



2021 Vertical Software Outlook: Backoffice Apps – Digital Re-Acceleration

Vertical Software & FinTech

Josh Beck / 503.821.3878 / jbeck@key.com

Alex Markgraff / 503.821.3935 / alexander.markgraff@key.com

Maddie Schrage / 503.821.4011 / madison.schrage@key.com

Executive Summary	Pages 3-10
Industry Debates	Pages 11-12
2021 Expectations	Pages 13-15
PT & Estimate Changes	Pages 16-19
2020 Review	Pages 20-21
Valuation & Risks	Pages 22-30
KBCM Events	Pages 31-36
Models	Pages 37-46

Executive Summary

1

Backoffice Apps: Digital Re-Acceleration. We expect the debate around 2020 Digital Acceleration priorities (e.g., collaboration, front-office) to shift toward a new theme we are dubbing Digital Halo (DH) for businesses that experienced an initial pandemic disruption (we estimate a strong double-digit decline in revenue growth during the 2H20E on average based on factors such as sales cycles and unemployment disruption) but are poised to re-accelerate growth (we estimate a HSD revenue growth improvement in C4Q21 on average as sales cycles improves). Our Key Ideas are COUP (please see [Coupa Pay Deep Dive](#)) and PAYC provided the DH opportunity as digital backoffice and payroll/HCM initiatives rise in priority, placing the companies in a position of strength heading into 2022. Our recent [KBCM CIO Survey](#) results showed a further uptick (vs. June 2020) with increased consideration of adoption/migration for backoffice apps such as AP/procurement (~30% consideration), as other backoffice apps such as accounting (+BL), planning (+PLAN), and payroll (+PAYC, +PCTY) also showed well, with 20-25% of respondents indicating increased consideration to move to the cloud due to COVID-19 impacts. A pending multi-year acceleration of Digital Transformation initiatives leaves us comfortable with new peak EV/S multiples as three stocks more than doubled in 2020. We prefer to assess valuation with a growth-adjusted framework and generally have assigned PTs or FVs with a 2022 EV/S/G of $\leq \sim 1.0x$ (excl. BILL and COUP, which have unique software and payments opportunities), a general premium to the broader SaaS group, which we view as warranted provided nascent stages of cloud adoption (e.g., backoffice apps such as BL/COUP/PLAN in aggregate are only ~1% penetrated). *In this outlook report, we focus on our Vertical Software - Backoffice coverage: BILL, BL, COUP, INTU, PLAN, PAYC, PCTY.*

2

Key Debates & Themes: DA, TAM, and Valuation. The industry bull case is based upon better than expected durability of growth related to core DA and DA Halo benefits, underpenetrated TAMs that offer attractive growth, and benign competition with a belief that new valuation multiple peaks can be achieved as the result of a multi-year secular acceleration. The industry bear case is premised on short-lived core DA that proves to be more one-time in nature, creating worse than expected comparisons in the summer months with limited DA halo benefits, rising TAM saturation leading to increased competitive pressures, and a growth multiple “reset” from recent new peaks more toward a multi-year average.

3

Tactical Positioning; Price Target, Fair Value, and Estimate Changes

- Tactical positioning for CQ420: Most positive: BILL. Relatively in line with expectations: BL, COUP, INTU, PLAN, PAYC, PCTY.
- PT and Estimate Changes: Raising PTs for BILL, BL, PLAN. Raising estimates for BILL.

Please see pages 16-19 for price target & estimate change information; please see pages 22-27 for valuation & risk information.

- We bucket our Vertical Software Key Ideas into both growth (COUP, SHOP, SQ) and GARP (PAYC, WIX, Q TWO) categories. We have written extensively about Digital Acceleration (please see our [May](#) and [October](#) notes on the topic) and as we enter 2021 believe the focus will shift toward: 1) the durability of “Core” benefits such as the acceleration of e-Commerce and FinApps that played out in 2020; and 2) halo-related beneficiaries in markets where the initial impact may have been negative due to sales cycles (e.g., enterprise), churn/unemployment rates (e.g., payroll, SMB), and/or transactional (e.g., brick-and-mortar) headwinds but in 2021 could experience a rebound in growth related to an increase in digitization priority across backoffice, banking, and/or other growth initiatives (e.g., fulfillment) adjacent to the core business.

Investment Style

Digital Transformation

Growth

GARP

Digital Accel
(DA)

Digital Halo
(DH)



+

-

+



+

-

+



+

++

++



+

+/-

++



+

+

+



+

+/-

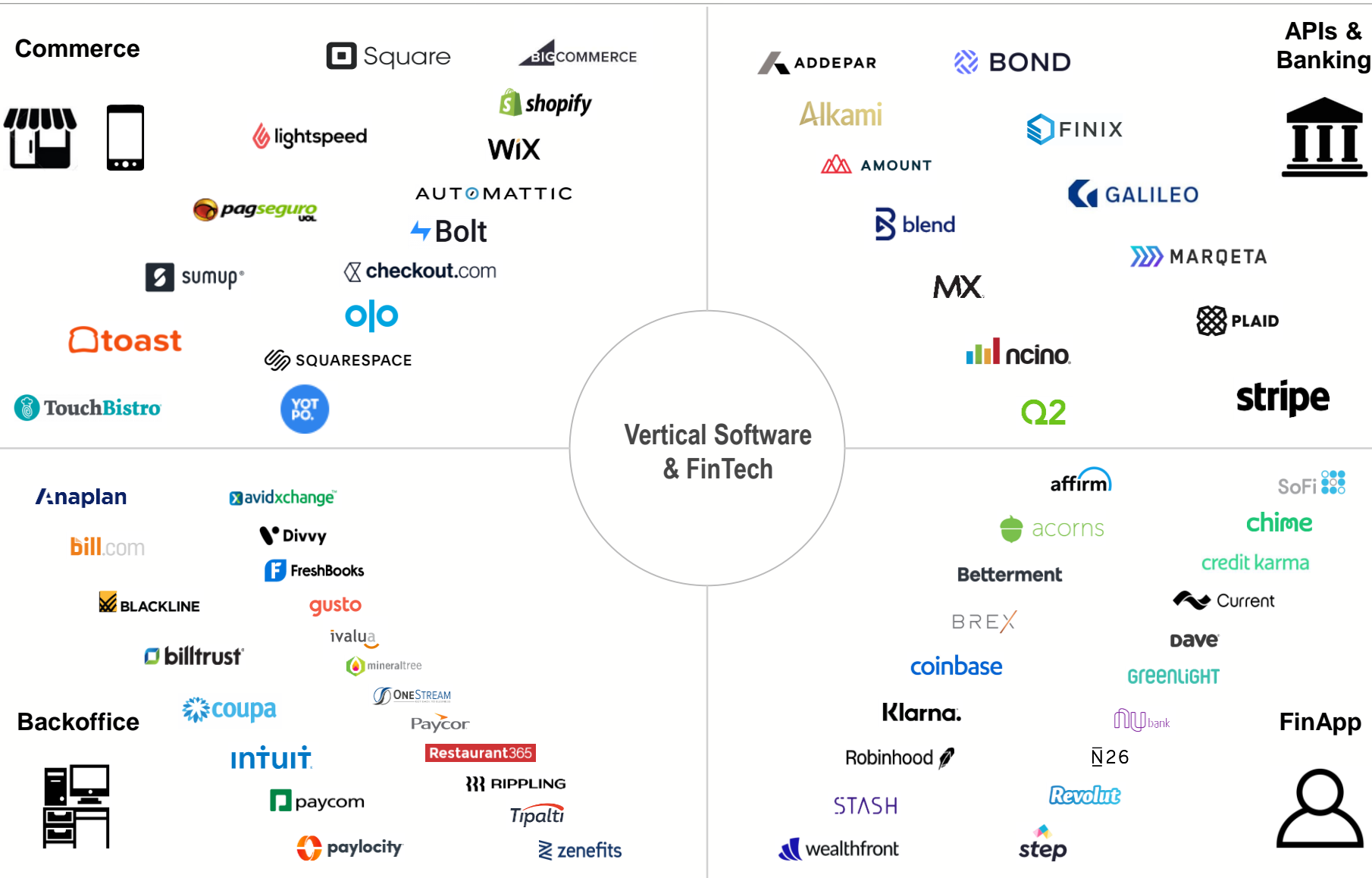
+



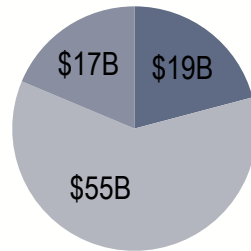
- **KBCM Case:** Positive bias. At a macro level, we expect enterprises to seek more discipline on procurement as WFH conditions have exacerbated inefficient or manual backoffice processes. B2B payments also remains an overwhelming manual (~50% still using checks) process and thus we'd also expect higher consideration of Coupa Pay, a thesis supported by our checks. As the year progresses, we expect an improving sales cycle as backoffice moves up the Digital Transformation priority list, consistent with our Digital Halo (i.e., second order effects from the multi-year digital acceleration that was sparked in 2020). *We model 23% revenue growth in 2021 on comparisons of 34% growth in 2020E, conservatively factoring in subdued new bookings contribution, yet we expect a growth acceleration in the 2H of the year as the sales cycle normalizes, creating robust momentum heading into 2022.*
- **Bull Case:** Core growth re-bounds as sales cycle normalizes and category awareness grows, setting the stage for a robust multi-year growth runway. Coupa Pay adoption tracks ahead of expectations and investors better understand the LT potential and ascribe a higher valuation on a SoTP basis factoring in B2B payments peers (e.g., BILL) with attractive incremental contribution margin.
- **Bear Case:** The slow-down in new bookings proves to be more permanent as other areas (e.g., front-office, collaboration, security, etc.) take budget share from the Backoffice and Coupa Pay monetization disappoints.



- **KBCM Case:** Positive bias. At a macro level, WFH conditions have structurally changed the HR organization, placing a greater emphasis on resources (e.g., wellness), engagement, performance management, and recruiting, favoring modern next-gen HCM/payroll systems that can cohesively deliver a modern employee management platform. As the year progresses, we expect new bookings contribution alongside easier interest rates and unemployment comparisons to lead to accelerating growth in 2H21, benefiting from increased consideration of modern HCM/payroll solutions. *We model ~20% revenue growth in 2021 (comparison of ~13% growth in 2020E), with an acceleration in the 2H creating strong momentum heading into 2022.*
- **Bull Case:** The rapid changes in working conditions causes greater consideration of modern HCM/payroll solutions, leading to sustained strength in the new bookings, which proves to be a multi-year accelerant of share gains and ultimately improves the growth runway.
- **Bear Case:** As employees transition back to the office, the business case for modernizing the HCM/payroll suite is diluted, leading to a drop in new bookings as unemployment and interest rates headwinds persist longer than anticipated.

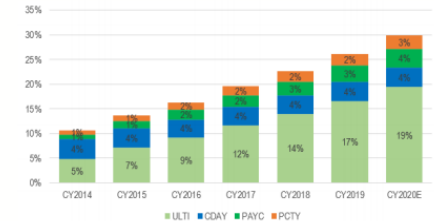
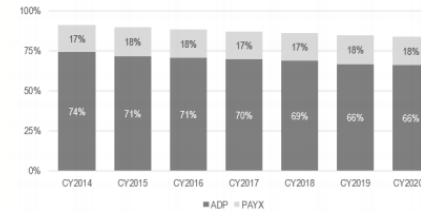


Backoffice Apps (Annual spend)

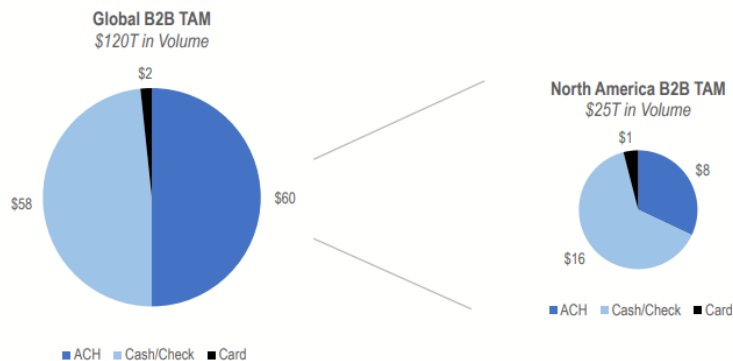


- Financial Close
- Business Spend Mgmt.
- Performance Mgmt.

