



Investor Presentation

February 2024



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; the potential effects on our business from the existence of a global endemic or pandemic; 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, 2023 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, 2023 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.

Our vision is to accelerate global commerce



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

4,310

Direct Customers ⁽¹⁾

>190

Countries supported ⁽²⁾

>60%

of the Fortune 500 ⁽²⁾

\$572MM

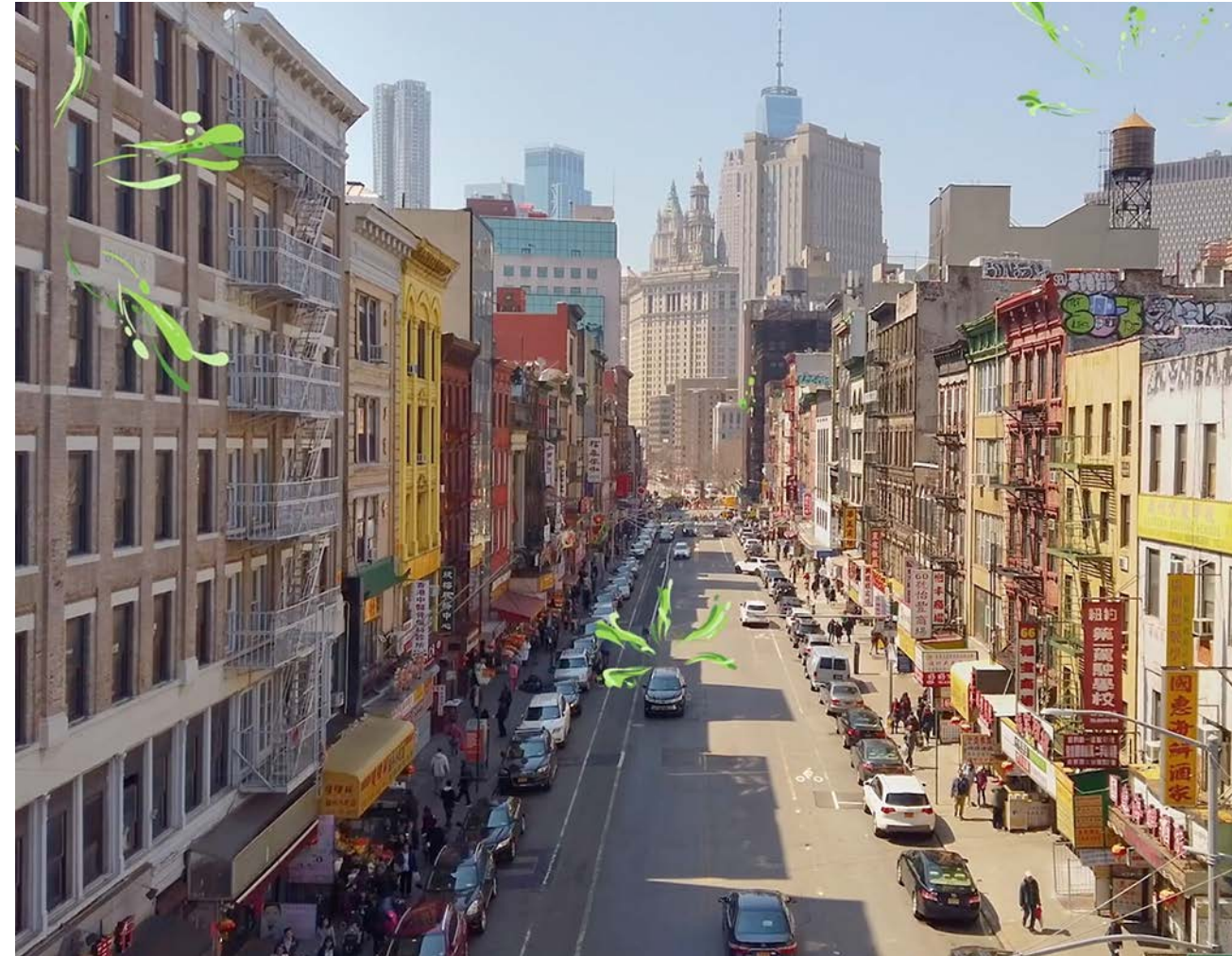
2023 LTM Revenues ⁽³⁾

84%

Subscription revenues ⁽⁴⁾

\$101MM

2023 LTM Adjusted EBITDA ⁽³⁾



Notes:

- (1) Based on information as of December 31, 2023. Refer to Appendix for makeup of customer count.
- (2) Based on information as of December 31, 2023.
- (3) Reflects last twelve months information through December 31, 2023.
- (4) Based on information as of December 31, 2023.

Investment highlights



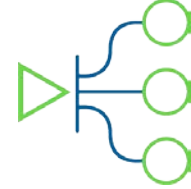
A leader in global, growing indirect tax software market



Marquee customer base across a diverse set of industries



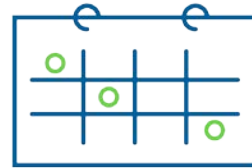
Significant cloud growth and subscription revenues



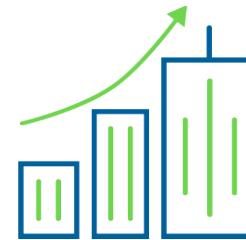
Meaningful land-and-expand motion with proven upsell track record



