

SAAS

INDUSTRY UPDATE | Q2 2022



NOTABLE & QUOTABLE

"I said there were storm clouds. But I'm going to change it. It's a hurricane. ... That hurricane is right out there down the road coming our way. We just don't know if it's a minor one or Superstorm Sandy. ... You better brace yourself." **—JP Morgan Chairman & CEO, Jamie Dimon, speaking at conference hosted by AllianceBernstein**

"Two words: servant leader. Transportation is a leading barrier to care in the US, and my role is to support our brilliant, diverse-led team to create scalable impact—with the vision of removing transportation as a barrier to wellness." **—Roundtrip CEO, Mark Switaj, when asked to describe his role**

"It's still this uphill battle, every time, to take an idea from something in a lab to something that actually matters in the world. That process doesn't seem to be getting any easier. And it probably shouldn't. The bar here should be quite high" **—Entrepreneur & Investor, Marc Andreessen, on the difficulty of scaling a startup**

"Unless you are Facebook, Apple, or Amazon, even analyzing all your data perfectly will only tell you about a tiny fraction of the world...The more connected a data set is to other data elements, the more valuable it is." **—SafeGraph CEO, Auren Hoffman, on the importance of data partnerships**

GROWTH

In recent months, Founders has discussed with many SaaS company owners the costs of rapid growth in a time when investors are shifting their focus towards profitability. Boston Consulting Group, in a timely article titled [The Real Rules of Growth and Profits in Software](#), defines four stages of growth, provides five rules for profitable growth, and offers other helpful tools for striking the right balance, all backed by data.

REGULATION

With Google's Chrome browser set to block third-party cookies in mid-2023, Founders is considering how this will affect SaaS companies and their ability to advertise. McKinsey & Company lays out [Three Strategies for Advertisers](#) including creating touchpoints for first-party data collection, focusing on partnerships to leverage second-party data, and experimenting with contextual and interest-based advertising.

OUTLOOK

Business owners and investment bankers alike are keeping a close eye on the macro-economy, looking for signals to determine if conditions have reached a trough, or if we've yet to see the worst of it. What do other CEOs think? The Wall Street Journal surveyed 750 executives to determine exactly that and learned that [more than 60% of CEOs anticipate a recessionary period over the next 12 to 18 months](#).

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MAXIMIZING ENTERPRISE VALUE FOR YOUR SOFTWARE BUSINESS

In volatile markets, investors place more emphasis on profitability. In recent conversations with buyers, this is absolutely the case, as companies on a “path to profitability” are finding it much harder to raise capital. Investor appetite for software and SaaS companies remains high, but companies with consistent and growing EBITDA margins receive special attention. It is common for owners to run personal/non-company related revenue or expenses through the business or to expense certain items that would normally be capitalized, and these practices come in handy during tax season. However, as tech focused private equity groups move away from ‘growth at all costs’ and apply an increased focus on business economics and sales and marketing efficiency (even more than ever), these practices can seriously impact a company’s valuation.

Our best advice to software and SaaS business owners considering an exit or recapitalization is: a) gain an understanding of what generally accepted addbacks/adjustments are, b) understand how they impact valuation, and c) begin the process of identifying and tracking them within your business.

What are addbacks/adjustments?

Addbacks and adjustments to EBITDA/profitability come in many forms (typical items and examples are shown below) but can generally be described as any item on the income statement that is non-core, one-time, or personal in nature. Put simply, addbacks and adjustments are items that should be “added back” to net income and/or zeroed out on the income statement due to one of the previously mentioned reasons. A good rule-of-thumb is to imagine that your business was acquired by a publicly traded corporation or private equity group – any item the acquirer a) would not expect to be part of the business going forward, or b) would not include on the income statement is likely an adjustment.

Addback / Adjustment	Examples
Non-Core	<i>Revenue and expenses that do not pertain to the company's core operations</i>
Revenue	<ul style="list-style-type: none"> Revenue generated by other/unrelated business ventures
Expenses	<ul style="list-style-type: none"> Expenses related to other/unrelated business ventures
One-Time / Non-Recurring	<i>Revenue and expenses related to one-time items that will not recur in the future</i>
Revenue	<ul style="list-style-type: none"> Revenue from a trial product/service that was ultimately scrapped Revenue from a large, one-time special project or customer Revenue from a discontinued business line Revenue from a one-time event such as forgiveness of PPP loan
Expenses	Professional Fees <ul style="list-style-type: none"> Expenses related to non-customary legal disputes (i.e., attorney fees, settlements) <ul style="list-style-type: none"> Attorney fees such as those related to reviewing/editing contracts or unique agreements and those related to an acquisition <ul style="list-style-type: none"> One-time accounting fees One-time outsourced marketing projects Costs of a QoE in preparation for a market process Any other one-time / unusual expenses <ul style="list-style-type: none"> Costs of moving to a new facility One-time marketing campaign Start-up costs related to a new business line Severance payments, or one-time employee bonuses not expected going forward
Personal	<i>Revenue / Expenses related to the owner(s) personally that would not occur under new ownership</i>
Revenue	<ul style="list-style-type: none"> Rent on property owned by the shareholders of the company Consulting fees for services the owner provided (assuming consulting is not the company's core model)
Expenses	<ul style="list-style-type: none"> Travel and entertainment expenses unrelated to business trips/meetings Payments to family members who are not working for the business Personal car, health, and other insurance payments; leases for personal vehicles Charitable donations that are discretionary Country club dues Owner salaries/bonuses in excess of market compensation

MAXIMIZING ENTERPRISE VALUE (CONTINUED)

What should I do about addbacks/adjustments?

