



Investor Presentation
December 2020

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: potential effects on our business of the COVID-19 pandemic; 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" of our final prospectus filed with the Securities and Exchange Commission ("SEC") on July 30, 2020, in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 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 – We derive the vast majority of our revenue from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenue in order to evaluate the health of our business. Because we recognize subscription revenue 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 calculated based on monthly recurring revenue ("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 – We believe that our NRR provides insight into our ability to retain and grow revenue 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 revenue lost from departing customers or customers who have downgraded as well as any revenue expansion from upgrades, cross sells or upsells of our software.

Use and Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with 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 net income per share, Adjusted EBITDA, Adjusted EBITDA margin, free cash flow and free cash flow margin, each of which are non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures to such measure's 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 resented 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, and should be read in conjunction with the financial statements included in our Quarterly Report on Form 10-Q 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 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 the 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.

Our vision is to accelerate
global commerce

Investment highlights

Pioneer in large, growing indirect tax software market

Marquee customer base across a diverse set of industries with >50% of Fortune 500⁽¹⁾

Significant cloud growth while maintaining a hybrid deployment

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

Market leadership due to proprietary technology and dynamic, comprehensive content library

Highly recurring subscription revenue and repeatable business model

Growth and profitability at scale

Company Overview

Vertex: pioneering tax technology for over 40 years

4,000+

Customers⁽¹⁾

>130

Countries supported⁽¹⁾

We deliver leading indirect tax software, services and content

>50%

of the Fortune 500⁽¹⁾

\$322MM

2019 Revenue

Tax determination

Tax data management

86%

Subscription revenue⁽²⁾

\$31MM

2019 Net income

Compliance and reporting

Document management

109%

Net revenue retention rate⁽¹⁾⁽³⁾

\$7B

TAM⁽⁴⁾

Industry-specific solutions

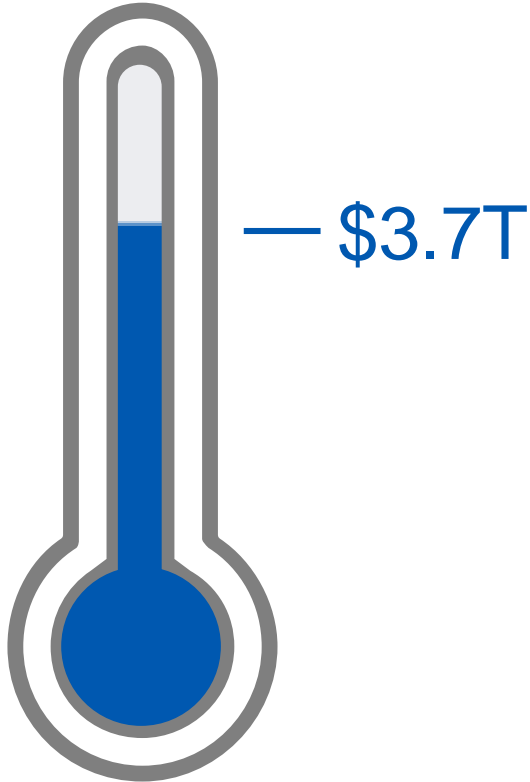
Monthly tax content updates

Notes:

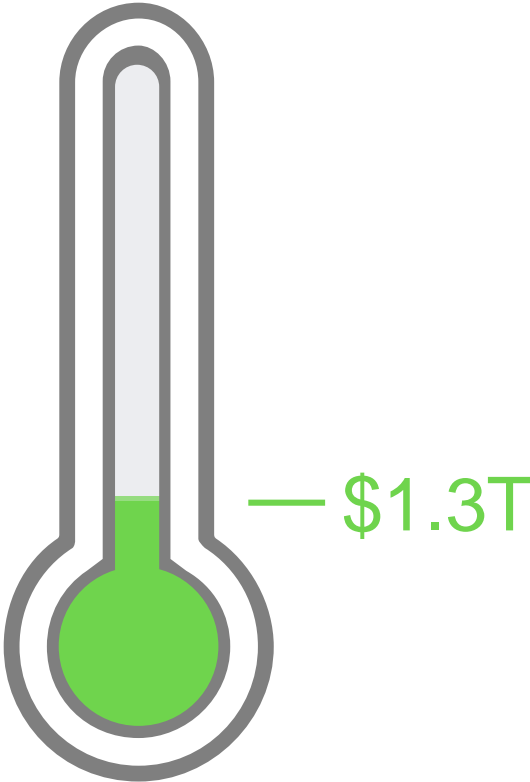
⁽¹⁾ As of 12/31/2019. ⁽²⁾ Based on 2019 revenue. ⁽³⁾ Net revenue retention ("NRR") refers to the annual recurring revenue ("ARR" which is based on monthly recurring revenue ("MRR") from software subscriptions for the most recent month at period end, multiplied by twelve) expansion during the 12 months of a reporting period for all customers who were part of the customer base at the beginning of the reporting period. This calculation takes into account any revenue lost from departing customers or customers who have downgraded as well as any revenue expansion from upgrades, cross-sells or upsells. ⁽⁴⁾ Total Addressable Market ("TAM") based on internal estimates.

