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Five9

Initiating Buy: Cloud Compounder with Long Runway, High Five[9]!

March 1, 2021

Key Takeaway

FIVN's leadership in CCaaS positions it well to deliver durable >20% growth for the next several years. We expect share gains in a $24B+ TAM, upmarket success, and product portfolio expansion to power this growth. While COVID boosted FIVN's growth in 2020 (+33%), we see even better days on the horizon as enterprises are forced to modernize. Shares are not cheap at 21X EV/2022 rev, but we believe the premium valuation is justified. Initiate Buy, $220 PT.

Large TAM Supportive of Durable LT Growth. IDC forecasts public cloud contact center software revenues to grow at a 17% CAGR through 2024. Further, FIVN estimates its TAM exceeds $24B, which would mean the company has only penetrated ~2% of the opportunity. We believe the size of the TAM and the secular shift to the cloud will support years of healthy growth. FIVN experienced a revenue CAGR of 27% from 2016-2020. We estimate that FIVN will grow at around a ~20% CAGR from 2020-2023, with total revenue reaching ~$750M in 2023.

Very Early in the Transition to the Cloud. Per industry estimates, less than 15% of the >15 million contact center seats have migrated to a CCaaS solution. Based on our research, we believe NICE (inContact) and FIVN are the market share leaders in CCaaS. We believe the transition to the cloud was underway before COVID, but it has served as a catalyst that will compress a 10- to 15-year transition into a shorter one. We see FIVN as one of the biggest beneficiaries.

Enterprise Success Increasing. Even less of the enterprise market segment has shifted to the cloud, leaving the market very much up for grabs. FIVN has capitalized on larger customers shifting to the cloud through its direct efforts and its stronger embrace of channel partners (ex: AT&T and CDW). Some data reflecting the traction include the number of $1M+ ARR customers increasing to 91 in 2020 from 59 in 2019 and LTM enterprise sub rev growing 39% in 2020 vs. 34% in 2019. We expect FIVN to make further progress with larger contact center customers, which benefits revenue growth, retention, and long-term unit economics.

Product Portfolio Expanding Via Organic R&D and M&A. FIVN's healthy growth has largely been driven by its core voice routing solution. However, the company has significantly expanded its product portfolio over the last few years through organic R&D (14.5% of rev) and M&A. On the latter, we view the acquisitions of Virtual Observer (WFO) and Inference Solutions (IVA) as particularly impactful to FIVN's competitive positioning.

Fundamentals Justify Valuation. Our $220 PT is based on our DCF analysis and implies a 25X EV/2022E revenue multiple. Shares are trading at a 25X 2021 and 21X 2022 multiple, in-line with their high-growth peer group average. We believe FIVN's significant growth runway, strong margin profile, and potential upside to future ests justify the premium valuation and will still allow shares to compound over the next several years. Risks to our PT include: 1) failure to move upmarket; 2) a slowdown in demand during a re-opening; 3) and more competition from legacy on-prem vendors.

Initiating Coverage

USA | Software

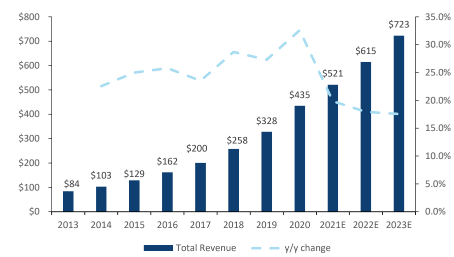
RATING	BUY
PRICE	$185.24^
MARKET CAP	$13.0B
PRICE TARGET (PT)	$220.00
UPSIDE SCENARIO PT	$285.00
DOWNSIDE SCENARIO PT	$100.00

^Prior trading day's closing price unless otherwise noted.

FY Dec USD	2019A	2020A	2021E	2022E
EPS*	0.82	0.99	0.77	1.09
FY P/ EPS Non-GAAP	NM	NM	NM	NM

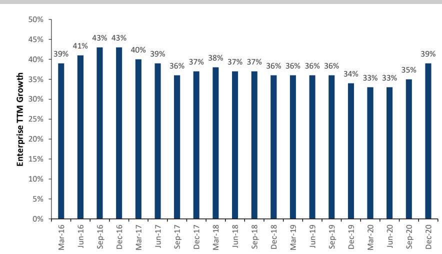
*EPS Non-GAAP

Exhibit 1 - Steady 20%+ Compounder with Years of Runway ($M)



Source: Company data, JEF estimates

Exhibit 2 - Enterprise a Core Growth Driver



Source: Company data, JEF

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Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 23 to 28 of this report.

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FIVE9 (FIVN)

Estimates				
USD	2019A	2020A	2021E	2022E
Rev. (MM)	328.0	434.9	521.2	614.7
Previous				
EPS Non-GAAP				
Q1	0.16	0.17	0.13	0.17
Previous				
Q2	0.20	0.21	0.12	0.18
Previous				
Q3	0.20	0.27	0.20	0.28
Previous				
Q4	0.27	0.34	0.32	0.45
Previous				
FY Dec	0.82	0.99	0.77	1.09
Previous				

Valuation				
	2019A	2020A	2021E	2022E
EV/Rev	39.9x	30.1x	25.1x	21.3x
P/Rev	39.7x	30.0x	25.0x	21.2x
FY P/EPS Non-GAAP	NM	NM	NM	NM

Market Data	
52-Week Range:	$194.04 - $52.51
Total Entprs. Value	$13.1B
Avg. Daily Value MM (USD)	156.89
Float (%)	92.4%

Financial Summary	
Long-Term Debt (MM)	$653.2
Cash & ST Invest. (MM)	$603.5

The Long View

Scenarios

Base Case

- FIVN continues to benefit from secular tailwinds as contact centers migrate to cloud-based solutions
- Expect revenue to compound at 20%+ over our modeling horizon, driven by continued growth in customer seats and ARPU increases
- Upmarket momentum continues as FIVN builds out its product suite and functionality
- Traction with channel partners continues, helping push FIVN upmarket and broaden sales geography
- Margins continue to scale with sustained improvements in gross and operating margins
- $220 PT is based on a DCF analysis

Upside Scenario

- The pandemic spurs faster than expected migration to the cloud within the contact center industry
- Revenue compounds at >25%, driven by these secular tailwinds
- FIVN's move upmarket accelerates faster than we expect, driving larger, more profitable deals
- ARPU per seat increases faster than expected
- $285 PT is based on a blue-sky DCF scenario

Downside Scenario

- The pandemic proves to be a one-time bump in cloud adoption and industry growth slows materially
- FIVN compounds revenues at <20% over our modeling horizon
- Traction with channel partners and upmarket customers slows, resulting in lower top and bottom line growth than our base case scenario
- $100 PT is based on a rainy-day DCF scenario

Investment Thesis / Where We Differ

- FIVN is a leading provider of cloud-based solutions in an attractive, secularly growing market, which should drive strong top-and-bottom line growth over the next several years
- This growth will be fueled by FIVN's continue strength downmarket, but also traction upmarket as the company builds out their product suite and go-to-market capabilities
- While expensive, FIVN is a true compounder with competitive advantages, more than justifying their lofty multiple

Catalysts

- Earnings
- Upcoming conference and public appearances
- New product launches
- Potential M&A

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Table of Contents

Exhibit 3 - Table of Contents

Source: JEF

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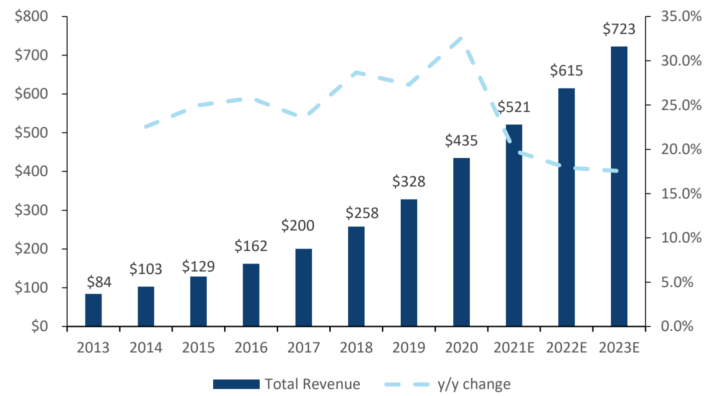
Leader In Fast Growing CCaaS Market

The contact center industry employees more than 15 million agents and drives more than $20 billion in annual technology-related spend. As we explore further below, the migration from legacy solutions and the usage of next generation technology in contact centers is also in the early days. We believe FIVN has one of the leading cloud-based contact center-as-a-service (CCaaS) offerings and is primed to benefit from the growth in the CCaaS market.

Exhibit 4 - Steady 20%+ Compounder with Years of Runway ($M)

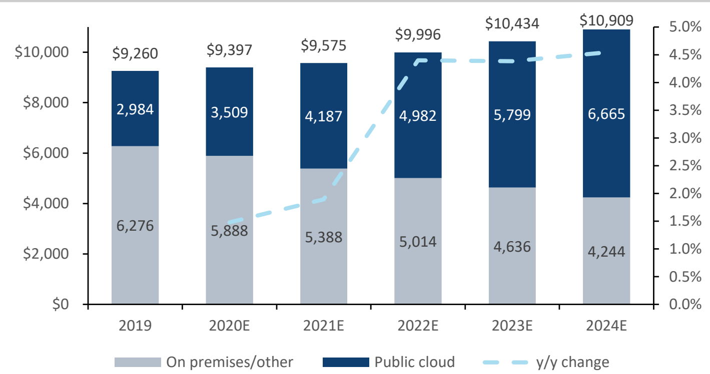


Source: Company data, JEF estimates

Cloud in the 1st Inning

While the Contact Center industry has been slow to embrace cloud solutions, the migration is happening. IDC expects cloud applications revenues to compound at ~17% through 2024, more than offsetting an -8% decline in on-prem. Cloud revenues are expected to reach ~60% of contact center application revenues in 2024, up from 32% in 2019.

