



# BigCommerce Holdings, Inc. (BIGC)

*Open SaaS eCom Enterprise Share  
Gainer; Look for Better Entry Point*

## **Vertical/Backoffice SaaS & FinTech**

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## ■ KBCM Thesis

→ We initiate coverage of BIGC with a Sector Weight rating and a \$135 fair value based on 60.0x '21E EV/S. We believe BigCommerce's unique platform (i.e., open SaaS, omni-channel, TCO) supports a high RFP win rate that should help drive continued mid-market/enterprise new logos. We estimate a LSD market share based on three different approaches, offering ample room for further share gains, in our view. Our estimates could prove conservative if new logos, international efforts, and/or the impact of Digital Acceleration materialize more than expected. Despite our product, TAM, and team enthusiasm, shares have risen 450%+ since Aug. 5, 2020 (vs. NASDAQ +7%), and the significant EV/S/G premium (BIGC at ~3x vs. SHOP, ADYEN, and WIX at ~1x), thus we recommend a Sector Weight exposure.

## ■ Key Debates

→ **What is the market size and competitive landscape in the eCommerce software space?**

- Bulls focus on the TAM and it is still in an early stage, while bears focus on the next 10% penetration proving harder to achieve, while competition also increases for mid-market/enterprise and SMB merchants.

→ **Is revenue visibility sufficient provided disparate customer and functional segment trends?**

- Bulls expect subscription revenue growth to accelerate, benefiting from a pick-up in mid-market adoption as a wave of Digital Acceleration drives increased adoption of the platform, while bears expect the benefit to be short-lived as an economic re-opening leads to rapidly decelerating subscription growth.

→ **Does the business model offer attractive unit economics and are the LT profitability targets attainable?**

- Bulls expect the LT profitability targets of 20%+ to be quite reasonable for a mid-70s+ gross margin, along with low 20s or better ARR growth prospects, while bears believe competitive or market saturation pressures lead to increased churn and/or reduce ARPA, which pressures the LTV:CAC and NRR ratios that make achieving LT operating targets challenging.

## Background

- BigCommerce was incorporated in 2009 and is headquartered in Austin, TX.
- BigCommerce provides a SaaS platform for launching and scaling eCommerce operations, including store design, catalog management, hosting, checkout, order management, reporting, and pre-integration into third party services like payments, shipping, and accounting.
- BigCommerce launched in Sydney, Australia with an initial focus on the SMB segment and was later relocated to Austin, TX. In 2019, BigCommerce expanded its go-to-market teams in Europe and Australia and launched a presence in Asia.
- The global eCommerce GMV TAM is approaching ~\$4T, while spending on commerce software is approaching ~\$5B.
- The Company currently serves ~60K online stores across ~120 countries.

## Business Segments

- **Subscription Solutions Revenue**
  - Enterprise Plans: Subscription revenue consists of fees for accessing the entire suite of B2B and B2C features for catalog, sales, merchandising, and customer management.
    - Pricing for BigCommerce Enterprise is quoted in relation to the annual online sales of the company.
  - Retail sales: There are three different plans designed for SMBs under BigCommerce's Essentials offering.
    - Pricing for these plans ranges from \$29.95/month-\$299.95/month depending on the annual online sales of the company.
- **Partner and Services Revenue**
  - Partner and services revenue consists of revenue share, partner technology integrations, and marketing services provided to partners.

## Management

- **CEO: Brent Bellm**
  - Mr. Bellm has served as CEO since June 2015. Prior to BigCommerce, he served as COO at HomeAway and several leadership positions at PayPal. Mr. Bellm holds degrees in International Relations and Economics from Stanford University and an MBA from Harvard Business School.
- **CFO: Robert Alvarez**
  - Mr. Alvarez has served as CFO since October 2011. Prior to joining BigCommerce, he served as CFO of LibreDigital, later acquired by RR Donnelley, and CFO of Augmentix Corporation, later acquired by Entorian/Dell Inc. Mr. Alvarez holds a degree in Accounting from University of Texas, Austin.

## Key Metrics

- **Total revenue** – \$112.1M in FY19, up 22% y/y, and \$35.7M in the quarter ending June 30, 2020, up 31% y/y.
- **Subscription revenue** – \$82.7M in FY19, up 17% y/y, and \$23.9M in the quarter ending June 30, 2020, up 19% y/y.
  - **ARR**– Annual revenue run-rate (ARR) reached \$151.1M in the quarter ending June 30, 2020, up 32%.
    - **Accounts > \$2K ACV**– In the quarter ending June 30, 2020 >\$2K ACV represented 79% of ARR, up from 75% the previous year.
      - Annual Contract Value of subscription revenue greater than \$2,000 and generally includes Enterprise plans and Pro plans.
- **Adjusted EBITDA** – (\$35.5M) in FY19 and (\$5.8M) in the quarter ending June 30, 2020.

- **Company Overview: eCommerce SaaS platform focused on providing full operating functionality to businesses selling through online channels.**
  - BigCommerce provides a SaaS platform for launching and scaling eCommerce operations including store design, catalog management, hosting, checkout, order management, reporting, and pre-integration into third-party services like payments, shipping, and accounting. The Company currently serves ~60K online stores across ~120 countries. The global eCommerce GMV TAM is approaching ~\$4T, while spending on commerce software is approaching ~\$5B.
- **Financial Model**
  - Total revenue was \$112M in FY19. We project 21% subscription revenue growth in FY20 and 25% total growth. We are modeling total revenue growing at a 22% CAGR through FY22. Total ARR was \$129M in FY19. We project 28% total ARR growth in FY20 and we are modeling total ARR growing at a 23% CAGR through FY22. Adj. Operating margins were -34% in FY19 and are expected to increase to -26% in FY20; we project -17% adj. operating margins in FY21 and -5% in FY22.
- **Valuation Comparables**
  - eCommerce enabling software peers such as WIX trade at ~14x '21 EV/S (24% growth), AVLR at ~16x '21 EV/S (23% growth) and SHOP at ~35x '21 EV/S (35% growth). Mid teens-to-mid 20s growth SaaS peers trade at ~12x '21 EV/S and mid-to-high 20s growth SaaS peers trade at ~18x '21 EV/S.

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## *Section 1*

# Key Debates

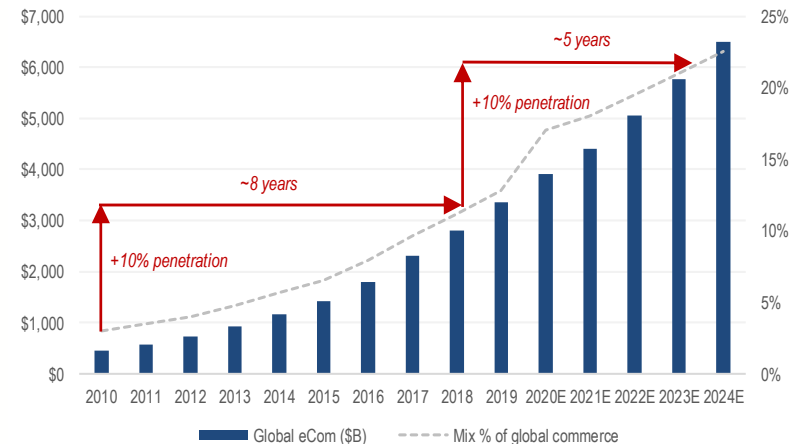
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# Debate No. 1: TAM, Competition, and Market Share

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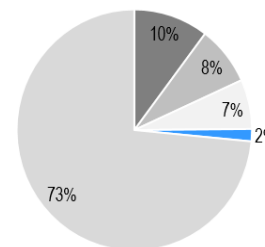
- **Debate:** What is the market size, competitive landscape, and market share in the eCommerce software space?
- **Bull Case:** Global eCommerce GMV is ~\$3T yet is still in the early innings and penetration of total retail sales could increase another 10% in ~5 years vs. the prior 10% that took ~8 years, reflecting a steepening curve as changing consumer habits contribute to a broad-based acceleration of digital trends. Competition is pervasive; however, distinctive BigCommerce features including total cost of ownership (TCO), open-API architecture, broad integration capabilities (e.g., OMS, POS, Payments, CRM/ERP), and headless options (e.g., separate front-end/CMS design platform) offer differentiation vs. mid-market/enterprise competitors, while complex catalog capabilities, scalability, and partner choice (e.g., payments) help distinguish BigCommerce against SMB competitors. Market share is difficult to precisely estimate, but a triangulation of GMV estimates excluding China, a drill down of the top 100K websites (builtwith.com data) or top 1K websites (Internet Retailer data) all generally suggest the Company's market share is only a LSD % of a more refined SAM excluding China and focusing on more mid-market/enterprise types of use cases.
- **Bear Case:** While the Global eCom GMV TAM is sizeable, the next 10% penetration proves harder to achieve while increased pressure from mid-market/enterprise and SMB competitors either slows new logo growth, pressures CAC, and/or dampens retention. It is difficult to know the current market share and, while BigCommerce has achieved early success in mid-market/enterprise segments, the immediately addressable opportunity for SaaS-based solutions may be more penetrated than expected, constraining mid-term growth prospects

**TAM: Global eCom GMV (\$B)**



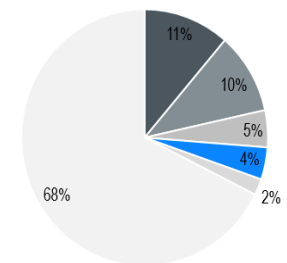
**SAM: Global eCom GMV (\$B)**

**GMV Ex-China (Est. Market Share)**



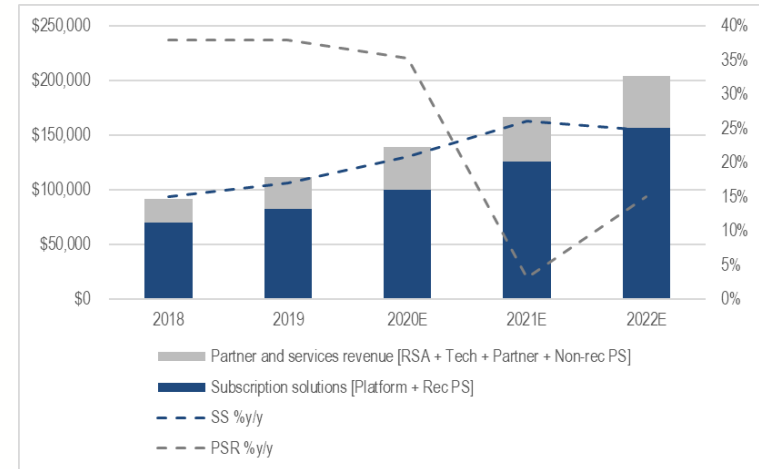
■ Est. MAGENTO GMV ■ Est. SHOP GMV ■ Est. Demandware GMV ■ Magento (ADBE) ■ WooCommerce ■ Shopify Plus (SHOP)  
■ Est. BIGC GMV ■ Est. Other ■ BigCommerce (BIGC) ■ Demandware (CRM) ■ Other

**Est. Market Share: Top 100k Websites (%)**

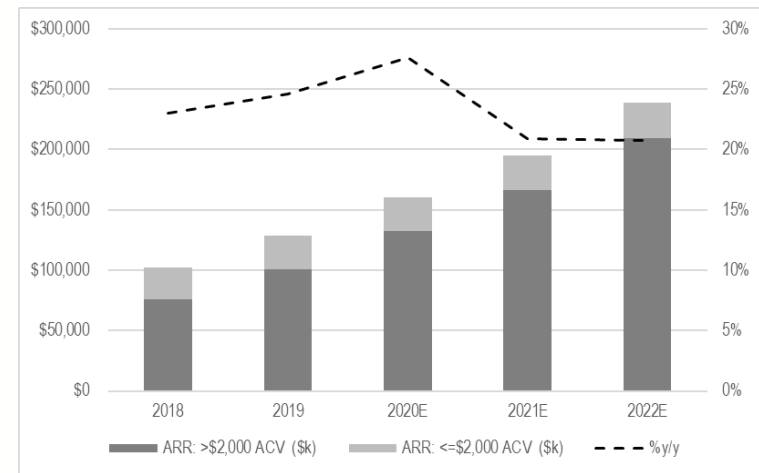


- **Debate:** Is revenue visibility sufficient provided disparate customer and functional segment trends?
- **Bull Case:** Subscription revenue growth accelerates to the low-to-mid 20s or better, benefiting from a pick-up in mid-market adoption as a wave of Digital Acceleration drives increased adoption of the platform as PSR revenue decelerates primarily due to partnership amendments, masking a potential GMV related payments partner benefit. ARR for >\$2K ACV accounts grows in the mid-30s during 2020 and decelerates to a mid-20s level in 2021 as the <\$2K ACV accounts growth is constrained in the LSD level.
- **Bear Case:** The benefit from mid-market growth is short-lived as an economic re-opening leads to rapidly decelerating subscription growth to 20% or less as the <\$2K ACV growth turns negative due to competitive pressures.

