



William Blair Growth Stock Conference  
June 7, 2023

NASDAQ: VERX



David DeStefano  
President and Chief Executive Officer



# Disclaimer

## Forward Looking Statements

Any statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. Forward-looking statements are based on Vertex management's beliefs, as well as assumptions made by, and information currently available to, them. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected. Factors which may cause actual results to differ materially from current expectations include, but are not limited to: our ability to attract new customers on a cost-effective basis and the extent to which existing customers renew and upgrade their subscriptions; our ability to sustain and expand revenues, maintain profitability, and to effectively manage our anticipated growth; our ability to maintain and expand our strategic relationships with third parties; and the other factors described under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 as filed with the Securities Exchange Commission ("SEC") and the Company's subsequent filings with the SEC. Copies of each filing may be obtained from the Company or the SEC. All forward-looking statements reflect our beliefs and assumptions only as of the date of this presentation. We undertake no obligation to update forward-looking statements to reflect future events or circumstances.

## Definitions of Certain Key Business Metrics

**Annual Recurring Revenue ("ARR")** – We derive the vast majority of our revenues from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenues in order to evaluate the health of our business. Because we recognize subscription revenues ratably, we believe investors can use ARR to measure our expansion of existing customer revenues, new customer activity, and as an indicator of future software subscription revenues. ARR is based on monthly recurring revenues ("MRR") from software subscriptions for the most recent month at period end, multiplied by twelve. MRR is calculated by dividing the software subscription price, inclusive of discounts, by the number of subscription covered months. MRR only includes customers with MRR at the end of the last month of the measurement period.

**Net Revenue Retention Rate ("NRR")** – We believe that our NRR provides insight into our ability to retain and grow revenues from our customers, as well as their potential long-term value to us. We also believe it demonstrates to investors our ability to expand existing customer revenues, which is one of our key growth strategies. Our NRR refers to the ARR expansion during the 12 months of a reporting period for all customers who were part of our customer base at the beginning of the reporting period. Our NRR calculation takes into account any revenues lost from departing customers or customers who have downgraded or reduced usage, as well as any revenue expansion from migrations, new licenses for additional products or contractual and usage-based price changes.

## Use and Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with accounting principles generally accepted in the U.S. ("GAAP"), we have calculated non-GAAP cost of revenues, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP selling and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted EPS, Adjusted EBITDA, Adjusted EBITDA margin, free cash flow and free cash flow margin, which are each non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures used in this presentation to its most directly comparable GAAP financial measure.

Management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, and to evaluate financial performance and liquidity. Our non-GAAP financial measures are presented as supplemental disclosure as we believe they provide useful information to investors and others in understanding and evaluating our results, prospects, and liquidity period-over-period without the impact of certain items that do not directly correlate to our operating performance and that may vary significantly from period to period for reasons unrelated to our operating performance, as well as comparing our financial results to those of other companies. Our definitions of these non-GAAP financial measures may differ from similarly titled measures presented by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP financial measures, and should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 and in our other reports periodically filed with the SEC.

## Market & Industry Data

Market data and industry information used throughout this presentation are based on management's knowledge of the industry and the good faith estimates of management. The Company also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of third-party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such assumptions and resulting estimates. Although the Company believes that these sources are reliable, the Company cannot guarantee the accuracy or completeness of this information, and the Company has not independently verified this information. While the Company believes the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company, any of its affiliates or underwriters as to the accuracy of any such statements or projections. Projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in the Company's estimates and beliefs and in the estimates prepared by independent parties.

# Vertex: the trusted name in tax technology for over 40 years

**\$509MM**

LTM Revenues <sup>(1)</sup>

**>130**

Countries supported <sup>(2)</sup>

**\$80MM**

LTM Adjusted EBITDA <sup>(1)</sup>

**63%**

of the Fortune 500 <sup>(2)</sup>

**96%**

Gross Revenue Retention <sup>(3)</sup>

**85%**

Subscription revenues <sup>(3)</sup>

Notes:  
(1) Reflects last twelve months through March 31, 2023.  
(2) Based on information as of December 31, 2022.  
(3) Based on information as of March 31, 2023.

We deliver leading indirect tax software, services and content:

Tax determination

Tax data management

Compliance and reporting

Document management

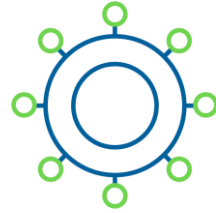
Industry-specific solutions

Monthly tax content updates

# Investment highlights



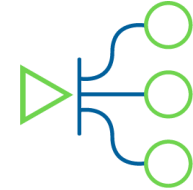
40-year history of leadership in global, growing indirect tax software market



Blue chip enterprise customer base and partner and alliance network



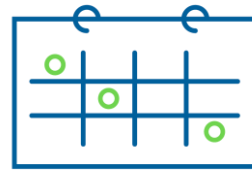
Significant growth in cloud and subscription revenues



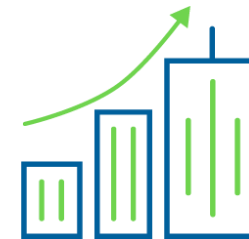
Meaningful land-and-expand motion with proven upsell track record