Indirect taxes are significant and growing

- Sales tax
- Use tax
- VAT
- Imports
- Exports
- Excise
- Payroll



Indirect tax revenue



Corporate income tax revenue

2.5x

Indirect tax revenue vs. corporate income tax revenue

21%

VAT as a % of GDP in OECD countries

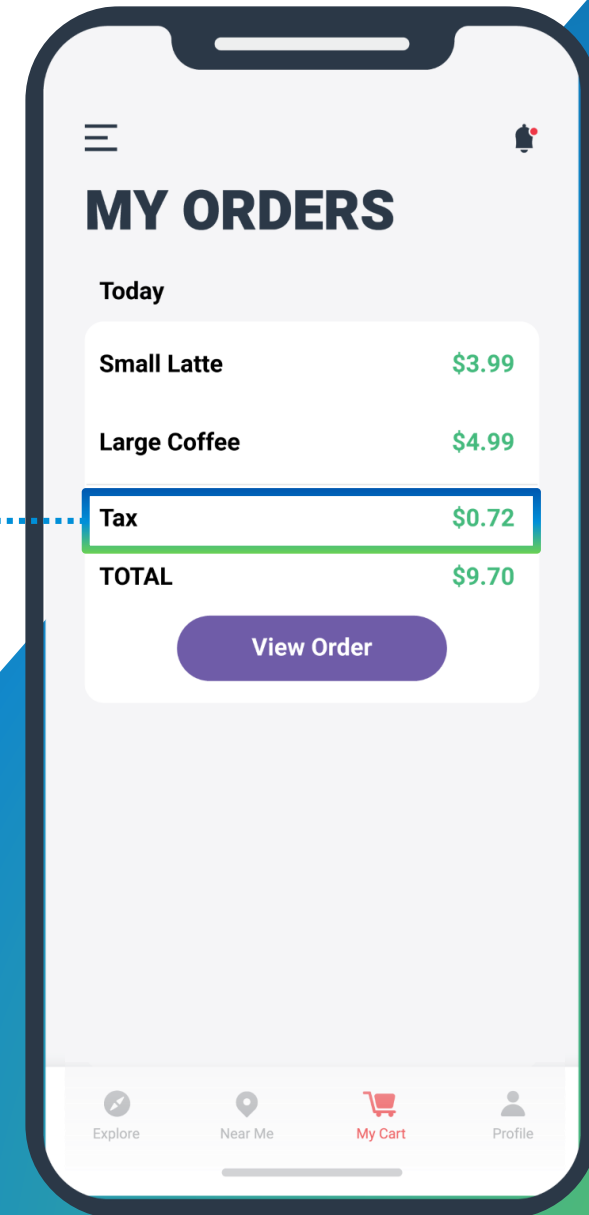
Indirect taxes are incredibly complex...

EVERY
transaction

THOUSANDS
of jurisdictions

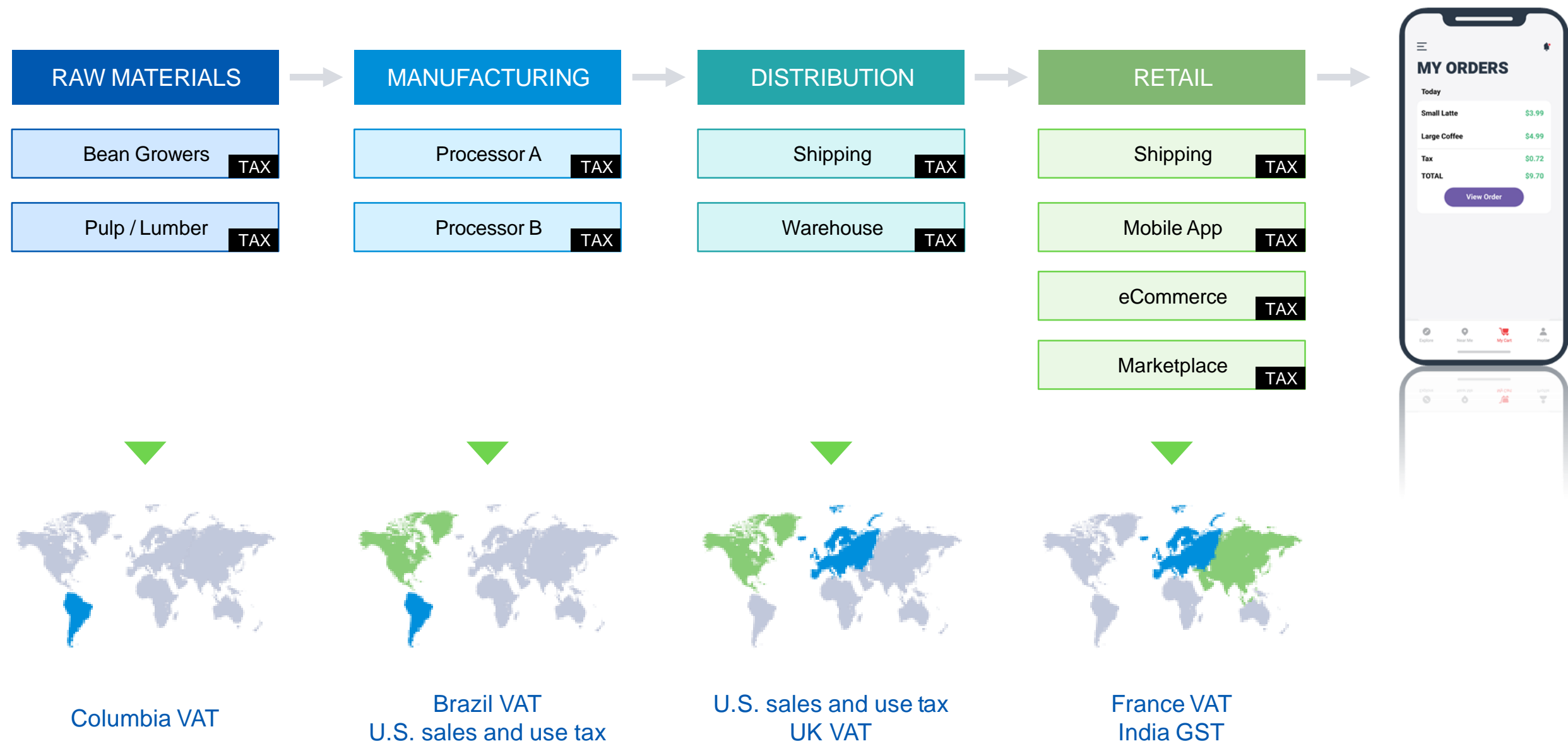
THOUSANDS
of products and services

In REAL-TIME



...and occur across the supply chain...

A global coffee retailer's tax reality



...and many enterprises still address them manually, with in-house systems, native ERP or outsourcing