## Revenues (\$000s)

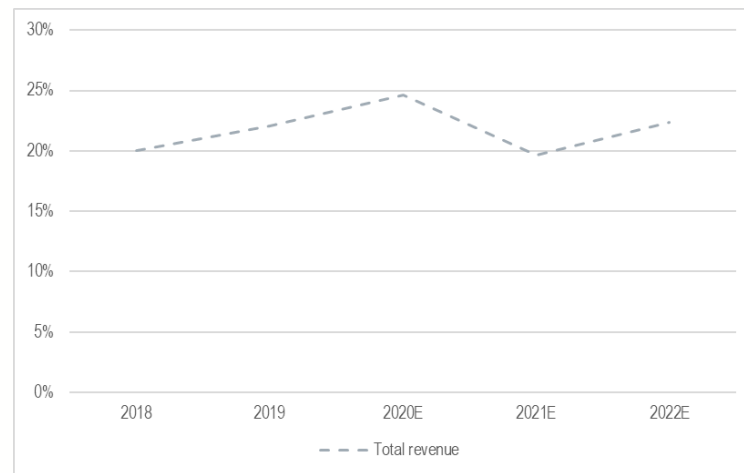


## ARR (incl. >\$2K ACV ARR) Growth (\$000s)

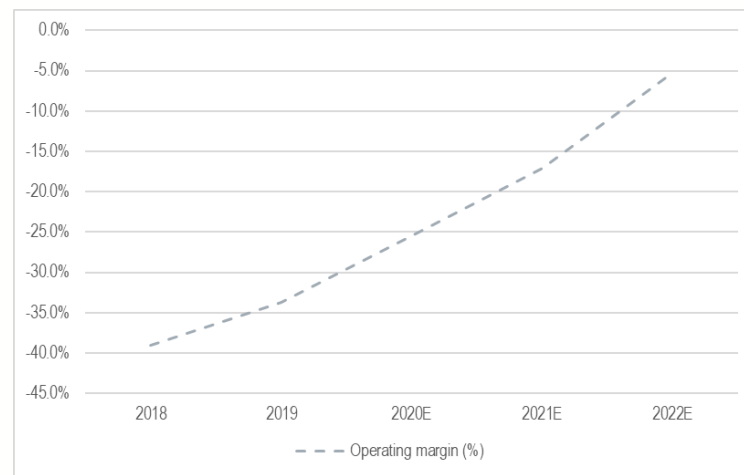


- **Debate:** Does the business model offer attractive unit economics and are the LT profitability targets attainable?
- **Bull Case:** An LTV:CAC of 4.4x indicates an efficient customer acquisition model while a NRR of 106% (for accounts >\$2K ACV) indicates efficient retention and expansion business model elements. The LT profitability targets of 20%+ are quite reasonable for a mid-70s+ gross margin along with low 20s or better ARR growth prospects.
- **Bear Case:** Competitive or market saturation pressures lead to increased churn and/or reduce ARPA, which pressures the LTV:CAC and NRR ratios that make achieving LT operating targets challenging.

### Total Revenue Growth



### Adj. EBIT Margin (%)





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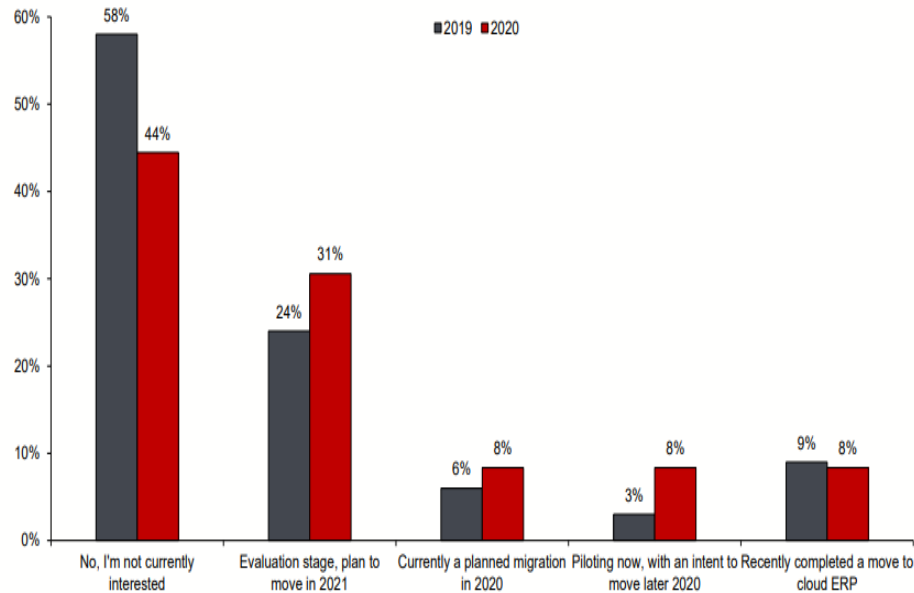
## *Section 2*

# Industry Overview

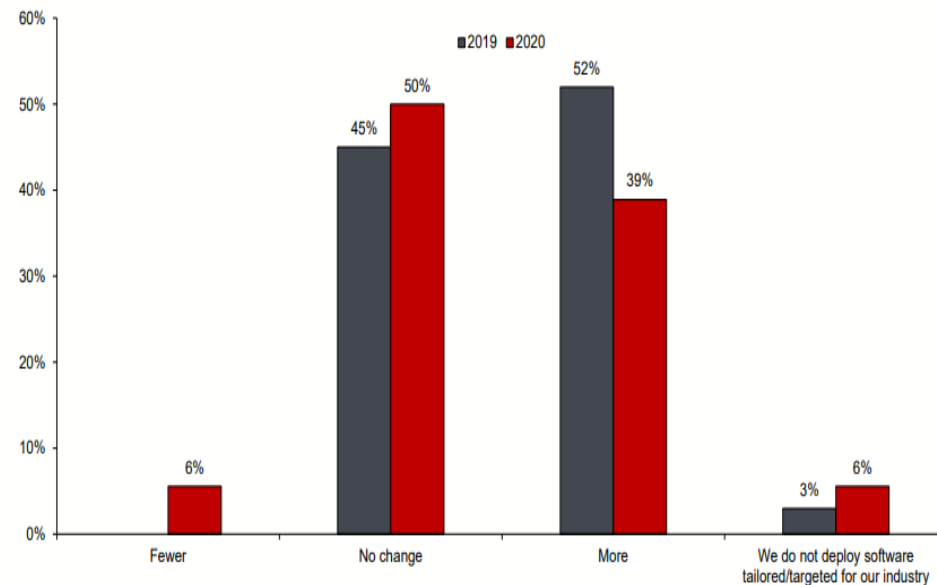
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- Based upon the 2020 KBCM CIO Survey, >50% plan to deploy vertical specific software applications, pointing to a broad runway for adoption of cloud-based vertical applications.

## Do you plan on migrating your ERP/financials to the cloud?



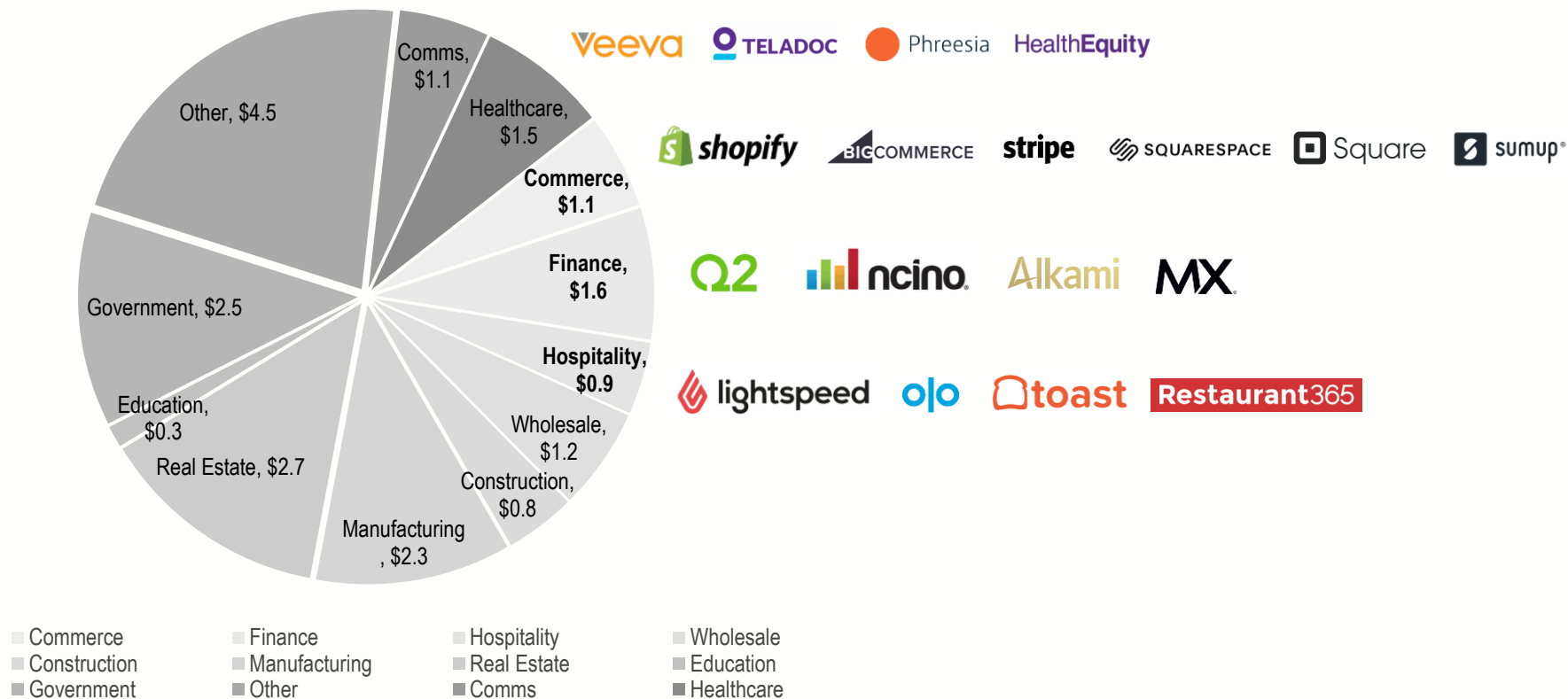
## Next 12 months, are you looking to deploy more software apps tailored / targeted to your industry?



# Vertical SaaS: Cloud Penetration Is Low

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- Taking a look at the U.S. GDP by industry highlights the opportunity for vertical specific cloud solutions as public vendors' revenue represents <50 bps of industry revenue. Veeva cloud revenues of ~\$1B only represent ~7 bps of healthcare industry revenues. Q2 revenues of ~\$0.4B represent ~3 bps of finance industry revenues. Shopify and Square combined revenues of ~\$4B represent ~35 bps of commerce industry revenues. Lightspeed revenues of ~\$0.1B represent ~2 bps of hospitality industry revenues.

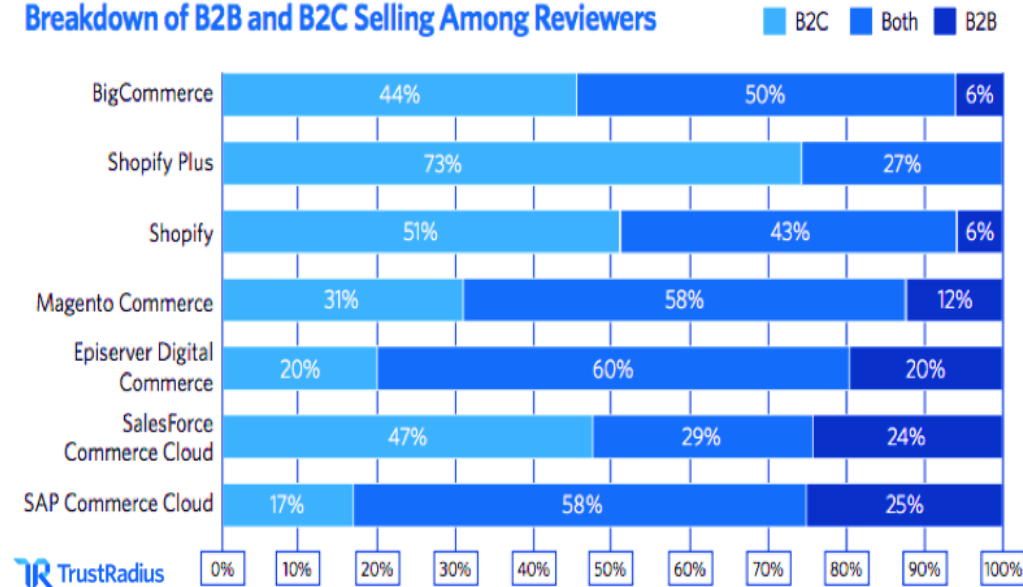


- **Business-to-consumer (B2C):** B2C eCommerce merchants sell products or provide services to end-user consumers. In recent years, the growth in online sales has posed significant challenges to the traditional brick-and-mortar business. This creates an opportunity to take traditionally brick-and-mortar businesses online through eCommerce platforms such as BigCommerce and Shopify.  
→ According to Shopify, there are generally five major B2C business models:
  1. Direct Sellers: Online retail stores where consumers buy products (ex. Nordstrom.com, Target.com, Lulus.com)
  2. Online Intermediaries: Online sites connecting buyers and sellers without owning the products or services (ex. Etsy.com, Expedia.com, Trivago.com)
  3. Advertising-Based: Online sites that drive high volumes of traffic and leverage that to sell advertising inventory (ex. HuffPost.com)
  4. Community-Based: Online community sites based on shared interests which allow for more targeted advertising (ex. Facebook.com)
  5. Fee-Based: These online sites charge consumers a subscription fee in exchange for access to content (ex. Netflix.com, WSJ.com)
- **Business-to-business (B2B):** B2B eCommerce merchants sell products or provide services to other businesses.  
→ By the end of 2019 ~10% of BigCommerce's customers use their platforms primarily for B2B sales.

