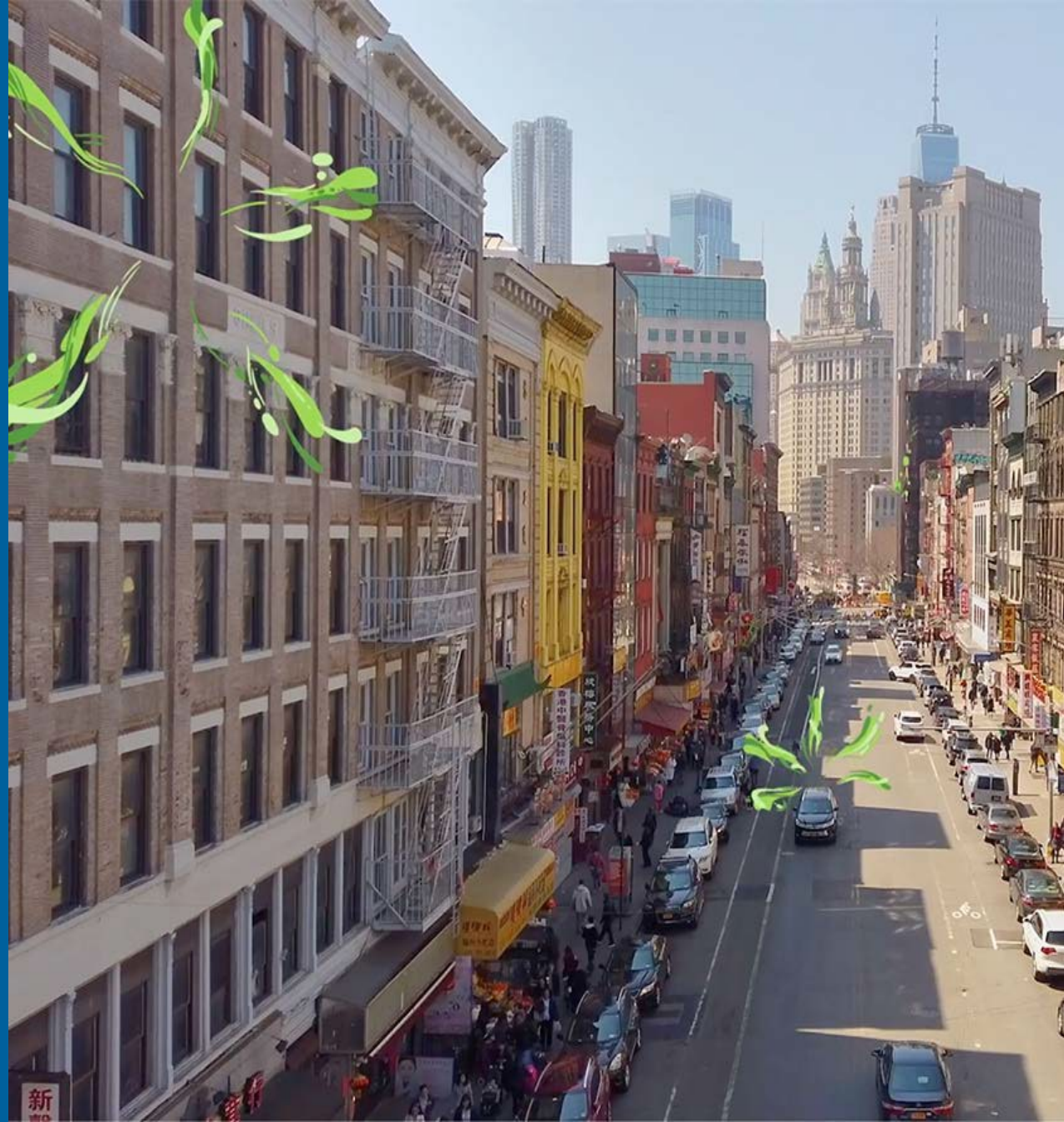




# Investor Presentation

May 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; 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.

# Vertex: The Trusted Name in Tax Technology for Over 40 Years

## KPIs Demonstrate Consistent Execution with Strong Fundamentals

**\$596MM**

TTM 1Q24 Revenue <sup>(1)</sup>

**\$117MM**

TTM 1Q24 Adjusted EBITDA <sup>(1)</sup>

**>60%**

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

**>190**

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

**95%**

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

**84%**

Subscription Revenues  
as a % of Revenue <sup>(3)</sup>

## Investment Highlights

- 1** A leader in global, growing **indirect tax software market**
- 2** **Marquee customer base** across a diverse set of industries
- 3** Significant **cloud growth** and **subscription revenues**
- 4** Meaningful **land-and-expand motion** with **upsell track record**
- 5** Market leadership due to **dynamic, comprehensive content library**
- 6** **Highly scalable** tax technology platform to **support mission-critical workflows**
- 7** Durable **growth and profitability at scale**