Exhibit 5 - CCaaS Apps Revenue Expected to Compound at 17%



Source: IDC Worldwide Semiannual Software Tracker May 2020, JEF

When viewed in terms of seats, the data also points to limited adoption in the cloud thus far. At NICE's September 2020 analyst day, the company estimated that of the ~15m global contact center agents, only 1.2m, or ~8% were using true cloud-based solutions. FIVN has made public comments to a similar affect. From 2020 to 2025, Cloud seats are expected to compound at ~33% and reach 5.1M, providing a long runway of high growth for FIVN.

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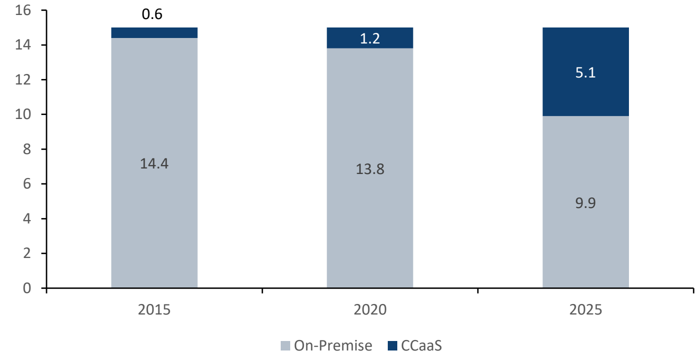
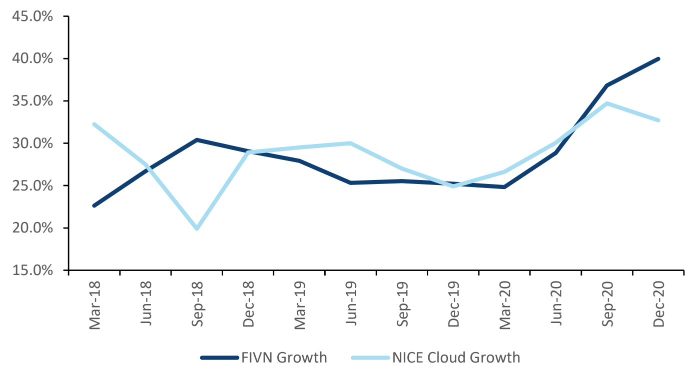
Exhibit 6 - Cloud Seats (M) Expected to Reach 34% of Total in 2025



Source: NICE Sep 2020 Analyst Day Presentation, JEF

The two CCaaS leaders, FIVN and NICE, continue to outpace the market with both generating 28% compounded cloud revenues over the last three years. These two players are disrupting the industry, a trend we fully expect to continue. Legacy players have been slow to adopt true cloud-based CCaaS solutions. FIVN and NICE have gained significant market share downmarket, but are now increasingly moving upmarket into larger contact centers, a dynamic we discuss further below.

Exhibit 7 - Industry Leaders (FIVN and NICE) Outpacing the Market



Source: Company data, JEF estimates

FIVN disclosed it ended 2020 with ~184k concurrent seats, or ~15% of the 1.2 million seats that have shifted to the cloud. We expect this market share to hold steady, if not increase, through 2025, which will fuel years of high growth. Note, if we adjusted this to a "named seat" basis, we estimate FIVN would have closer to ~275k agents in its installed.

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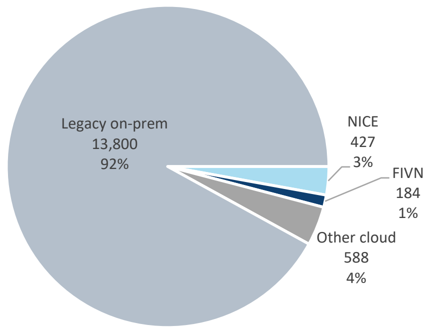
Exhibit 8 - Runway Remains Very Long for FIVN

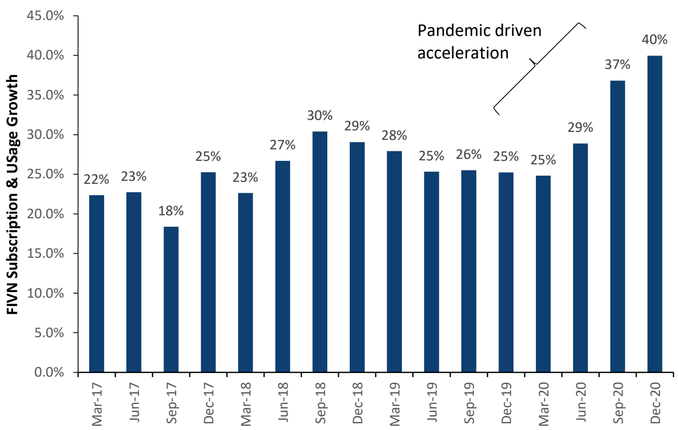


Source: NICE Sep 2020 Investor Presentation, FIVN, JEF estimates

Pandemic Further Accelerated Cloud Tailwinds

COVID has been an additional catalyst for cloud adoption. This is evidenced by the acceleration in FIVN's growth rates throughout 2020. The pull-forward of demand is not likely to stop in 2020, but accelerate into 2021 and beyond. Contact centers are complex organizations that face high switching costs due to the need for 24x7 uptime, the technical lift to change, and the retraining of agents. However, we believe the pandemic is forcing contact centers to embrace change and pull forward their moves to cloud solutions as remote agent workforces become reality. Our checks with customers and channel partners support this view.

Exhibit 9 - Pandemic Accelerated Migration to CCaaS Solutions



Source: Company data, JEF estimates

Enhancing GTM Strategy with Channel Partners

Historically, FIVN's go-to-market strategy was a direct model where in-house sales agents would sell to the low end of the contact center market. This strategy was successful in the early days, and established FIVN as a real player in the market. However, to move the company to the next level and fuel continued strong growth, management more strongly embraced a channel distribution model. This strategy change is resulting in material benefits to FIVN, including enhancing its selling footprint, moving upmarket into larger contact center deals, and expanding internationally.

Channel Partners Growing in Importance

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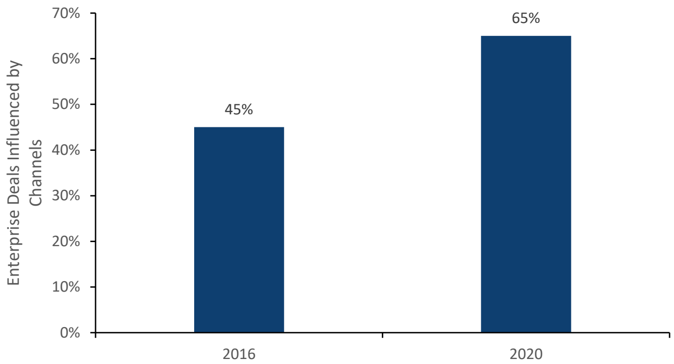
FIVN has built its channel partner roster over the last several years. These partnerships are growing rapidly and becoming important to the company. For example, bookings through SI partners tripled in 2020 vs. 2019. Moreover, channel partners impacted more than 65% of FIVN's enterprise deals in 4Q20, up from 45% in 2016.

Exhibit 10 - Channel Partners Influencing Greater Portion of Enterprise Deals



Source: Company data, JEF

Channel partners are segmented into three categories: 1. System Integrators; 2. VARS/ Master Agents; 3. Service Providers.

- **System Integrators:** Accenture, Deloitte, PwC, Slalom, amberleaf, BlueWolf/IBM, Helix, EY, Acument, and PPT Solutions
- **VARS/Master Agents:** CDW/Avant, Westcon/Comstar, Carahsoft, Clarus, Intelisys, Telarus, Arrow, Vox, Unity, Carousel, Nuveto, WTG, Calltower, Advantel Networks, TBI, and Altura
- **Service Providers:** AT&T, Verizon, and CenturyLink

We highlight two key partnerships, AT&T and CDW, as these two have potential to contribute meaningfully to results. Beginning with AT&T, in May 2020, AT&T and FIVN signed and launched an exclusive CCaaS partnership. As part of this agreement, AT&T is white labeling FIVN's solution and branding it as AT&T Cloud Contact Center. Given the 6-12 month sales cycle within CCaaS, we expect AT&T to have a more meaningful contribution to results in 2021.

The CDW partnership is off to a strong start as well since announced in August 2020 and is likely a contributor to the 3X bookings from SIs in 2020. While this partnership is not an exclusive white label deal like AT&T, CDW's global scale and size make it a potentially meaningful for FIVN.

Succesfully Moving Upmarket

As FIVN gains traction with channel partners, these successes are also pushing the company upmarket into larger contact centers. The success of these efforts is evident with enterprise TTM growth sustaining >30% since at least 2015. Correspondingly, enterprise now represents 83% of TTM revenues, up from 61% in 1Q15. As a percent of total revenue, enterprise's share has increased by an average of 400 bps annually. This is driven by the substantial bifurcation between enterprise and commercial (<50 agents) growth (see Exhibits below).