Inaccurate

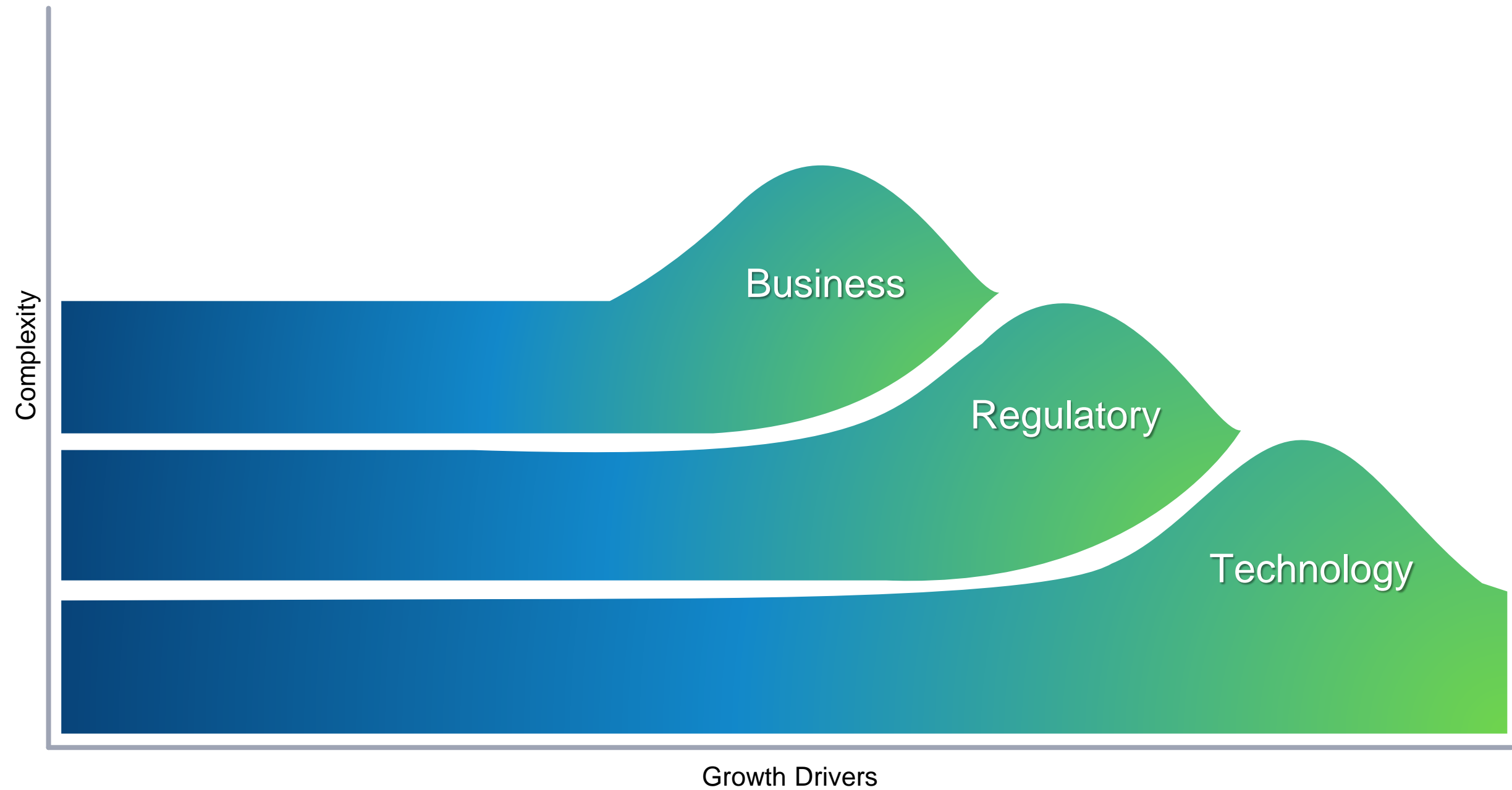
Error-prone

Inefficient

Unscalable

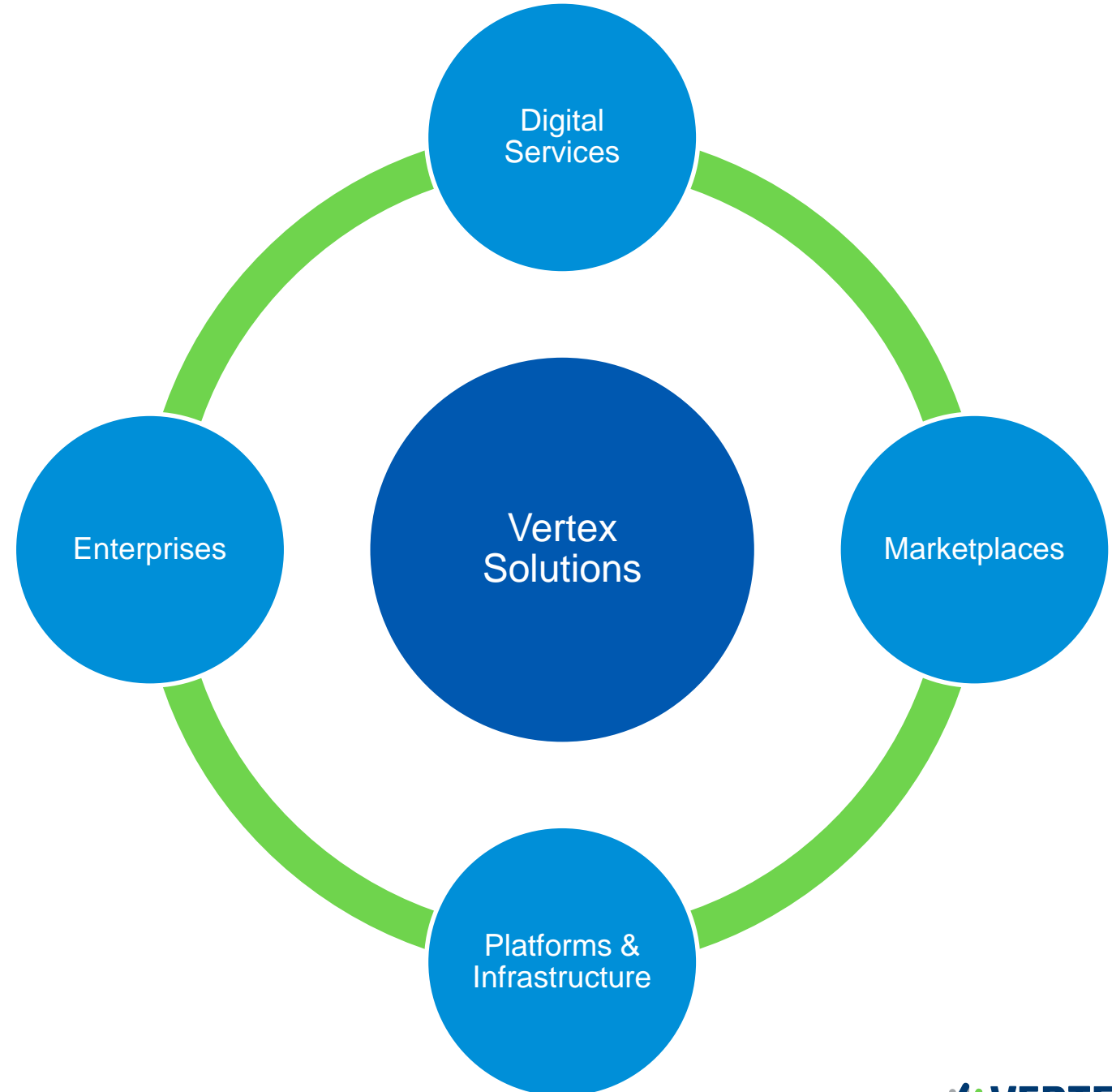
Costly

Macroeconomic shifts are compounding complexity and providing sustained tailwinds for our growth