Market leadership due to dynamic, comprehensive content library



Highly scalable tax technology platform to support mission-critical workflows

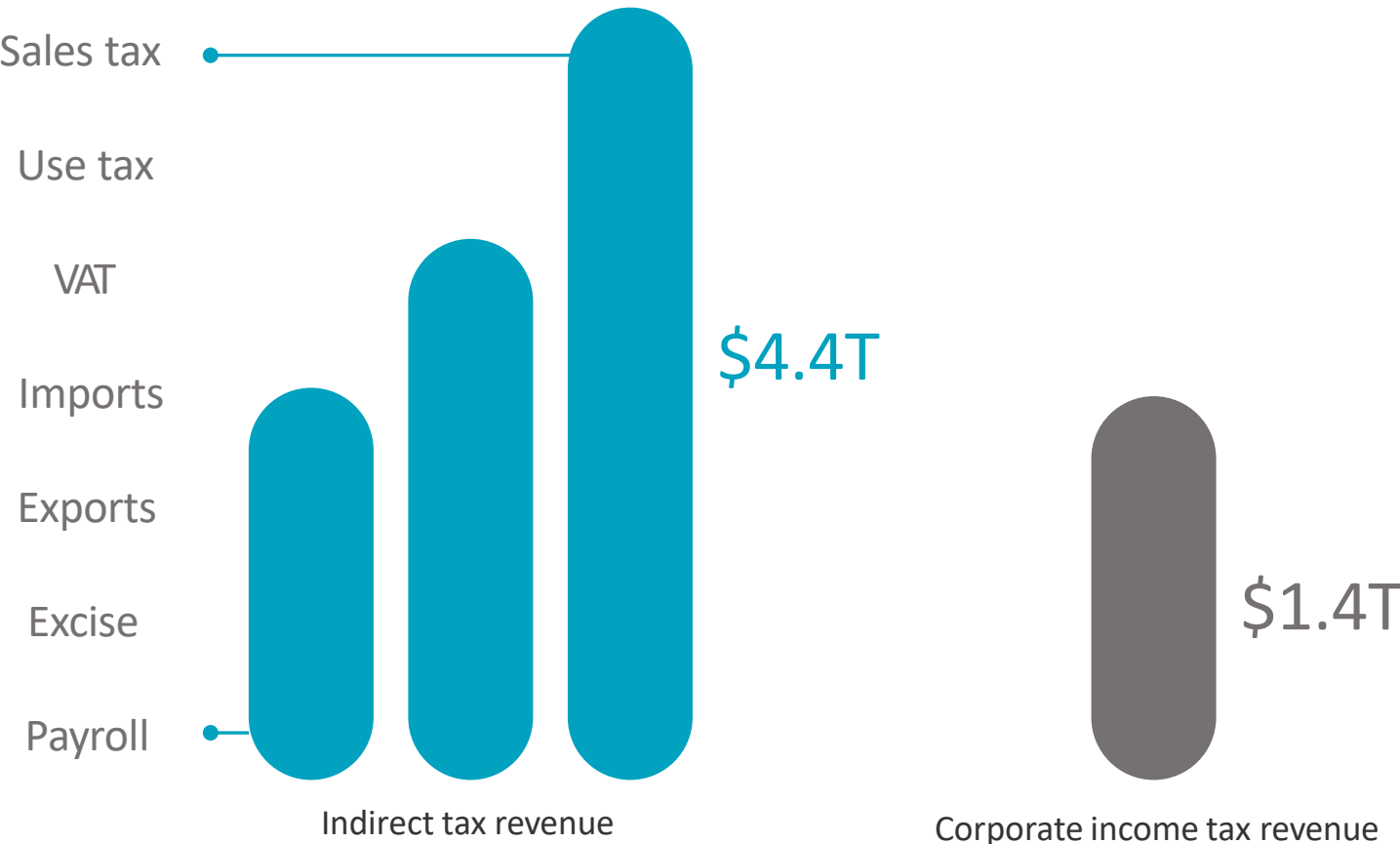


Durable growth and profitability at scale

Notes:

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

Indirect taxes are significant and growing⁽¹⁾



3.1x

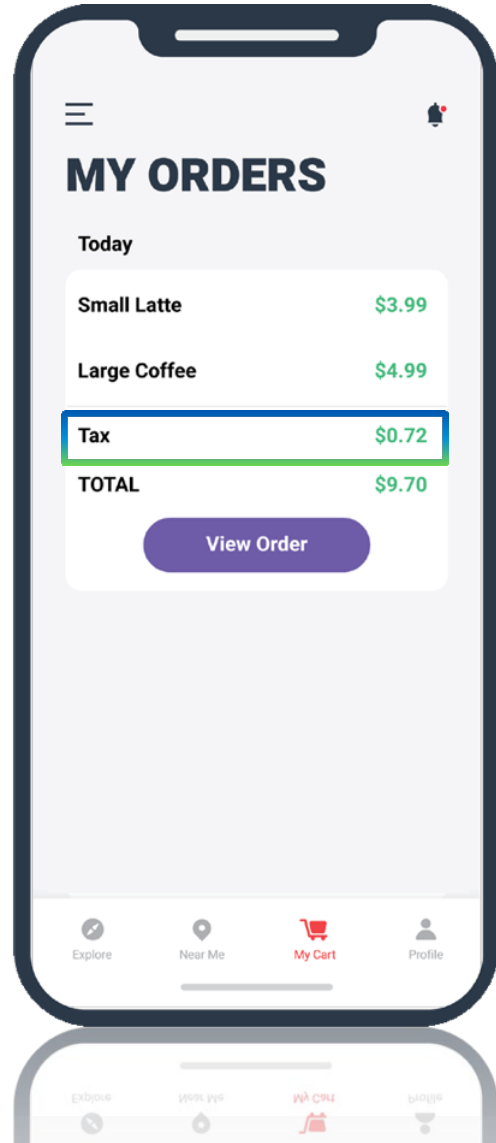
Indirect tax revenue vs. corporate income tax revenue