Market leadership due to dynamic, comprehensive content library



Highly scalable tax technology platform to support mission-critical workflows

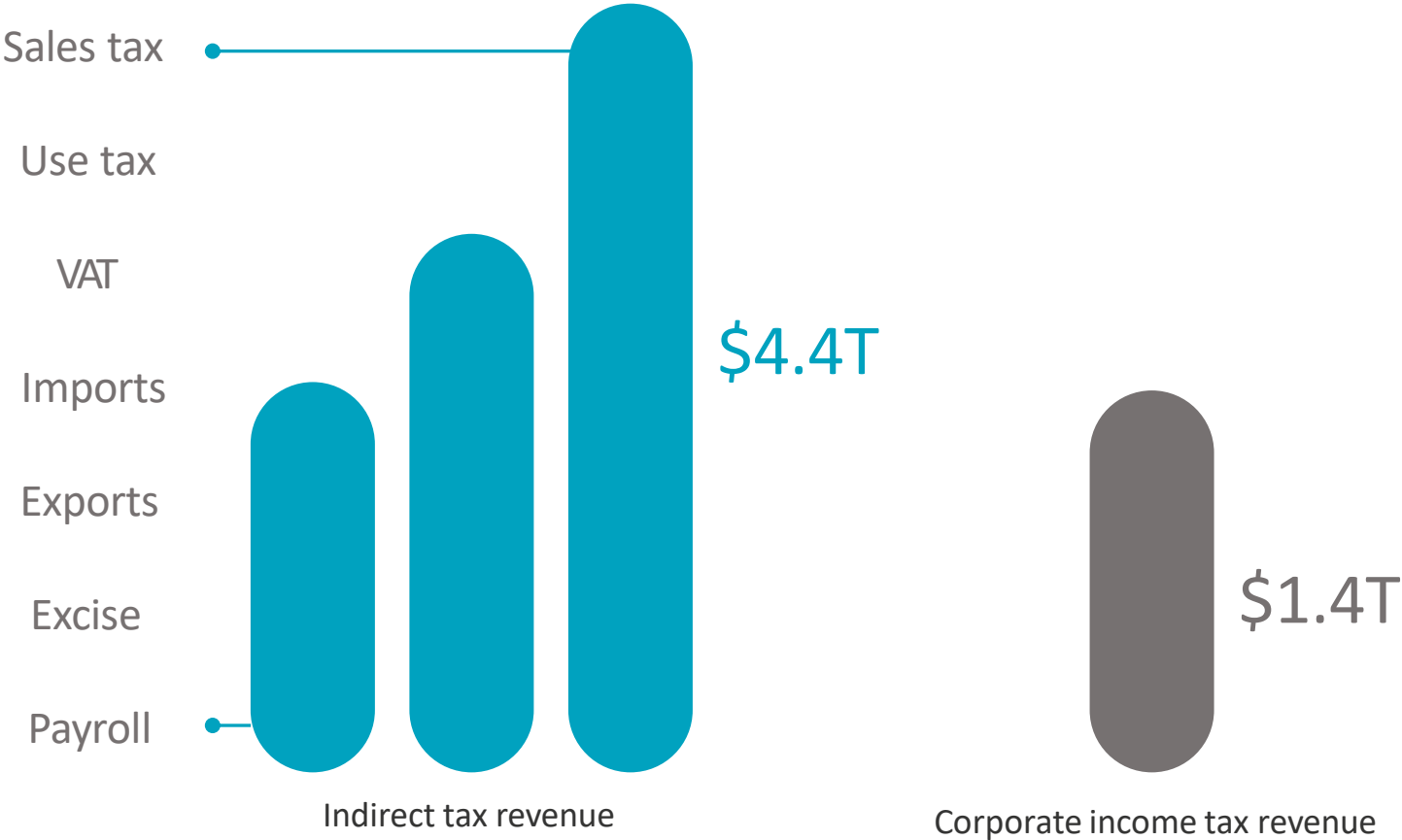


Disciplined market focus that has yielded durable and profitable growth

Notes:

(1) Based on information as of December 31, 2022.

