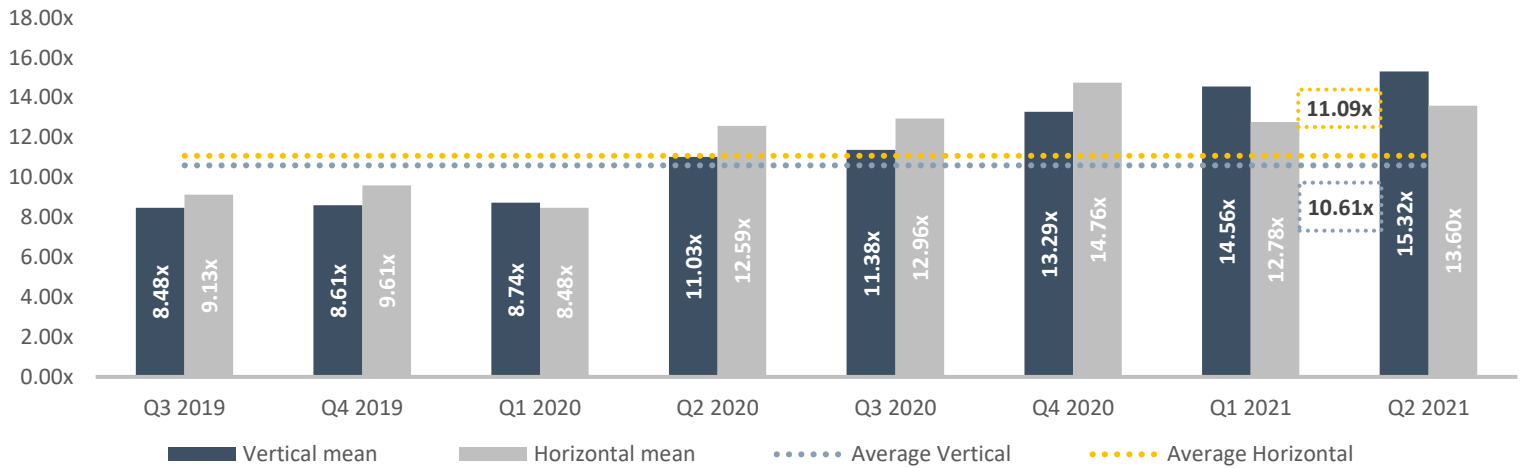
Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
6/28/2021	 ALLOCATE	 RLDatix™	\$1,362.0	N/A	N/A	N/A	N/A
6/28/2021	 QAD	 THOMABRAVO	\$1,846.9	\$316.7	\$24.0	5.9x	83.5x
6/25/2021	 PLEX®	 Rockwell Automation	\$2,200.0	\$150.0	N/A	14.7x	N/A
6/24/2021	 tink	 VISA	\$2,178.0	N/A	N/A	N/A	N/A
6/23/2021	 Playdemic	 Electronic Arts	\$1,400.0	N/A	N/A	N/A	N/A
6/22/2021	 SharpSpring	 Constant Contact	\$213.1	\$30.2	-\$6.9	7.9x	-34.6x
6/17/2021	 turbonomic	 IBM	\$1,750.0	N/A	N/A	N/A	N/A
6/17/2021	 Confluence	 CLEARLAKE CAPITAL	\$900.0	N/A	N/A	N/A	N/A
6/10/2021	 ZEGO	 globalpayments	\$925.0	N/A	N/A	N/A	11.9x
6/9/2021	 Message Media	 sinch	\$1,130.0	\$151.0	\$51.0	7.5x	22.2x
6/9/2021	 EKTO	 mastercard	\$850.0	N/A	N/A	N/A	N/A
6/8/2021	 ExtraHop	 BainCapital	\$900.0	\$91.2	N/A	9.9x	N/A
6/7/2021	 ecwid	 lightspeed	\$500.0	\$20.0	N/A	25.0x	N/A
6/4/2021	 BIGBEAR.AI DECISION DOMINANCE	 GigCapital4™	\$1,565.0	N/A	N/A	N/A	N/A
6/2/2021	 stackoverflow	 prosus	\$1,800.0	N/A	N/A	N/A	N/A
6/1/2021	 Divvy	 bill.com	\$2,500.0	N/A	N/A	N/A	N/A
6/1/2021	 FIRST AMERICAN	 deluxe®	\$960.0	\$2,079.1	N/A	10.0x	25.0x
6/1/2021	 absorb	 WCAS	\$500.0	\$50.0	N/A	10.0x	N/A
6/1/2021	 CLOUDERA	 CLAYTON DUBILIER & RICE KKR	\$4,782.2	\$883.1	\$18.0	6.0x	294.9x