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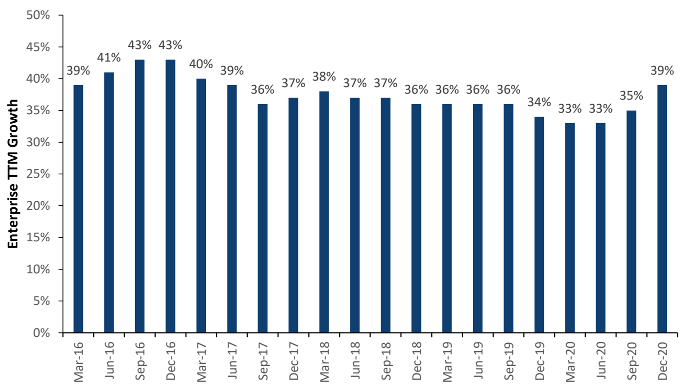
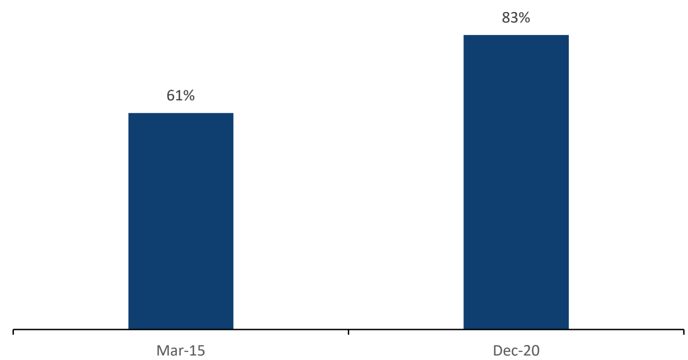
Exhibit 11 - Enterprise a Core Growth Driver



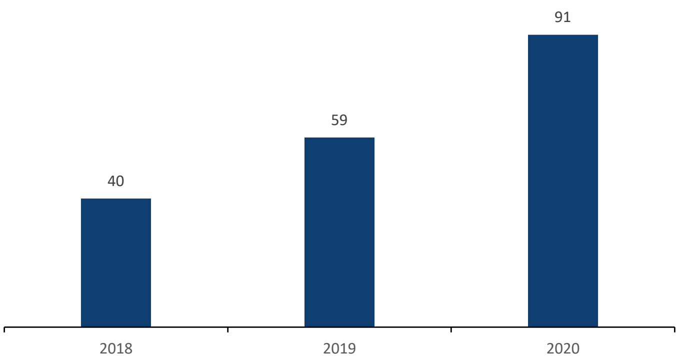
Source: Company data, JEF

Exhibit 12 - Enterprise Represents 83% of TTM Revs, Up from 61% in 1Q15



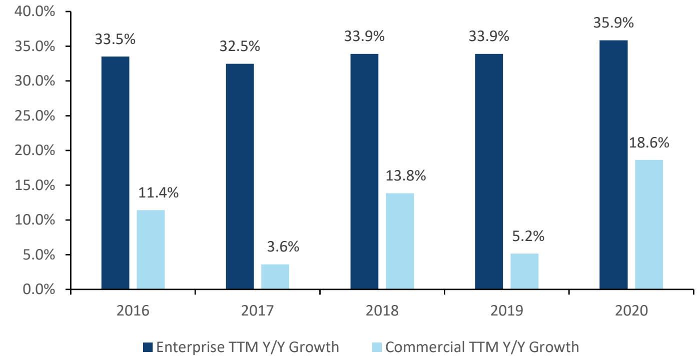
Source: Company data, JEF

Exhibit 13 - Enterprise Customers w/ >$1M ARR



Source: Company data, JEF

Exhibit 14 - Bifurcation between Enterprise and Commercial Growth



Source: Company data, JEF estimates

This move upmarket is important as the economics upmarket tend to be superior vs. commercial customers. Enterprise customers, on average, have higher ARPU's, lower churn, and subsequently higher customer LTV's. Management has estimated the LTV:CAC ratio among enterprise customers is roughly 6:1, far above the commonly accepted enterprise software target of 3:1, evidencing the high quality nature of FIVN's business model.

International Expansion

FIVN is also leveraging channel partners to expand internationally. Up until several years ago, FIVN was almost exclusively US focused. At that point, FIVN decided to move into international markets using the same playbook it had in the US, which was to first sell direct-to-customers. While this planted its flag and helped garner some brand recognition in these markets, FIVN is now embracing international channel partners to accelerate its expansion.

The efforts are working, as we can see in the strong growth rates below. International revenues have compounded at 32% since 2015, vs. 27% for the US. Efforts have largely been focused in Western Europe, LatAm, and Canada thus far.

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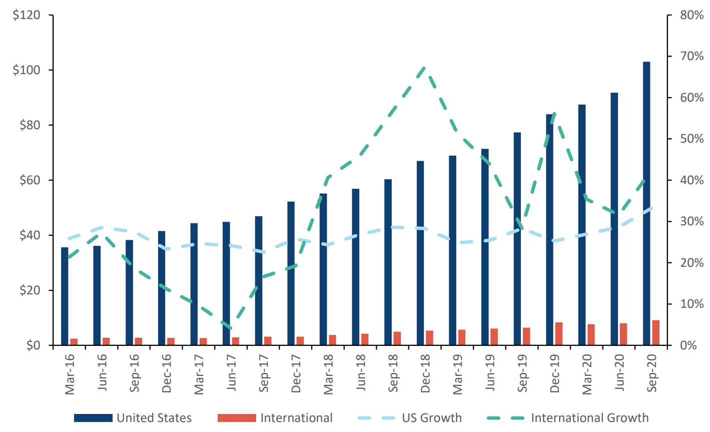
Exhibit 15 - International Still Small, but Growing Rapidly



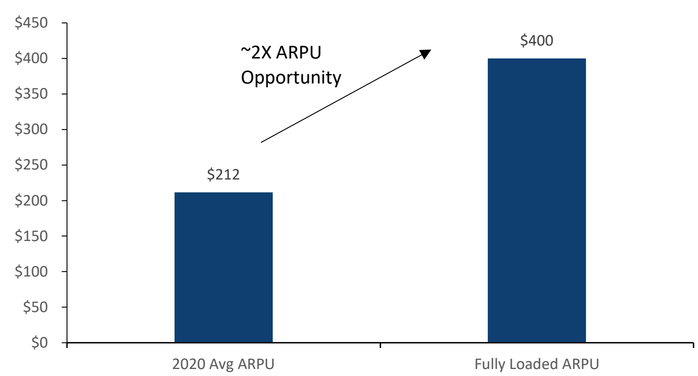
Source: Company data, JEF

Improving Monetization

Per seat pricing continues to improve as a result of several strategic actions by the company. First, the aforementioned move upmarket is a tailwind for ARPUs. While large contact centers can extract volume discounts, FIVN typically makes higher ARPUs on a per seat basis as larger contact centers adopt more features (WFO and Analytics) than smaller contact centers, resulting in higher ARPUs.

Not coincidentally, FIVN continues to beef up its product offerings, specifically within WFO and Analytics, to continue driving ARPU gains. FIVN's product roots are cloud-based Routing solutions and have historically relied on partners for Workforce Optimization and Analytics. This is changing, however. Mgmt has made several acquisitions and continues to invest internally behind these initiatives. Two examples of such acquisitions include Virtual Observer (WFO provider) in Feb 2020 and more recently, Inference (an IVA solution provider) in 3Q20.

Exhibit 16 - Fully Loaded ARPU of ~$400, Nearly 2X Higher than Current Avg



Source: Company data, JEF estimates

Based on customer data provided by the company, we estimate the average revenue per seat per month in 2020 was $212. A fully loaded customer that adopts FIVN's full product suite generates on average ~$400, or roughly double today's ARPU.

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Risks

Competitive CCaaS Market

The CCaaS industry is highly competitive and could impair FIVN's ability to meet our expectations. Contact centers tend to be mature business units, so customer wins tend to be replacements of competing products vs greenfield opportunities. FIVN faces significant competition from legacy players, as well as cloud natives.

Legacy Providers: AVYA, CSCO, Aspect, and Genesys

Cloud Natives: NICE inContact, TalkDesk, Seranova, TWLO, AMZN, and CRM

Enterprises Might Not Move to the Cloud at the Rate We Expect

Key to our thesis is that enterprises, and specifically contact centers, will adopt cloud solutions at an increasing rate in the future. We believe this trend has been accelerated by the coronavirus pandemic. However, if we are wrong, and enterprises do not adopt cloud contact center solutions at the rate we expect, we would need to reevaluate our investment thesis.

Traction with Channel Partners May Not Meet Our Expectations

Another important part of our thesis is the ability to attract and retain channel partners, which expand FIVN's reach and selling presence. If FIVN fails to maintain, grow, and expand relationships with these third party partners, customer and subsequently revenue growth could miss our expectations. There is the risk that FIVN's competitors could convince resellers and partners to favor their products over FIVN's, as well.

Relationships with Technology Vendors

FIVN has relationships with numerous technology vendors, including CRM and WFO providers, such as Salesforce and Verint. These partnerships provide significant lead generations for new client opportunities. Should these relationships be disrupted, FIVN could experience negative impacts to their financials. These relationships are not exclusive either and competitors could convince these partners to favor their solutions over FIVN's.

Upmarket and International Expansions Do Not Materialize

We expect FIVN to continue expanding upmarket into larger contact centers and internationally. The principle way the company is doing so is through channel partners. Should relationships sour, or aren't as successful as we anticipate, there is risk FIVN will not grow these two important segments as fast as we anticipate.

Valuation

FIVN trades at a premium valuation (25X EV/2021 sales and 21X EV/2022 sales), but this valuation is more than justified, in our opinion. We view the CCaaS market similar to the payroll market 10 years ago in that we expect the leading CCaaS providers, including FIVN, to compound at 20%+ for the next 5-10 years. The contact center market remains largely on-prem and is just beginning its cloud migration. FIVN also has significant opportunities to grow internationally and upmarket into larger contact centers.