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

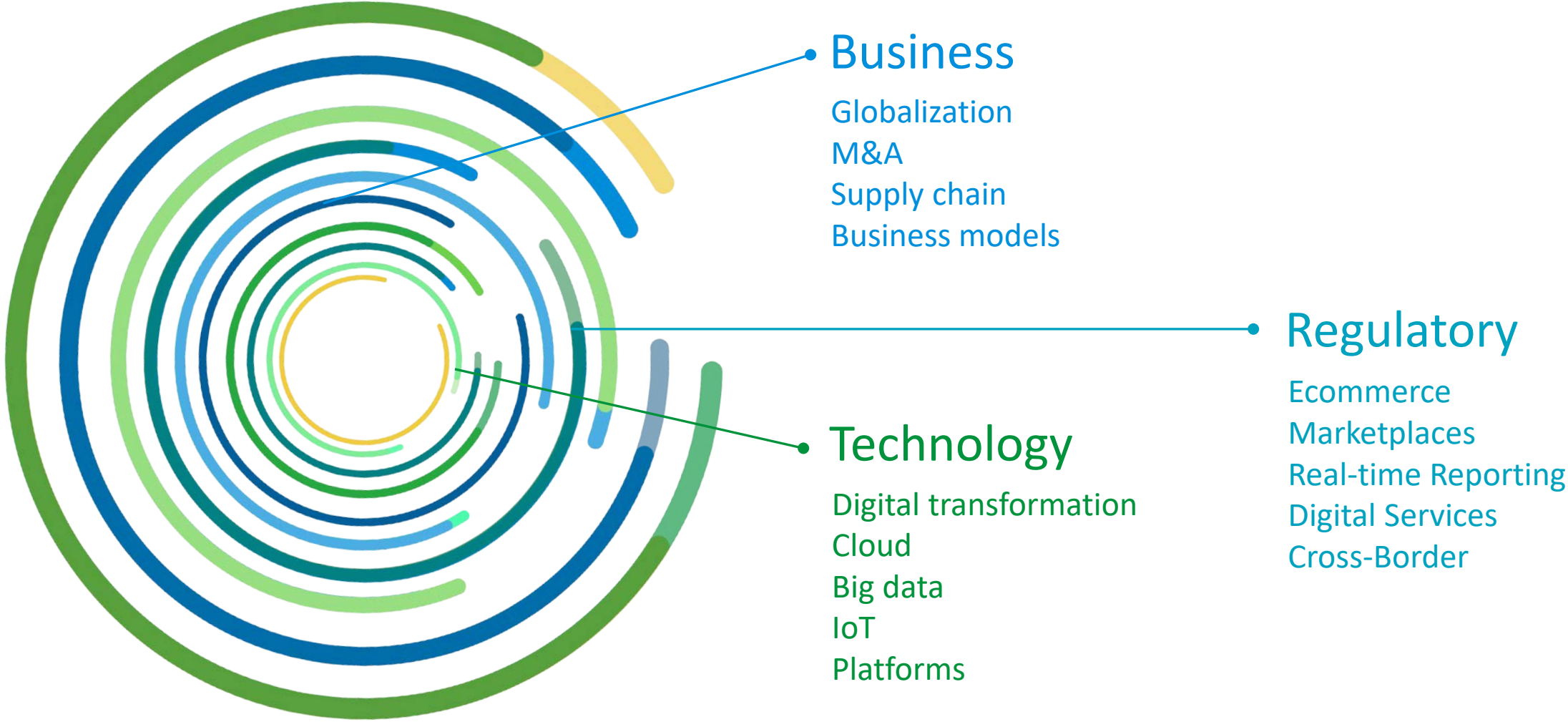
In REAL-TIME



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



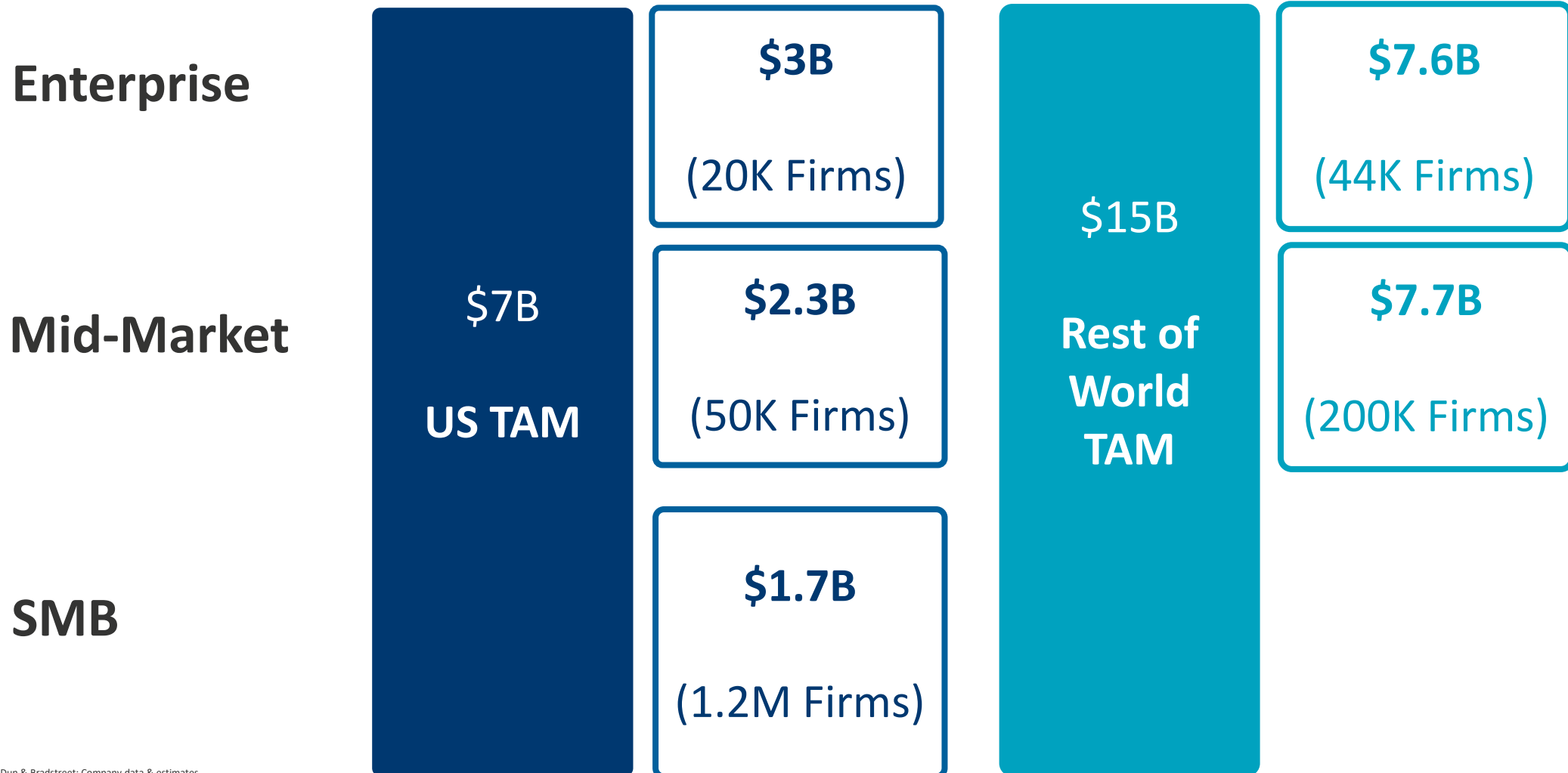
Macroeconomic shifts are compounding complexity and providing accelerating tailwinds for our growth



...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 ⁽¹⁾



(1) 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 North America 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

4,310⁽¹⁾

Direct Customers

63%⁽²⁾

of the Fortune 500



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

(1) Vertex direct customers are based on the Vertex active customer list as of December 31, 2023. Refer to Appendix for makeup.