## Ecommerce Platforms B2C vs. B2B

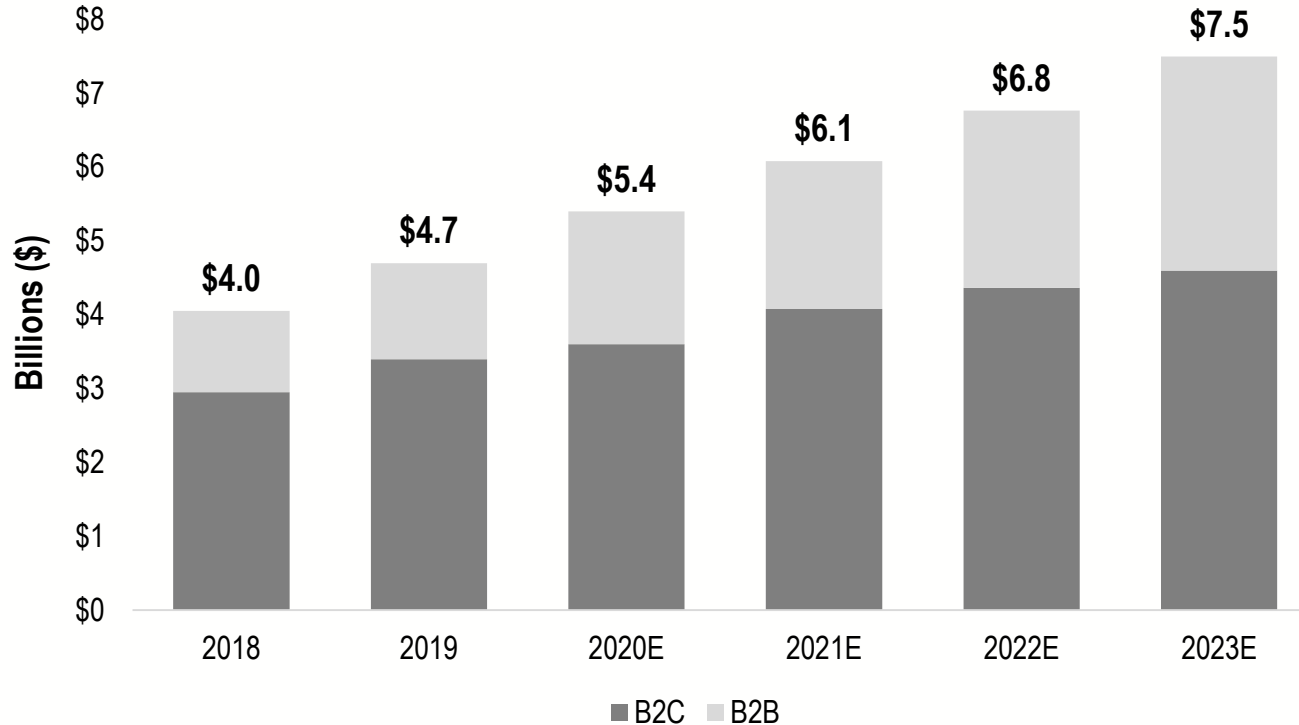


## Breakdown of B2B and B2C Selling Among Reviewers



- The size of the digital commerce TAM is compelling with eCommerce platform spend expected to increase at a CAGR of 12% into 2023.
  - CAGR for B2C of 10% expected into 2023
  - CAGR for B2B of 20% expected into 2023

## Digital Commerce Applications Revenue by Business

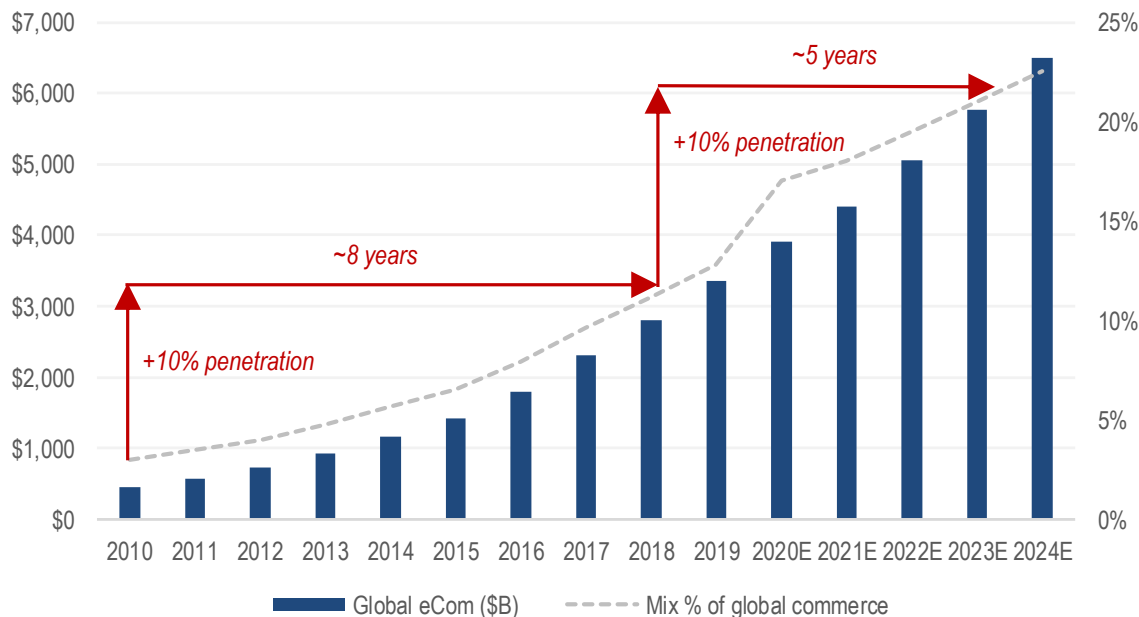


# eCom: B2C Penetration Curve Is Steepening

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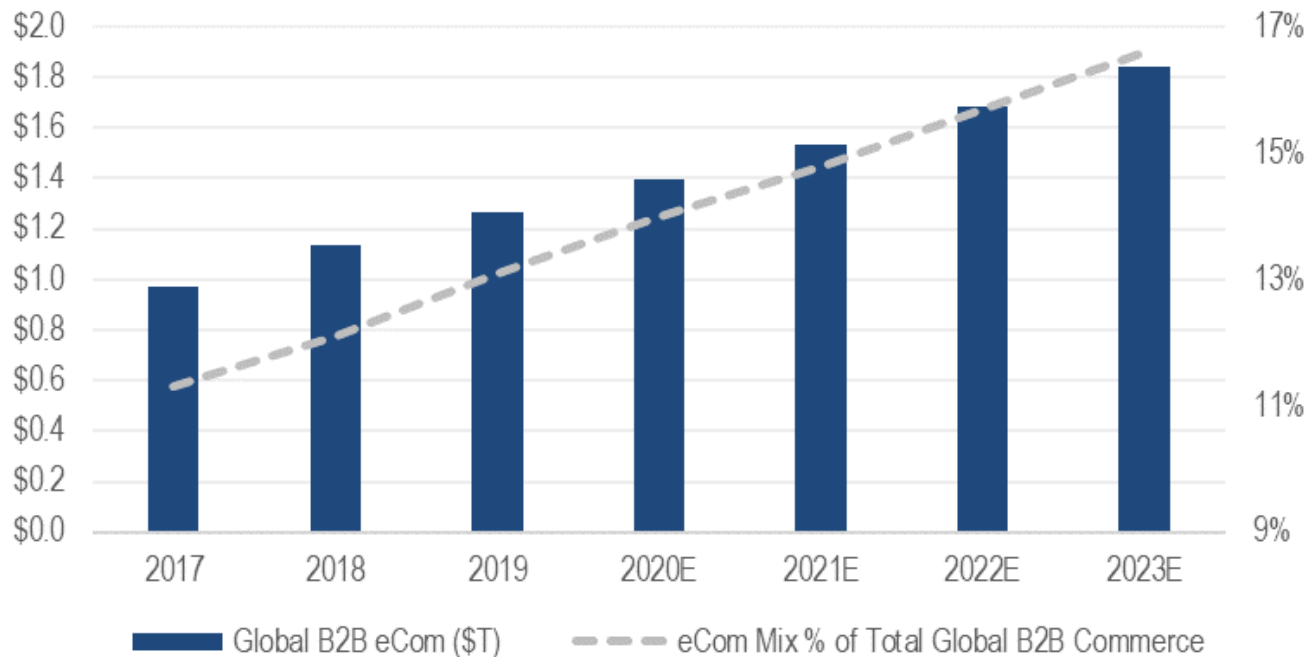
- Global retail spend is expected to continue to shift toward eCommerce and mobile commerce as the move to digital channels continues. eCommerce is expected to represent >20% of global sales by 2024.
- The eCommerce penetration curve is steepening as we project ~5 years to achieve 10% incremental Global commerce sales penetration, vs. ~8 years for the previous +10% penetration gain.

## Global B2C eCom Sales

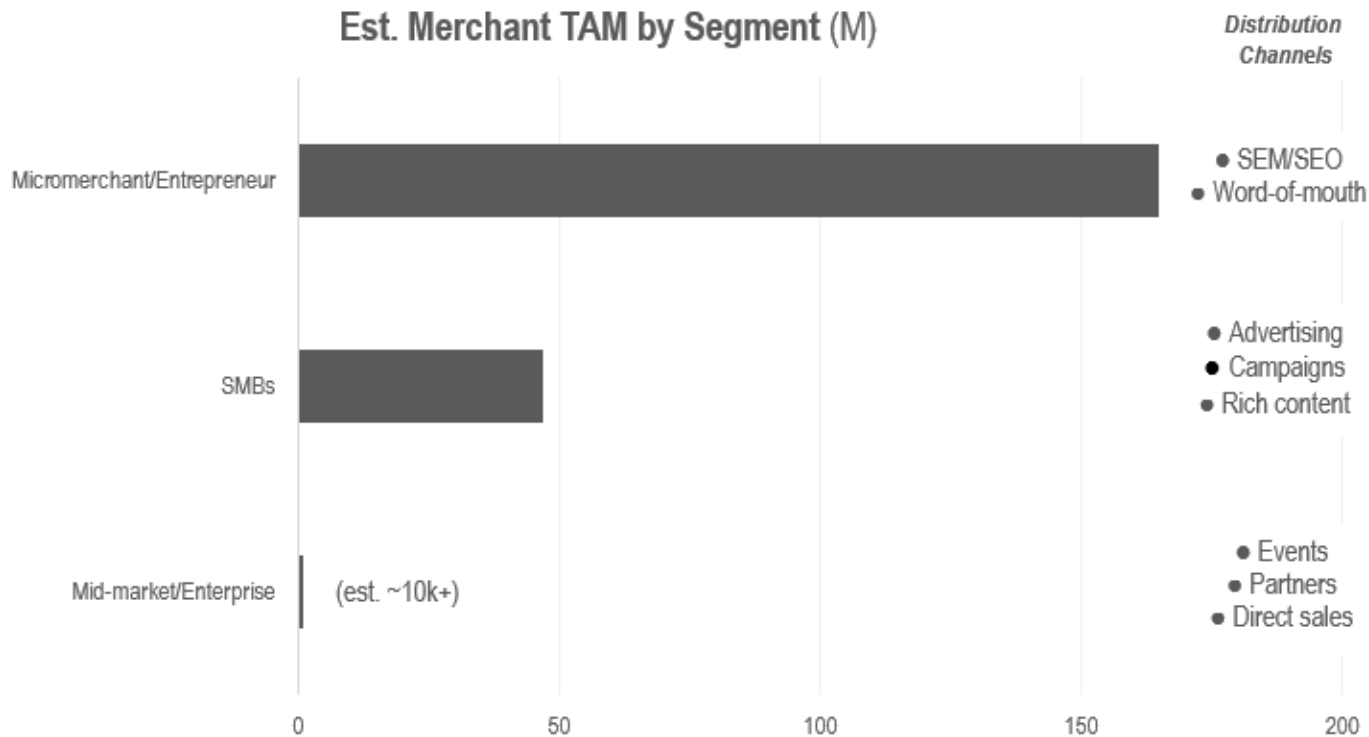


- Forrester defines B2B eCommerce as the digital, transactional commerce of products that take place over the internet between companies.
- Drug and grocery products represent the largest category within B2B eCommerce today.
- Forrester's estimates exclude B2B products that are sold through consumer channels, transactions that result in consumer purchases, and all B2B services. This definition also excludes electronic data interchange.
  - Electronic Data Interchange (EDI) is communicating business information electronically that has traditionally been communicated through paper trails such as purchase orders and invoices. EDI improves efficiency by reducing expenses associated with paper storage and mailing and minimizes data entry errors.