Strong and diversified revenue opportunities for eCommerce growth

- ✓ Traditional retailers accelerating omnichannel strategies
- ✓ Global enterprises expanding mobile applications for order & pay
- ✓ Digital services companies in food delivery, logistics, leasing
- ✓ Marketplace transaction growth and regional expansion
- ✓ Payment systems and infrastructure
- ✓ Ecommerce platforms



Addressing this complexity for enterprises is an enormous opportunity



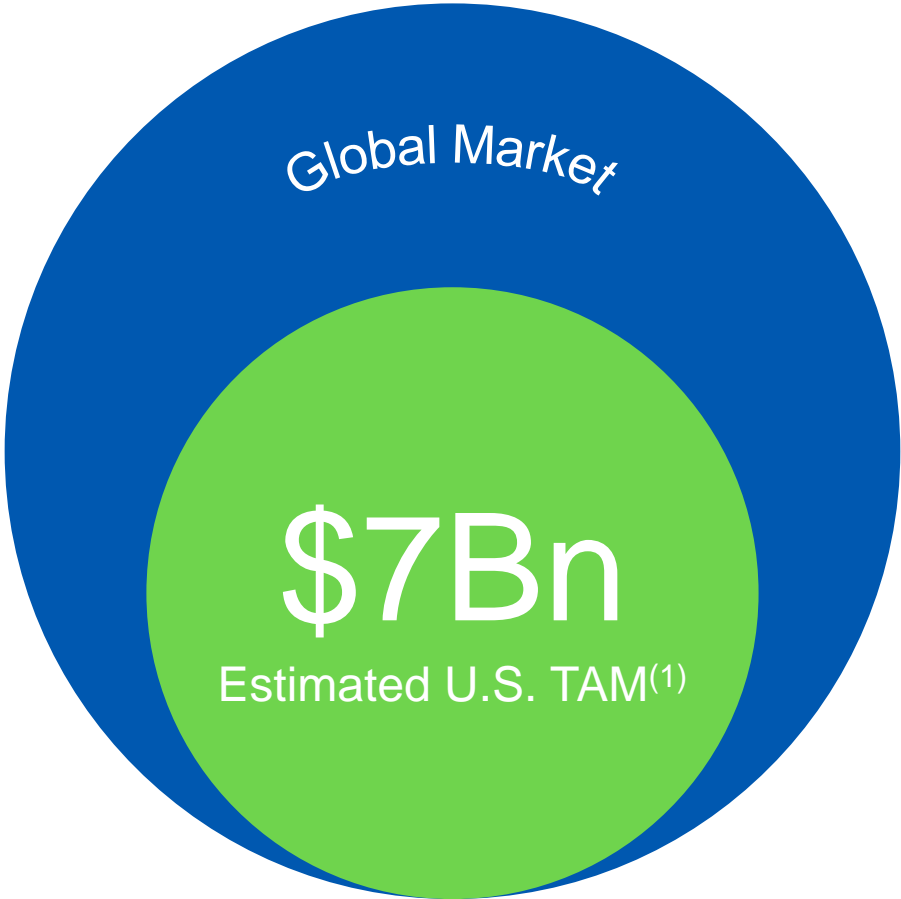
Addressable
businesses

×



Potential
Revenue per
customer

=

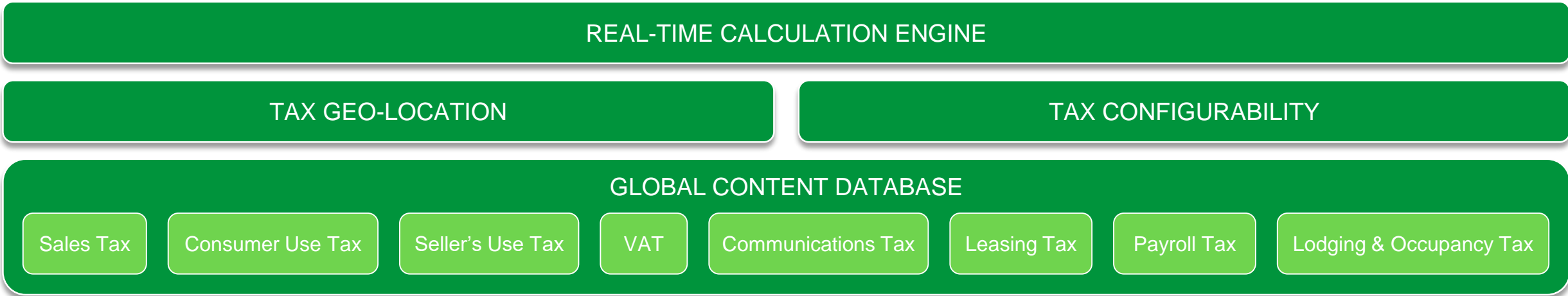


Our software and solutions automate end-to-end, indirect tax processes

Our Solutions



Our Technology



Tax content subscription provides differentiated value through its scale, breadth and depth