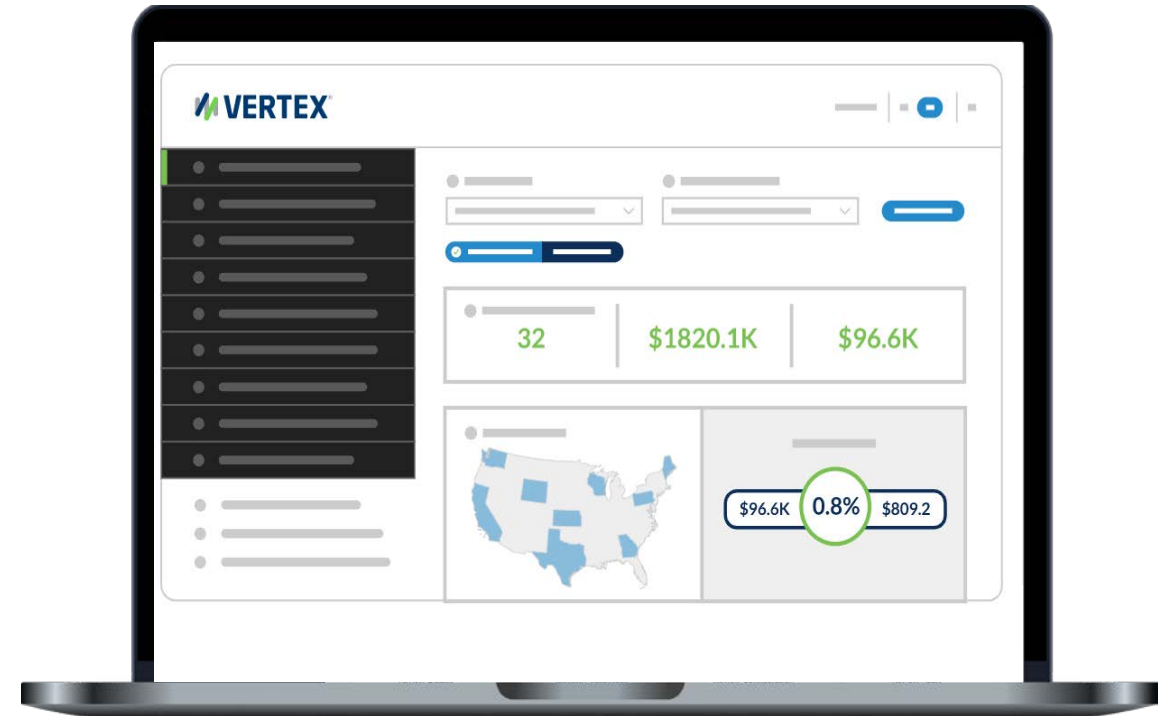
(2) Top 10 companies within the Fortune 500 are based on annual revenues as of December 31, 2022.