## U.S. B2B eCom Sales (\$T)







- **Micromerchant/Entrepreneur:** Customer acquisitions of micromerchants primarily come from Search Engine Optimization (SEO) and Search Engine Marketing (SEM), which both provide a self-service feature.
- **SMB:** Similar to micromerchants, SMBs also take advantage of self-service platforms that they may find through digital advertisements or campaigns.
- **Mid-market/Enterprise:** Mid-market and enterprise merchants are primarily acquired through direct sales and partners.





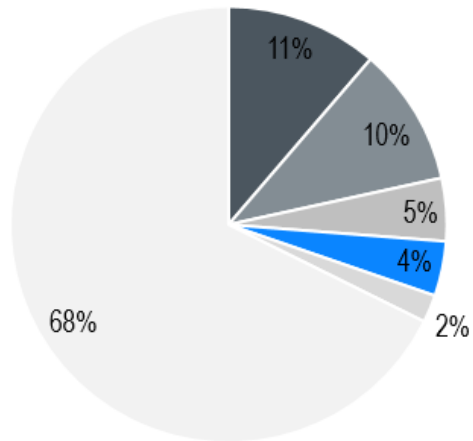
# Competition: Matrix

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<b>Est. Merchants</b>	~2k (Sites) 349 (customers)	~60k (Total) ~9k (>\$2k ACV accounts)	199k (Total) ~4k (Enterprise)	1M (Total) ~7k (Plus)
<b>Est. GMV</b>	~\$100B	Est. 10s of \$Bs	~\$155B	~\$60B
<b>Est. GMV / Merchant</b>	~\$50M	<\$1M (SMB) \$1M to \$50M (Mid) >\$50M (Enterprise)	~\$1M	~\$100k
<b>Est. ARR &amp; % y/y growth</b>	\$590M 23%	~\$130M 26%	~\$150M	~\$685M 25%
<b>Est. Operating margin</b>	~5%	-25%	NM	~3%
<b>Illustrative Segment</b>	<ul style="list-style-type: none"> <li>Enterprise</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise</li> <li>B2B</li> <li>SMB</li> </ul>	<ul style="list-style-type: none"> <li>Enterprise</li> </ul>	<ul style="list-style-type: none"> <li>D2C</li> <li>SMB</li> </ul>
<b>Illustrative Architecture</b>	<ul style="list-style-type: none"> <li>Hybrid</li> <li>SaaS</li> </ul>	<ul style="list-style-type: none"> <li>SaaS</li> </ul>	<ul style="list-style-type: none"> <li>Hybrid</li> <li>SaaS</li> </ul>	<ul style="list-style-type: none"> <li>SaaS</li> </ul>

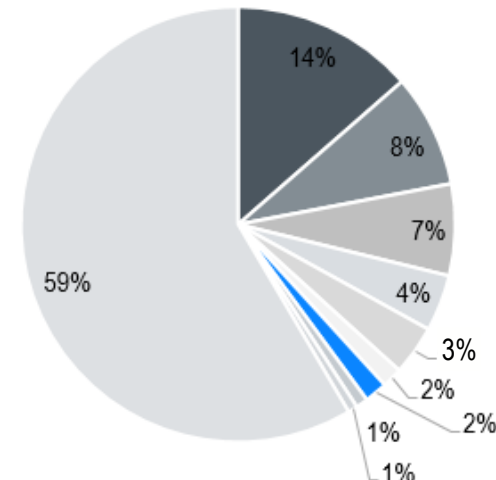
- BigCommerce has staked out a top 5 market position among the top 100K websites according to *Builtwith.com*.
- BigCommerce has staked out a top 10 market position among the top 1K websites according to *Internet Retailer*.

**Est. Top 100K Websites**  
***Builtwith.com* Market Share (%)**



■ Magento (ADBE)    ■ WooCommerce    ■ Shopify Plus (SHOP)  
 ■ BigCommerce (BIGC)    ■ Demandware (CRM)    ■ Other

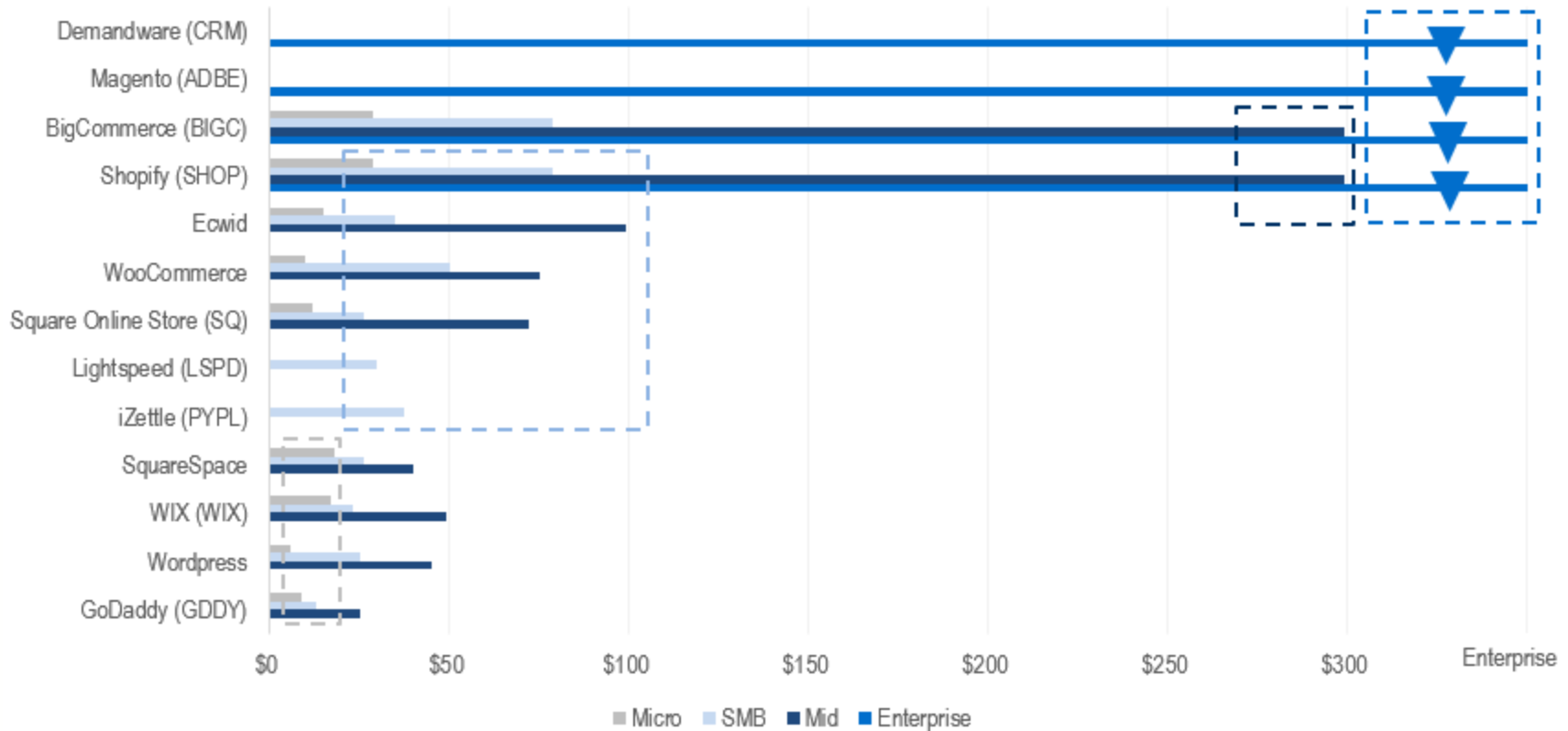
**Est. Top 1K Websites**  
***IR* Market Share (%)**



■ Magento (ADBE)    ■ ATG (ORCL)    ■ Demandware (CRM)  
 ■ HCL (IBM)    ■ Shopify    ■ Hybris (SAP)  
 ■ BigCommerce (BIGC)    ■ KIBO    ■ Netsuite (ORCL)

- Pricing varies considerably, and we see three fairly distinctive ranges among enterprise, mid-market, and SMB.

Illustrative e-Commerce Pricing (\$ per mo)



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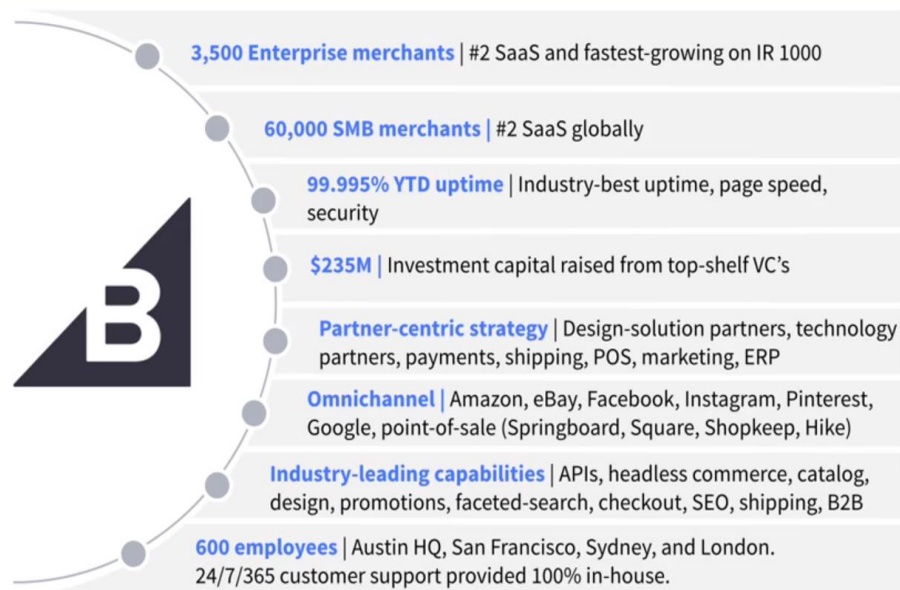
### *Section 3*

# **Company Overview**

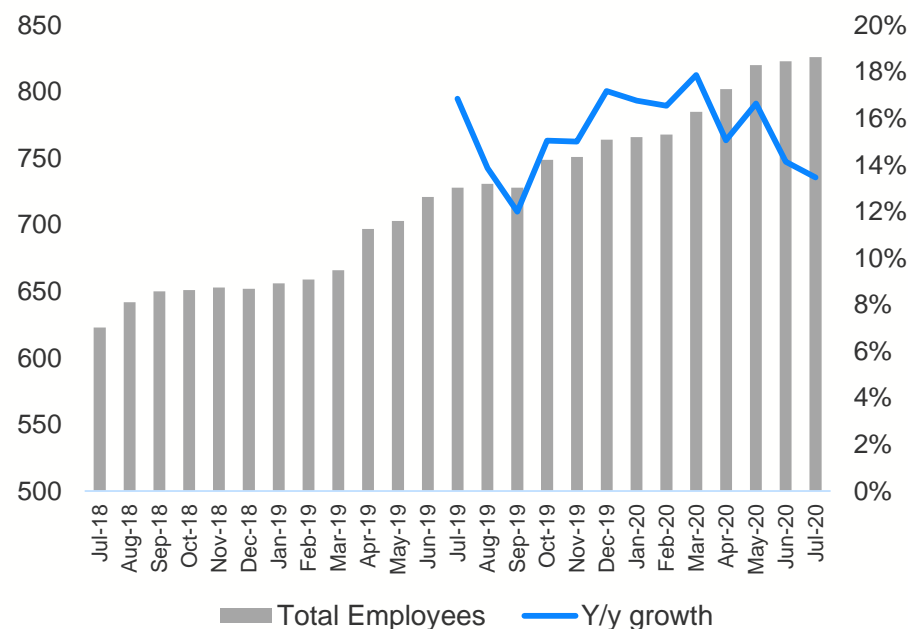
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- In 2009, BigCommerce launched in Sydney, Australia with a focus on the SMB segment and by 2010 reached 10K online stores.
- From 2011-2014, the BigCommerce headquarters was relocated to Austin, TX.
- In 2019, BigCommerce expanded its go-to-market teams in Europe and Australia and launched a presence in Asia.
- Today, the Company currently serves ~60K online stores across ~120 countries.