# Indirect taxes are significant and growing<sup>(1)</sup>



3.1x

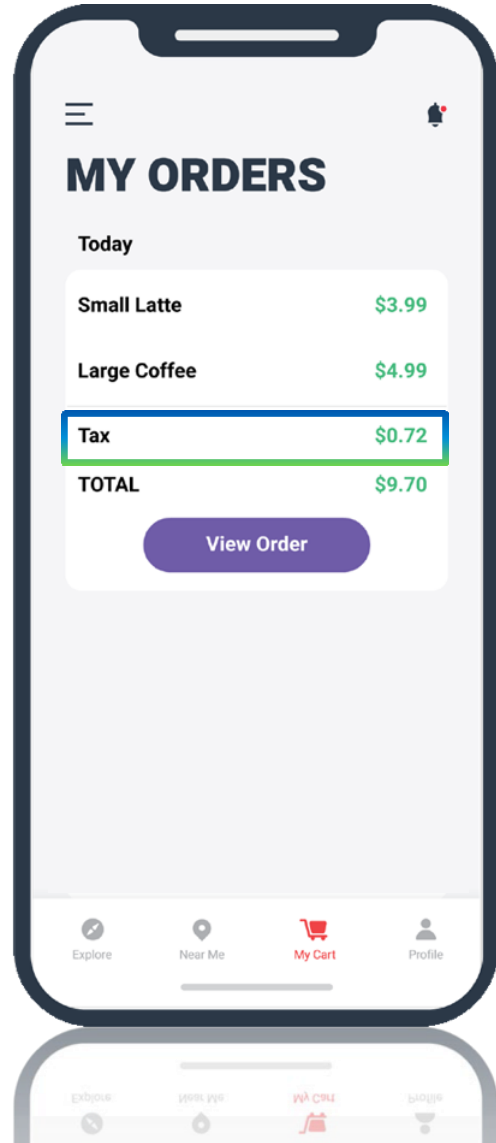
Indirect tax revenue vs. corporate income tax revenue

