



# Investor Presentation

September 2021



# 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 identify acquisition targets and to successfully integrate and operate acquired businesses; 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, 2020 as filed with the Securities Exchange Commission ("SEC"), as may be subsequently updated by our other SEC filings. Copies of such filings 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. AARPC represents ARR per customer and is calculated by dividing ARR by the number of software subscription customers at the end of the respective 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 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 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, 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, 2020 and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 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.



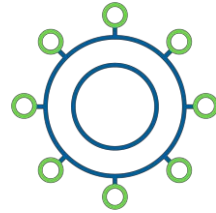
# Our vision is to accelerate global commerce



# Investment highlights



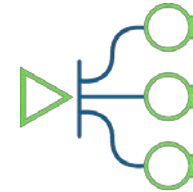
Pioneer in large, growing indirect tax software market



Marquee customer base across a diverse set of industries with 59% of Fortune 500<sup>(1)</sup>



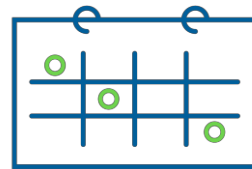
Significant cloud growth while maintaining a hybrid deployment



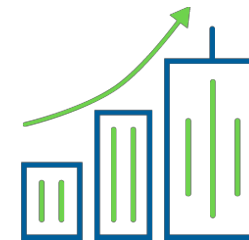
Meaningful land-and-expand motion with proven upsell track record



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



Highly recurring subscription revenue and repeatable business model



Growth and profitability at scale

Notes:

1. Based on information as of December 31, 2020.

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

**4,175**

Customers <sup>(1)</sup>

**>130**

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

**59%**

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

**\$203MM**

YTD 2021 Revenues <sup>(3)</sup>

**85%**

YTD 2021 Subscription  
Revenues <sup>(3)</sup>

**\$37MM**

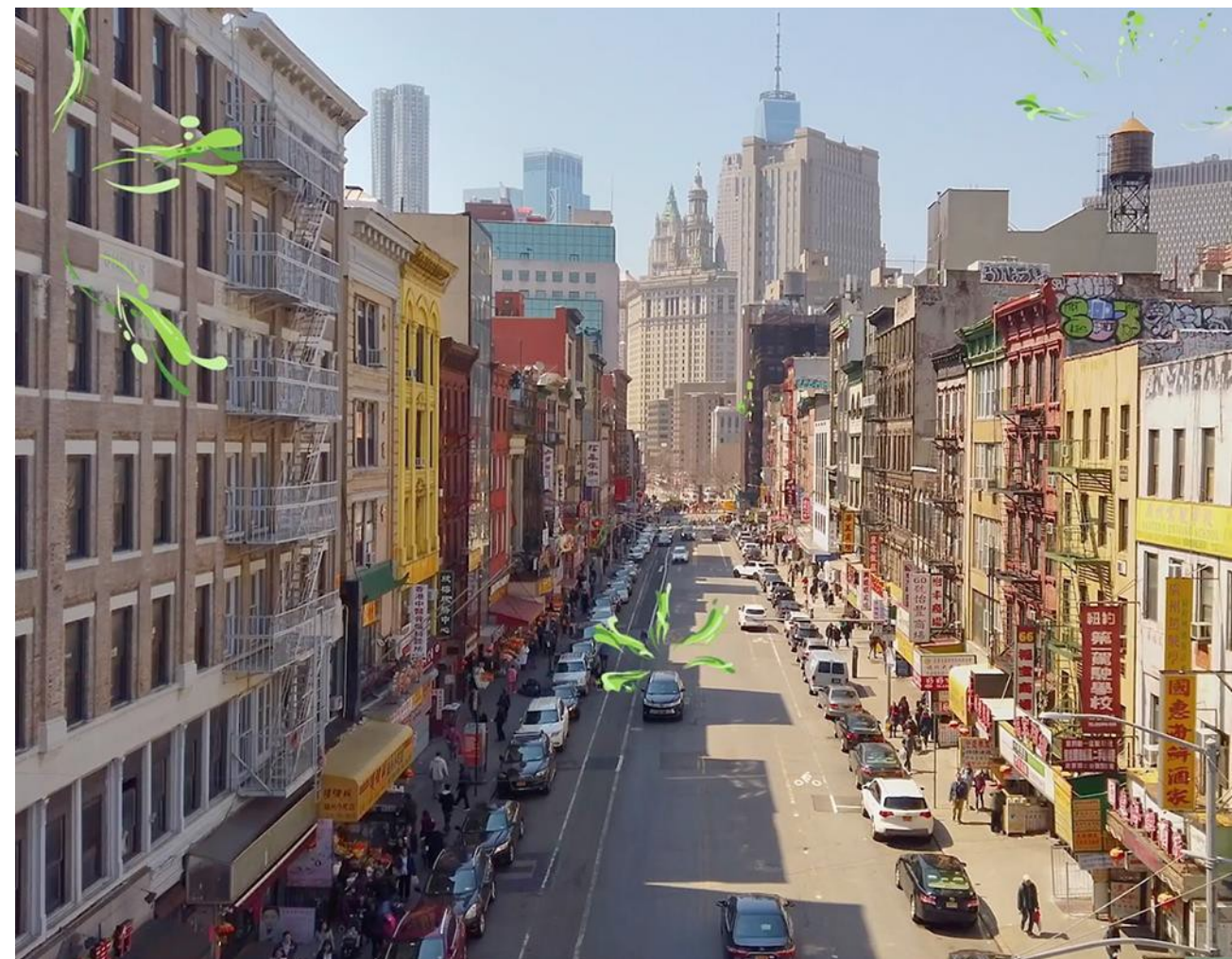
YTD 2021 Adjusted EBITDA <sup>(3)</sup>

Notes:

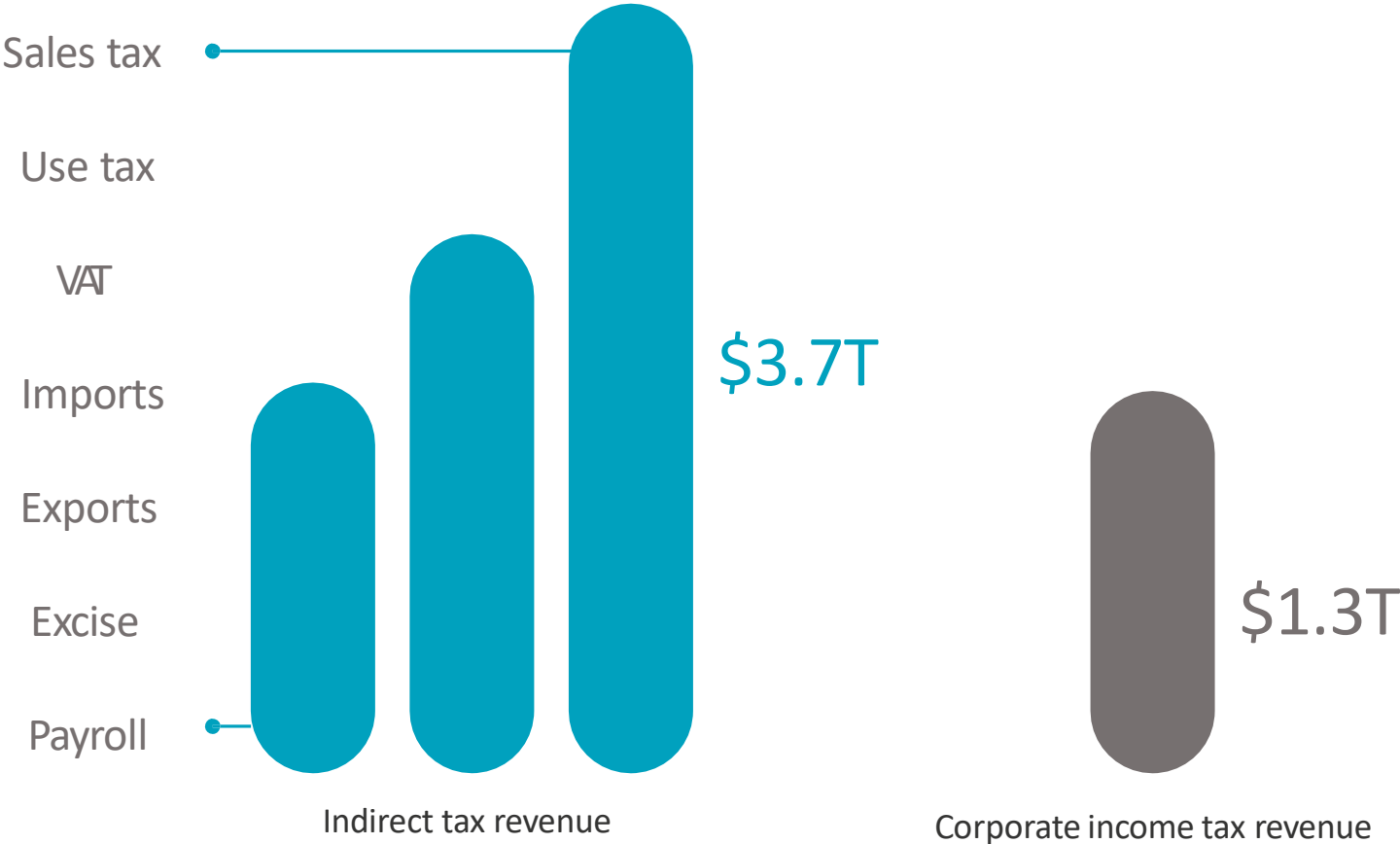
<sup>(1)</sup> Based on information as of June 2021.