Powerful end-to-end solutions

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

- Multi-jurisdictional
- 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

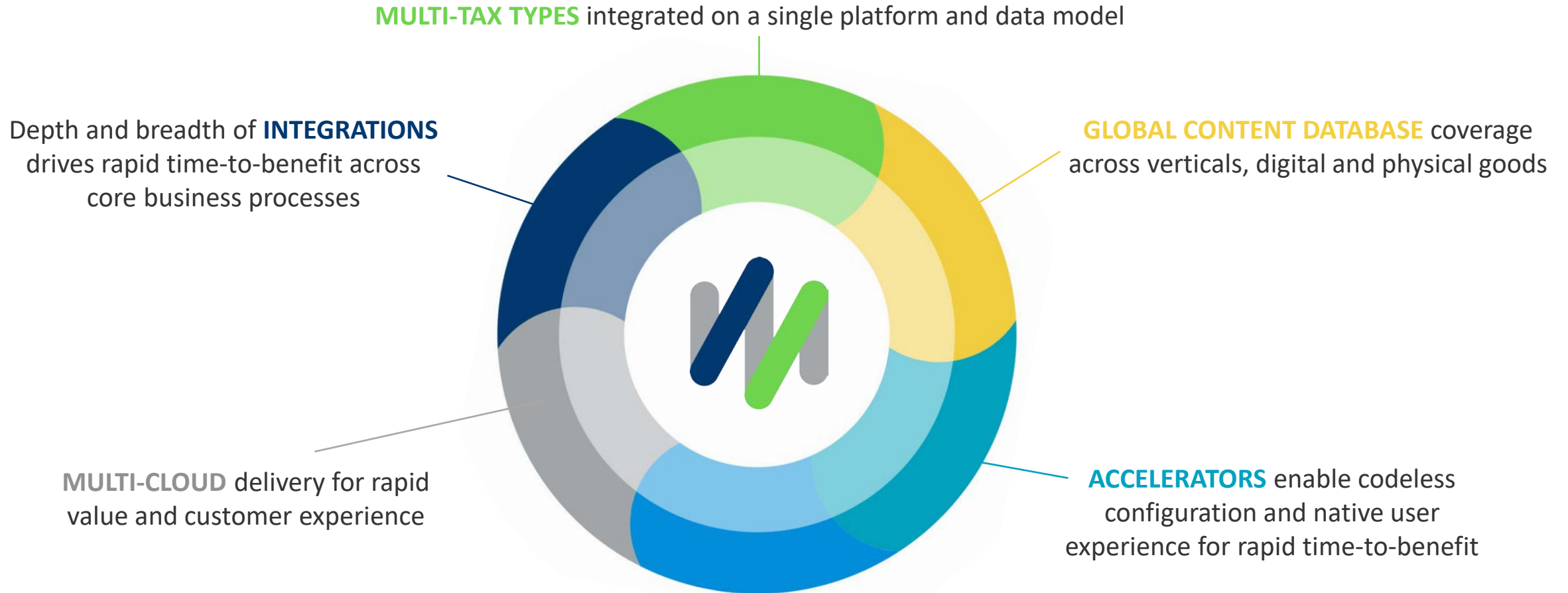
Compliance

Invoicing

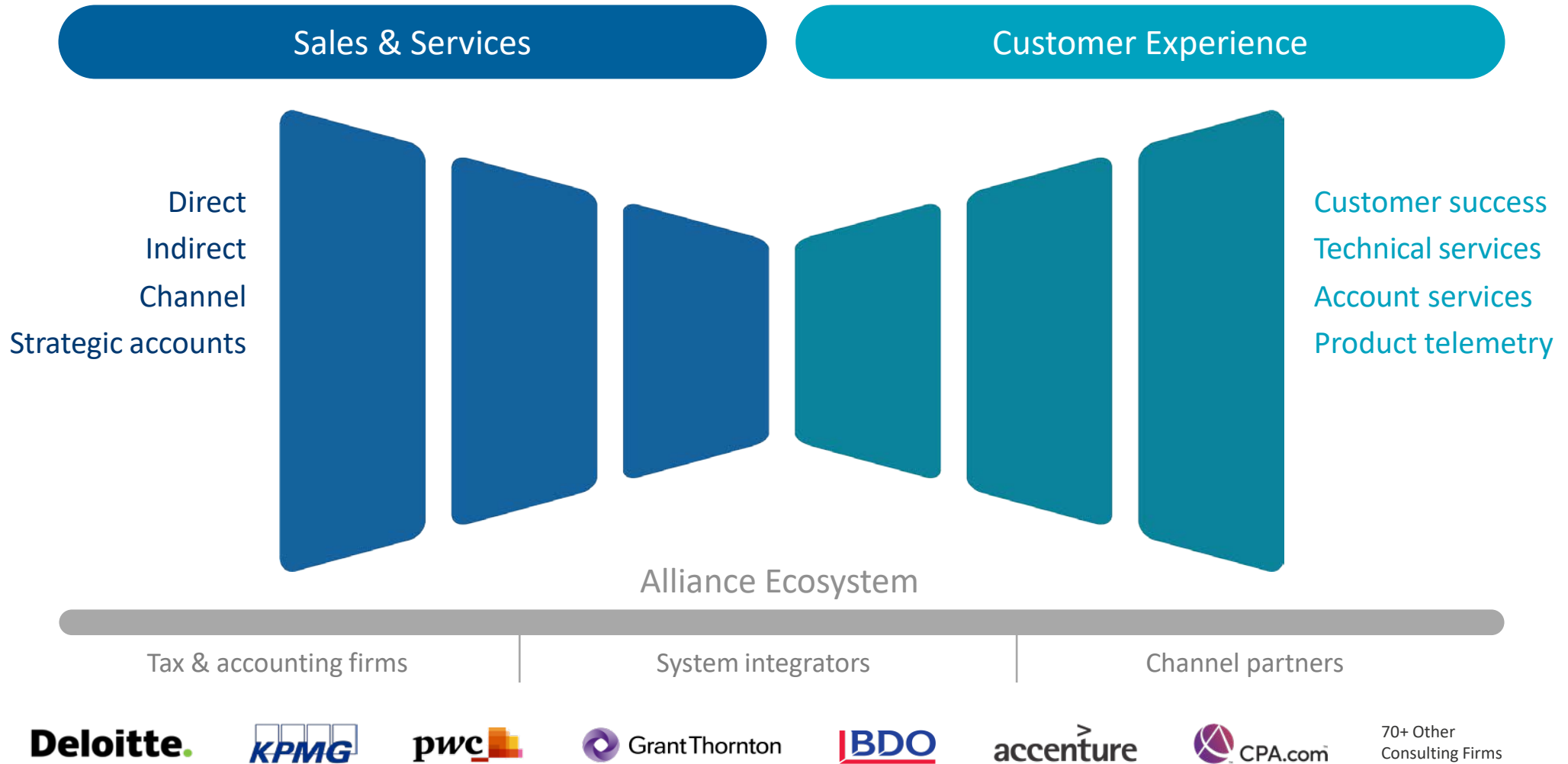
Payments

Reporting

Strong and differentiated capabilities with high barriers to entry



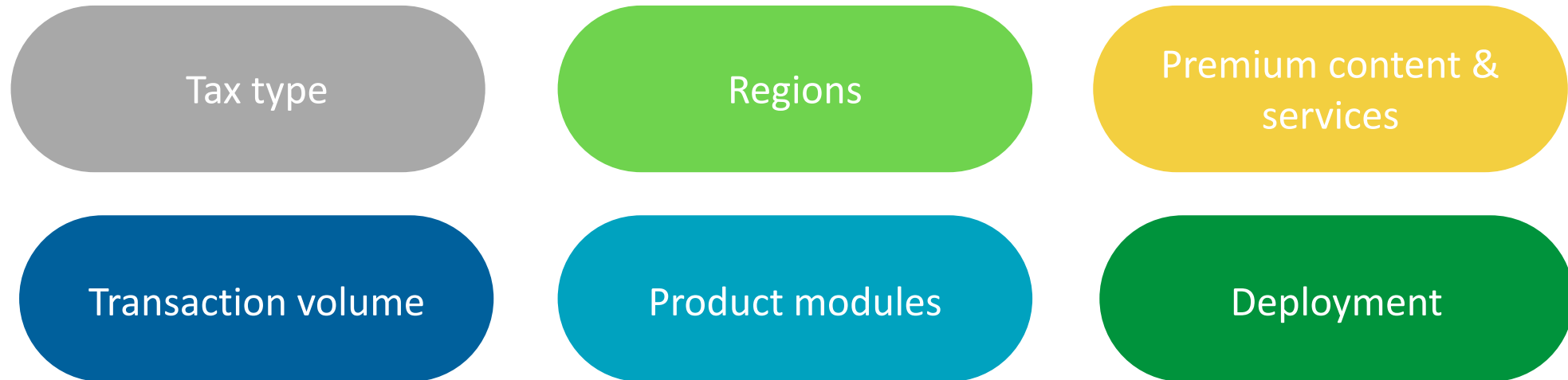
Land-and-expand go-to-market model provides operating leverage