If you plan to pursue an exit or recapitalization, you should identify any potential addbacks or adjustments to your financial statements and begin tracking them regularly. This can be done however is easiest/most efficient for you and your team, but we recommend the following:

- Record addbacks on a monthly basis. When looking back quarterly or annually to identify addbacks, it is easy to forget when/where these items appear on the income statement, and you might forget about others entirely. You reduce the risk of leaving out some items (leaving additional value on the table) by recording addbacks each month.
- Record the exact dollar amount, and which account it affects – This is particularly true if only a portion of an account is added back. For example, if \$20,000 out of a \$30,000 “Travel and Entertainment” (T&E) expense was for your family’s vacations, that \$20,000 could be added back to EBITDA; however, it may be helpful for buyers to know where that \$20,000 was originally recorded. By doing so, they can see that the T&E line was artificially inflated.
- Keep notes. If you find yourself in a discussion over whether certain addbacks are reasonable, it will be beneficial to keep careful notes on why you chose to add back the expense. For example, if you add back “marketing expenses” of \$50,000, a buyer may question this choice since marketing expenses are considered normal business practices. However, if you can explain that these expenses were related to a marketing campaign for a trial product that was discontinued (and therefore, will not be incurred again next year), the buyer is more likely to agree with your rationale.

How do addbacks affect valuation?

The primary way addbacks and adjustments affect valuation is when they alter EBITDA. Hypothetically, if you receive an offer for your software company based on a multiple of 12 times trailing twelve months (TTM) EBITDA and your company’s unadjusted EBITDA is \$8.0 million, the buyer has essentially valued your company at \$96 million. Now assume that your company has tracked addbacks & adjustments for the past 12 months:

EBITDA:	\$8,000,000
Plus:	
Owner salary in excess of market compensation (<i>owner received \$600k when market is closer to \$250k</i>)	\$350,000
Proceeds from forgiveness of PPP loan	(\$230,000)
Fees paid to attorneys + cost to settle legal dispute	\$100,000
Salary paid to child or spouse (<i>who does not work for the business</i>)	\$85,000
Cost of Quality of Earnings in preparation for a market process	\$75,000
Implementation and installation of new enterprise reporting or accounting system	\$60,000
Lease for personal vehicle + family’s travel expenses	\$35,000
One-time donation to local charity	\$25,000
Adjusted EBITDA:	\$8,500,000
Offer of 12x Adjusted EBITDA:	\$102,000,000

Some of these expenses may seem immaterial on their own, but if combined, they increase your EBITDA by \$500,000. At a 12x multiple, this translates to a \$6.0 million bump in your total valuation.

While all of the examples mentioned above may rationally be considered adjustments or addbacks, it is important to keep in mind that once valuation discussions begin, buyers may disagree with certain adjustments or even make adjustments of their own. Addbacks and adjustments are often evaluated on a case-by-case basis, making it important to carefully track and provide explanations for each item. This is an area where an experienced and reputable M&A advisor can provide tremendous value. An M&A advisor’s experience allows them to not only have the advantage of seeing what are customary and non-customary addbacks and/or adjustments, but also the knowledge and experience to appropriately defend the position of the seller or buyer with data and financial analysis.

FOUNDERS ADVISORS OVERVIEW

ACTIVE SaaS VERTICALS EXPERIENCE AND COVERAGE



Fleet Management



EdTech



Supply Chain



MarTech



FinTech/Payments



Non-Profits



PropTech



BPA



HCIT



GovTech

SILICON Y'ALL – SAAS & TECHNOLOGY SUMMIT 2023

Founders is currently planning for our ninth annual SaaS and Technology Summit that will take place in October 2023. In April, Founders and its sponsors hosted more than 80 technology companies and 25 software-focused private equity firms and debt providers at the scenic Renaissance Birmingham Ross Bridge Golf Resort and Spa. Attendees engaged in meaningful discussions about growth, value, and current industry trends and participated in golf, iron pouring, and other enjoyable activities. We are already so excited for next year and invite a conversation with anyone who wants to learn more about Founders Advisors, or the knowledge gained from SY 2022.



You can find more information at SiliconYall.com and join the 2023 waitlist [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.



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
Buyside



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.**
















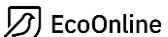














For more information or to order your own copy, visit www.17-reasons.com

Take [Founders SaaS assessment](#), click the link and enter complimentary code: **SAAS_NEWS_22**

RECENT TRANSACTIONS

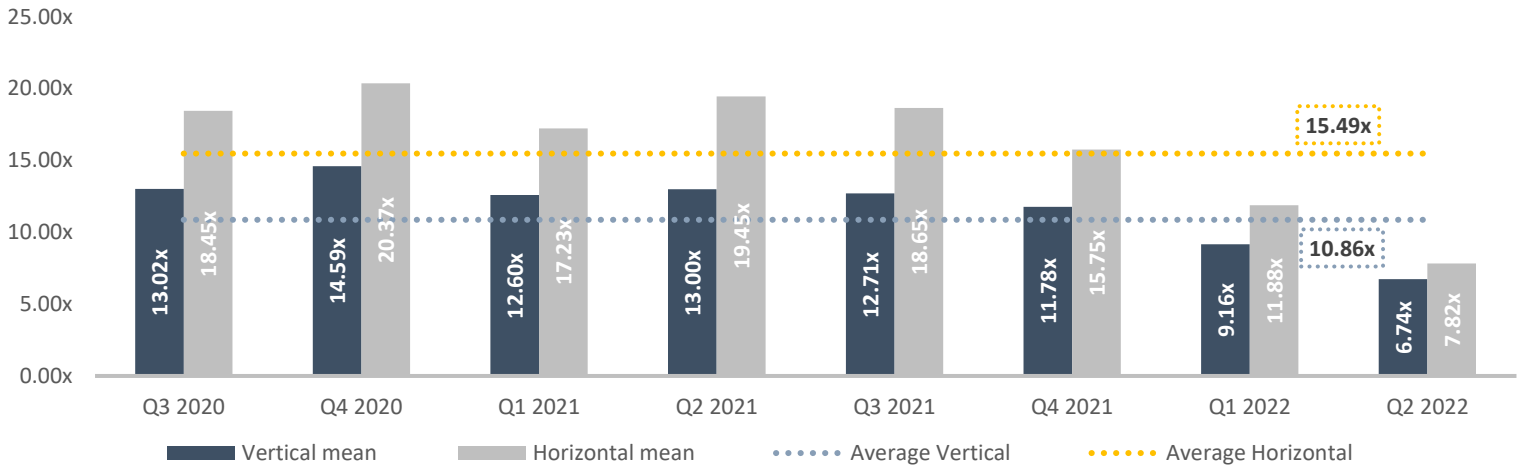
Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
4/6/2022 ⁽¹⁾			\$487.6	\$115.7	-\$38.4	4.9x	-14.8x
4/7/2022			\$8,179.7	\$1,756.5	\$547.9	4.7x	15.1x
4/7/2022		Hellman & Friedman	\$8,000.0	N/A	N/A	N/A	N/A
4/11/2022 ⁽¹⁾			\$6,485.4	\$463.6	-\$51.8	14.9x	-133.1x
4/11/2022			\$6,008.8	\$644.5	\$112.4	9.6x	55.2x
4/12/2022			\$4,000.0	N/A	N/A	N/A	N/A
4/14/2022			\$215.5	N/A	N/A	N/A	N/A
4/20/2022			\$875.1	N/A	N/A	N/A	N/A
4/20/2022			\$280.0	N/A	N/A	N/A	N/A
4/22/2022 ⁽¹⁾			\$2,200.0	N/A	N/A	N/A	N/A
4/22/2022			\$234.8	\$98.1	\$12.9	2.6x	19.5x
4/27/2022			\$330.0	N/A	N/A	N/A	N/A
5/1/2022 ⁽¹⁾			\$1,301.5	\$103.4	\$36.1	13.2x	37.9x
5/4/2022 ⁽¹⁾			\$13,072.4	\$1,512.7	\$644.4	8.7x	20.3x
5/5/2022			\$2,500.0	N/A	N/A	N/A	N/A
5/9/2022 ⁽¹⁾			\$255.2	\$432.4	\$7.4	0.9x	52.1x
5/10/2022 ⁽¹⁾			\$200.0	N/A	N/A	N/A	N/A
5/13/2022 ⁽¹⁾		WARBURG PINCUS	\$4,139.7	\$2,596.3	\$268.1	1.6x	15.7x
5/13/2022 ⁽¹⁾		TBD	\$424.1	\$81.5	\$9.0	5.8x	52.5x
5/19/2022			\$400.0	N/A	N/A	N/A	N/A