CONTENT

300M+

Effective tax rules and growing⁽¹⁾

COVERAGE

19,000+

Jurisdictions worldwide⁽¹⁾

EXPERTISE

70+

Tax-content professionals⁽¹⁾

We have built a marquee customer base that spans a diverse set of industries

4,000+

Customers⁽¹⁾

>50%

of the Fortune 500⁽¹⁾



7

of the Top 10
Retail⁽²⁾



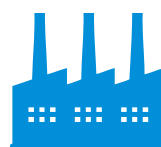
8

of the Top 10
Wholesale Trade⁽²⁾



9

of the Top 10
Technology⁽²⁾



7

of the Top 10
Manufacturing⁽²⁾



7

of the Top 10
Financial Services⁽²⁾



9

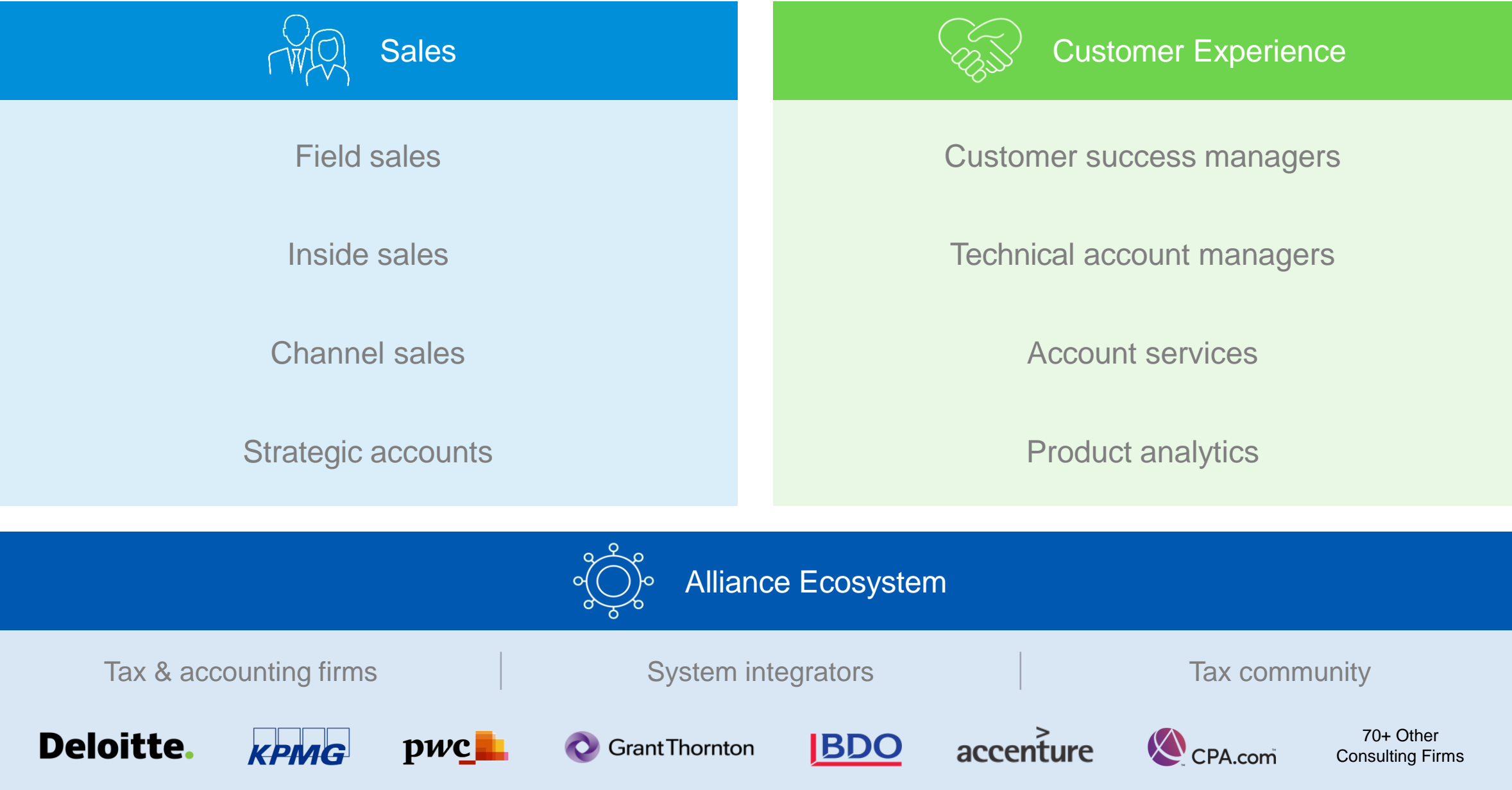
of the Top 10
Communications
and Transport⁽²⁾