## Company Snapshot



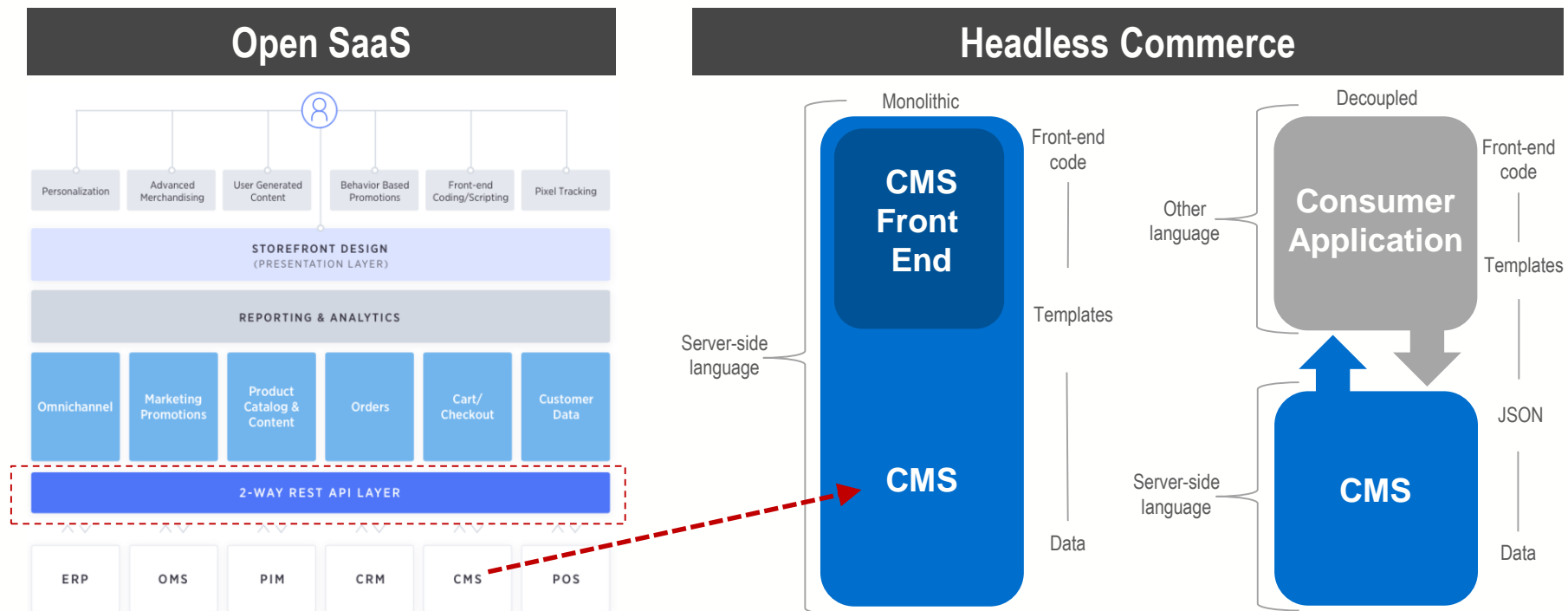
## Hiring Trends



- BigCommerce provides a SaaS platform for launching and scaling eCommerce operations broken into two main categories, Enterprise and Retail plans. Enterprise plans are flexible and pricing depends on annual online sales, while Retail plans are broken into three main plans. The comprehensive plans include store design, catalog management, hosting, checkout, order management, reporting, and pre-integration into third-party services like payments, shipping, and accounting.
  - **BigCommerce Enterprise Plan:** Subscription revenue consists of fees for accessing the entire suite of B2B and B2C features for catalog, sales, merchandising, and customer management.
    - Pricing for BigCommerce Enterprise is quoted in relation to the annual online sales of the company.
  - **Retail sales:** There are three different plans designed for SMBs under BigCommerce's Essentials offering:
    - BigCommerce Standard Plan: Entry level pricing for small eCommerce sites with annual online sales <\$50K for \$29.95/month.
    - BigCommerce Plus Plan: Includes the features of the standard plan with additional tools for customer segmentation and outreach for abandoned online carts. This plan is for eCommerce sites with annual online sales <\$150K for \$79.95/month.
    - BigCommerce Pro Plan: This comprehensive plan includes all commerce tools and features for SMBs to build and scale their online businesses. This plan starts \$299.95/month and is subject to change depending on annual online sales.



- The **Open SaaS** concept introduced a robust API layer, effectively de-coupling core system functionality (e.g., product catalog, orders, etc.) from other systems such as ERP, CRM, POS, CMS (content management system), etc. The concept of Headless Commerce effectively takes this concept one step further specifically for the CMS that enables a rich digital shopping experience across an endless number of channels (e.g., owned website, 3P website like Amazon, social commerce via Instagram, etc.)
- **Headless Commerce** is the separation of the front end (consumer facing) from the backend (merchant facing) content management system. The main benefit of decoupling is that teams have the flexibility in the front-end framework to deploy changes quicker and more efficiently while not impacting their backend system.



- BigCommerce partners currently offer more than 600 pre-built applications and integrations spanning major categories relevant to eCommerce, including shipping, tax, accounting and ERP, marketing, fulfillment, cross-channel commerce, and POS systems, with additional applications and integrations for merchandising, locations, and payments under development.

## Technology Partners

Payments
    
Tax
 
Platform & Cross-channel
   

## Agency/API Partners

Advertising Agencies
      <small>DO BETTER</small>
Analytics & Reporting
   
Designers & Store Setup
     



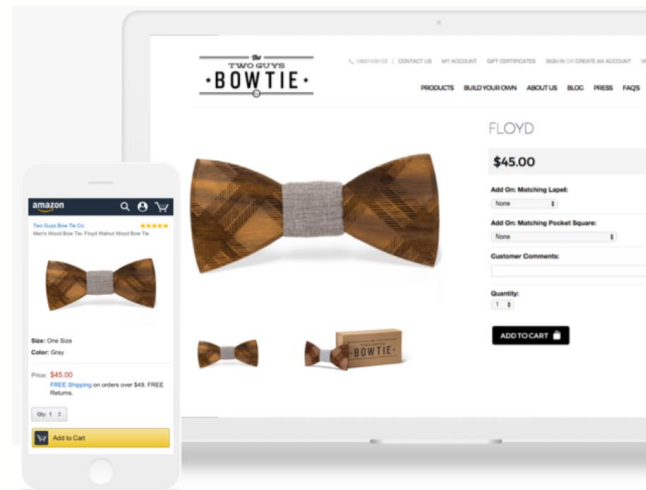
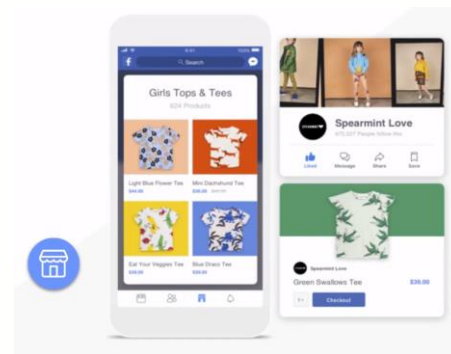
- BigCommerce's open SaaS eCommerce platform enables businesses to create online stores, sell across multiple sales channels including marketplaces, POS systems, and social networks. The platform includes both the creation and hosting of the front-end, the user interface, as well as back-end, store management functionality. Additionally, the platform offers a comprehensive set of APIs and SDKs to allow customization and integration with individual customer requirements.

→ **Online Storefronts:** Merchants have the choice between native storefronts and headless storefronts when it comes to their online presence. Native storefronts includes free and paid theme templates that responsively adapt to multiple device types including desktop, tablet, and mobile. Headless storefronts separate the front-end customer facing layer from the back-end eCommerce platform for a more customizable storefront development.

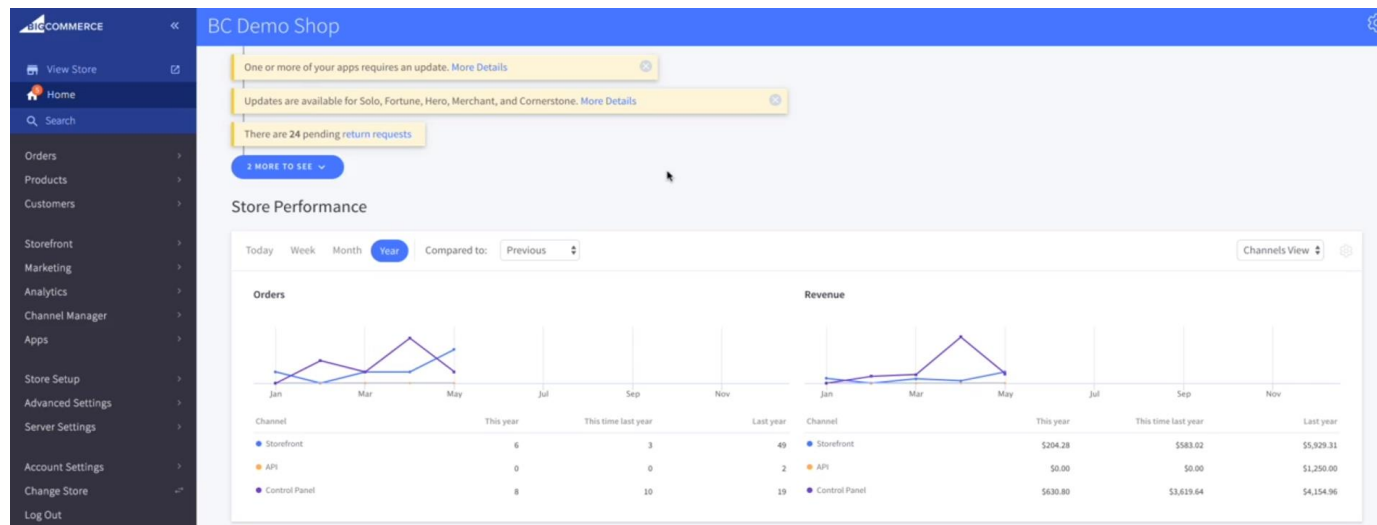
- **Checkout:** The Checkout feature is PCI-compliant and customers can further customize the experience through APIs and developer tools or embed the checkout experience within third-party headless storefronts.
- **Search:** In addition to standard keyword search, faceted search allows customers to define filters such as color, size, and price, and then in the storefront, shoppers, whether B2B or B2C, can quickly narrow search results using any of those filters.
- **Abandoned cart saver:** The platform can automatically help customers recover abandoned carts by emailing shoppers and, optionally, adding discount incentives to complete purchases.

→ **Sales Across Multiple Channels:** Merchants can list their products for sale across multiple sales channels such as marketplaces, offline stores, and social networks.

- **Marketplaces:** The Company offers free integrations to Amazon and eBay that synchronize products, inventory and orders. Additional integrations, including for Amazon and eBay in regions outside the United States, are available in the BigCommerce Apps Marketplace.
- **Offline orders:** Offerings include a range of direct integrations with POS software platforms, including Square, Clover, and Vend. These integrations enable customers to synchronize products, inventory, and orders.
- **Social networks:** Partnerships with Facebook and Instagram since the launch of eCommerce on those platforms enable full-featured selling and advertising on both platforms.



- **Store Management:** Control panel allows merchants to manage their stores through its browser-based interface.
  - **Analytics and insights:** Real-time dashboards, reports, and actionable insights to help customers understand the performance of their stores.
  - **Catalog:** Merchants create and manage their product catalog within the BigCommerce platform.
  - **Pricing and currencies:** Pricing is available in basic format or advanced price list functionality, which modifies pricing for specific customers or currencies.
  - **Inventory:** Merchants can track product stock levels and synchronize them with sales channels such as POS platforms and marketplaces.
  - **Order management and fulfillment:** Merchants can fulfill orders by creating shipping labels as well as process refunds and returns.
  - **Promotions:** Promotions are offered as simple and advanced promotions, which include complex discount and coupon rules, scheduling, and targeting of specific customer segments.
  - **Shopper management:** Merchants can centrally view and manage their shoppers from both their branded stores and third-party sales channels. Shopper segmentation can be combined with targeted pricing and promotions.
  - **Payments:** Payment options include credit cards by gateways and processors, wallets and alternative payments, and “buy now, pay later” solutions.
  - **Shipping:** Merchants have the ability to ship via their preferred carriers as well as third-party solutions.
  - **Tax:** Merchants can manage sales tax automation for state and local tax jurisdictions through a variety of integrated partners, including Avalara, TaxJar, and Vertex.
- **Platform Openness:** BigCommerce’s platform is extensible and customizable due to its open APIs and SDKs. Customers, agency partners, and technology partners use APIs and SDKs to add, customize, and/or integrate systems, functionality, and shopper experiences.



- BigCommerce targets three segments of the market most easily grouped by annual online sales:
  - **SMB** – Sites with annual online sales less than \$1M.
  - **Mid-Market** – Sites with annual online sales between \$1M and \$50M.
  - **Enterprise** – Asset Sites with annual online sales above \$50M.
- BigCommerce currently serves ~60K online stores across ~120 countries using its SaaS platform for launching and scaling eCommerce operations including store design, catalog management, hosting, checkout, order management, reporting, and pre-integration into third-party services like payments, shipping, and accounting.