RECENT TRANSACTIONS, CONT'D

Date	Target	Buyer	Purchase Price	Revenue	EBITDA	Enterprise Value / Revenue	Enterprise Value / EBITDA
5/23/2022 ⁽¹⁾	 covetrus	 &  TPG	\$2,917.0	\$4,621.0	\$191.0	1.1x	27.6x
5/23/2022	 Shopmatic™	 matchmove	\$200.0	N/A	N/A	N/A	N/A
5/25/2022 ⁽¹⁾	 MERCELL	 THOMABRAVO	\$315.5	\$87.3	\$14.3	3.8x	22.9x
5/25/2022	 ProfitWell	 PointClickCare®	\$200.0	N/A	N/A	N/A	N/A
5/26/2022 ⁽¹⁾	 vmware®	 BROADCOM®	\$65,281.0	\$12,945.0	\$3,328.0	4.7x	18.3x
6/1/2022	 TURVO	 VISTA	\$208.3	N/A	N/A	N/A	N/A
6/1/2022 ⁽¹⁾	 digital shadows	 RELIAQUEST	\$160.0	N/A	N/A	N/A	N/A
6/2/2022 ⁽¹⁾	 EcoOnline	 Apax	\$354.9	\$51.7	-\$0.5	7.5x	-820.4x
6/8/2022 ⁽¹⁾	 The Access Group	 Hg & TA ASSOCIATES	\$11,467.7	N/A	N/A	N/A	N/A
6/8/2022	 semanticbits	 ICF	\$220.0	N/A	N/A	N/A	N/A
6/14/2022 ⁽¹⁾	 MEDIFOX	 ResMed	\$1,062.8	N/A	N/A	N/A	N/A
6/16/2022 ⁽¹⁾	 LifeWorks	 TELUS	\$2,260.8	\$814.2	\$129.1	2.8x	17.6x
6/20/2022	 momentum	 Aareon	\$168.6	\$11.3	\$3.0	15.8x	58.8x
6/23/2022	 Brightly	 SIEMENS	\$1,875.0	N/A	N/A	N/A	N/A
6/24/2022 ⁽¹⁾	 zendesk	Hellman & Friedman	\$9,101.4	\$1,428.9	-\$151.6	7.1x	-67.3x