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

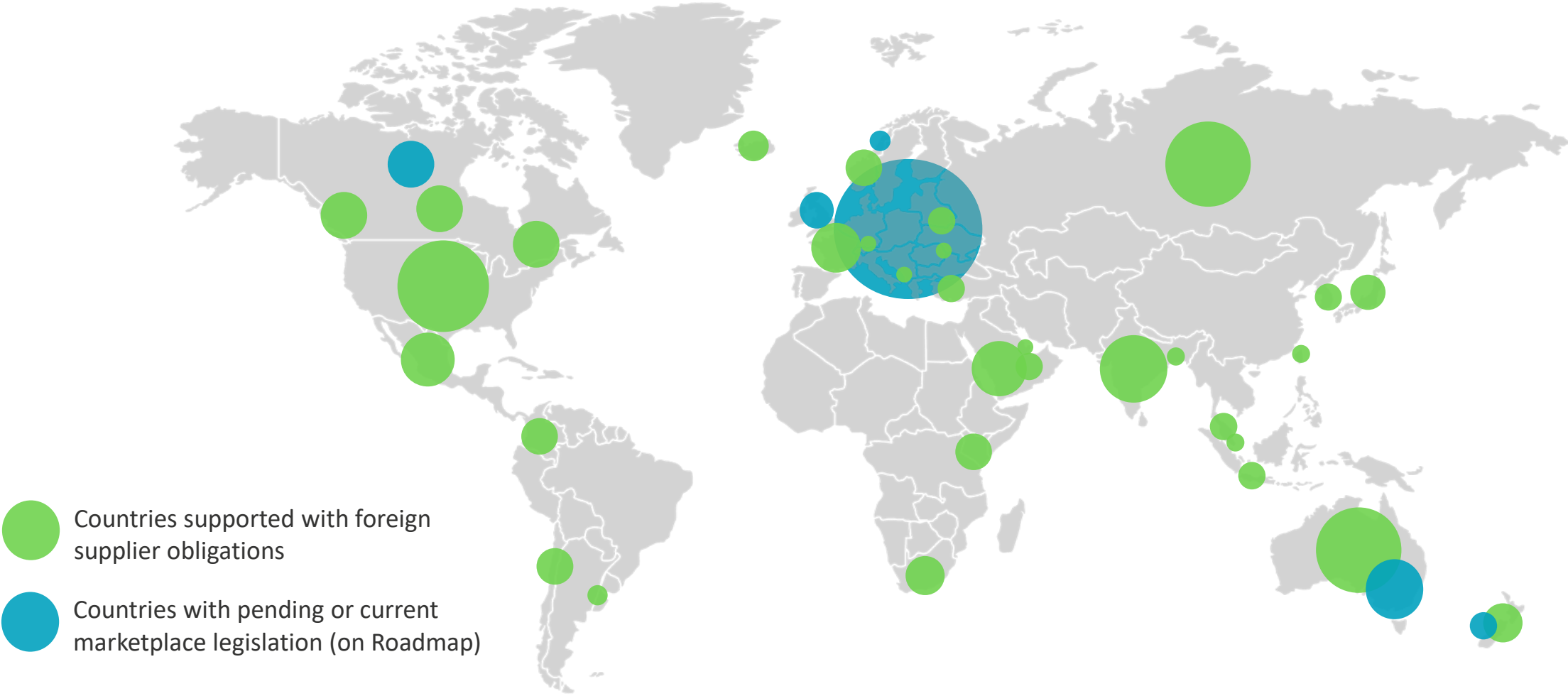


Multiple levers to monetize our large and growing install base



Regulatory landscape is expanding beyond the enterprise

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

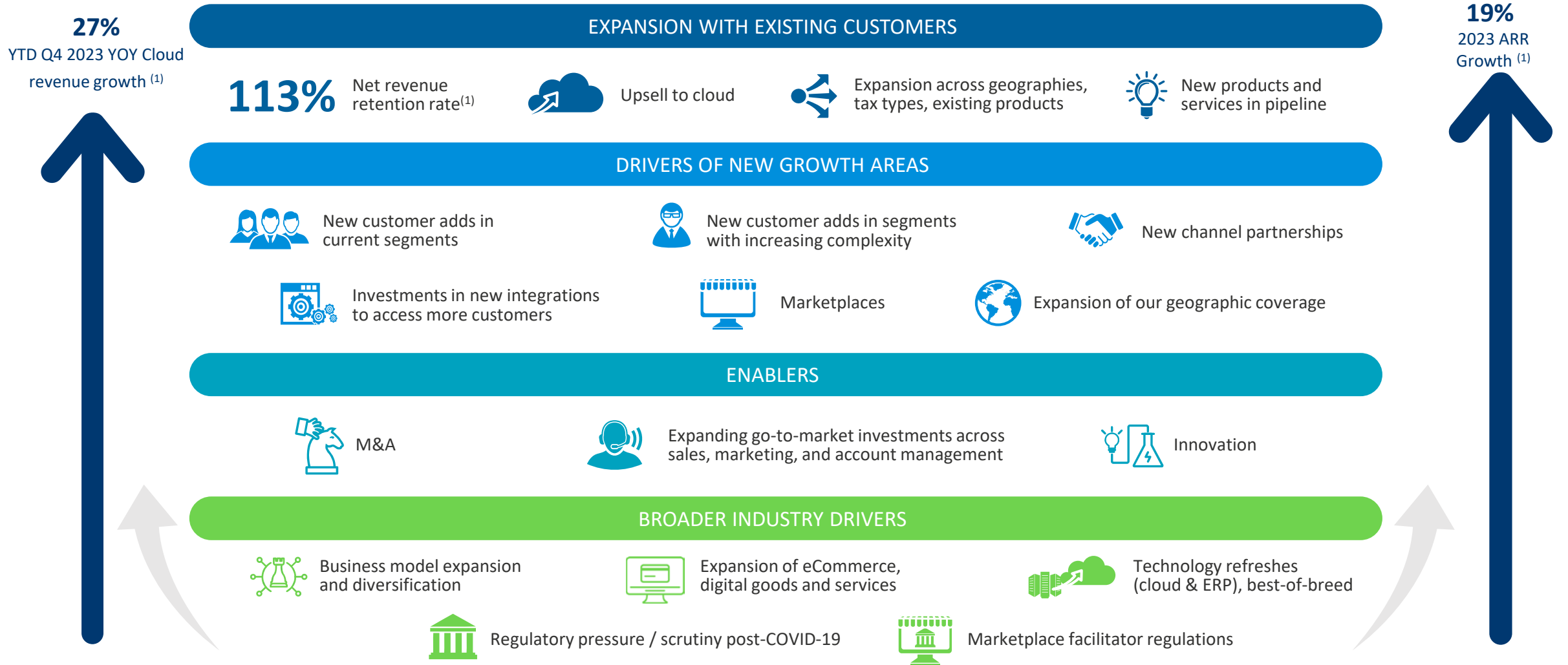


Extend global footprint



Sustained investment in product innovation

Drivers of long-term revenue growth



Notes:
(1) Based on information as of December 31, 2023.