## Customers



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## *Section 4*

# Financial Overview

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## ■ KPIs

- **ARR:** Annual revenue run-rate ("ARR") is calculated by annual revenue run-rate at the end of each month as the sum of: 1) the product of the current month's monthly recurring revenue ("MRR") multiplied by twelve (to prospectively annualize subscription revenue); and 2) the TTM partner and services revenue, including non-recurring services revenue, such as one-time partner integration fees and store-launch services.
  - A key metric used to gauge scale and breadth of the platform.
  - Annual revenue run-rate (ARR) reached \$151.1M in the quarter ending June 30, 2020, up 32%.
- **ARR >\$2K ACV:** Annual revenue run-rate for accounts with an Annual Contract Value (ACV) greater than \$2,000 as of the end of a monthly billing period. ACV includes only subscription plan revenue and excludes partner and services revenue and recurring services revenue.
  - Key metric indicative of ability to retain and expand customer relationships with generally enterprise and pro plans.
  - In the quarter ending June 30, 2020, >\$2K ACV represented 79% of ARR, up from 75% the previous year.

## ■ Financial Metrics

- **Subscription revenue:** Subscription solutions revenue consists primarily of platform subscription fees from all plans. It also includes recurring professional services and sales of SSL certificates. Subscription solutions are charged monthly, quarterly, or annually for customers to sell their products and process transactions on BigCommerce's platform.
  - \$82.7M in FY19, up 17% y/y, and \$23.9M in the quarter ending June 30, 2020, up 19% y/y.
- **Partner and services revenue:** Contracts with strategic technology partners are generally for one year or longer and generate revenue from contracts in three ways: 1) revenue-sharing arrangements; 2) technology integrations; and 3) partner marketing and promotion. Revenue is recognized on a net basis from revenue-sharing arrangements when the underlying transaction occurs.
  - \$29.4M in FY19, up 38% y/y, and \$11.8M in the quarter ending June 30, 2020, up 66% y/y.
- **Gross margin:** Includes revenue minus cost of sales less non-GAAP stock-based compensation.
  - 76% gross margin or \$85.3M of gross profit in FY19.
- **Non-GAAP adjusted EBITDA margin:** Non-GAAP gross profit less non-GAAP R&D, S&M, and G&A expense.
  - (\$35.5M) in FY19, or a -31.6% non-GAAP adj. EBITDA margin.

- **NT growth drivers**

- **New logos:** Drive new logos from agency and tech partners.
- **Growth segments:** Leverage scalable API architecture to win clients that have existing headless architecture (separation of front-end website appearance from back-end functionality). Extend traction within B2B by extending partnerships and leveraging content-led marketing.
- **Expansion:** Tiering up mid-market and enterprise subscription revenues based on GMV increases and SMB plan upgrades.

- **MT/LT growth drivers**

- **International:** Expand international presence, which is about 19% of revenues outside of the U.S.
- **Tech partnerships:** Improve economics across payments, core services, omni-channel and other partnerships.

# Financial Model: Bull, Bear, and KBCM Case

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	Bear Case		KBCM Case		Bull Case	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
<b>Subscription Solutions Revenue</b>	<b>\$95</b>	<b>\$113</b>	<b>\$100</b>	<b>\$126</b>	<b>\$105</b>	<b>\$146</b>
% yy	15%	18%	25%	20%	26%	40%
<b>Est. Subscription: &gt;\$2,000 ACV</b>	<b>\$70</b>	<b>\$88</b>	<b>\$75</b>	<b>\$100</b>	<b>\$78</b>	<b>\$117</b>
% yy	32%	26%	40%	34%	46%	50%
Accounts: >\$2,000 ACV	9,439	9,933	9,820	10,420	9,939	11,255
% yy	4%	5%	7%	8%	9%	13%
Est. Subscription ARPA: >\$2,000 ACV	\$7,579	\$9,136	\$7,884	\$9,898	\$8,189	\$11,059
% yy	24%	21%	29%	26%	34%	35%
<b>Est. Subscription: &lt;\$2,000 ACV Revenue</b>	<b>\$25</b>	<b>\$24</b>	<b>\$25</b>	<b>\$26</b>	<b>\$27</b>	<b>\$29</b>
% yy	0%	-3%	2%	2%	7%	10%
<b>Partner and Services Revenue</b>	<b>\$38</b>	<b>\$39</b>	<b>\$40</b>	<b>\$41</b>	<b>\$42</b>	<b>\$43</b>
<b>Total Revenue</b>	<b>\$133</b>	<b>\$152</b>	<b>\$140</b>	<b>\$167</b>	<b>\$146</b>	<b>\$190</b>
% yy	19%	14%	25%	20%	31%	30%
Gross profit	\$101	\$114	\$107	\$128	\$114	\$149
% gross margin	76%	75%	77%	76%	78%	78%
Total operating expenses	\$138	\$144	\$143	\$156	\$135	\$158
% of revenue	104%	95%	102%	93%	92%	83%
<b>Operating income</b>	<b>(\$37)</b>	<b>(\$30)</b>	<b>(\$36)</b>	<b>(\$29)</b>	<b>(\$21)</b>	<b>(\$10)</b>
% operating margin	-28%	-20%	-25%	-17%	-14%	-5%
Δ yy	6%	8%	8%	8%	19%	9%
EV/S Multiple (FY)		36.5x		60.0x		89.0x
<b>Scenario Valuation</b>		<b>\$75</b>		<b>\$135</b>		<b>\$225</b>
<i>Macro</i>	Sustained macro headwinds		Swoosh based re- bound		Swoosh based re- bound	
<i>TAM</i>	TAM < \$2T		\$2T+ eCom GMV TAM		TAM > \$2T	
<i>Growth initiatives</i>	Slow enterprise growth, retail stagnates		+Enterprise customer growth and/or retail expansion		+Enterprise customer growth, retail and int'l expansion	
<i>Unit economics</i>	Economics deteriorates: LTV:CAC ↓		Stable LTV:CAC		Economics improve; LTV:CAC ↑	

Income Statement	2018	2019	2020E	2021E	2022E
<i>Figures in \$000s unless otherwise noted; FY ends December 31</i>					
<b>ARR</b>					
<b>ARR: Total (Platform + Rec PS + TTM Partner)</b>	<b>\$102,162</b>	<b>\$128,522</b>	<b>\$160,546</b>	<b>\$195,064</b>	<b>\$238,561</b>
%y/y	23%	25%	28%	21%	21%
<b>ARR: &gt;\$2,000 ACV</b>	<b>\$75,845</b>	<b>\$100,877</b>	<b>\$132,348</b>	<b>\$166,302</b>	<b>\$209,223</b>
%y/y	35%	34%	34%	25%	24%
<b>Revenue</b>					
<b>Total revenue</b>	<b>\$91,867</b>	<b>\$112,103</b>	<b>\$139,725</b>	<b>\$167,125</b>	<b>\$204,484</b>
%y/y	20%	22%	25%	20%	22%
<b>Subscription solutions [Platform + Rec PS]</b>	<b>\$70,485</b>	<b>\$82,689</b>	<b>\$99,920</b>	<b>\$126,050</b>	<b>\$157,247</b>
%y/y	15%	17%	21%	26%	25%
% of revenue	77%	74%	72%	75%	77%
<b>Partner and services revenue [RSA + Tech + Partner + Non-rec PS]</b>	<b>\$21,382</b>	<b>\$29,414</b>	<b>\$39,805</b>	<b>\$41,075</b>	<b>\$47,236</b>
%y/y	38%	38%	35%	3%	15%
% of revenue	23%	26%	28%	25%	23%
<b>Gross Profit</b>					
<b>Gross profit</b>	<b>\$70,012</b>	<b>\$85,271</b>	<b>\$107,342</b>	<b>\$127,634</b>	<b>\$156,165</b>
Gross margin (%)	76.2%	76.1%	76.8%	76.4%	76.4%
<b>Operating Profit</b>					
<b>Total operating expenses</b>	<b>\$105,921</b>	<b>\$123,102</b>	<b>\$142,964</b>	<b>\$156,210</b>	<b>\$166,729</b>
%y/y	NM	16%	16%	9%	7%
<b>Adj. operating income</b>	<b>(\$35,909)</b>	<b>(\$37,831)</b>	<b>(\$35,623)</b>	<b>(\$28,576)</b>	<b>(\$10,564)</b>
Operating margin (%)	-39.1%	-33.7%	-25.5%	-17.1%	-5.2%
<b>Net Income</b>					
<b>Adj. net income</b>	<b>(\$36,807)</b>	<b>(\$39,434)</b>	<b>(\$36,534)</b>	<b>(\$27,121)</b>	<b>(\$9,348)</b>

Source: Company reports, KeyBanc Capital Markets, Inc. estimates

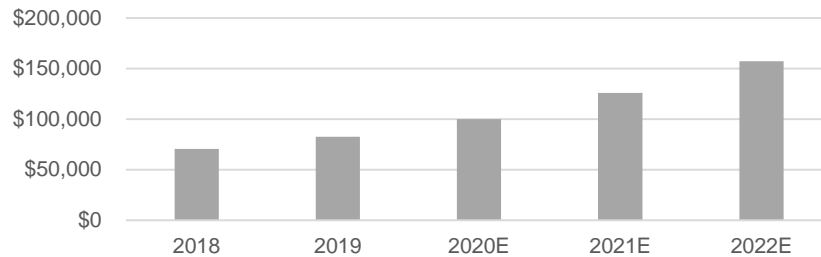
ARR >\$2K likely a key metric reflecting mid-market/enterprise segment. Our model conservatively assumes 1H20 growth decelerates to the mid-20s in '21 and '22, reflecting lower payments and expansion revenue.

We expect low-20s total revenue growth in '21 and '22 driven by mid-20s subscription revenue growth reflecting mid-market/enterprise momentum, while PSR revenue is expected to decelerate due to partner amendments.

Gross margins are expected to be in the 76-77% range while EBIT margins are expected to improve to -5.2% by '22.

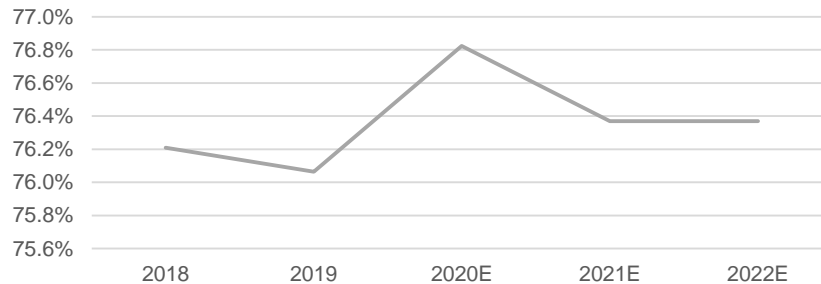


Subscription Solutions Revenue [Platform + Rec PS]  
(\$000s)



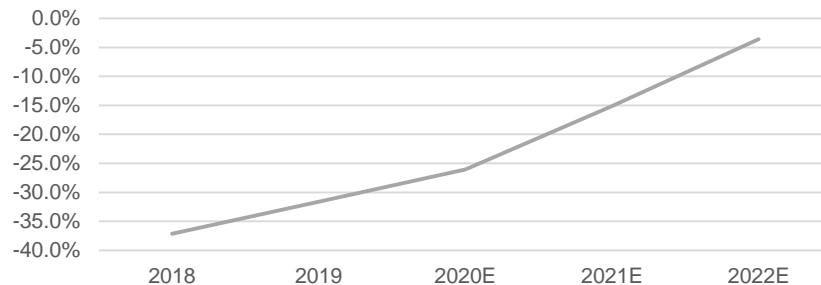
- Subscription solutions revenue was \$82.7M in FY19, up 17% y/y.
- Our subscription revenue estimate of \$157.2M in FY22 represents a 24% CAGR.

Gross Margin (%)



- Gross profit was \$85.3M in FY19, or a 76.1% gross margin.
- We have modeled a slight improvement in gross margins between 76-77%.

Adj. EBITDA Margin (%)



- Adj. EBITDA was (\$35.5M) in FY19, or a -31.6% adj. EBITDA margin.
- Our adj. EBITDA estimate of (\$7.3M) in FY22 represents a -3.6% margin.

## ARR Revenue Build

- We model ARR, which is likely to be viewed as the best leading indicator for BIGC (vs. more typical SaaS models that focus more on billings growth), based upon accounts and ARPA (avg. revenue per account). Provided the Company's mid-market/enterprise focus, we believe the ARR >\$2K ACV is likely to be a focus item for investors.
- We project HSD account growth and mid-20s to mid-teens ARPA growth, which is primarily driven by increasing adoption of higher-end plans and a moderate contribution from ARR increases based on GMV tiers for Enterprise plans.