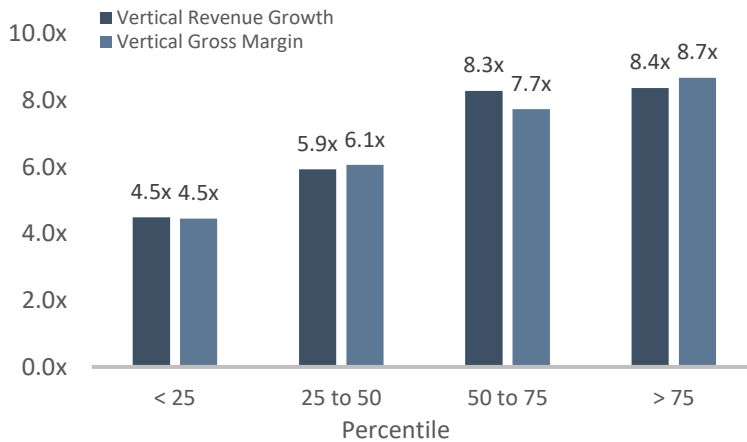
METRICS OVERVIEW

Public Vertical & Horizontal EV/LTM Revenue Multiples

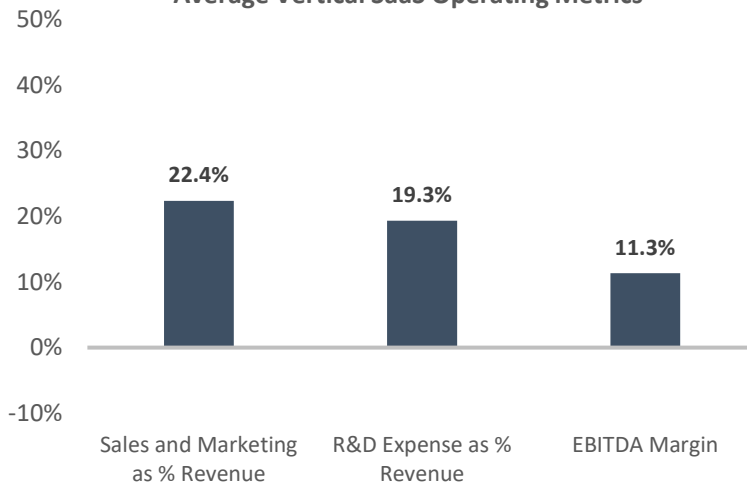


Public Vertical

Percentile Revenue Growth and Margin vs. EV/LTM Revenue

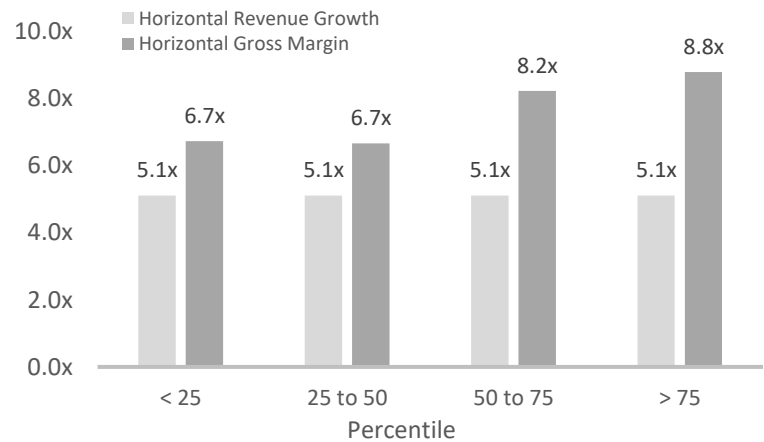


Average Vertical SaaS Operating Metrics

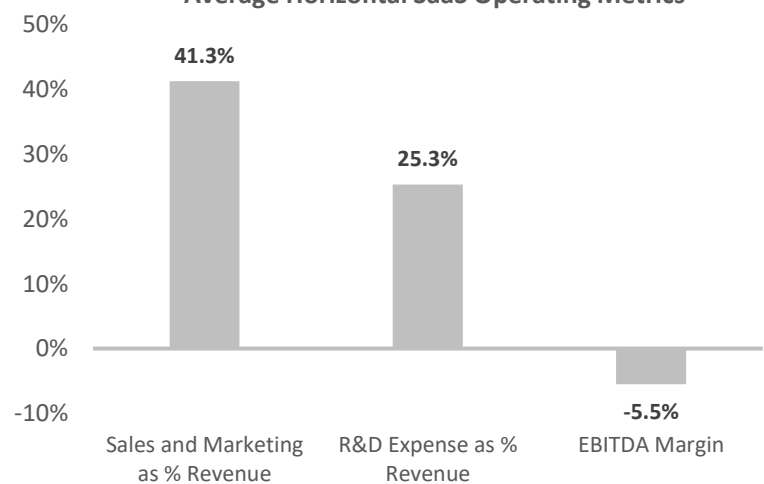


Public Horizontal

Percentile Revenue Growth and Margin vs. EV/LTM Revenue



Average Horizontal SaaS Operating Metrics



VALUATION & GROWTH METRICS

FA SaaS Index - Valuation & Growth - As of Q2 2022

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value /	
					LTM Revenue	LTM EBITDA
Vertical SaaS Companies						
TWOU	2U	\$ 966.5	2.2%	\$ (102.7)	1.7x	NM
ANSS	Ansys	\$ 1,968.6	3.2%	\$ 664.6	10.7x	31.6x
APPF	AppFolio	\$ 385.7	7.3%	\$ 25.0	8.0x	125.5x
ADSK	Autodesk	\$ 4,567.1	4.1%	\$ 864.8	8.5x	44.9x
BNFT	Benefitfocus	\$ 259.3	(1.5%)	\$ 8.2	1.9x	59.3x
BSY	Bentley Systems	\$ 1,018.6	5.5%	\$ 163.9	11.2x	69.4x
BKI	Black Knight	\$ 1,512.7	2.5%	\$ 644.4	8.6x	20.2x
BLKB	Blackbaud	\$ 965.7	4.1%	\$ 101.8	4.2x	40.1x
DCT	Duck Creek Technologies	\$ 293.1	1.5%	\$ 11.3	5.5x	143.8x
EBIX	Ebix	\$ 991.1	(0.4%)	\$ 137.4	1.1x	8.2x
FDS	FactSet Research Systems	\$ 1,667.3	2.4%	\$ 591.2	9.3x	28.1x
GWRE	Guidewire Software	\$ 797.5	4.4%	\$ (148.7)	7.0x	NM
HCAT	Health Catalyst	\$ 254.2	5.1%	\$ (102.3)	2.4x	NM
ISDR	Issuer Direct	\$ 22.2	1.4%	\$ 5.1	3.2x	13.9x
ITI	Iteris	\$ 133.6	1.9%	\$ (2.7)	0.8x	NM
MCO	Moody's	\$ 6,140.0	(1.3%)	\$ 2,995.0	9.3x	19.0x
NCNO	nCino	\$ 305.7	11.6%	\$ (69.9)	11.1x	NM
NICE	NICE (Israel)	\$ 1,993.6	3.8%	\$ 431.8	5.8x	26.8x
QTWO	Q2 Software	\$ 516.3	3.5%	\$ (26.6)	5.0x	NM
SPSC	SPS Commerce	\$ 400.4	3.9%	\$ 83.0	9.8x	47.1x
SSNC	SS&C Technologies	\$ 5,112.6	1.2%	\$ 1,899.1	4.3x	11.7x
TEMN	Temenos	\$ 978.2	1.2%	\$ 390.4	7.1x	17.7x
TYL	Tyler Technologies	\$ 1,753.6	10.1%	\$ 352.4	8.5x	42.3x
U	Unity	\$ 1,195.9	7.7%	\$ (497.7)	9.1x	NM
VEEV	Veeva Systems	\$ 1,922.3	3.9%	\$ 537.6	14.5x	51.9x
	Min	\$ 22.2	(1.5%)	\$ (497.7)	0.8x	8.2x
	Median	\$ 984.7	3.6%	\$ 119.6	7.5x	35.9x
	Mean	\$ 1,464.8	3.6%	\$ 377.5	7.0x	44.5x
	Max	\$ 6,140.0	11.6%	\$ 2,995.0	14.5x	143.8x