RECENT TRANSACTIONS, CONT'D

Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
5/27/2021	 BLU JAY™ SOLUTIONS	 E2OPEN™	\$1,700.0	N/A	N/A	N/A	N/A
5/25/2021	 nd netdocuments	 COVE HILL PARTNERS	\$1,400.0	N/A	N/A	N/A	N/A
5/18/2021	 soprano	 link mobility	\$432.7	\$81.0	\$20.8	5.3x	20.8x
5/17/2021	 ProQuest	 Clarivate Analytics	\$5,300.0	\$876.0	\$250.0	6.1x ⁽¹⁾	21.2x
5/17/2021	 zipwhip	 twilio	\$850.0	N/A	N/A	N/A	N/A
5/17/2021	 Supplyframe	 SIEMENS	\$700.0	\$70.0	N/A	10.0x	N/A
5/7/2021	 xmatters	 everbridge®	\$240.0	N/A	N/A	4.8x ⁽¹⁾	N/A
5/6/2021	 NOBLE SYSTEMS	 abry partners	\$1,000.0	N/A	N/A	N/A	N/A
5/5/2021	 BitGo	 GALAXY DIGITAL	\$1,200.0	N/A	N/A	N/A	N/A
5/4/2021	 fenergo	 astorg	\$1,165.0	\$107.0	N/A	10.9x ⁽¹⁾	N/A
5/2/2021	 Boomi	 FP FRANCISCO PARTNERS	\$4,000.0	N/A	N/A	N/A	N/A
5/4/2021	 proofpoint	 THOMABRAVO	\$12,300.0	\$1,090.0	N/A	11.3x	N/A
5/2/2021	 BlueYonder	 Panasonic	\$8,500.0	\$1,000.0	N/A	8.5x	N/A
4/13/2021	 ENVERUS	 Hellman & Friedman	\$4,250.0	\$300.0	N/A	14.2x	N/A
4/12/2021	 NUANCE	 Microsoft	\$19,700.0	\$1,384.1	\$225.1	14.2x	71.1x
4/8/2021	 punchh	 PAR™	\$500.0	\$65.0 ⁽¹⁾	N/A	7.7x ⁽¹⁾	N/A

