

Dmitry Netis, Analyst

212-891-1762, dmitry.netis@stephens.com

Ryan MacWilliams, CFA, Associate

Changes	Previous	Current
Rating	--	Overweight(Vol)
Target Price		\$32.00
Price:		\$24.21
Fully Diluted Shares Out (mil.):		38.67
52-Week High:		\$33.98
52-Week Low:		\$18.06
Market Cap (mil.):		\$936.2
Fiscal Year End:		Jan
Average Daily Volume:	792,609	
Float (mil.):	71.1	
Debt/Cap:	3.7	
Cash/Shr:	\$5.48	
Dividend/Yield:	\$0.00/0.0%	
Book Value/Shr:	\$1.66	

EPS	2018A	2019E	2020E
Apr	(\$0.44)A	(\$0.68)A	(\$0.16)
Jul	(\$1.52)A	(\$0.12)A	(\$0.17)
Oct	(\$0.55)A	(\$0.15)A	(\$0.18)
Jan	(\$0.41)A	(\$0.18)	(\$0.18)
FY	(\$2.92)A	(\$0.73)	(\$0.69)
P/E	NM	NM	NM

Non-GAAP EPS	2018A	2019E	2020E
Apr	(\$0.07)A	(\$0.12)A	(\$0.10)
Jul	(\$0.07)A	(\$0.08)A	(\$0.10)
Oct	(\$0.10)A	(\$0.09)A	(\$0.11)
Jan	(\$0.09)A	(\$0.12)	(\$0.11)
FY	(\$0.34)A	(\$0.41)	(\$0.42)
P/E	(71.2)x	(59.0)x	(57.6)x
Rev.	\$111.3M	\$175.5M	\$248.5M

Smartsheet, Inc. is a platform of cloud based tools and applications programming interfaces (APIs) that support team engagement and manage workflows. Smartsheet customers use their applications for over 2,000 different use cases including vendor and contract management, compliance reporting, sales operations, and event planning.

Smartsheet, Inc.

SMAR – NYSE

Overweight (Volatile)**Reason for Report:** Initiation of Coverage

Smartsheet, Inc: A Category Leader in Collaborative Work Management; Initiating Coverage

INVESTMENT CONCLUSION:

We are initiating coverage of Smartsheet with an Overweight rating and a Volatile company profile, assigning the shares a \$32 price target. Smartsheet is a category leader in a large addressable market for unstructured and collaborative work execution and management (CWM). We expect the company to continue to take on legacy work environments (90%-95% of its wins coming from the migration from Excel spreadsheets) with its unique cloud-based collaboration platform. Also, Smartsheet's extensible feature sets are geared toward business users representing a ~\$25 billion market which is only 5% penetrated today. Smartsheet's growing market acceptance (~45% estimated average growth rate in fiscal 2019-2021), best-in-class customer retention metrics, and scarcity value of its technology underpins our positive outlook on shares in light of rich valuation.

KEY POINTS:

Moreover, we believe Smartsheet's medium- to long-term growth prospects are strong given:

- Smartsheet's platform is growing across all lines of businesses as enterprises are shifting to collaborative project management, workflow automation, and data capture/visualization tools administered via the cloud;
- Smartsheet is highly effective in its land-and-expand strategy, facilitated by vertical solutions and pre-packaged offerings (a.k.a. Accelerators) for business teams (sales, IT, professional services, HR, and M&A teams), which management notes represent a "rich pipeline" of opportunities, leading to best-in-class unit economics and customer retention metrics (>130% net expansion rates);
- The continued push upmarket, with the number of customers with average contract value (ACV) of \$100,000-plus more than tripling from a year ago, and domain-customer ACV growing ~50% year-over-year;
- Smartsheet is expanding internationally and into the U.S. Federal Government vertical as its products are on a fast-track for FedRAMP certification;

SMAR must grow into its valuation. SMAR shares trade at 7.4x calendar 2020 EV/sales versus the SaaS peer group median of 6.3x, backed by the respective growth rates of 36% (Stephens CY20 revenue

See important disclosures and analyst certification on pages 24 - 25 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

estimate) and 25% (peer group average). We believe buy-side revenue growth estimates for FY20-21 are likely significantly higher than the current Street projections of 25% averaging the two years (we suspect in 45%-50% range), implying an in-line with the peer group multiple of 6.5x. While it's prudent to assume virtually no expansion of its valuation multiples, Smartsheet should continue raise its revenue and earnings projections—given strong revenue visibility of the recurring model—in order to grow into its valuation, in our view.

Risks: Risks to achieving our price target and further revenue, earnings, and multiple expansion include:

- 1) Smartsheet competes with a growing cohort of cloud-based companies and established legacy providers who have significant brand awareness, market scale and large war chests for acquisitions.
- 2) Lack of profitability and negative free cash flow is a concern. As market or competitive conditions change, Smartsheet may need to trade profitability for additional investments and growth.
- 3) Management is shifting focus to upmarket customers, business could suffer materially if small business customers experience a lack of sales support or additional investment is needed for larger enterprise customers.
- 4) With a heavy concentration of small business customers, Smartsheet's average contract value (ACV) is low compared to the entire SaaS vendor complex. Small business customers also typically exhibit higher churn rates than upmarket customers.
- 5) Acqui-hire and technology acquisitions are likely as management targets market adjacencies and adds new products for Smartsheet's sales force to sell into existing customer relationships.

Executive Summary

We are initiating coverage of Smartsheet with an Overweight rating and a Volatile company profile, assigning the shares a \$32 price target. Smartsheet is a category leader in a large addressable market for unstructured and collaborative work execution and management. As “work” requirements get more complex, the company should continue to take on legacy environments—previously handled through a combination of Excel spreadsheets, Microsoft SharePoint document management, and systems of record databases—with its new-age collaboration tool for dynamic and unstructured work management and execution, which is living in the multitenant cloud and built with agile microservices.

Moreover, we believe Smartsheet’s medium- to long-term growth prospects are strong given:

- 1) Strategic value of its collaborative work management (CWM) product is growing alongside the nearly 1 billion knowledge workers globally. Smartsheet’s platform is also growing across all lines of businesses as enterprises are shifting to collaborative project management, workflow automation, and data capture/visualization tools administered via the cloud. The global penetration rate of Smartsheet’s technology offering represents about 5%, leaving a large land grab opportunity;
- 2) Smartsheet’s extensible work execution platform is well-suited to deliver additional value to business users through new applications, which management is focused on and should lead to further share gains;
- 3) Smartsheet is highly effective in its land-and-expand strategy, facilitated by vertical solutions and pre-packaged offerings (a.k.a. Accelerators) for business teams (sales, IT, professional services, HR, and M&A teams), which management notes represent a “rich pipeline” of opportunities, leading to best-in-class unit economics and customer retention metrics (>130% net expansion rates);
- 4) Continued push upmarket, with the number of customers with average contract value (ACV) of \$100,000-plus more than tripling from a year ago, with domain-customer ACV growing ~50% year-over-year;
- 5) Smartsheet is expanding internationally and into the U.S. Federal Government vertical as its products are on a fast-track for FedRAMP certification;

Likely two-to-three years away from profitability, but tracking well-above the “Rule of 40”. The company isn’t profitable (on an adjusted EBITDA or free cash flow basis, despite the annual recurring revenue model where cash is typically collected upfront), and likely won’t be for at least the next 2 years. Management is leaning toward a widely accepted venture capital software valuation model, known as the “Rule of 40”, given its demonstrable growth, very large TAM, low-user penetration (~5%), growing market acceptance, and best-in-class customer retention metrics. Notwithstanding a limited track record of profitability and need for continued investments, Smartsheet’s current billings momentum and the scarcity value of its technology underpins our positive outlook on shares in light of rich valuation.

- **Rule of 40 benchmark.** The company grew 59% last quarter and had negative 4% free cash flow, yielding a combined rate of 54%, or 14 percentage points over the “Rule of 40” benchmark. On a trailing twelve month basis, the company grew at an average of 62% and had a negative free cash flow growth of 18%, yielding a TTM combined score of 44%, or 4% above the target benchmark. We are modeling our growth rate and further free cash flow generation to stay above the 40% target market for next two years, with above breakeven FCF by the fourth quarter of next year (fiscal 2020), in line with management outlined financial targets.

Best-in-class SaaS metrics. Smartsheet's billings over the last three quarters have been growing at ~60% on average, with subscription revenue closely tracking it at ~58% on average in the same time period. The company's dollar-based net expansion rate for domain customers (representing ~80% of the total customer base) continues to rise (135% in the third quarter versus 133% a year ago) with the average annual contract value increasing at an accelerated pace (\$2,214 per domain customer versus \$1,491 a year ago), demonstrating a successful land-and-expand strategy. We expect ACV and retention metrics to continue to step-up as the company focuses on large enterprises.

Trading at rich multiples, SMAR must grow into its valuation. We value Smartsheet shares using a forward EV/sales multiple comparable to the multiple of similar fast-growth SaaS peers and based on our 10-year discounted cash flow model. SMAR shares trade at 7.4x calendar 2020 EV/sales versus the fast-growth SaaS peer group median of 6.3x, backed by the respective growth rates of 36% (Stephens CY20 revenue estimate) and 25% (peer group average). In our view, 36% revenue growth in 2020 is likely a conservative assumption relative to 58% revenue growth in 2018. We believe the buy-side numbers for 2020 are likely significantly higher than our and Street assumptions currently, we suspect in 45%-50% revenue growth range, implying a roughly in-line with the peer group multiple of 6.5x. At our \$32 per share price target, the stock implies a 2020 EV/sales multiple of 9.0x on EV/sales basis. Also,ur 10-year DCF model (using 22x EBITDA multiple applied to its terminal value and unlevered free cash flows discounted to present value at 13.5% WACC), yields a \$30 per share as fair value of equity. While it's prudent to assume virtually no expansion of its valuation multiples, Smartsheet should continue to raise its revenue and earnings projections—given market adoption and strong revenue visibility of the recurring model—which would enable it to grow into its valuation and maintain a premium to the peer group, in our view.

Investment Rationale

Work requirements are changing

Smartsheet's software helps teams and organizations to plan, capture, manage, automate, report and analyze projects at enterprise scale. Among examples of project management tools are product planning, auditing, employee onboarding, IT development and automation, TV/media planning and 2,000-plus other use cases across all corporate departments (sales, marketing, operations, IT, engineering, legal, administrative, finance, customer service, and other). As the volume of work, velocity in which work tasks are expected to be completed, and their variety increases, the modern workforce continues to look for ways to work collaboratively and use automation tools that help them manage unstructured work planning more efficiently. They also seek out flexible tools that show the progress of work performed by cross-functional teams (e.g., analytics and dashboards).

An extensible feature set is appealing to business users

Smartsheet's CWM platform is unique in that it's not only focused on a business user, it allows that user to configure the platform in a bespoke way without much training or coding given Smartsheet's extensible user-friendly feature set. Competitive solutions fall into two distinct categories—fixed-feature set tools or those that are purpose-built for business users and those that are extensible feature platforms, but require a significant amount of attention from a software developer (DevOps tools). Smartsheet's closest competitor, Atlassian, has an extensible Jira platform in the DevOps category and Trello (which it acquired for \$425 million nearly two years ago) that gives business users a fixed-featured platform that appeals to the small business segment of the market.

Large TAM with low-penetration rate

While Smartsheet is not necessarily a unified communications play, it does carry a collaboration and customer engagement aspect (offering collaborative project management tools, dashboards, and analytics for teams). The total opportunity for Smartsheet's tool could span 865 million knowledge workers versus the existing 4.2 million users on its platform today (including freemium service customers), representing a low-single digit penetration rate of the TAM. Putting a dollar value on this results in a \$25 billion market recurring opportunity. The company is on an annualized run rate to exit fiscal 2019 (calendar 2018) at revenue of ~\$200 million. Smartsheet products are aimed at business users with no coding experience, which is a much larger market opportunity than competitive solutions that target software developers and knowledge workers with coding experience (DevOps). Smartsheet is betting on the digital transformation initiative as enterprises seek to modernize their project management processes (by moving non-critical data and related tools across entire organization to the cloud) and automate their manual workflows.

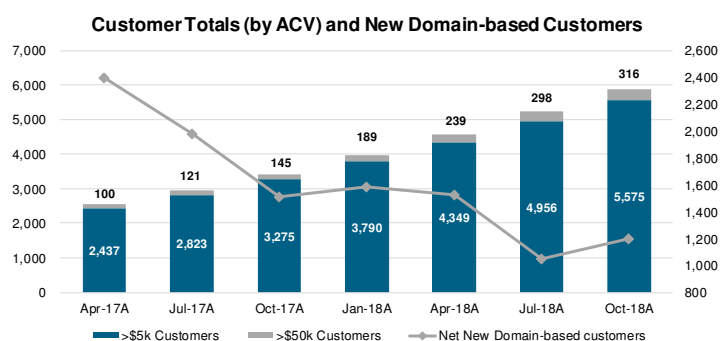
Attractive unit economics

The company has gross margins of 80%, LTV to CAC ratio of 7.4x and a net dollar retention rate of 130%. The company's unique technology is differentiated from its competition and its solid sales execution has resulted in ~66% sales growth in 2017 with projected 30%-plus in the next 3 years. Smartsheet's lack of profitability should be viewed in light of its massive investment spending as Smartsheet sees a growing enterprise pipeline and the ability to distance itself from the competition.

Efficient land-and-expand strategy

Management's land and expand strategy is manifested by Smartsheet's strong dollar-based customer expansion rate. Customer net expansion metrics vary widely across each customer category, with the cohort with ACV of \$25,000 and above fetching well over 150%. The company has shown consistent improvement in the overall metric across all customers, ending the third quarter at dollar-based net expansion rate of 132%, up from 129% a year ago; domain-based customers (~80% of overall base) are tracking ~3 percentage points above this blended metric.