<sup>(2)</sup> Based on information as of December 2020.

<sup>(3)</sup> Based on results for the six months ended June 30, 2021. Refer to slide 28 for the expected full year 2021 total revenues and adjusted EBITDA financial outlook.



# Indirect taxes are significant and growing



2.5x

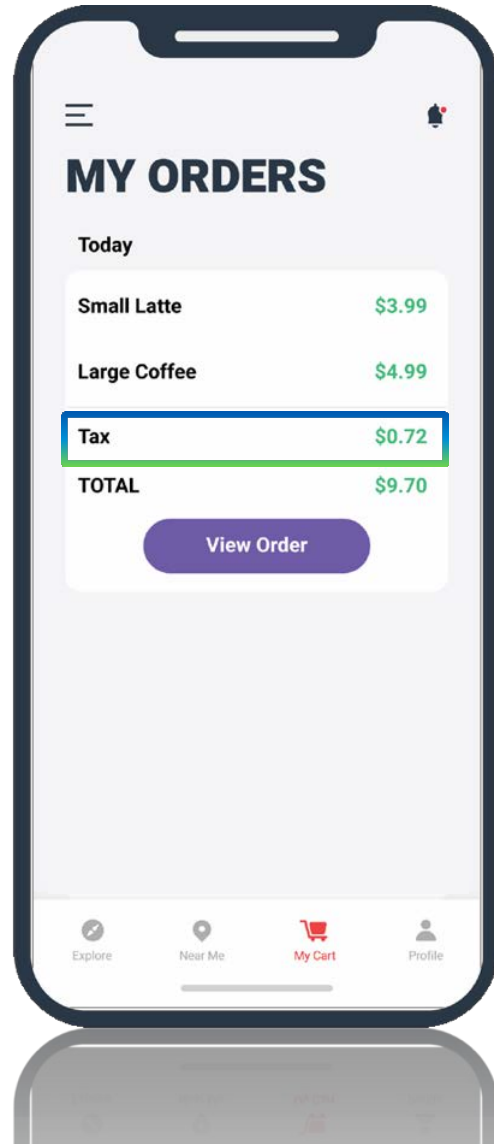
Indirect tax revenue vs. corporate income tax revenue