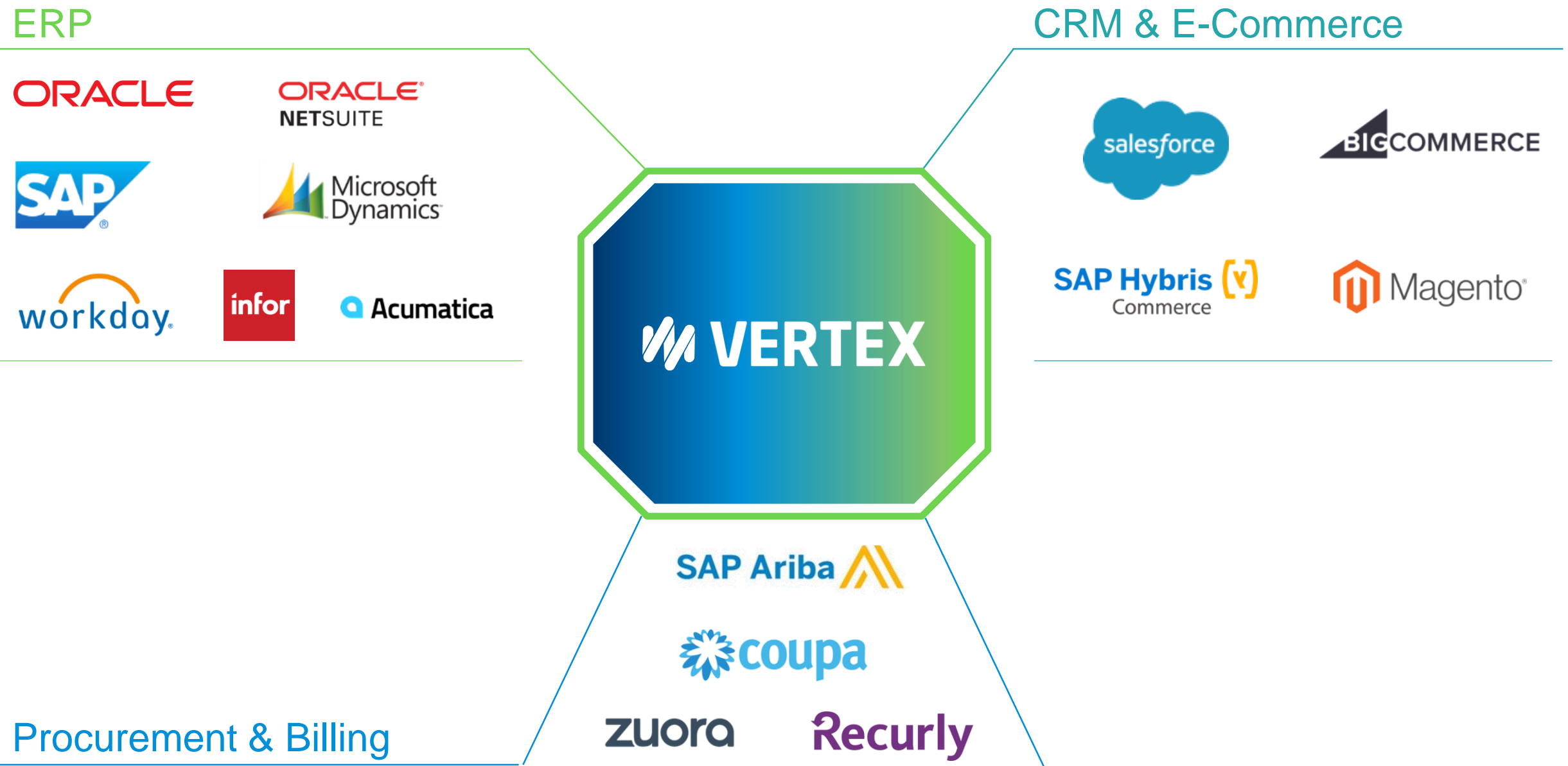
7

of the Top 10
Marketplaces⁽²⁾

Land-and-expand go-to-market model provides operating leverage



Deeply-integrated ecosystem with unparalleled scale



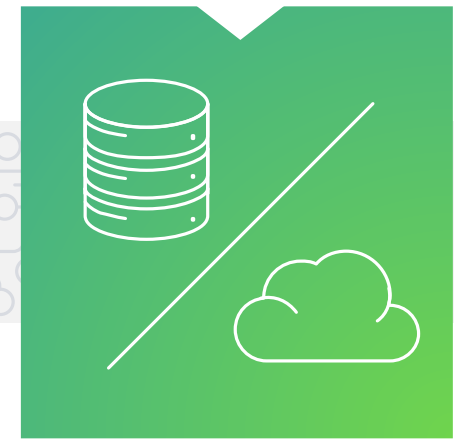
Flexible delivery model aligned to customer IT roadmap adoption