On a relative basis, compared to other fast-growing, cloud-based peers, such as TWLO, RNG, and ZM, FIVN is reasonably priced. Further, the 20X 2022 multiple is likely to be proven too high given our conservative forward rev growth assumptions. FIVN has a history of guiding conservatively and then beating materially, leading to a lower revenue multiple (see Ex 18). Lastly, we also believe investors are applying a higher multiple based on FIVN's

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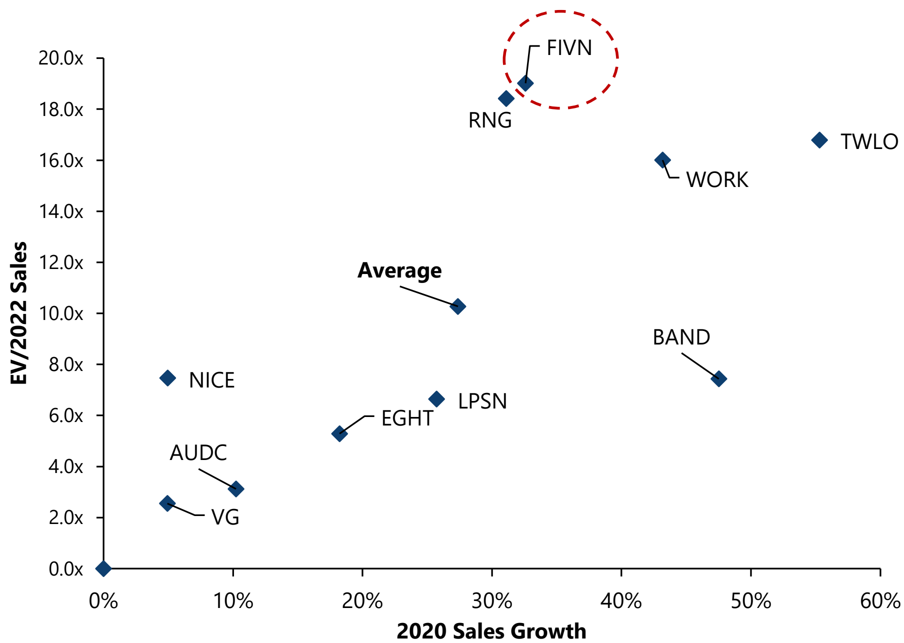
Enterprise revenue growth (~35% CAGR 2017-2020), which mgmt has publicly noted should continue to grow 30% or better for the foreseeable future.

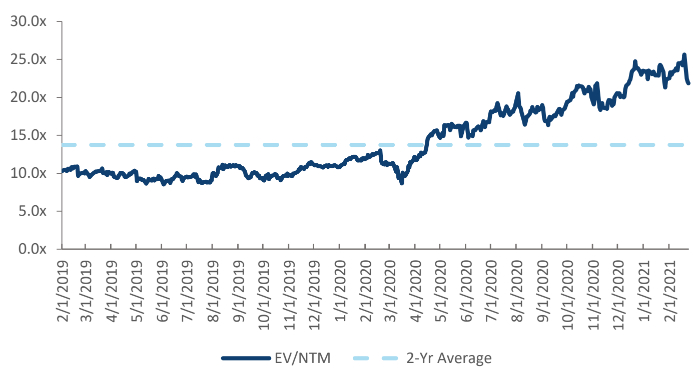
Our PT of $220 implies a EV/2022 sales multiple of 25X. FIVN currently trades at 25X 2021 revs. We expect the multiple to hold through 2022 as a result of faster than expected 2021/2022 sales growth due to pandemic tailwinds and faster contact center cloud adoption. We also note FIVN has a history of beating its initial forecast by an average of ~9% over the last six years, which may prove our estimates conservative.

Exhibit 17 - On Growth Adj Basis, FIVN Reasonably Valued



Source: Company data, Factset, JEF

Exhibit 18 - Premium to 2-Year Average NTM Multiple



Source: Factset, Company data, JEF

Exhibit 19 - Initial Total Revenue Guidance vs Actual

	Initial Revenue Guidance	Actual	Beat at Mdpt
2015	$117-122	$129	8%
2016	$148-151	$162	8%
2017	$187-190	$200	6%
2018	$231-234	$258	11%
2019	$298.5-301.5	$328	9%
2020	$380.5-383.5	$435	14%
Average Beat			**9%**

Source: Company data, JEF

Company Overview

FIVN was founded in 2001 and has evolved into a leading provider of CCaaS solutions. The company completed its IPO in 2014. As of December 31, 2019, FIVN had 1,210 employees with offices in San Ramon, CA, The Philippines, and Russia. Since its IPO in 2014, the company has grown rapidly, compounding its revenue at 26% and surpassing the $400M

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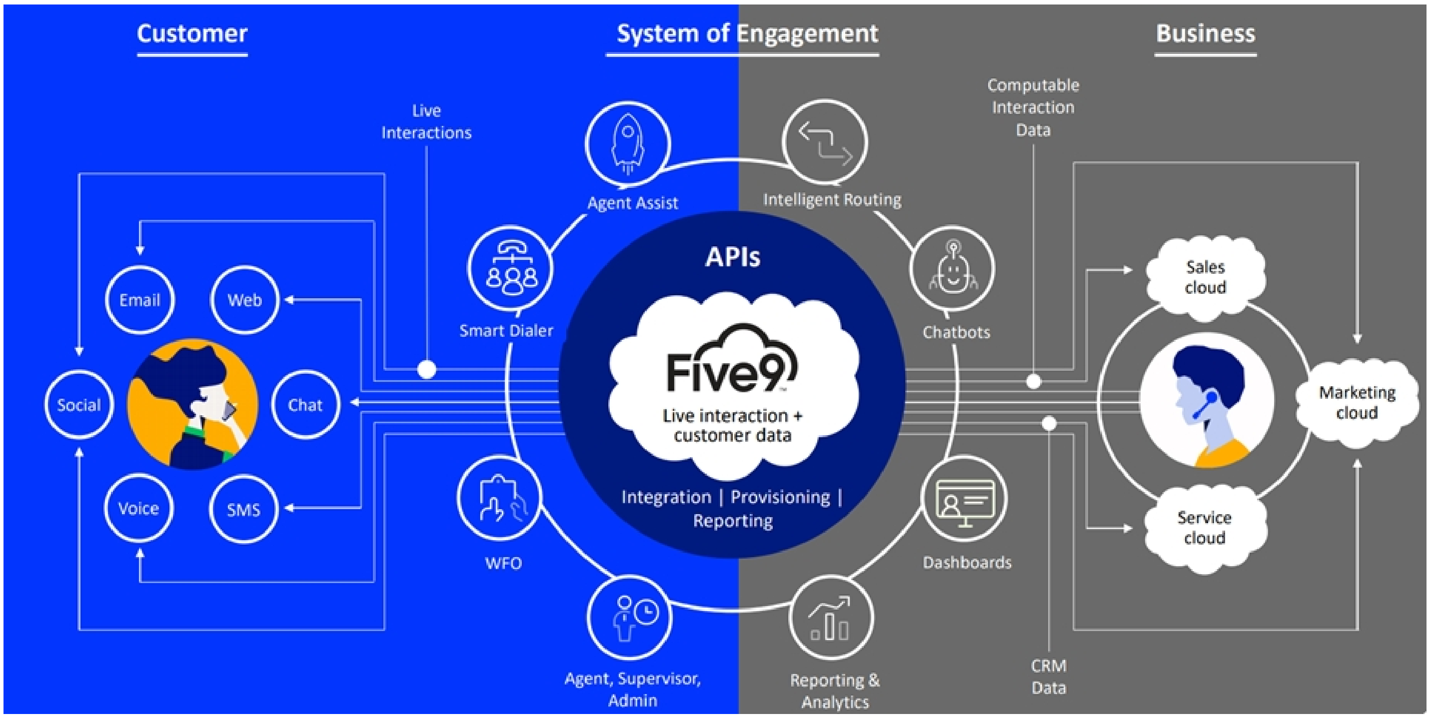
mark in 2020. The phenomenal growth has been driven by FIVN's differentiated technology, strong execution, and secular tailwinds from on-prem to cloud solutions within the contact center.

Products and Technology

FIVN's cloud contact center software solutions consists of its highly scalable virtual contact center (VCC) cloud platform that delivers a comprehensive, end-to-end suite of applications to cover the breadth of contact center-related customer service, sales, and marketing functions. Solutions enable omni-channel interactions between businesses and their customers, including voice, chat, email, web, video, social media and mobile and connects them to the most appropriate agent.



Source: FIVN Investor Presentation, November 2019

Services are delivered globally from four third-party co-location data center facilities located in Santa Clara, CA; Atlanta, GA; Slough, England and Amsterdam, the Netherlands. Some voice services are also hosted on the public cloud in Europe, Asia, and South America, and Australia.

App Marketplace

In November 2019, FIVN announced the launch of the Five9 App Marketplace. The Marketplace embodies FIVN's open platform strategy and how they embrace ISVs and partners. The Marketplace spans over 10 categories including AI, CRM, UC, WFO, Messaging, Compliance, Lead Management and Virtualization/Dashboards/Automation. These partners integrate into Five9 and provide valuable extensions to the platform.

Revenue Model

FIVN segments revenues into two categories: 1. Subscription Services; 2. Professional Services.

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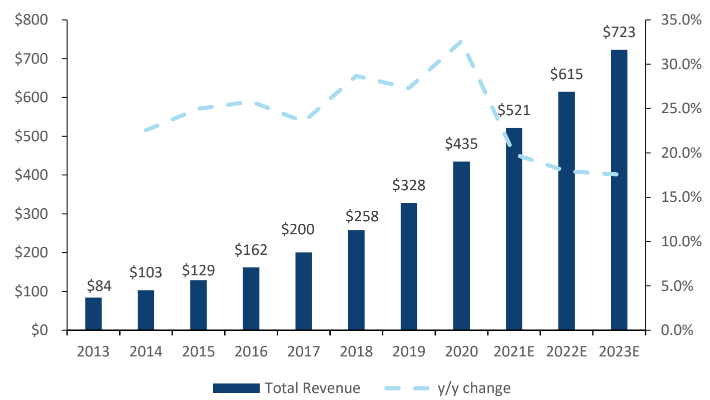
Subscription Services: Subscription services include per agent per month fees, as well as usage-based telephony fees. The per agent per month fees are dependent on the services taken by the customers (routing, analytics, WFO, etc.) while the related usage fees are based on the volume of minutes of inbound and outbound client interactions. Revenue generated from telephony usage is presented in revenue and COGS on a gross basis.

Contracts are offered on monthly, annual and multiple-year basis. FIVN generally requires customers to provide 30 days' notice for reductions in the number of agent seats while seat increases can be provisioned immediately. Larger clients typically choose annual contracts, which generally include an implementation and ramp period of several months. Fixed subscription fees, including bundled plans, are generally billed monthly in advance, while related usage fees are billed in arrears.