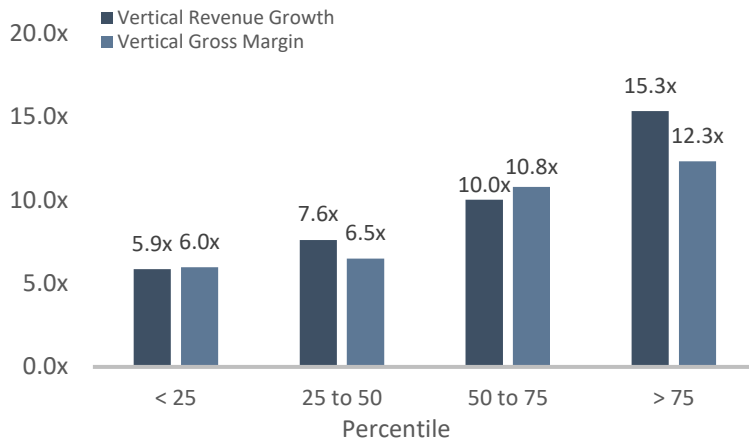
METRICS OVERVIEW

Public Vertical & Horizontal EV/LTM Revenue Multiples

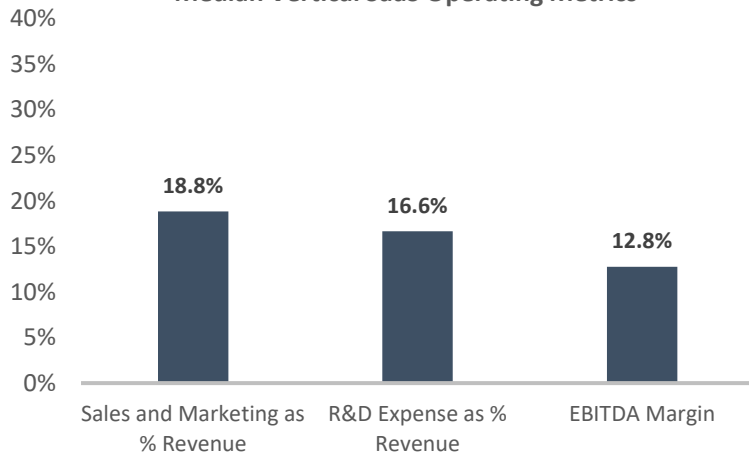


Public Vertical

Percentile Revenue Growth and Margin vs. EV/LTM Revenue

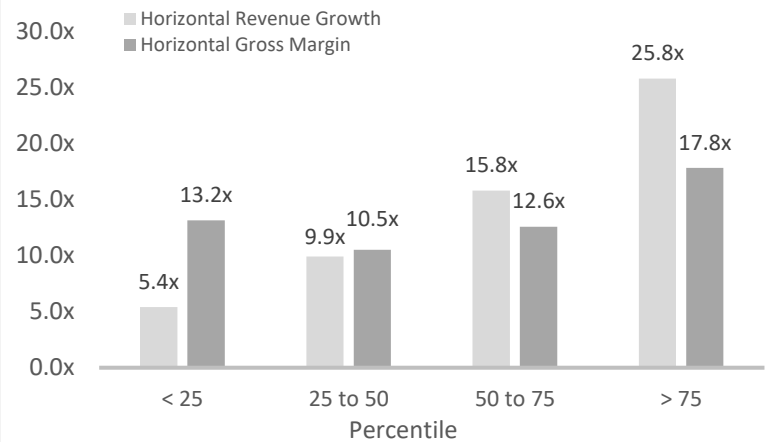


Median Vertical SaaS Operating Metrics

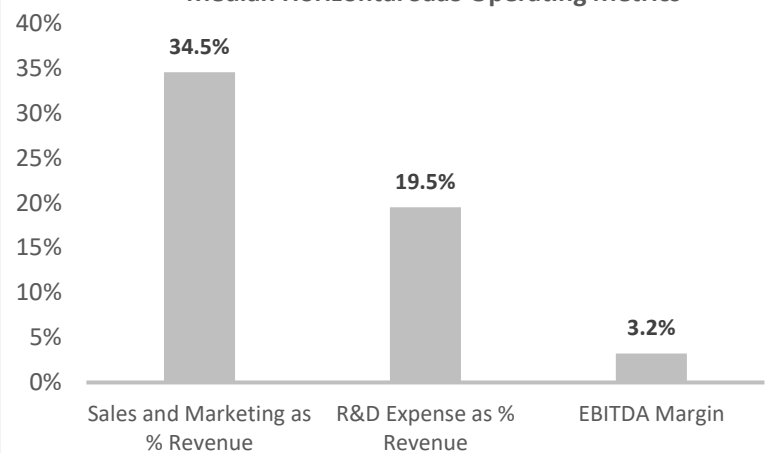


Public Horizontal

Percentile Revenue Growth and Margin vs. EV/LTM Revenue



Median Horizontal SaaS Operating Metrics



VALUATION & GROWTH METRICS

FA SaaS Index - Valuation & Growth - As of Q2 2021

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
Vertical SaaS Companies						
TWOU	2U	\$ 831.5	7.4%	\$ (75.9)	3.6x	NM
AMSWA	American Software	\$ 112.1	(2.5%)	\$ 10.9	5.5x	134.5x
APPF	AppFolio	\$ 316.5	2.1%	\$ 221.8	15.1x	21.5x
BKI	Black Knight (US)	\$ 1,297.5	4.8%	\$ 581.2	11.6x	25.8x
BL	BlackLine	\$ 368.0	4.6%	\$ (8.4)	17.4x	NM
BLKB	Blackbaud	\$ 908.8	(0.5%)	\$ 125.1	4.7x	34.2x
BNFT	Benefitfocus	\$ 267.1	(0.4%)	\$ 32.8	2.4x	19.2x
CVET	Covetrus	\$ 4,376.0	0.9%	\$ 74.0	1.0x	61.9x
EBIX	Ebix	\$ 777.8	24.3%	\$ 144.1	2.2x	11.6x
FDS	FactSet Research Systems	\$ 1,537.7	1.5%	\$ 561.5	8.3x	21.8x
GWRE	Guidewire Software	\$ 757.5	(0.6%)	\$ (1.6)	11.6x	NM
HLKY	HealthLynked	\$ 6.6	7.3%	\$ (12.1)	21.9x	NM
HSTM	HealthStream	\$ 246.7	0.8%	\$ 44.0	3.5x	19.4x
INOV	Inovalon Holdings	\$ 690.5	3.4%	\$ 200.9	8.9x	30.6x
ISDR	Issuer Direct	\$ 19.5	5.2%	\$ 3.6	4.3x	23.5x
ITI	Iteris	\$ 117.1	2.4%	\$ 3.3	2.2x	79.7x
MCO	Moody's	\$ 5,681.0	5.8%	\$ 2,929.0	12.7x	24.6x
MORN	Morningstar	\$ 1,458.3	5.0%	\$ 468.1	7.7x	23.9x
MOST	MobileSmith	\$ 2.0	(9.4%)	\$ (72.0)	109.2x	NM
NCNO	nCino	\$ 221.9	8.6%	\$ (49.7)	24.2x	NM
NH	NantHealth	\$ 71.2	(2.7%)	\$ (49.2)	6.8x	NM
Q TWO	Q2 Software	\$ 426.9	6.0%	\$ (47.3)	13.7x	NM
SAIC	Science Applications International	\$ 7,177.0	1.7%	\$ 489.0	1.0x	15.4x
SDGR	Schrödinger	\$ 114.0	5.5%	\$ (10.9)	41.1x	NM
SPSC	SPS Commerce	\$ 328.5	5.1%	\$ 58.6	10.3x	57.9x
TEMN	Temenos	\$ 907.4	2.3%	\$ 313.0	14.2x	41.1x
TKX	TrackX	\$ 2.4	(12.5%)	\$ (0.1)	4.2x	NM
TYL	Tyler Technologies	\$ 1,134.9	1.6%	\$ 261.2	15.6x	67.9x
VEEV	Veeva Systems	\$ 1,561.5	6.6%	\$ 464.2	29.1x	97.9x
	Min	\$ 2.0	(12.5%)	\$ (72.0)	1.0x	11.6x
	Median	\$ 397.4	2.4%	\$ 51.3	9.6x	25.8x
	Mean	\$ 1,103.1	2.7%	\$ 240.5	14.7x	42.8x
	Max	\$ 7,177.0	24.3%	\$ 2,929.0	109.2x	134.5x

Horizontal SaaS Companies

EGHT	8X8	\$ 532.3	4.6%	\$ (119.6)	6.2x	NM
ADBE	Adobe Systems	\$ 14,389.0	5.2%	\$ 5,735.0	19.3x	48.5x
ALRM	Alarm.com Holdings	\$ 638.6	3.3%	\$ 100.4	6.3x	40.3x
TEAM	Atlassian	\$ 1,960.1	8.7%	\$ (738.8)	32.4x	NM
BNFT	Benefitfocus	\$ 267.1	(0.4%)	\$ 32.8	2.4x	19.2x
BL	BlackLine	\$ 368.0	4.6%	\$ (8.4)	17.4x	NM
BOX	Box	\$ 789.7	2.4%	\$ 18.0	5.4x	235.4x