Figure 1 — Most customers land with ACV's below \$1k, but larger ACV cohorts are growing rapidly



Source: company reports, Stephens Inc.

Focus on enterprise customers and higher LTV

The number of customers with under-\$5,000 in ACV as well as customers between \$5,000 and \$10,000 in ACV represent a vast majority of the installed base today, 51.6% and 44.6% of total domain customer base, respectively, and has been improving steadily with a push upmarket. That mix shift towards higher ACV customers inevitably will pull down the gross churn rate and revenue retention metrics. Management must emphasize mining its installed base through upsell (higher service tiers) and cross-sell (via additional features which could be added to its single-product offering over time).

Near-term product development and sales priorities to drive sustainable growth

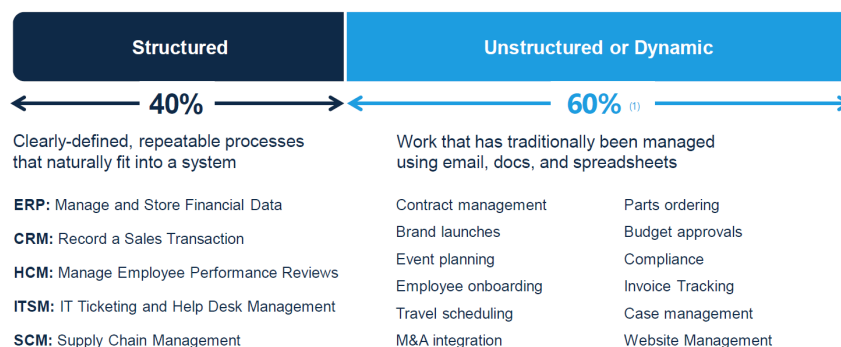
Management is making key changes to its selling motion to realign the sales strategy with the company's long-term goals. While these changes are likely to drive incremental investment in fiscal 2019 and 2020, we believe the strategy sets the company on a path to capture a meaningful portion of the market within the premium customer segment—midmarket and large enterprise. Management operational priorities from engineering to sales and marketing for the next year are as follows:

- 1) *Investing in product and infrastructure.* Management expects to migrate more of its code into the public cloud, a shift from where it is currently hosted in private data centers. This includes improving customer on-boarding and making the product more user-friendly and intuitive for small business as well as the large enterprise business user (having the appropriate work milestone measurement tools, dashboards and analytics).
- 2) *Hiring of additional sales reps, especially internationally.* Management has set up shop in the U.K., and expects to add more incremental reps in Europe as demand for its product and brand awareness grows internationally. While the company does not disclose sales figures, it notes that over 200 sales people are in the “business expansion” category, which represents over half the entire salesforce in the company. It also has roughly 20 “strategic account” sales executives which are focusing on large enterprise customers with over 10,000 employees or \$10,000-plus in ACV.
- 3) *Step up in marketing and brand awareness.* Management spent over \$1 million in the third quarter on brand marketing (TV and Web advertising) to increase brand awareness. Historically, management notes its marketing budget has averaged in the 10%-12% of revenue, but is likely to exceed that range slightly in the near term.
- 4) *Channel focus.* Smartsheet has not focused on the indirect channel historically, and continues to sell via inside sales (digital retail stores/Web portals), direct sales, or through its technology partnerships (via integrations with other cloud tools). In addition, while acquiring new customers remains an important tenet of the strategy, particularly with the renewed brand marketing strategy, management is particularly focused on dedicating more resources to customer expansion within its existing installed base.

The path to \$1 billion in revenue. It has become nearly a norm among SaaS companies to clear a path to \$1 billion in revenue given the visibility of their recurring revenue model. We typically see companies hitting \$300 million-400 million before charting a course to \$1 billion. Smartsheet is no different, but ambitiously early in drafting that route to \$1 billion in 4 to 6 years given its current \$176 million annualized run-rate. The long-term model implies a 43% CAGR when taken at the midpoint.

Disruptive cloud-based collaborative project management platform

Smartsheet is disrupting the collaborative work management market by offering cloud-based tools that improve the collaboration of line of business teams on projects. Smartsheet has over 76,000 customers in over 190 countries. Its platform spans over 2,000 use-cases across various enterprise departments. Smartsheet's platform enables business users to plan, manage, and automate their projects without specialized knowledge or software development expertise. The platform also automates and organizes unstructured data and tracks continuous progress and milestones associated with a task or project in lieu of manual data recorded in an Excel spreadsheet and shared via an email. Simply put, Smartsheet is a cloud-native, next-generation Microsoft Project and SharePoint, with extended collaboration and automation capabilities. The platform is highly flexible and customizable with on-demand reporting capabilities unlike traditional on-premise tools.

Figure 2 — Smartsheet offers a collaborative tool to help standardize dynamic work functions

Source: company reports

Strong product offering leads to high ROI

Customer return on investment on Smartsheet's platform is high because it makes teams more productive and saves them multiple hours a month on administrative tasks.

New add-on features add to platform expansion, customer growth

Features added to Smartsheet's platform include a visual workflow builder and multistep workflow automation, both of which aid customers in building more complex solutions with Smartsheet. Smartsheet also furthered its platform advantage by adding integrations with other cloud-based collaboration tools, including Slack, Google Hangouts, Workplace by Facebook, and Microsoft Teams. Premium integrations include Microsoft Dynamics 365 and Tableau.

DynamicView could be the most-exciting add-on catalyst

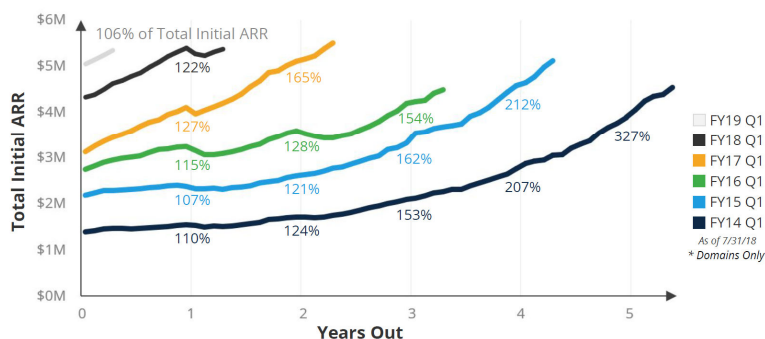
Among recent innovations is a product called DynamicView for managing processes at scale and confidential collaboration. DynamicView enables business owners to share only what is needed to the right people at the right time for viewing or editing. Management is not shy to note it is most excited about its near-term growth prospects given its rich pipeline of expansion deals.

Premium-license bookings expanding to 19% of overall bookings

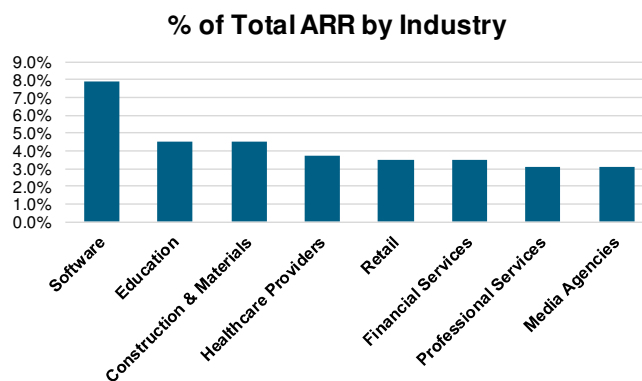
As the company continues to introduce additional premium solutions and add-ons that increase the number of monetization streams, the premium license bookings growth have been expanding measurably to 19% of overall bookings in the third fiscal quarter (September), up from 12% in prior quarter. Revenue from premium products was 7% of overall revenue in the third quarter versus 6% in prior quarter. Premium products are represented by Connectors, Accelerators, Control Center and DynamicView.

Customer growth metrics show stickiness of the platform

Smartsheet has demonstrated an impressive land and expand sales model with strong customer retention metrics. The net dollar-based retention rate for domain-based customers (the main source of revenue), corresponds to 137% in the fiscal third 2019 compared with the corporate average of 132%.

Figure 3 — Initial ARR is improving with each new annual customer cohort**New: Favorable Customer Cohort Trends***

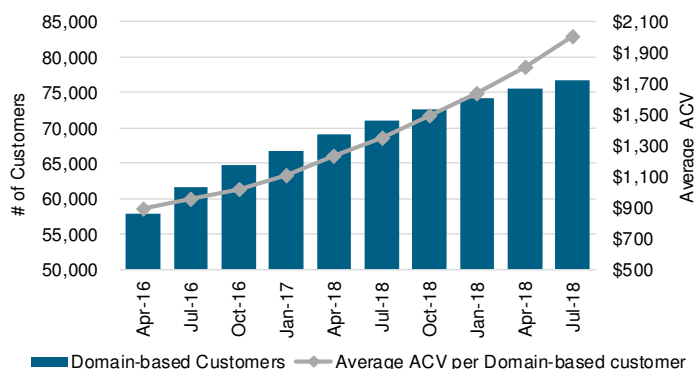
Source: company reports

Figure 4 — Software and Education are Smartsheet's largest verticals (ARR as of Sept. 2018)

Source: company reports, Stephens Inc.

Accelerators are a catalyst for sustainable customer adoption

Smartsheet's Accelerators, packaged solutions that includes support and on-boarding services, are priced in the five figures range and are expected to be a significant area of higher-margin growth for new business going forward. Through its platform-based model, the company is able to determine which solutions customers are using Smartsheet tools to solve, and Smartsheet can increase the speed to deployment by offering a solution with pre-built functionality for a broad-base of customers. This reflexive cycle is unique to a handful of platform software companies and a long-term tailwind for the company. Smartsheet plans to add additional Accelerators around customer pain points, and noted in their analyst day that their next wave of Accelerators will focus on sales processes.

Figure 5 —We expect enterprise customers and higher-margin products like Accelerators....

Source: company reports, Stephens Inc.

FedRamp certification opens up a large vertical with multiyear contracts

Smartsheet recently announced it was selected to participate in FedRAMP Connect, an accelerated certification program for providers to offer cloud services to government agencies. Smartsheet noted that despite a limited government business presently, they see incremental demand from government agencies going forward if they achieve certification.

Figure 6 — ...along with a focus on industry verticals to drive ACV going forward

Sales Lead assignment Sales enablement Pipeline management Contract management 	IT Software migration Help desk IT ticketing Managing development 	Operations Schedule deliveries Track invoices Sales operations Vendor requests 	Marketing Manage brand launches Investor relations Event planning Website management 	Engineering Feature development Bug tracking Case management 	Legal Patent app processing Case management Client onboarding Due diligence review Transaction management
Project Management Product initiation Commissions calculation M&A integration 	Administrative Travel scheduling Meeting scheduling Compliance 	Human Resources Employee onboarding Off-boarding processing Talent acquisition Benefit tracking 	Finance Audit preparation Purchase orders Expense approvals Budget approvals 	Customer Service Issue escalation Assign tickets Schedule employees Returns processing 	Industry Verticals Claims adjusting Clinical trial tracking Parts ordering Contractor scheduling Property management

Source: company reports

Investment Risks

Competition within the collaborative work management market

Smartsheet competes with a growing cohort of cloud-based companies like Atlassian (Jira/Trello)—Smartsheet's closest competitor across both business-user and developer/DevOps customer acquisition channels—as well as Asana, Wrike, and Clarizen (all three venture-backed private companies). In the legacy provider landscape where established competitors have significant brand awareness, market scale and acquisition war chest, Smartsheet goes up against products like Microsoft (Project/Sharepoint), Oracle (Primavera), Plainview PPM (majority-owned by Thoma Bravo), and ServiceNow.

Lack of profitability and negative free cash flow.

Over the last 2 years, Smartsheet had negative free cash flows of \$25.6 million (fiscal 2018) and \$19.6 million (estimated fiscal 2019) and is expected to remain FCF negative until the fourth quarter fiscal 2020 (we are forecasting negative FCF of \$4 million that year). Adjusted EBITDA was also negative at \$21.2 million in fiscal 2018 and \$25.8 million in fiscal 2019 and is expected to remain negative for at least the next 2 years (we forecast \$29.3 million and \$33 million in fiscal 2020 and 2021, respectively). As market or competitive conditions change, Smartsheet may not be as nimble or may need to trade profitability for additional investments and growth.

Shift upmarket, which requires sales realignment

The company has deemphasized small business (Web-based search lead-gen, self-service, and freemium models) and has repositioned its salesforce to focus on higher potential lifetime value (LTV) customers within midmarket and enterprise segments (by using direct sales and territory managers). To the extent this strategy isn't executed flawlessly whereas small business customers see the lack of sales support or additional investment while larger enterprises are prone to slower adoption leading to longer sales cycles, Smartsheet's revenue growth could suffer materially. To that end, Smartsheet's domain account growth (sequential and annual) has decelerated in recent quarters, as Smartsheet is onboarding a lower amount of new customers but with a higher ACV. Average domain-based customer ACV was \$2,214 in the September quarter, up \$723 versus a year-ago period while customer base growth slowed from 12% from a year-ago period to just 7% in the September quarter. Customer count with \$100,000-plus ACV, however, grew to 127 in the September quarter, up from 99 just three months ago and about 40 in a year-ago period. Management complements its higher-LTV strategy to move upmarket with lower attrition rates and gross churn (~10% annual customer churn last quarter, an improvement of 40 basis points sequentially and over 6 percentage points from 3 years ago).