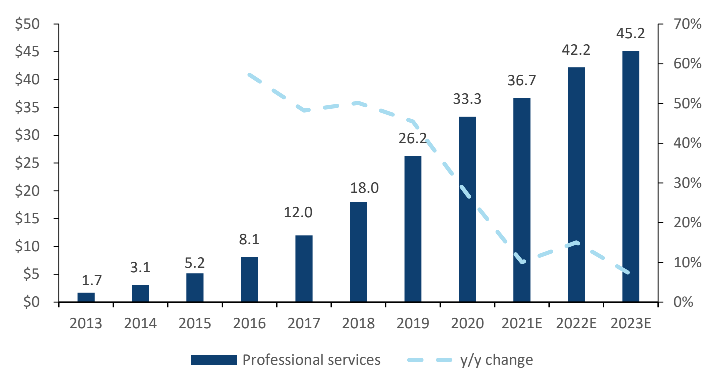
Exhibit 20 - Steady 20%+ Compounder with Years of Runway ($M)



Source: Company data, JEF estimates

Professional Services: Professional services revenue is derived primarily from VCC implementations, including application configuration, system integration, optimization, education and training services. Customers are billed on a fixed-fee basis and revenue is recognized over time, as services are performed.

Exhibit 21 - Professional Services Revenue



Source: Company data, JEF estimates

Revenue by Geography

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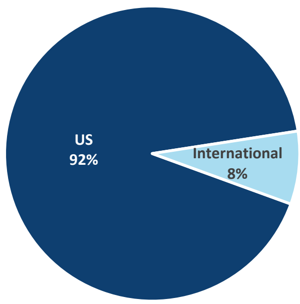
Revenues are largely focused in the US, with 92% being US derived in 2019. The company is working aggressively to expand internationally, which we view as a major growth opportunity.

Exhibit 22 - Significant International Expansion Opportunities



Source: Company data, JEF

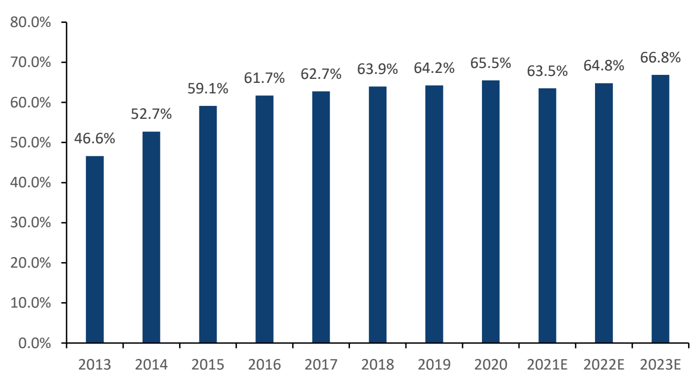
Margin Profile

Gross Margins Continue to Scale ...

FIVN has driven significant gross margin leverage as it has grown, increasing from 47% in 2013 to 65.5% in 2020. Cost of revenue consists primarily of personnel costs, fees paid to telecommunications providers for usage, Universal Service Fund (USF) contributions and other regulatory costs, costs to build out and maintain co-location data centers, and allocated office/facility costs.

The telecommunication fees and USF contributions can cause fluctuations in gross margin as they are pass through costs and are dependent on clients' usage. As FIVN moves upmarket, we expect these fees to decrease as a percent of sales as larger customers typically have their own telco relationships. The consistent gross margin improvements seen over the last five years are expected to continue as FIVN realizes economies of scale in network infrastructure, personnel, and support costs.

Exhibit 23 - Steady Gross Margin Improvements (Non-GAAP)



Source: Company data, JEF estimates

...Flowing Through to Operating Margin...

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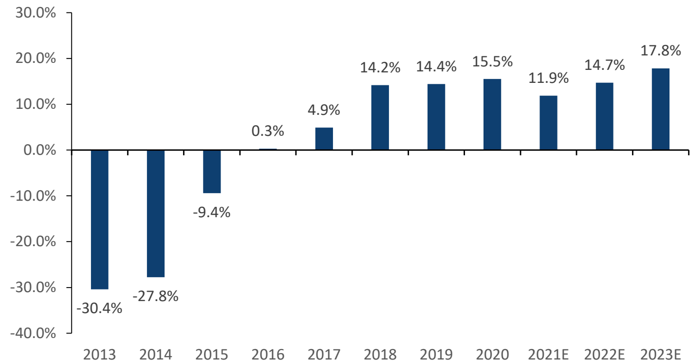
The inherent operating leverage in FIVN's model is apparent with op margins expanding ~45-points since 2013. We are expecting this leverage to continue as FIVN continues to scale gross margins and drives S&M efficiency while leveraging R&D and G&A.

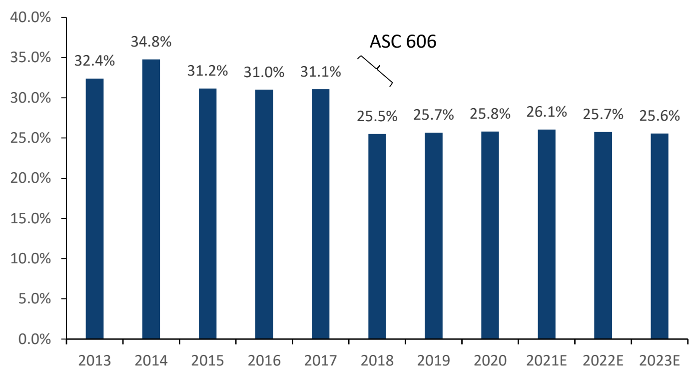
Exhibit 24 - Operating Margin Scaling Nicely (Non-GAAP)



Source: Company data, JEF estimates

This margin improvement is being driven by leverage across all three operating expense accounts. On S&M specifically, FIVN has a fairly efficient go-to-market motion. The company sells both direct-to-customers and through channel partners, such as Deloitte, Accenture, CDW, and AT&T, among numerous others.

Exhibit 25 - Sales and Marketing (% of Sales, Non-GAAP)



Source: Company data, JEF estimates

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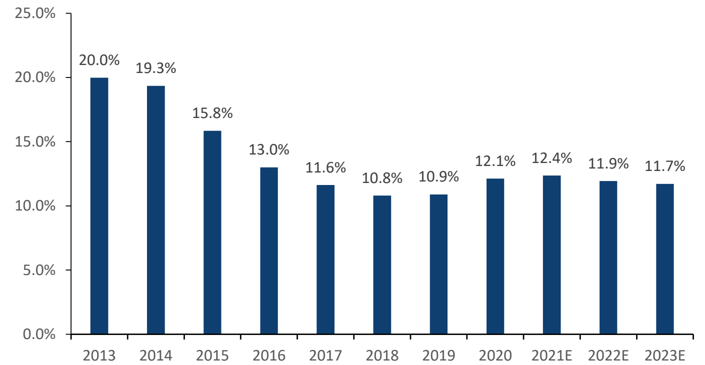
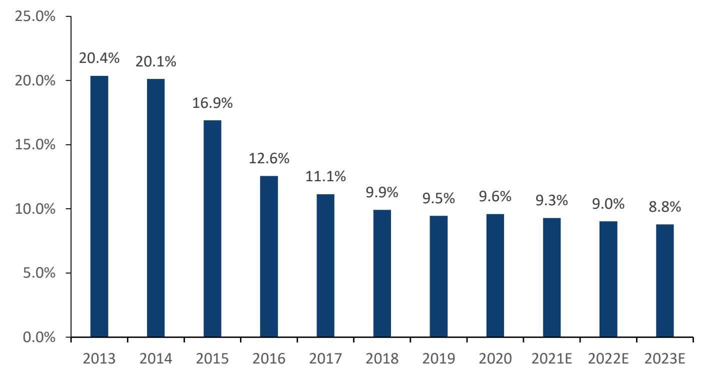
Exhibit 26 - Research and Development (% of Sales, Non-GAAP)



Source: Company data, JEF estimates

Exhibit 27 - General & Administrative (Non-GAAP)

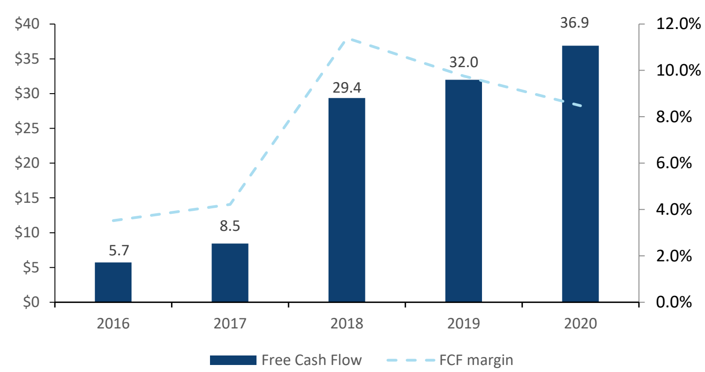


Source: Company data, JEF estimates

...and Free Cash Flow

FIVN has been FCF positive since 2016 and continues to ramp in absolute dollar terms. We believe this business at maturity will be a structural 20%+ FCF margin business. FCF margin has declined slightly since 2018 due to increased investments.

Exhibit 28 - FCF Positive Since 2016



Source: Company data, JEF estimates

Long-Term Operating Model Targets

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FIVN has issued a long-term framework for investors, though no specific timetable has been set to reach these targets. Gross margins are expected to continue scaling from 65% in 2020 to 70%+, while EBITDA margins are expected to reach 27%, up from 20% in 2020.