21%

VAT as a % of GDP in OECD countries

Source:  
1. 2019 OECD Tax Database

# Indirect taxes are incredibly complex...



EVERY  
transaction

THOUSANDS  
of jurisdictions

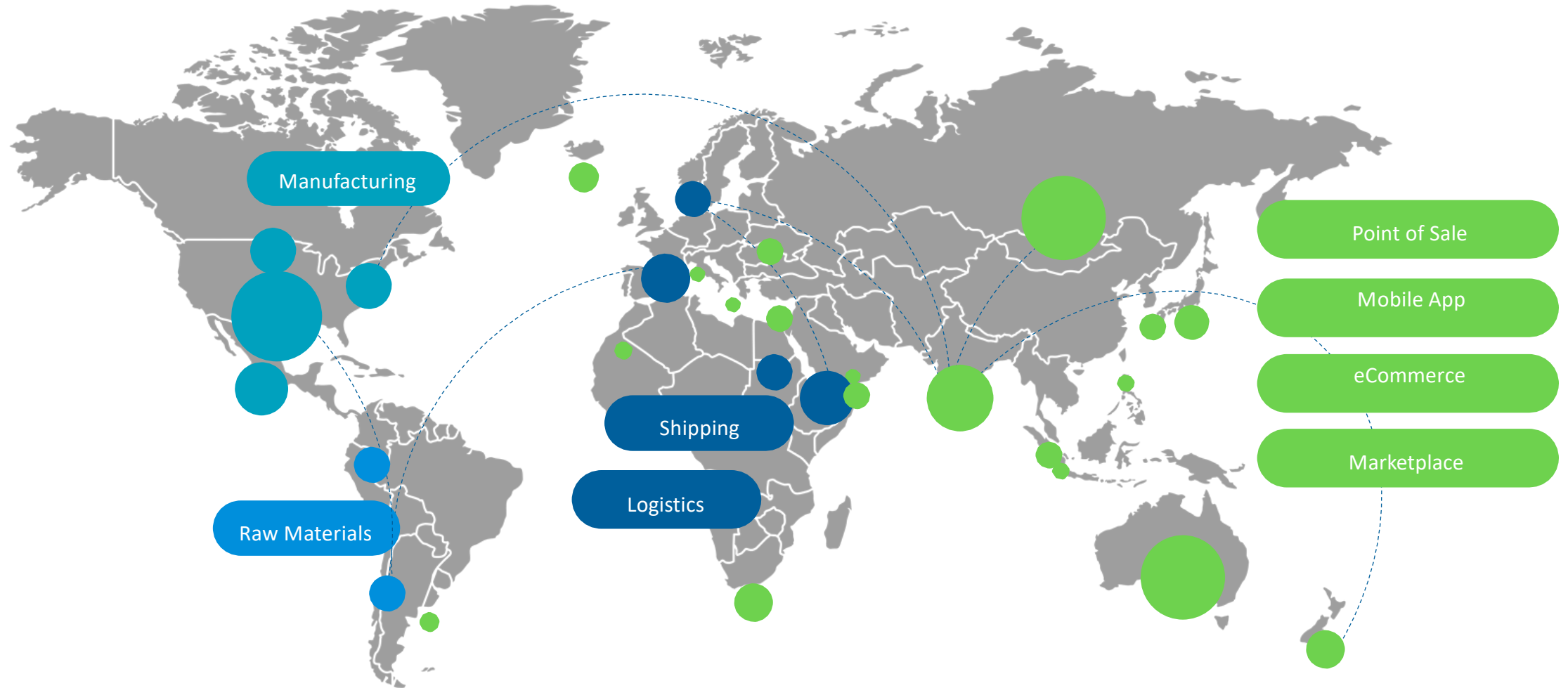
THOUSANDS  
of products and services

In REAL-TIME



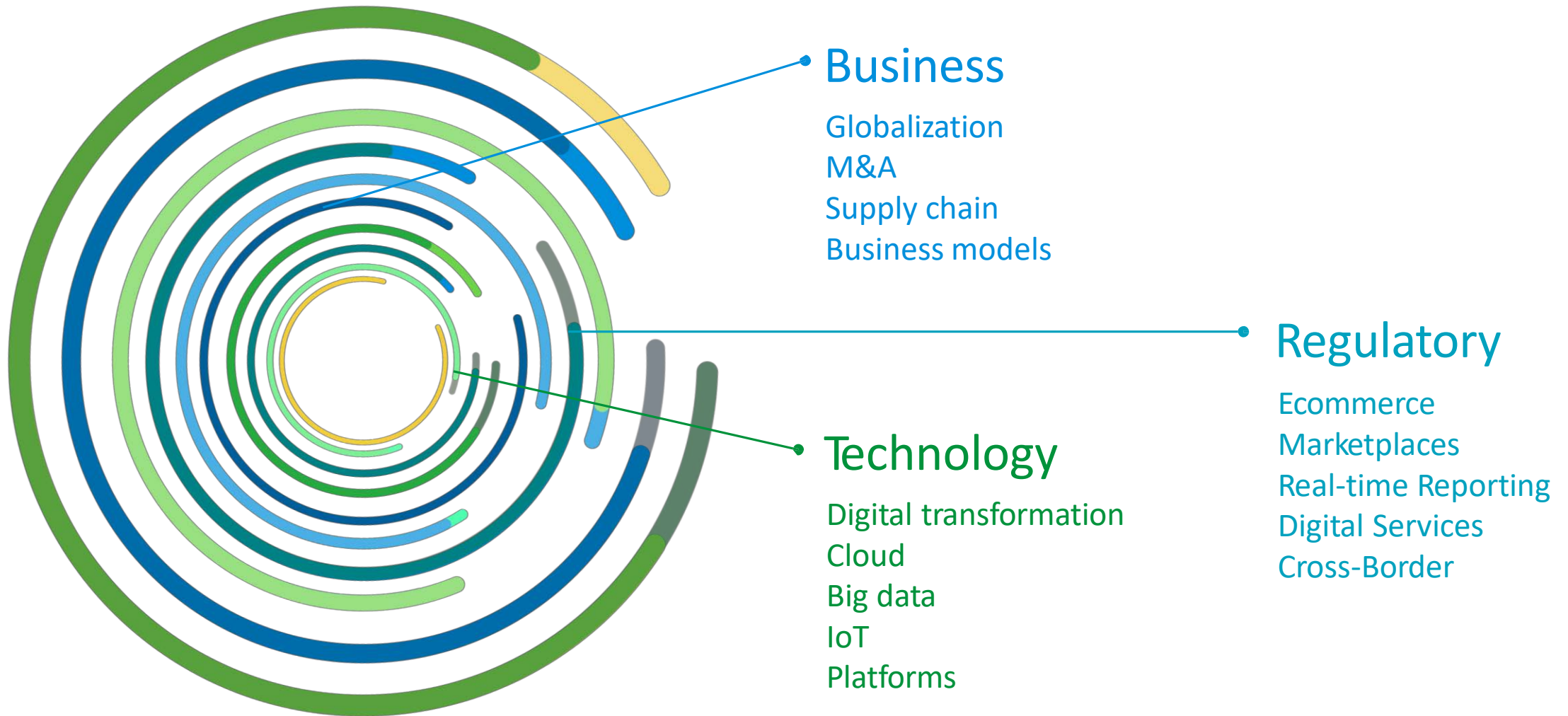


...and occur across the global commerce supply chain...





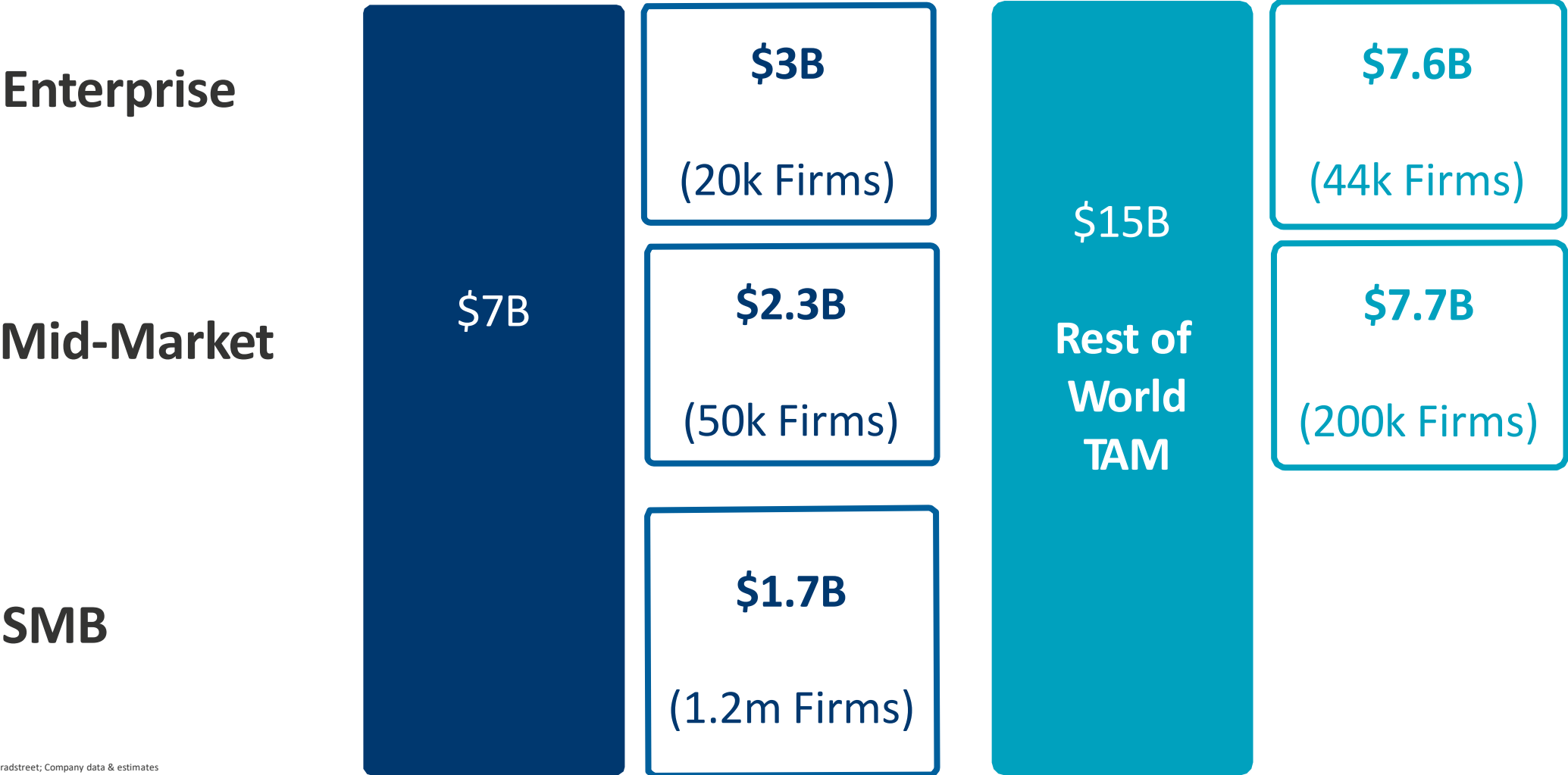
# Macroeconomic shifts are compounding complexity and providing sustained tailwinds for our growth



...and manual processes, in-house systems and native ERP are no longer sufficient to manage this complexity



# We estimate a \$22B TAM with less than 10% software adoption



Source: Dun & Bradstreet; Company data & estimates

# Our target segments are at the heart of the global commerce fabric



- Global enterprises and subsidiaries
- Mid-market businesses in NA and Europe
- Digital native online sellers
- B2B and B2C marketplace aggregators
- All major industry verticals
- Ecommerce and payment platforms
- Supply chain enablers



# We have built a marquee customer base across a diverse set of industries

4,175

Customers <sup>(1)</sup>

59%

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



9

of the Top 10  
Business Services



7

of the Top 10  
Communications  
and Transport



8

of the Top 10  
Financial Services



8

of the Top 10  
Manufacturing



7

of the Top 10  
Marketplaces



6

of the Top 10  
Retail



6

of the Top 10  
Wholesale Trade

Notes:

<sup>(1)</sup> Customer count is based on information as of June 2021.

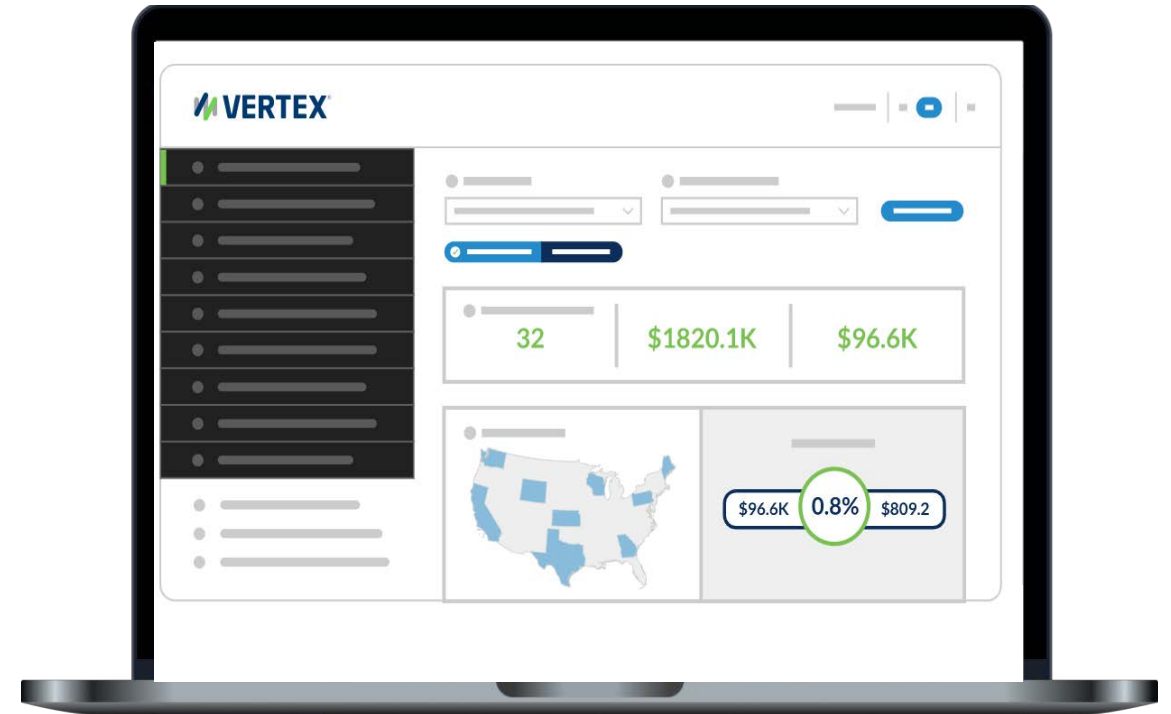
<sup>(2)</sup> Percentage of the Fortune 500 is based on the Vertex active customer list as of December 2020. Top 10 companies within the Fortune 500 are based on annual revenues and Vertex active customer list as of December 2020.