### ARR (incl. >\$2K ACV ARR) Growth (\$000s)

Income Statement <i>Figures in \$000s unless otherwise noted; FY ends December 31</i>	2018	2019	2020E	2021E	2022E
<b>ARR: &gt;\$2,000 ACV (\$k)</b>	<b>\$75,845</b>	<b>\$100,877</b>	<b>\$132,348</b>	<b>\$166,302</b>	<b>\$209,223</b>
%y/y	35%	34%	34%	25%	24%
% of ARR attributable to >\$2,000 ACV Accounts	NM	NM	NM	NM	NM
Contribution to ARR growth	NM	NM	NM	NM	NM
<b>Accounts: &gt;\$2,000 ACV [Platform only]</b>	<b>8,375</b>	<b>9,090</b>	<b>9,820</b>	<b>10,420</b>	<b>11,020</b>
%y/y	7%	8%	7%	8%	6%
Net adds	474	715	730	600	600
<b>ARPA: &gt;\$2,000 ACV Accounts [Platform + Rec PS + TTM Partne</b>	<b>\$9,056</b>	<b>\$11,098</b>	<b>\$13,477</b>	<b>\$15,960</b>	<b>\$18,986</b>
%y/y	27%	24%	25%	16%	17%

Income Statement	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20E	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	2022E
Figures in \$000s unless otherwise noted; FY ends December 31	Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		Mar	Jun	Sep	Dec		
<b>ARR</b>																
ARR: Total (Platform + Rec PS + TTM Partner)	\$108,117	\$114,826	\$121,346	\$128,522	\$128,522	\$137,080	\$151,050	\$154,477	\$160,546	\$160,546	\$171,817	\$177,459	\$184,213	\$195,064	\$195,064	\$238,561
%yly	22%	25%	26%	26%	25%	27%	32%	27%	25%	28%	25%	17%	19%	22%	21%	21%
ARR: >\$2,000 ACV	\$81,585	\$87,383	\$93,752	\$100,877	\$100,877	\$108,704	\$119,707	\$126,331	\$132,348	\$132,348	\$142,874	\$145,489	\$155,504	\$166,302	\$166,302	\$209,223
%yly	33%	35%	34%	33%	34%	33%	37%	35%	31%	34%	31%	22%	23%	26%	25%	24%
Accounts: >\$2,000 ACV [Platform only]	8,531	8,737	8,918	9,090	9,090	8,988	9,320	9,570	9,820	9,820	9,970	10,120	10,270	10,420	10,420	11,020
%yly	5%	8%	9%	9%	8%	5%	7%	7%	8%	7%	11%	9%	7%	6%	8%	6%
ARPA: >\$2,000 ACV Accounts [Platform + Rec PS + TTM Partner] (	\$9,564	\$10,002	\$10,512	\$11,098	\$11,098	\$12,094	\$12,844	\$13,201	\$13,477	\$13,477	\$14,330	\$14,376	\$15,142	\$15,960	\$15,960	\$18,986
%yly	26%	25%	23%	23%	24%	26%	28%	26%	21%	25%	18%	12%	15%	18%	16%	17%
<b>Revenue</b>																
Total revenue	\$25,584	\$27,235	\$28,264	\$31,020	\$112,103	\$33,174	\$35,651	\$34,400	\$36,500	\$139,725	\$37,600	\$40,250	\$42,950	\$46,325	\$167,125	\$204,484
%yly	22%	22%	21%	23%	22%	30%	31%	22%	18%	25%	13%	13%	25%	27%	20%	22%
Subscription solutions [Platform + Rec PS]	\$19,248	\$20,137	\$21,021	\$22,283	\$82,689	\$23,554	\$23,891	\$25,025	\$27,450	\$99,920	\$28,950	\$30,400	\$32,300	\$34,400	\$126,050	\$157,247
%yly	14%	18%	17%	20%	17%	22%	19%	19%	23%	21%	23%	27%	29%	25%	26%	25%
% of revenue	75%	74%	74%	72%	74%	71%	67%	73%	75%	72%	77%	76%	75%	74%	75%	77%
Partner and services revenue [RSA + Tech + Partner + Non-rec PS]	\$6,336	\$7,098	\$7,243	\$8,737	\$29,414	\$9,620	\$11,760	\$9,375	\$9,050	\$39,805	\$8,650	\$9,850	\$10,650	\$11,925	\$41,075	\$47,236
%yly	55%	37%	34%	30%	38%	52%	66%	29%	4%	35%	-10%	-16%	14%	32%	3%	15%
<b>Gross Profit</b>																
Gross profit	\$19,681	\$21,045	\$21,520	\$23,025	\$85,271	\$25,766	\$27,918	\$25,972	\$27,685	\$107,342	\$28,698	\$30,872	\$32,556	\$35,508	\$127,634	\$156,165
Gross margin (%)	76.9%	77.3%	76.1%	74.2%	76.1%	77.7%	78.3%	75.5%	75.9%	76.8%	76.3%	76.7%	75.8%	76.7%	76.4%	76.4%
<b>Operating Profit</b>																
Total operating expenses	\$29,394	\$30,869	\$30,982	\$31,857	\$123,102	\$32,196	\$34,643	\$37,850	\$38,275	\$142,964	\$37,485	\$38,650	\$39,725	\$40,350	\$156,210	\$166,729
%yly	30%	17%	10%	11%	16%	10%	12%	22%	20%	16%	16%	12%	5%	5%	9%	7%
Adj. operating income	(\$9,713)	(\$9,824)	(\$9,462)	(\$8,832)	(\$37,831)	(\$6,430)	(\$6,725)	(\$11,878)	(\$10,590)	(\$35,623)	(\$8,787)	(\$7,778)	(\$7,169)	(\$4,842)	(\$28,576)	(\$10,564)
Operating margin (%)	-38.0%	-36.1%	-33.5%	-28.5%	-33.7%	-19.4%	-18.9%	-34.5%	-29.0%	-25.5%	-23.4%	-19.3%	-16.7%	-10.5%	-17.1%	-5.2%
<b>Net Income</b>																
Adj. net income	(\$9,946)	(\$10,211)	(\$9,910)	(\$9,367)	(\$39,434)	(\$2,996)	(\$7,581)	(\$15,911)	(\$10,046)	(\$36,534)	(\$8,425)	(\$7,375)	(\$6,860)	(\$4,461)	(\$27,121)	(\$9,348)

<b>Balance Sheet</b>	2018	2019	1Q20	2Q20
<i>Figures in \$000s unless otherwise noted; FY ends December 31</i>			Mar	Jun
<b>Current Assets</b>				
Cash and Cash Equivalents	\$37,264	\$9,150	\$34,113	\$27,149
Accounts Receivable, Net	\$10,238	\$15,548	\$16,060	\$20,676
Other Current Assets	\$6,371	\$6,973	\$8,445	\$5,805
<b>Total Current Assets</b>	<b>\$53,873</b>	<b>\$31,671</b>	<b>\$58,618</b>	<b>\$53,630</b>
Fixed Assets	\$13,400	\$18,636	\$19,234	\$19,821
Accumulated Depreciation	\$8,169	\$10,395	\$11,302	\$12,112
<b>Total Fixed Assets, Net</b>	<b>\$5,231</b>	<b>\$8,241</b>	<b>\$7,931</b>	<b>\$7,709</b>
Other Assets	\$0	\$16,152	\$15,501	\$16,978
<b>Total Assets</b>	<b>\$59,104</b>	<b>\$56,065</b>	<b>\$82,050</b>	<b>\$78,317</b>
<b>Current Liabilities</b>				
Accounts Payable	\$5,463	\$3,881	\$6,027	\$5,863
Accrued Liabilities	\$4,831	\$5,298	\$2,353	\$2,687
Accrued Taxes	\$1,195	\$551	\$636	\$733
Deferred Revenue	\$10,429	\$9,399	\$9,649	\$10,229
Other Current Liabilities	\$4,773	\$14,785	\$14,555	\$16,039
<b>Total Current Liabilities</b>	<b>\$26,691</b>	<b>\$33,914</b>	<b>\$33,220</b>	<b>\$35,552</b>
Long Term Liabilities	\$24,361	\$38,502	\$69,343	\$71,225
Deferred revenue, net of current portion	\$2,136	\$1,493	\$907	\$862
Other Liabilities	\$946	\$15,705	\$14,787	\$14,238
<b>Total Liabilities</b>	<b>\$54,134</b>	<b>\$89,613</b>	<b>\$118,257</b>	<b>\$121,878</b>
<b>Total Stockholders Equity</b>	<b>\$4,970</b>	<b>(\$33,549)</b>	<b>(\$36,207)</b>	<b>(\$43,561)</b>
<b>Total Liabilities and Equity</b>	<b>\$59,104</b>	<b>\$56,065</b>	<b>\$82,050</b>	<b>\$78,317</b>

Source: Company reports, KeyBanc Capital Markets, Inc. estimates

<b>Statement of Cash Flow</b>	2018	2019	1Q20 Mar	2Q20 Jun
<i>Figures in \$000s unless otherwise noted; FY ends December 31</i>				
<b>Net Income (Loss)</b>	<b>(\$38,878)</b>	<b>(\$42,590)</b>	<b>(\$4,022)</b>	<b>(\$9,234)</b>
<b>Adjustments to reconcile operating activities:</b>				
Depreciation	\$1,844	\$2,569	\$907	\$808
Adoption of New Accounting Standard	\$0	\$0	(\$363)	\$0
Amortization of discount on debt/debt issuance costs	\$49	\$54	\$109	\$16
Stock Warrants issued with Debt	\$0	\$0	\$297	\$1
Stock-based Compensation	\$2,071	\$3,156	\$1,026	\$1,653
Accretion on discount to marketable securities	(\$190)	(\$69)	\$0	\$0
<b>Changes in Operating Assets and Liabilities:</b>				
Changes in Accounts Receivable, net	(\$4,286)	(\$5,310)	(\$512)	(\$4,616)
Changes in Prepaid Expenses and Other Assets	(\$1,098)	(\$16,755)	(\$820)	\$1,163
Changes to Accounts Payable	\$291	(\$1,582)	\$2,146	(\$164)
Changes to Accrued Liabilities and Other Liabilities	\$2,698	\$24,594	(\$4,008)	\$1,367
Changes to Deferred Revenue	\$6,908	(\$1,673)	(\$336)	\$535
<b>Net cash provided by operating Activities</b>	<b>(\$30,591)</b>	<b>(\$37,605)</b>	<b>(\$5,576)</b>	<b>(\$8,471)</b>
Capital Expenditures	(\$3,326)	(\$5,236)	(\$598)	(\$587)
<b>Net cash provided by investing activities</b>	<b>(\$3,326)</b>	<b>(\$5,236)</b>	<b>(\$598)</b>	<b>(\$587)</b>
<b>FCF</b>	<b>(\$33,917)</b>	<b>(\$42,841)</b>	<b>(\$6,173)</b>	<b>(\$9,058)</b>
% FCF margin	-37%	-38%	-19%	-25%
Changes in Debt Proceeds	\$0	\$14,086	\$30,732	\$1,866
Changes in Capital Stock	\$64,412	\$640	\$404	\$227
<b>Net cash provided by financing activities</b>	<b>\$64,412</b>	<b>\$14,727</b>	<b>\$31,136</b>	<b>\$2,093</b>
<b>Net increase (decrease) in cash</b>	<b>\$30,495</b>	<b>(\$28,115)</b>	<b>\$24,963</b>	<b>(\$6,964)</b>
<b>Cash - Beginning of Period</b>	<b>\$6,769</b>	<b>\$37,264</b>	<b>\$9,150</b>	<b>\$34,113</b>
<b>Cash - End of Period</b>	<b>\$37,264</b>	<b>\$9,150</b>	<b>\$34,113</b>	<b>\$27,149</b>