Payroll/HCM (Market share)



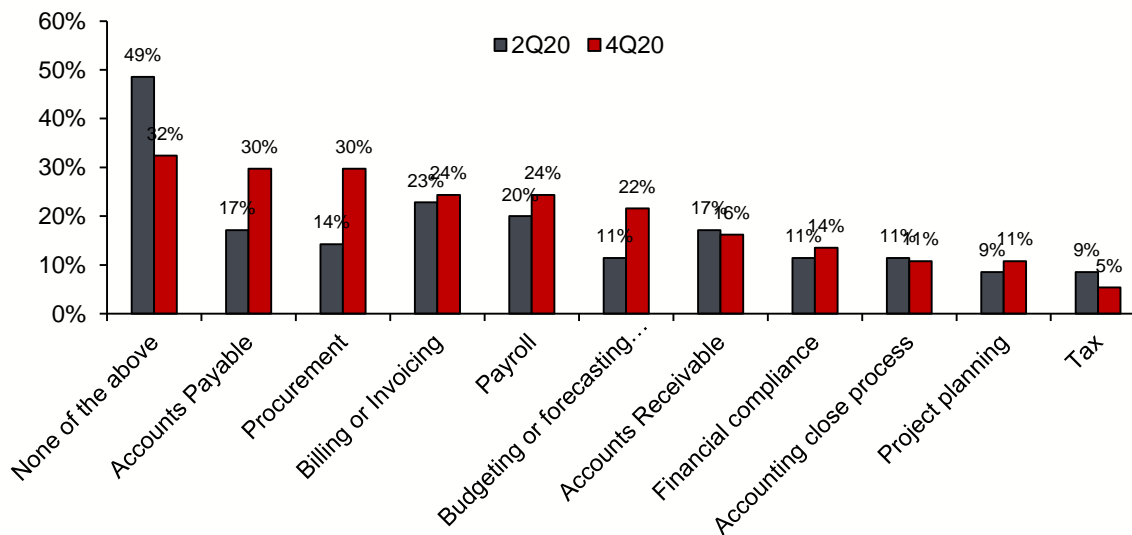
B2B Payments (Payment Volume)



- **The cloud-enabled backoffice is experiencing second-order benefits related to WFH/Digital Transformation.**

- Survey results showed a further uptick (vs. June 2020) with increased consideration of adoption/migration for backoffice apps such as AP/procurement (~30% consideration), reinforcing our thesis that names like COUP and BILL could experience second-order benefits related to WFH/Digital Acceleration. Other backoffice apps, such as accounting (+BL), planning (+PLAN), and payroll (+PAYC, +PCTY), also showed well, with 20-25% of respondents indicating increased consideration to move to the cloud due to COVID-19 impacts.
- >50% of respondents are considering/planning to migrate ERP/financials to the cloud, which could serve as a catalyst to consider other best-of-breed cloud solutions tied to accounting (+BL), planning (+PLAN), or procurement (+COUP).
- Banking apps such as NCNO and QTWO received positive marks, as did commerce apps such as WIX.

CIO Survey Question: As a result of COVID-19, are you more likely to consider a SaaS solution for the following Financial or Backoffice applications?



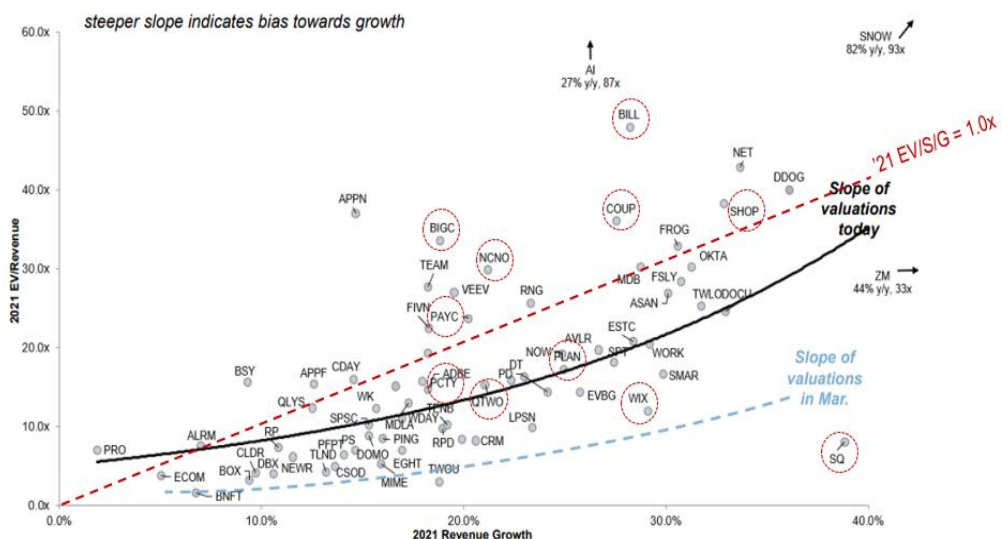
- We prefer to assess valuation with a growth-adjusted framework and generally have assigned PTs or FVs with a 2022 EV/S/G of $\leq 1.0x$, a general premium to the broader SaaS group reflected in sizeable TAMs (Commerce in the \$Ts and nascent cloud adoption in areas like banking and backoffice).

→ Please note that BILL and COUP both are valued with EV/S/G $> 1.0x$, in part reflective of the unique opportunity that spans software and payments, which, in our view, warrants a larger premium provided favorable impacts on LTV and retention metrics.

KBCM: Price Targets

	PT or FV	CY 22 EV/S	CY 22 EV/S/G
BILL	\$150	~46x	1.3x
BL	\$145	~17x	0.7x
COUP	\$400	~37x	1.5x
INTU	\$405	~10x	0.7x
PLAN	\$80	~16x	0.5x
PAYC	\$475	~22x	0.9x
PCTY	\$230	~15x	0.7x

Valuation Framework: EV/S/G



Industry Debates

KBCM View

Bull Case

Bear Case

Digital Acceleration (DA)

- **Positive.** Elements of DA (e.g., new users) prove to be durable as monetization of new co-horts improves, leading to less than expected deceleration. Halo DA benefits in sectors such as banking, backoffice remain underappreciated, as do the positive effects on growth initiatives.

- Core DA (e.g., e-Com) remains robust and tough comparisons lead to a deceleration, yet growth remains robust. Halo benefits are more material than expected, offering improving visibility into 2022 growth prospects.

- Tough comparisons lead to a deceleration that is worse than expected during the summer months as headwinds tied to sales cycles, interest rates, and unemployment languish longer than expected. Halo benefits prove to be immaterial.

Valuation

- **Positive.** While valuation metrics are stretched by historical standards, we also argue that the pace at which structural change is materializing has also accelerated beyond historical precedent, creating room for further upside potential.

- The multi-year acceleration of secular opportunities that took shape to varying degrees in 2020 extends investors' investment horizons, pushing up NT multiples beyond prior peaks.

- Rotation between growth-oriented names and groups with more profit-based valuation could be a potential risk.

TAM & Competition

- **Positive.** Commerce and banking represent some of the largest TAMs, while backoffice cloud penetration is low, creating attractive market opportunities that face limited competitive constraints.

- Sizeable TAMs driven by secular tailwinds create significant un-tapped market opportunities.

- TAM penetration rises significantly, leading to increased competitive pressures across the sector.

Regulation

- **Neutral.** While difficult to predict, we don't foresee any major new regulatory hurdles surfacing.

- The regulatory oversight, particularly with regard to payments, data, and/or consumer/SMB practices, remains benign.

- The DOJ plays a heavier role influencing potential consolidation and M&A, while a new administration potentially introduces a heavier hand with respect to regulation.

2021 Expectations

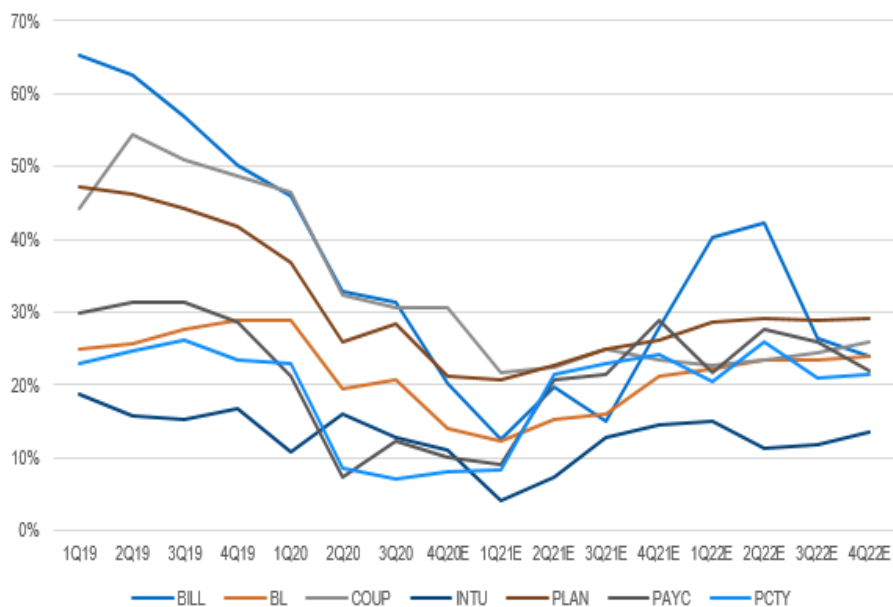
- **BILL (+):** Backoffice DA less obvious, expect improving sales and payments commentary, including positive adoption of new transaction types leading to a high-quality beat despite TPV and float headwinds.
- **BL (+/-):** Backoffice DA less obvious, expect improving Digital Transformation commentary and solid beat against relatively low expectations.
- **COUP (+/-):** Backoffice DA less obvious, expect improving Digital Transformation commentary and encouraging Coupa Pay updates, translating into a solid beat against relatively low expectations. Expect a conservative revenue growth outlook in the low 20s on continued conservative new booking assumptions.
- **INTU (+/-):** Expect SMB resilience to drive a solid beat despite churn, TPV, and employment headwinds, consistent with expectations.
- **PLAN (+/-):** Backoffice DA less obvious, expect improving Digital Transformation commentary and solid beat against relatively low expectations.
- **PAYC (+/-):** Backoffice DA less obvious, expect a solid beat despite unemployment and float headwinds and signs of sustained new booking strength.
- **PCTY (+/-):** Backoffice DA less obvious, expect a solid beat despite unemployment and float headwinds and signs of sustained new booking strength.