Heavy concentration within small business

Average contract value (ACV) across Smartsheet's ~78,000 domain-based customers was \$2,214 in the third fiscal quarter, which is a pretty low average if you look across the entire SaaS vendor complex. The number of customers with under-\$5,000 in ACV as well as customers between \$5,000 and \$10,000 in ACV represent a vast majority of installed base today, 51.6% and 44.6% of total domain customer base, respectively, albeit has been improving steadily with a push upmarket. That mix inevitably will pull down the gross churn rate and revenue retention metrics. In addition, the vast majority of the company's subscriber base are annual subscriptions, making it more susceptible to churn than a very small portion of customers that are on a multiyear contracts, albeit we note this is still way better than some SMB-focused vendors selling month-to-month plans. Nonetheless, management has shown consistent improvement in churn rate, ACV, net revenue expansion rate, and net new customer additions in the higher-LTV segments, as mentioned above. Management must emphasize mining its installed base through upsell (higher service tiers) and cross-sell (via additional features which could be added to its single-product offering overtime).

Aqui-hire acquisitions likely over market adjacencies

Moreover, Smartsheet's strong salesforce would likely crave for more products it could sell into their existing customer relationships. Management notes that at the moment, it is prioritizing "solutionizing" of the platform (i.e., Accelerators that operationalize best-practices into quick templates and easy customer on-boarding) over market adjacencies. However, we don't exclude potential "aqui-hire" or "tuck-in" acquisitions down the road, due to Accelerators strategy that may require some turn-key features, competitors may introduce popular features that customers demand, or management seeks to grow its developer base/sales presence overseas or in lower-labor cost areas.

Company Description

Smartsheet is a platform of cloud based tools and applications programming interfaces (APIs) that support team engagement and manage workflows. Smartsheet customers use their applications for over 2,000 different use cases including vendor and contract management, compliance reporting, sales operations, and event planning through a software-as-a-service (SaaS) model. Smartsheet also integrates with other workforce solutions providers including Microsoft, Google, Salesforce, and Slack. Smartsheet offers packaged turnkey cloud solutions, called Accelerators, for mergers & acquisitions (M&A), client-onboarding, and IT project management office (IT PMO). Finally, while Smartsheet's tools are built for users with no coding capabilities, the company offers professional services to assist customers in learning or adapting Smartsheet tools and Accelerators to the specifics of their business or industry.

Figure 7 —Smartsheet's platform provides easy to use tools that do not require coding experience

Source: company reports

Smartsheet was founded in 2006 with the idea that cloud-based tools would change how teams interact and manage workflows. Smartsheet works with over 76k brands with ~4.2 million users. As of 3Q18, Smartsheet had 5,575 (+70% YoY) customer accounts with annual recurring revenue (ARR) of greater than \$5,000, and 316 (+148% YoY) customer accounts with ARR greater than \$50,000. Smartsheet's growth engines include: land and expand new business, expand presence in international markets, market custom functionality to regulated industries, and pre-build solutions customers are asking for (like the Accelerators).

Figure 8 — Enterprise and Premier plans offer additional capabilities beyond Business plan features

Smartsheet Pricing (with Annual Billing)	
30 Day Free Trial to Start	
Individual	Business
\$14 Per Month	\$25 Per Month (Min Three Liscenses)
Features	Features
Unlimited Free Collaborators Capture Data with Forms Free Templates	Dashboards & Charts with Live Data Activity Log Workflow Automation Connectors Products for Data Analytics Manage Groups and Users Custom Branding

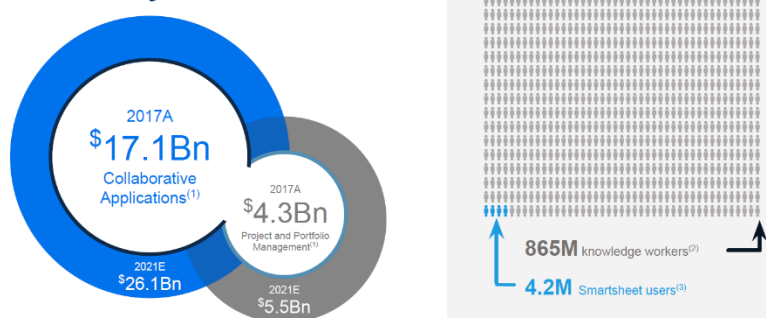
Source: company reports, Stephens Inc.

CWO Market Overview

Collaborative work management (CWO) vendors provide an operational system of record for a variety of work processes through the cloud. CWO providers allow teams to track changes to shared projects, automate capabilities, and monitor project performance. While the industry is relatively nascent, Smartsheet management estimates its total addressable market (TAM) at around \$25 billion given a ~20% share of global knowledge workers (estimated at ~865 million) at an average annual revenue per user of \$125. Management believes it is still early innings for the CWO market as cloud tools become more integrated with enterprises and geographically-dispersed workforces.

Figure 9 — Management estimates it total addressable market at ~\$25 billion

**Available Market: \$25+ Billion
and Nearly 1 Billion Users**

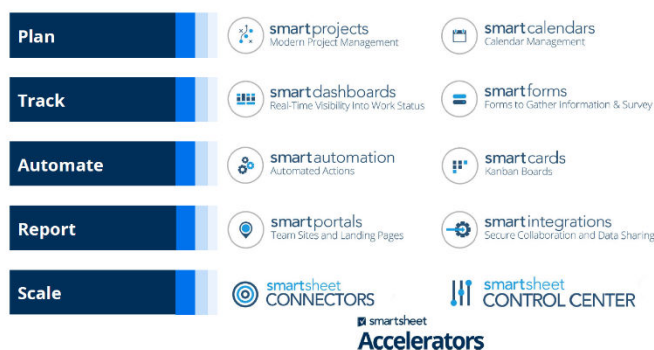


Source: company reports

Product Profile

Smartsheet Platform - Smartsheet receives substantially all of its subscription-based revenue from the sale of its cloud-based platform. Smartsheet offers four subscription levels with varying levels of pricing and service: Individual, Team, Business, and Enterprise. The Business and Enterprise levels account for greater than half of annual contract value (ACV). Products available on the platform include: Smartforms, Smartportals, Smartcards, Smarcalendars and Smartdashboards.

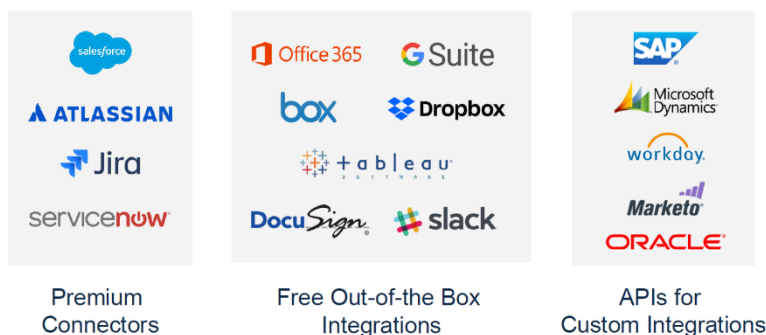
Figure 10 — Smartsheet offers a full suite of workforce management applications



Source: company reports

Connectors – Smartsheet's Connectors enable embedded integrations with third parties to provide real-time data synchronization across business platforms. Smartsheet also provides customizable APIs that can integrate with legacy business systems, along with leading software companies including Salesforce, ServiceNow, and Atlassian.

Figure 11 — Smartsheet integrates with leading software applications to improve performance



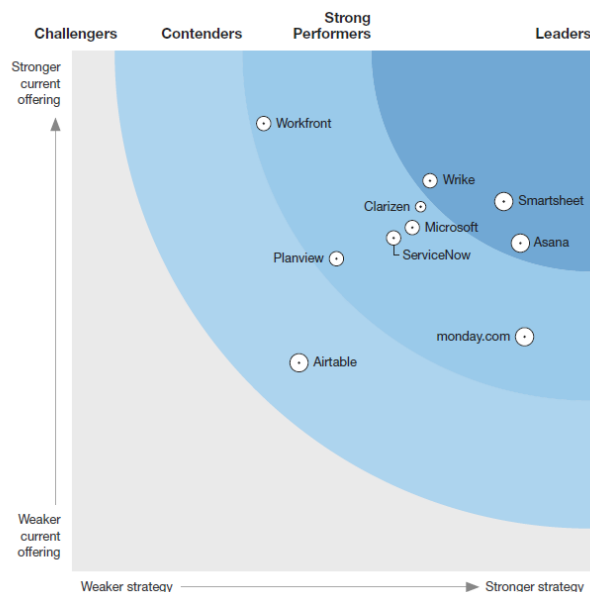
Source: company reports

Control Center – Smartsheet's Control Center allows real-time monitoring into business projects to reduce operational risk in large scale projects. The Control Center also provides for automated portfolio reporting for managers to review progress without disrupting execution. Global Updates allow the Control Center to make changes to templates that automatically updates templates across the organization.

Competitive Landscape

Collaborative work management is a fast growing market that utilizes cloud-based solutions to improve project management and collaboration. We expect there to be future shifts to come in the competitive environment and there is potential in the market for consolidation. Established tech giants such as Microsoft, ServiceNow, and Atlassian are competing with industry leaders Smartsheet, Asana, and Wrike. We expect new use cases, artificial intelligence, third-party integrations, and process automations to be the key determinates in which competitors find success in the space.

Figure 12 — Smartsheet is the market leader in the collaborative work management market



Source: Forrester Research, Q4 2018

Management Profile

Smartsheet's management team is led by long-time CEO and President, Mark Mader, and includes a team of more recent hires with many years of experience in the technology sector. Among those are Senior Vice President of Worldwide Field Operations Michael Arntz, Senior Vice President of Engineering Andrew Lientz, and Senior Vice President of Product Gene Farrell.

Mark Mader has served as President since 2006 and CEO since 2007. Prior to Smartsheet, Mr. Mader worked in various leadership roles with Onyx Software, a software customer relationship management company from 1995 to 2005. Mr. Mader also previously worked at financial consulting firm Greenwich Associates. Mr. Mader has been a member of Smartsheet's Board of Directors since 2007.

Jennifer Ceran has served as CFO since September 2016 and led the company through its initial public offering in April 2018. Prior to Smartsheet, Ms. Ceran served as CFO of Quotient Technology Inc., an online marketing platform, from September 2015 to September 2016. Ms. Ceran also previously worked as a Vice President of Finance at Box, Inc. and in various leadership positions at eBay, Inc.

Financial Summary

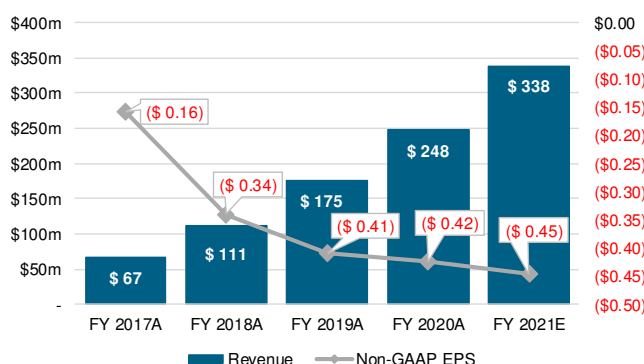
We estimate revenue growth of 42% in FY2020 and 36% in FY2021 respectively as sales remain strong but decline from their impressive 2019 levels (we estimate 58% growth). We project non-GAAP gross margins to decline over time, towards management's long-term target margins on 78%-80%, as Smartsheet moves toward the public cloud and expands internationally (typically lower margin). We expect non-GAAP research and development, sales and marketing, and general and administrative expenses to decline over time as revenue growth outpaces operating expenses. Therefore, we estimate operating margins and free cash flow (FCF) margin to improve with revenue growth. We are modeling the combination of our revenue growth rate and free cash flow margin to stay above management's 40% target for the next two years, and management is targeting above breakeven FCF by the fourth quarter of next year (fiscal 2020).

Figure 13 — Smartsheet anticipates improved operating metrics after a period of investments

Non-GAAP Metrics	2018A	2019E	2020E	2021E	Long-term Target
Revenue Growth	66%	58%	42%	36%	
Gross Margin	81%	81%	80%	79%	78-80%
Research and Development	28%	30%	27%	25%	13-15%
Sales and Marketing	64%	59%	57%	55%	37-39%
General and Administrative	16%	17%	15%	14%	6-8%
Operating Margin	-27%	-24%	-19%	-15%	20%+
FCF Margin	-23%	-11%	-2%	1%	20%+

Source: company reports, Stephens Inc.

Figure 14 — We expect management to focus on sales growth over profitability in the near-term



Source: company reports, Stephens Inc.

Valuation

Methodology

In arriving at a fair value for Smartsheet's stock, we examine trailing and forward EV/sales multiples and compare these multiples with the software-as-a-service (SaaS) and the fast-growth SaaS peer group. We also constructed a 10-year discounted cash flow valuation (DCF) framework, which we use to arrive at the fair value of the stock.

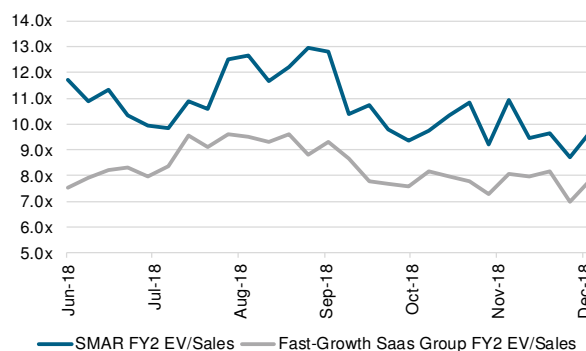
Relative to the SaaS peer group which has a medium EV/sales multiple 5.6x on the calendar 2019 basis, Smartsheet's shares are trading at a premium at 9.9x. On calendar 2020, Smartsheet is trading at a premium at 7.4x EV/sales, relative to SaaS peers at 4.8x. The fast-growth SaaS peers are trading more in line with Smartsheet at 8.0x and 6.3x EV/sales on calendar 2019 basis and 2020, respectively. We define fast-growth SaaS competitors as those companies that are projected to achieve revenue growth greater than 30% in 2018.