Financials

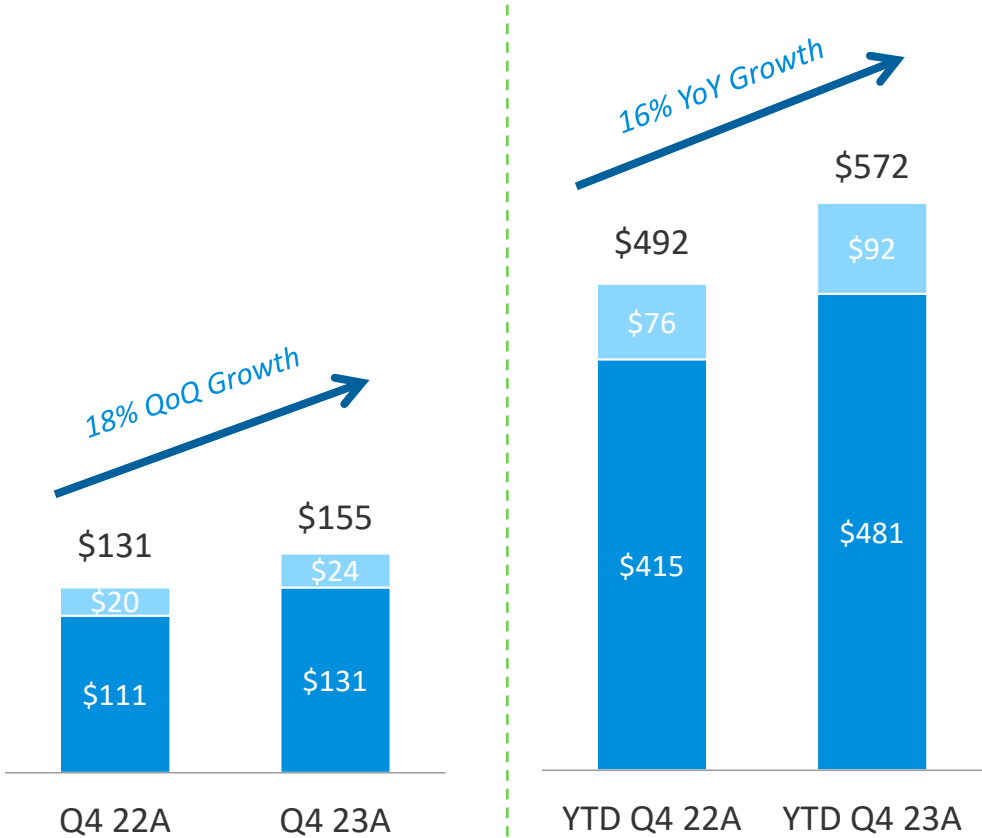


Strong recurring top-line growth

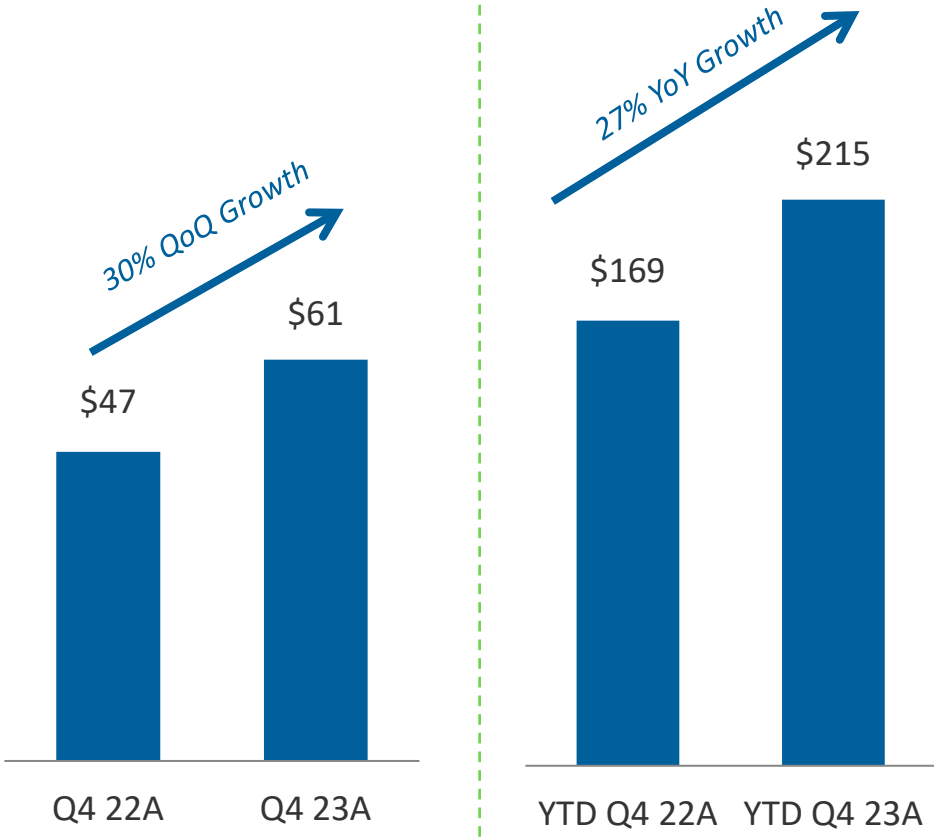
(\$ in millions)

Total Revenues

Software Subscriptions Services

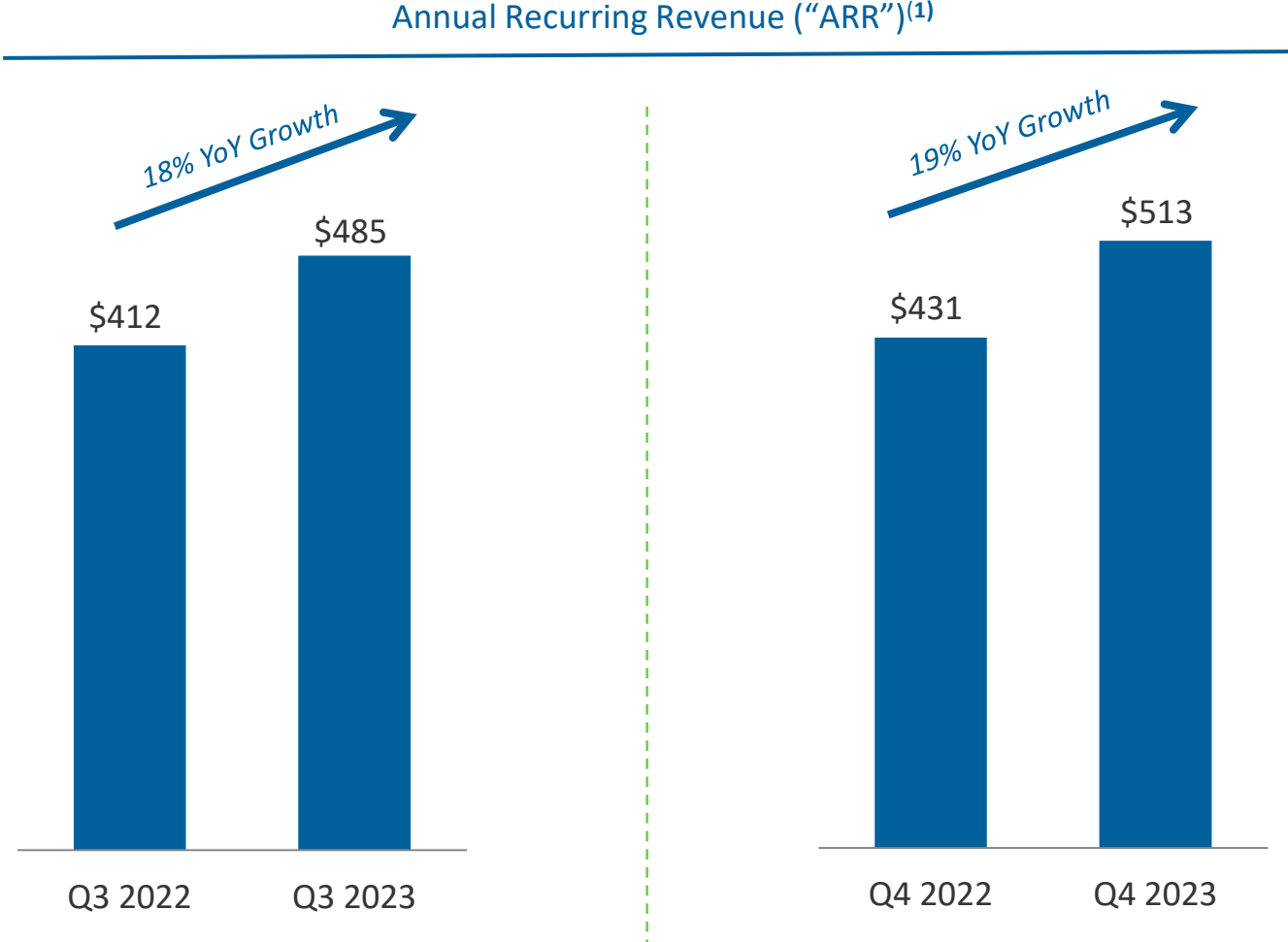


Cloud Revenue



Strong recurring top-line growth

(\$ in millions)