# Powerful end-to-end solutions

Our solutions address the complexities of the broadest set of global businesses, commerce platforms and B2B / B2C marketplaces

- Multi-jurisdictions
- Multi-channel distribution
- Multiple transaction systems
- High transaction volumes

Modular capabilities supporting multiple end-to-end use cases



TAX DETERMINATION

COMPLIANCE & REPORTING

TAX DATA MANAGEMENT

DOCUMENT MANAGEMENT

Registration

Product Mapping

Calculation

Exemptions

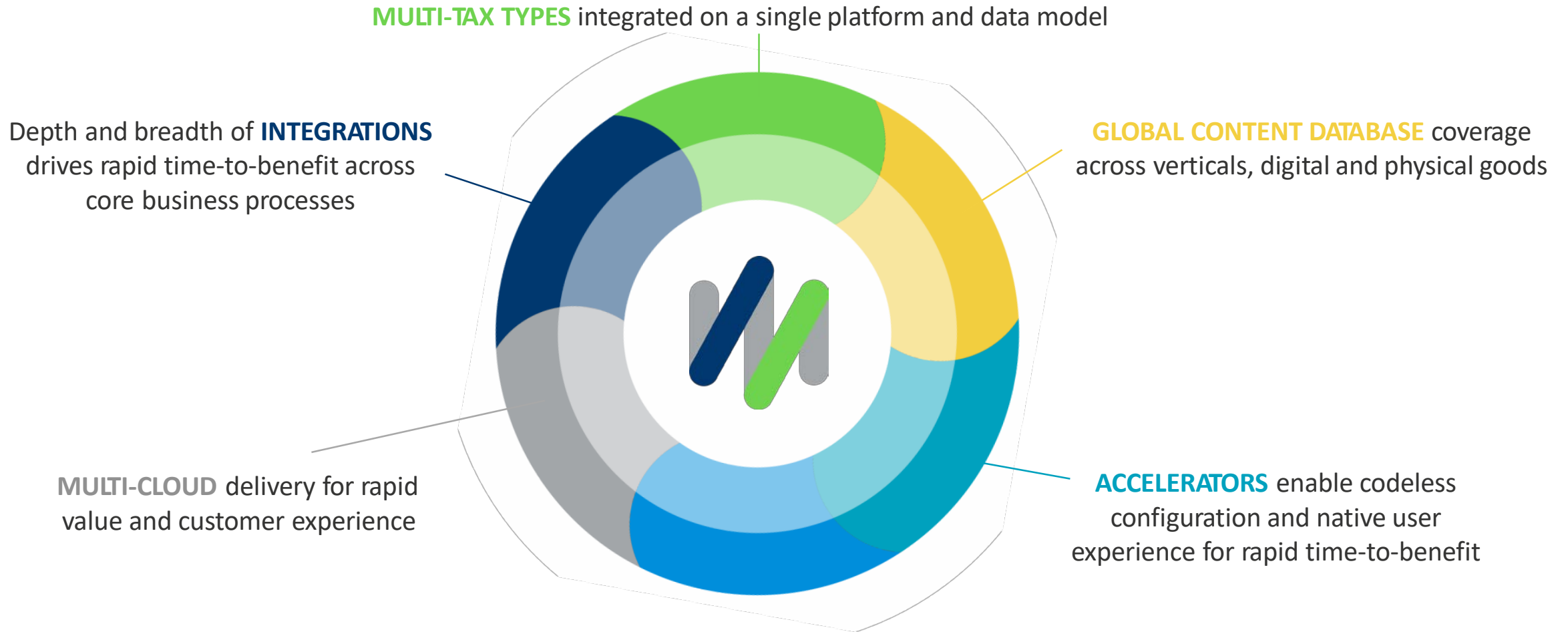
Compliance

Invoicing

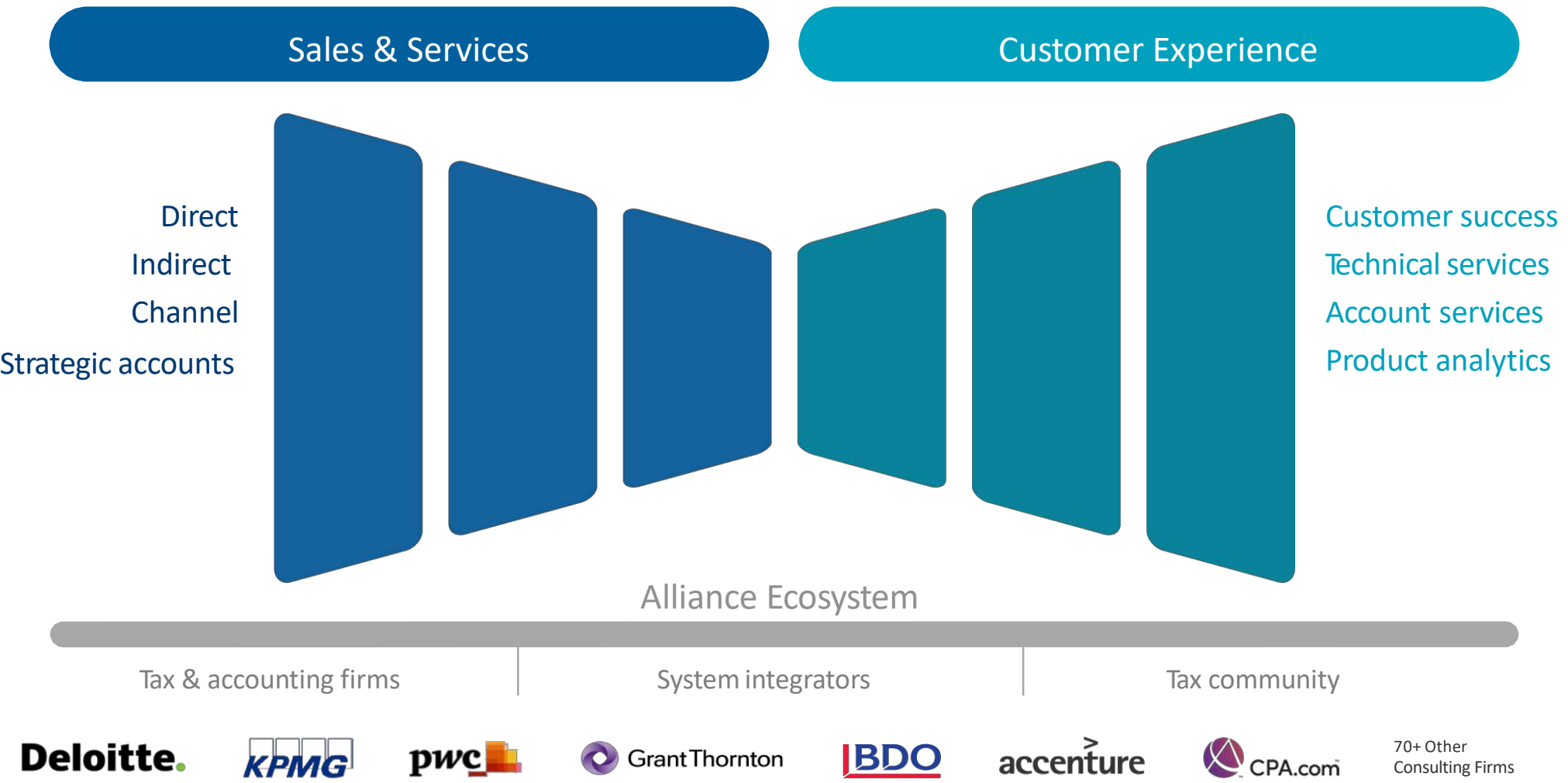
Payments

Reporting

# Strong and differentiated capabilities with high barriers to entry



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

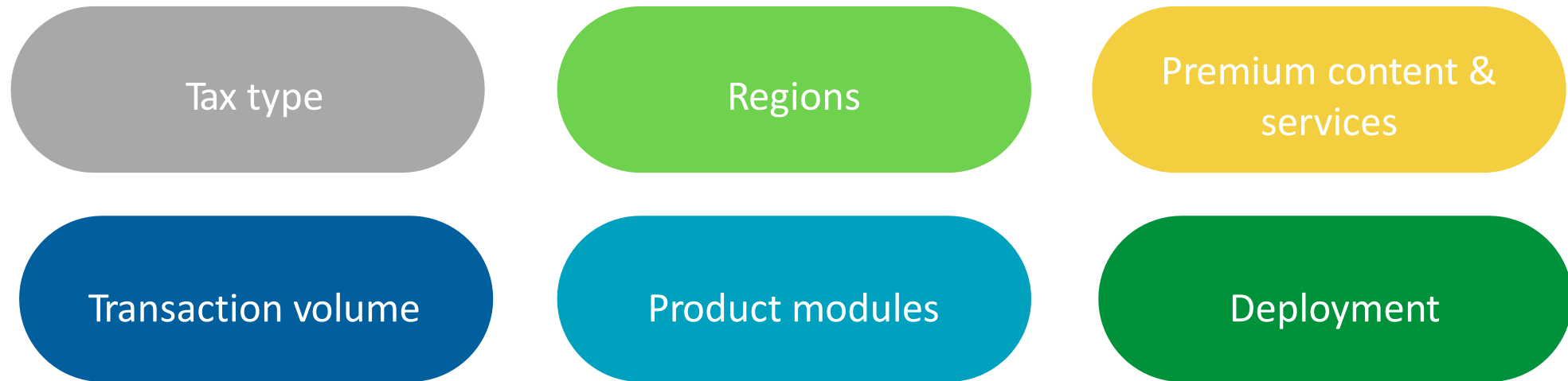




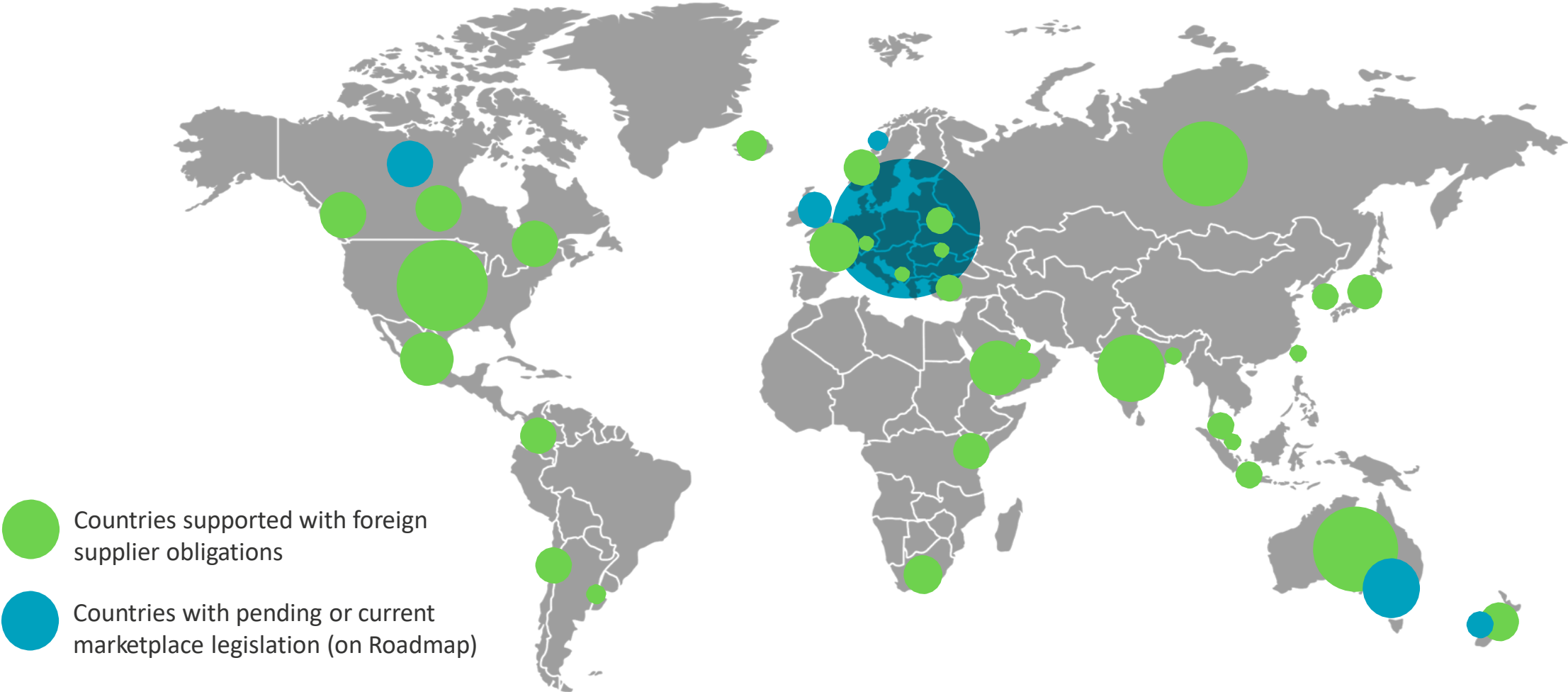
# Deeply-integrated ecosystem with unparalleled scale on the platforms that power global commerce



# Multiple levers to monetize our large and growing install base



# Global reach to capitalize on emerging compliance requirements



# 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

51%

