

Everbridge, Inc. - Former Chief Revenue Officer (CRO) at OnSolve

Interview conducted on July 15, 2022

Chief Revenue Officer (CRO) at OnSolve. The expert is leading the company's sales professionals and revenue.

Chief Growth Officer at IDEaS Revenue Solutions.

Prior, the expert was the Chief Revenue Officer (CRO) at OnSolve, leaving June 2022.

Former Vice President of Sales at PROS, leaving February 2017. In this role he managed a team of sales professionals selling PROS portfolio of software and services capabilities to large enterprise customers in the Southeastern US and Latin America.

Former Vice President of Global Sales at IDEaS, leaving January 2021.

Tegus Client

Thank you for taking the time to speak with us again. It's been about three months, and the world has changed a lot in that time. So as you know, we've been doing research on Everbridge. I think when we spoke in April, I asked if you had heard of anything in the marketplace about Everbridge conducting a CEO search. And I think you said at the time, if they're in the market, I would likely have heard about it, and you hadn't heard anything.

Just curious if there's anything floating around or headhunters have started poking around to build that role because as you know, the CEO departed in December and here we are seven or eight months later, and there's still no CEO.

Former Chief Revenue Officer (CRO) at OnSolve

And as I understand it, the CRO and the CFO are not necessarily the darlings given just some of the conference calls that I've listened to kind of in that time period. And no one to my knowledge has been called. I have heard no rumors about it from either the recruiters that I still use and who I used in my previous capacity. So I can't offer any value above and beyond speculation.

Tegus Client

I just find it so interesting that you haven't heard anything because I would thought if they're poking around, or headhunters are starting to go far and wide that you would have caught wind of it. And look, in April, it was probably because they weren't doing a search.

And here we are in July and it still doesn't sound like they're doing a search. So I'd be curious, it sounds like you listened to some of the conference calls, what's your take of the situation over there? The co-CEO model, you don't see that a lot. It doesn't seem like it's super successful. What's your take of the current leadership situation? And why you haven't heard about a CEO search going on?

Former Chief Revenue Officer (CRO) at OnSolve

So just kind of a few dimensions to answering that question. One is I take most of what I'm about to tell you a second hand from the people that I've hired or spoke to and tried to hire or just have built relationships with who were at Everbridge during the tenure that both of those two were in place.

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The CFO was generally well liked and respected. I think he's been around for some time. I really can't speak to his capacity as the Chief Financial Officer. But culturally, he was not regarded as the problem by anyone in a position of sales leadership that I talked to you. Now that doesn't mean he knew how to grow the business, but he was one of the good guys.

The CRO was pretty widely disrespected by senior sales leadership and the team with whom he surrounded himself. So I'm more surprised that he's in that chair. And to me, and I've heard others speculate as well. To me, they put them both in that chair because it sent a signal to the capital market that it was not a matter of funny business with the way we were booking or recognizing revenue.

And therefore, our confidence in that is amplified by the fact that we put two people who might have been involved in funny business in a greater position of authority. Pure speculation, but it makes sense. The other thing I would say that the money was on the Board ousting the current leadership, not keeping them. And the people I knew who had an opinion on it were surprised.

I don't know anything about the makeup of the Board whatsoever. But I know if there was an activist investor who had a very strong case, and there were a bunch of various people with deep pockets surrounding the company trying to buy them and maybe do something strategic with them, I would have thought the Board would have been inclined to take advantage of the turmoil and put a new leadership team in place. So I was frankly shocked just based on the sort of the consensus view that the Board was going to oust the current leadership team.

Tegus Client

Yes. And do you get the sense that the current leadership team, I guess, it's Patrick and Vernon as co-CEOs that they are in the process of getting ousted because they've been there seven or eight months in those co-CEO roles and nothing's changed.

Former Chief Revenue Officer (CRO) at OnSolve

It doesn't make any sense to me.

Tegus Client

Yes. It's really a head scratcher, right? It seems like, hey, we're going to do this co-CEO thing to kind of keep the seats warm until we find the CEO. But you're not hearing of an ongoing CEO search. There's no real active rumor among headhunters in the marketplace. And these guys continue to run the business as co-CEOs. I don't even think that you have the titles like interim co-CEOs, like they are co-CEOs.

Former Chief Revenue Officer (CRO) at OnSolve

You're right. I'm aligned with you at all on the insanity, but it doesn't make any sense. And no, I haven't heard a thing about a CEO search, which is not a 100% likely I would have, but I think reasonably likely, I would have heard something about it.

Tegus Client

Got it. And how hard do you think it would be to fill that CEO role? If they actually were looking and they had reputable search firms, is that a hard job to fill and you would expect it to take half a year or that's the role you could snap your fingers and people would be jumping to get in there?