VALUATION & GROWTH METRICS, CONT'D

FA SaaS Index - Valuation & Growth - As of Q2 2021

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
Horizontal SaaS Companies						
BCOV	Brightcove	\$ 205.5	4.1%	\$ 7.7	2.7x	71.5x
CARB	Carbacid Investments Company	\$ 6.5	NM	\$ 2.8	3.2x	7.4x
CSLT	Castlight Health	\$ 142.7	(2.7%)	\$ (5.3)	2.6x	NM
ECOM	ChannelAdvisor	\$ 152.2	4.9%	\$ 24.2	4.3x	26.8x
CTXS	Citrix Systems	\$ 3,151.5	(2.6%)	\$ 599.9	5.6x	29.6x
CSOD	Cornerstone OnDemand	\$ 800.1	8.0%	\$ 130.3	5.6x	34.1x
COUP	Coupa	\$ 589.4	8.8%	\$ (177.3)	34.4x	NM
DOCU	DocuSign	\$ 1,625.1	11.8%	\$ (135.6)	33.6x	NM
EGAN	eGain	\$ 77.1	1.8%	\$ 9.9	4.0x	30.8x
EVBG	Everbridge	\$ 294.5	8.6%	\$ (57.6)	17.3x	NM
FIVN	Five9	\$ 477.7	9.8%	\$ (12.6)	26.1x	NM
HUBS	HubSpot	\$ 965.4	9.3%	\$ (11.2)	27.7x	NM
INTU	Intuit	\$ 8,888.0	15.2%	\$ 2,954.0	14.9x	44.8x
KXS	Kinaxis	\$ 229.2	2.2%	\$ 28.0	14.7x	120.3x
LPSN	LivePerson	\$ 396.4	8.1%	\$ (49.3)	10.7x	NM
LOGM	LogMeIn	\$ 1,312.7	3.0%	\$ 318.1	NM	NM
MIME	Mimecast	\$ 501.4	4.1%	\$ 102.0	6.8x	33.5x
MODN	Model N	\$ 173.6	5.0%	\$ (5.8)	6.9x	NM
NEWR	New Relic	\$ 667.6	2.0%	\$ (84.0)	6.0x	NM
PAYC	Paycom Software	\$ 871.3	3.5%	\$ 207.1	24.9x	104.7x
PCTY	Paylocity	\$ 598.8	2.5%	\$ 92.1	17.2x	111.7x
PEGA	Pegasystems	\$ 1,065.4	4.7%	\$ (60.4)	10.8x	NM
PFPT	Proofpoint	\$ 1,088.1	3.6%	\$ (84.5)	9.4x	NM
QLYS	Qualys	\$ 373.5	2.9%	\$ 107.6	9.7x	33.8x
RNG	RingCentral	\$ 1,268.5	7.2%	\$ 55.9	21.6x	490.3x
CRM	Salesforce.com	\$ 22,350.0	5.2%	\$ 5,991.0	9.7x	36.3x
SCWX	SecureWorks	\$ 559.3	(0.3%)	\$ 11.1	2.5x	125.5x
NOW	ServiceNow	\$ 4,833.1	6.9%	\$ 565.5	22.2x	189.6x
SHOP	Shopify	\$ 3,448.1	17.7%	\$ 1,735.7	50.8x	100.9x
SMAR	Smartsheet	\$ 417.1	8.2%	\$ (127.4)	20.8x	NM
UPLD	Upland Software	\$ 297.7	2.0%	\$ (12.8)	5.3x	NM
VRNS	Varonis Systems	\$ 313.3	7.0%	\$ (75.8)	17.8x	NM
WIX	Wix.com	\$ 1,076.9	8.9%	\$ (166.8)	15.1x	NM
WDAY	Workday	\$ 4,474.6	3.6%	\$ 180.1	13.0x	322.9x
WK	Workiva	\$ 370.0	5.2%	\$ (29.9)	14.5x	NM
YEXT	Yext	\$ 361.3	1.9%	\$ (79.5)	4.6x	NM
ZEN	Zendesk	\$ 1,090.1	5.9%	\$ (132.9)	15.9x	NM
ZIXI	Zix	\$ 226.1	3.5%	\$ 37.1	3.2x	19.4x
ZUO	Zuora	\$ 311.9	2.1%	\$ (64.6)	6.4x	NM
Min		\$ 6.5	(2.7%)	\$ (738.8)	2.4x	7.4x
Median		\$ 574.3	4.6%	\$ 5.3	10.7x	44.8x
Mean		\$ 1,847.7	5.2%	\$ 365.4	13.6x	99.0x
Max		\$ 22,350.0	17.7%	\$ 5,991.0	50.8x	490.3x

OPERATING STATISTICS

FA SaaS Index - Operating Statistics - As of Q2 2021

(In millions)