YTD 2021 YoY Cloud  
Revenue Growth

106%

Net revenue  
retention rate<sup>(1)</sup>



Upsell to cloud



Expansion across geographies,  
tax types, existing products



New products and  
services in pipeline

Robust long-term  
growth

## DRIVERS OF NEW GROWTH AREAS



New customer adds in  
current segments



New customer adds in segments  
with increasing complexity



New channel partnerships



Investments in new integrations  
to access more customers



Marketplaces



Expansion of our geographic coverage

## ENABLERS



M&A



Expanding go-to-market investments across  
sales, marketing, and account management



Innovation

## BROADER INDUSTRY DRIVERS



Business model expansion  
and diversification



Expansion of eCommerce,  
digital goods and services



Technology refreshes  
(cloud & ERP), best-of-breed



Regulatory pressure / scrutiny post-COVID-19



Marketplace facilitator regulations

Notes:

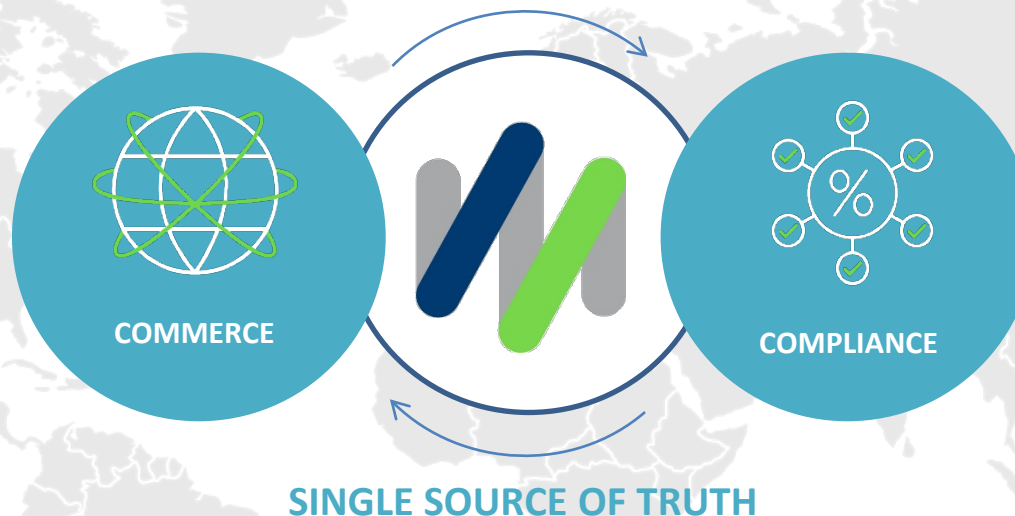
<sup>(1)</sup> Based on information as of June 30, 2021.