Ticker	Revenue Current FY		Operating Profit Current FY		Revenue Out FY		Operating Profit Out FY	
	KBCM	Street	KBCM	Street	KBCM	Street	KBCM	Street
BILL	\$190	\$195	(\$27)	(\$23)	\$250	\$252	(\$22)	(\$18)
BL	\$348	\$348	\$34	\$33	\$405	\$411	\$27	\$34
COUP	\$524	\$524	\$34	\$36	\$645	\$665	\$32	\$35
INTU	\$8,900	\$8,926	\$3,010	\$2,953	\$10,320	\$10,311	\$3,366	\$3,732
PLAN	\$444	\$444	(\$42)	(\$42)	\$550	\$555	(\$40)	(\$37)
PAYC	\$833	\$834	\$324	\$324	\$998	\$1,004	\$392	\$392
PCTY	\$623	\$627	\$150	\$157	\$768	\$770	\$208	\$206

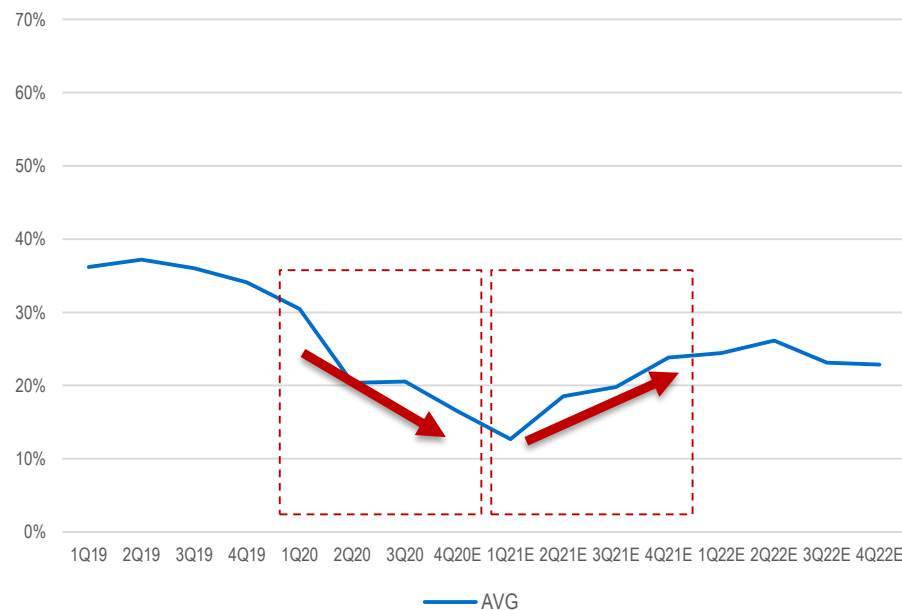
Ticker	Revenue Current Q		Operating Profit Current Q		Revenue Out Q		Operating Profit Out Q	
	KBCM	Street	KBCM	Street	KBCM	Street	KBCM	Street
BILL	\$47	\$47	(\$7)	(\$7)	\$46	\$49	(\$9)	(\$7)
BL	\$92	\$92	\$6	\$4	\$93	\$96	\$9	\$6
COUP	\$145	\$146	(\$7)	(\$7)	\$145	\$149	(\$3)	(\$2)
INTU	\$1,950	\$1,945	\$465	\$464	\$4,166	\$4,141	\$2,067	\$2,175
PLAN	\$119	\$119	(\$13)	(\$13)	\$125	\$126	(\$15)	(\$13)
PAYC	\$213	\$214	\$77	\$77	\$264	\$270	\$124	\$124
PCTY	\$143	\$143	\$64	\$28	\$186	\$189	\$35	\$64

- Following an initial disruption period in C2Q20 – C1Q21 of decelerating growth, we expect increased new sales/bookings to contribute to growth re-acceleration during the middle of the CY.

Revenue (y/y growth %)



Average Revenue (y/y growth %)



PT and Fair Value Updates

- **BILL**: Raising PT to reflect higher estimates and improved Digital Halo prospects in 2021.
- **BL**: Raising PT to reflect improved Digital Halo prospects in 2021.
- **PLAN**: Raising PT to reflect improved Digital Halo prospects in 2021.
- **INTU**: Raising PT to reflect improved Digital Halo prospects in 2021.

Ticker	Rating	<i>PT or FV</i>	<i>EV/S</i>	<i>EV/S/G</i>	<i>PT or FV</i>
		New	New	New	Prior
BILL	OW	\$150	46.0x	1.3x	\$125
BL	OW	\$145	17.0x	0.7x	\$115
PLAN	OW	\$80	15.5x	0.5x	\$75
INTU	OW	\$405	10.6x	0.7x	\$400

PT refers to price targets for OW-rated names. FV refers to fair value estimates for SW-rated names.

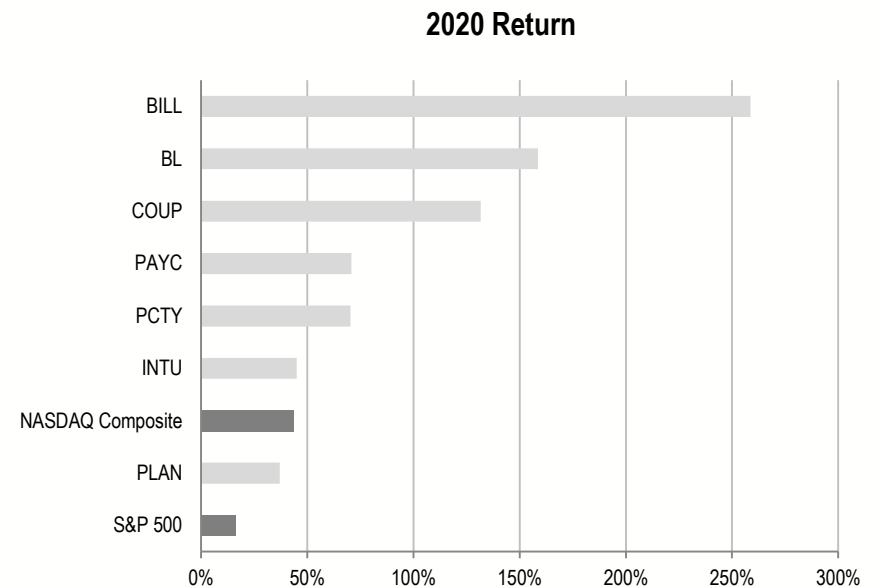
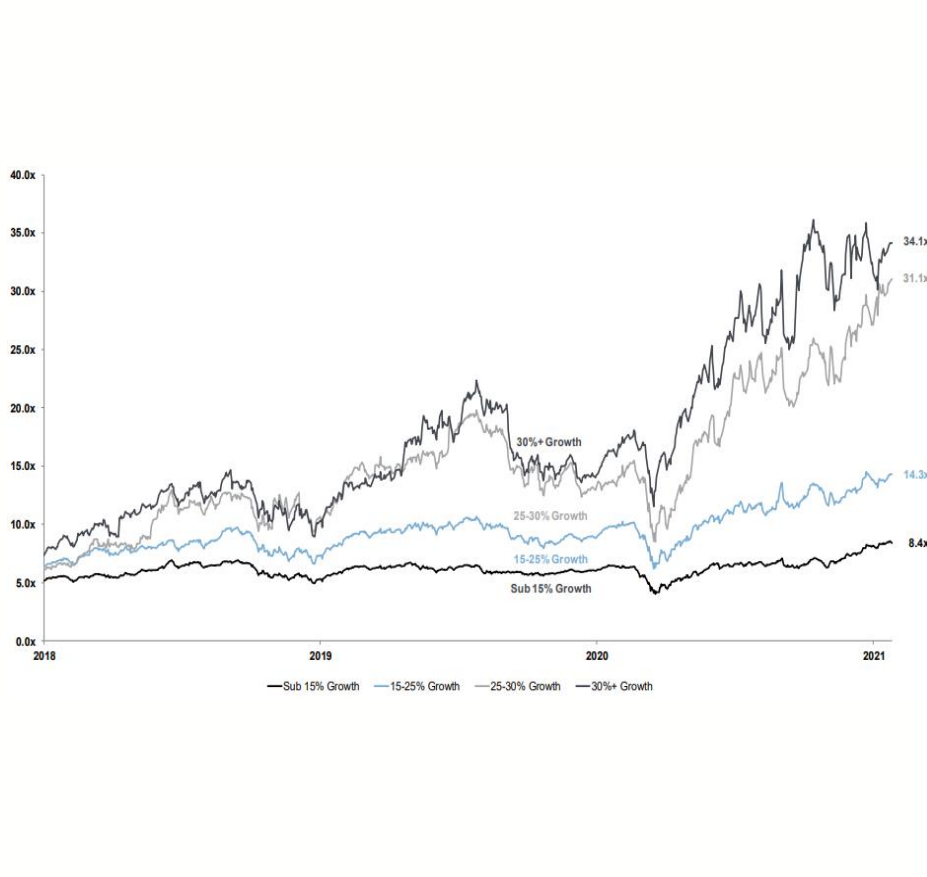
Estimate Changes

→ **BILL**: Raising revenue to factor in continued momentum with transactional items. including virtual card and x-border.

	2022E		% Y/Y or Δ Y/Y Change
	Updated	Previous	
TPV (\$M)	\$172,475	\$172,475	27.7%
Transactions processed (M)	37.8	37.8	25.4%
Customers	133,600	133,600	15.6%
Subscription & transaction revenue (\$k)	\$244,896	\$227,358	33.0%
Est. Subscription revenue (\$k)	\$127,092	\$127,092	16.7%
Est. Transaction revenue (\$k)	\$117,804	\$100,266	56.4%
Interest on funds held for customers (\$k)	\$5,100	\$5,100	-11.6%
Total revenue (\$k)	\$249,996	\$232,458	31.6%
Gross profit (non-GAAP)	\$187,497	\$176,668	30.1%
% gross margin (non-GAAP)	75.0%	76.0%	-0.9%
Total operating expense (non-GAAP)	\$209,967	\$201,690	22.9%
% revenue	84.0%	86.8%	-6.0%
Operating profit (non-GAAP)	(\$22,470)	(\$25,022)	NM
% margin	-9.0%	-10.8%	5.1%
Net loss (non-GAAP)	(\$20,704)	(\$23,256)	NM
EPS (non-GAAP)	(\$0.25)	(\$0.27)	NM