Exhibit 29 - Long-Term Financial Targets

Long-Term Financial Framework	2020	LT Guide
Enterprise growth	39%	>30%
Adj gross margin	65%	70%+
S&M	26%	26-30%
R&D	12%	8-10%
G&A	10%	5-7%
EBITDA margin	20%	27%

Source: Company data, JEF

Go-To-Market

FIVN goes to market direct, as well as through channel partners. The company initially focused on its direct sales model, but are increasingly focused on expanding channel partner relationships to increase its sales radius, move upmarket into larger contact centers, and expand internationally.

Direct: Sales teams includes both a field sales team and a telesales team. The telesales team tends to focus on supporting the field sales team and selling into smaller opportunities.

ISVs: FIVN has extensive integrations with leading CRM vendors, such as CRM, ORCL, ZEN, MSFT, and NOW. The company also have tight integrations with WFO providers (VRNT and Calabrio) and unified communications vendors (MSFT Teams, Fuze, and ZM).

Channel Partners: Channel partners include system integrators (Accenture, Deloitte, PwC), master agents, VARs, and telephony providers (AT&T, VZ, and CenturyLink). Sales from these channel partners are growing rapidly. For example, FIVN expects bookings through SI partners to triple in 2020 vs 2019.

Embracing the Channel Expands Reach

Similar to the UCaaS industry, channel partners (VARs, Master Agents, SIs, and Service Providers) are the gatekeepers to the contact center industry. Many of these partners have serviced contact centers for decades and have well-established brands and relationships. They also provide critical professional and customer services that ISVs cannot, or do not necessarily want to provide.

One reason we believe the industry has evolved as it has is due to the high touch nature of contact center systems, especially upmarket with large operations. Contact centers are complex and mission critical, meaning they need prompt, efficient customer service as down-time can cause serious business repercussions. Furthermore, end customers might not have the technical resources to implement, train staff, and operate a contact center on their own, requiring the expertise of a channel partner.

Given these industry dynamics, FIVN saw the need to embrace and form relationships with these gatekeepers if they wanted to move upmarket into larger contact centers.

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Management Team

Exhibit 30 - Management Team Bios

Title	Name	Bio
CEO	Rowan Trollope	Mr. Trollope has served as CEO of FIVN since May 2018. Prior to joining FIVN, he was SVP of Cisco's Applications Group and Group President Sales, Marketing and Product Development at Symantec.
CFO	Barry Zwarenstein	Mr. Zwarenstein has served as CFO of FIVN since January 2012. Prio to joining FIVN he was CFO of Iomega Corporation and Mellanox Technologies. He's managed three succesful IPOs (Five9, Verifone and Logitech) and played a significant role in the sale of SMART Modular Technologies to Silver Lake Partners and the sale of Acuson to Siemens Health Care. Mr. Zwarenstein holds a B.C from the University of Natal, South Africa and an MBA from Wharton School of Business.
President	Dan Burkland	Mr Burkland has served as President of FIVN since December 2017. He heads global sales, including all direct sales, channels, System Integrators, and ISV partnerships. Before FIVN, he was SVP of Sales at Transera Communications. Mr. Burkland holds a Bachelor's degree from the California State University.
EVP Stategy & Operations	James Doran	Mr. Doran has served as EVP Strategy & Operations of FIVN since November 2018. Prior to FIVN, he was VP of Strategy & Operations for Cisco's Collaboration division, where he led the business transformation to subscription, inked alliances with Salesforce, Apple, IBM and Google and drove the merger and acquisition agenda to include Broadsoft, Mindmeld and AppDynamics. Mr. Doran received a B.A. in Economics from the University of Notre Dame and an MBA from the Thunderbird School of Global Management.

Source: Company data, JEF

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Exhibit 31 - Income Statement

NON-GAAP INCOME STATEMENT	2019	2020				2020	2021E				2021E	2022E				2022E	2023E
		Mar-20	Jun-20	Sep-20	Dec-20		Mar-21E	Jun-21E	Sep-21E	Dec-21E		Mar-22E	Jun-22E	Sep-22E	Dec-22E		
Subscription and usage fees	301,766	86,530	91,809	104,293	118,933	401,565	112,839	114,549	120,402	136,757	484,548	127,586	132,744	144,313	167,823	572,466	677,393
Professional services	26,240	8,558	7,983	7,850	8,952	33,343	9,842	7,983	9,028	9,847	36,700	11,318	9,181	10,382	11,324	42,205	45,159
Revenue	**328,006**	**95,088**	**99,792**	**112,143**	**127,885**	**434,908**	**122,681**	**122,532**	**129,429**	**146,605**	**521,247**	**138,904**	**141,925**	**154,695**	**179,147**	**614,671**	**722,552**
Cost of revenue	117,321	34,108	34,216	38,787	42,954	150,065	45,524	45,208	46,352	53,199	190,283	50,869	49,867	54,109	61,587	216,432	239,556
Gross profit	**210,685**	**60,980**	**65,576**	**73,356**	**84,931**	**284,843**	**77,157**	**77,324**	**83,077**	**93,405**	**330,964**	**88,034**	**92,058**	**100,586**	**117,560**	**398,239**	**482,996**
Research and development	35,731	11,918	13,027	13,286	14,513	52,744	15,949	16,419	15,920	16,127	64,414	17,502	18,450	18,409	18,990	73,350	84,628
Sales and marketing	84,218	26,052	26,964	27,541	31,685	112,242	34,105	34,309	33,652	33,719	135,785	38,268	39,384	39,834	40,756	158,242	184,681
General and administrative	31,030	9,202	10,162	10,491	11,855	41,710	11,655	12,253	12,037	12,461	48,406	12,849	13,838	14,000	14,780	55,466	63,512
Depreciation	13,492	3,880	4,505	4,799	5,054	18,238	5,079	5,105	5,130	5,156	20,470	5,182	5,208	5,234	5,260	20,882	21,303
Non-GAAP add backs	(1,114)	(329)	(2,836)	(2,030)	(2,339)	(7,534)	0	0	0	0	0	0	0	0	0	0	0
Income from operations	**47,328**	**10,257**	**13,754**	**19,269**	**24,163**	**67,443**	**10,369**	**9,238**	**16,339**	**25,943**	**61,888**	**14,234**	**15,178**	**23,110**	**37,775**	**90,298**	**128,872**
Interest expense	(13,794)	(3,484)	(5,734)	(9,649)	(9,481)	(28,348)	(9,481)	(9,481)	(9,489)	(9,489)	(37,940)	(9,489)	(9,489)	(9,489)	(9,489)	(37,956)	(37,956)
Interest income, other, and non-GAAP adjustments	18,650	4,392	3,170	9,265	9,035	25,862	9,481	9,481	9,489	9,489	37,940	9,489	9,489	9,489	9,489	37,956	37,956
Earnings before tax	**52,184**	**11,165**	**11,190**	**18,885**	**23,717**	**64,957**	**10,369**	**9,238**	**16,339**	**25,943**	**61,888**	**14,234**	**15,178**	**23,110**	**37,775**	**90,298**	**128,872**
Income tax expense	104	69	(2,876)	346	8	(2,453)	311	203	359	363	1,237	0	0	0	0	0	0
Net income	**52,080**	**11,096**	**14,066**	**18,539**	**23,709**	**67,410**	**10,058**	**9,035**	**15,979**	**25,579**	**60,651**	**14,234**	**15,178**	**23,110**	**37,775**	**90,298**	**128,872**
Adjusted EPS (diluted)	**$0.82**	**$0.17**	**$0.21**	**$0.27**	**$0.34**	**$0.99**	**$0.13**	**$0.12**	**$0.20**	**$0.32**	**$0.77**	**$0.17**	**$0.18**	**$0.28**	**$0.45**	**$1.09**	**$1.49**
Basic shares outstanding	60,371	61,705	63,282	65,460	66,133	64,154	67,500	68,850	70,227	71,632	69,552	72,348	73,071	73,802	74,540	73,440	76,422
Diluted shares outstanding	63,245	65,161	67,171	69,605	70,320	68,040	76,500	77,762	79,317	80,904	78,621	81,713	82,530	83,355	84,189	82,947	86,315
Y/Y CHANGE																	
Revenue	27.3%	27.6%	28.9%	33.9%	38.6%	32.6%	29.0%	22.8%	15.4%	14.6%	19.9%	13.2%	15.8%	19.5%	22.2%	17.9%	17.6%
Subscription	25.9%	24.8%	28.9%	36.8%	40.0%	33.1%	30.4%	24.8%	15.4%	15.0%	20.7%	13.1%	15.9%	19.9%	22.7%	18.1%	18.3%
Prof. services	8.0%	9.0%	8.0%	7.0%	7.0%	7.7%	8.0%	6.5%	7.0%	6.7%	7.0%	8.1%	6.5%	6.7%	6.3%	6.9%	6.2%
Gross profit	27.9%	29.0%	30.2%	36.9%	42.9%	35.2%	26.5%	17.9%	13.3%	10.0%	16.2%	14.1%	19.1%	21.1%	25.9%	20.3%	21.3%
Operating income	29.6%	17.3%	24.0%	65.6%	52.4%	42.5%	1.1%	-32.8%	-15.2%	7.4%	-8.2%	37.3%	64.3%	41.4%	45.6%	45.9%	42.7%
Net income	40.9%	10.9%	14.3%	44.7%	39.8%	29.4%	-9.4%	-35.8%	-13.8%	7.9%	-10.0%	41.5%	68.0%	44.6%	47.7%	48.9%	42.7%
Adj. EPS	36.9%	6.8%	7.1%	31.9%	26.9%	20.3%	-22.8%	-44.5%	-24.4%	-6.2%	-22.1%	32.5%	58.3%	37.6%	41.9%	41.1%	37.1%
S/O	3.0%	3.8%	6.7%	9.7%	10.1%	7.6%	17.4%	15.8%	14.0%	15.1%	15.6%	6.8%	6.1%	5.1%	4.1%	5.5%	4.1%
MARGINS																	
Gross margin	64.2%	64.1%	65.7%	65.4%	66.4%	65.5%	62.9%	63.1%	64.2%	63.7%	63.5%	63.4%	64.9%	65.0%	65.6%	64.8%	66.8%
EBITDA	18.5%	14.9%	18.3%	21.5%	22.8%	19.7%	12.6%	11.7%	16.6%	21.2%	15.8%	14.0%	14.4%	18.3%	24.0%	18.1%	20.8%
R&D	10.9%	12.5%	13.1%	11.8%	11.3%	12.1%	13.0%	13.4%	12.3%	11.0%	12.4%	12.6%	13.0%	11.9%	10.6%	11.9%	11.7%
S&M	25.7%	27.4%	27.0%	24.6%	24.8%	25.8%	27.8%	28.0%	26.0%	23.0%	26.1%	27.6%	27.8%	25.8%	22.8%	25.7%	25.6%
G&A	9.5%	9.7%	10.2%	9.4%	9.3%	9.6%	9.5%	10.0%	9.3%	8.5%	9.3%	9.3%	9.8%	9.1%	8.3%	9.0%	8.8%
Operating income	14.4%	10.8%	13.8%	17.2%	18.9%	15.5%	8.5%	7.5%	12.6%	17.7%	11.9%	10.2%	10.7%	14.9%	21.1%	14.7%	17.8%
Net income	15.9%	11.7%	14.1%	16.5%	18.5%	15.5%	8.2%	7.4%	12.3%	17.4%	11.6%	10.2%	10.7%	14.9%	21.1%	14.7%	17.8%