Horizontal SaaS Companies

ADBE	Adobe Systems	\$ 16,693.0	3.4%	\$ 6,838.0	10.2x	25.0x
AYX	Alteryx	\$ 575.3	7.3%	\$ (189.9)	6.6x	NM
TEAM	Atlassian	\$ 2,602.6	7.1%	\$ (591.3)	18.3x	NM
AVLR	Avalara	\$ 749.9	7.3%	\$ (92.8)	7.7x	NM
BOX	Box	\$ 910.3	4.1%	\$ 60.7	4.6x	69.4x
CDAY	Ceridian HCM	\$ 1,083.0	5.7%	\$ 17.4	7.7x	NM
ECOM	ChannelAdvisor	\$ 170.9	1.9%	\$ 22.1	2.0x	15.3x
CTXS	Citrix Systems	\$ 3,266.7	1.5%	\$ 533.6	4.6x	28.2x
COUP	Coupa	\$ 754.7	4.1%	\$ (102.2)	7.6x	NM
CRWD	CrowdStrike	\$ 1,636.6	12.7%	\$ (54.0)	23.1x	NM
DOCU	DocuSign	\$ 2,226.8	5.7%	\$ 10.5	5.1x	NM

VALUATION & GROWTH METRICS, CONT'D

FA SaaS Index - Valuation & Growth - As of Q2 2022

(In millions)

Ticker	Company Name	TTM Revenue	YoY Growth	TTM EBITDA	Enterprise Value / LTM Revenue	LTM EBITDA
Horizontal SaaS Companies						
DOMO	Domo	\$ 272.4	5.6%	\$ (111.1)	3.6x	NM
DBX	Dropbox	\$ 2,208.7	2.4%	\$ 508.2	4.0x	17.2x
ESTC	Elasticsearch	\$ 862.4	7.7%	\$ (157.3)	7.1x	NM
EVBG	Everbridge	\$ 386.6	4.9%	\$ (11.8)	3.7x	NM
FSLY	Fastly	\$ 371.9	4.9%	\$ (151.1)	4.9x	NM
FIVN	Five9	\$ 654.5	7.4%	\$ (26.5)	10.2x	NM
HUBS	HubSpot	\$ 1,414.9	8.8%	\$ 13.0	10.2x	NM
INTU	Intuit	\$ 12,873.0	12.8%	\$ 3,741.0	8.7x	30.0x
MNDT	Mandiant	\$ 498.9	3.2%	\$ (282.7)	9.2x	NM
NEWR	New Relic	\$ 785.5	4.4%	\$ (181.6)		NM
OKTA	Okta	\$ 1,464.1	12.6%	\$ (791.6)	9.7x	NM
PD	PagerDuty	\$ 303.2	7.7%	\$ (108.6)	6.6x	NM
PANW	Palo Alto Networks	\$ 5,170.3	6.4%	\$ 53.6	9.5x	872.4x
PAYC	Paycom Software	\$ 1,136.8	7.7%	\$ 362.4	14.8x	46.3x
PCTY	Paylocity	\$ 791.2	8.2%	\$ 121.3	12.4x	80.6x
PEGA	Pegasystems	\$ 1,274.5	5.2%	\$ (82.8)	3.4x	NM
PING	Ping Identity	\$ 315.2	5.3%	\$ (31.2)	5.2x	NM
PTC	PTC	\$ 1,879.3	2.4%	\$ 560.8	7.2x	24.3x
QLYS	Qualys	\$ 427.8	4.1%	\$ 158.7	10.5x	28.3x
CRM	Salesforce.com	\$ 27,940.0	5.5%	\$ 4,492.0	5.9x	36.7x
NOW	ServiceNow	\$ 6,257.0	6.1%	\$ 708.0	14.9x	132.1x
SHOP	Shopify	\$ 4,826.8	4.7%	\$ 166.6	6.9x	200.2x
SMAR	Smartsheet	\$ 602.1	9.3%	\$ (181.4)	6.1x	NM
SPLK	Splunk	\$ 2,845.7	6.4%	\$ (907.2)	5.9x	NM
SPT	Sprout Social	\$ 204.5	8.8%	\$ (27.2)	14.7x	NM
TWLO	Twilio	\$ 3,127.2	10.0%	\$ (712.9)	3.6x	NM
UPLD	Upland Software	\$ 306.8	1.6%	\$ 21.9	2.8x	39.0x
VRNS	Varonis Systems	\$ 411.6	5.5%	\$ (103.8)	7.0x	NM
WIX	Wix.com	\$ 1,307.1	3.0%	\$ (68.0)	2.8x	NM
WDAY	Workday	\$ 5,398.4	5.1%	\$ 340.5	6.2x	98.6x
WK	Workiva	\$ 468.7	5.7%	\$ (32.8)	7.0x	NM
YEXT	Yext	\$ 397.4	1.7%	\$ (72.7)	1.2x	NM
ZEN	Zendesk	\$ 1,428.9	6.7%	\$ (151.6)	6.6x	NM
ZM	Zoom Video Communications	\$ 4,217.4	2.9%	\$ 1,069.2	6.3x	24.9x
ZS	Zscaler	\$ 970.0	12.8%	\$ (271.7)	21.2x	NM
Min		\$ 170.9	1.5%	\$ (907.2)	1.2x	15.3x
Median		\$ 1,026.5	5.6%	\$ (29.2)	6.9x	36.7x
Mean		\$ 2,705.9	6.1%	\$ 310.9	7.9x	104.0x
Max		\$ 27,940.0	12.8%	\$ 6,838.0	23.1x	872.4x