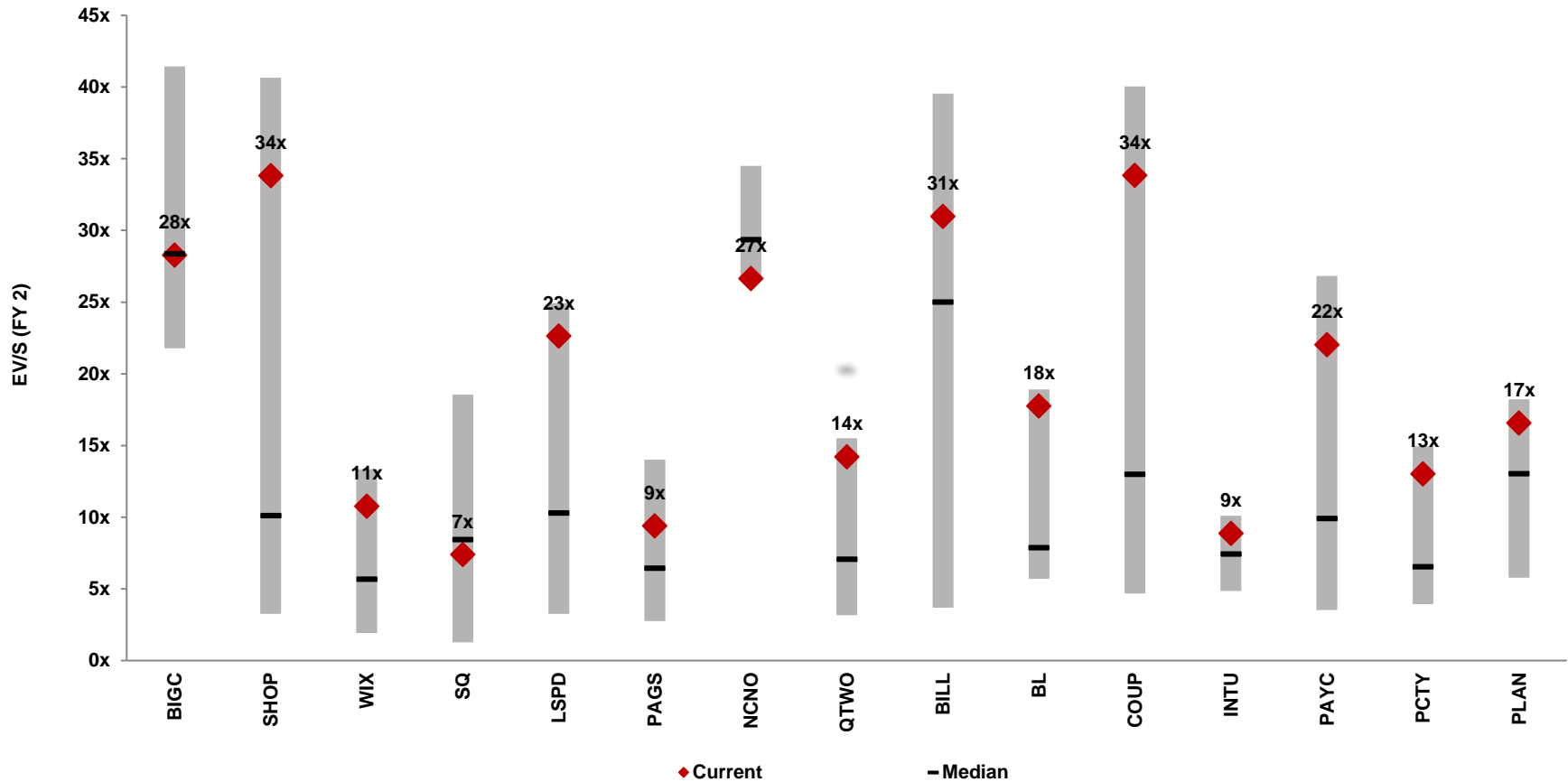
2020 Review

- **The Vertical Software: Backoffice group meaningfully outperformed the S&P 500 in 2020.** BILL (+259%) and BL (+159%) were the top performers, with three companies more than doubling. *BILL was a KBCM Key Idea cited in our 2020 outlook.*

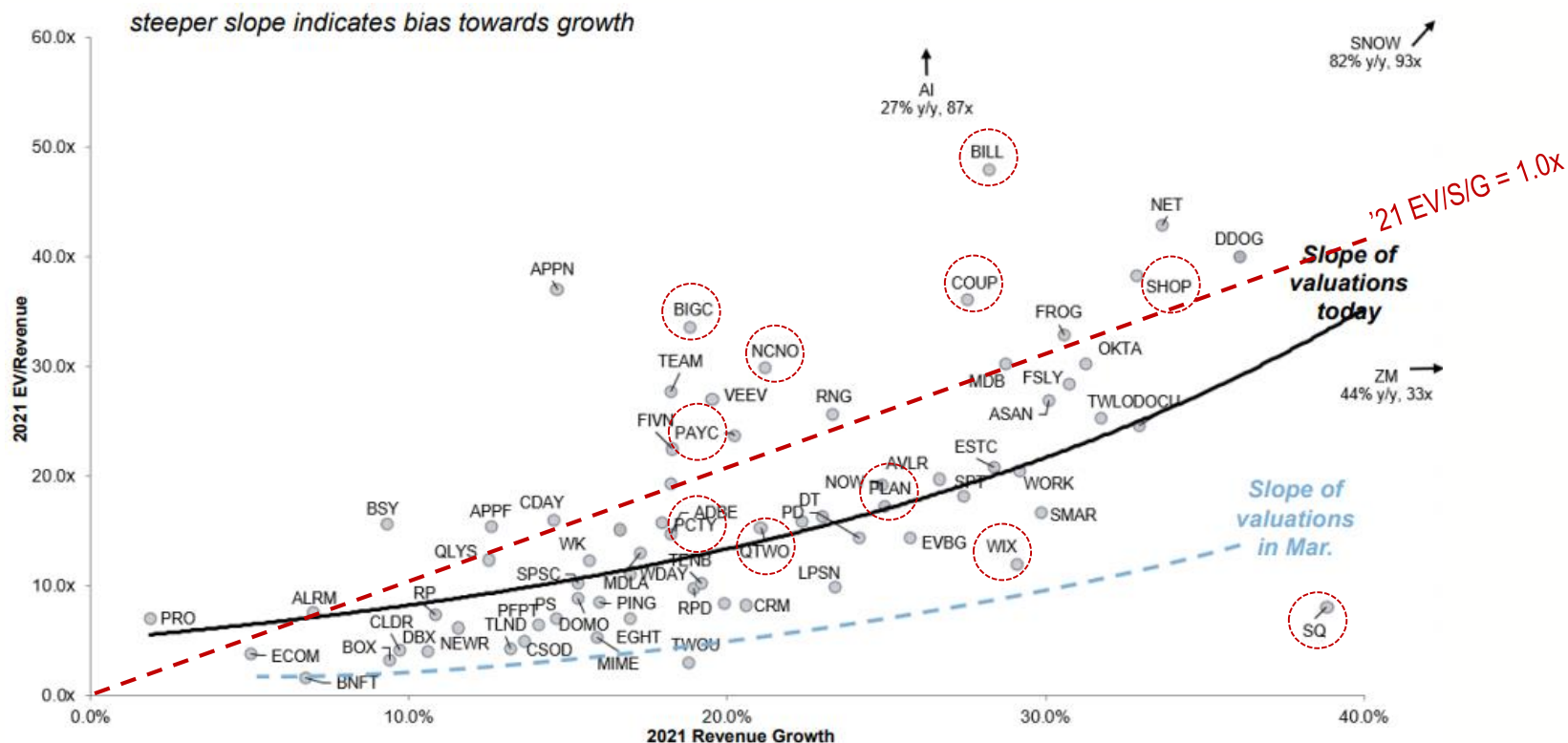


Valuation and Risks

		KBCM Rating	Recent Price	Market Cap (B)	Enter. Value (B)	2020E Rev %Y/Y	2021E Rev %Y/Y	2020E FCF / Rev	2021E FCF / Rev	2020E EV / Sales	2021E EV / Sales	2020E EV / S / Growth	2021E EV / S / Growth	Rule of 40	YTD %
Vertical & Backoffice SaaS															
SHOP.K	Shopify	OW	\$1,144.93	\$135.9	\$130.4	84%	33%	9%	11%	46x	34x	0.5x	1.0x	93%	1%
SQ	Square	OW	\$221.94	\$107.7	\$106.5	319%	39%	3%	5%	11x	8x	0.0x	0.2x	323%	2%
INTU.O	Intuit	OW	\$373.58	\$98.5	\$95.0	14%	18%	29%	27%	12x	10x	0.8x	0.6x	44%	-2%
ADYEN.AS	Adyen	OW	€ 1,770.50	€ 54.3	€ 52.3	36%	42%	57%	51%	77x	54x	2.1x	1.3x	93%	-7%
PAYC.K	Paycom	OW	\$396.45	\$23.2	\$23.0	14%	20%	16%	19%	28x	23x	2.0x	1.1x	30%	-12%
COUP.O	Coupa Software	OW	\$317.80	\$23.4	\$24.1	38%	28%	9%	9%	47x	37x	1.2x	1.3x	48%	-6%
WIX.O	Wix.Com	OW	\$259.99	\$15.5	\$14.8	28%	29%	13%	14%	15x	12x	0.5x	0.4x	41%	4%
BILL.K	Bill.com	OW	\$130.74	\$11.5	\$11.2	35%	28%	-17%	-18%	64x	50x	1.8x	1.8x	19%	-4%
PCTY.O	Paylocity	OW	\$192.69	\$10.8	\$10.7	16%	18%	15%	13%	18x	15x	1.1x	0.9x	31%	-6%
PLAN.K	Anaplan	OW	\$71.08	\$9.8	\$9.5	29%	25%	-7%	-3%	22x	17x	0.7x	0.7x	22%	-1%
BL.O	Blackline	OW	\$133.72	\$8.0	\$7.8	21%	18%	12%	11%	23x	19x	1.1x	1.0x	34%	1%
NCNO.O	nCino Inc	OW	\$71.86	\$7.2	\$6.9	32%	25%	-9%	-4%	38x	30x	1.2x	1.2x	24%	-1%
LSPD.K	Lightspeed POS	OW	\$70.74	\$6.5	\$6.1	51%	43%	-23%	-10%	37x	26x	0.7x	0.6x	28%	1%
QTWO.K	Q2 Holdings	OW	\$131.05	\$6.4	\$6.4	27%	21%	-6%	2%	16x	13x	0.6x	0.6x	22%	4%
BIGC.O	BigCommerce	SW	\$78.33	\$5.9	\$5.8	25%	20%	-29%	-18%	42x	35x	1.7x	1.8x	-4%	22%
CDLX.O	Cardlytics	SW	\$124.03	\$3.4	\$3.3	-12%	42%	-11%	3%	18x	13x	NM	0.3x	-23%	-13%
Average						42%	26%	5%	8%	30x	23x	1.6x	0.9x	47%	-1%



- Our preferred valuation framework is EV/Sales/Growth to normalize comparisons relative to the growth potential.



BILL: Our \$150PT is based on 45.5x CY22 EV/S and 1.4x EV/S/G.

BL: Our \$145PT is based on 17.0x FY22 EV/S and 0.7x EV/S/G.

COUP: Our \$400PT is based on 37.0x CY22 EV/S and 1.5x EV/S/G.

INTU: Our \$405PT is based on 10.6x FY22 EV/S and 0.7x EV/S/G.

PLAN: Our \$80PT is based on 15.5x CY22 EV/S and 0.5x EV/S/G.

PAYC: Our \$475PT is based on 22.3x FY22 EV/S and 0.9x EV/S/G.

PCTY: Our \$230PT is based on 14.9x CY22 EV/S and 0.7x EV/S/G.

BILL: Bill.com competes with a variety of technology providers and a change in the competitive environment could lead to lower customer growth. A material change in the current macroeconomic environment could impact the amount SMBs are willing to spend on technology and could impact their ability to remain in business. If Bill.com were to fail to comply with regulation or remain in compliance relating to its payment services activities, certain product functionality could be interrupted and any interruptions, delays, or terminations associated with agreements with third-party cloud infrastructure/hosting providers could lead to an adverse effect on financial results. If relationships with strategic partners were to deteriorate, fail to materialize, or fail to drive new customer adoption for any reason, Bill.com could experience an adverse effect on financial results. These risks could impede the stock from achieving our price target.

BL: Market and macroeconomic risks, including COVID-19 risks, could interfere with the realization of this price target and our estimates for the Company, as could company-specific risks, including, but not limited to: competition with potential new entrants including ERP vendors; integration of the Runbook acquisition; a delay in the return to profitability and cash generation; a security breach of highly sensitive customer data; and a reduction in potential users without a commensurate rise in revenue potential per user, which would result in a lower TAM.

COUP: Market and macroeconomic risks, including COVID-19 risks, could impede the stock from achieving our price target around strong fundamental prospects, as could company-specific risks, including, but not limited to: competition with legacy procurement software, manual paper processes, and specific point solutions across procure-to-payment; heavy upfront sales and marketing; high exposure to third parties (e.g., software consultants, system integrators, implementation partners, and technology partners); and a security breach could expose customers' information.