Former Chief Revenue Officer (CRO) at OnSolve

No, I think it would be a hard job because anyone that they would want, anyone that could really make an impact is going to want to get in there and spend some time understanding what's really going on. I mean there's all of the acquisitions that they made, deliver a level of complexity to that CEO job. That is impossible

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to anticipate without spending some time trying to unpack it. I think lots of people would sign up for it for like their first CEO job or their first big CEO job.

But to get someone that could be a credible agent for change in progress. I think it would be very difficult. It's a mess over there, looking at it as an outsider. I can't imagine people are anxious to sign up for that role other than the obvious career and financial benefits.

Tegus Client

Just play devil's advocate and push back on that point just a little bit. Aren't they still the leader in the space? You still have a company growing at a healthy rate organically. The stock has gone from \$160 to \$25. They're a leader in a rapidly growing space with excellent relationships among the Fortune 500 companies.

I get they've made some acquisitions to little money. But isn't this an opportunity for even a seasoned CEO to come in with depressed expectations and make a lot of money, taking a leader that has been somewhat poorly run and taking the existing advantages and running it effectively. Why is that not the mindset of an effective potential CEO?

Former Chief Revenue Officer (CRO) at OnSolve

I think it's a very highly visible role and you are going to succeed or not. And I think what's to me is perplexing about Everbridge is there seems to be quite a bit of the iceberg under the water that's hard to understand. And I think that process for anyone credible is going to be pretty exhaustive. And who knows if they had brought people into it and they've kind of exited the process or who knows if they've been unwilling to be transparent to the extent that the best candidates would want to see that.

I think in their last move, David was really an operator. I mean you take someone from an outsourcing background. They're pinching pennies to make their numbers and watching every nickel go back and forth. And he came in and as opposed to bringing really an operational leadership to the job. It seemed like he came in with a bunch of big broad brush strategic moves, that seemed to have backfired on them.

And now someone's going to have to come in and clean up the mess of the Anvil acquisition, for example, and integrating the various analyst components. And I think if you look at some of their big growth initiatives, I'm not sure what they've touted as their future is what's driving the growth. And I haven't been on the analyst calls recently, but is there growth a function of their strategy?

Are they adding great new seven-figure CEM customers? Are they growing the business dramatically overseas like they have suggested they can continue to do? Are they running out of runway for those big deals that they've already signed? I don't know. And you're right, you've thought about this more than me. So I feel like sometimes this is a good dialogue. I'm not married to any of these views. This is just kind of the way I think about it as you put it in front of me.

Tegus Client

Got it. And I certainly appreciate there's some iceberg under the water and complexity and anybody who's sophisticated and really a change agent would want to get in there and look around. What would you expect would be a normal amount of time to find a CEO for this role based on everything you know about Everbridge and some of the complications that they're facing and strategic issues they've run into? How much time would you have bet it should take to get that role filled?

Former Chief Revenue Officer (CRO) at OnSolve

I would think six months.

Tegus Client

Okay. So we're not that much outside of the reasonable amount of time period you would allocate to do that.

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Former Chief Revenue Officer (CRO) at OnSolve

That's true. Clearly, they had no candidate in mind when it started or the candidate wasn't interested. But if you really wanted to go open ended, I would think it would take six months.

Tegus Client

And you kind of mentioned that the CFO, Patrick is pretty well liked and respected, not regarded as part of the problem, but the CRO disrespected by senior sales leadership. What is the complaint sort of the beef that everybody has with him? Why does he have such a tarnished reputation?

Former Chief Revenue Officer (CRO) at OnSolve

Yes, I think some of it was he happened to be in the chair at a time when the organization was scaling to a point where the culture had to change. So one of the things I've heard repeatedly both in interviewing senior Everbridge people and in knowing senior Everbridge people is that the command and control culture at Everbridge became stifling. So no level skipping to ask for someone's permission for a deal approval.

No having conversations with the CFO when the CRO is not on the line, sort of a top-down strategy that didn't reflect the opinions and input of the field sales organization. So the top-down strategy in a nutshell, as I've heard the problem Patrick described is we're going to sell CEM to everybody whether they like it or not. And the field sales organization felt constantly in a bind that their efforts and merits outside of that strategy were being rejected as an inability to sell the value in the whole portfolio.

And the result is just I think a lot of CROs come in at the job because a lot of salespeople become a sales manager, and they believe they don't know what to do. So the first thing they start to do is become real strict with the organization. And people grow up and get into big jobs through that capacity oftentimes.

And oftentimes, in the last 20 years, I would say, sales cultures have changed, and there's an element of empathy that's important in running a large organization that probably didn't exist when many of us in our chairs today grew up. And I feel like many sales leaders fail to recognize that. And I've heard that Vernon is a "Do what I'm going to tell you," sort of sales leader, and his team around him. And there was another guy that ran the enterprise, I want to say, and I'm trying to remember what his name was. He is a former Oracle guy who reflected that same mentality.