Source: Company data, JEF estimates

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Exhibit 32 - Balance Sheet

	2019	2020				2020	2021E				2021E	2022E				2022E	2023E
		Mar-20	Jun-20	Sep-20	Dec-20		Mar-21E	Jun-21E	Sep-21E	Dec-21E		Mar-22E	Jun-22E	Sep-22E	Dec-22E		
ASSETS																	
Cash and equivalents	77,976	155,863	233,235	301,767	220,372	220,372	235,578	237,790	262,437	281,217	281,217	306,054	306,421	339,420	364,210	364,210	481,446
Marketable investments	241,973	170,433	452,708	479,141	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171	383,171
Accounts receivable	37,655	39,972	39,607	42,542	48,731	48,731	48,250	45,315	43,902	51,895	51,895	50,870	48,645	48,284	58,564	58,564	60,354
Prepaid expenses and other	10,656	13,396	17,529	15,908	16,149	16,149	18,464	25,529	22,717	24,474	24,474	25,450	37,180	32,440	37,089	37,089	56,208
Deferred contract acquisition costs	13,014	14,317	16,151	17,932	20,695	20,695	18,472	19,831	20,696	23,724	23,724	20,914	22,970	24,736	28,991	28,991	32,574
Total current assets	**381,274**	**393,981**	**759,230**	**857,290**	**689,118**	**689,118**	**703,934**	**711,636**	**732,923**	**764,481**	**764,481**	**786,458**	**798,386**	**828,051**	**872,025**	**872,025**	**1,013,753**
Property and equipments	33,190	34,940	39,799	41,676	51,213	51,213	57,743	60,063	61,449	64,975	64,975	68,576	71,719	73,839	78,315	78,315	93,227
Operating lease right-of-use assets	8,746	11,034	10,006	8,669	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010	9,010
Intangible assets	15,533	14,543	25,605	23,867	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684	51,684
Goodwill	11,798	11,798	34,444	34,444	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420	165,420
Other assets	1,184	3,316	2,789	3,258	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236	3,236
LT deferred contract acquisition costs	30,655	34,047	39,366	44,083	51,934	51,934	43,927	48,337	50,878	59,536	59,536	49,736	55,987	60,810	72,752	72,752	81,744
Marketable investments			82,064		42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127	42,127
Total assets	**482,380**	**503,659**	**993,303**	**1,013,287**	**1,063,742**	**1,063,742**	**1,077,081**	**1,091,513**	**1,116,727**	**1,160,469**	**1,160,469**	**1,176,246**	**1,197,569**	**1,234,176**	**1,294,568**	**1,294,568**	**1,460,201**
LIABILITIES AND STOCKHOLDER'S EQUITY																	
Accounts payable	10,156	8,367	12,045	12,829	17,145	17,145	16,512	17,607	19,089	23,412	23,412	23,089	23,968	27,216	32,719	32,719	40,747
Accrued and other current liabilities	18,385	24,738	34,817	40,814	44,450	44,450	42,938	42,751	45,300	50,957	50,957	48,616	49,517	54,143	62,268	62,268	69,964
Operating lease liabilities	5,064	6,087	5,247	4,307	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912	3,912
Accrued federal fees	2,303	1,754	1,670	2,562	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745	3,745
Sales tax liabilities	1,885	1,723	1,565	1,629	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714	1,714
Finance lease liabilities	3,518	2,812	2,032	1,299	612	612	612	612	612	612	612	612	612	612	612	612	612
Deferred revenue	24,681	25,632	26,306	28,527	31,983	31,983	33,070	32,301	32,924	36,665	36,665	37,443	37,413	39,351	44,803	44,803	50,341
Total current liabilities	**65,992**	**71,113**	**83,682**	**91,967**	**103,561**	**103,561**	**102,503**	**102,641**	**107,296**	**121,016**	**121,016**	**119,131**	**120,880**	**130,694**	**149,773**	**149,773**	**171,035**
Convertible senior notes	209,604	212,924	642,203	646,592	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316	643,316
LT sales tax liabilities	838	843	847	851	857	857	857	857	857	857	857	857	857	857	857	857	857
LT operating lease liabilities	4,329	5,438	5,249	4,679	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379	5,379
LT finance lease liabilities	809	286	100	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	4,350	6,589	6,814	6,809	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465	31,465
Total liabilities	**285,922**	**297,193**	**738,895**	**750,898**	**784,578**	**784,578**	**783,520**	**783,658**	**788,313**	**802,033**	**802,033**	**800,148**	**801,897**	**811,711**	**830,790**	**830,790**	**852,052**
Stockholder's equity	**196,458**	**206,466**	**254,408**	**262,389**	**279,164**	**279,164**	**293,561**	**307,854**	**328,414**	**358,435**	**358,435**	**376,098**	**395,672**	**422,465**	**463,779**	**463,779**	**608,149**
Total liabilities and stockholder's equity	**482,380**	**503,659**	**993,303**	**1,013,287**	**1,063,742**	**1,063,742**	**1,077,081**	**1,091,513**	**1,116,727**	**1,160,469**	**1,160,469**	**1,176,246**	**1,197,569**	**1,234,176**	**1,294,568**	**1,294,568**	**1,460,201**

Source: Company data, JEF estimates

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Exhibit 33 - Cash Flow Statement