# Connected Solutions to Accelerate Global Commerce and Compliance

End-to-end automation enabling every business to transact, comply and grow with confidence



- Enterprise Scale
- Large Global Customer Base
- Broad Partner Ecosystem
- Leading Content Database

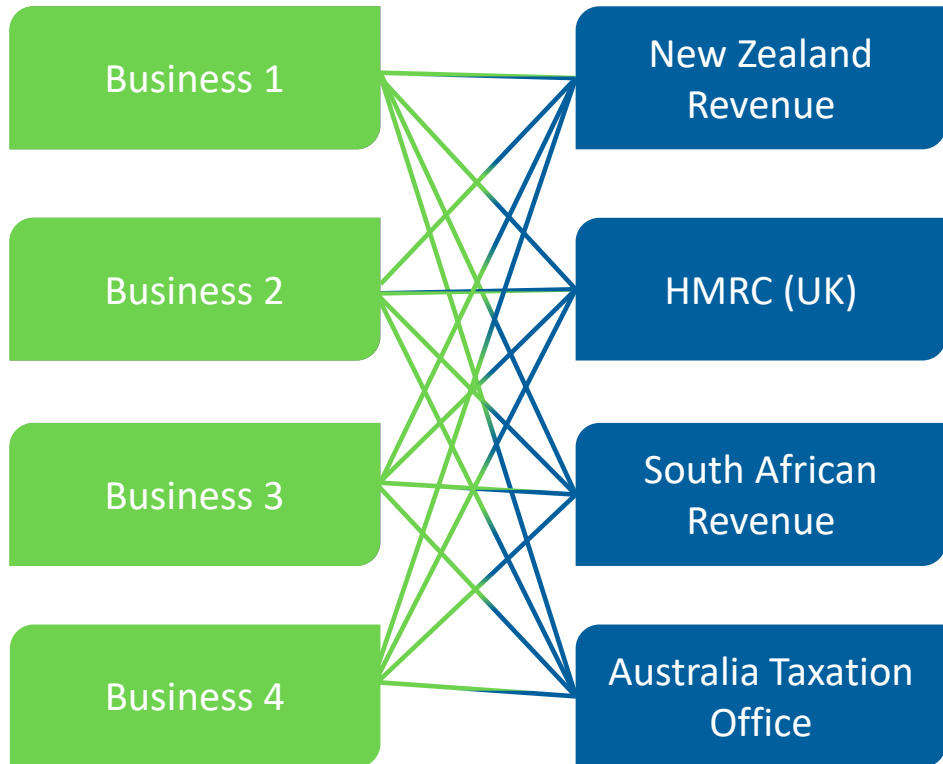


## Taxamo

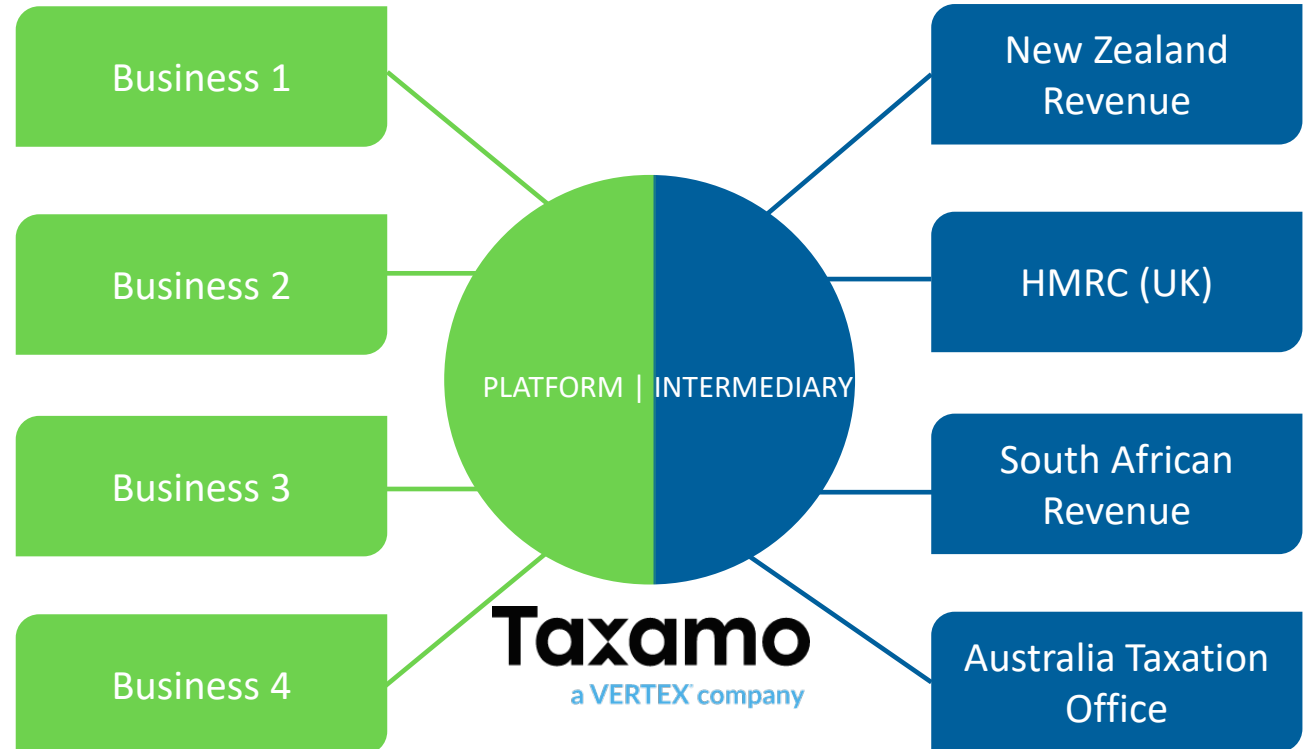
- eCommerce & Cross-Border Transactions
- Payment and eInvoicing Solutions
- Digital Goods & Services Content

# VAT/GST due at the place of consumption

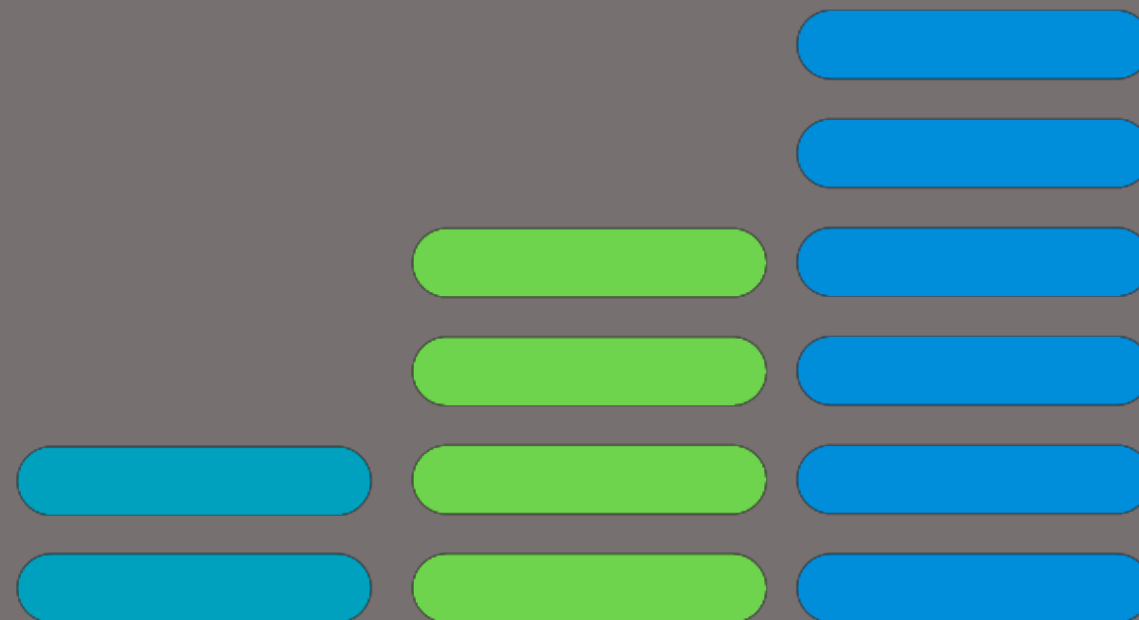
The problem is **1:Many** for global business