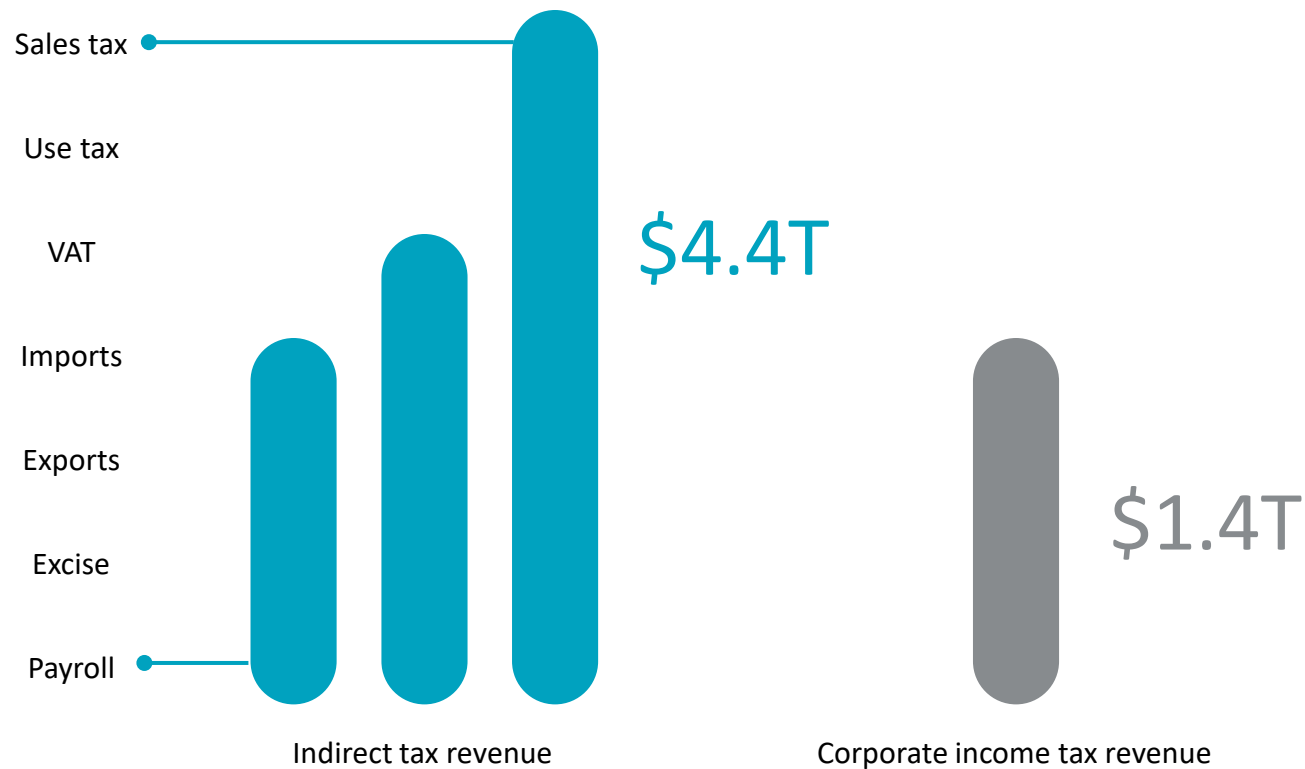
### Notes:

(1) Reflects last twelve months information through March 31, 2024.

(2) Based on information as of December 31, 2023.

(3) Based on information as of March 31, 2024.

# Indirect Taxes are Significant and Growing <sup>(1)</sup>



**3.1x**

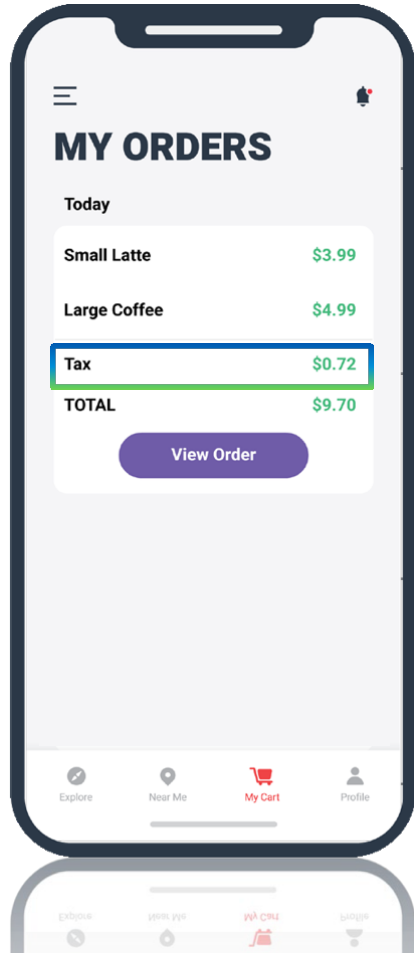
Indirect tax revenue vs. corporate income tax revenue