Tegus Client

Got it. I hear you loud and clear on some of the concerns around the management team and some dysfunction. I want to switch gears. The world has changed a lot in the three months since we last spoke. What are you seeing in your end markets and from conversations with customers or people putting on the breaks to doing new deals? Is there dragging a fee hesitancy to have new conversations. Just give us a sense for what the world is like today versus three months ago, if any change?

Former Chief Revenue Officer (CRO) at OnSolve

Yes. When I just left the industry a month ago, so I kind of came to the conclusion that the momentum wasn't building. There wasn't a surge in the demand for kind of fully integrated CEM solutions that I hope there would be to fuel my growth expectations. I don't want to speak for my former competitor. But I didn't see the fit for market and the growth opportunity in the market to the extent that I had believed was there when I came.

And I also felt like more players were coming into the various parts of the market. And so there was going to be a continual dividing up of the pieces of the pie in a market that wasn't growing as rapidly as it had been. So a case in point would be AlertMedia. I would say AlertMedia was barely on the radar screen when I first arrived. And I would say AlertMedia was more of a pervasive and omnipresent competitor when I left than Everbridge was.

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I mean AlertMedia had found a niche in the market with a very basic easy-to-consume UI that did maybe 80% of what you could do with the Everbridge solution but fit the bill for most companies. And I felt like simplicity of workflow had really turned the industry on its head. And there's now another kind of force to be reckoned with. My sense is they're not exactly exploding either because they replaced their, I think, their CEO and their CRO in the last six months.

So the fact that they had made some very significant changes in their leadership despite the fact that we saw them definitely coming on as a force. You added everything up, and my optimism for the growth of the space just wasn't what it used to be.

Tegus Client

Got it. And who owns AlertMedia? Is that also privately owned?

Former Chief Revenue Officer (CRO) at OnSolve

Half of it is Vista. So I think Vista's usual take is 51%. So I think it's 51%, if I'm not mistaken, of AlertMedia.

Tegus Client

Got it. And is AlertMedia sold at a substantially lower price point than an OnSolve or an Everbridge solution?

Former Chief Revenue Officer (CRO) at OnSolve

No, not really. You would imagine and because they kind of came up as a mid-market company, that would be the presumption. But no, we worked very hard to sort of put our proposals in at price parity for a like-for-like deal. And we believe us in AlertMedia and Everbridge were, for the majority of deals were roughly in line from a pricing perspective.

Tegus Client

Got it. So there's not necessarily pricing pressure in the market with this new entrant. It's just another person that's getting a piece of the pie.

Former Chief Revenue Officer (CRO) at OnSolve

Correct. I would say without any question, the most well embraced user-centric, user interface is AlertMedia. And they had some gaps. When I arrived, they had some serious gaps. They had no ability to do international SMS across the breadth of countries you need to do an enterprise customer. But all of a sudden, they want it from Everbridge, I think the Starbucks business.

The global deal, a giant deal, they put the Chief Security Officer or Chief Resiliency Officer, I forget, from Starbucks on their board. Made it really as a show of strength that they're moving into the global enterprise space. And we lost a global enterprise. Well, I'll just say there is a loss of a global enterprise deal, where we thought we still had that strategic edge of the breadth of access to SMS and Telephony. And we found out the hard way we did not.

Tegus Client

So if Everbridge were to engage in a serious sales process today, do you think there would be many bidders that would be excited to buy what they have today relative to the current price? What would be the level of strategic interest? Do you have any thoughts on who the natural bidders would be?

Former Chief Revenue Officer (CRO) at OnSolve

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I'll exclude at the current price because I'll just say where there are synergies. I think there's big companies that are in different dimensions of the security space. I mean Fortune 1000 companies that have a role in that space for which there would be a strategic component. I mean you look at companies that have safe city initiatives, for example, and you say these guys could really use an Everbridge because they have many of the other pieces of security.

They're really heavy in the security business as it relates to selling to law enforcement, for example, or to public entities. And why wouldn't it be nice to have a critical communication and risk intelligence capability that was world class that they could bolt on. So there's companies that are already doing this, that maybe have crappy little products in the space and could use a real player.

Tegus Client

Who would be the top ones that would come to mind that have sufficient scale to potentially purchase Everbridge?

Former Chief Revenue Officer (CRO) at OnSolve

I think if you were to go through intend to just Google some of the Fortune 1000 involved in XYZ initiatives, I think you can figure out pretty quickly. It's a small number of companies, but there's definitely companies doing this.

Tegus Client

And so if we go do our own work and kind of Google around for some of those, these would be companies that are offering other types of security-related software to governments and public entities?