INTU: Market and macroeconomic conditions could impede shares from reaching our price target, as could risk factors that include, but are not limited to: a data security breach; competition; inferior technology; customer attrition; failure to retain key personnel; unfavorable changes to the tax code; and macro headwinds having an adverse effect on SMBs.

PLAN: Market and macroeconomic risks, including COVID-19 risks, could impede the stock from achieving our estimates and price target despite strong fundamental prospects, as could company-specific risks, including, but not limited to: competition with manual do-it-yourself solutions, point solutions, and legacy solutions; heavy upfront sales and marketing expenses; a high exposure to third parties (e.g., consultants, system integrators, implementation partners, and technology partners); and a security breach that could expose customer information.

PAYC: Risk factors that could prevent PAYC from reaching our price target include, but are not limited to, strong competition in the cloud payroll and HR segments. While HR remains a top SaaS priority, there could be pricing pressure within the core Paycom addressable markets. Market and macroeconomic conditions could also interfere with the realization of our target, as could risks such as slower adoption of new products, increased competition, pricing pressure, or regulatory considerations related to the Affordable Care Act (ACA).

PCTY: Paylocity could be negatively impacted by macroeconomic factors, thereby reducing revenue and profitability. The SMB end market may be disproportionately affected by economic volatility, which may exacerbate a deterioration of the Company's business in a downturn. The HR software market is highly competitive with numerous participants. New entrants could emerge with superior technological capabilities, or larger modern upstream competitors may move into the small to middle market, thus reducing Paylocity's competitive positioning and prospects. The Company's reliance on third-party data integrators and broker partnerships may adversely impact its business if a third party decides to exclusively partner with a different HR software provider or develop its own solution internally. All of these factors may impede the realization of our estimates and price target.

Appendix: Highlighted Research

■ 2021 Vertical Software Outlook: Commerce & Banking ([link](#))

→The Year of the Digital Halo. We expect the debate around Digital Acceleration (DA) to evolve from core benefits (e.g., e-Com, FinApps) that materialized in 2020 to: 1) the sustainability of growth, particularly during the summer months; and 2) a new theme we are dubbing Digital Halo (DH), for businesses that experienced initial pandemic disruption, but are poised to benefit from a growth rebound as digital transformation priority rises. Our Key Ideas are positioned for a greater than expected growth runway (primarily driven by new cohort contribution) from core DA e-Com and FinApp trends including SHOP, SQ, and WIX, while COUP, PAYC, and QTWO are likely to be DH beneficiaries as digital backoffice, payroll/HCM, and banking initiatives rise in priority.

■ 2020 Global FinApps Report ([link](#))

→In our thematic industry deep dive, the KBCM Global Internet & FinTech team explores the rising influence of FinApps, defined as a digital-first application that can perform a variety of financial services. KBCM sees a \$50 trillion market across sending, spending, investing and marketing categories that is approaching an inflection point, a thesis supported by our proprietary consumer survey that indicates a 6x increase in FinApp adoption with 25% of consumers currently using 3+ FinApps. The report offers an in-depth analysis on revenue TAM (KBCM estimates ~\$100B FinApp revenue opportunity), CAC (KBCM estimates ~1/10th of traditional financial services), monetization drivers (i.e., engagement, breadth) and emerging markets (i.e., China, India, Brazil). We also examine how the narrowly defined financial services sector fits into a broader industry framework as an expanding API developer-focused infrastructure (e.g., Stripe, Marqeta, Plaid, etc.) and shifting consumer behavior (e.g., social commerce) is increasingly blurring the lines of finance, commerce, and social applications.

■ 2020 Commerce Outlook: A Structural Rewiring ([link](#))

→The proliferation of cloud-based software solutions to new frontier, including retail, consumer, businesses, and financial institutions is driving a structural rewiring of the technology stack that enables commerce. The adoption of cloud-based next-generation solutions is still at an early stage, creating an encouraging runway for hyper-growth. The industry bull case is based upon increased penetration of cloud solutions and enhanced monetization via multi-product platform adoption while the bear case focuses on competitive and profitability risks. SQ, PYPL, BILL, and INTU are our key ideas for the group as we see underappreciated fundamental upside driven by Cash App at SQ, Honey at PYPL and platform adoption at BILL and INTU.

■ 2019 B2B Report ([link](#))

→The 60+ page report analyzes the convergence of software automation and digital payment technologies, which could empower a new \$100B revenue opportunity. Industry-wide, ~50% of B2B transactions are still in cash/check via virtual closed loop B2B networks among 100M+ businesses. A series of interviews and a proprietary B2B industry model inform our bottom-up analysis. AP and AR automation are forming sizable virtual closed loop networks (e.g., COUP 4M+ suppliers). We liken the combined layer consisting of BSM (e.g., COUP), ERP (e.g., INTU), and B2B (e.g., Bill.com) software as the hybrid role of ISVs (e.g., GPN) and gateway software providers (e.g., Stripe) within B2C.

■ 2018 Future of FinTech Report ([link](#))

→The 100 page FoFT report leverages rich data and unique sources to examine high-growth sectors, TAM, penetration, and pace of adoption among public and private companies within the global FinTech landscape. Low levels of penetration, <50% in established sectors and <5% in many sectors, set the stage for significant value creation beyond the current ~\$1T market cap as legacy forms of transacting (Payments), distributing/analyzing (WealthTech, Open Banking), transmitting (Blockchain), and underwriting (Lending, Insurance) financial information are digitized.



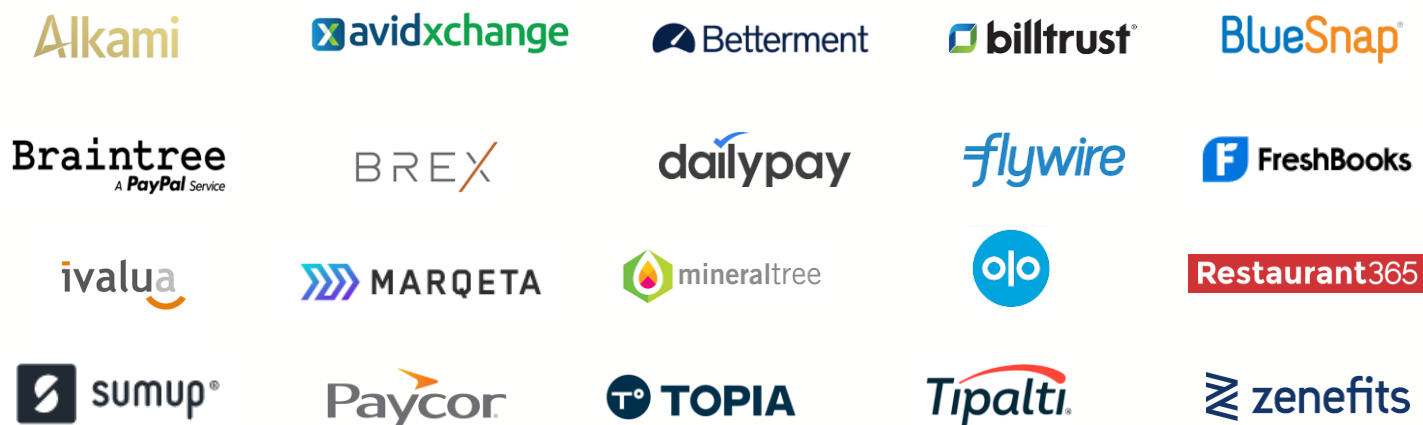
- **Coupa Pay Deep Dive** - Early Innings of \$500M Payments Opportunity ([link](#))
 - **Backoffice Digital Acceleration** - Likely a 'When,' Not 'If' ([link](#))
 - **Backoffice SaaS** - APIs Unlocking a Cloud Renaissance ([link](#))
-



- **HCM Tech Conference** - WFH a Catalyst for Adoption of Cloud-First HCM Tech Stacks ([link](#))
- **DA^2 Drives Record New Bookings** - Overcoming Employments and IR Headwinds ([link](#))
- **Payroll/HCM SaaS** - Automation & Digital Acceleration Propel Share Gains ([link](#))

Appendix: KBCM Events

We are pleased to have hosted the following companies at our conference, field trip, or non-deal roadshow events.



**EMERGING
TECHNOLOGY SUMMIT:
VIRTUAL**

SAVE
THE DATE
**TUE.2/23
– FRI.2/26
2021**

#KBCMTech

Invitation with complete virtual event
and registration details to follow



KeyBanc Capital Markets  | **MOSAIC.**

After a tumultuous 2020 in which technology outperformed during a year of multiple crises – health, economic, and social – the virtual Summit will focus on what's next for the sector. We'll bring together executives and founders from top private and public companies, investors, and other thought leaders to discuss the role and opportunities for technology as we progress toward the "new" normal.

The cornerstone of the virtual event will be a unique collection of high value keynotes, topical panels, fireside chats and company presentations, complemented by curated meetings to drive dialog that delivers perspectives based on each participant's priorities.

Please contact your KBCM representative if would like to participate.

#KBCMTech



We are excited to announce our inaugural Future of Technology Series. This virtual event will gather leaders from today's most relevant technology names and take a thematic approach toward exploring the market shifts, particularly in light of an increase in digital acceleration, remote work, deglobalization, and changing consumer consumption habits.

Participating Vertical SaaS, Backoffice & FinTech companies included Q2 (QTWO), Lightspeed (LSPD), Olo, KBCM, Bill.com (BILL), Coupa (COUP), Blackline (BL), AvidxChange, Square (SQ), Shopify (SHOP), FIS (FIS), Visa (V), Cardlytics (CDLX), PagSeguro (PAGS), SumUp, Bluesnap, and Paysafe.

Source: KeyBanc Capital Markets Inc., company websites



The Technology Leadership Forum features two full days of keynotes, presentations, panels, spotlight sessions, and workshops on salient topics across several sectors. The event has attracted a marquee set of investors through 20+ years of tech thought leadership. 100+ public companies and many up and coming private companies participated at our Vail conference with topics including: cloud, DevOps, internet, consumer technologies, FinTech, AI, services, and semiconductors.

Participating Vertical SaaS, Backoffice & FinTech companies included Betterment, BlueSnap, Brex, Cardlytics (CDLX), Freshbooks, Personal Capital, olo, Restaurant 365, ShopKeep, SumUp, Wix (WIX).

Source: KeyBanc Capital Markets Inc., company websites



More than 200 public and private companies presented either individually or in one of our over 30 panel discussions, at our 15th Annual KBCM Emerging Technology Summit. Commentary highlighted the expanding role of technology and its growing impact on nearly every industry. The conference featured presentations with days dedicated to SaaS, FinTech, Cloud, Infrastructure, DevOps & Security; Internet, Consumer Technologies, Artificial Intelligence & Services; Healthcare Software; and Industrial Tech.

Participating Vertical SaaS, Backoffice & FinTech companies included Bill.com (BILL), AvidXchange, Tipalti, MineralTree, Kabbage, Betterment, Brex, FreshBooks, Restaurant365, SumUp, Marqeta, Finix, Bond, Ripple, Sphere Commerce.

Appendix: Analyst Bios



Vertical Software & FinTech

Josh Beck | 503.821.3878
jbeck@key.com

Commerce/ Banking

BIGC
SHOP
PYPL
WIX
LSPD
SQ
PAGS
NCNO
QTWO
CDLX

Backoffice

BILL
COUP
BL
INTU
PLAN
PAYC
PCTY

Payments

V	GPN
MA	ADYEN
FIS	IIIV
FISV	IMXI

Josh Beck is a Managing Director, Equity Research Analyst with KeyBanc Capital Markets Inc., and focuses on the convergence of software across the broadly defined FinTech, Commerce and Backoffice ecosystem. Josh joined KeyBanc Capital Markets Inc. through its acquisition of Pacific Crest Securities. Prior to joining the firm in 2011, he worked in the corporate finance, strategy and development groups at T-Mobile.