Cloud

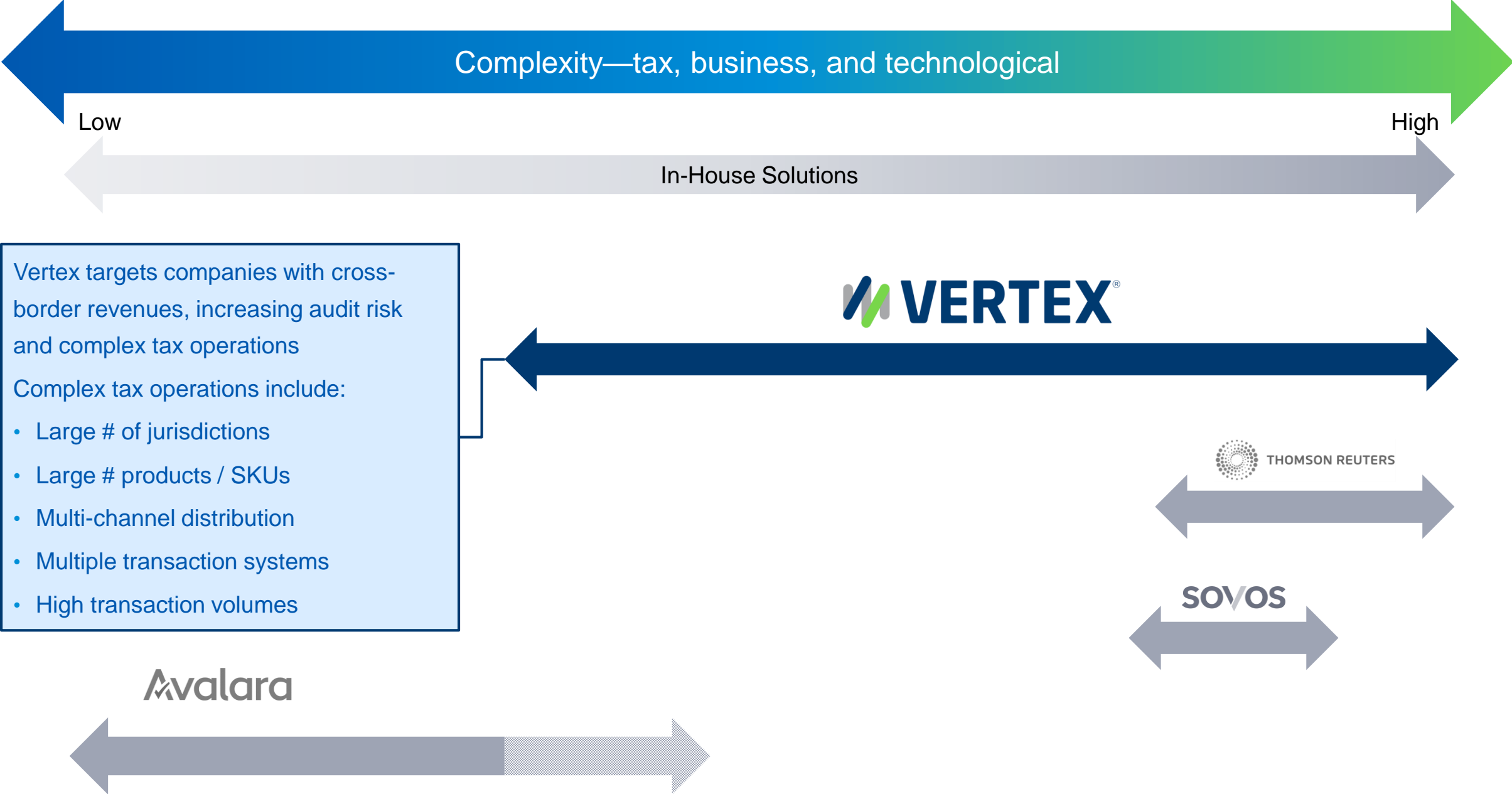


On-premise



Hybrid

Our solutions address the complexities of the broadest set of large customers



Multiple drivers of future growth



Expand existing customer revenues



Acquire new customers



Broaden & deepen our partner ecosystem

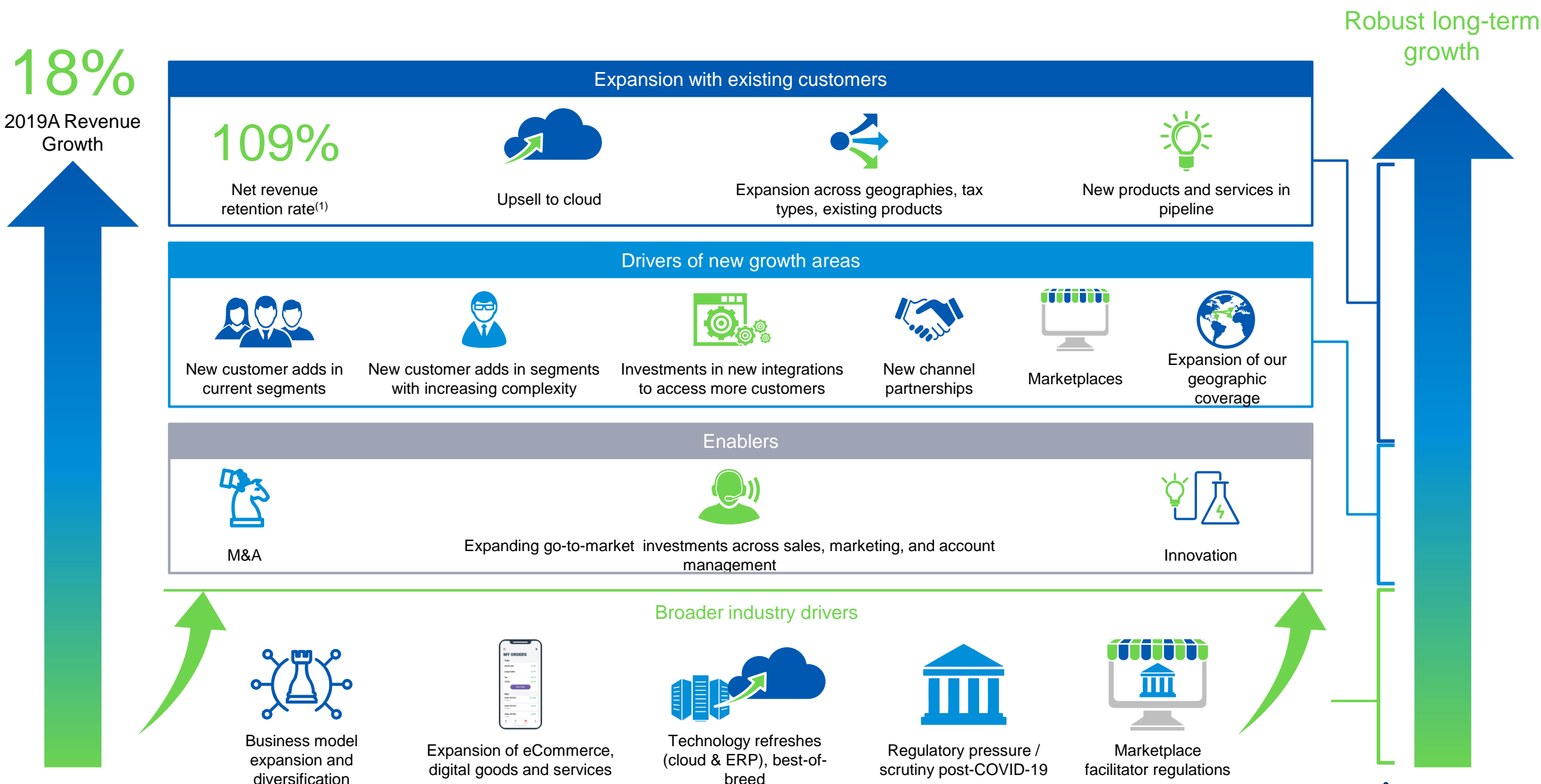


Extend global footprint



Sustained investment in product innovation

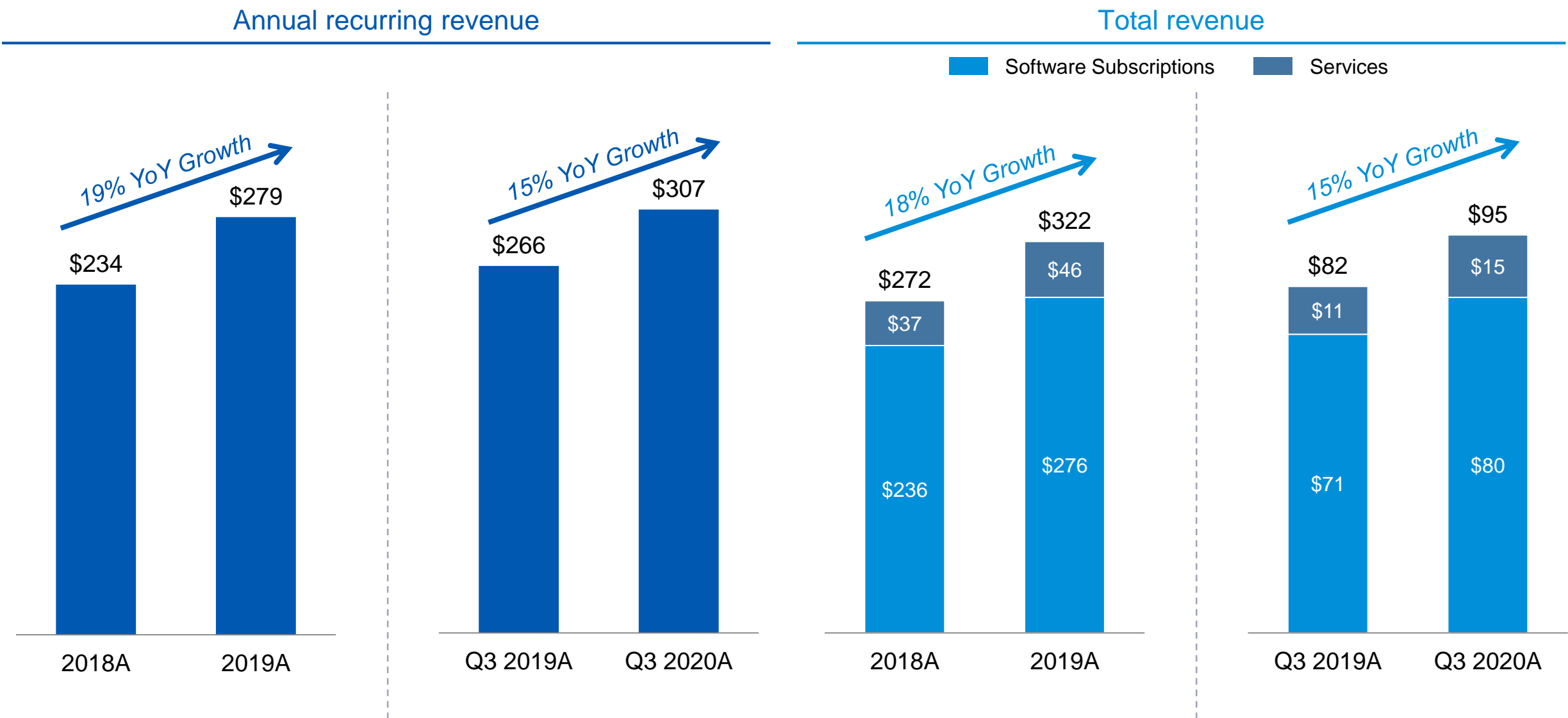
Drivers of long-term revenue growth



Financial Overview

Strong recurring top-line growth

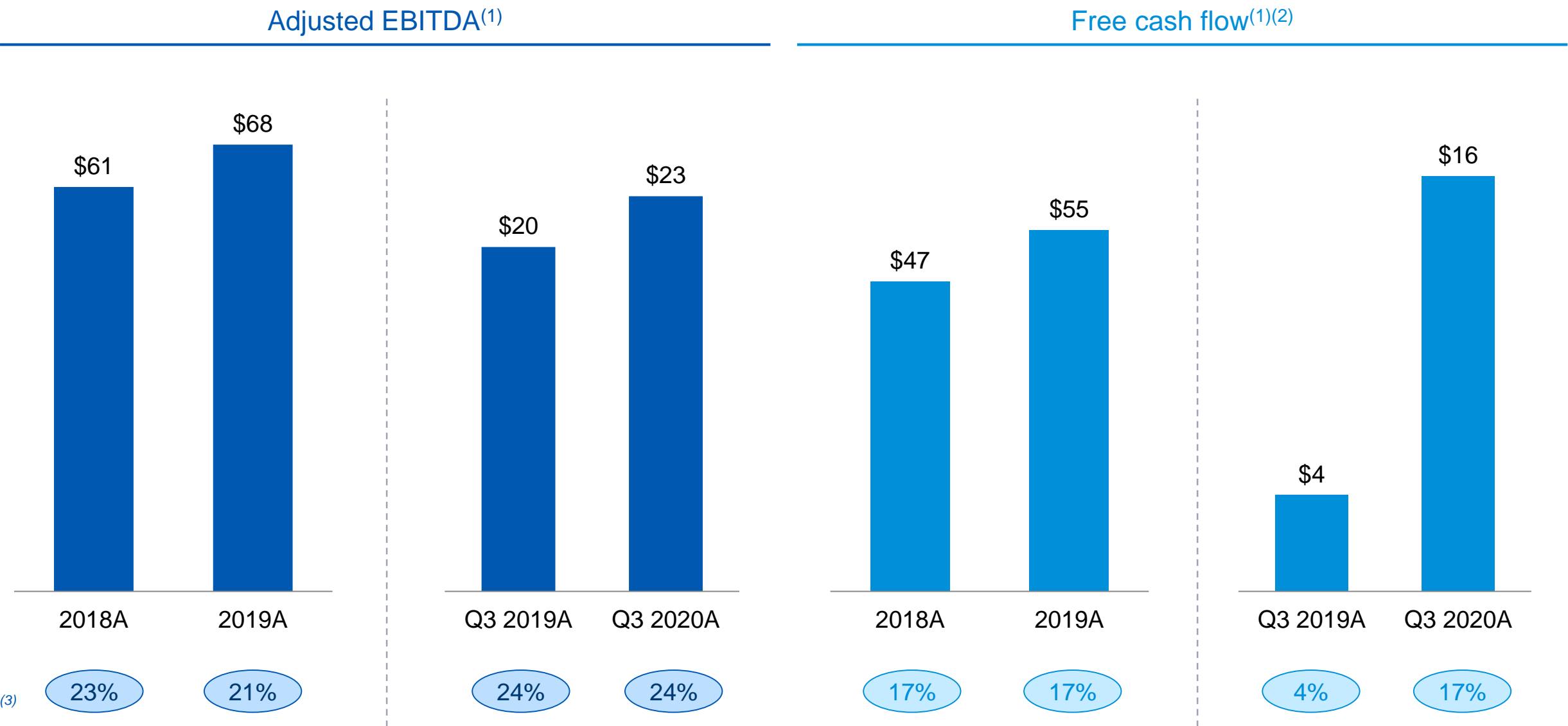
(In \$ millions)



Notes:
1. ARR is based on monthly recurring revenue from software subscriptions for the most recent month at period end, multiplied by twelve

Robust EBITDA and free cash flow

(In \$ millions)



Notes:

- 1. Adjusted EBITDA and Free cash flow are non-GAAP measures. For a reconciliation of these non-GAAP measures to the nearest GAAP measure, please see the Appendix.
- 2. Historical free cash flow results reflect tax exemption from S corporation status. In connection with this offering, Vertex plans to convert from an S Corporation to a C Corporation, which will result in net income being taxed at the corporate level.
- 3. Margins reflect respective financial figures as a percentage of total revenue in each respective year.

Financial Outlook

| | Q4 2020 | FY 2020 |
|--------------------------------|---|--|
| Total Revenue | \$93 million to \$95 million (representing annual growth of 8.0% to 10.4%) | \$368 million to \$370 million (representing annual growth of 14.5% to 15.1%) |
| Adjusted EBITDA ⁽¹⁾ | \$18.5 to \$19.5 million (representing annual growth of 8.0% to 13.8%) | \$78.0 million to \$79.0 million (representing annual growth of 14.9% to 16.3%) |