Former Chief Revenue Officer (CRO) at OnSolve

Correct. There's a whole industry of people who sell to law enforcement, whether that's CAD systems, the police dispatch systems or sell command center capabilities for law enforcement that have kind of a different bend than what VCC or a CEM solution would offer. They probably concentrate their efforts in selling to law enforcement, and they might be as likely to sell other products like radios or body cameras or other products to those entities, but they don't really have a competitive risk intelligence/critical communications/CEM solutions.

Tegus Client

Got it. So companies that would have a similar customer base, but very different product offering or service offering and this would just allow them to bundle another solution with their existing sales force calling on these same customers.

Former Chief Revenue Officer (CRO) at OnSolve

Exactly or their channel organizations. These are companies also that may have very mature channel infrastructure in place, and they could drop our products and services into that channel. And there's huge synergies there.

Tegus Client

The follow-up question would be, Everbridge trading at \$25 and change. So it's a \$1.3 billion enterprise value. It's now trading on consensus numbers, basically three times 2022 revenue, estimated revenue, 2.7x 2023 revenue. It's crossing profitability. It's expected to grow, call it, mid-teens and scale EBITDA margins.

Do you have any view on Everbridge and like whether the pessimism has gone too far? Is this a big opportunity? Would you personally want independent of your current role, et cetera, like want to buy

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Former Chief Revenue Officer (CRO) at OnSolve

I haven't looked at the multiples since I left, so that's really interesting. So those multiples would have been snatched up like candy 18 months ago. Not just in the public markets, but I think when people looked at other options that they could buy, those multiples were in the basement of what anyone might have considered even having a conversation on. So unquestionably, you're right. There seems to be an opportunity.

Tegus Client

But the whole market perception in SaaS names have fallen 70%, we'll call it. Everbridge has fallen in that neighborhood as well. I'm just wondering, though, is this overdone? Is there like two or three people that would want to buy Everbridge that have the scale to write a \$1.5 billion, \$2 billion check or something?

Former Chief Revenue Officer (CRO) at OnSolve

I think there's a couple. There's probably two or three that were the synergies would make sense from a channel and a go-to-market perspective. And I think if you look at what might have happened is the multiples, it looked really good when you're dropping it into a company that had perhaps comparable multiples even to what they were buying it for.

But all of a sudden, everything drops. You can do a stock buyback and you can kind of minimize your risk and have confidence in your own business and your own ability to grow sort of in a tangential space. The stock buyback starts looking really good all of a sudden. I sound like I know what I'm talking about when I say that, but that's just when I think as a lay person.

Tegus Client

I guess what we've been trying to figure out is there have been investors pushing for a sale. It seems like a sale in many ways could make a lot of sense. Depending on the buyer, could be a lot of synergies, you could inherit maybe a more functional leadership team. It could make a lot of sense. At the same time, the company has been lacking a permanent CEO for something like seven months now. So our kind of best guess is that maybe they tried to run a sale process.

And because the markets have been so haywire, it fell through or price kept getting renegotiated, and so they weren't trying to find a full-time CEO. But maybe now they don't want to sell or they're reengaging.

We don't really know, but just the combination of people pushing for a sale, and then they don't have a permanent CEO for seven months just seems really weird to us. So we're just trying to figure out, is this going to be sold? If so, are there a lot of bidders who would pay a big premium? Or is this going to be a standalone? And if so, what is that going to look like? Should we be excited about that at this price? Do you have any thoughts on any of that?

Former Chief Revenue Officer (CRO) at OnSolve

My take on the Board's decision not to bring in a different set of leadership. To me, it felt like a decision at the time that they were going to sort of ride it out and fix some of the major problems themselves before they went into a sale motion. Otherwise, they could have brought in a team. It would have sent a signal to the market that we do want to exit this business, and we're bringing the team to help us do that in the clever and strategic way, and they chose to keep the same team in place.

Tegus Client

I don't actually understand that. If you were planning to do it yourself, I would think you would bring in a CEO

and a management team to do it. If you're planning to sell the business, I would think you wouldn't go hire a new CEO and you just run a hire a bank and run a sales process. Why would you hire a new CEO just to sell the business?

Former Chief Revenue Officer (CRO) at OnSolve

That's fair. It feels like you could bring in the new management team to be a part of the functional leadership going forward.

Tegus Client

SI think you may have mentioned earlier that if Everbridge was seriously looking for a CEO, you probably would have heard about it. I guess the question I'd ask, if Everbridge was seriously shopping itself, do you think you would have heard about it?

Former Chief Revenue Officer (CRO) at OnSolve

If I knew there were buyers in the water who were having conversations that involve kind of different flavors of maybe it's Everbridge and other entities to try to identify synergies in a joint motion, I definitely would have heard about that, and I think that's definitely happening. I think there's a lot of people surrounding them trying to put together something more clever than just buying them.

Tegus Client

What do you mean by that? Like recreating their solution or competing?