In order to arrive to an enterprise value based on our DCF framework, we apply a discount rate of 14%, an equity risk beta of 1.5, and an 22x EBITDA multiple on a terminal value plus unlevered free cash flows for the next 10 years discounted back to present value. Smartsheet's implied equity value, assuming net cash of \$234 million and 103 million shares outstanding is \$30. This compares to our \$32 price target, which is based on CY 2020 EV/sales multiple of 9.0x.

Recommendation

We are initiating coverage of Smartsheet with an Overweight rating and a Volatile company profile, assigning the shares a \$32 price target. Smartsheet is a category leader in a large addressable market for unstructured and collaborative work execution and management (CWM). As "work" requirements get more complex, the company should continue to take on legacy environments—with 90%-95% of its wins coming from the migration from Excel spreadsheets—with its unique cloud-based collaboration tool with extensible feature sets and geared toward business users representing ~\$25-billion market which is only 5% penetrated today. Smartsheet's growing market acceptance (~45% estimated average growth rate in fiscal 2019-2021), best-in-class customer retention metrics, and scarcity value of its technology underpins our positive outlook on shares in light of rich valuation.

Figure 15 — Smartsheet trades at a significant premium to the fast-growth SaaS peer group



Source: FactSet Research Systems, Stephens Inc.

Figure 16 — Software as a Service (SaaS) peer group

\$mn except per share data							Revenue			Y/Y Rev. Growth			EPS (\$)			EV / REV			P/E		
	TICKER	12/31/18 PRICE	Market Cap (\$)	Shares Out	Net Cash	Enterp. Value (\$)	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E
Software-as-a-Service																					
8x8, Inc.	EGHT	\$18.04	1,693	94	129	1,564	338	407	497	19%	20%	22%	(0.13)	(0.12)	0.18	4.6x	3.8x	3.1x	NM	NM	100.4x
Apploio, Inc.	APPF	\$59.22	2,109	36	46	2,063	188	238	289	31%	27%	22%	0.62	0.98	1.26	11.0x	8.7x	7.1x	95.0x	60.4x	47.0x
Alarm.Com Holdings, Inc.	ALRM	\$51.87	2,480	48	56	2,424	405	439	503	20%	8%	15%	1.28	1.38	1.57	6.0x	5.5x	4.8x	40.4x	37.6x	33.0x
Alteryx, Inc.	AYX	\$59.47	3,634	61	157	3,477	201	272	356	53%	35%	31%	(0.03)	(0.02)	0.18	17.3x	12.8x	9.8x	NM	NM	NM
Amber Road, Inc.	AMBR	\$8.23	229	28	(12)	241	85	91		7%	7%		(0.08)	(0.09)		2.8x	2.7x	-	NM	NM	-
Appian Corporation	APPN	\$26.71	1,669	62	107	1,562	222	255	306	26%	15%	20%	(0.55)	(0.44)	(0.25)	7.0x	6.1x	5.1x	NM	NM	NM
Athenahealth, Inc.	ATHN	\$131.93	5,436	41	45	5,390	1,344	1,468	1,598	10%	9%	9%	4.29	4.85	5.75	4.0x	3.7x	3.4x	30.8x	27.2x	23.0x
Atlassian Corp. Plc	TEAM	\$88.98	20,840	234	914	19,926	1,028	1,337	1,680	39%	30%	26%	0.64	0.87	1.12	19.4x	14.9x	11.9x	139.9x	101.9x	79.3x
Bandwidth, Inc.	BAND	\$40.75	862	21	63	798	201	226	271	23%	12%	20%	0.15	(0.46)	(0.20)	4.0x	3.5x	2.9x	NM	NM	NM
Benefitfocus, Inc.	BNFT	\$45.72	1,458	32	(79)	1,537	257	298	347	0%	16%	16%	(0.62)	(0.18)	0.33	6.0x	5.2x	4.4x	NM	NM	139.1x
Blackbaud, Inc.	BLKB	\$62.90	3,029	48	(400)	3,429	850	887	941	8%	4%	6%	2.49	2.39	2.58	4.0x	3.9x	3.6x	25.2x	26.4x	24.4x
Box, Inc.	BOX	\$16.88	2,403	142	102	2,301	600	723	861	21%	20%	19%	(0.18)	0.00	0.20	3.8x	3.2x	2.7x	NM	NM	84.8x
Carbonite, Inc.	CARB	\$25.26	921	36	57	864	304	335	355	27%	10%	6%	1.63	1.80	1.96	2.8x	2.6x	2.4x	15.5x	14.0x	12.9x
ChannelAdvisor Corp.	ECOM	\$11.35	310	27	47	262	131	140	149	7%	7%	6%	0.06	0.15	0.20	2.0x	1.9x	1.8x	NM	76.2x	56.0x
Cornerstone OnDemand	CSOD	\$50.43	2,960	59	103	2,857	529	567	649	10%	7%	14%	0.73	1.07	1.53	5.4x	5.0x	4.4x	68.7x	47.2x	32.9x
The Descartes Systems Group	DSGX	\$26.46	2,060	78	(18)	2,078	272	302	331	17%	11%	10%	0.41	0.54	0.66	7.6x	6.9x	6.3x	64.7x	49.4x	39.9x
DocuSign, Inc.	DOCU	\$40.08	6,723	168	662	6,061	680	847	1,025	35%	25%	21%	0.01	0.18	0.36	8.9x	7.2x	5.9x	NM	NM	110.3x
Domo, Inc.	DOMO	\$19.63	517	26	108	409		168	207			24%	(4.62)	(2.89)	-	2.4x	2.0x	-	NM	NM	-
Dropbox, Inc.	DBX	\$20.43	8,252	404	876	7,375	1,386	1,604	1,833	25%	16%	14%	0.38	0.46	0.59	5.3x	4.6x	4.0x	53.7x	44.3x	34.6x
Everbridge, Inc.	EVBG	\$56.76	1,672	29	10	1,662	146	185	222	40%	27%	20%	(0.55)	(0.34)	(0.27)	11.4x	9.0x	7.5x	NM	NM	NM
Five9, Inc.	FIWN	\$43.72	2,556	58	73	2,483	252	295	348	26%	17%	18%	0.51	0.58	0.82	9.9x	8.4x	7.1x	86.6x	75.4x	53.5x
HubSpot, Inc.	HUBS	\$125.73	4,874	39	253	4,621	506	635	776	35%	25%	22%	0.81	1.12	1.62	9.1x	7.3x	6.0x	NM	112.5x	77.4x
Instructure, Inc.	INST	\$37.51	1,309	35	171	1,137	209	259	320	32%	24%	24%	(0.75)	(0.55)	(0.17)	5.4x	4.4x	3.6x	NM	NM	NM
LivePerson, Inc.	LPSN	\$18.86	1,132	60	66	1,066	249	284	320	14%	14%	13%	0.06	0.11	0.19	4.3x	3.8x	3.3x	NM	NM	97.6x
LogMeIn, Inc.	LOGM	\$81.57	4,247	52	(32)	4,279	1,204	1,255	1,333	22%	4%	6%	5.34	5.80	6.39	3.6x	3.4x	3.2x	15.3x	14.1x	12.8x
Mindbody, Inc.	MB	\$36.40	1,740	48	76	1,665	245	297	357	34%	21%	20%	(0.14)	(0.02)	0.20	6.8x	5.6x	4.7x	NM	NM	NM
Mix Telematics Ltd.	MIXT	\$15.65	368	24	21	347	138	146	158	12%	6%	8%	0.56	0.69	0.86	2.5x	2.4x	2.2x	27.7x	22.6x	18.2x
New Relic, Inc.	NEWR	\$80.97	4,591	57	335	4,256	441	560	699	34%	27%	25%	0.37	0.72	1.12	9.7x	7.6x	6.1x	NM	112.0x	72.0x
Ooma Inc.	OOMA	\$13.88	277	20	47	230	127	139	158	11%	10%	13%	(0.17)	(0.25)	0.18	1.8x	1.7x	1.5x	NM	NM	77.1x
Paycom Software, Inc.	PAYC	\$122.45	7,169	59	50	7,119	560	696	840	29%	24%	21%	2.61	3.21	3.87	12.7x	10.2x	8.5x	46.9x	38.2x	31.6x
Paycomity Holding Corp.	PCTY	\$60.21	3,341	55	85	3,256	417	502	606	25%	21%	21%	1.30	1.49	1.90	7.8x	6.5x	5.4x	46.2x	40.5x	31.7x
QAD, Inc.	QADA	\$39.33	818	21	125	694	330	348	372	9%	6%	7%	0.89	0.72	0.79	2.1x	2.0x	1.9x	44.2x	54.3x	49.6x
RealPage, Inc.	RP	\$48.19	4,655	97	(227)	4,881	873	1,004	1,111	30%	15%	11%	1.49	1.76	2.02	5.6x	4.9x	4.4x	32.4x	27.3x	23.8x
RingCentral, Inc.	RNG	\$82.44	6,587	80	212	6,375	666	822	1,010	33%	23%	23%	0.72	0.69	0.92	9.6x	7.8x	6.3x	115.1x	120.0x	89.5x
ServiceNow, Inc.	NOW	\$178.05	34,220	192	814	33,405	2,611	3,370	4,278	35%	29%	27%	2.36	3.13	4.21	12.8x	9.9x	7.8x	75.3x	56.9x	42.3x
salesforce.com	CRM	\$136.97	107,521	785	(941)	108,462	13,005	15,750	18,783	26%	21%	19%	2.50	2.74	3.39	8.3x	6.9x	5.8x	54.8x	49.9x	40.4x
ServiceSource	SREV	\$1.08	99	92	32	68	238	230		0%	-3%		0.04	0.09		0.3x	0.3x	-	27.0x	12.0x	-
Shopify, Inc.	SHOP	\$138.45	14,765	107	1,578	13,187	1,056	1,473	1,949	57%	40%	32%	0.31	0.71	1.34	12.5x	9.0x	6.8x	NM	NM	103.1x
Smartsheet, Inc.	SMAR	\$24.86	2,556	103	205	2,351	170	237	318	59%	40%	34%	(0.42)	(0.53)	(0.51)	13.8x	9.9x	7.4x	NM	NM	NM
SPS Commerce	SPSC	\$82.38	1,462	18	189	1,272	247	274	301	12%	11%	10%	1.86	2.04	2.44	5.2x	4.6x	4.2x	44.4x	40.3x	33.8x
Twilio, Inc.	TWLO	\$89.30	8,753	98	317	8,437	630	829	1,068	58%	32%	29%	0.10	0.16	0.36	13.4x	10.2x	7.9x	NM	NM	NM
Ultimate Software	ULTI	\$244.87	7,781	32	129	7,652	1,136	1,363	1,621	21%	20%	19%	5.39	6.20	7.46	6.7x	5.6x	4.7x	45.4x	39.5x	32.8x
Upland Software, Inc.	UPLD	\$27.18	546	20	(142)	688	148	190	194	51%	28%	2%	1.60	1.98	1.97	4.6x	3.6x	3.6x	17.0x	13.7x	13.8x
Veeva Systems, Inc.	VEEV	\$89.32	13,936	156	1,052	12,884	842	1,005	1,182	25%	19%	16%	1.52	1.76	2.06	15.3x	12.8x	10.9x	58.6x	50.8x	43.4x
Wix.com Ltd.	WIX	\$90.34	4,381	48	383	3,999	602	762	946	41%	27%	24%	0.88	1.43	2.19	6.6x	5.2x	4.2x	102.1x	63.1x	41.3x
Workday, Inc.	WDAY	\$159.68	34,761	218	395	34,366	2,750	3,451	4,242	31%	25%	23%	1.24	1.58	2.13	12.5x	10.0x	8.1x	129.2x	101.2x	75.1x
Zendesk, Inc.	ZEN	\$58.37	6,196	106	(0)	6,196	592	779	1,014	38%	32%	30%	0.16	0.30	0.74	10.5x	8.0x	6.1x	NM	NM	78.9x
Zuora Inc	ZUO	\$18.14	1,924	106	164	1,760	228	289		35%	41%	27%	(0.61)	(0.44)	(0.27)	7.7x	6.1x	4.9x	NM	NM	NM
Mean										27%	19%	18%				7.5x	6.1x	5.2x	57.8x	52.7x	54.4x
Median										26%	20%	20%				6.7x	5.6x	4.8x	46.6x	47.2x	42.9x