OPERATING STATISTICS

FA SaaS Index - Operating Statistics - As of Q2 2022

(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
Vertical SaaS Companies							
TWOU	2U	28.5%	71.5%	70.9%	19.4%	49.0%	(10.6%)
ANSS	Ansys	13.2%	86.8%	37.5%	20.8%	N/A	33.8%
APPF	AppFolio	39.9%	60.1%	37.5%	19.7%	21.2%	6.5%
ADSK	Autodesk	9.7%	90.3%	49.2%	24.9%	36.5%	18.9%
BNFT	Benefitfocus	47.8%	52.2%	36.9%	17.4%	17.5%	3.1%
BSY	Bentley Systems	21.9%	78.1%	42.6%	23.0%	17.3%	16.1%
BKI	Black Knight	N/A	N/A	N/A	N/A	N/A	42.6%
BLKB	Blackbaud	48.0%	52.0%	36.5%	14.0%	20.0%	10.5%
DCT	Duck Creek Technologies	42.6%	57.4%	41.5%	18.2%	19.3%	3.9%
EBIX	Ebix	70.2%	29.8%	12.2%	4.1%	1.5%	13.9%
FDS	FactSet Research Systems	48.5%	51.5%	22.5%	N/A	N/A	35.5%
GWRE	Guidewire Software	54.1%	45.9%	36.3%	30.6%	23.4%	(18.7%)
HCAT	Health Catalyst	51.5%	48.5%	62.9%	25.8%	31.6%	(40.3%)
ISDR	Issuer Direct	25.2%	74.8%	49.7%	5.6%	23.7%	23.0%
ITI	Iteris	64.5%	35.5%	33.0%	5.5%	14.2%	(2.0%)
MCO	Moody's	27.1%	72.9%	25.4%	N/A	N/A	48.8%
NCNO	nCino	41.0%	59.0%	56.4%	29.8%	30.7%	(22.9%)
NICE	NICE (Israel)	32.3%	67.7%	39.7%	14.5%	28.1%	21.7%
QTWO	Q2 Software	55.0%	45.0%	33.5%	23.5%	17.6%	(5.1%)
SPSC	SPS Commerce	34.2%	65.8%	38.3%	10.2%	22.8%	20.7%
SSNC	SS&C Technologies	51.7%	48.3%	15.5%	8.1%	8.1%	37.1%
TEMN	Temenos	33.3%	66.7%	26.4%	N/A	17.4%	39.9%
TYL	Tyler Technologies	56.8%	43.2%	23.4%	5.5%	N/A	20.1%
U	Unity	24.1%	75.9%	61.6%	63.8%	31.7%	(41.6%)
VEEV	Veeva Systems	27.4%	72.6%	24.9%	21.4%	15.6%	28.0%
	Min	9.7%	29.8%	12.2%	4.1%	1.5%	(41.6%)
	Median	40.5%	59.5%	37.2%	19.4%	20.6%	21.2%
	Mean	39.5%	60.5%	38.1%	19.3%	22.4%	11.3%
	Max	70.2%	90.3%	70.9%	63.8%	49.0%	48.8%
Horizontal SaaS Companies							
ADBE	Adobe Systems	12.1%	87.9%	34.2%	16.5%	27.6%	41.0%
AYX	Alteryx	12.0%	88.0%	96.3%	26.3%	64.3%	(33.0%)
TEAM	Atlassian	16.5%	83.5%	36.8%	48.6%	20.0%	(22.7%)
AVLR	Avalara	29.6%	70.4%	62.9%	24.4%	42.8%	(12.4%)
BOX	Box	27.5%	72.5%	49.1%	25.2%	34.3%	6.7%
CDAY	Ceridian HCM	63.8%	36.2%	41.0%	N/A	N/A	1.6%
ECOM	ChannelAdvisor	23.5%	76.5%	53.8%	13.0%	36.3%	12.9%
CTXS	Citrix Systems	19.1%	80.9%	49.5%	17.9%	36.6%	16.3%
COUP	Coupa	41.6%	58.4%	68.3%	22.0%	46.5%	(13.5%)
CRWD	CrowdStrike	26.4%	73.6%	56.4%	25.4%	41.2%	(3.3%)
DOCU	DocuSign	22.2%	77.8%				0.5%