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	30.0%	70.0%	69.9%	19.6%	48.6%	(9.1%)
AMSWA	American Software	46.3%	53.7%	35.1%	14.8%	18.7%	9.7%
APPF	AppFolio	39.0%	61.0%	35.5%	16.3%	19.0%	70.1%
BKI	Black Knight (US)						44.8%
BL	BlackLine	20.3%	79.7%	70.9%	17.3%	48.4%	(2.3%)
BLKB	Blackbaud	46.9%	53.1%	37.3%	11.5%	22.0%	13.8%
BNFT	Benefitfocus	46.5%	53.5%	31.7%	16.9%	17.8%	12.3%
CVET	Covetrus	81.6%	18.4%	19.6%			1.7%
EBIX	Ebix	65.1%	34.9%	12.0%	4.6%	1.8%	18.5%
FDS	FactSet Research Systems	48.0%	52.0%	22.3%			36.5%
GWRE	Guidewire Software	47.9%	52.1%	32.2%	28.0%	20.3%	(0.2%)
HLYK	HealthLynked			115.9%			NCM
HSTM	HealthStream	36.6%	63.4%	31.8%	13.9%	14.2%	17.8%
INOV	Inovalon Holdings	24.8%	75.2%	41.0%	5.1%	9.9%	29.1%
ISDR	Issuer Direct	28.5%	71.5%	47.2%	4.5%	20.5%	18.3%
ITI	Iteris	60.0%	40.0%	33.4%	4.4%		2.8%
MCO	Moody's	26.9%	73.1%	21.5%			51.6%
MORN	Morningstar	39.5%	60.5%	34.4%		14.9%	32.1%
MOST	MobileSmith	39.7%	60.3%	246.0%	154.1%	74.8%	NCM
NCNO	nCino	43.1%	56.9%	52.0%	29.2%	29.7%	(22.4%)
NH	NantHealth	40.9%	59.1%	68.3%	26.3%		(69.1%)
QTWO	Q2 Software	55.8%	44.2%	34.0%	23.2%	16.9%	(11.1%)
SAIC	Science Applications International	88.5%	11.5%	5.0%			6.8%
SDGR	Schrödinger	43.9%	56.1%	56.6%	63.5%	16.0%	(9.5%)
SPSC	SPS Commerce	32.3%	67.7%	40.2%	9.8%	24.0%	17.8%
TEMN	Temenos	35.7%	64.3%	26.7%		19.0%	34.5%
TKX	TrackX	36.0%	64.0%	75.0%		6.0%	(2.6%)
TYL	Tyler Technologies	50.9%	49.1%	23.9%	7.7%		23.0%
VEEV	Veeva Systems	27.5%	72.5%	25.5%	20.2%	15.6%	29.7%
	Min	20.3%	11.5%	5.0%	4.4%	1.8%	(69.1%)
	Median	40.9%	59.1%	34.8%	16.6%	18.8%	18.5%
	Mean	43.8%	56.2%	48.0%	24.6%	22.9%	12.8%
	Max	88.5%	79.7%	246.0%	154.1%	74.8%	70.1%

Horizontal SaaS Companies

EGHT	8X8	43.2%	56.8%	66.9%	17.3%	48.1%	(22.5%)
ADBE	Adobe Systems	12.1%	87.9%	34.6%	16.4%	27.5%	39.9%
ALRM	Alarm.com Holdings	36.8%	63.2%	24.8%	24.3%	12.2%	15.7%
TEAM	Atlassian	15.7%	84.3%	31.5%	47.4%	16.2%	(37.7%)
BNFT	Benefitfocus	46.5%	53.5%	31.7%	16.9%	17.8%	12.3%
BL	BlackLine	20.3%	79.7%	70.9%	17.3%	48.4%	(2.3%)
BOX	Box	29.3%	70.7%	48.5%	25.2%	34.5%	2.3%

OPERATING STATISTICS, CONT'D

FA SaaS Index - Operating Statistics - As of Q2 2021

(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
Horizontal SaaS Companies							
BCOV	Brightcove	37.3%	62.7%	43.5%	16.3%	30.1%	3.8%
CARB	Carbacid Investments Compar	37.9%	62.1%	27.4%	NM	NM	43.2%
CSLT	Castlight Health	35.3%	64.7%	37.8%	33.5%	19.9%	(3.7%)
ECOM	ChannelAdvisor	20.8%	79.2%	51.3%	13.0%	36.3%	15.9%
CTXS	Citrix Systems	16.7%	83.3%	49.5%	17.4%	37.8%	19.0%
CSOD	Cornerstone OnDemand	30.7%	69.3%	49.7%	15.0%	35.0%	16.3%
COUP	Coupa	43.9%	56.1%	70.3%	25.6%	45.5%	(30.1%)
DOCU	DocuSign	24.3%	75.7%	65.8%	18.6%	53.3%	(8.3%)
EGAN	eGain	24.9%	75.1%	41.1%	23.1%	30.9%	12.9%
EVBG	Everbridge	29.7%	70.3%	71.1%	22.6%	43.6%	(19.5%)
FIVN	Five9	41.9%	58.1%	46.1%	15.8%	30.8%	(2.6%)
HUBS	HubSpot	19.0%	81.0%	62.8%	23.6%	50.8%	(1.2%)
INTU	Intuit	17.3%	82.7%	35.1%	17.4%	25.0%	33.2%
KXS	Kinaxis	32.6%	67.4%	39.9%	22.4%	23.3%	12.2%
LPSN	LivePerson	29.5%	70.5%	51.1%	29.3%	36.3%	(12.4%)
LOGM	LogMeIn	26.2%	73.8%	46.7%	11.9%	36.1%	24.2%
MIME	Mimecast	24.3%	75.7%	49.4%	19.4%	35.8%	20.3%
MODN	Model N	42.1%	57.9%	40.7%	21.8%	0.0%	(3.4%)
NEWR	New Relic	27.2%	72.8%	72.3%	26.2%	0.0%	(12.6%)
PAYC	Paycom Software	14.9%	85.1%	49.1%	10.7%	NM	23.8%
PCTY	Paylocity	34.4%	65.6%	44.0%	12.3%	0.0%	15.4%
PEGA	Pegasystems	29.5%	70.5%	59.0%	22.6%	NM	(5.7%)
PFPT	Proofpoint	25.7%	74.3%	56.0%	27.1%	NM	(7.8%)
QLYS	Qualys	22.1%	77.9%	38.9%	19.4%	10.7%	28.8%
RNG	RingCentral	27.4%	72.6%	66.2%	16.7%	28.5%	4.4%
CRM	Salesforce.com	25.7%	74.3%	53.6%	16.5%	1.1%	26.8%
SCWX	SecureWorks	42.3%	57.7%	43.6%	19.5%	26.6%	2.0%
NOW	ServiceNow	22.0%	78.0%	49.9%	23.0%	11.6%	11.7%
SHOP	Shopify	46.5%	53.5%	27.5%	17.7%	14.7%	50.3%
SMAR	Smartsheet	22.5%	77.5%	77.7%	31.0%	16.2%	(30.5%)
UPLD	Upland Software	33.8%	66.2%	41.4%	13.6%	212.2%	(4.3%)
VRNS	Varonis Systems	15.2%	84.8%	76.2%	34.1%	3136.9%	(24.2%)
WIX	Wix.com	34.3%	65.7%	56.4%	32.0%	13.4%	(15.5%)
WDAY	Workday	27.4%	72.6%	37.4%	38.4%	43.3%	4.0%
WK	Workiva	24.7%	75.3%	57.5%	26.6%	171.2%	(8.1%)
YEXT	Yext	24.1%	75.9%	82.8%	15.9%	68.3%	(22.0%)
ZEN	Zendesk	23.2%	76.8%	66.1%	24.7%	4.4%	(12.2%)
ZIXI	Zix	53.0%	47.0%	35.2%	10.4%	83.5%	16.4%
ZUO	Zuora	42.1%	57.9%	56.4%	25.1%	156.0%	(20.7%)
Min		12.1%	47.0%	24.8%	10.4%	1.1%	(37.7%)
Median		27.4%	72.6%	49.4%	19.5%	34.5%	16.1%
Mean		29.5%	70.5%	50.8%	21.7%	113.7%	3.2%
Max		53.0%	87.9%	82.8%	47.4%	3136.9%	50.3%