Former Chief Revenue Officer (CRO) at OnSolve

No, this is speculation. If you look at the OnSolve and Everbridge, if the two companies came together, you still got alert media and half a dozen other competitors out there in both spaces, some of whom are extraordinarily well funded. So I think it's by no means is a monopolistic behavior.

What are the two companies' collective R&D spends? What are the two companies' collective marketing spend? I think Everbridge, they spend ungodly amount of money on sales and marketing line, particularly marketing. And I think you come forward and you say, what if you had one less competitor in the marketplace? What if you were to rationalize the go-forward product strategy around whichever company had invested the most and made the most progress in eliminating tech debt.

What if you had the best of both worlds in terms of the inputs into the risk intelligence solution. This is important, more buying power in the market for Telephony and SMS, so that you could get the best prices around the world for your SMS rates, which are kind of going through the roof right now.

What advantages would you have if you could just overnight grow that business by 25% and take all those costs out of the business, I think that's a pretty compelling value proposition. I think it's hard to pull off because you've got different players and different egos and different expectations lined up.

Well, the three options, I guess, you've got a strategic that could buy it and look for synergies with their business; you've got a third-party buyer or buyers that comes along and pulls together multiple entities to find their own synergies on the cost side; or the third is you just bring in a new team and try to run it as a better-run company.

Tegus Client

What would you do? If you were the Chairman of the Board of Everbridge and those were the three options presented, how would you think about the right decision if you were focused on creating the most value possible?

Former Chief Revenue Officer (CRO) at OnSolve

So I think I'd do a Venn diagram of where my customers were and weren't. I would look at what the multiples, what I can buy the company for, what my current multiple was. And I would probably take the option where I brought together multiple players in the space and focus all the effort on a single technology stack, a single R&D spend and a single marketing spend. I think it'd be messy for about 18 months, and then you can get through to the other side of it.

Tegus Client

Could OnSolve and Everbridge combine or would there be regulatory concerns? You said there's a lot of smaller competitors out there. Could they easily combine from a regulatory perspective?

Former Chief Revenue Officer (CRO) at OnSolve

I think they could. So AlertMedia has come on, has the capability and is competitively priced and has shown that they can take share away on particularly the critical communication side. On the risk intelligence side, you've got a major well-funded player with tons of government contracts and political contacts in terms of data miner. So I think you could. And then you've got a half a dozen other players of some size and relevance.

Tegus Client

I want to make sure I understand what you said earlier about like putting the two co-CEOs in charge as a sign of confidence, there was like no funny business. So sort of your funny business comment, but then also what you say earlier, the comment about a lot of acquisitions. I don't know if you were referencing sort of like technical debt or integration issues or whatever. Can you just expand on like what do you mean by those two things?

Former Chief Revenue Officer (CRO) at OnSolve

On the first front, David says that he's leaving, and he's leaving right away. And I think it was going to be the end of the month. The next thing you know, David has gone before he even the date that he had put out to the market, he's gone. And there was massive speculation why is he leaving so quickly? Boomi is a smaller company. And it's a weird place to go from running a big giant company like Everbridge.

What happened? Because you get a bad quarter, you get an occasional bump in the road. Something happened. And I think that it had to be on many people's minds that there was something untoward happened with the way business was being booked or revenues being recognized. I just can't imagine there wasn't speculation on behalf of people who travel in your circles. That's something unusual what happened. I have heard no rumors. I know nothing about it other than the fact that it seems very odd the pace at which the change occurred.

And I think if you look at to where those sort of things occur, you would typically think that the players involved in those, they're the salespeople who are recognizing deals or signing contracts in some way that is not representative of what a true path forward would be the quality of revenue, for example, or it could be something in the way that the revenue for prior deals was recognized booked, et cetera?

Tegus Client

Okay. And then what about on the like integration issues and stuff?

Former Chief Revenue Officer (CRO) at OnSolve

So a couple of them made no sense to me. So xMatters is, if you look at xMatters and what they do, OnSolve has had a lot of success in the IT alerting arena. And the reason is because the market there has changed it

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used to be. You go into a Fortune 500 company and they had 100 different systems to which you had to have 100 different integrations in order to do critical communications to say your server was down.

Well, now everyone's consolidating onto the cloud. They've got ServiceNow that integrates all those different components. Now you only need one integration to ServiceNow, and I'm oversimplifying, but it's an infinitely complex environment to do critical communications out of a Fortune 500 IT organization than it was 10 years ago.

So the advantage that xMatters brought to the table was they had all those integrations, and that was what drove their success relative to someone like OnSolve who would have to do them one by one. And that integration has basically been pulled out. That advantage has been pulled out from under them.

So they wait until that happened and then they go out and buy xMatters, just didn't make any sense to me. And then Anvil was kind of a B player. They have a lot of risk intelligence analysts feeding their travel risk product.