Josh was voted #1 stock picker by *Thomson Reuters* in 2018 and recognized as a “Rising Star” by *Institutional Investor* magazine in 2016. He has been quoted by *The Wall Street Journal*, *New York Times*, *Barron’s* and *CNBC*.

Josh holds an M.B.A. from Carnegie Mellon University’s Tepper School of Business and a B.S. in engineering from Virginia Tech.

Models

BILL Income Statement Figures in \$000s, except per share data; FY ends Jun 30															
	1Q20 Sept	2Q20 Dec	3Q20 Mar	4Q20 Jun	2020	1Q21 Sept	2Q21E Dec	3Q21E Mar	4Q21E Jun	2021E	1Q22E Sept	2Q22E Dec	3Q22E Mar	4Q22E Jun	2022E
Operational Metrics															
TPV (\$M)	\$21,982	\$24,824	\$24,199	\$25,460	\$96,464	\$28,796	\$30,534	\$34,068	\$41,617	\$135,016	\$39,618	\$40,130	\$42,342	\$50,385	\$172,475
% yy	42%	41%	35%	26%	35%	31%	23%	41%	63%	40%	38%	31%	24%	21%	28%
Customers	81,374	85,900	91,295	98,000	98,000	103,600	107,600	111,600	115,600	115,600	120,100	124,600	129,100	133,600	133,600
% yy	21%	20%	28%	28%	28%	27%	25%	22%	18%	18%	16%	16%	16%	16%	16%
Revenue															
Total revenue (\$k)	\$35,180	\$39,080	\$41,230	\$42,110	\$157,600	\$46,209	\$47,000	\$46,361	\$50,389	\$189,958	\$53,172	\$60,077	\$65,030	\$71,716	\$249,996
% yy	57%	50%	46%	33%	45%	31%	20%	12%	20%	21%	15%	28%	40%	42%	32%
Subscription & transaction revenue (\$k)	\$28,548	\$32,964	\$36,092	\$38,801	\$136,405	\$43,788	\$45,800	\$45,361	\$49,242	\$184,191	\$51,970	\$58,860	\$63,815	\$70,250	\$244,896
% yy	57%	61%	63%	54%	59%	53%	39%	26%	27%	35%	19%	29%	41%	43%	33%
Interest on funds held for customers (\$k)	\$6,632	\$6,116	\$5,138	\$3,309	\$21,195	\$2,421	\$1,200	\$1,000	\$1,147	\$5,768	\$1,202	\$1,217	\$1,215	\$1,466	\$5,100
% yy	56%	10%	-16%	-49%	-5%	-63%	-80%	-81%	-65%	-73%	-50%	1%	22%	28%	-12%
Gross Profit															
Gross profit (non-GAAP)	\$27,170	\$30,486	\$32,498	\$33,094	\$123,248	\$35,604	\$35,485	\$35,002	\$38,044	\$144,135	\$39,879	\$45,058	\$48,773	\$53,787	\$187,497
% gross margin (non-GAAP)	77%	78%	79%	79%	78%	77%	76%	76%	76%	76%	75%	75%	75%	75%	75%
Operating Expenses & Operating Profit															
Total operating expense (non-GAAP)	\$30,683	\$34,996	\$36,825	\$35,703	\$138,207	\$39,281	\$42,184	\$44,250	\$45,150	\$170,865	\$48,191	\$51,861	\$54,404	\$55,510	\$209,967
% revenue	87%	90%	89%	85%	88%	85%	90%	95%	90%	90%	91%	86%	84%	77%	84%
Operating profit (non-GAAP)	(\$3,513)	(\$4,510)	(\$4,327)	(\$2,609)	(\$14,959)	(\$3,677)	(\$6,699)	(\$9,248)	(\$7,106)	(\$26,730)	(\$8,312)	(\$6,804)	(\$5,631)	(\$1,723)	(\$22,470)
% operating margin	-10%	-12%	-10%	-6%	-9%	-8%	-14%	-20%	-14%	-14%	-16%	-11%	-9%	-2%	-9%
Δ yy	-7%	-11%	-7%	4%	-5%	2%	-3%	-9%	-8%	-5%	-8%	3%	11%	12%	5%
EPS															
Non-GAAP EPS	(\$0.05)	(\$0.06)	(\$0.04)	(\$0.02)	(\$0.17)	(\$0.04)	(\$0.08)	(\$0.11)	(\$0.08)	(\$0.30)	(\$0.09)	(\$0.08)	(\$0.06)	(\$0.02)	(\$0.25)

BL Income Statement	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	2022E
<i>Figures in \$Ms; FY ends Jan 31</i>	Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		
KPIs: Customers																
Est. Customers	2,707	2,813	2,871	3,024	3,024	3,056	3,138	3,226	3,276	3,276	3,321	3,366	3,411	3,456	3,456	3,616
% yy	18%	17%	15%	15%	15%	13%	12%	12%	8%	8%	9%	7%	6%	5%	5%	5%
Billings																
Subscription Billings (calc)	\$65	\$77	\$70	\$93	\$306	\$76	\$84	\$83	\$107	\$349	\$80	\$90	\$93	\$130	\$394	\$512
% yy	18%	30%	23%	32%	26%	16%	9%	18%	15%	14%	6%	8%	13%	22%	13%	30%
Revenue																
Total Revenue	\$64	\$70	\$75	\$80	\$289	\$83	\$83	\$91	\$92	\$348	\$93	\$96	\$105	\$111	\$405	\$499
% yy	25%	26%	28%	29%	27%	29%	20%	21%	14%	20%	12%	15%	16%	21%	16%	23%
Subscription & Support	\$61	\$66	\$70	\$75	\$272	\$77	\$78	\$84	\$87	\$326	\$89	\$92	\$101	\$107	\$390	\$478
% yy	26%	25%	25%	26%	25%	26%	18%	20%	16%	20%	16%	18%	20%	24%	20%	23%
% mix	96%	95%	94%	93%	94%	93%	94%	93%	95%	94%	96%	96%	96%	97%	96%	96%
Professional services	\$3	\$4	\$5	\$5	\$17	\$6	\$5	\$6	\$5	\$22	\$4	\$4	\$4	\$4	\$15	\$21
% yy	7%	49%	80%	98%	59%	95%	50%	36%	-8%	35%	-33%	-31%	-40%	-25%	-33%	40%
Gross Profit																
Gross profit	\$53	\$58	\$62	\$67	\$240	\$68	\$68	\$76	\$76	\$288	\$78	\$81	\$88	\$94	\$340	\$418
% gross margin	82.8%	82.7%	83.1%	83.0%	82.9%	82.4%	82.2%	83.5%	82.5%	82.7%	83.8%	83.9%	84.2%	84.3%	84.1%	83.6%
Subscription gross profit	\$53	\$57	\$61	\$65	\$237	\$67	\$68	\$75	\$75	\$285	\$78	\$80	\$88	\$94	\$340	\$417
% Subscription GM	86.6%	86.8%	87.1%	87.5%	87.0%	87.2%	87.5%	88.5%	87.2%	87.6%	87.2%	87.2%	87.2%	87.2%	87.2%	87.2%
Professional Services gross profit	\$0	\$0	\$1	\$1	\$3	\$1	\$0	\$1	\$0	\$2	\$0	\$0	\$0	\$0	\$0	\$1
% Services GM	2.4%	6.7%	21.9%	22.0%	15.3%	15.8%	5.4%	15.9%	2.5%	10.3%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Operating Profit																
Total operating expenses	\$53	\$52	\$58	\$61	\$223	\$64	\$58	\$61	\$71	\$254	\$73	\$77	\$80	\$84	\$313	\$364
% yy	25%	14%	31%	21%	23%	22%	10%	6%	17%	14%	14%	33%	31%	18%	23%	16%
% of revenue	82%	75%	77%	76%	77%	78%	69%	67%	78%	73%	79%	80%	76%	75%	77%	73%
EBIT	\$0.4	\$5.3	\$4.6	\$6.0	\$16.3	\$3.8	\$10.7	\$14.6	\$4.5	\$33.7	\$4.7	\$4.1	\$8.5	\$10.1	\$27.4	\$53.7
% EBIT margin	0.6%	7.6%	6.1%	7.5%	5.6%	4.6%	12.8%	16.2%	4.9%	9.7%	5.1%	4.2%	8.1%	9.1%	6.8%	10.8%
EPS																
Non-GAAP EPS	\$0.02	\$0.10	\$0.12	\$0.14	\$0.38	\$0.10	\$0.20	\$0.25	\$0.07	\$0.62	\$0.08	\$0.07	\$0.14	\$0.17	\$0.46	\$0.84

COUP Income Statement <i>Figures in \$Ms; FY ends Jan 31</i>	1Q20 Apr	2Q20 Jul	3Q20 Oct	4Q20 Jan	F2020 CY2019	1Q21 Apr	2Q21 Jul	3Q21 Oct	4Q21E Jan	F2021E CY2020E	1Q22E Apr	2Q22E Jul	3Q22E Oct	4Q22E Jan	F2022E CY2021E	F2023E CY2022E
KPIs: SUM, Customers																
Est. Cumulative Spend Under Management (\$B)	\$1,198	\$1,300	\$1,450	\$1,655	\$1,655	\$1,800	\$2,000	\$2,100	NM	\$2,361	NM	NM	NM	NM	\$3,168	\$4,033
% yy	61%	55%	54%	53%	53%	50%	54%	45%	NM	43%	NM	NM	NM	NM	34%	27%
Customers	1,000	NM	NM	1,390	1,390	NM	NM	NM	NM	1,790	NM	NM	NM	NM	2,190	2,565
% yy	NM	NM	NM	41%	41%	NM	NM	NM	NM	29%	NM	NM	NM	NM	22%	17%
Billings																
Billings	\$75	\$108	\$105	\$181	\$469	\$102	\$130	\$140	\$211	\$583	\$120	\$159	\$171	\$255	\$705	\$862
% yy	50%	57%	54%	42%	49%	36%	21%	33%	17%	24%	18%	22%	23%	21%	21%	22%
Revenue																
Total Revenue	\$81	\$95	\$102	\$111	\$390	\$119	\$126	\$133	\$145	\$524	\$145	\$154	\$166	\$180	\$645	\$801
% yy	44%	54%	51%	49%	50%	47%	32%	31%	31%	34%	22%	22%	25%	24%	23%	24%
Subscription Revenue	\$73	\$83	\$90	\$99	\$345	\$106	\$112	\$118	\$125	\$460	\$130	\$138	\$149	\$162	\$579	\$727
% yy	46%	51%	49%	46%	48%	45%	34%	31%	27%	33%	23%	24%	26%	29%	26%	26%
% mix	90%	88%	89%	89%	89%	89%	89%	89%	86%	88%	90%	90%	90%	90%	90%	91%
Services Revenue	\$8	\$12	\$12	\$13	\$44	\$13	\$14	\$15	\$21	\$63	\$15	\$16	\$17	\$18	\$66	\$74
% yy	31%	86%	68%	74%	65%	61%	23%	28%	60%	42%	11%	12%	14%	-12%	4%	12%
Gross Profit																
Gross profit	\$59	\$69	\$73	\$81	\$283	\$88	\$91	\$96	\$98	\$373	\$100	\$108	\$118	\$130	\$456	\$571
% gross margin	72.6%	72.7%	72.1%	73.0%	72.6%	73.6%	72.1%	72.5%	67.5%	71.3%	68.8%	69.9%	71.2%	72.2%	70.6%	71.3%
Subscription gross profit	\$59	\$68	\$73	\$80	\$280	\$86	\$88	\$93	\$94	\$360	\$97	\$105	\$115	\$126	\$443	\$567
% Subscription GM	81.0%	81.3%	80.9%	81.2%	81.1%	80.9%	78.8%	78.4%	75.3%	78.2%	75.0%	76.0%	77.0%	78.0%	76.6%	78.0%
Services gross profit	(\$0)	\$1	\$0	\$1	\$3	\$2	\$3	\$4	\$4	\$13	\$2	\$3	\$3	\$4	\$12	\$4
% Services GM	-1.1%	10.7%	3.3%	10.4%	6.4%	16.7%	19.9%	25.3%	20.0%	20.5%	15.0%	17.5%	20.0%	20.0%	18.3%	5.0%
Operating Profit																
Total operating expenses	\$57	\$64	\$62	\$68	\$251	\$73	\$79	\$82	\$105	\$339	\$103	\$105	\$107	\$110	\$424	\$493
% yy	40%	53%	42%	31%	41%	28%	22%	33%	55%	35%	41%	33%	30%	5%	25%	16%
% of revenue	70%	68%	61%	61%	64%	61%	62%	62%	72%	65%	71%	68%	64%	61%	66%	62%
Operating income	\$2	\$5	\$12	\$13	\$32	\$15	\$12	\$14	(\$7.0)	\$34.5	(\$2.8)	\$3.2	\$11.3	\$19.7	\$31.5	\$78.3
% operating margin	2.7%	5.1%	11.3%	12.0%	8.2%	12.5%	9.8%	10.7%	-4.8%	6.6%	-1.9%	2.1%	6.8%	11.0%	4.9%	9.8%
EPS																
Non-GAAP EPS	\$0.03	\$0.07	\$0.20	\$0.21	\$0.51	\$0.20	\$0.21	\$0.18	(\$0.12)	\$0.47	(\$0.08)	\$0.00	\$0.11	\$0.22	\$0.25	\$0.94