BALANCE SHEET METRICS

FA SaaS Index - Balance Sheet Metrics - As of Q2 2021

(In millions)

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	(14.3%)	(24.4%)	2.3x	25.9	63.5	43.2%	40.8%
AMSWA	American Software	3.3%	4.7%	2.9x	75.4	37.4	34.3%	1.5%
APPF	AppFolio	44.4%	69.7%	4.2x	12.5	22.5	23.7%	13.9%
BKI	Black Knight (US)	4.5%	9.9%	1.4x	38.6		71.7%	86.8%
BL	BlackLine	(5.2%)	(15.5%)	5.1x	95.2	44.4	19.6%	317.3%
BLKB	Blackbaud	0.2%	0.7%	0.7x	40.4	332.2	138.9%	137.9%
BNFT	Benefitfocus	(4.3%)		3.9x	38.3	14.2	25.9%	951.2%
CVET	Covetrus			2.1x	42.0	47.3	48.0%	70.5%
EBIX	Ebix	5.6%	14.8%	2.0x	64.5	51.3	49.2%	103.8%
FDS	FactSet Research Systems	19.2%	44.7%	3.2x	38.1	53.9	31.3%	90.1%
GWRE	Guidewire Software	(1.2%)	(1.6%)	6.1x	42.1	25.6	16.4%	30.2%
HLYK	HealthLynked	(211.2%)	(2717.6%)	1.4x	7.1		70.0%	23.9%
HSTM	HealthStream	1.9%	2.8%	1.0x	48.3	69.0	101.7%	8.2%
INOV	Inovalon Holdings	1.7%	4.8%	2.2x	72.4	87.5	46.1%	131.7%
ISDR	Issuer Direct	7.1%	8.9%	4.4x	47.6	55.3	22.7%	6.6%
ITI	Iteris	0.4%	0.7%	2.1x	59.4	42.8	47.4%	12.8%
MCO	Moody's	17.1%	150.8%	2.2x	91.2	53.1	45.9%	307.4%
MORN	Morningstar	10.1%	21.6%	1.2x	49.4	36.9	83.6%	43.2%
MOST	MobileSmith	(5068.0%)		2.1x	36.4	328.2	46.8%	-114.9%
NCNO	nCino	(10.5%)	(13.9%)	3.3x	67.0	25.6	30.4%	6.7%
NH	NantHealth	(44.3%)		0.2x	23.0	99.3	611.7%	-173.5%
Q TWO	Q2 Software	(10.1%)	(22.1%)	4.0x	29.9	17.6	24.9%	95.8%
SAIC	Science Applications Internati	4.7%	18.7%	1.0x	41.2	45.9	97.1%	169.8%
SDGR	Schrödinger	(2.2%)	(2.6%)	10.0x	54.5	47.6	10.0%	1.6%
SPSC	SPS Commerce	9.4%	11.7%	3.6x	36.4	16.7	28.1%	5.0%
TEMN	Temenos	8.8%	42.1%	0.7x	118.3	247.6	149.6%	185.7%
TKX	TrackX	(73.0%)		0.6x	83.7	366.0	165.6%	-89.1%
TYL	Tyler Technologies	7.1%	9.7%	3.2x	115.8	7.5	30.9%	29.8%
VEEV	Veeva Systems	14.8%	19.3%	3.5x	68.6	30.7	28.4%	2.5%
	Min	(5068.0%)	(2717.6%)	0.2x	7.1	7.5	10.0%	-173.5%
	Median	1.8%	6.9%	2.2x	47.6	47.3	45.9%	30.2%
	Mean	(188.7%)	(98.4%)	2.8x	53.9	84.1	73.9%	86.1%
	Max	44.4%	150.8%	10.0x	118.3	366.0	611.7%	951.2%
Horizontal SaaS Companies								
EGHT	8X8	(24.0%)	(94.9%)	2.3x	30.6	74.8	43.9%	251.6%
ADBE	Adobe Systems	23.5%	44.1%	1.3x	35.9	111.4	76.1%	33.9%
ALRM	Alarm.com Holdings	10.8%	18.7%	8.7x	47.1	62.9	11.4%	83.6%
TEAM	Atlassian	(23.5%)	(162.9%)	0.8x	25.2	103.0	127.6%	190.7%
BNFT	Benefitfocus	(4.3%)	NM	3.9x	38.3	14.2	25.9%	951.2%
BL	BlackLine	(5.2%)	(15.5%)	5.1x	95.2	44.4	19.6%	317.3%
BOX	Box	(2.9%)	(35.0%)	1.4x	62.7	19.7	70.0%	552.2%