Everbridge already has that component in place and they had a relationship with International SOS who was the dominant player and it was sort of maybe softening, but it was almost like an ego move. "Hey, our relationship with you is softening. Therefore, we're going to buy one of your competitors and take you on." And then they bought like a bad third-tier competitor. And now they got to integrate all that.

And I think all of a sudden, a lot of partnerships were in question. A lot of, "Wait a second, you told me I was going to work with International Asset whereas and you," what's happening now?" There was just a lot of confusing and mixed messaging that sent out. And that's just the go-to-market messaging. Never mind the complexity of the product and everything else you have to do. It seemed like they moved a little too fast and knee-jerked some of that stuff.

Tegus Client

Got it. And I know you left about a month ago. Were you seeing a change in the tone of conversations or enterprises slowing the pace at which they're signing new deals or the music is still playing and there's a business to be had out there.

Former Chief Revenue Officer (CRO) at OnSolve

I would say the music is still playing, but it's not particularly loud. I think there's modest growth in this market going forward, but I don't think there is growth in the neighborhood of the industry the way Everbridge had seen it before. They created the industry. They made the space. They were the first mover. Now other players are coming in.

Many of their initial customers think they overbought from a complexity perspective and what simpler solutions, cheaper solutions, critical communications, the penetration for critical communications is near or at 100% for the market, for the commercial side and for the emergency notification side, there's other pockets of growth.

There's critical communications for nonemergency government business is a growth area for the industry. There's new use cases, perhaps for critical communications that are on the margins for the commercial side of the business, but not explosive.

Tegus Client

So I was looking back at our notes from when we spoke a few months ago, and I know you don't have a crystal ball, at the time you thought Everbridge could grow at least 20% organically, which would be a pretty big decline from what they've reported historically, but you thought maybe 20% to 25% going forward. Has your opinion of the future organic revenue growth potential changed? Would you say it's lower than that now?

Former Chief Revenue Officer (CRO) at OnSolve

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I'd say it's slower than that. I think the recession is hitting companies that are looking for opportunities to save money and there's lots of opportunities to save money by doing less of what we do. I think a lot of their growth has come from the fact that they've been able to be a first mover outside the U.S. in a big way, and we haven't had that opportunity. I don't know how successful that has been. But I think if I look at the industry, I think it's a 10% to 15% growth industry.

Tegus Client

Got it. It sounds like expectations have certainly come down quite a bit. The CEO said at an investor conference just a few months ago in May that if the business was only going to grow mid-teens, they could pretty quickly get to EBITDA margins that are in the mid-20s or maybe even as high as 30%. What do you make of that? Do you think that's realistic to get to that kind of margin profile?

Former Chief Revenue Officer (CRO) at OnSolve

I don't know the numbers, but I've heard they have monster R&D and monster sales and marketing, particularly marketing spend. So I think overnight, you could drop those pretty dramatically and get to EBITDA pretty quickly.

Tegus Client

Yes. \$25 million to \$30 million, that doesn't sound crazy. Obviously, you know what OnSolve does, is that margin profile in the realm of possibility? They spend 40% of revenue on sales and marketing.

Former Chief Revenue Officer (CRO) at OnSolve

Okay. So 40% of revenue on sales and marketing. So \$160 million. There you go. Well, you couldn't drop sales and marketing to get to that EBITDA. But between R&D and particularly the marketing component, you'd get there. Sure.

Tegus Client

Yes, they have 650 people in sales and marketing. Does that sound like way too many people to be running that organization?

Former Chief Revenue Officer (CRO) at OnSolve

I don't know how many are in sales and how many are marketing, but it sounds like it. I think if I were to benchmark what I think we spent relative to what most SaaS companies spend on sales and marketing, I think we are probably on the high side because we're in growth mode. You can look in LinkedIn and see how many people we had. But whatever that ratio is, I think the average for a Software-as-a-Service company, if you said 40%, I think it's closer to 20%, 25%.

Tegus Client

Got it. And that you guys are closer to the average of 20, 25?

Former Chief Revenue Officer (CRO) at OnSolve

No, we were above it. I think we were above the average because we were growing too. We had a growth strategy in place. I can look at my organization and see if EBITDA became the most important thing overnight, it could have been a big contributor to that strategy.

Tegus Client

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Got it. So industry is growing 10% to 15%. Would you say Everbridge will grow in line with the industry? So Everbridge should do 10% to 15% top line going forward?

Former Chief Revenue Officer (CRO) at OnSolve

Based on what I know about the North American market and not having any visibility into what crazy tools and tricks they may have up in their sleeve in Europe or Asia, I would say, yes.

Tegus Client

Got it. And is the 10% to 15%, is that global or just North America?