Source: Company reports, KeyBanc Capital Markets, Inc. estimates

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## *Section 5*

# Valuation & Risks

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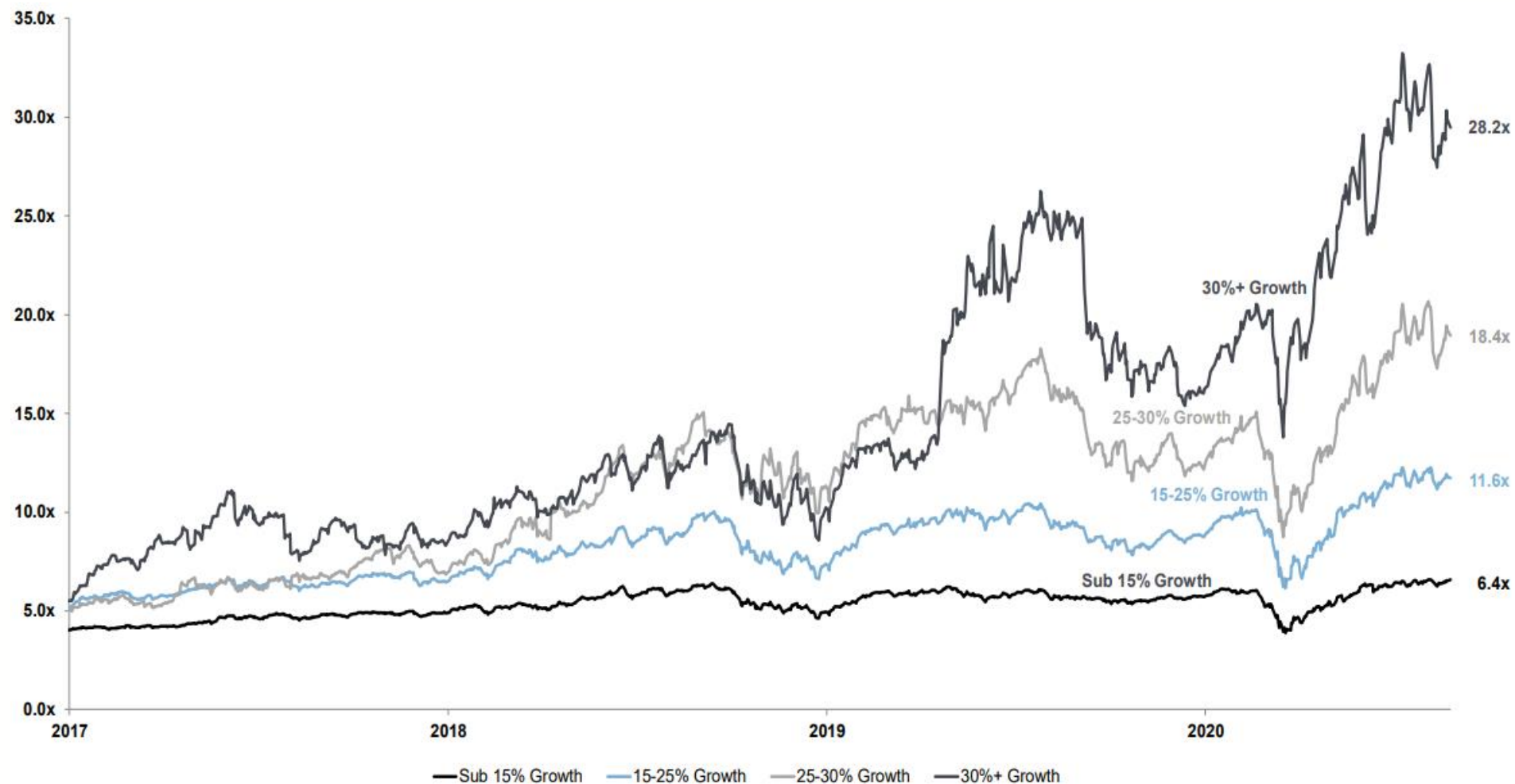
# Valuation Comparables

39

		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 %
<b>Vertical &amp; Backoffice SaaS</b>															
SHOP.K	Shopify	OW	\$1,042.06	\$121.7	\$117.7	66%	32%	7%	8%	46x	35x	0.7x	1.1x	73%	162%
INTU.O	Intuit	OW	\$346.11	\$91.3	\$87.6	10%	11%	30%	31%	11x	10x	1.1x	0.9x	41%	32%
SQ	Square	OW	\$155.93	\$75.7	\$74.6	233%	29%	2%	8%	10x	8x	0.0x	0.3x	235%	149%
ADYEN.AS	Adyen	OW	€ 1,415.00	€ 43.4	€ 41.4	31%	42%	47%	47%	64x	45x	2.1x	1.1x	78%	94%
COUP.O	Coupa Software	OW	\$325.97	\$24.0	\$23.8	30%	26%	10%	8%	49x	39x	1.6x	1.5x	40%	123%
WIX.O	Wix.Com	OW	\$291.97	\$17.4	\$16.8	27%	26%	12%	13%	17x	14x	0.6x	0.5x	39%	139%
PAYC.K	Paycom	NR	\$299.84	\$17.5	\$17.4	13%	19%	15%	19%	21x	18x	1.7x	0.9x	27%	13%
XRO.AX	Xero	NC	A\$99.95	\$14.3	\$14.2	17%	18%	11%	12%	19x	16x	1.1x	0.9x	28%	25%
BIGC.O	BigCommerce	SW	\$130.98	\$9.9	\$9.8	25%	20%	-29%	-18%	70x	59x	2.8x	3.0x	-4%	0%
BILL.K	Bill.com	OW	\$100.31	\$8.8	\$8.5	31%	25%	-17%	-19%	50x	40x	1.6x	1.6x	14%	164%
NCNO.O	nCino Inc	OW	\$88.48	\$8.9	\$8.5	32%	25%	-9%	-4%	47x	37x	1.4x	1.5x	24%	0%
PCTY.O	Paylocity	NR	\$146.34	\$8.2	\$8.0	15%	17%	15%	13%	14x	12x	0.9x	0.7x	31%	21%
PLAN.K	Anaplan	OW	\$61.64	\$8.5	\$8.2	27%	24%	-7%	-3%	19x	15x	0.7x	0.6x	20%	18%
QTWO.K	Q2 Holdings	OW	\$97.52	\$4.7	\$4.8	27%	21%	-6%	2%	12x	10x	0.4x	0.5x	21%	20%
BL.O	Blackline	OW	\$85.36	\$5.1	\$4.8	18%	19%	8%	10%	14x	12x	0.8x	0.7x	26%	66%
LSPD.TO	Lightspeed POS (CAD)	OW	C\$46.12	C\$4.3	C\$4.1	36%	39%	-19%	-14%	20x	14x	0.6x	0.4x	16%	28%
WK	Workiva	NC	\$59.52	\$2.8	\$2.6	17%	14%	5%	6%	8x	7x	0.5x	0.5x	22%	42%
CSOD.O	Cornerstone	NC	\$36.16	\$2.4	\$3.5	25%	14%	14%	21%	5x	4x	0.2x	0.3x	39%	-38%
CDLX.O	Cardlytics	SW	\$75.72	\$2.0	\$1.9	-17%	46%	-11%	0%	11x	8x	NM	0.2x	-27%	20%
ZUO	Zuora	NC	\$13.46	\$1.5	\$1.4	8%	12%	-11%	-4%	5x	4x	0.6x	0.3x	-3%	-6%
<b>Average</b>						<b>34%</b>	<b>24%</b>	<b>3%</b>	<b>7%</b>	<b>26x</b>	<b>20x</b>	<b>1.0x</b>	<b>0.9x</b>	<b>37%</b>	<b>60%</b>

# Software Universe – 3-Year NTM EV/Rev by C21 Growth

40



N=122 includes the following tickers: ADBE, ADSK, ALRM, ANSS, API, APPF, APPN, AVLK, AYX, AZPN, BAND, BILL, BL, BLKB, BNFT, BOX, CDAY, CDNS, CHGG, CHKP, CLDR, COUP, CRM, CRWD, CSLT, CSOD, CTXS, CVLT, CYBR, DBX, DDOG, DOCU, DOMO, DT, ECOM, EGHT, ESTC, EVBG, FEYE, FFIV, FIVN, FSLY, FTNT, GDDY, GWRE, HUBS, INTU, LOGM, LPSN, MANH, MDB, MDLA, MIME, MOBL, MODN, MSFT, MTLN, NCNO, NET, NEWR, NICE, NLOK, NOW, NTN, NUAN, OKTA, ORCL, OTEX, PANW, PAYC, PCTY, PD, PEGA, PFPT, PING, PLAN, PRGS, PRO, PS, PTC, QLYS, QTTWO, RING, RP, RPD, SAIL, SAP, SCWX, SHOP, SMAR, SNPS, SPLK, SPSC, SPT, SQ, SVMK, SWI, TDC, TDOC, TEAM, TENB, TLND, TRMB, TUFN, TWLO, TWOU, TYL, VEEV, VG, VMW, VRNS, VRNT, VRSN, WDAY, WIX, WK, WORK, YEXT, ZEN, ZM, ZS, ZUO.

Source: Thomson Reuters

Note: Prices as of close August 24, 2020. Results presented cannot and should not be viewed as indicators of future performance.

For recent IPOs, some share counts that are pulled from Thomson may lag for a period of time relative to the current fully diluted share count projection



## ■ Competition

→ BigCommerce competes with a variety of technology providers providing online store design, catalog management, hosting, checkout, order management, reporting, and pre-integration into third-party services like payments, shipping, and accounting. It is possible that these existing providers could extend product functionality or move up market to focus on larger customers and more closely compete with BigCommerce. A change in the competitive environment could lead to an adverse effect on financial results.

## ■ Technology Partners

→ Fundamental elements of the BigCommerce platform rely on strategic technology partner solutions for major eCommerce categories, including payments, shipping, tax, accounting, ERP, marketing, fulfillment, cross-channel commerce, and POS. If any of these agreements were to experience interruptions, delays, or terminations, BigCommerce could experience an adverse effect on financial results.

→ Similarly, any interruptions, delays, or terminations associated with agreements with third-party cloud infrastructure/hosting providers could lead to an adverse effect on financial results.

## ■ Macroeconomic Environment

→ A number of factors, including customer spending levels, customer dissatisfaction with BigCommerce's solution, decreases in the number of online merchants, changes in the type and size of online merchants, pricing changes, competitive conditions, the loss of online merchants to other companies, and general economic conditions.

→ Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in results of operations until future periods.

## ■ Enterprise Customer Unpredictability

→ BigCommerce's sales cycle with mid-market and large enterprise customers can be long and unpredictable, and their sales efforts require considerable time and expense.

## ■ Security of Merchant and Consumer Information

→ BigCommerce stores personal information of their customers and their shoppers. If the security of this information is compromised or is otherwise accessed without authorization, BigCommerce's reputation may be harmed or they may be exposed to liability and loss of business.

**All of these investment risks could interfere with our estimates for BIGC.**

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## *Section 6*

# Appendix

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- **Subscription Solutions Revenue**

- Subscription revenue consists of fees for accessing the entire suite of B2B and B2C features for catalog, sales, merchandising, and customer management.

- **Partner and Services Revenue**

- Partner and services revenue consists of revenue share, partner technology integrations, and marketing services provided to partners.

- **B2B/B2C**

- B2B is the process of selling products and services between a business and another business that is likely not the end-user of its products or services.
  - B2C is the process of selling products and services directly between a business and consumers who are the end-users of its products or services.

- **ACV**

- Annual Contract Value (ACV) represents annualized subscription fees from activated subscription contracts in effect for such customers at the end of the applicable period.

- **NRR**

- Net revenue retention (NRR) represents the expansion of revenue within the account base of customers exceeding \$2K ACV over time. It also includes changes to subscription and partner and services revenue billings, and revenue reductions from stores or accounts that leave the platform during the previous one-year period.

- **Accounts > \$2K ACV**

- Annual Contract Value of subscription revenue greater than \$2,000 and generally includes Enterprise plans and Pro plans.

- **ARPA for Accounts > \$2K ACV**

- Annual revenue per account (ARPA) for accounts above \$2K ACV includes subscription revenue and an allocation of partner and services revenue.

## Disclosure Appendix

### Important Disclosures

#### BigCommerce Holdings, Inc. - BIGC

We have managed or co-managed a public offering of securities for BigCommerce Holdings, Inc. within the past 12 months.

BigCommerce Holdings, Inc. is an investment banking client of ours.

We have received compensation for investment banking services from BigCommerce Holdings, Inc. during the past 12 months.

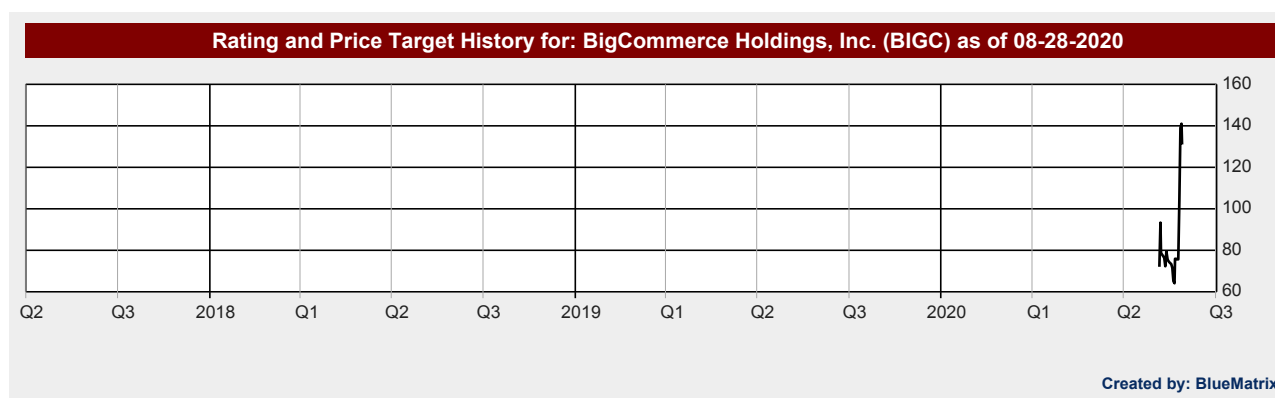
We expect to receive or intend to seek compensation for investment banking services from BigCommerce Holdings, Inc. within the next three months.

As of the date of this report, we make a market in BigCommerce Holdings, Inc.

### 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.

### Three-Year Rating and Price Target History



### 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]	253	46.59	60	23.72	Overweight [OW]	82	55.41	18	21.95
Sector Weight [SW]	276	50.83	52	18.84	Sector Weight [SW]	66	44.59	6	9.09
Underweight [UW]	14	2.58	1	7.14	Underweight [UW]	0	0.00	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)

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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**

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