20%

VAT as a % of GDP in OECD countries

Source:  
(1) 2022 OECD Tax Database

# Indirect taxes are incredibly complex



EVERY  
transaction

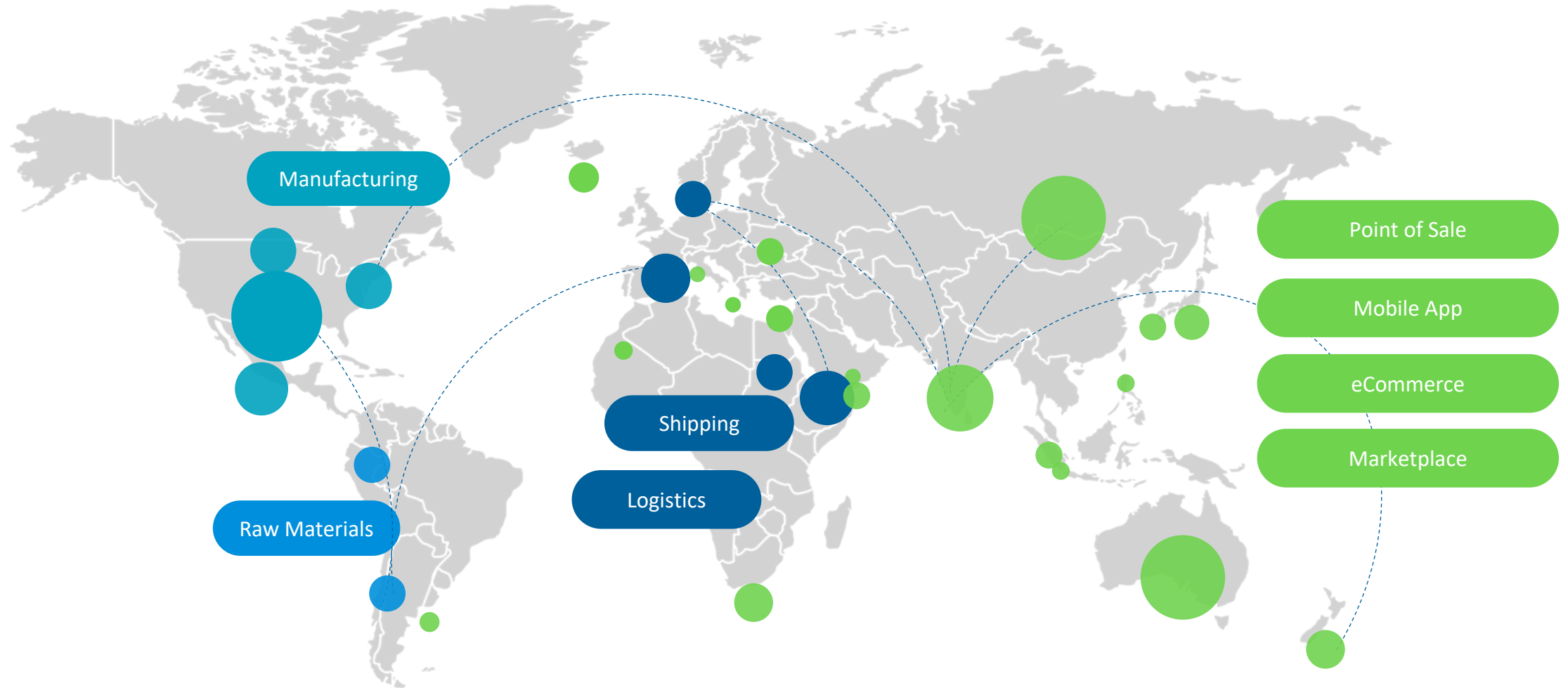
THOUSANDS  
of jurisdictions

THOUSANDS  
of products and services

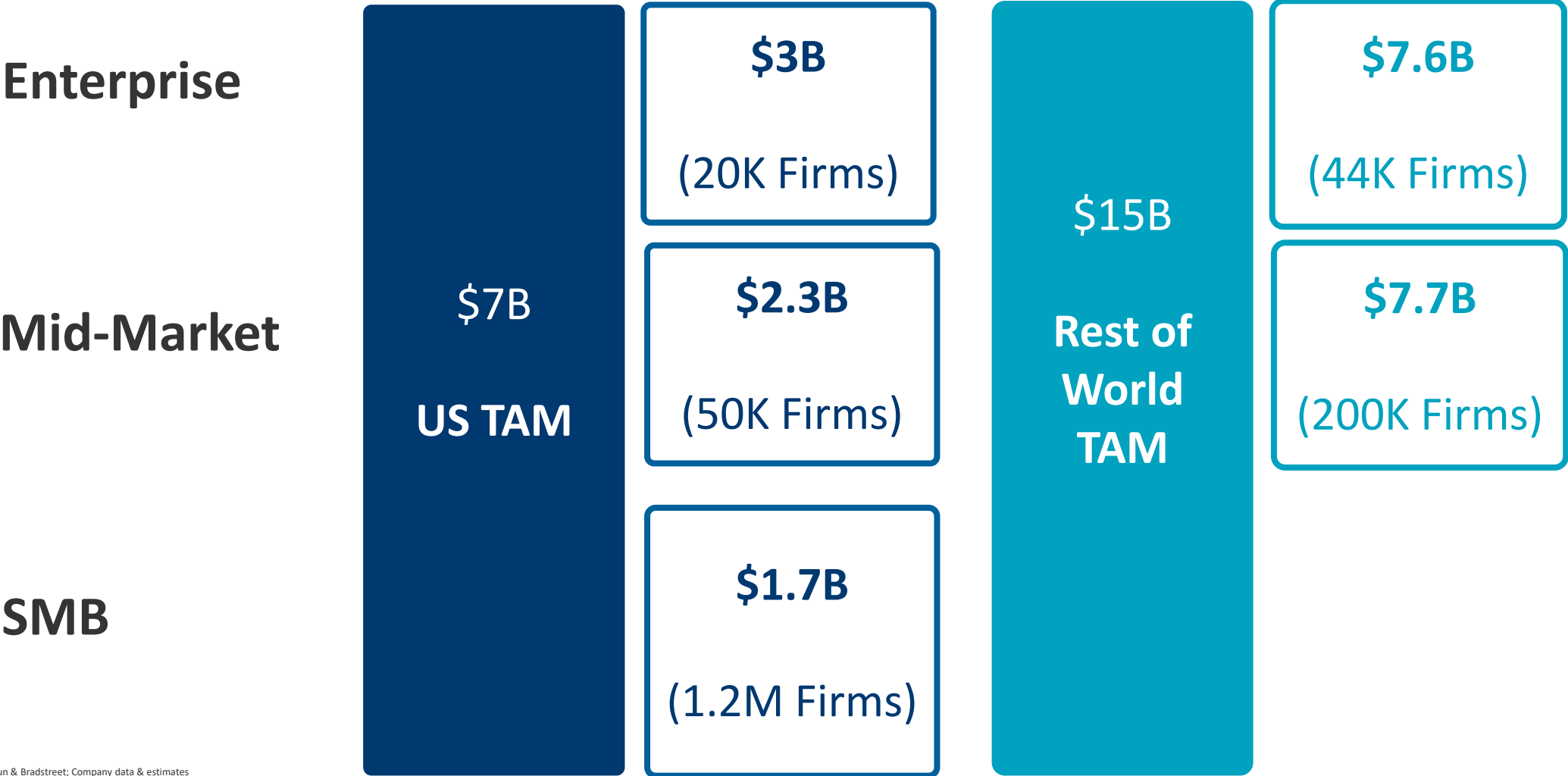
In REAL-TIME



# Indirect taxes occur across the global commerce supply chain

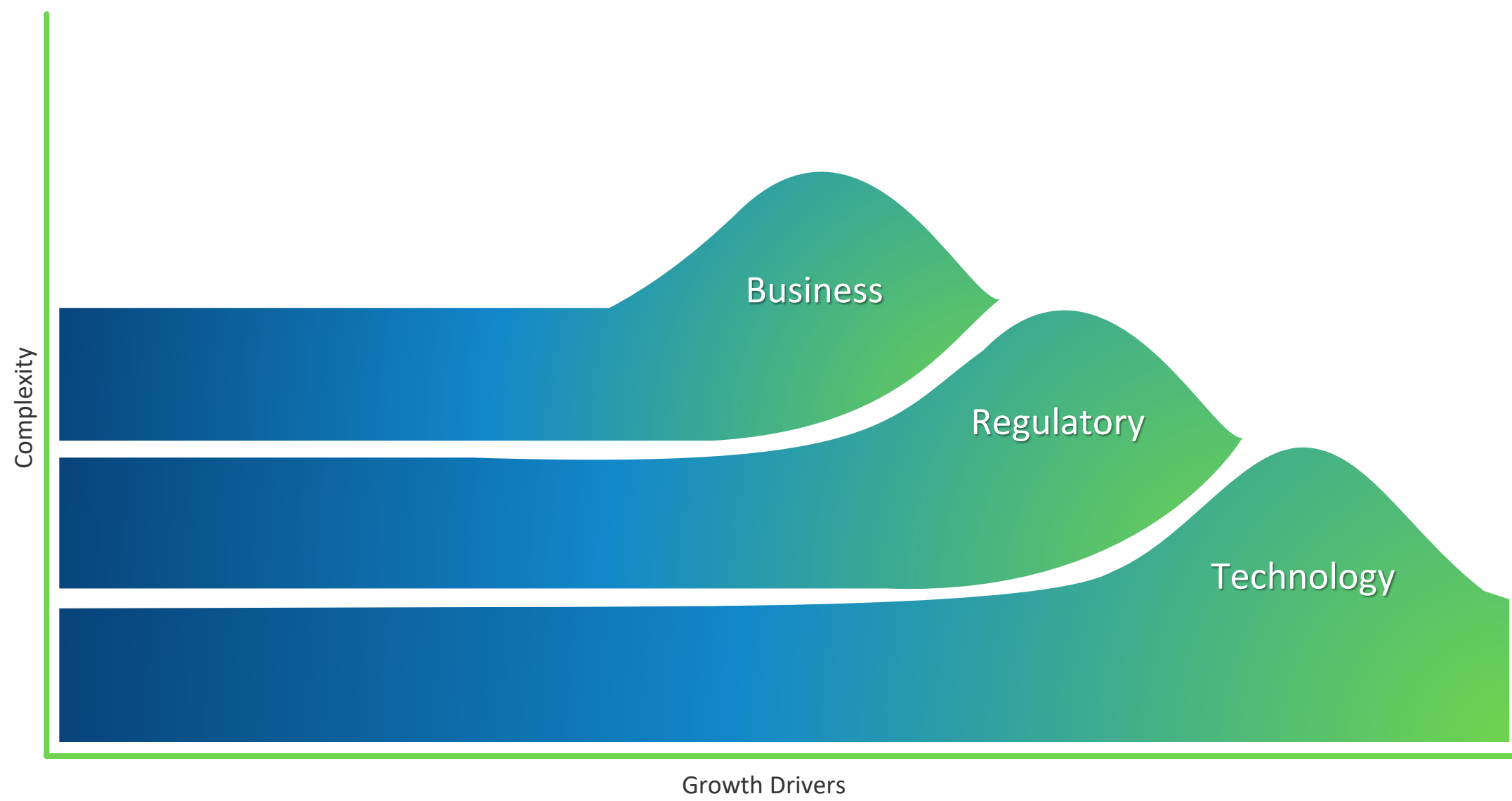


We estimate a \$22B TAM with less than 10% software adoption <sup>(1)</sup>



(1) Source: Dun & Bradstreet; Company data & estimates

# Growth Tailwinds Remain in Place



# *In the Market Segments We Target, Winning Requires:*



## **CONTENT**

Vast Tax Content  
Database



## **GO-TO-MARKET**

Go-to-Market Experience  
Alliance Partner Preference  
Customer References



## **TECHNOLOGY**

Deep ERP Integrations  
and Strategic Relationship  
Hybrid Deployment  
Optionality  
A Many-to-one  
Platform Solution



## **CUSTOMER SUPPORT**

Differentiated  
Customer Support

In our July 2020 IPO, we outlined a multi-year growth investment program



Enhance investment in  
new product  
development and R&D



Expand go-to-market to  
acquire new customers



Build customer success organization



Extend global footprint



Upgrade corporate  
infrastructure to support  
a larger company

# Key Metrics

	AT IPO	CURRENT	CAGR
Total Revenue <sup>(1)</sup>	\$349M	\$511M	+14.9%
ARR <sup>(2)</sup>	\$294.6M	\$446.5M	+16.2%
Subscription Revenue <sup>(1)</sup>	\$297.0	\$429.4M	+14.3%
NRR <sup>(2)</sup>	108%	110%	+200 bps
AARPC <sup>(2)</sup>	\$73,300	\$104,370	+13.7%

# Our Growth Opportunity Remains Compelling

- **Extend** leadership in indirect tax content
- **Drive** traction with new products
- **Mature** go-to-market and customer success functions
- **Enhance** earnings leverage as corporate infrastructure investments subside
- **Derive** incremental growth opportunities from selective M&A