The solution is **Many:1** for global business and revenue authorities



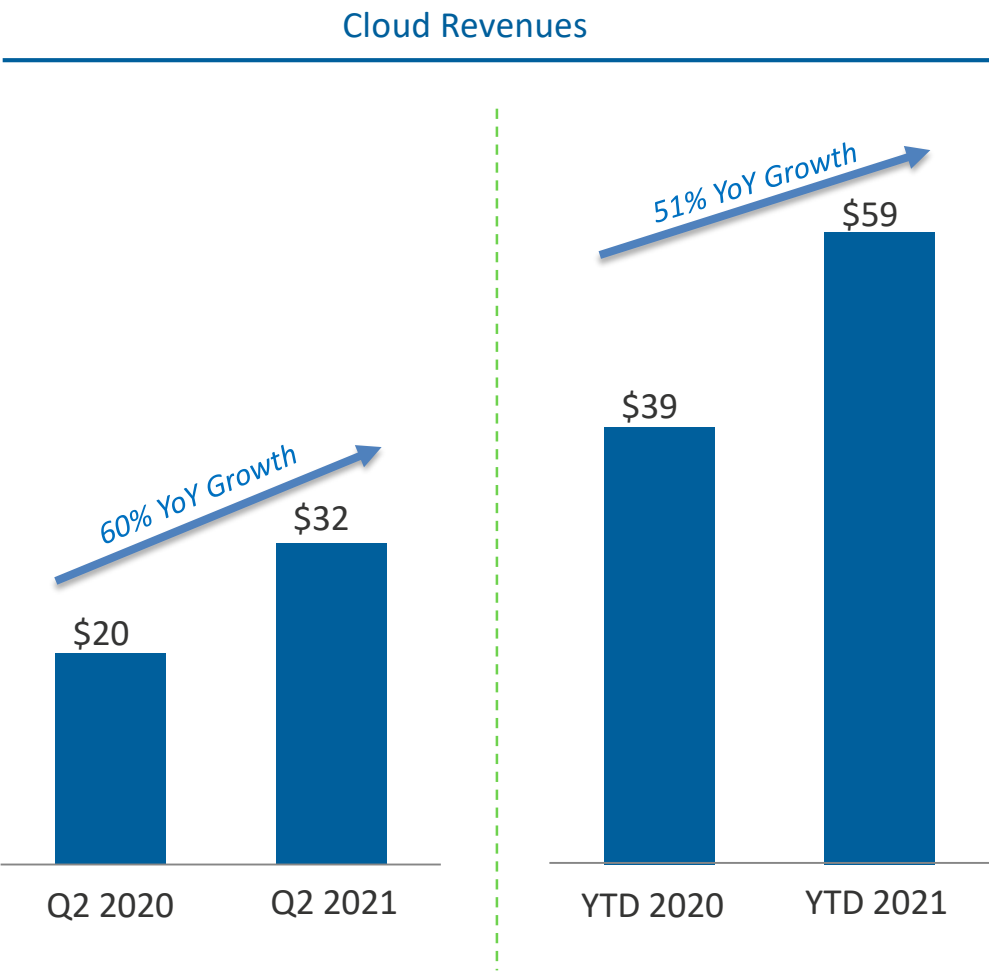
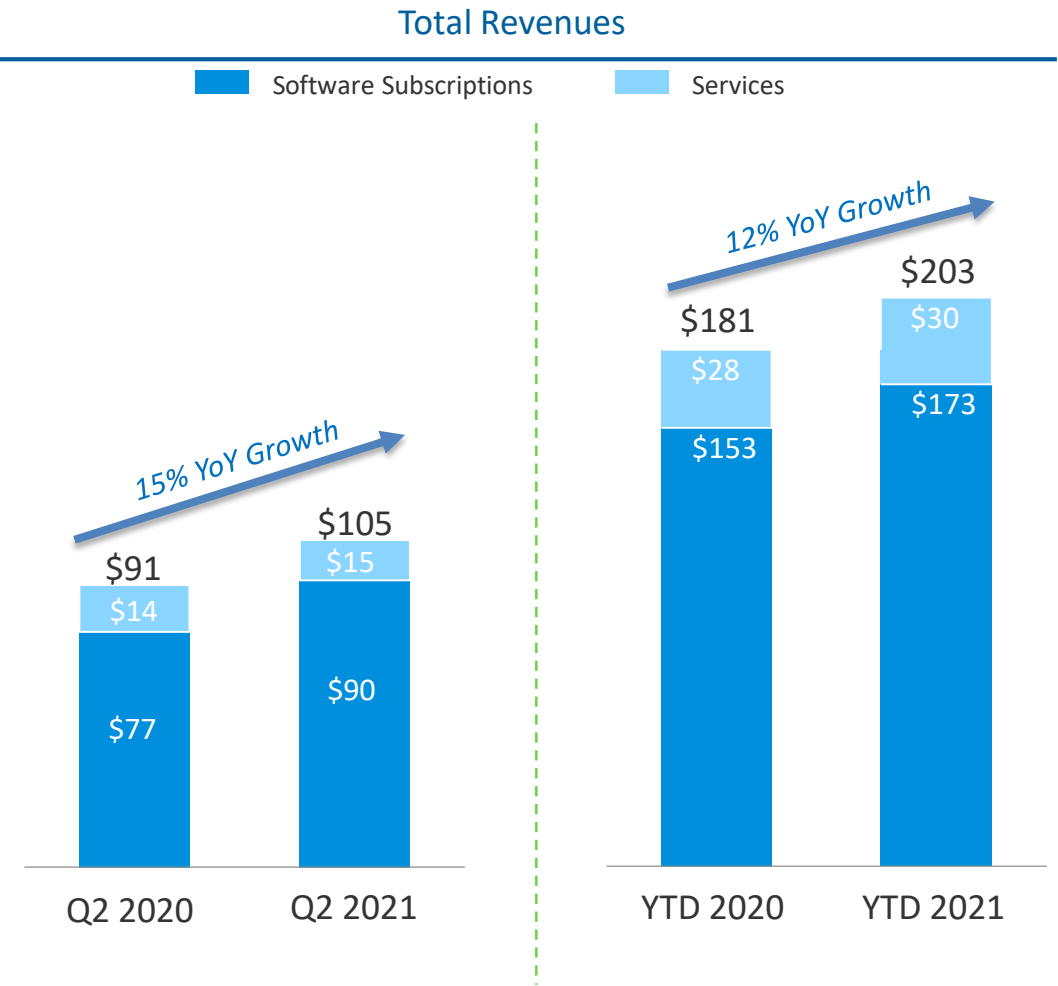
# Financials





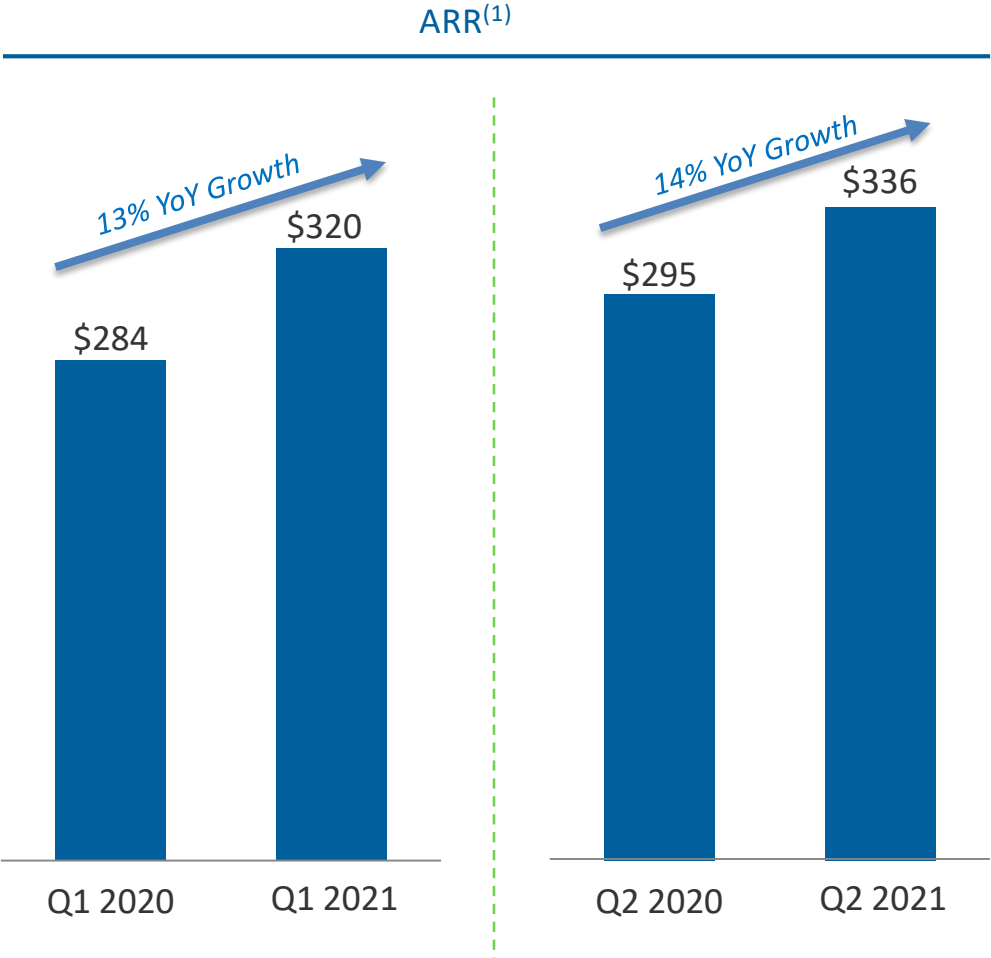
# Strong recurring top-line growth

(\$ in millions)



# Annual Recurring Revenue (“ARR”)

(\$ in millions)