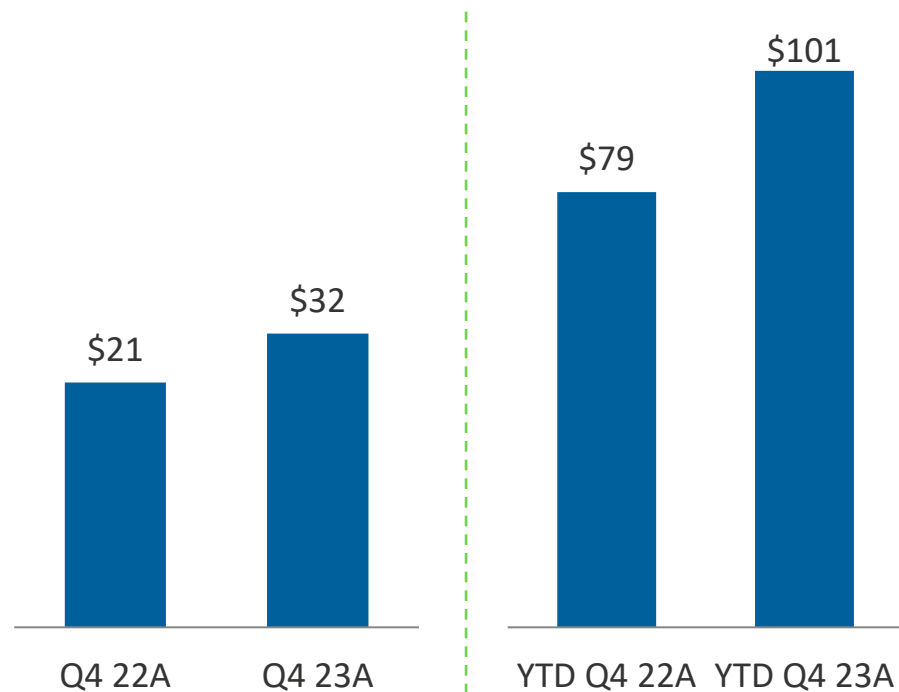


Notes:
(1) ARR is based on monthly recurring revenue from software subscriptions at period, multiplied by twelve.

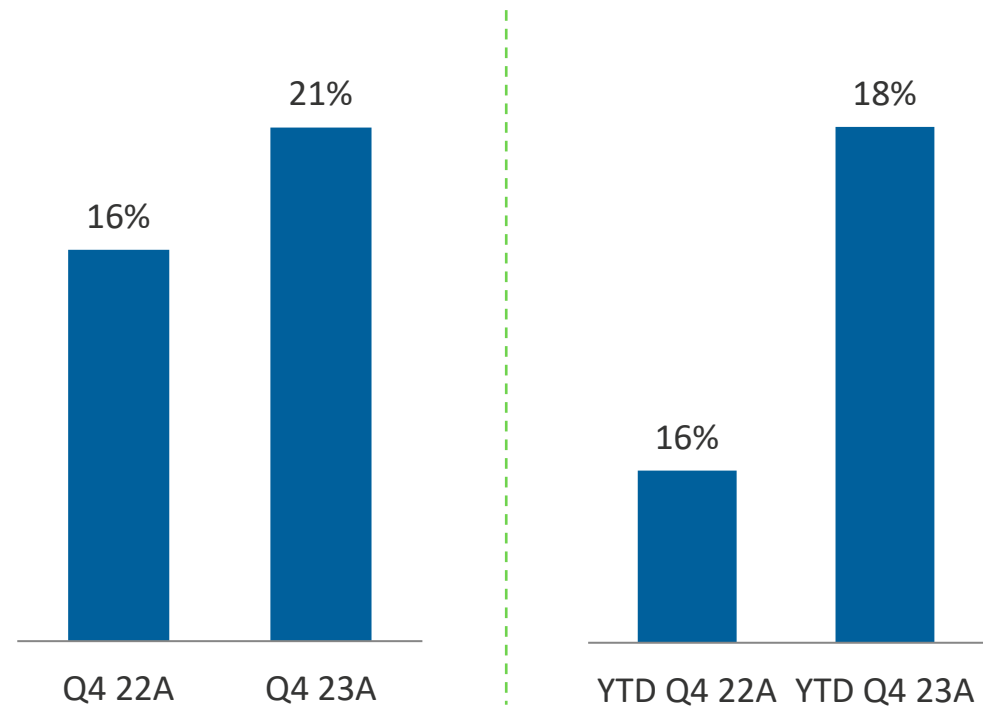
Healthy EBITDA and EBITDA Margin

(\$ in millions)

Adjusted EBITDA⁽¹⁾



Adjusted EBITDA Margin⁽²⁾



Notes:

- (1) Adjusted EBITDA is a non-GAAP measure. For a reconciliation to the nearest GAAP measure, please see the Appendix.
- (2) Margins reflect respective financial figures as a percentage of total revenues in each respective period.

Consistent Long Term Revenue Growth ⁽¹⁾

Annual Revenue (\$ in millions)



Financial Outlook

Q1 2024

FY 2024

Total Revenues	\$152 million to \$156 million	\$650 million to \$660 million
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Adjusted EBITDA ⁽¹⁾	\$29 million to \$31 million	\$130 million to \$135 million
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Cloud Revenues		Cloud revenue growth of 28%
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Notes: (1) Adjusted EBITDA is a non-GAAP measure. For a reconciliation of this non-GAAP measure to the nearest GAAP measure, see the Appendix.

Appendix



Adjusted EBITDA reconciliation⁽¹⁾

(\$ in thousands)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2022	2023	2022	2023
Adjusted EBITDA				
Net loss	\$(5,309)	\$15,334	\$(12,304)	\$(13,093)
Interest expense, net	969	4,022	2,048	4,164
Income tax expense (benefit)	957	(21,847)	2,174	(8,581)
Depreciation and amortization – property and equipment	3,320	3,801	12,440	15,202
Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues	11,749	14,898	44,934	54,048
Amortization of acquired intangible assets - selling and marketing expense	756	595	3,779	2,641
Amortization of cloud computing implementation costs – general and administrative	-	1,020	-	2,570
Stock-based compensation expense	5,346	7,691	19,729	33,919
Severance expense	255	1,473	877	3,576
Acquisition contingent consideration	300	200	2,300	1,549
Litigation settlements	2,000	-	2,000	-
Transaction costs	688	4,853	696	4,853
Adjusted EBITDA (\$)	\$21,031	\$32,040	\$78,673	\$100,848
Adjusted EBITDA Margin (%)	16%	21%	16%	18%

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 10K for the twelve months ended December 31, 2023 for additional information regarding the Company's use of this non-GAAP financial measure.

Total Customers

We use channel partners to sell and service small business customers through our one-to-many strategy. Including these indirect customers in our customer count would result in increases in our customer count as follows:

Customers	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Direct	4,289	4,278	4,284	4,303	4,310
Indirect	270	291	329	373	404
Total	4,559	4,569	4,613	4,676	4,714
Growth in scaled customer ⁽¹⁾ count	15%	15%	15%	15%	13%

Notes: (1) Represents customers that generate more than \$100,000 of revenue per year