**20%**

VAT as a % of GDP in OECD countries

Notes:  
1. 2022 OECD Tax Database

# Indirect Taxes are Incredibly Complex



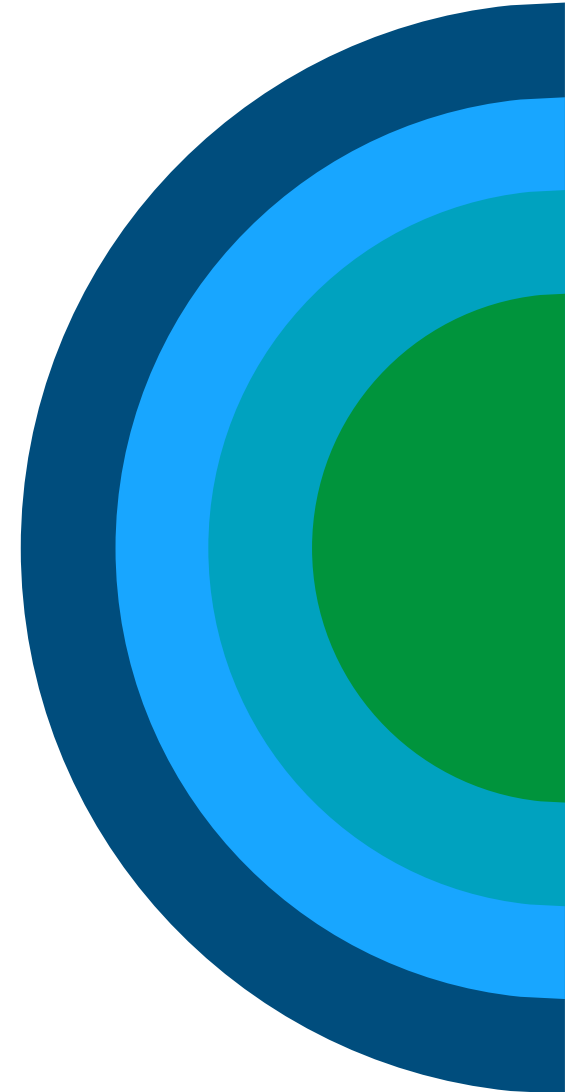
**EVERY**  
transaction

**THOUSANDS**  
of taxing jurisdictions

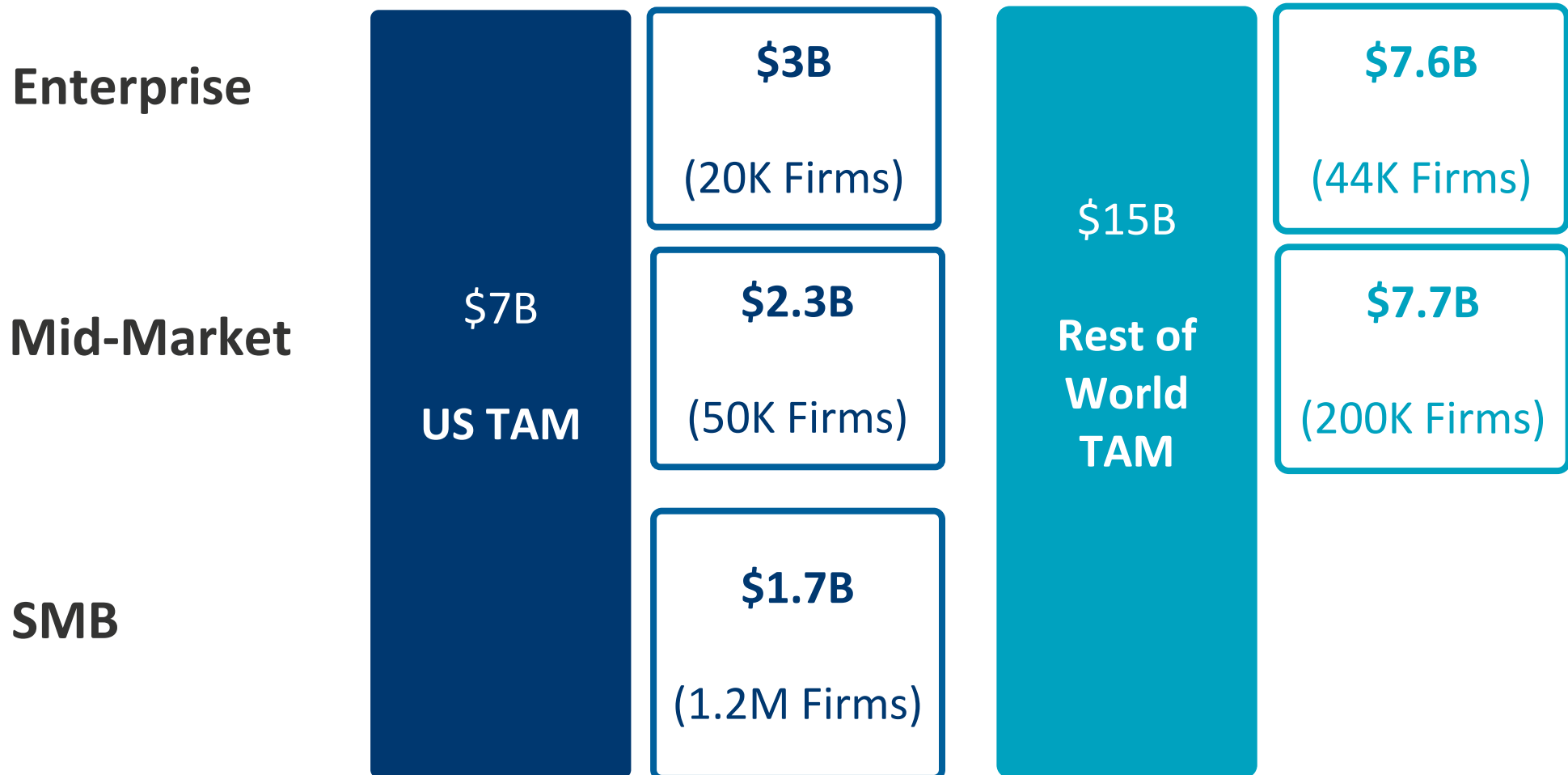
**THOUSANDS**  
of products and services

In **REAL-TIME**

And **ACROSS THE**  
**SUPPLY CHAIN**



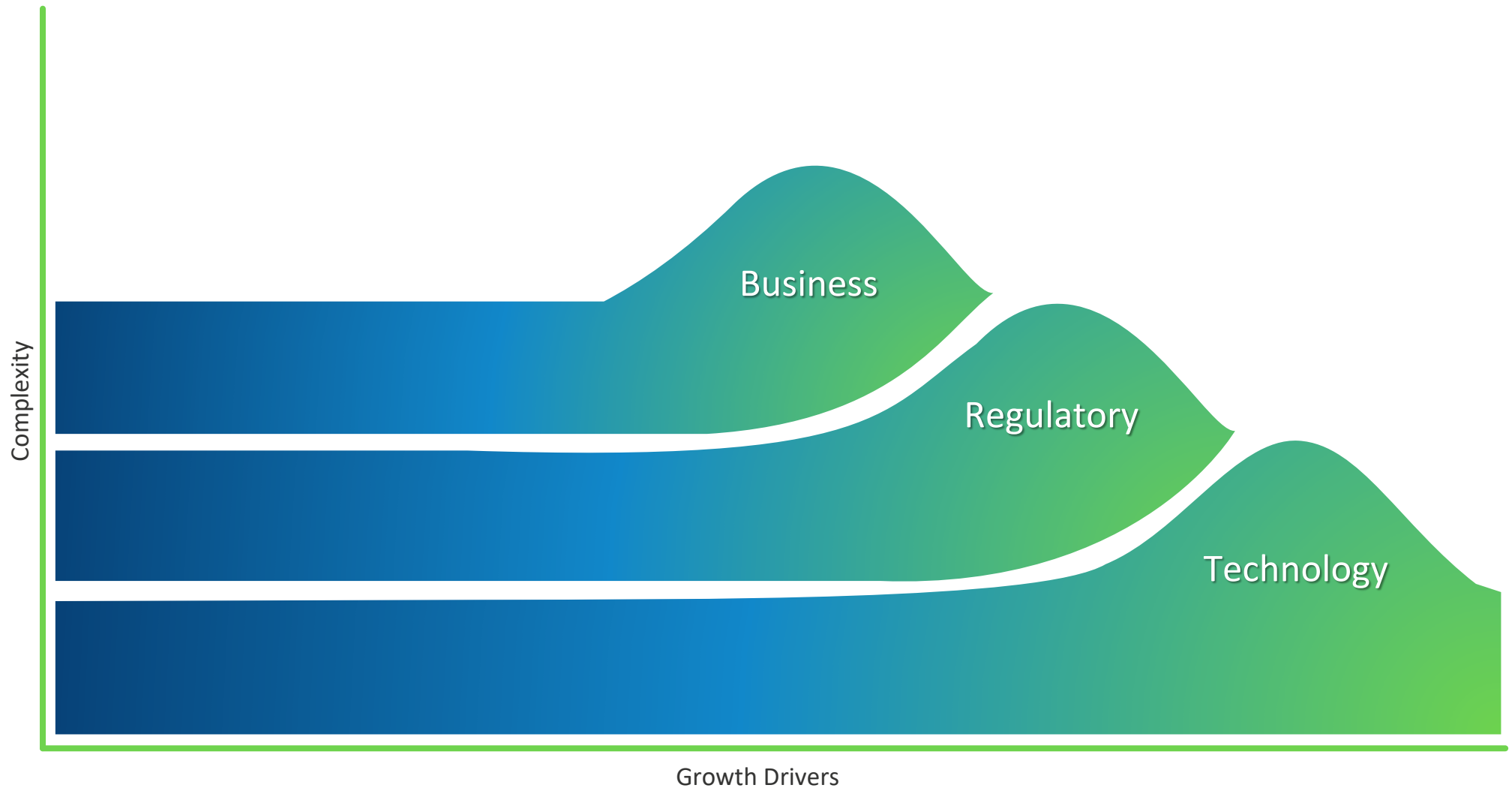
# We estimate a \$22B TAM with less than 10% software adoption <sup>(1)</sup>