Source: FactSet Research Systems

Figure 17 — Fast-growth SaaS peer group

\$mn except per share data	TICKER	12/31/18 PRICE	Market Cap (\$)	Shares Out	Net Cash	Enterp. Value (\$)	Revenue			Y/Y Rev. Growth			EPS (\$)			EV / REV			P/E				
							CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E	CY18E	CY19E	CY20E		
Fast-Growth SaaS																							
Apploio, Inc.	APPF	\$59.22	2,109	36	46	2,063	188	238	289	31%	27%	22%	0.62	0.98	1.26	11.0x	8.7x	7.1x	95.0x	60.4x	47.0x		
Alteryx, Inc.	AYX	\$59.47	3,634	61	157	3,477	201	272	356	53%	35%	31%	(0.03)	(0.02)	0.18	17.3x	12.8x	9.8x	NM	NM	NM		
Atlassian Corp. Plc	TEAM	\$88.98	20,840	234	914	19,926	1,028	1,337	1,680	39%	30%	26%	0.64	0.87	1.12	19.4x	14.9x	11.9x	139.9x	101.9x	79.3x		
DocuSign, Inc.	DOCU	\$40.08	6,723	168	662	6,061	680	847	1,025	35%	25%	21%	0.01	0.18	0.36	8.9x	7.2x	5.9x	NM	NM	110.3x		
Everbridge, Inc.	EVBG	\$56.76	1,672	29	10	1,662	146	185	222	40%	27%	20%	(0.55)	(0.34)	(0.27)	11.4x	9.0x	7.5x	NM	NM	NM		
HubSpot, Inc.	HUBS	\$125.73	4,874	39	253	4,621	506	635	776	35%	25%	22%	0.81	1.12	1.62	9.1x	7.3x	6.0x	NM	112.5x	77.4x		
Instructure, Inc.	INST	\$37.51	1,309	35	171	1,137	209	259	320	32%	24%	24%	(0.75)	(0.55)	(0.17)	5.4x	4.4x	3.6x	NM	NM	NM		
Mindbody, Inc.	MB	\$36.40	1,740	48	76	1,665	245	297	357	34%	21%	20%	(0.14)	(0.02)	0.20	6.8x	5.6x	4.7x	NM	NM	NM		
New Relic, Inc.	NEWR	\$80.97	4,591	57	335	4,256	441	560	699	34%	27%	25%	0.37	0.72	1.12	9.7x	7.6x	6.1x	NM	112.0x	72.0x		
RingCentral, Inc.	RING	\$82.44	6,587	80	212	6,375	666	822	1,010	33%	23%	23%	0.72	0.69	0.92	9.6x	7.8x	6.3x	115.1x	120.0x	89.5x		
ServiceNow, Inc.	NOW	\$178.05	34,220	192	814	33,405	2,611	3,370	4,278	35%	29%	27%	2.36	3.13	4.21	12.8x	9.6x	7.8x	75.3x	56.9x	42.3x		
Smartsheet, Inc.	SMAR	\$24.86	2,556	103	205	2,351	170	237	318	59%	40%	34%	(0.42)	(0.53)	(0.51)	13.8x	9.9x	7.4x	NM	NM	NM		
Twilio, Inc.	TWLO	\$89.30	8,753	98	317	8,437	630	829	1,068	58%	32%	29%	0.10	0.16	0.36	13.4x	10.2x	7.9x	NM	NM	NM		
Wix.com Ltd.	WIX	\$90.34	4,381	48	383	3,999	602	762	946	41%	27%	24%	0.88	1.43	2.19	6.6x	5.2x	4.2x	102.1x	63.1x	41.3x		
Workday, Inc.	WDAY	\$159.68	34,761	218	395	34,366	2,750	3,451	4,242	31%	25%	23%	1.24	1.58	2.13	12.5x	10.0x	8.1x	129.2x	101.2x	75.1x		
Zendesk, Inc.	ZEN	\$58.37	6,196	106	(0)	6,196	592	779	1,014	38x	32%	30%	0.16	0.30	0.74	10.5x	8.0x	6.1x	NM	NM	78.9x		
Zuora Inc	ZUO	\$18.14	1,924	106	164	1,760	228	289	359	41%	27%	24%	(0.61)	(0.44)	(0.27)	7.7x	6.1x	4.9x	NM	NM	NM		
									Mean	39%	28%	25%				10.9x	8.5x	6.8x	109.4x	91.0x	71.3x		
									Median	35%	27%	24%				10.5x	8.0x	6.3x	108.6x	101.6x	76.3x		

Smartsheet, Inc. (SMAR)

Quarterly Earnings Model

(\$ in millions, except per-share items)

Dmitry Netis (212) 891-1762

Rating: Overweight/Volatile

December Fiscal Year End	FY 2018A					FY 2019E					FY 2020E					FY 2021E				
	Apr-17A	Jul-17A	Oct-17A	Jan-18A	FY 2018A	Apr-18A	Jul-18A	Oct-18A	Jan-19E	FY 2019E	Apr-19E	Jul-19E	Oct-19E	Jan-20E	FY 2020E	Apr-20E	Jul-20E	Oct-20E	Jan-21E	FY 2021E
Subscription Revenue	20.4	23.8	26.4	29.8	100.4	32.1	37.5	41.5	44.9	155.9	48.8	53.1	57.9	63.4	223.1	69.0	74.2	78.9	83.6	305.8
Sequential Change %	10.9%	16.8%	11.1%	12.5%	-	7.7%	16.9%	10.8%	8.1%	-	8.7%	8.8%	9.1%	9.5%	-	9.0%	7.5%	6.3%	6.0%	-
Year over Year Change %	58.7%	61.3%	60.7%	62.0%	60.8%	57.3%	57.5%	57.0%	50.9%	55.4%	52.2%	41.6%	39.4%	41.2%	43.1%	41.5%	39.9%	36.3%	32.0%	37.1%
Professional Services	1.9	2.9	2.9	3.2	10.9	4.3	4.9	5.3	5.0	19.5	5.5	6.4	7.0	6.5	25.4	7.2	8.2	8.9	8.3	32.7
Sequential Change %	42.7%	54.3%	2.6%	8.9%	-	32.9%	15.3%	8.8%	(6.5)%	-	10.8%	15.3%	8.8%	(6.5)%	-	10.8%	14.4%	8.0%	(6.5)%	-
Year over Year Change %	126.7%	176.9%	112.6%	145.9%	139.3%	129.0%	71.2%	81.5%	55.9%	79.4%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	29.0%	28.0%	28.0%	28.7%
Total Revenue	22.2	26.7	29.4	33.0	111.3	36.3	42.4	46.9	49.9	175.5	54.3	59.4	64.8	69.9	248.5	76.2	82.5	87.8	92.0	338.5
Sequential Change %	13.0%	19.9%	10.2%	12.2%	-	10.2%	16.7%	10.6%	6.4%	-	8.9%	9.4%	9.1%	7.7%	-	9.1%	8.2%	6.4%	4.7%	-
Year over Year Change %	62.8%	68.9%	64.7%	67.5%	66.1%	63.3%	58.9%	59.5%	51.3%	57.7%	49.6%	40.2%	38.3%	40.0%	41.6%	40.4%	38.8%	35.4%	31.6%	36.2%
Cost of Subscription Revenue	3.0	3.4	3.3	3.3	12.9	4.1	4.4	4.7	6.3	19.4	6.3	7.2	8.1	9.2	30.8	10.4	11.1	11.8	12.5	45.9
Gross Margin (Non-GAAP)	85.4%	85.8%	87.7%	89.1%	87.2%	87.2%	88.3%	88.8%	86.0%	87.5%	87.0%	86.5%	86.0%	85.5%	86.2%	85.0%	85.0%	85.0%	85.0%	85.0%
Cost of Professional Services Revenue	1.5	1.9	2.4	2.8	8.6	3.0	3.4	3.7	4.0	14.1	4.4	5.1	5.6	5.3	20.4	5.8	6.7	7.2	6.7	26.5
Gross Margin (Non-GAAP)	19.6%	33.0%	19.6%	13.3%	21.3%	28.7%	30.5%	31.2%	20.0%	27.6%	20.0%	19.5%	19.5%	19.0%	19.5%	19.0%	19.0%	19.0%	19.0%	19.0%
Total Cost of Sales	4.5	5.4	5.7	6.1	21.6	7.3	8.2	8.7	10.6	34.8	11.2	12.8	14.2	14.9	53.1	16.8	18.4	19.6	19.8	74.6
Gross Margin	79.8%	79.8%	80.7%	81.5%	80.5%	79.8%	80.8%	81.4%	78.7%	80.2%	79.3%	78.5%	78.2%	78.7%	78.6%	78.0%	77.7%	77.7%	78.4%	78.0%
Gross Profit (Non-GAAP)	17.8	21.4	23.8	26.9	89.8	29.2	34.6	38.5	39.6	141.9	43.5	47.1	51.1	55.4	197.2	60.1	64.7	68.8	72.7	266.1
Research & Development	6.4	7.3	8.5	9.3	31.6	12.2	13.0	13.0	14.0	52.2	15.2	16.3	17.2	18.2	66.9	19.4	20.6	21.5	22.1	83.6
% of sales	28.6%	27.5%	29.0%	28.3%	28.4%	33.5%	30.8%	27.8%	28.0%	29.8%	28.0%	27.5%	26.5%	26.0%	26.9%	25.5%	25.0%	24.5%	24.0%	24.7%
Sales & Marketing	14.6	16.6	20.3	19.8	71.2	21.9	22.9	28.1	29.9	102.8	31.5	33.9	36.6	39.1	141.1	41.9	45.4	48.3	50.6	186.2
% of sales	65.4%	62.2%	69.1%	59.9%	64.0%	60.2%	54.0%	60.0%	60.0%	58.6%	58.0%	57.0%	56.5%	56.0%	56.8%	55.0%	55.0%	55.0%	55.0%	55.0%
General & Administrative	3.5	4.2	4.3	5.3	17.3	6.2	7.4	7.6	8.7	30.0	8.1	8.9	9.7	10.5	37.3	10.7	11.5	12.3	12.9	47.4
% of sales	15.7%	15.6%	14.7%	16.0%	15.5%	17.1%	17.5%	16.2%	17.5%	17.1%	15.0%	15.0%	15.0%	15.0%	15.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Total Stock-based Comp.	0.5	1.6	1.0	0.9	18.5	1.8	4.1	6.0	6.2	18.2	6.3	6.5	6.7	6.7	26.4	7.1	7.3	7.5	7.7	29.8
% of sales	2.5%	60.0%	3.6%	2.7%	16.6%	5.1%	9.7%	12.9%	12.5%	10.4%	11.7%	11.0%	10.4%	9.7%	10.6%	9.4%	8.9%	8.6%	8.4%	8.8%
GAAP Operating Expenses	24.9	44.0	34.2	35.2	138.4	42.0	47.2	54.6	56.6	202.4	61.1	65.5	70.1	74.4	271.1	79.1	84.7	89.5	93.1	346.4
% of sales	112.1%	165.0%	116.3%	106.9%	124.4%	115.7%	111.3%	116.4%	117.5%	115.4%	112.4%	110.3%	108.2%	106.4%	109.1%	103.7%	102.7%	101.9%	101.3%	102.3%
Non-GAAP Operating Expenses	24.4	28.1	33.2	34.4	120.1	40.2	43.3	48.8	52.6	184.9	54.9	59.1	63.5	67.8	245.3	72.0	77.5	82.1	85.5	317.2
% of sales	109.8%	105.3%	112.8%	104.3%	107.9%	110.7%	102.2%	104.0%	105.5%	105.4%	101.0%	99.5%	98.0%	97.0%	98.7%	94.5%	94.0%	93.5%	93.0%	93.7%
GAAP Operating Income	(7.2)	(22.7)	(10.5)	(8.4)	(48.7)	(13.0)	(13.0)	(16.4)	(19.4)	(61.8)	(18.0)	(18.9)	(19.5)	(19.4)	(75.7)	(19.6)	(20.6)	(21.3)	(21.0)	(82.5)
% of sales	(32.4)%	(85.2)%	(35.6)%	(25.4)%	(43.8)%	(35.9)%	(30.6)%	(35.0)%	(38.9)%	(35.2)%	(33.1)%	(31.7)%	(30.0)%	(27.8)%	(30.5)%	(25.7)%	(25.0)%	(24.3)%	(22.8)%	(24.4)%
Non-GAAP Operating Income	(6.7)	(6.7)	(9.4)	(7.5)	(30.2)	(11.0)	(8.7)	(10.2)	(13.0)	(43.0)	(11.3)	(12.0)	(12.4)	(12.4)	(48.1)	(12.0)	(12.9)	(13.3)	(12.8)	(51.0)
Operating Margin (Non-GAAP)	(29.9)%	(25.2)%	(32.0)%	(22.6)%	(27.2)%	(30.3)%	(20.6)%	(21.9)%	(26.1)%	(24.5)%	(20.8)%	(20.2)%	(19.1)%	(17.7)%	(19.3)%	(15.7)%	(15.6)%	(15.2)%	(14.0)%	(15.1)%
Interest Income (Expense)	0.0	(0.1)	0.1	(0.4)	(0.4)	(1.3)	0.7	0.9	1.1	1.4	1.1	1.1	1.1	1.1	4.3	1.1	1.1	1.1	1.1	4.4
Other Income (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Gain (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income (Loss)	0.0	(0.1)	0.1	(0.4)	(0.4)	(1.3)	0.7	0.9	1.1	1.4	1.1	1.1	1.1	1.1	4.3	1.1	1.1	1.1	1.1	4.4
% of sales	0.1%	(0.5)%	0.3%	(1.2)%	(0.4)%	(3.6)%	1.8%	1.8%	2.1%	0.8%	2.0%	1.8%	1.6%	1.5%	1.7%	1.4%	1.3%	1.3%	1.2%	1.3%
EBT & Unusual Items	(7.2)	(22.9)	(10.4)	(8.8)	(49.2)	(14.330)	(12.2)	(15.5)	(18.3)	(60.4)	(16.9)	(17.8)	(18.4)	(18.3)	(71.5)	(18.5)	(19.5)	(20.2)	(19.9)	(78.1)
% of sales	(32.3)%	(85.7)%	(35.2)%	(26.7)%	(44.2)%	(39.5)%	(28.8)%	(33.2)%	(36.7)%	(34.4)%	(31.1)%	(30.0)%	(28.4)%	(26.3)%	(28.8)%	(24.2)%	(23.7)%	(23.0)%	(21.6)%	(23.1)%
Unusual Items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings Before Taxes	(7.2)	(22.9)	(10.4)	(8.8)	(49.2)	(14.3)	(12.2)	(15.5)	(18.3)	(60.4)	(16.9)	(17.8)	(18.4)	(18.3)	(71.5)	(18.5)	(19.5)	(20.2)	(19.9)	(78.1)
% of sales	(32.3)%	(85.7)%	(35.2)%	(26.7)%	(44.2)%	(39.5)%	(28.8)%	(33.2)%	(36.7)%	(34.4)%	(31.1)%	(30.0)%	(28.4)%	(26.3)%	(28.8)%	(24.2)%	(23.7)%	(23.0)%	(21.6)%	(23.1)%
GAAP Taxes	-	-	-	(0.3)	(0.3)	-	0.1	0.0	-	0.1	-	-	-	-	-	-	-	-	-	-
GAAP Tax Rate	0.0%	0.0%	0.0%	3.5%	0.6%	0.0%	(0.7)%	0.0%	0.0%	(0.2)%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-GAAP Taxes	-	-	-	(0.3)	(0.3)	-	0.1	0.0	-	0.1	-	-	-	-	-	-	-	-	-	-
Non-GAAP Tax Rate	0.0%	0.0%	0.0%	3.9%	1.0%	0.0%	(1.1)%	(0.2)%	0.0%	(0.3)%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
GAAP Net Income	(7.2)	(22.9)	(10.4)	(8.5)	(48.9)	(14.3)	(12.3)	(15.6)	(18.3)	(60.5)	(16.9)	(17.8)	(18.4)	(18.3)	(71.5)	(18.5)	(19.5)	(20.2)	(19.9)	(78.1)
% of sales	(32.3)%	(85.7)%	(35.2)%	(25.7)%	(43.9)%	(39.5)%	(29.0)%	(33.2)%	(36.7)%	(34.5)%	(31.1)%	(30.0)%	(28.4)%	(26.3)%	(28.8)%	(24.2)%	(23.7)%	(23.0)%	(21.6)%	(23.1)%
Non-GAAP Net Income	(6.6)	(6.6)	(9.3)	(7.6)	(30.2)	(11.0)	(8.1)	(9.4)	(12.0)	(40.4)	(10.3)	(10.9)	(11.3)	(11.3)	(43.8)	(10.9)	(11.8)	(12.2)	(11.7)	(46.6)
% of sales	(29.9)%	(24.9)%	(31.7)%	(22.9)%	(27.1)%	(30.3)%	(19.0)%	(20.1)%	(24.0)%	(23.0)%	(18.9)%	(18.4)%	(17.5)%	(16.1)%	(17.6)%	(14.3)%	(14.3)%	(13.9)%	(12.7)%	(13.8)%
GAAP EPS	(0.44)	(1.52)	(0.55)	(0.41)	(2.92)	(0.68)	(0.12)	(0.15)	(0.18)	(0.73)	(0.16)	(0.17)	(0.18)	(0.18)	(0.69)	(0.18)	(0.19)	(0.19)	(0.19)	(0.75)
Year over Year Change %	96.0%	499.3%	147.6%	33.8%	190.0%	56.5%	(92.1)%	(72.2)%	(57.0)%	(74.8)%	(76.0)%	43.6%	17.3%	(0.7)%	(6.1)%	8.4%	8.8%	8.8%	7.5%	8.4%
Non-GAAP EPS	(0.07)	(0.07)	(0.10)	(0.09)	(0.34)	(0.12)	(0.08)	(0.09)	(0.12)	(0.41)	(0.10)	(0.11)	(0.11)	(0.11)	(0.42)	(0.10)	(0.11)	(0.12)	(0.11)	(0.45)
Year over Year Change %	125.2%	90.3%	205.6%	65.7%	114.6%	64.3%	5.1%	(12.8)%	36.4%	20.5%	(19.2)%	34.4%	19.6%	(6.4)%	3.4%	5.6%	6.6%	7.0%	3.1%	5.6%
Pro-forma/Diluted Shares (non-GAAP)	98.8	85.2	88.8	88.8	90.4	101.0	102.6	102.8	103.1	102.4	103.4	103.7	104.0	104.3	103.9	104.6	104.9	105.2	105.5	105.1