OPERATING STATISTICS, CONT'D

FA SaaS Index - Operating Statistics - As of Q2 2022

(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
Horizontal SaaS Companies							
DOMO	Domo	25.6%	74.4%	79.6%	32.3%	57.2%	(40.8%)
DBX	Dropbox	20.3%	79.7%	29.0%	35.6%	19.0%	23.0%
ESTC	Elasticsearch	26.9%	73.1%	61.5%	31.7%	47.2%	(18.2%)
EVBG	Everbridge	31.2%	68.8%	66.2%	22.5%	43.6%	(3.1%)
FSLY	Fastly	49.3%	50.7%	75.9%	37.2%	42.8%	(40.6%)
FIVN	Five9	45.9%	54.1%	47.3%	18.4%	32.7%	(4.1%)
HUBS	HubSpot	19.6%	80.4%	61.0%	23.1%	49.9%	0.9%
INTU	Intuit	17.6%	82.4%	38.6%	17.4%	27.7%	29.1%
MNDT	Mandiant	53.6%	46.4%	80.0%	34.0%	54.3%	(56.7%)
NEWR	New Relic	32.6%	67.4%	69.5%	27.0%	50.2%	(23.1%)
OKTA	Okta	31.5%	68.5%	92.7%	38.4%	59.8%	(54.1%)
PD	PagerDuty	17.7%	82.3%	84.5%	35.1%	56.1%	(35.8%)
PANW	Palo Alto Networks	30.7%	69.3%	47.8%	26.7%	40.0%	1.0%
PAYC	Paycom Software	15.3%	84.7%	45.1%	11.0%	25.4%	31.9%
PCTY	Paylocity	34.0%	66.0%	44.7%	11.9%	25.4%	15.3%
PEGA	Pegasystems	26.8%	73.2%	58.1%	21.2%	50.2%	(6.5%)
PING	Ping Identity	32.6%	67.4%	62.2%	24.5%	39.0%	(9.9%)
PTC	PTC	20.4%	79.6%	37.3%	17.0%	26.9%	29.8%
QLYS	Qualys	21.4%	78.6%	29.3%	20.3%	18.4%	37.1%
CRM	Salesforce.com	26.9%	73.1%	55.0%	17.3%	45.4%	16.1%
NOW	ServiceNow	22.7%	77.3%	49.4%	23.9%	39.0%	11.3%
SHOP	Shopify	47.0%	53.0%	29.7%	20.3%	21.1%	3.5%
SMAR	Smartsheet	21.1%	78.9%	82.2%	30.1%	62.1%	(30.1%)
SPLK	Splunk	26.9%	73.1%	71.9%	36.5%	55.3%	(31.9%)
SPT	Sprout Social	24.8%	75.2%	68.6%	21.9%	44.8%	(13.3%)
TWLO	Twilio	51.5%	48.5%	51.1%	27.3%	35.9%	(22.8%)
UPLD	Upland Software	32.5%	67.5%	42.5%	14.3%	19.0%	7.1%
VRNS	Varonis Systems	15.5%	84.5%	75.1%	36.8%	59.2%	(25.2%)
WIX	Wix.com	38.8%	61.2%	54.0%	34.4%	40.1%	(5.2%)
WDAY	Workday	27.7%	72.3%	38.4%	36.7%	29.0%	6.3%
WK	Workiva	23.7%	76.3%	58.7%	26.7%	41.4%	(7.0%)
YEXT	Yext	25.5%	74.5%	81.2%	18.1%	59.4%	(18.3%)
ZEN	Zendesk	20.3%	79.7%	66.0%	27.0%	50.7%	(10.6%)
ZM	Zoom Video Communications	24.9%	75.1%	40.3%	10.5%	29.7%	25.4%
ZS	Zscaler	22.6%	77.4%	82.0%	27.5%	67.8%	(28.0%)
Min		12.0%	36.2%	29.0%	10.5%	18.4%	(56.7%)
Median		26.0%	74.0%	56.4%	24.9%	41.3%	14.1%
Mean		28.4%	71.6%	58.5%	25.4%	41.8%	(6.5%)
Max		63.8%	88.0%	96.3%	48.6%	67.8%	41.0%

BALANCE SHEET METRICS

FA SaaS Index - Balance Sheet Metrics - As of Q2 2022

(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	(14.0%)	(32.8%)	1.1x	25.8	59.7	91.5%	158.9%
ANSS	Ansys	7.5%	10.5%	2.3x	91.9	74.0	43.8%	19.9%
APPF	AppFolio	(3.4%)	(4.7%)	3.1x	12.9	9.6	31.9%	19.0%
ADSK	Autodesk	6.1%	46.3%	0.6x	37.8	135.8	161.2%	448.3%
BNFT	Benefitfocus	(10.9%)	N/A	1.6x	29.8	20.6	61.1%	NM
BSY	Bentley Systems	3.7%	22.3%	0.7x	75.1	70.9	148.0%	421.4%
BKI	Black Knight	8.0%	20.6%	0.8x	34.1	N/A	119.1%	110.9%
BLKB	Blackbaud	(0.2%)	(0.9%)	0.7x	39.2	318.6	149.7%	147.6%
DCT	Duck Creek Technologies	(1.4%)	(1.6%)	6.9x	45.5	11.2	14.4%	3.0%
EBIX	Ebix	4.1%	9.9%	0.4x	54.6	36.6	239.6%	93.3%
FDS	FactSet Research Systems	18.7%	39.2%	3.7x	36.3	53.7	26.9%	69.0%
GWRE	Guidewire Software	(6.8%)	(10.0%)	4.5x	41.5	26.2	22.4%	32.5%
HCAT	Health Catalyst	(20.3%)	(35.1%)	5.2x	66.6	14.0	19.2%	51.7%
ISDR	Issuer Direct	8.5%	10.7%	4.6x	55.4	56.6	21.7%	4.9%
ITI	Iteris	(5.4%)	(8.7%)	2.0x	59.9	39.4	49.3%	14.0%
MCO	Moody's	14.3%	84.0%	1.4x	96.2	51.9	73.6%	322.7%
NCNO	nCino	(7.4%)	(9.5%)	0.9x	65.9	28.8	105.6%	4.5%
NICE	NICE (Israel)	4.6%	7.5%	1.9x	66.7	22.1	53.2%	27.9%
QTWO	Q2 Software	(8.0%)	(19.6%)	3.0x	30.0	14.1	33.6%	164.7%
SPSC	SPS Commerce	8.0%	10.0%	3.7x	33.2	14.8	26.9%	4.0%
SSNC	SS&C Technologies	4.6%	13.4%	1.1x	49.0	11.2	92.2%	124.7%
TEMN	Temenos	8.3%	27.8%	0.5x	109.9	270.9	195.9%	167.1%
TYL	Tyler Technologies	3.7%	7.4%	1.1x	103.0	34.4	89.1%	57.5%
U	Unity	(17.0%)	(28.1%)	3.5x	98.5	360.1	28.3%	77.3%
VEEV	Veeva Systems	11.6%	14.9%	3.7x	65.2	38.9	26.8%	1.8%
	Min	(20.3%)	(35.1%)	0.4x	12.9	9.6	14.4%	1.8%
	Median	3.7%	8.7%	1.9x	54.6	37.7	53.2%	63.2%
	Mean	0.7%	7.2%	2.4x	57.0	73.9	77.0%	106.1%
	Max	18.7%	84.0%	6.9x	109.9	360.1	239.6%	448.3%
Horizontal SaaS Companies								
ADBE	Adobe Systems	18.6%	34.5%	1.1x	35.7	98.0	93.4%	33.3%
AYX	Alteryx	(16.4%)	(63.5%)	1.7x	62.5	56.9	58.5%	412.3%
TEAM	Atlassian	(23.2%)	NM	1.2x	29.5	84.5	84.1%	NM
AVLR	Avalara	(6.1%)	(13.1%)	3.1x	49.2	37.8	31.8%	98.2%
BOX	Box	(2.3%)	N/A	1.2x	62.1	71.6	85.6%	14170.2%
CDAY	Ceridian HCM	(1.0%)	(3.8%)	1.0x	42.6	23.8	95.6%	59.2%
ECOM	ChannelAdvisor	20.2%	26.7%	3.1x	56.5	7.3	32.7%	0.4%
CTXS	Citrix Systems	4.1%	64.5%	0.7x	72.8	104.7	134.8%	523.6%
COUP	Coupa	(11.2%)	(42.5%)	1.8x	88.3	8.0	55.2%	627.8%
CRWD	CrowdStrike	(5.4%)	(18.6%)	1.8x	66.8	34.2	54.8%	69.1%
DOCU	DocuSign	(3.7%)	(33.7%)	1.0x	51.9	25.9	98.6%	249.9%