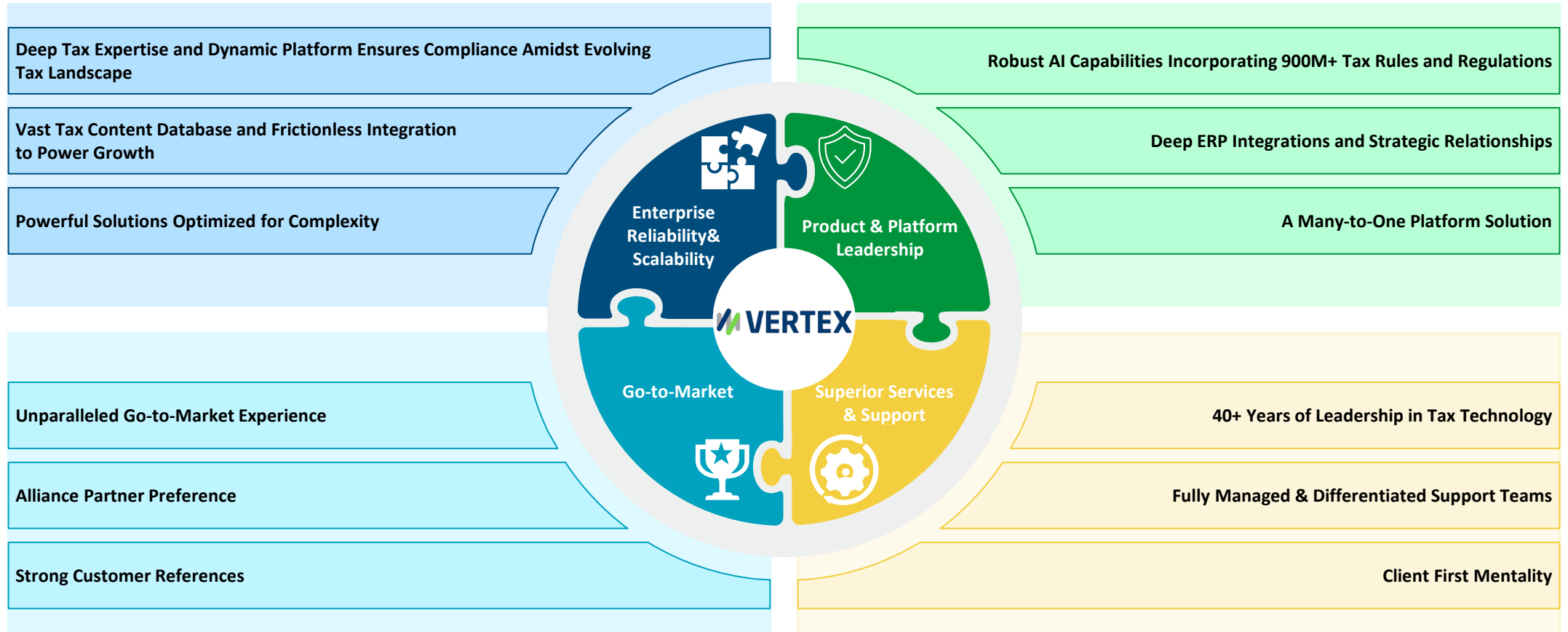
**Notes:**

1. Source: Dun & Bradstreet; Company data & estimates

# Growth Tailwinds Remain in Place



# Why Customers Choose Vertex





# We Have Built a Marquee Customer Base Across a Diverse Set of Industries

4,309<sup>(1)</sup>

Direct Customers

>60%<sup>(2)</sup>

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 March 31, 2024.

(2) Top 10 companies within the Fortune 500 are based on annual revenues as of December 31, 2023.

# Key Growth Investments – 2020 through 2023



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 of Success

	AT IPO	CURRENT	CAGR
<b>Total Revenue <sup>(1)</sup></b>	<b>\$349M</b>	<b>\$596M</b>	<b>+15.3%</b>
<b>ARR <sup>(2)</sup></b>	<b>\$294.6M</b>	<b>\$524.5M</b>	<b>+16.4%</b>
<b>Subscription Revenue <sup>(1)</sup></b>	<b>\$297.0M</b>	<b>\$501.6M</b>	<b>+15.0%</b>
<b>NRR <sup>(2)</sup></b>	<b>108%</b>	<b>112%</b>	<b>+400 bps</b>
<b>AARPC <sup>(2)</sup></b>	<b>\$73,300</b>	<b>\$121,720</b>	<b>+14.5%</b>

**Notes:**

- 1. At IPO is trailing 12 months ended 6/30/2020. Current is trailing twelve months ended 3/31/2024
- 2. Value as of 6/30/2020 compared to 3/31/2024