Notes:
1. Adjusted EBITDA is non-GAAP. For a reconciliation of this non-GAAP measure to the nearest GAAP measure, please see the Appendix.

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Growth and profitability at scale

Appendix

Adjusted EBITDA reconciliation

| | For the Year Ended December 31, (in thousands) | | For the Three Months Ended September 30, (in thousands) | |
|--|--|----------|---|------------|
| | 2018 | 2019 | 2019 | 2020 |
| Adjusted EBITDA | | | | |
| Total Comprehensive Income (Loss) | \$(6,106) | \$31,057 | \$11,900 | \$(21,028) |
| Interest, net | 1,594 | 953 | 252 | 1,796 |
| Income Tax (Benefit) Expense | 1,679 | (155) | 175 | (30,773) |
| Depreciation and Amortization – Cost of Subscription Revenues | 16,964 | 16,194 | 3,687 | 5,307 |
| Amortization of acquired intangibles - selling and marketing expense | – | – | – | 128 |
| Depreciation and Amortization | 7,937 | 8,996 | 2,311 | 2,735 |
| Impairment Charge | 32,692 | – | – | – |
| Stock-based Compensation | 5,108 | 9,460 | 1,310 | 64,294 |
| Severance Charges | 1,603 | 1,408 | 1 | 72 |
| Adjusted EBITDA | \$61,471 | \$67,913 | \$19,636 | \$22,531 |

Free cash flow reconciliation

| | For the Year Ended December 31, (in thousands) | | For the Three Months Ended September 30, (in thousands) | |
|---|--|----------|---|----------|
| | 2018 | 2019 | 2019 | 2020 |
| Free Cash Flow | | | | |
| Net Cash Provided by Operating Activities | \$80,449 | \$92,498 | \$12,949 | \$(712) |
| Redemption of Converted SARs | - | - | - | 22,889 |
| Property and Equipment Additions | (21,053) | (20,339) | (5,044) | (4,417) |
| Capitalized Software Additions | (12,261) | (17,221) | (4,244) | (1,982) |
| Free Cash Flow | \$47,135 | \$54,938 | \$3,661 | \$15,778 |