BALANCE SHEET METRICS, CONT'D

FA SaaS Index - Balance Sheet Metrics - As of Q2 2022

(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								
DOMO	Domo	(53.8%)	N/A	0.7x	57.3	85.7	142.1%	-95.2%
DBX	Dropbox	11.6%	NM	1.5x	7.9	90.2	68.9%	NM
ESTC	Elasticsearch	(14.0%)	(46.2%)	2.0x	66.9	48.5	51.0%	143.0%
EVBG	Everbridge	(6.6%)	(23.8%)	2.1x	91.5	32.3	48.0%	263.1%
FSLY	Fastly	(11.0%)	(23.3%)	5.3x	59.1	33.5	19.0%	108.6%
FIVN	Five9	(6.5%)	(41.4%)	3.4x	32.6	28.4	29.4%	369.9%
HUBS	HubSpot	(3.1%)	(7.8%)	2.3x	34.2	11.4	44.4%	93.7%
INTU	Intuit	12.4%	20.1%	1.6x	16.9	134.5	61.3%	43.3%
MNDT	Mandiant	(12.5%)	(42.8%)	2.4x	73.8	25.8	41.5%	63.2%
NEWR	New Relic	(17.1%)	(65.7%)	2.1x	71.9	42.8	46.5%	162.2%
OKTA	Okta	(12.4%)	(20.4%)	2.4x	68.2	14.5	40.9%	43.1%
PD	PagerDuty	(15.0%)	(42.8%)	2.5x	66.2	55.2	39.4%	119.7%
PANW	Palo Alto Networks	(3.8%)	(74.8%)	0.7x	70.8	20.8	134.7%	NM
PAYC	Paycom Software	5.7%	26.2%	1.1x	5.1	35.6	92.7%	2.8%
PCTY	Paylocity	2.6%	17.7%	1.0x	4.7	7.1	98.3%	14.1%
PEGA	Pegasystems	(3.6%)	(12.4%)	1.8x	47.1	23.9	54.1%	168.9%
PING	Ping Identity	(6.7%)	(9.3%)	3.4x	81.0	13.8	29.5%	42.4%
PTC	PTC	11.1%	25.4%	1.2x	93.1	35.4	80.9%	70.5%
QLYS	Qualys	12.5%	23.4%	1.8x	77.4	6.1	55.6%	10.6%
CRM	Salesforce.com	1.2%	1.8%	1.0x	65.2	213.9	97.5%	23.8%
NOW	ServiceNow	2.3%	6.4%	1.1x	51.5	32.2	89.2%	55.2%
SHOP	Shopify	1.5%	1.8%	11.8x	31.2	59.9	8.4%	12.2%
SMAR	Smartsheet	(21.5%)	(40.4%)	1.4x	67.6	NM	72.2%	15.9%
SPLK	Splunk	(21.4%)	NM	1.5x	116.9	20.0	68.9%	NM
SPT	Sprout Social	(12.6%)	(21.8%)	2.1x	34.5	19.1	47.3%	16.1%
TWLO	Twilio	(7.6%)	(8.9%)	8.1x	39.7	33.3	12.3%	11.7%
UPLD	Upland Software	(5.8%)	(19.1%)	1.2x	52.1	99.7	85.7%	161.0%
VRNS	Varonis Systems	(12.3%)	(22.7%)	4.6x	64.5	19.9	21.7%	58.5%
WIX	Wix.com	(14.0%)	(165.4%)	1.6x	8.9	71.7	63.2%	-41976.0%
WDAY	Workday	(0.3%)	(0.6%)	1.6x	59.6	16.0	64.2%	91.7%
WK	Workiva	(6.5%)	(78.8%)	1.9x	51.5	19.3	52.8%	1494.3%
YEXT	Yext	(17.5%)	(48.9%)	1.3x	61.8	36.5	75.4%	74.1%
ZEN	Zendesk	(10.4%)	(55.4%)	1.6x	54.6	39.4	61.6%	417.2%
ZM	Zoom Video Communications	18.1%	24.6%	3.6x	35.4	32.1	27.6%	1.7%
ZS	Zscaler	(16.2%)	(70.8%)	2.2x	85.5	25.4	44.6%	189.1%
Min		(53.8%)	(165.4%)	0.7x	4.7	6.1	8.4%	(41976.0%)
Median		(6.3%)	(19.1%)	1.8x	58.2	33.3	57.0%	69.8%
Mean		(5.6%)	(20.6%)	2.3x	54.9	45.3	63.0%	(511.6%)
Max		20.2%	64.5%	11.8x	116.9	213.9	142.1%	14170.2%

FOUNDERS TECHNOLOGY TRANSACTIONS

 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been recapitalized by  Financial Advisor
 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor
 Have been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor	 Has been recapitalized by  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  A subsidiary of  Sell-Side Advisor	 Has been recapitalized by  Financial Advisor
 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been recapitalized by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor
 Has secured growth funding from  Financial Advisor	 Has been acquired by  Sell-Side Advisor	 Has secured growth capital from  Strategic Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor	 Has been acquired by  Sell-Side Advisor

FOUNDERS IS HIRING

While we are perpetually looking for great teammates who are aligned with our core values and passionate about helping business owners and operators achieve their capital goals, the technology practice at Founders is working to find two analysts to join and grow with our team. If you know someone who might fit the bill, please encourage them to reach out to a Technology Team member or visit <https://foundersib.com/careers/>.

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