# 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



# World Class Leadership Team



**David DeStefano**  
Chief Executive Officer



**John Schwab**  
Chief Financial Officer



**Sal Visca**  
Chief Technology Officer



**Chris Jones**  
Chief Commercial Officer



**Chirag Patel**  
Chief Strategy Officer



**Steve Hinckley**  
Chief Operating Officer

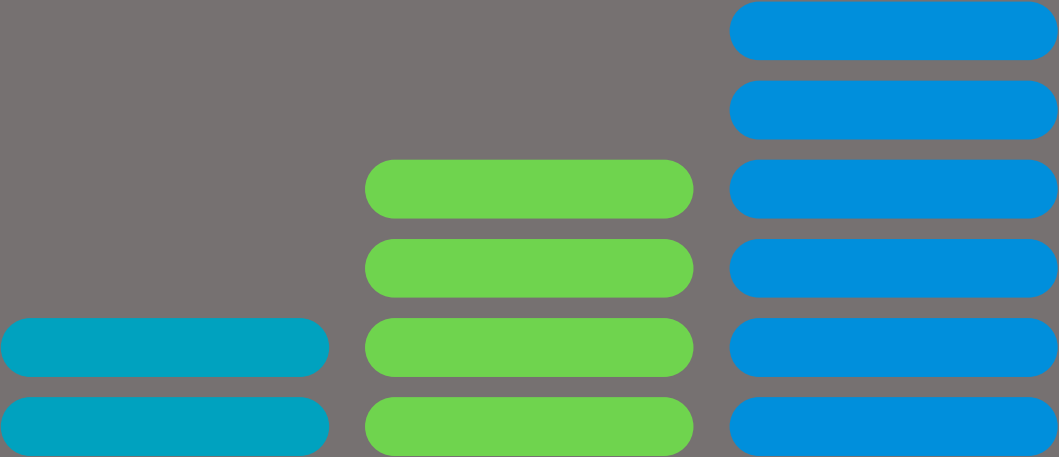


**Ann Hollins**  
Chief People Officer



**Jeff Foucher**  
Chief Marketing Officer

# Financials



# Financial Highlights

## 1 Growth Acceleration at Scale

- Consistent mid to high teens revenue growth, with cloud revenue growth in the high 20 percent range.
- NRR improvement validates the ability to cross-sell and serve customers through proprietary, differentiated tax software, services and content database

## 2 Earnings Leverage

- Multi-year growth investment program largely completed in 2Q23, driving operating leverage throughout the business model
- Q1'24 Adj. EBITDA increased more than 80% vs Q1'23, reflecting ~800bps of margin expansion

## 3 Clear Growth Opportunities

- Secular tailwinds, including the increasingly complex tax regulatory landscape and broad digital transformation initiatives, validate the business model
- Enhanced long-standing partnerships with Oracle and SAP, and expanded into Microsoft, NetSuite, Salesforce and Workday ecosystems

**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.

### FY 2023 Results <sup>(1)(2)</sup>

<b>\$572M</b> Total Revenue	<b>\$513M</b> ARR	<b>\$101M</b> Adj. EBITDA
<b>16%</b> Revenue Growth	<b>27%</b> Cloud Revenue Growth	<b>18%</b> Adj. EBITDA Margin

### Q1 2024 Results <sup>(1)(2)</sup>

<b>\$157M</b> Total Revenue	<b>\$525M</b> ARR	<b>\$37M</b> Adj. EBITDA
<b>18%</b> Revenue Growth	<b>28%</b> Cloud Revenue Growth	<b>23%</b> Adj. EBITDA Margin

# Q1'24A Results

	1Q24 Results	% Growth YoY
<b>Total Revenue</b>	<b>\$156.8M</b>	<b>+18.1%</b>
<b>ARR</b>	<b>\$524.5M</b>	<b>+17.5%</b>
<b>NRR</b>	<b>112%</b>	<b>+1.8%</b>
<b>GRR</b>	<b>95%</b>	<b>(1.0%)</b>
<b>Net Income</b>	<b>\$2.7M</b>	<b>NM</b>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$36.7M</b>	<b>+81.9%</b>

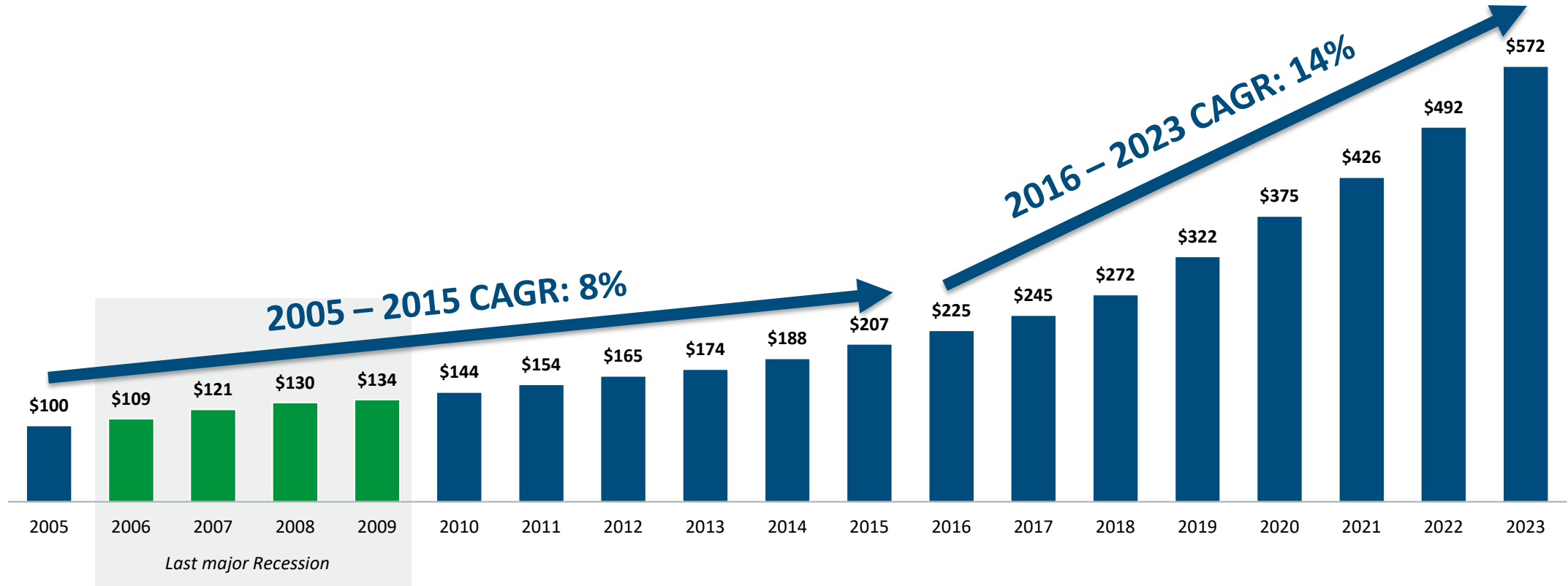
**Notes:**

1. Adjusted EBITDA is a non-GAAP measure; for a reconciliation of this non-GAAP measure to the nearest GAAP measure, see Appendix



# Durable Revenue Growth Over the Long Haul

Annual Revenue (\$ in millions)