	2019	2020				2020	2021E				2021E	2022E				2022E	2023E
		Mar-20	Jun-20	Sep-20	Dec-20		Mar-21E	Jun-21E	Sep-21E	Dec-21E		Mar-22E	Jun-22E	Sep-22E	Dec-22E		
CASH FLOW FROM OPERATING ACTIVITIES																	
Net loss	**(4,552)**	**(7,437)**	**(16,052)**	**(11,431)**	**(7,210)**	**(42,130)**	**(18,506)**	**(20,745)**	**(14,889)**	**(7,962)**	**(62,102)**	**(19,125)**	**(18,661)**	**(12,720)**	**(1,858)**	**(52,365)**	**(30,703)**
Depreciation & amortization	14,374	4,970	6,243	6,537	7,337	25,087	7,374	7,411	7,448	7,485	29,717	7,522	7,560	7,598	7,636	30,315	30,926
Amort of operating lease right-of-use assets	4,735	1,394	1,392	1,441	1,460	5,687	1,460	1,460	1,460	1,460	5,840	1,460	1,460	1,460	1,460	5,840	5,840
Amort of premium on marketable investments	(1,108)	177	453	1,189	1,271	3,090	1,271	1,271	1,271	1,271	5,084	1,271	1,271	1,271	1,271	5,084	5,084
Provision for doubtful accounts	90	255	98	225	176	754	176	176	176	176	704	176	176	176	176	704	704
Stock-based compensation	42,065	13,794	16,791	17,286	16,876	64,747	17,789	18,993	20,062	22,724	79,566	21,530	21,998	23,978	27,768	95,274	111,996
Loss on ealy extinguishment of debt	0	0	5,794	283	887	6,964					0					0	0
Gain on sale of convertible note held for investment	(217)	0	0	0	0	0					0					0	0
Amort of discount and issuance costs	12,788	3,320	5,251	8,633	8,534	25,738	9,481	9,481	9,489	9,489	37,940	9,489	9,489	9,489	9,489	37,956	37,956
Tax benefit of valuation allowance	0	0	(2,910)	0	(178)	(3,088)					0					0	0
Other	448	147	(65)	(9)	(220)	(147)	0	0	0	0	0	0	0	0	0	0	0
Changes in operating assets and liabilities											0					0	0
Accounts receivable	(12,935)	(2,620)	501	(3,187)	(4,652)	(9,958)	481	2,935	1,413	(7,993)	(3,164)	1,026	2,225	361	(10,281)	(6,669)	(1,789)
Prepaid expenses and other	(2,671)	(2,754)	(4,311)	1,620	132	(5,313)	(2,315)	(7,065)	2,812	(1,757)	(8,325)	(976)	(11,730)	4,740	(4,650)	(12,616)	(19,119)
Deferred contract acquisition costs	(12,783)	(4,695)	(7,153)	(6,497)	(10,614)	(28,959)	10,231	(5,770)	(3,406)	(11,686)	(10,631)	12,611	(8,307)	(6,589)	(16,196)	(18,482)	(12,576)
Other assets	(348)	(2,132)	528	(470)	163	(1,911)	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	2,549	(1,121)	3,674	114	3,514	6,181	(633)	1,095	1,482	4,323	6,267	(323)	879	3,249	5,502	9,307	8,028
Accrued and other current liabilities	(544)	4,802	4,759	3,967	(4,154)	9,374	(1,512)	(187)	2,549	5,656	6,507	(2,340)	901	4,626	8,124	11,311	7,697
Accrued federal fees and sales tax	1,010	(707)	(238)	961	1,286	1,302	0	0	0	0	0	0	0	0	0	0	0
Deferred revenue	8,695	3,378	(86)	1,954	2,725	7,971	1,087	(769)	624	3,740	4,682	778	(30)	1,939	5,452	8,139	5,538
Other liabilities	**(375)**	(377)	96	215	1,979	**1,913**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net cash provided by operating activities	**51,221**	**10,394**	**14,765**	**22,831**	**19,312**	**67,302**	**26,383**	**8,284**	**30,491**	**26,926**	**92,085**	**33,098**	**7,230**	**39,576**	**33,894**	**113,798**	**149,581**
CASH FLOW FROM INVESTING ACTIVITIES																	
Purchases of marketable investments	(360,958)	(62,339)	(398,560)	(46,147)	(113,902)	(620,948)	0	0	0	0	0	0	0	0	0	0	0
Proceeds from maturities of marketable investments	330,228	134,610	33,240	100,357	166,271	434,478					0					0	0
Purchases of property and equipment	(19,228)	(6,045)	(8,846)	(5,521)	(10,010)	(30,422)	(13,904)	(9,731)	(8,834)	(11,011)	(43,479)	(11,123)	(10,704)	(9,717)	(12,112)	(43,656)	(45,838)
Cash paid to acquire Virtual Observer	0	0	(28,313)	0	(137,025)	(165,338)					0					0	0
Cash paid to acquires Whendu	(13,890)	(100)	0	0	0	(100)					0					0	0
Proceeds from sale of convertible note	**217**	0	0	0	0	**0**					**0**					**0**	**0**
Net cash used in investing activities	**(63,631)**	**66,126**	**(402,479)**	**48,689**	**(94,666)**	**(382,330)**	**(13,904)**	**(9,731)**	**(8,834)**	**(11,011)**	**(43,479)**	**(11,123)**	**(10,704)**	**(9,717)**	**(12,112)**	**(43,656)**	**(45,838)**
CASH FLOW FROM FINANCING ACTIVITIES																	
Proceeds from 2025 convert	0	0	728,812	0	0	728,812	0	0	0	0	0	0	0	0	0	0	0
Payments for capped call transactions	0	0	(90,448)	0	0	(90,448)					0					0	0
Repurchase of a portion of 2023 convert	0	0	(181,462)	(5,003)	(13,885)	(200,350)					0					0	0
Proceeds from stock options	7,705	2,596	3,484	2,848	2,728	11,656	2,726	3,658	2,990	2,864	12,239	2,862	3,841	3,140	3,008	12,851	13,493
Proceeds from sale of common under ESPP	7,823	0	5,666	0	5,803	11,469					0					0	0
Repayments on revolving credit line	**0**	**0**	**0**	**0**	**0**	**0**					**0**					**0**	**0**
Payments of finance leases	(7,054)	(1,229)	(966)	(833)	(687)	(3,715)	0	0	0	0	0	0	0	0	0	0	0
Net cash provided by financing activities	**8,474**	**1,367**	**465,086**	**(2,988)**	**(6,041)**	**457,424**	**2,726**	**3,658**	**2,990**	**2,864**	**12,239**	**2,862**	**3,841**	**3,140**	**3,008**	**12,851**	**13,493**
Net increase in cash and equivalents	**(3,936)**	**77,887**	**77,372**	**68,532**	**(81,395)**	**142,396**	**15,206**	**2,212**	**24,648**	**18,779**	**60,845**	**24,837**	**367**	**32,999**	**24,790**	**82,993**	**117,236**
Cash at beginning of period	81,912	77,976	155,863	233,235	301,767	77,976	220,372	235,578	237,790	262,437	220,372	281,217	306,054	306,421	339,420	281,217	364,210
Cash at end of period	**77,976**	**155,863**	**233,235**	**301,767**	**220,372**	**220,372**	**235,578**	**237,790**	**262,437**	**281,217**	**281,217**	**306,054**	**306,421**	**339,420**	**364,210**	**364,210**	**481,446**

Source: Company data, JEF estimates

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Exhibit 34 - Discounted Cash Flow

Discounted Cash Flow	
Terminal multiple (EV/sales)	16.5x
Sum of discounted cash flows	1,157,211
Terminal value, discounted	14,380,394
Less: net debt	49,676
Target equity value	15,487,929
DCF-based target price	**$220**
Upside/downside	18.9%
Target price	$220

Fiscal Year	2018	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Subscription revenue	239,628	301,766	401,565	484,548	572,466	677,393						
Professional services	18,036	26,240	33,343	36,700	42,205	45,159						
Total revenue	**257,664**	**328,006**	**434,908**	**521,247**	**614,671**	**722,552**	**847,561**	**992,078**	**1,158,758**	**1,350,544**	**1,570,697**	**1,680,645**
y/y change		*27.3%*	*32.6%*	*19.9%*	*17.9%*	*17.6%*	*17.3%*	*17.1%*	*16.8%*	*16.6%*	*16.3%*	*7.0%*
Adj. operating income	**36,527**	**47,328**	**67,443**	**61,888**	**90,298**	**128,872**	**155,405**	**186,864**	**229,847**	**294,900**	**390,092**	**467,818**
y/y change		*29.6%*	*42.5%*	*-8.2%*	*45.9%*	*42.7%*	*20.6%*	*20.2%*	*23.0%*	*28.3%*	*32.3%*	*19.9%*
Op income margin	*14.2%*	*14.4%*	*15.5%*	*11.9%*	*14.7%*	*17.8%*	*18.3%*	*18.8%*	*19.8%*	*21.8%*	*24.8%*	*27.8%*
Tax expense	**300**	**104**	**(2,453)**	**1,237**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Cash tax rate							*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Unlevered net income	**36,227**	**47,224**	**69,896**	**60,651**	**90,298**	**128,872**	**155,405**	**186,864**	**229,847**	**294,900**	**390,092**	**467,818**
D&A	10,274	14,374	25,087	29,717	30,315	30,926	36,277	42,463	49,597	57,805	67,228	71,934
% of revenue	*4.0%*	*4.4%*	*5.8%*	*5.7%*	*4.9%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*	*4.3%*
Capex + capitalized software	(9,261)	(19,228)	(30,422)	(43,479)	(43,656)	(45,838)	(52,921)	(59,961)	(67,717)	(76,224)	(85,508)	(71,934)
% of revenue	*-3.6%*	*-5.9%*	*-7.0%*	*-8.3%*	*-7.1%*	*-6.3%*	*-6.2%*	*-6.0%*	*-5.8%*	*-5.6%*	*-5.4%*	*-4.3%*
Change in working capital	(9,815)	(3,079)	17,377	2,937	4,205	(3,229)	(8,476)	(9,921)	(11,588)	(13,505)	(15,707)	(16,806)
% of revenue	*-3.8%*	*-0.9%*	*4.0%*	*0.6%*	*0.7%*	*-0.4%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*	*-1.0%*
Unlevered Free Cash Flow	**27,425**	**39,291**	**81,938**	**49,827**	**81,163**	**110,731**	**130,286**	**159,445**	**200,139**	**262,976**	**356,106**	**451,012**
y/y change		*43.3%*	*108.5%*	*-39.2%*	*62.9%*	*36.4%*	*17.7%*	*22.4%*	*25.5%*	*31.4%*	*35.4%*	*26.7%*

Source: Company data, JEF estimates

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Company Description

Five9

Five9, Inc. engages in the provision of cloud software for contact centers. It specializes in omnichannel routing, analytics, workforce organization, and reporting. The company was founded in December 2001 and is headquartered in San Ramon, CA.

Company Valuation/Risks

Five9

Valuation. Our $220 price target is based on a DCF analysis.

Risks to our price target include: 1) failure to ramp enterprise traction further; 2) an increase in customer churn; and 3) increased competition from larger vendors like NICE, AVYA, CSCO, and Genesys.

Analyst Certification:

I, Samad Samana, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published	March 1, 2021 , 01:03 ET.
Recommendation Distributed	March 1, 2021 , 02:00 ET.

Company Specific Disclosures

Jefferies Group LLC makes a market in the securities or ADRs of Five9, Inc.

Jefferies Group LLC, its affiliates or subsidiaries expect to receive or intend to seek compensation for investment banking services from Five9, Inc. within the next three months.

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Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below $10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below $10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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CS - Coverage Suspended. Jefferies has suspended coverage of this company.

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Risks which may impede the achievement of our Price Target

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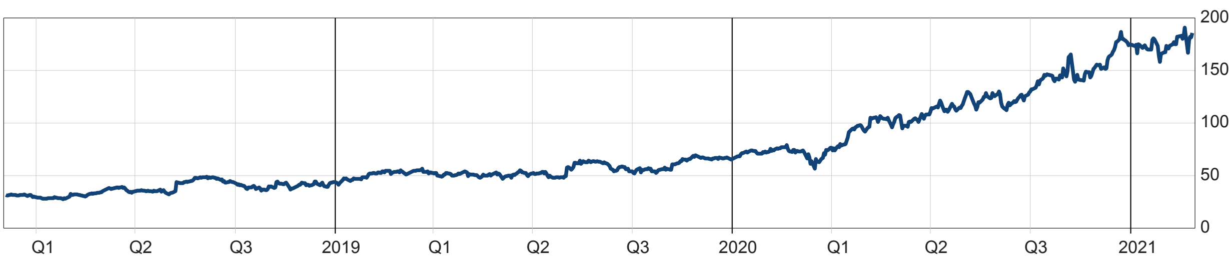
Rating and Price Target History for: Five9, Inc. (FIVN) as of 02-26-2021



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.
Legend:

I: Initiating Coverage

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D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1611	60.36%	154	9.56%	19	1.18%
HOLD	924	34.62%	22	2.38%	6	0.65%
UNDERPERFORM	134	5.02%	2	1.49%	1	0.75%

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