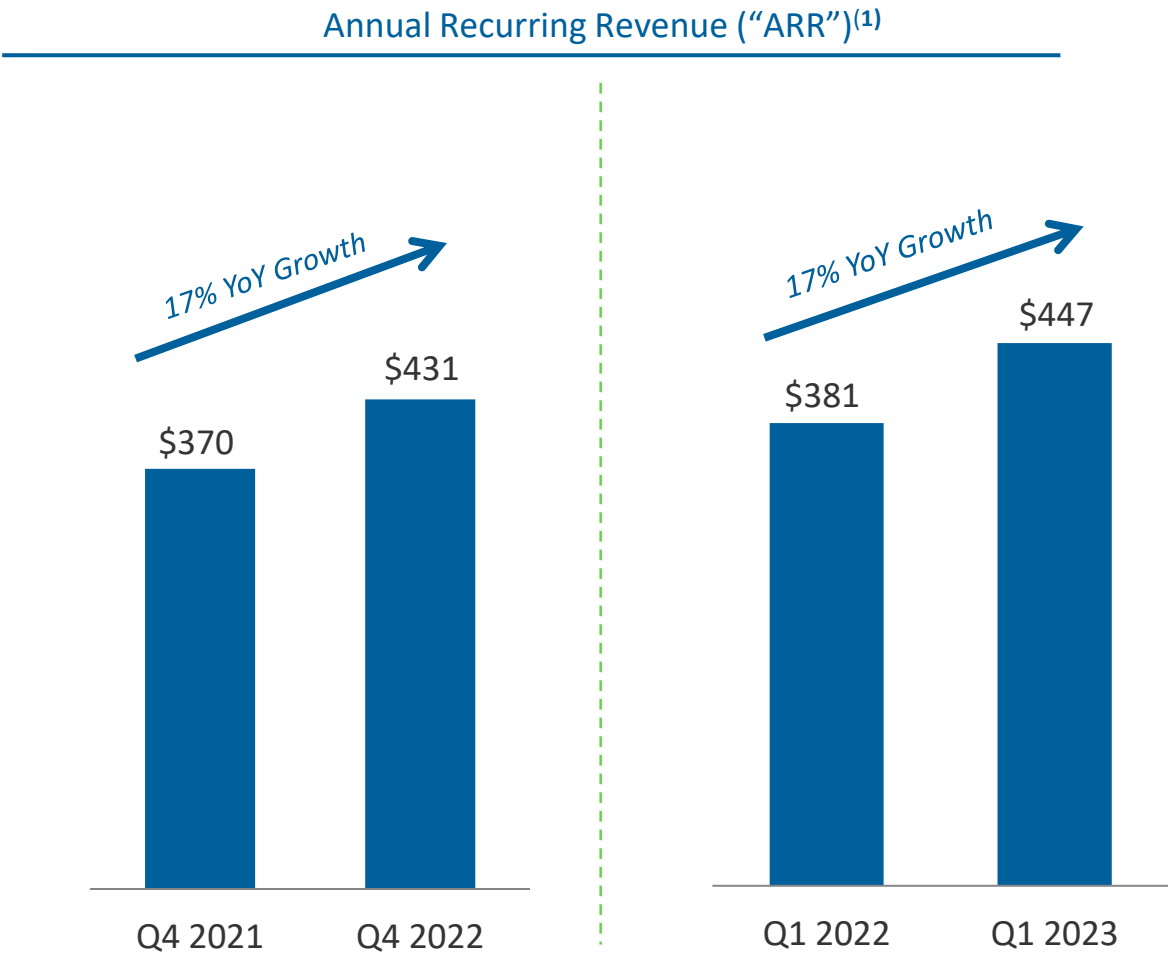
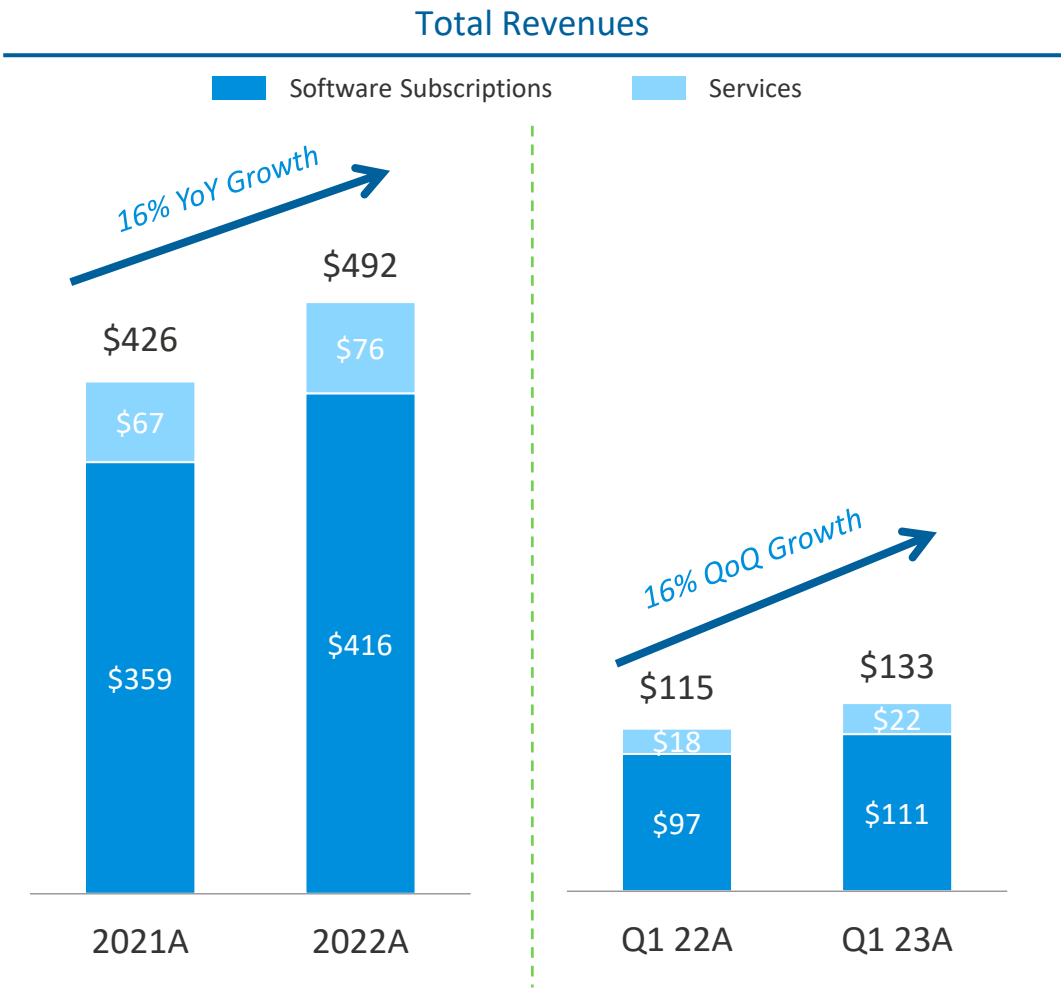