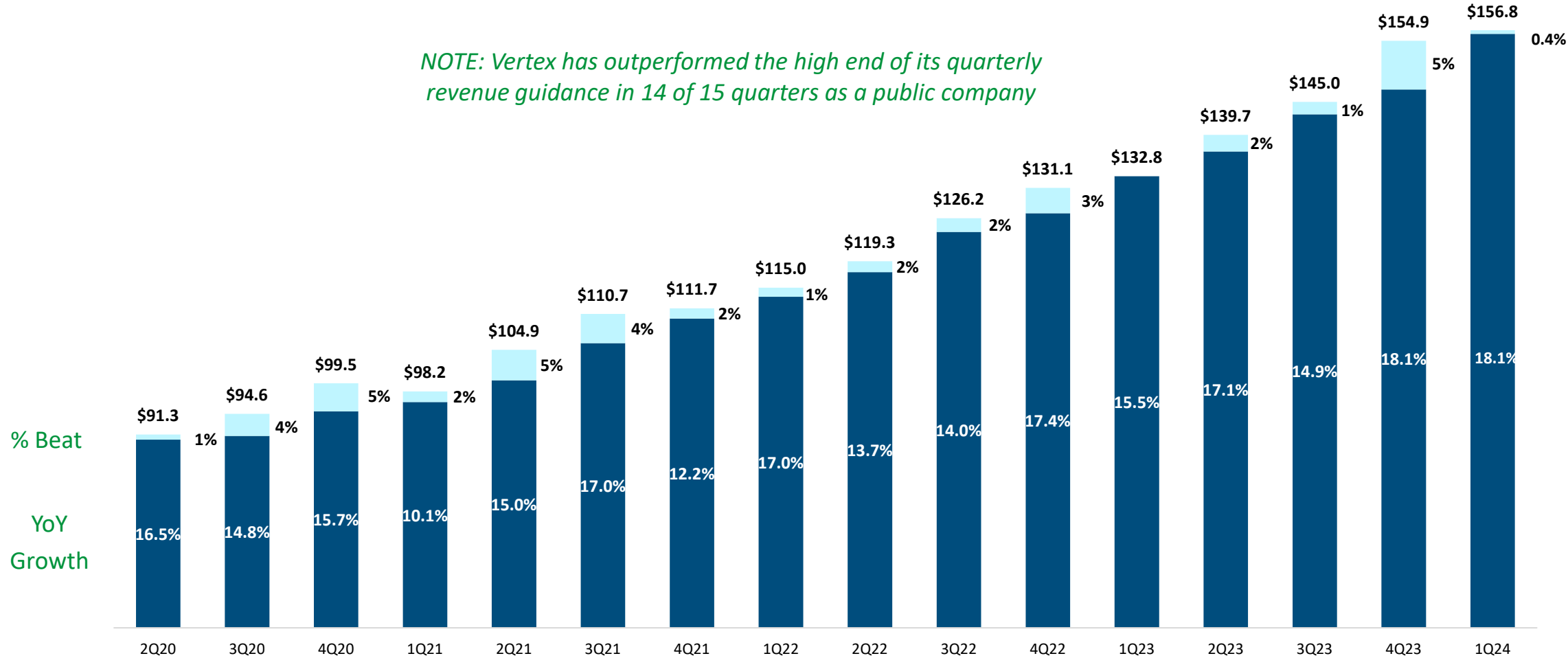
**Notes:**

1. 2005 through 2017 from unaudited financial statements. Revenue starting in 2018 reflects application of ASC 606

# Quarterly Revenue Track Record Since IPO

(\$ in millions)

*NOTE: Vertex has outperformed the high end of its quarterly revenue guidance in 14 of 15 quarters as a public company*



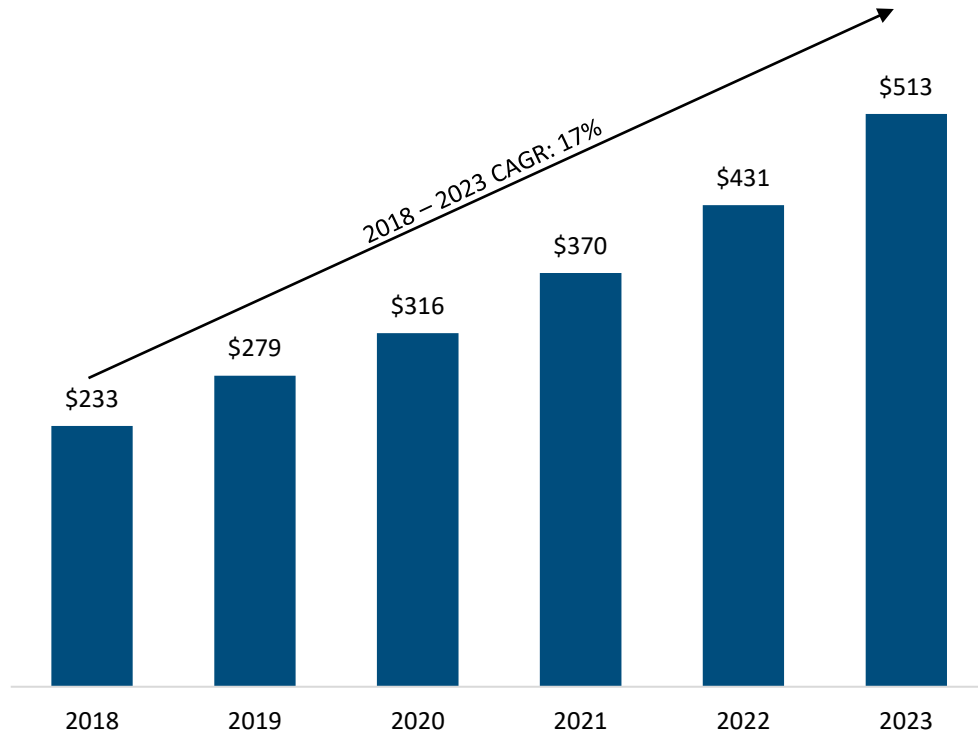
**Notes:**

1. % beat is calculated based on the actual quarterly revenue compared to the high-end of company-issued revenue guidance