Income Statement	1Q20	2Q20	3Q20	4Q20	F2020	1Q21	2Q21E	3Q21E	4Q21E	F2021E	1Q22E	2Q22E	3Q22E	4Q22E	F2022E
Figures in millions except per-share data; FY ends July 31	Oct	Jan	Apr	Jul		Oct	Jan	Apr	Jul		Oct	Jan	Apr	Jul	
Segment: Small Business & Self-Employed															
Net Revenue: Small Business & Self-Employed	\$1,046	\$973	\$982	\$1,049	\$4,050	\$1,181	\$1,081	\$1,022	\$1,126	\$4,410	\$1,331	\$1,239	\$1,175	\$1,253	\$4,998
%y/y	15%	17%	11%	16%	15%	13%	11%	4%	7%	9%	13%	15%	15%	11%	13%
Total Online Ecosystem	\$501	\$530	\$560	\$591	\$2,182	\$621	\$638	\$621	\$691	\$2,571	\$757	\$785	\$764	\$807	\$3,113
%y/y	35%	35%	28%	29%	31%	24%	20%	11%	17%	18%	22%	23%	23%	17%	21%
% of SBSE	48%	54%	57%	56%	54%	53%	59%	61%	61%	58%	57%	63%	65%	64%	62%
QuickBooks Online Subscribers (k)	4,704	4,998	5,205	5,275	5,275	5,150	5,250	5,400	5,840	5,840	6,020	6,195	6,365	6,535	6,535
%y/y	31%	28%	23%	16%	16%	9%	5%	4%	11%	11%	17%	18%	18%	12%	12%
ARPC: QBO	NM	NM	NM	NM	\$432	NM	NM	NM	NM	\$475	NM	NM	NM	NM	\$496
QuickBooks Online Accounting	\$306	\$330	\$353	\$365	\$1,354	\$392	\$402	\$389	\$434	\$1,616	\$463	\$479	\$463	\$490	\$1,895
%y/y	41%	43%	36%	34%	38%	28%	22%	10%	19%	19%	18%	19%	19%	13%	17%
% of SBSE	29%	34%	36%	35%	33%	33%	37%	38%	39%	37%	35%	39%	39%	39%	38%
ARPC: QBO Accounting	\$65	\$66	\$68	\$69	\$268	\$76	\$77	\$72	\$74	\$299	\$77	\$77	\$73	\$75	\$302
Online Services (\$M)	\$195	\$200	\$207	\$226	\$828	\$229	\$236	\$232	\$257	\$954	\$294	\$307	\$301	\$316	\$1,218
%y/y	27%	23%	16%	21%	21%	17%	18%	12%	14%	15%	29%	30%	30%	23%	28%
% of SBSE	19%	21%	21%	22%	20%	19%	22%	23%	23%	22%	22%	25%	26%	25%	24%
ARPC: QBO Online Services	\$41	\$40	\$40	\$43	\$164	\$44	\$45	\$43	\$44	\$176	\$49	\$50	\$47	\$48	\$194
Total Desktop Ecosystem	\$545	\$443	\$422	\$458	\$1,868	\$560	\$443	\$401	\$435	\$1,839	\$574	\$454	\$411	\$446	\$1,885
%y/y	1%	1%	-6%	3%	0%	3%	0%	-5%	-5%	-2%	2%	2%	2%	2%	2%
Segment: Consumer															
Net Revenue: Consumer	\$100	\$499	\$1,827	\$710	\$3,136	\$119	\$530	\$2,741	\$40	\$3,430	\$139	\$600	\$3,026	\$25	\$3,790
%y/y	11%	8%	-15%	859%	13%	19%	6%	50%	-94%	9%	17%	13%	10%	-36%	11%
% seasonality	3%	16%	58%	23%	NM	3%	15%	80%	1%	NM	4%	16%	80%	1%	NM
ARPU: TurboTax (Calculated; per unit incl-Canada)	NM	\$50	\$75	\$67	\$70	NM	\$53	\$77	\$57	\$74	NM	\$57	\$79	\$49	\$77
%y/y	NM	6%	8%	-19%	5%	NM	4%	3%	-15%	6%	NM	9%	2%	-14%	4%
Total U.S. TurboTax Federal units	NM	9.7	21.6	10.4	41.7	NM	10.0	32.5	0.5	43.0	NM	10.5	35.0	0.3	45.8
%y/y	NM	3%	-25%	1391%	8%	NM	3%	51%	-95%	3%	NM	5%	8%	-36%	7%
Segment: Credit Karma															
Revenue: Credit Karma	NM	NM	NM	NM	NM	NM	\$115	\$210	\$237	\$792	\$240	\$250	\$260	\$270	\$1,020
%y/y	NM	NM	NM	NM	NM	NM	NM	5%	25%	-13%	33%	51%	24%	14%	29%
Segment: Strategic Partner															
Net Revenue: Strategic Partner	\$19	\$224	\$193	\$57	\$493	\$23	\$224	\$193	\$59	\$499	\$24	\$230	\$198	\$60	\$511
%y/y	6%	8%	-18%	280%	4%	21%	0%	0%	3%	1%	2%	2%	2%	2%	2%
Consolidated															
Total Net Revenue	\$1,165	\$1,696	\$3,002	\$1,816	\$7,679	\$1,323	\$1,950	\$4,166	\$1,461	\$8,900	\$1,734	\$2,319	\$4,658	\$1,608	\$10,320
%y/y	15%	13%	-8%	83%	13%	14%	15%	39%	-20%	16%	31%	19%	12%	10%	16%
Total Operating Income (Non-GAAP)	\$129	\$384	\$1,539	\$616	\$2,668	\$334	\$465	\$2,067	\$144	\$3,010	\$393	\$540	\$2,286	\$147	\$3,366
% operating margin	11.1%	22.6%	51.3%	33.9%	34.7%	25.2%	23.8%	49.6%	9.9%	33.8%	22.6%	23.3%	49.1%	9.2%	32.6%
EPS (Non-GAAP)	\$0.41	\$1.16	\$4.49	\$1.81	\$7.86	\$0.94	\$1.28	\$5.69	\$0.39	\$8.30	\$1.06	\$1.46	\$6.23	\$0.39	\$9.15
%y/y	44%	16%	-19%	-2068%	16%	127%	11%	27%	-78%	6%	13%	14%	10%	-1%	10%

PLAN Income Statement <i>Figures in \$Ms; FY ends Jan 31</i>	1Q20 Apr	2Q20 Jul	3Q20 Oct	4Q20 Jan	F2020 CY2019	1Q21 Apr	2Q21 Jul	3Q21 Oct	4Q21E Jan	F2021E CY2020E	1Q22E Apr	2Q22E Jul	3Q22E Oct	4Q22E Jan	F2022E CY2021E	F2023E CY2021E
KPIs: Customers																
Est. Customers	1,150+	1,250	1,300+	1,400+	1,400	1,450	1,490	1,515	1,540	1,540	1,615	1,690	1,765	1,840	1,840	2,100
% yy	29%	28%	30%	27%	27%	26%	19%	17%	10%	10%	11%	13%	17%	19%	19%	14%
Billings																
Billings	\$87	\$89	\$114	\$126	\$417	\$96	\$109	\$145	\$153	\$503	\$116	\$137	\$180	\$187	\$620	\$779
% yy	57%	46%	59%	25%	44%	10%	22%	27%	21%	20%	21%	25%	24%	23%	23%	26%
Revenue																
Total Revenue	\$76	\$85	\$89	\$98	\$348	\$104	\$107	\$115	\$119	\$444	\$125	\$131	\$144	\$150	\$550	\$709
% yy	47%	46%	44%	42%	45%	37%	26%	28%	21%	28%	21%	23%	25%	26%	24%	29%
Subscription Revenue	\$65	\$74	\$80	\$90	\$308	\$94	\$97	\$105	\$109	\$405	\$116	\$122	\$134	\$141	\$512	\$673
% yy	45%	48%	47%	50%	48%	44%	32%	31%	22%	31%	24%	25%	28%	29%	27%	31%
% mix	86%	87%	89%	91%	88%	90%	91%	91%	92%	91%	92%	93%	93%	94%	93%	95%
Professional services	\$11	\$11	\$10	\$9	\$40	\$10	\$9	\$10	\$10	\$40	\$10	\$9	\$10	\$10	\$38	\$36
% yy	62%	33%	27%	-9%	25%	-7%	-14%	5%	15%	-1%	-5%	-5%	-5%	-5%	-5%	-5%
Gross Profit																
Gross profit	\$55	\$63	\$68	\$76	\$263	\$80	\$83	\$87	\$91	\$341	\$97	\$102	\$112	\$118	\$430	\$567
% gross margin	72.9%	75.0%	76.4%	77.2%	75.5%	77.3%	77.6%	75.7%	76.4%	76.7%	77.5%	78.1%	78.2%	78.5%	78.1%	80.0%
Subscription gross profit	\$54	\$62	\$67	\$76	\$260	\$79	\$82	\$86	\$91	\$338	\$97	\$102	\$112	\$118	\$428	\$566
% Subscription GM	83.7%	84.4%	84.6%	84.5%	84.3%	84.6%	84.3%	82.6%	83.0%	83.6%	83.5%	83.5%	83.5%	83.5%	83.5%	84.0%
Professional Services gross profit	\$1	\$1	\$1	\$0	\$3	\$1	\$1	\$0	\$1	\$3	\$0	\$0	\$0	\$0	\$2	\$2
% Services GM	7.0%	11.8%	9.2%	3.1%	8.0%	9.7%	8.4%	4.8%	5.0%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Operating Profit																
Total operating expenses	\$75	\$80	\$77	\$87	\$319	\$94	\$92	\$93	\$104	\$383	\$113	\$112	\$116	\$129	\$470	\$608
% yy	24%	36%	21%	32%	28%	24%	15%	21%	19%	20%	20%	21%	25%	25%	23%	30%
% of revenue	99%	95%	86%	88%	92%	90%	87%	81%	87%	86%	90%	86%	81%	86%	85%	86%
EBIT	(\$20)	(\$17)	(\$9)	(\$11)	(\$57)	(\$13)	(\$10)	(\$6)	(\$13)	(\$42)	(\$15)	(\$10)	(\$4)	(\$11)	(\$40)	(\$41)
% EBIT margin	-26%	-20%	-10%	-11%	-16%	-13%	-9%	-5%	-11%	-9%	-12%	-8%	-2%	-7%	-7%	-6%
EPS																
Non-GAAP EPS	(\$0.16)	(\$0.12)	(\$0.08)	(\$0.07)	(\$0.51)	(\$0.10)	(\$0.04)	(\$0.05)	(\$0.09)	(\$0.29)	(\$0.11)	(\$0.07)	(\$0.02)	(\$0.07)	(\$0.28)	(\$0.27)