BALANCE SHEET METRICS, CONT'D

FA SaaS Index - Balance Sheet Metrics - As of Q2 2021

(In millions)

Ticker	Company Name	Return on Assets	Return on Equity	Current Ratio	Days Sales Outstanding	Days Payable Outstanding	Liabilities/ Assets	Debt/ Equity
Horizontal SaaS Companies								
BCOV	Brightcove	3.9%	9.4%	0.9x	51.9	56.1	107.7%	9.4%
CARB	Carbacid Investments Compar	9.3%	10.4%	5.8x	77.8	101.3	17.4%	
CSLT	Castlight Health	(5.2%)	(7.3%)	2.5x	81.1	56.0	39.9%	9.5%
ECOM	ChannelAdvisor	13.1%	18.3%	2.7x	56.4	6.3	37.0%	3.0%
CTXS	Citrix Systems	8.3%	1749.5%	0.7x	76.6	124.3	145.3%	1469.3%
CSOD	Cornerstone OnDemand	(2.1%)	(15.9%)	0.6x	70.8	23.4	159.4%	411.2%
COUP	Coupa	(10.8%)	(39.7%)	0.8x	78.8	6.8	130.0%	157.2%
DOCU	DocuSign	(9.6%)	(50.5%)	1.0x	57.5	25.7	98.8%	389.2%
EGAN	eGain	7.8%	18.9%	1.6x	79.8	37.3	61.4%	6.3%
EVBG	Everbridge	(9.1%)	(34.0%)	3.3x	98.8	38.4	30.2%	179.0%
FIVN	Five9	(5.0%)	(20.5%)	6.5x	30.6	27.1	15.4%	577.7%
HUBS	HubSpot	(4.9%)	(12.4%)	2.8x	37.6	26.7	35.2%	95.6%
INTU	Intuit	18.1%	31.4%	2.0x	12.2	124.6	50.9%	24.8%
KXS	Kinaxis	1.6%	2.4%	2.3x	71.2	61.0	42.7%	5.6%
LPSN	LivePerson	(12.8%)	(50.0%)	3.5x	69.1	44.8	28.6%	214.8%
LOGM	LogMeIn	0.2%	0.3%	0.7x	27.5	52.9	143.6%	11.0%
MIME	Mimecast	3.6%	10.0%	1.3x	69.4	43.0	78.0%	69.2%
MODN	Model N	(7.4%)	(19.7%)	2.4x	72.3	20.1	41.1%	109.4%
NEWR	New Relic	(14.7%)	(47.3%)	2.3x	74.1	38.9	44.1%	124.9%
PAYC	Paycom Software	5.7%	22.5%	1.1x	4.9	37.4	92.4%	4.1%
PCTY	Paylocity	2.7%	15.8%	1.1x	3.7	5.2	93.0%	16.8%
PEGA	Pegasystems	(2.8%)	(8.0%)	2.3x	60.7	26.8	43.9%	130.5%
PFPT	Proofpoint	(5.6%)	(27.6%)	1.4x	64.6	7.4	73.6%	382.6%
QLYS	Qualys	10.3%	18.3%	1.8x	77.9	5.5	56.0%	13.7%
RNG	RingCentral	(1.1%)	(6.1%)	1.7x	38.4	75.5	59.7%	676.1%
CRM	Salesforce.com	7.4%	11.3%	1.3x	67.9	210.6	75.0%	14.4%
SCWX	SecureWorks	(2.0%)	(3.1%)	1.2x	70.0	35.6	83.2%	3.2%
NOW	ServiceNow	2.0%	5.7%	1.2x	53.4	28.4	81.0%	69.4%
SHOP	Shopify	23.2%	27.4%	17.1x	22.2	61.1	5.8%	11.8%
SMAR	Smartsheet	(14.7%)	(23.9%)	1.8x	63.3	14.5	56.1%	16.4%
UPLD	Upland Software	(5.4%)	(21.2%)	1.7x	57.2	48.6	58.7%	167.8%
VRNS	Varonis Systems	(17.0%)	(53.7%)	5.0x	68.2	5.8	19.9%	47.4%
WIX	Wix.com	(15.3%)	(103.3%)	1.8x	7.6	69.1	56.9%	472.7%
WDAY	Workday	(2.1%)	(5.6%)	0.9x	60.4	16.2	107.8%	63.4%
WK	Workiva	(6.6%)	(63.7%)	2.3x	52.3	17.9	44.0%	475.7%
YEXT	Yext	(15.0%)	(40.9%)	1.5x	61.0	63.8	66.9%	61.0%
ZEN	Zendesk	(11.4%)	(52.1%)	1.7x	51.7	25.1	57.3%	275.0%
ZIXI	Zix	(1.9%)	(23.1%)	0.6x	24.2	52.3	172.0%	152.8%
ZUO	Zuora	(18.2%)	(43.5%)	1.6x	71.5	17.0	63.6%	40.5%
Min		(24.0%)	(162.9%)	0.6x	3.7	5.2	5.8%	3.0%
Median		(2.9%)	(12.4%)	1.7x	60.6	37.9	58.0%	95.6%
Mean		(2.4%)	20.7%	2.5x	54.6	47.2	66.3%	207.6%
Max		23.5%	1749.5%	17.1x	98.8	210.6	172.0%	1469.3%