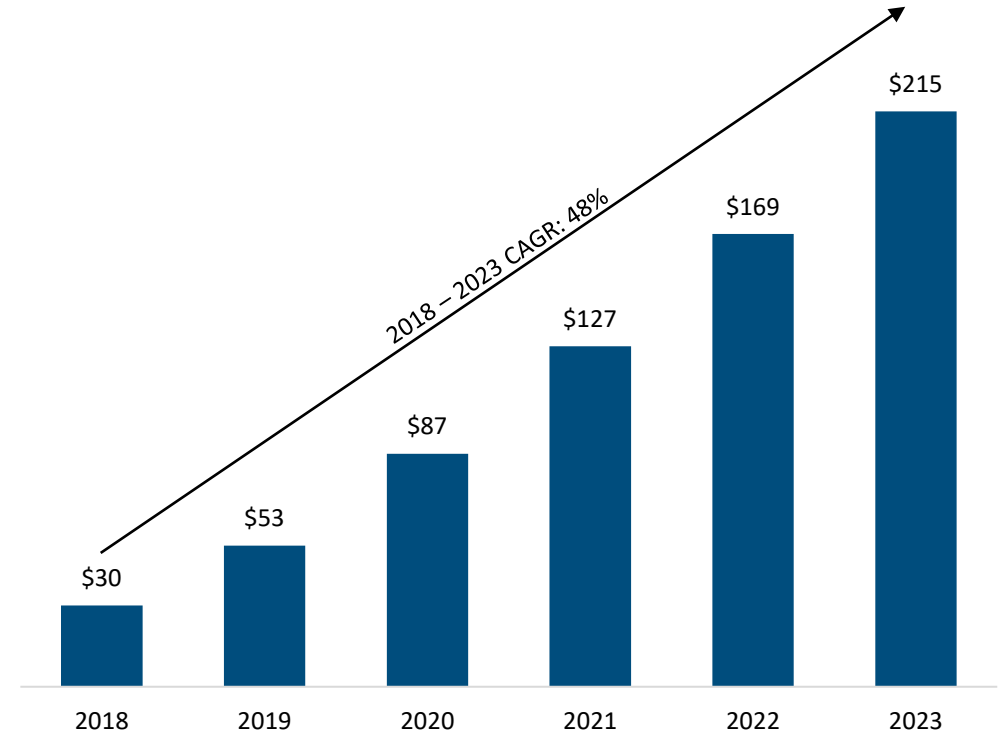
# Strong Recurring Top-Line Performance, Highlighted by Rapid Growth in Cloud Revenue

(\$ in Millions)

Annual Recurring Revenue (ARR)