Income Statement <i>Figures in \$000s; FY ends Jan 31</i>	1Q19 Mar	2Q19 Jun	3Q19 Sep	4Q19 Dec	2019	1Q20 Mar	2Q20 Jun	3Q20 Sep	4Q20E Dec	2020E	1Q21E Mar	2Q21E Jun	3Q21E Sep	4Q21E Dec	2021E	2022E
KPIs																
Clients % yy	NM NM	NM NM	NM NM	NM NM	26,527 13%	NM NM	NM NM	NM NM	NM NM	29,967 13%	NM NM	NM NM	NM NM	NM NM	34,020 14%	NM 0%
Revenue																
Total Revenue % yy	\$199,943 30%	\$169,313 31%	\$175,006 31%	\$193,409 29%	\$737,671 30%	\$242,368 21%	\$181,587 7%	\$196,532 12%	\$213,000 10%	\$833,487 13%	\$264,436 9%	\$219,437 21%	\$238,844 22%	\$274,783 29%	\$997,500 20%	\$1,237,375 24%
Recurring Revenue % yy % mix	\$196,864 30% 98%	\$165,998 31% 98%	\$171,405 31% 98%	\$190,161 29% 98%	\$724,428 30% 98%	\$238,495 21% 98%	\$177,950 7% 98%	\$192,664 12% 98%	\$209,500 10% 98%	\$818,609 13% 98%	\$260,336 9% 98%	\$215,537 21% 98%	\$234,544 22% 98%	\$270,883 29% 99%	\$981,300 20% 98%	\$1,219,555 24% 99%
Implementation & Other % yy % mix	\$3,079 52% 2%	\$3,315 51% 2%	\$3,601 47% 2%	\$3,248 35% 2%	\$13,243 46% 2%	\$3,873 26% 2%	\$3,637 10% 2%	\$3,868 7% 2%	\$3,500 8% 2%	\$14,878 12% 2%	\$4,100 6% 2%	\$3,900 7% 2%	\$4,300 11% 2%	\$3,900 11% 1%	\$16,200 9% 2%	\$17,820 10% 1%
Gross Profit																
Gross Profit % Gross Margin	\$173,521 86.8%	\$144,383 85.3%	\$149,364 85.3%	\$165,032 85.3%	\$632,300 85.7%	\$213,520 88.1%	\$153,762 84.7%	\$166,847 84.9%	\$179,452 84.3%	\$713,581 85.6%	\$224,770 85.0%	\$186,521 85.0%	\$203,018 85.0%	\$233,566 85.0%	\$847,875 85.0%	\$1,076,516 87.0%
Operating Profit																
Operating Expenses % yy	\$79,962 36%	\$85,900 39%	\$94,354 33%	\$98,592 26%	\$358,808 33%	\$108,445 36%	\$105,968 23%	\$113,309 20%	\$116,636 18%	\$444,358 24%	\$120,850 11%	\$123,950 17%	\$129,550 14%	\$139,761 20%	\$514,111 16%	\$639,849 24%
Adjusted EBITDA % EBITDA Margin Δ yy	\$103,345 51.7% -0.8%	\$69,381 41.0% -0.5%	\$66,565 38.0% 1.1%	\$78,590 40.6% 2.4%	\$317,881 43.1% 0.6%	\$117,935 48.7% -3.0%	\$61,162 33.7% -7.3%	\$67,480 34.3% -3.7%	\$77,000 36.2% -4.5%	\$323,577 38.8% -4.3%	\$118,254 44.7% -3.9%	\$77,055 35.1% 1.4%	\$88,102 36.9% 2.6%	\$108,589 39.5% 3.4%	\$392,000 39.3% 0.5%	\$497,304 40.2% 0.9%
EPS																
Non-GAAP EPS Diluted Shares Outstanding	\$1.19 58,316	\$0.75 58,410	\$0.70 58,383	\$0.86 58,378	\$3.50 58,372	\$1.33 58,440	\$0.62 58,237	\$0.70 58,171	\$0.77 58,221	\$3.42 58,267	\$1.34 58,271	\$0.79 58,321	\$0.93 58,371	\$1.16 58,421	\$4.22 58,346	\$5.47 58,546

Income Statement		1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E
Figures in \$000s; fiscal Year ends June 30		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	
Revenue																
Clients		NM	NM	NM	NM	24,949	NM	NM	NM	NM	30,480	NM	NM	NM	NM	NM
% yy		NM	NM	NM	NM	24%	NM	NM	NM	NM	22%	NM	NM	NM	NM	NM
Revenue																
Total Revenue		\$126,720	\$132,374	\$171,646	\$130,589	\$561,329	\$135,794	\$143,000	\$185,962	\$158,720	\$623,475	\$167,078	\$177,679	\$223,864	\$199,839	\$768,460
% yy		26%	23%	23%	8%	20%	7%	8%	8%	22%	11%	23%	24%	20%	26%	23%
Recurring & other revenue		\$121,873	\$127,980	\$167,095	\$129,264	\$546,212	\$134,875	\$142,740	\$185,702	\$158,460	\$621,776	\$166,736	\$177,321	\$223,488	\$199,444	\$766,990
% yy		26%	25%	25%	13%	22%	11%	12%	11%	23%	14%	24%	24%	20%	26%	23%
Interest income on funds held for clients		\$4,847	\$4,394	\$4,551	\$1,325	\$15,117	\$919	\$260	\$260	\$260	\$1,699	\$341	\$358	\$376	\$395	\$1,471
% yy		38%	-2%	-27%	-77%	-24%	-81%	-94%	-94%	-80%	-89%	-63%	38%	45%	52%	-13%
Gross Profit																
Gross Profit		\$90,279	\$93,105	\$129,906	\$91,507	\$404,797	\$94,203	\$98,670	\$128,314	\$109,517	\$430,703	\$116,119	\$124,375	\$157,824	\$141,886	\$540,205
% Gross Margin		71.2%	70.3%	75.7%	70.1%	72.1%	69.4%	69.0%	69.0%	69.0%	69.1%	69.5%	70.0%	70.5%	71.0%	70.3%
% yy		28.3%	24.4%	23.4%	6.8%	20.4%	4.3%	6.0%	-1.2%	19.7%	6.4%	23.3%	26.1%	23.0%	29.6%	25.4%
Operating Profit																
Operating Expenses		\$70,988	\$72,729	\$73,352	\$71,439	\$288,508	\$75,311	\$81,055	\$83,000	\$84,900	\$324,266	\$89,605	\$91,513	\$94,650	\$100,677	\$376,444
% yy		27%	27%	22%	9%	21%	6%	11%	13%	19%	12%	19%	13%	14%	19%	16%
% of revenue		56%	55%	43%	55%	51%	55%	57%	45%	53%	52%	54%	52%	42%	50%	49%
Adjusted EBITDA		\$30,477	\$30,265	\$68,247	\$30,558	\$159,547	\$30,864	\$28,000	\$55,849	\$35,302	\$150,014	\$37,348	\$43,848	\$74,309	\$52,495	\$208,000
% EBITDA Margin		24.1%	22.9%	39.8%	23.4%	28.4%	22.7%	19.6%	30.0%	22.2%	24.1%	22.4%	24.7%	33.2%	26.3%	27.1%
Δ yy		0.9%	-1.5%	0.5%	-1.4%	-0.2%	-1.3%	-3.3%	-9.7%	-1.2%	-4.4%	-0.4%	5.1%	3.2%	4.0%	3.0%
EPS																
Non-GAAP EPS		\$0.36	\$0.36	\$0.83	\$0.31	\$1.87	\$0.38	\$0.23	\$0.60	\$0.32	\$1.53	\$0.34	\$0.42	\$0.81	\$0.53	\$2.09
Basic Shares Outstanding		53,287	53,542	53,629	53,731	53,547	54,015	54,165	54,315	54,465	54,240	54,565	54,665	54,765	54,865	54,715

Disclosure Appendix

Important Disclosures

Important disclosures for the companies mentioned in this report can be found at <https://key2.bluematrix.com/sellside/Disclosures.action>.

Please refer to the analysts' recently published reports for company-specific valuation and risks.

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that: (1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector									
KeyBanc Capital Markets					Technology				
Rating	Count	Percent	IB Serv/Past 12 Mos.		Rating	Count	Percent	IB Serv/Past 12 Mos.	
			Count	Percent				Count	Percent
Overweight [OW]	312	49.68	65	20.83	Overweight [OW]	106	53.54	19	17.92
Sector Weight [SW]	306	48.73	57	18.63	Sector Weight [SW]	90	45.45	11	12.22
Underweight [UW]	10	1.59	0	0.00	Underweight [UW]	2	1.01	0	0.00

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Disclosure Appendix (cont'd)

Important disclosures for the companies mentioned in this report can be found at [https://key2.bluematrix.com/sellside/ Disclosures.action](https://key2.bluematrix.com/sellside/Disclosures.action).

Please refer to the analysts' recently published reports for company-specific valuation and risks.

Other Disclosures

KeyBank Capital Markets is a trade name under which corporate and investment banking products and services of KeyCorp and its subsidiaries, KeyBank Capital Markets Inc., Member FINRA/SIPC ("KBCMI"), and KeyBank National Association ("KeyBank N.A."), are marketed.

KeyBank Capital Markets Inc. ("KBCMI") does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

This report has been prepared by KBCMI. The material contained herein is based on data from sources considered to be reliable; however, KBCMI does not guarantee or warrant the accuracy or completeness of the information. It is published for informational purposes only and should not be used as the primary basis of investment decisions. Neither the information nor any opinion expressed constitutes an offer, or the solicitation of an offer, to buy or sell any security. The opinions and estimates expressed reflect the current judgment of KBCMI and are subject to change without notice. This report may contain forward-looking statements, which involve risk and uncertainty. Actual results may differ significantly from the forward-looking statements. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the specific needs of any person or entity.

No portion of an analyst's compensation is based on a specific banking transaction; however, part of his/her compensation may be based upon overall firm revenue and profitability, of which investment banking is a component. Individuals associated with KBCMI (other than the research analyst(s) listed on page 1 of this research report) may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by FINRA Rule 2241(C)(4)(A), financial interest, if any, by any research analysts listed on page 1 of this report will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosure Appendix. KBCMI itself may have a position (long or short) in the securities covered in this research report and may make purchases and/or sales of those securities in the open market or otherwise without notice. As required by FINRA Rule 2241(C)(4)(F), if KBCMI, or its affiliates, beneficially own 1% or more of any class of common equity securities in the subject company(ies) in this research report, it will be disclosed in Important Disclosures, Company-specific regulatory disclosures located above in the Disclosures Appendix. This communication is intended solely for use by KBCMI clients. The recipient agrees not to forward or copy the information to any other person without the express written consent of KBCMI.