FOUNDERS TECHNOLOGY TRANSACTIONS

 Has been acquired by KOFAX Sell-Side Advisor	Workflow Automation Platform Has been recapitalized by An undisclosed financial buyer Sell-Side Advisor	 Has been acquired by Csp innovations Sell-Side Advisor	Data Masons Has been acquired by  Sell-Side Advisor	 Has been recapitalized by AKKR Financial Advisor	VINCARI Has been acquired by NUANCE Sell-Side Advisor	 Has been acquired by SSM PARTNERS Sell-Side Advisor
Predikto Has been acquired by United Technologies Sell-Side Advisor	NXGEN Has been recapitalized by PARTHENON CAPITAL PARTNERS Financial Advisor	Vertical Software Provider Has been recapitalized by GSV GREATER SUM VENTURES Financial Advisor	INNOVA ZONES Has been recapitalized by aramark Financial Advisor	 Has been acquired by SPS COMMERCE Sell-Side Advisor	COCONSTRUCT BUILD TOGETHER Has been recapitalized by Serent CAPITAL Financial Advisor	Vertical SaaS Company Has been acquired by INSIGHT VENTURE PARTNERS Sell-Side Advisor
PREsenso. Has been acquired by SKF Sell-Side Advisor	 Has been acquired by Diligent Sell-Side Advisor	 Has been recapitalized by GO CAPITAL Financial Advisor	Ministry Brands and in10sity Have been acquired by PROVIDENCE EQUITY Sell-Side Advisor	 Has been acquired by XL MEDIA Sell-Side Advisor	Software Application Provider Has been acquired by amazon Financial Advisor	LIVETEXT Learn what's possible Has been acquired by QUAD PARTNERS Sell-Side Advisor
 Has been acquired by Maysteel Sell-Side Advisor	K-12 Content & Messaging Platform Has been acquired by communitybrands Sell-Side Advisor	 Has been acquired by scribble LIVE Sell-Side Advisor	 Has been recapitalized by THE MUSTANG GROUP Financial Advisor	 Has been acquired by Bankrate, Inc. Sell-Side Advisor	 Has been recapitalized by GSV GREATER SUM VENTURES Financial Advisor	 Has been recapitalized by bv INVESTMENT PARTNERS Financial Advisor
 Has been acquired by iCommissions Sell-Side Advisor	 Has been acquired by INVESTOPEDIA A subsidiary of IAC Sell-Side Advisor	TICKET • BISCUIT Has been recapitalized by BALLAST POINT VENTURES Financial Advisor	 Has been acquired by OVERSEE.NET Sell-Side Advisor	ACTEK SOFT INTEGRATE AUTOMATE COLLABORATE ANALYZE Has been acquired by CALLIDUS Sell-Side Advisor	GradesFirst Has been acquired by The Advisory Board Company Sell-Side Advisor	redOrbit Has been acquired by SCIENCE MATTERS MEDIA Sell-Side Advisor
 Has been acquired by XL MEDIA Sell-Side Advisor	SmarterServices Helping you make smarter decisions Has been recapitalized by MAIN LINE EQUITY PARTNERS Sell-Side Advisor	 Has been acquired by ALPINE INVESTORS, L.P. Sell-Side Advisor	TICKET • BISCUIT Has secured growth funding from G&G CAPITAL PARTNERS Financial Advisor	 Has been acquired by 301 Digital Media Sell-Side Advisor	 Has secured growth capital from Harbert Management Corporation e.ventures GREYCROFT Strategic Advisor	DepositAccounts Has been acquired by lendingtree Sell-Side Advisor
 Has been acquired by Alere Sell-Side Advisor	 Has been acquired by USA TODAY Sell-Side Advisor	nursing jobs.org Has been acquired by ib Internet Brands Sell-Side Advisor	 Has been acquired by ib Internet Brands Sell-Side Advisor	 Has been acquired by QUIN STREET Sell-Side Advisor	TriNovus Has been acquired by TEMENOS Sell-Side Advisor	 Has been acquired by Bankrate, Inc. Sell-Side Advisor
Top Insurance Lead-Gen Company Has been acquired by Bankrate, Inc. Financial Advisor	 Has been acquired by QUIN STREET Sell-Side Advisor	 Has been acquired by SofterWare. Sell-Side Advisor	 Has been acquired by QUIN STREET Sell-Side Advisor	 Has been acquired by Bankrate, Inc. Sell-Side Advisor	 Has been acquired by An Undisclosed Strategic Buyer Sell-Side Advisor	PORTFOLIO OF TRUCKING EMPLOYMENT WEBSITES OWNED BY VERTICAL ALLIANCE Has been acquired by ib Internet Brands Sell-Side Advisor

FOUNDERS IN THE PRESS

Duane Donner, founder and CEO of Founders, was recently a featured columnist in CEOWORLD Magazine. As an experienced advisor of family-owned businesses, Duane gives the following summary of current conditions:



“2021 can be an excellent time to sell a family business – the best in many years and for many years to come. Market conditions are right and family dynamics are more favorable to a sale to an outside entity than in the past. The key to a successful sale is being clear on your objectives up front, taking time to find the right buyer/partner and being reasonable in negotiating the terms of the sale so that both seller and buyer get most of what they want.”

The full article may be viewed on the CEOWORLD website [here](#).

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