John Schwab  
Chief Financial Officer



# Strong recurring top-line growth

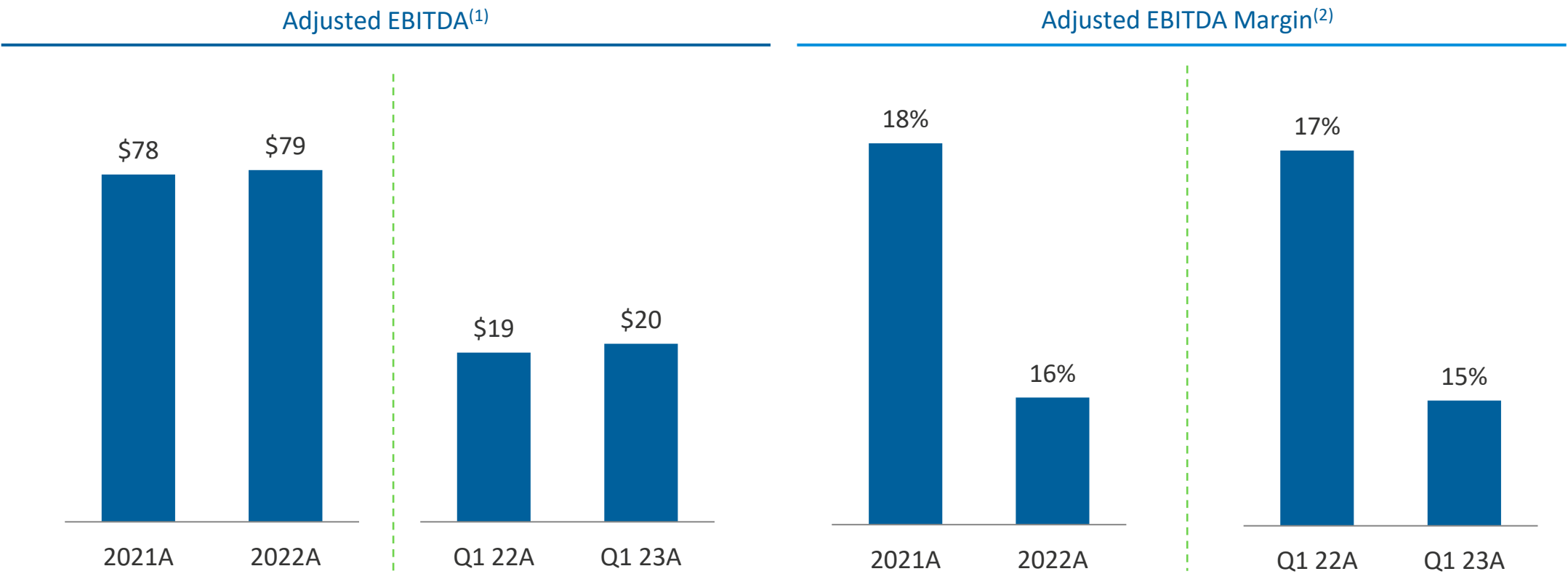
(\$ in millions)



Notes:  
(1) ARR is based on monthly recurring revenue from software subscriptions at period, multiplied by twelve.