Source: Company reports and Stephens Inc. estimates

Smartsheet, Inc. (SMAR)

Balance Sheet Model

Dmitry Netis (212) 891-1762

Rating: Overweight/Volatile

December Fiscal Year End (dollars in millions)	FY 2018A				FY 2019E				FY 2020E				FY 2021E			
	Apr-17A	Jul-17A	Oct-17A	Jan-18A	Apr-18A	Jul-18A	Oct-18A	Jan-19E	Apr-19E	Jul-19E	Oct-19E	Jan-20E	Apr-20E	Jul-20E	Oct-20E	Jan-21E
Assets:																
Current Assets:																
Cash and Cash Equivalents	19.3	75.5	70.5	58.2	49.7	211.1	212.0	212.1	212.5	213.1	214.4	216.8	220.4	223.1	225.4	228.2
Short-term Investments	5.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable, net	11.2	12.5	11.0	14.9	18.2	23.6	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8	23.8
Prepaid Expenses and Other Current Expenses	2.5	3.1	3.0	4.6	5.1	5.9	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Total Current Assets	38.5	91.1	84.5	77.7	73.0	240.6	241.5	241.6	242.0	242.6	243.9	246.2	249.8	252.6	254.9	257.7
Restricted Cash	2.1	2.0	2.0	2.9	2.3	2.3	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Deferred Commissions	7.6	9.7	12.2	15.3	18.0	20.7	24.3	24.6	24.9	25.2	25.5	25.8	26.1	26.4	26.7	27.0
Property and Equipment, Net	10.0	12.6	13.5	17.2	16.6	19.8	21.8	22.8	23.8	24.8	25.8	26.8	27.8	28.8	29.8	30.8
Intangible Assets	-	-	0.2	1.5	1.4	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Goodwill	-	-	-	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other Long-term Assets	-	-	-	1.5	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	58.2	115.4	112.4	116.6	115.0	285.2	291.8	293.2	294.9	296.8	299.4	303.0	307.9	312.0	315.6	319.7
Liabilities and Equity:																
Current Liabilities																
Accounts Payable	1.9	2.6	3.0	2.6	2.9	2.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Accrued Compensation and Related Benefits	6.6	8.3	10.9	13.3	11.1	16.4	19.0	22.0	25.0	28.0	31.0	34.0	37.0	40.0	43.0	46.0
Other Accrued Liabilities	1.8	3.1	3.2	3.1	4.6	5.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Capital Lease Payable	1.8	2.1	2.1	2.8	2.9	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Deferred Revenue	40.5	47.1	50.8	57.1	66.2	76.0	83.9	93.9	104.9	116.9	129.9	143.9	158.9	173.9	188.9	203.9
Total Current Liabilities	52.6	63.2	70.0	78.9	87.7	104.0	115.7	128.7	142.7	157.7	173.7	190.7	208.7	226.7	244.7	262.7
Capital Lease Payable, Non-current	3.5	3.4	2.8	3.7	2.9	3.9	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Deferred Revenue, Non-current	0.2	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Convertible Preferred Stock Warrant Liability	0.5	0.7	0.7	1.3	2.6	-	-	-	-	-	-	-	-	-	-	-
Other Long-Term Liabilities	0.2	0.4	0.5	0.6	0.5	0.7	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Owners' Equity	1.2	47.6	38.3	31.9	21.1	176.4	171.6	160.0	147.7	134.6	121.2	107.8	94.7	80.8	66.4	52.5
Total Liabilities and Equity	58.2	115.4	112.4	116.6	115.0	285.2	291.8	293.2	294.9	296.8	299.4	303.0	307.9	312.0	315.6	319.7
Metrics																
ROA (GAAP)	(50.2)%	(105.3)%	(73.7)%	(29.6)%	(49.5)%	(24.6)%	(21.6)%	(25.1)%	(23.0)%	(24.1)%	(24.7)%	(24.4)%	(24.2)%	(25.2)%	(25.7)%	(25.0)%
ROE (GAAP)	(659.3)%	(374.6)%	(216.4)%	(96.6)%	(216.0)%	(49.8)%	(35.8)%	(44.2)%	(44.0)%	(50.5)%	(57.5)%	(64.1)%	(73.0)%	(89.0)%	(109.7)%	(133.8)%
ROA (non-GAAP)	(46.4)%	(30.6)%	(66.3)%	(26.4)%	(38.0)%	(16.1)%	(13.0)%	(16.4)%	(13.9)%	(14.8)%	(15.2)%	(15.0)%	(14.3)%	(15.2)%	(15.6)%	(14.8)%
ROE (non-GAAP)	(609.3)%	(109.0)%	(194.5)%	(86.1)%	(165.7)%	(32.7)%	(21.6)%	(28.9)%	(26.7)%	(31.0)%	(35.4)%	(39.4)%	(43.1)%	(53.6)%	(66.4)%	(78.8)%
Quick Ratio	0.6	1.4	1.2	0.9	0.8	2.3	2.0	1.8	1.7	1.5	1.4	1.3	1.2	1.1	1.0	1.0
Current Ratio	0.7	1.4	1.2	1.0	0.8	2.3	2.1	1.9	1.7	1.5	1.4	1.3	1.2	1.1	1.0	1.0
DSO	45.3	42.2	33.7	40.6	45.1	50.1	45.7	43.0	39.5	36.1	33.1	30.7	28.1	26.0	24.4	23.3
Average DSO (trailing 2Q's)	33.6x	40.0x	33.7x	35.3x	41.0x	44.4x	45.5x	43.0x	39.5x	36.1x	33.1x	30.7x	28.1x	26.0x	24.4x	23.3x
Net Cash / Share	\$0.35	\$1.03	\$0.95	\$0.85	\$0.66	\$2.25	\$2.27	\$2.28	\$2.28	\$2.29	\$2.31	\$2.33	\$2.37	\$2.40	\$2.43	\$2.45
Tangible Book Value / Share	\$0.01	\$0.56	\$0.43	\$0.34	\$0.19	\$1.70	\$1.65	\$1.54	\$1.41	\$1.28	\$1.15	\$1.02	\$0.89	\$0.75	\$0.61	\$0.48

Source: Company reports and Stephens Inc. estimates

Smartsheet, Inc. (SMAR)

Quarterly Cash Flow Model

Dmitry Netis (212) 891-1762

Rating: Overweight/Volatile

December Fiscal Year End (dollars in millions)	FY 2018A				FY 2019E				FY 2020E				FY 2021E			
	Apr-17A	Jul-17A	Oct-17A	Jan-18A	Apr-18A	Jul-18A	Oct-18A	Jan-19E	Apr-19E	Jul-19E	Oct-19E	Jan-20E	Apr-20E	Jul-20E	Oct-20E	Jan-21E
Cash Flow from Operations																
Net income	(7.2)	(22.9)	(10.4)	(8.5)	(14.3)	(12.3)	(15.6)	(18.3)	(16.9)	(17.8)	(18.4)	(18.3)	(18.5)	(19.5)	(20.2)	(19.9)
<i>Adjusts. to reconcile net income (loss) to net cash</i>																
Share-based Compensation Expense	0.5	16.0	1.0	0.9	1.8	4.1	6.0	6.2	6.3	6.5	6.7	6.7	7.1	7.3	7.5	7.7
Remeasurement of Convertible Preferred Stock Liability	-	0.2	-	0.6	1.3	-	-	-	-	-	-	-	-	-	-	-
Depreciation of Property and Equipment	0.7	0.9	1.0	1.4	1.5	1.7	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Amortization of Deferred Commission Costs	0.8	1.1	1.4	1.7	2.0	2.5	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Unrealized Foreign Currency (Gain) Loss	-	-	-	-	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gain/loss on Disposal of Assets	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	0.0	0.0	0.0	0.0	-	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Non-Cash Items	0.0	0.0	-	-	0.1	(0.1)	-	-	-	-	-	-	-	-	-	-
Net Cash Income	(5.0)	(4.7)	(6.9)	(3.9)	(7.5)	(3.9)	(4.6)	(7.1)	(5.6)	(6.3)	(6.7)	(6.6)	(6.4)	(7.2)	(7.7)	(7.2)
Change in Working Capital																
[Source (Use) of Funds]																
Accounts Receivable	(5.8)	(1.3)	1.5	(3.9)	(3.4)	(5.4)	(0.2)	-	-	-	-	-	-	-	-	-
Prepaid Expenses and Other Current Assets	(0.2)	(0.7)	0.2	(1.1)	(1.0)	(0.8)	0.3	-	-	-	-	-	-	-	-	-
Other Long-Term Assets	(0.0)	(0.0)	(0.0)	(1.0)	(0.2)	0.3	(0.0)	-	-	-	-	-	-	-	-	-
Accounts Payable	(0.0)	0.6	0.6	(0.5)	0.2	0.4	0.3	-	-	-	-	-	-	-	-	-
Other Accrued Liabilities	0.8	0.9	0.3	(0.1)	1.5	0.3	1.0	-	-	-	-	-	-	-	-	-
Accrued Compensation and Related Benefits	(0.2)	1.7	2.6	2.3	(2.1)	3.2	3.7	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Deferred Commissions	(2.9)	(3.2)	(3.9)	(4.8)	(4.7)	(5.2)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)	(6.5)
Other Long-term Liabilities	0.0	0.3	0.1	0.1	(0.1)	0.2	0.5	-	-	-	-	-	-	-	-	-
Deferred Revenue	8.1	7.0	3.1	6.4	9.1	9.8	8.0	10.0	11.0	12.0	13.0	14.0	15.0	15.0	15.0	15.0
Net Change in Working Capital	(0.2)	5.3	4.5	(2.5)	(0.7)	2.8	7.0	6.5	7.5	8.5	9.5	10.5	11.5	11.5	11.5	11.5
Net Cash from Operations	(5.3)	0.7	(2.4)	(6.4)	(8.2)	(1.1)	2.4	(0.6)	1.9	2.2	2.8	3.8	5.1	4.3	3.8	4.3
Cash flows from Investing																
[Source (Use) of Funds]																
Purchases of Property and Equipment	(1.3)	(1.8)	(1.0)	(3.4)	(0.5)	(1.7)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)	(2.2)
Capitalized Software Development Costs	(0.7)	(0.8)	(1.2)	(0.8)	(0.3)	(0.5)	(1.3)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Proceeds from Sales/Purchases of Investments, net	-	0.9	(0.0)	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Maturity of Investments	4.6	4.6	(0.1)	0.1	-	-	-	-	-	-	-	-	-	-	-	-
Letters of credit, net	-	-	0.0	(0.7)	-	-	-	-	-	-	-	-	-	-	-	-
Payments for Security Deposits	-	-	-	(0.2)	-	-	-	-	-	-	-	-	-	-	-	-
Payments for Business Acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash from Investing	2.6	2.9	(2.3)	(5.0)	(0.8)	(2.3)	(3.5)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)
Cash flows from Financing																
[Source (Use) of Funds]																
Payments on Principal of Capital Lease	(0.5)	(0.5)	(0.6)	(0.7)	(0.8)	(0.8)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Payments of Deferred Offering Costs	-	-	-	(0.8)	(1.5)	(0.8)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Proceeds from Stock Option Exercises	0.5	1.1	0.1	0.5	2.2	0.5	0.5	0.5	-	-	-	-	-	-	-	-
Proceeds from Issuance of Stock, Net	-	51.9	0.3	0.3	-	163.8	-	-	-	-	-	-	-	-	-	-
Proceeds from Shares Issued in ESPP	-	-	-	-	-	2.1	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Net Cash from Financing	0.0	52.5	(0.2)	(0.9)	(0.1)	164.8	2.1	2.1	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Effects of Exchange Rate - Changes in Cash	-	-	-	-	(0.0)	(0.0)	(0.0)	0.1	-	-	-	-	-	-	-	-
Net increase (decrease) in cash and equivalents	(2.6)	56.1	(4.9)	(12.3)	(9.1)	161.4	1.1	(1.6)	0.4	0.7	1.3	2.3	3.6	2.8	2.3	2.8
Cash and equivalents at beginning of period	24.0	21.4	77.5	72.6	60.3	51.2	212.7	213.7	212.1	212.5	213.1	214.4	216.8	220.4	223.1	225.4
Cash and equivalents at end of period	21.4	77.5	72.6	60.3	51.2	212.7	213.7	212.1	212.5	213.1	214.4	216.8	220.4	223.1	225.4	228.2