Former Chief Revenue Officer (CRO) at OnSolve

Well, I'm saying it as an Everbridge number based on what I know about their business, which is predominantly the North American business. We sell European deals out of North America. I don't know how their models works entirely.

Tegus Client

Got it. And then average claims to have 47 of the Fortune 50 as customers. When I look at the OnSolve website, pretty sure I see a number of Fortune 50 logos or some really impressive logos that you guys have. What do you make of that? They have an investor slide deck that says, "We have 47 of the Fortune 50 customers." Is there overlap?

Former Chief Revenue Officer (CRO) at OnSolve

100%. I think there's very few. I would say, just as many of our customers have more than one solution in different pockets of the business that have just OnSolve, for example, or just Everbridge. You easily do Everbridge for critical communications, OnSolve for your employee communications, you could do another company for your customer communications.

So there are so many different applications for communicating the critical communications platform that you could easily have five or six in any decent sized company. And then on the risk side, you think you'd only have one, but many GSOCs want every bit of information they can get. So they'll have Factual. They'll have OnSolve. They'll have Everbridge. They'll have Dataminr, many GSOCs.

Tegus Client

Got it. And what is the GSOC?

Former Chief Revenue Officer (CRO) at OnSolve

Global Security Operation Center. So where the Chief Security Officers kind of mall cops sit with their blue blazers and flat screens out there.

Tegus Client

Got it. The more I think about it, the more it sounds like OnSolve and Everbridge should combine to the same business. I mean the day one sales and marketing, R&D, risk intelligence, synergies would be tremendous.

Former Chief Revenue Officer (CRO) at OnSolve

Speculation, I agree. If you look at all the numbers, I've never done this exercise, but if you have a

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spreadsheet of where the dollars go, just at Everbridge and you assume OnSolve had similar ratios, it almost feels like a no-brainer.

And the problem is both companies are spending a ton of money to sort of, I assume, to advance their tech stack. And just in large part, it's playing catch up with two different creatures, each other and AlertMedia. But the other thing they're playing catch up with any company is security. So a lot of R&D spend is spent just keeping up with keeping the Russian hackers out. And you only do that once, you save a lot of money.

Tegus Client

Would a Factual or a Dataminr ever be interested in a business like Everbridge?

Former Chief Revenue Officer (CRO) at OnSolve

There was speculation that Dataminr was wildly interested in finding someone who had a big, massive critical communications capability. So I would say yes.

Tegus Client

Got it. And they were pretty well capitalized. I think they've raised money at nosebleed valuations. Unclear if that still exists today.

Former Chief Revenue Officer (CRO) at OnSolve

Silly capitalization and big giant government contracts that are just stratospheric.

Tegus Client

Got it. Anything we haven't thrown at you or talked about that you think we should?

Former Chief Revenue Officer (CRO) at OnSolve

I think there's a wildcard in terms of any SaaS company, how much control do you have over your price increases relative to your costs. And most software companies, you can look at that and you can look at an industry benchmark number and say, Amazon Web Services, whatever, is going up by 5% next year and know your cost side, but you can't do that with an OnSolve and Everbridge.

You've got companies every country in which you do business is changing their SMS and telco rates on you all the time and you have no control over it and sometimes stratospherically so. So you have a wildcard on the cost side. Now it's not like 40% of your cost of goods. The cost of goods is not 40% of what you sell, but it's an element of profitability that I think you have to keep an eye on. It makes you a little vulnerable, a little less able to sort of manage your profit forecast on an outbound basis. That I would think about.

Tegus Client

Do you think Everbridge's 110% net revenue retention is that risk in the market that we're in?

Former Chief Revenue Officer (CRO) at OnSolve

100%. I think I said to you guys the last time, it seems impossible to me as much as I've seen other companies taking business from them.

Tegus Client

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Got it. And are they losing business because of the dysfunction at the leadership level or because they have an inferior product?

Former Chief Revenue Officer (CRO) at OnSolve

No, it's not the product. It's the customer experience without any question. Everbridge's product is great. It's not AlertMedia in terms of being slick and pretty. They don't have the ambitions that OnSolve has in terms of the road map perhaps right now and all the crazy things everybody wants to do in the space, but their product works.

It's stable and it works, but the customer experience has been a disaster for Everbridge. It has been driving customers. There's as much them driving customers away as it is other companies able to win customers away, unlike what I've seen in my career.

Tegus Client

And the customer experience is a disaster because their sales and marketing and account managers are just not managed appropriately or if the product is so great and it's stable in all these reasons, they've got a good product in the marketplace. Why is the experience of that?

Former Chief Revenue Officer (CRO) at OnSolve

So I think they've had quite a bit of turnover in their account management organization and their support organization. So I've had customers say, every time they call, there's a different person answering the phone responsible for their account. If they have a problem, every time they call, they've got to get on the phone and get explain to another person for the 10th time.