# Healthy EBITDA and EBITDA Margin

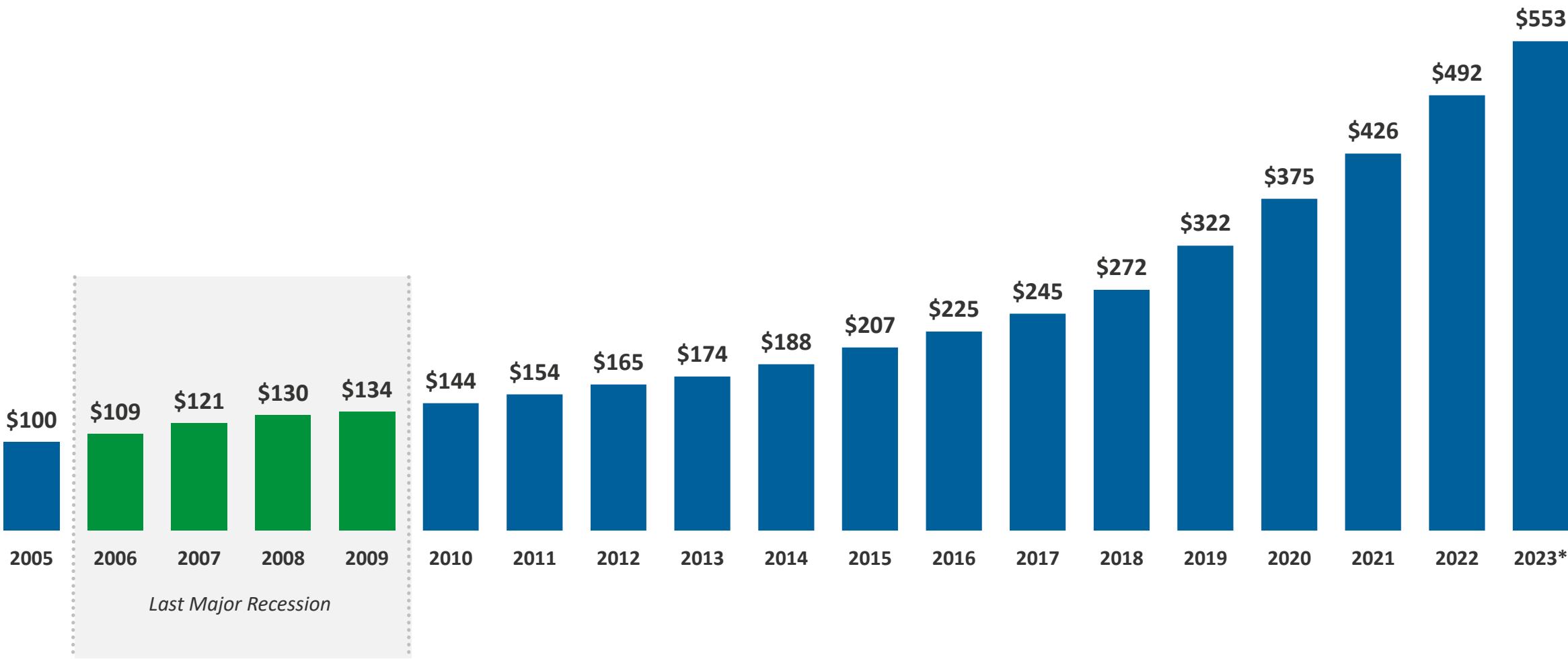
(\$ in millions)



*NOTE: EBITDA impacted in 2022 and 2023 by growth investments in R&D, Sales and Marketing, and corporate infrastructure.*

# Consistent Long Term Revenue Growth <sup>(1)</sup>

Annual Revenue (\$ in millions)



# Financial Outlook

	Q2 2023	FY 2023
Total Revenues	\$135 million to \$137 million	\$550 million to \$556 million
Adjusted EBITDA <sup>(1)</sup>	\$21 million to \$22 million	\$92 million to \$96 million
Other		Cloud revenue growth of 27%

(1) Adjusted EBITDA is a non-GAAP measure. For a reconciliation of this non-GAAP measure to the nearest GAAP measure at Q1 2023 and Q1 2022, see the Appendix.

# Q&A



# Appendix



# Adjusted EBITDA reconciliation<sup>(1)</sup>

(\$ in thousands)

	For the Twelve Months Ended December 31,		For the Three Months Ended March 31,	
	2021	2022	2022	2023
<b>Adjusted EBITDA</b>				
Net loss	\$(1,479)	\$(12,304)	\$(334)	\$(18,132)
Interest expense, net	984	2,048	(6)	(350)
Income tax expense (benefit)	(2,447)	2,174	808	9,553
Depreciation and amortization – property and equipment	11,678	12,440	2,960	3,741
Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues	32,291	44,934	9,697	12,435
Amortization of acquired intangible assets - selling and marketing expense	813	3,779	249	766
Stock-based compensation expense	26,160	19,729	4,933	11,434
Severance expense	5,232	877	122	555
Acquisition contingent consideration	-	2,300	700	200
Litigation settlement	-	2,000	-	-
Transaction costs	4,748	696	7	-
<b>Adjusted EBITDA (\$)</b>	<b>\$77,980</b>	<b>\$78,673</b>	<b>\$19,136</b>	<b>\$20,202</b>
<b>Adjusted EBITDA Margin (%)</b>	<b>18%</b>	<b>16%</b>	<b>17%</b>	<b>15%</b>

Notes:

(1) Adjusted EBITDA is a non-GAAP financial measure. The above table reconciles this non-GAAP financial measure to the most directly comparable GAAP financial measure. Refer to Form 10Q for the three months ended March 31, 2023 for additional information regarding the Company's use of this non-GAAP financial measure.