Source: Company reports and Stephens Inc. estimates

Smartsheet, Inc. (SMAR)

Revenue Model

Dmitry Netis (212) 891-1762

Rating: Overweight/Volatile

December Fiscal Year End					FY 2017A					FY 2018E					FY 2019E		
(dollars in millions except per customer items)					4/30/16 Apr-16A	7/31/16 Jul-16A	10/31/16 Oct-16A	1/31/17 Jan-17A	1/31/17 Year	4/30/17 Apr-17A	7/31/17 Jul-17A	10/31/17 Oct-17A	1/31/18 Jan-18A	1/31/18 Year	4/30/18 Apr-18A	7/31/18 Jul-18A	10/31/18 Oct-18A
Total Revenue					13.7	15.8	17.8	19.7	67.0	22.2	26.7	29.4	33.0	111.3	36.3	42.4	46.9
Sequential Change %						15.6%	13.0%	10.3%	-	13.0%	19.9%	10.2%	12.2%	-	10.2%	16.7%	10.6%
Year over Year Change %									64.3%	62.8%	68.9%	64.7%	67.5%	66.1%	63.3%	58.9%	59.5%
Subscription Revenue					12.8	14.8	16.5	18.4	62.4	20.4	23.8	26.4	29.8	100.4	32.1	37.5	41.5
Sequential Change %						15.0%	11.5%	11.7%	-	10.9%	16.8%	11.1%	12.5%	-	7.7%	16.9%	10.8%
Year over Year Change %									57.7%	58.7%	61.3%	60.7%	62.0%	60.8%	57.3%	57.5%	57.0%
Professional Services					0.8	1.0	1.4	1.3	4.5	1.9	2.9	2.9	3.2	10.9	4.3	4.9	5.3
Sequential Change %						26.3%	33.7%	(5.9)%	-	42.7%	54.3%	2.6%	8.9%	-	32.9%	15.3%	8.8%
Year over Year Change %									284.4%	126.7%	176.9%	112.6%	145.9%	139.3%	129.0%	71.2%	81.5%
Domain-based Customers					57,844	61,210	64,776	66,645	66,645	69,039	71,021	72,529	74,116	74,116	75,642	76,693	77,893
Sequential Net New Domain Customers					3,924	3,366	3,566	1,869	12,725	2,394	1,982	1,508	1,587	7,471	1,526	1,051	1,200
Sequential Change %						5.8%	5.8%	2.9%	-	3.6%	2.9%	2.1%	2.2%	-	2.1%	1.4%	1.6%
Year over Year Change %								23.6%	23.6%	19.4%	16.0%	12.0%	11.2%	11.2%	9.8%	8.0%	7.4%
Average Domain Customer ACV					\$897	\$955	\$1,016	\$1,106	\$1,106	\$1,230	\$1,346	\$1,491	\$1,640	\$1,640	\$1,808	\$2,002	\$2,214
Sequential ACV \$ Increase					\$56	\$58	\$61	\$90	\$265	\$124	\$116	\$145	\$149	\$534	\$168	\$194	\$212
Sequential Change %						6.5%	6.4%	8.9%		11.2%	9.4%	10.8%	10.0%		10.2%	10.7%	10.6%
Year over Year Change %									31.5%	37.1%	40.9%	46.8%	48.3%	48.3%	47.0%	48.7%	48.5%
Billings																	
Billings (Rev + Change BS Deferred)										33.2	33.1	39.3	105.6		45.4	52.2	54.9
Sequential Change %											-0.2%	18.9%		-	15.3%	15.0%	5.1%
Year over Year Change %															57.4%	65.8%	
Dollar-Based Net Expansion Rate																	
Dollar-Based Net Expansion Rate for Domain Customers										130%	133%	134%			134%	134%	137%
Dollar-Based Net Expansion Rate for All Customers					116%	118%	119%	122%		124%	126%	129%	130%		130%	131%	132%
Sequential Change %																	
Year over Year Change %																	
Customer Metrics																	
All users (millions)															3.9	4.2	4.5
Sequential Change %																7.7%	7.1%
Year over Year Change %																	
>\$5k Customers										2,437	2,823	3,275	3,790	12,325.0	4,349	4,956	5,575
Sequential Change %											15.8%	16.0%		-	14.7%	14.0%	12.5%
Year over Year Change %															78.5%	75.6%	70.2%
>\$50k Customers										100	121	145	189		239	298	316
Sequential Change %											21.0%	19.8%	30.3%		26.5%	24.7%	6.0%
Year over Year Change %															139.0%	146.3%	117.9%
>\$100k Customers										38						-100	127
Sequential Change %																	
Year over Year Change %																	
Geographic Breakdown																	
United States Revenue										16.0	19.6	21.7			27.1	31.8	36.3
% of sales										71.8%	73.3%	73.8%			74.7%	75.0%	77.4%
Sequential Change %											22.5%	10.9%				17.2%	14.1%
Year over Year Change %															70.0%	62.7%	67.4%
International Revenue										6.3	7.1	7.7			9.2	10.6	10.6
% of sales										28.2%	26.7%	26.2%			25.3%	25.0%	22.6%
Sequential Change %											13.5%	8.4%				15.2%	0.1%
Year over Year Change %															46.4%	48.6%	37.3%
Total Revenue										22.2	26.7	29.39			36.3	42.4	46.9
Sequential Change %											19.9%	10.2%				16.7%	10.6%
Year over Year Change %															63.3%	58.9%	59.5%
Headcount																	
Total Headcount											787				870	944	1,013
Sequential Change %															10.5%	8.5%	7.3%
Year over Year Change %																	

Source: Company reports and Stephens Inc. estimates

Discounted Cash Flow Analysis - Smartsheet, Inc.

Fiscal Year (\$ millions)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027
Revenue	\$111.3	\$175.5	\$248.5	\$338.5	\$456.9	\$594.0	\$772.2	\$926.7	\$1,112.0	\$1,334.4
Growth	66%	58%	42%	36%	35%	30%	30%	20%	20%	20%
Adj. Operating income (EBIT ex-SB)	(\$48.7)	(\$61.8)	(\$75.7)	(\$82.5)	\$4.6	\$29.7	\$77.2	\$139.0	\$222.4	\$266.9
Growth	-	-	-	-	-	550%	160%	80%	60%	20%
Operating (EBIT) margin	(44%)	(35%)	(30%)	(24%)	1%	5%	10%	15%	20%	20%
Depreciation & Amortization	\$9.1	\$17.7	\$19.6	\$19.6	\$20.6	\$21.6	\$22.6	\$23.6	\$24.6	\$25.6
EBITDA	(\$39.7)	(\$44.1)	(\$56.1)	(\$62.9)	\$25.2	\$51.3	\$99.8	\$162.6	\$247.0	\$292.5
EBITDA margin	(36%)	(25%)	(23%)	(19%)	6%	9%	13%	18%	22%	22%
Stock-based compensation	\$18.5	\$18.2	\$26.4	\$29.8	\$32.8	\$36.1	\$39.7	\$43.6	\$48.0	\$52.8
Growth	1528%	(1%)	45%	13%	10%	10%	10%	10%	10%	10%
as a % of revenue	17%	10%	11%	9%	7%	6%	5%	5%	4%	4%
PF Adj. EBITDA	(\$21.2)	(\$25.9)	(\$29.7)	(\$33.1)	\$58.0	\$87.4	\$139.5	\$206.2	\$295.0	\$345.3
EBITDA margin	(19%)	(15%)	(12%)	(10%)	13%	15%	18%	22%	27%	26%
Depreciation & Amortization	\$9.1	\$17.7	\$19.6	\$19.6	\$20.6	\$21.6	\$22.6	\$23.6	\$24.6	\$25.6
Income taxes (unlevered)	\$0.2	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$36.5)	(\$54.1)	(\$63.9)
Tax rate	1%	0%	0%	0%	0%	0%	0%	20%	20%	20%
Gross cash flow	(\$21.0)	(\$25.9)	(\$29.7)	(\$33.1)	\$58.0	\$87.4	\$139.5	\$169.7	\$240.9	\$281.4
Capital expenditure	(\$10.9)	(\$6.5)	(\$8.6)	(\$8.6)	(\$11.4)	(\$14.9)	(\$19.3)	(\$23.2)	(\$27.8)	(\$33.4)
as a % of revenue	9.8%	3.7%	3.5%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Change in non-cash net working cap	\$7.2	\$15.6	\$35.9	\$45.9	\$43.9	\$41.9	\$39.9	\$37.9	\$35.9	\$33.9
Free cash flow (unlevered)	(\$24.8)	(\$16.9)	(\$2.4)	\$4.2	\$90.5	\$114.4	\$160.1	\$184.5	\$249.1	\$281.9
Growth	(730%)	(32%)	(86%)	(273%)	2047%	27%	40%	15%	35%	13%
Free cash flow as a % of revenue	(22%)	(10%)	(1%)	1%	20%	19%	21%	20%	22%	21%
Discount period (in years)	-0.93	0.07	1.07	2.07	3.07	4.07	5.07	6.07	7.07	8.07
Present value of free cash flow	(\$27.9)	(\$16.7)	(\$2.1)	\$3.2	\$61.3	\$68.3	\$84.2	\$85.5	\$101.7	\$101.4

Source: Stephens Inc. estimates

Present Value of Terminal Value					
Discount Rate	PTM EBITDA Multiple				
	20.0x	21.0x	22.0x	23.0x	24.0x
9.5%	\$3,319	\$3,485	\$3,651	\$3,817	\$3,983
11.5%	\$2,868	\$3,011	\$3,154	\$3,298	\$3,441
13.5%	\$2,484	\$2,608	\$2,733	\$2,857	\$2,981
15.5%	\$2,157	\$2,265	\$2,373	\$2,481	\$2,589
17.5%	\$1,878	\$1,972	\$2,066	\$2,160	\$2,254
↓					
Total Enterprise Value					
Discount Rate	PTM EBITDA Multiple				
	20.0x	21.0x	22.0x	23.0x	24.0x
9.5%	\$3,778	\$3,944	\$4,110	\$4,276	\$4,442
11.5%	\$3,327	\$3,470	\$3,613	\$3,757	\$3,900
13.5%	\$2,943	\$3,067	\$3,192	\$3,316	\$3,440
15.5%	\$2,616	\$2,724	\$2,832	\$2,940	\$3,048
17.5%	\$2,337	\$2,431	\$2,525	\$2,619	\$2,713
↓					
Implied Total Equity Value					
Discount Rate	PTM EBITDA Multiple				
	20.0x	21.0x	22.0x	23.0x	24.0x
9.5%	\$4,012	\$4,178	\$4,343	\$4,509	\$4,675
11.5%	\$3,560	\$3,704	\$3,847	\$3,990	\$4,134
13.5%	\$3,177	\$3,301	\$3,425	\$3,550	\$3,674
15.5%	\$2,850	\$2,958	\$3,066	\$3,174	\$3,282
17.5%	\$2,571	\$2,665	\$2,759	\$2,853	\$2,947
↓					
Implied Equity Value per Share					
Discount Rate	PTM EBITDA Multiple				
	20.0x	21.0x	22.0x	23.0x	24.0x
9.5%	\$35.50	\$36.97	\$38.44	\$39.91	\$41.37
11.5%	\$31.51	\$32.78	\$34.05	\$35.31	\$36.58
13.5%	\$28.11	\$29.21	\$30.31	\$31.41	\$32.51
15.5%	\$25.22	\$26.18	\$27.13	\$28.09	\$29.04
17.5%	\$22.75	\$23.58	\$24.41	\$25.24	\$26.08