I've had big customers that are name-brand recognizable customers tell me they were scared to that, that they had to come in and send an alert because it's something, if they needed help on anything and any kind of support in any way that they didn't know how they were going to get a hold of someone that could support them.

Account management and their sales teams had accounts, which meant that the guys who's teeth red blood own the relationship with the accounts for many of the accounts, and that is a good growth strategy. It's not a good customer experience strategy.

Tegus Client

Got it. And the customer experience is that sour just over the last six months with some of the dysfunction at the leadership level?

Former Chief Revenue Officer (CRO) at OnSolve

I heard it started about two years ago. I heard it basically start at around the time David came in.

Tegus Client

I guess the question I would have is, again, if you were Chairman of the Board, and we decided, "Hey, we're going to go find the right CEO. We're not going to sell. We're going to find the right CEO." What type of person would you be looking for? And are there any like particular companies or you say, we definitely want to be looking for the Superstar from that organization?

And does it need to be a specific subset of people in this sort of enterprise security? Or could you hire some exact from Microsoft who just understands software and working with large customers or how specific is the industry knowledge that they would need? Or is it a customer experience problem for which a lot of capable executives could come in and ride the ship?

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Former Chief Revenue Officer (CRO) at OnSolve

Yes. I think there's two dimensions that make the job hard. It doesn't have to sell from security industry. You can buy that talent and figure it out. But there's two dimensions that make running a large scaling software company hard that I've seen. One is balancing the customer experience and growth. So do you have a customer experience organization who's entirely dedicated to customer retention?

And then a sales organization is only going after new business, do you co-sell for additional opportunity? Who do you bring in to co-sell if you have a retention-focused customer success team? That's like the Rubik's cube that has more colors than sides and nobody knows how to solve in the entire SaaS industry. It's really a hard problem.

If you have big giant margins like Salesforce and almost near monopoly, then you can overinvest in that space and you're fine. But if you're like most companies who have limited dollars to spend across both, making those decisions are hard. And I think you need someone who knows whose deal has dealt with that problem before and understands it in their bones. I'm not sure that's Microsoft, but it could be one of 150 different big SaaS companies.

And then I think the other thing is you've got a company that just bought a bunch of animals and creatures that may not be financially as big as they are, but from a portfolio perspective, there's a tremendous amount of overlap and confusion. And I think somebody that can come in and can help simplify the direction, vision and communicate that vision in a clean, concise way and if necessary, clean up or cut off some of the duplication of efforts that the integration is represented. I think that would help them amazing, in an amazing way.

And someone is surely looking at what's the appropriate amount of spend to keep evolving and progressing their infrastructure and their application. It seems like they haven't done as much to invest in kind of the next generation infrastructure security, et cetera, architecture as others have. So that's another 1/3 dimension. And I think those are all SaaS software executive problems.

Tegus Client

Okay. So you would just look at any sort of SaaS company of reasonable size working with enterprise customers, that could be a good fit in terms of previous experience?

Former Chief Revenue Officer (CRO) at OnSolve

That's what I think. Yes.

Tegus Client

So pretty wide range of people then. If you don't need specific experience like you could do a really wide range list here.

Former Chief Revenue Officer (CRO) at OnSolve

I think so, yes. There's a lot of subject matter expertise in the talent pool up there at Everbridge. The security people can sit at the table and guide you. But I don't think it's a security or an organizational resiliency expert that's going to solve their problems. It's a software.

Tegus Client

Maybe to summarize, it sounds like they have a good product. Everbridge, they've had some customer issues, a lot of that's leadership related. The industry is still doing fine. It's still growing, 10%, 15% industry growth, but it's not quite as hot as it was six months ago. Everbridge should grow roughly in line with the industry in that 10% to 15% rate. They have a lot of fat to cut in sort of R&D and sales costs if the industry does slow. Their margin profile should be in, I think, DK, we said, what the 30% range EBITDA margin?

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That's what the CFO said. Should be in kind of like the 30% EBITDA margin range if they do slow and cut some costs, not a stretch. And it sounds like a small handful of buyers, maybe single-digit, 3% to 7%, something like that number of buyers that could actually have some synergies who would likely be pretty interested in buying Everbridge because of those synergies and the strong product platform. And in terms of a CEO search, anything enterprise SaaS related with suffice, you don't need specific industry knowledge. Is there anything we should have asked that we did not?

Former Chief Revenue Officer (CRO) at OnSolve

The only thing maybe you should have asked about innovation and is there any emergency disruptive capabilities that are on the horizon. I'm the wrong one to ask because I'm not a security expert. I haven't seen anything proposed by any company that looks like it would be entirely disruptive, but obviously, that would be a wildcard as well.

Tegus Client

Got it. Well, this has been very helpful. Thank you so much for your time.

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