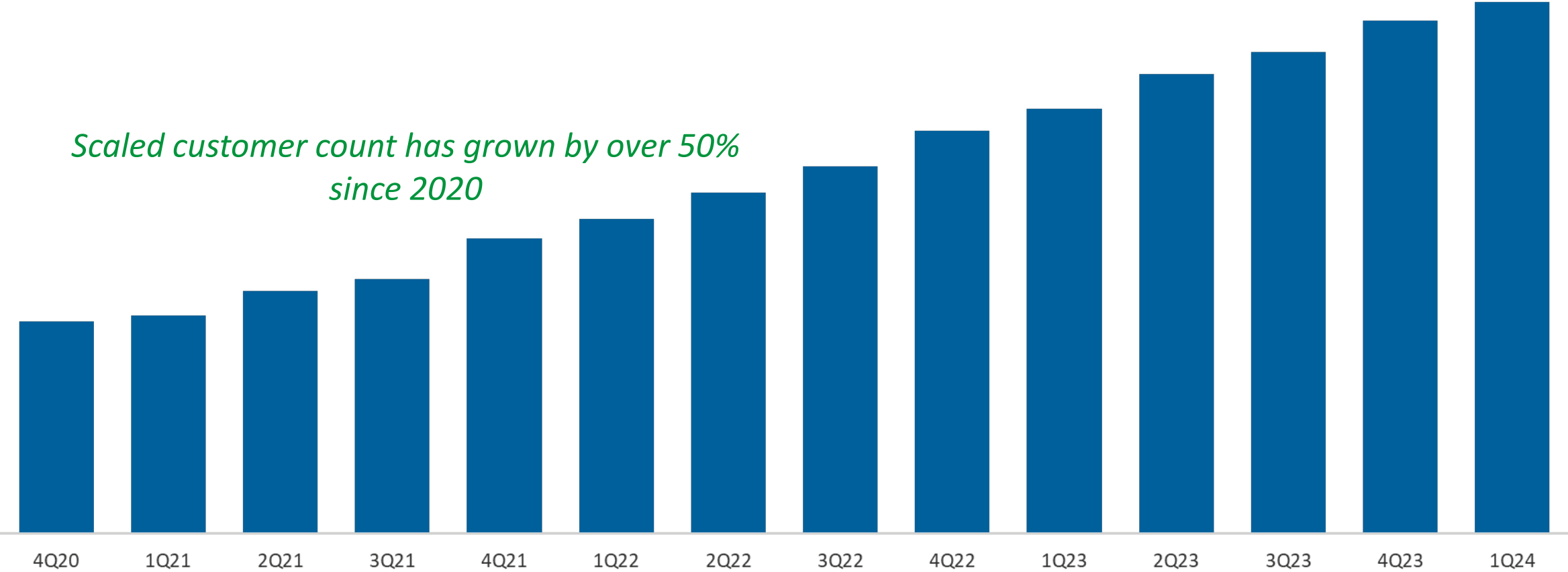


Cloud Subscription Revenue



# Scaled Customers Fuel Vertex's Growth

*Scaled customer count has grown by over 50% since 2020*

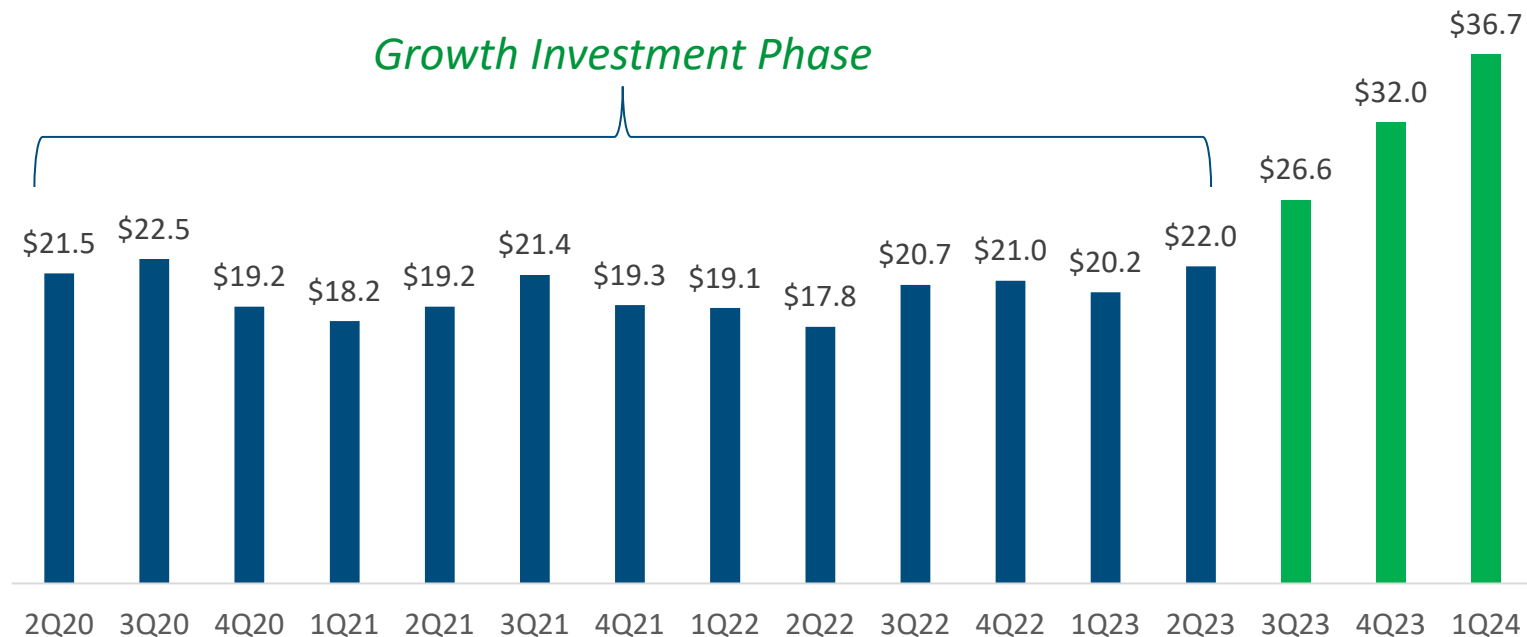


**Notes:**  
1. Scaled customers defined as customers with annual revenues greater than \$100K

# With Growth Investments Largely Complete, Earnings Leverage is Now Inflecting

- Beginning with the IPO in mid-2020, Vertex made significant growth investments in 3 key areas:
  - Go-to-market
  - New product introductions
  - Corporate infrastructure to support a larger company
- Those investments were largely complete in 2Q 2023 with the launch of a new ERP system.
- Earnings leverage from those investments is now evident in the company's financial results.

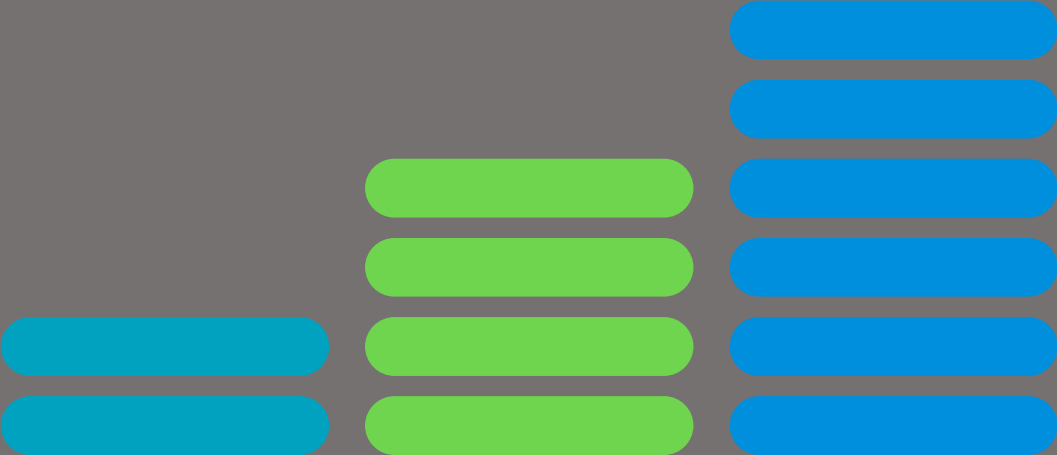
**Adjusted EBITDA <sup>(1)</sup>**  
(\$ in Millions)



**Notes:**

1. Adjusted EBITDA is a non-GAAP measure; for a reconciliation of this non-GAAP measure to the nearest GAAP measure, see Appendix

# Appendix



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

(\$ in Thousands)

	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
<b>Adjusted EBITDA</b>																
Net Income (Loss)	(29,075)	(21,028)	230	2,288	808	(3,948)	(627)	(334)	(5,520)	(1,141)	(5,309)	(18,132)	(6,896)	(3,399)	15,334	2,684
Interest expense, net	1,059	1,796	(313)	535	(385)	521	313	(6)	724	361	969	(350)	(105)	597	4,022	286
Income tax expense (benefit)	(985)	(30,773)	2,576	(679)	(1,881)	(187)	300	808	500	(91)	957	9,553	2,929	784	(21,847)	(4,535)
Depreciation and amortization – property and equipment	2,505	2,735	2,909	2,827	2,878	3,082	2,891	2,960	3,224	2,936	3,320	3,741	3,878	3,782	3,801	5,006
Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues	5,475	5,307	5,672	5,905	5,917	10,749	9,720	9,697	12,386	11,102	11,749	12,435	12,686	14,029	14,898	15,347
Amortization of acquired intangible assets - selling and marketing expense	-	128	48	84	86	375	268	249	2,019	755	756	766	684	596	595	595
Amortization of cloud computing implementation costs – general and administrative	-	-	-	-	-	-	-	-	-	-	-	-	631	919	1,020	994
Stock-based compensation expense	41,676	64,294	7,014	6,543	6,285	7,422	5,910	4,933	4,194	5,256	5,346	11,434	7,022	7,772	7,691	16,324
Severance expense	859	72	917	531	957	3,320	424	122	258	241	255	555	905	643	1,473	842
Acquisition contingent consideration	-	-	-	-	-	-	-	700	-	1,300	300	200	249	900	200	(800)
Litigation settlements	-	-	-	-	-	-	-	-	-	-	2,000	-	-	-	-	-
Transaction costs	-	-	-	150	4,522	21	55	7	-	1	688	-	-	-	4,853	-
<b>Adjusted EBITDA (\$)</b>	<b>\$21,514</b>	<b>\$22,531</b>	<b>\$19,053</b>	<b>18,184</b>	<b>19,187</b>	<b>21,355</b>	<b>19,254</b>	<b>19,136</b>	<b>17,785</b>	<b>20,720</b>	<b>21,031</b>	<b>20,202</b>	<b>21,983</b>	<b>26,623</b>	<b>32,040</b>	<b>36,743</b>