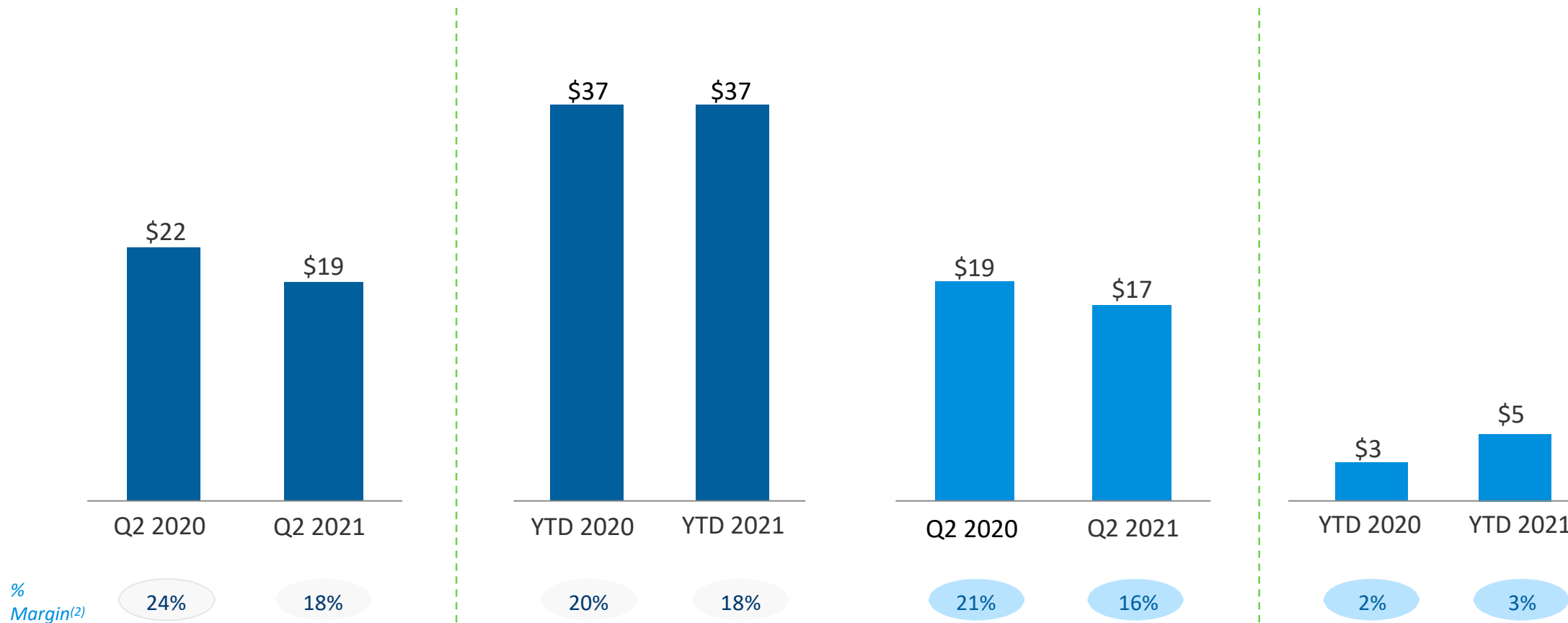
Notes:  
<sup>(1)</sup> ARR is based on monthly recurring revenue from software subscriptions for the most recent month at period end, multiplied by twelve.

# Robust EBITDA and free cash flow

(\$ in millions)

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

Free cash flow<sup>(1)</sup>



Notes:

<sup>(1)</sup> 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.

<sup>(2)</sup> Margins reflect respective financial figures as a percentage of total revenues in each respective period.

# Financial Outlook

	Q3 2021	FY 2021
Total Revenues	\$104 million to \$106 million (representing growth of 9.9% to 12.1% from the third quarter of 2020)	\$414 million to \$417 million (representing annual growth of 10.5% to 11.3%)
Adjusted EBITDA <sup>(1)</sup>	\$15 million to \$17 million (representing a decrease of \$5.5 to \$7.5 million from the third quarter of 2020)	\$68 million to \$72 million (representing annual decrease of \$6.4 to \$10.4 million)

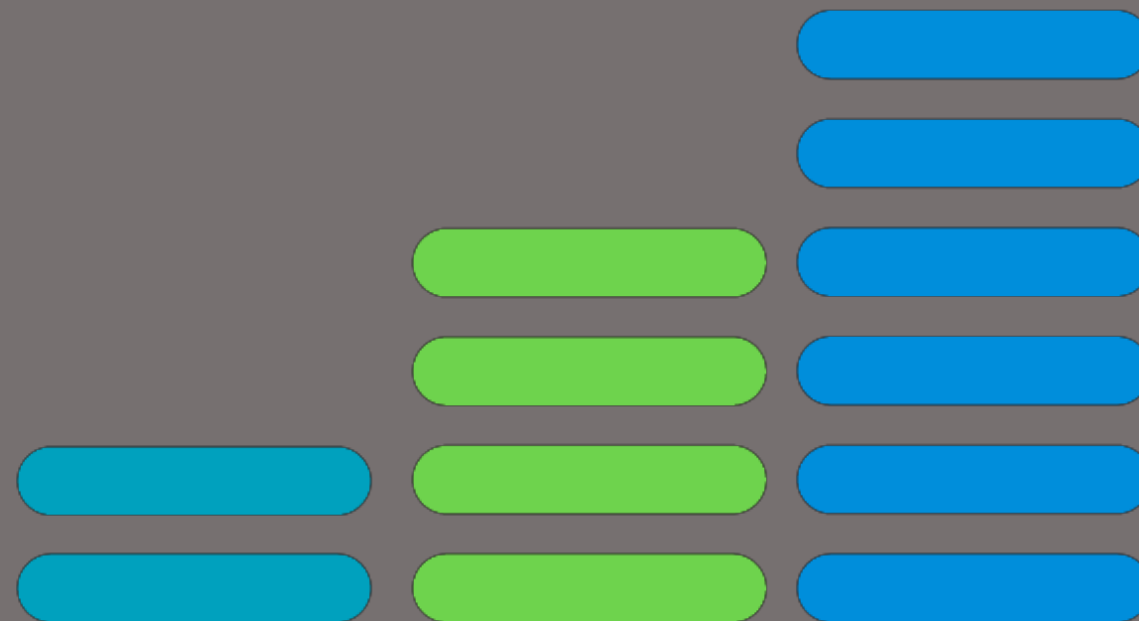
Notes:

<sup>(1)</sup> Adjusted EBITDA is a non-GAAP measure. For a reconciliation of this non-GAAP measure to the nearest GAAP measure, please see the Appendix.

# Capital Allocation Considerations

- Investments to Further Support:
  - Expanding Product Portfolio
  - Integration of Taxamo/Vertex Product Offerings
  - Go-to-Market Motion
- Acquisition Opportunities to Further Support:
  - Product Extension
  - Geographic Expansion

# Appendix





# Adjusted EBITDA reconciliation (\$ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Adjusted EBITDA</b>				
Net Income (Loss)	\$808	\$(29,075)	\$3,096	\$(58,139)
Interest (Income) Expense, net	(385)	1,059	150	1,628
Income Tax Benefit	(1,881)	(985)	(2,560)	(735)
Depreciation and Amortization – Property and Equipment	2,878	2,505	5,705	5,374
Depreciation and Amortization of Capitalized Software and Acquired Intangible Assets – Cost of Subscription Revenues	5,917	5,475	11,822	10,042
Amortization of Acquired Intangible Assets - Selling and Marketing Expense	86	–	170	–
Stock-based compensation expense	6,285	41,676	12,828	76,596
Severance expense	957	859	1,488	2,042
Transaction costs	4,522	–	4,672	–
<b>Adjusted EBITDA</b>	<b>\$19,187</b>	<b>\$21,514</b>	<b>\$37,371</b>	<b>\$36,808</b>
<b>Adjusted EBITDA Margin</b>				
Total Revenues	\$104,938	\$91,271	\$203,174	\$180,516
<b>Adjusted EBITDA Margin</b>	<b>18.3%</b>	<b>23.6%</b>	<b>18.4%</b>	<b>20.4%</b>

# Free cash flow reconciliation (\$ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Free Cash Flow</b>				
Net Cash Provided By Operating Activities	\$29,430	\$27,173	\$26,465	\$20,756
Property and Equipment Additions	(9,693)	(4,933)	(15,888)	(10,565)
Capitalized Software Additions	(2,904)	(3,558)	(5,125)	(7,264)
Free Cash Flow	\$16,833	\$18,682	\$5,452	\$2,927
<b>Free Cash Flow Margin</b>				
Total Revenues	\$104,938	\$91,271	\$203,174	\$180,516
Free Cash Flow Margin	16.0%	20.5%	2.7%	1.6%



**COMMERCE**



**COMPLIANCE**