Source: Stephens Inc. estimates

WACC Analysis

Risk-free rate (10-yr treasury)	3.0%
Fully diluted shares outstanding	113.0
Stock price as of December 31, 2018	\$24.86
Market capitalization (\$ millions)	\$2,809
Cost of equity calculation	
Equity risk premium	7.0%
1-yr beta vs. S&P 500	1.5
Cost of equity	13.5%

Cost of debt calculation

Debt spread	0.0%
Long-term tax rate	20.0%
Debt / total capitalization	0.0%
After-tax cost of debt	2.4%

WACC	13.5%
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Source: FactSet Research Systems, Stephens Inc. estimates

Companies Mentioned

<u>Public</u>	<u>Ticker</u>				<u>Private</u>	<u>Foreign</u>		
8x8, Inc.	EGHT	\$17.79	Mix Telematics Ltd.	MIXT	\$15.57	Slack		
Adobe	ADBE	\$224.57	New Relic, Inc.	NEWR	\$79.47	Asana		
Alarm.Com Holdings, Inc.	ALRM	\$52.06	Okta	OKTA	\$63.26	Wrike		
Alteryx, Inc.	AYX	\$58.52	Ooma Inc.	OOMA	\$14.11	Clarizen		
Amber Road, Inc.	AMBR	\$8.24	Oracle	ORCL	\$45.22	Thoma Bravo		
Appfolio, Inc.	APPF	\$59.04	Paycom Software, Inc.	PAYC	\$119.70	Workfront		
Appian Corporation	APPN	\$26.50	Paylocity Holding Corp.	PCTY	\$59.55	monday.com		
Athenahealth, Inc.	ATHN	\$130.99	QAD, Inc.	QADA	\$39.47	Airtable		
Atlassian Corp. Plc	TEAM	\$89.03	RealPage, Inc.	RP	\$47.29			
Bandwidth Inc.	BAND	\$41.32	RingCentral, Inc.	RNG	\$80.98			
Benefitfocus, Inc.	BNFT	\$45.82	salesforce.com	CRM	\$135.55			
Blackbaud, Inc.	BLKB	\$63.29	SAP	SAP	\$99.18			
Box Inc	BOX	\$18.38	ServiceNow, Inc.	NOW	\$178.32			
Carbonite, Inc.	CARB	\$25.39	ServiceSource	SREV	\$1.06			
ChannelAdvisor Corp.	ECOM	\$11.50	Shopify, Inc.	SHOP	\$137.60			
Cornerstone OnDemand	CSOD	\$50.62	Smartsheet, Inc.	SMAR	\$24.21			
DocuSign, Inc.	DOCU	\$40.82	SPS Commerce	SPSC	\$81.82			
Domo, Inc.	DOMO	\$18.29	Tableau	DATA	\$118.60			
Dropbox, Inc.	DBX	\$20.67	The Descartes Systems Group	DSGX	\$26.28			
Ebay	EBAY	\$28.85	Twilio, Inc.	TWLO	\$86.97			
Everbridge, Inc.	EBVG	\$54.83	Ultimate Software	ULTI	\$242.96			
Facebook	FB	\$135.68	Upland Software, Inc.	UPLD	\$27.37			
Five9, Inc.	FIVN	\$42.59	Veeva Systems, Inc.	VEEV	\$87.49			
Google	GOOG	\$1,045.85	Wix.com Ltd.	WIX	\$90.65			
HubSpot, Inc.	HUBS	\$125.28	Workday, Inc.	WDAY	\$159.74			
Instructure, Inc.	INST	\$37.92	Zendesk, Inc.	ZEN	\$57.59			
LivePerson, Inc.	LPSN	\$18.63	Zuora Inc	ZUO	\$18.20			
LogMeIn, Inc.	LOGM	\$81.80						
Microsoft	MSFT	\$101.12						
Mindbody, Inc.	MB	\$36.84						

Source: FactSet Research Systems

APPENDIX A

ANALYST CERTIFICATION

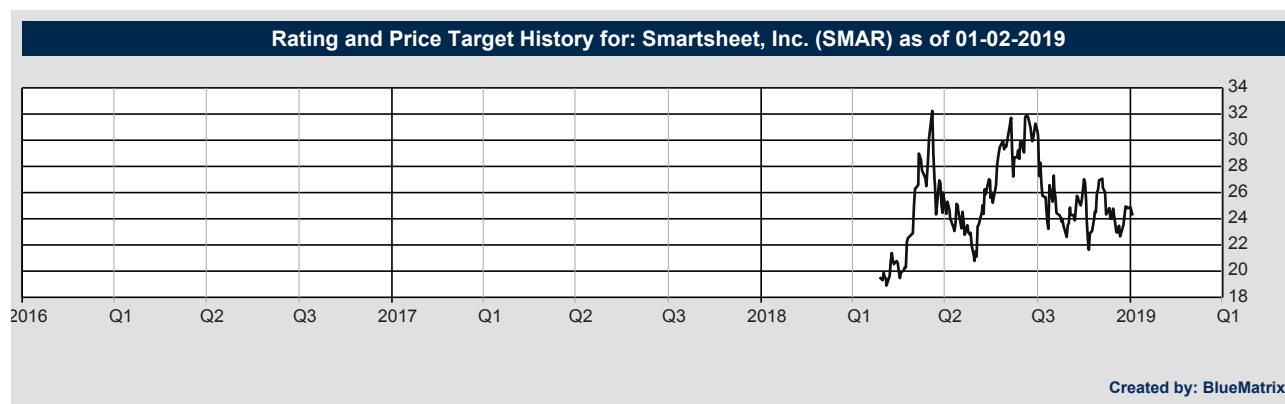
The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Smartsheet, Inc. as of the date of this report and may act as principal in these transactions.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Smartsheet, Inc. in the next three months.



Valuation Methodology for Smartsheet, Inc.

We derive our target price based on a NTM EV/Sales multiple and a DCF valuation.

Risks to Achievement of Target Price for Smartsheet, Inc.

- Smartsheet competes with a growing cohort of cloud-based companies and established legacy providers who have significant brand awareness, market scale and large war chests for acquisitions.
- Lack of profitability and negative free cash flow is a concern. As market or competitive conditions change, Smartsheet may need to trade profitability for additional investments and growth.
- Management is shifting focus to upmarket customers, business could suffer materially if small business customers experience a lack of sales support or additional investment is needed for larger enterprise customers.
- With a heavy concentration of small business customers, Smartsheet's average contract value (ACV) is low compared to the entire SaaS vendor complex. Small business customers also typically exhibit higher churn rates than upmarket customers.
- Acqui-hire and technology acquisitions are likely as management targets market adjacencies and adds new products for Smartsheet's sales force to sell into existing customer relationships.

Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	245	53.85	55	22.45
HOLD [EW]	205	45.05	22	10.73
SELL [UW]	5	1.10	1	20.00

OTHER DISCLOSURES

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

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RESEARCH DEPARTMENT DIRECTORY

Head of Institutional Equities and Director of Research: Nik Fiskén, Executive Vice President
(501) 377-6335

Executive Assistant: Dena Page (501) 377-6368

CONSUMER

Food & Agribusiness

Ben Bienvenu, Analyst (501) 377-8511
Tim Perz, CPA, Associate (212) 891-1782
Pooran Sharma, CFA, Associate (212) 891-1794
Leigh Ann Moseley, Assistant (501) 377-2250

Grocery/C-Store

Ben Bienvenu, Analyst (501) 377-8511
Tim Perz, CPA, Associate (212) 891-1782
Pooran Sharma, CFA, Associate (212) 891-1794
Leigh Ann Moseley, Assistant (501) 377-2250

Restaurants

Will Slabaugh, Analyst (501) 377-2259
Hugh Gooding, Associate (501) 377-2214
Leigh Ann Moseley, Assistant (501) 377-2250

Retail – Broadlines

Daniel Imbro, Analyst (501) 377-2055
Leigh Ann Moseley, Assistant (501) 377-2250

Retail – Hardlines

Rick Nelson, CFA, CPA, Analyst (312) 292-5768
Nicholas Zangler, CFA, Associate (312) 292-5753
Grace Tokarski, Assistant (312) 292-5750

ENERGY

Exploration & Production

Drew Lipke, Analyst (501) 377-2108
Michael Newton, Associate (212) 891-1721
Megan Ladd, Assistant (501) 377-8104

Exploration & Production

Gail Nicholson Dodds, Analyst (301) 904-7466
Fletcher Sipple, Associate (501) 377-2347
Megan Ladd, Assistant (501) 377-8104

Oilfield Services

Tommy Moll, Analyst (501) 377-6306
Drew Stevenson, Associate (501) 377-8078
Megan Ladd, Assistant (501) 377-8104

FINANCIAL SERVICES

Banks – Mid-Atlantic & Northeast

Austin Nicholas, Analyst (207) 808-5027
Cooper Brown, Associate (207) 808-3007
Alex Glockner, Associate (207) 835-3007
Leigh Ann Moseley, Assistant (501) 377-2250

Banks – Midwest & Super-Regional

Terry McEvoy, CFA, Analyst (207) 808-5025
Cooper Brown, Associate (207) 228-1707
Alex Glockner, Associate (207) 835-3007
Leigh Ann Moseley, Assistant (501) 377-2250

Banks – Southeast & West Coast

Tyler Stafford, CFA, Analyst (501) 377-8362
Gordon McGuire, Associate (501) 377-3717
Andrew Terrell, Associate (501) 377-2303
Dena Page, Executive Assistant (501) 377-2057

Banks – Southwest

Matt Olney, CFA, Analyst (501) 377-2101
Adam Freyaldenhoven, Associate (501) 377-3740
Brandon Stevenson, Associate (501) 377-8065
Dena Page, Executive Assistant (501) 377-2057

Real Estate Services

John Campbell, Analyst (501) 377-6362
Carter Trent, Associate (501) 377-8215
Megan Ladd, Assistant (501) 377-8104

Specialty Finance

Vincent Caintic, CFA, Analyst (212) 891-1715
Morgan O'Donovan, Associate (954) 637-2234

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Diagnostics and Life Science Tools

Drew Jones, Analyst (501) 377-2369
Mason Carrico, Associate (501) 377-8231
Leigh Ann Moseley, Assistant (501) 377-2250

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Dana Hambly, CFA, Analyst (615) 279-4329
Jacob Johnson, CFA, Associate (615) 279-4355
Grace Tokarski, Assistant (312) 292-5750

Managed Care and Healthcare Facilities

Scott Fidel, Analyst (212) 891-1788
Gerard Campagna, Associate (212) 891-1745
Grace Tokarski, Assistant (312) 292-5750

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Chris Cooley, CFA, Analyst (501) 377-2516
Ross Osborn, Associate (501) 377-8228
Leigh Ann Moseley, Assistant (501) 377-2250

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Mark Connelly, Analyst (212) 891-1781
Ashish Gupta, Analyst (212) 891-1709
Joan Tong, CFA, Associate (212) 891-1792

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Trey Grooms, Analyst (501) 377-2318
Noah Merkousko, Associate (501) 377-8506
Niall Pratt, Associate (501) 377-3721
Dena Page, Executive Assistant (501) 377-2057

Electrical Equipment/Multi-Industry

Rob McCarthy, Analyst (617) 239-7537
Brandon Reagan, Associate (617) 239-7510

Industrial Products & Services

Blake Hirschman, Analyst (501) 377-8046
Leigh Ann Moseley, Assistant (501) 377-2250

Transportation/Airfreight, Logistics & Maritime

Jack Atkins, Analyst (501) 377-2298
Andrew Hall, Associate (501) 377-2562

Transportation/Railroads and Equipment Suppliers

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Transportation/Trucking: Truckload & Less-Than-Truckload

Brad Delco, Analyst (501) 377-8057
Scott Schoenhaus, Associate (212) 891-1707

TECHNOLOGY, MEDIA, AND TELECOMMUNICATIONS

Business Services

Brett Huff, CFA, Analyst (501) 377-8068
Megan Ladd, Assistant (501) 377-8104

Enterprise and Cloud Infrastructure

Security Software

Dmitry Netis, Analyst (212) 891-1762
Ryan MacWilliams, CFA, Associate (212) 891-1789

Internet, Video Games and Online

Gambling

Jeff Cohen, Analyst (212) 891-1728

Media

Kyle Evans, Analyst (501) 377-6376
Joseph Wei, Associate (501) 377-6372
Megan Ladd, Assistant (501) 377-8104

SaaS and Enterprise Software

James Rutherford, Analyst (501) 377-8221
Megan Ladd, Assistant (501) 377-8104

EDITORIAL

Kelley Wilkins,

Managing Supervisory Analyst (501) 377-2020
Martha Graham, Supervisory Analyst (501) 377-2260
Natacha Hammerstad,
Supervisory Analyst (713) 993-4233
Jennifer Keeling, Supervisory Analyst (501) 377-8004
Kat Versfelt, Editor (817) 900-5700

Stephens

111 Center Street • Little Rock, Arkansas 72201 • (800) 643-9691
www.stephens.com

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