

Welcome to the eleventh edition of QuEST, which presents valuation and investment trends for SaaS companies during Q3 2017. QuEST utilizes data from both private companies and publicly traded companies to analyze SaaS trends. The publicly traded companies are referred to as the "SaaS Index" which represents the weighted-average movement of the market capitalization for over 50 publicly traded SaaS companies.

A CONVERSATION WITH KAREO AND GOLUB CAPITAL

For this edition, Golub Capital's Peter Fair interviewed Gregg Waldon of Kareo.

Peter: Use of EHRs (electronic health records) has skyrocketed since the 2009 enactment of the American Recovery and Reinvestment Act. That stimulus package included the Health Information Technology for Economic and Clinical Health (HITECH) Act, a \$26 billion program to incentivize doctors and hospitals to adopt EHR technology. Is it too late for a provider to penetrate the market?



Gregg Waldon, CFO, Kareo

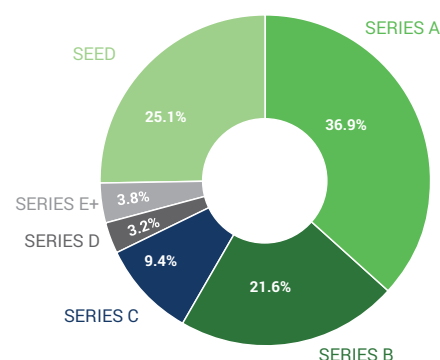
Gregg: The HITECH Act drove rapid adoption of EHRs by physicians. It stimulated the creation of hundreds of EHR suppliers, including some with poor quality products. So while most physicians now have an EHR system, satisfaction is low. Common complaints include complex design, workflow inefficiencies, cost, poor technology support and lack of reliability.

What medical practices need today is EHR software that improves operations and care delivery, from a supplier committed to product improvement and quality support. The next wave of EHR adoption is already underway, driven by physicians who are replacing inferior products adopted under HITECH Act incentives with ones that successfully meet long-term needs. By size, the opportunity is more substantial than the first wave of adoption given that the viable set of suppliers is likely dozens of firms, rather than hundreds, and will provide much higher market share opportunities.

Peter: With so many new players in the field of Healthcare IT, how do you differentiate yourself?

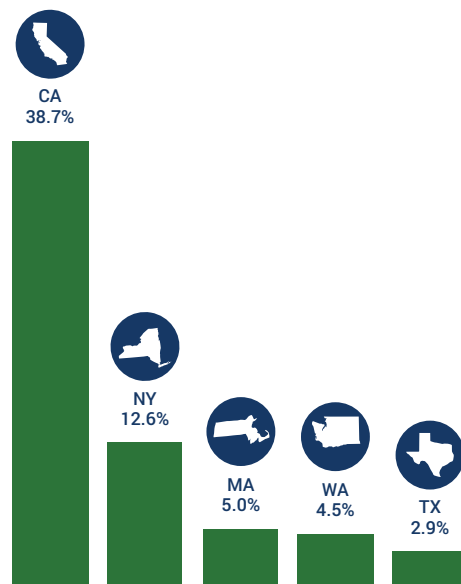
Gregg: Kareo is focused on smaller independent medical groups, typically less than ten providers. Most Healthcare IT suppliers target large groups, such as hospitals and health systems, leaving independent medical practices with products better suited to large organizations. This is analogous to a small business running an Oracle financial system versus Intuit QuickBooks, and contributes to high dissatisfaction.

Q3 2017 VENTURE-BACKED SaaS COMMITMENT BREAKDOWN



Source: Pitchbook

STATES WITH HIGHEST PERCENTAGE OF VENTURE-BACKED SaaS DEALS IN Q3 2017



Source: Pitchbook

With a targeted focus, Kareo has intentionally built a single cloud-based platform that delivers key functions to run a practice. Functions include care delivery, medical billing, patient engagement and marketing. Kareo is focused on a right-fit value proposition, with business practices that reflect a smaller practice's unique needs. These practices include simple and high-value pricing, free onboarding and support and product enhancements with no additional cost of change management.

Peter: How is uncertainty over healthcare reform in Washington affecting your industry?

Gregg: Independent medical practices operate amid constant regulatory uncertainty and flux. In the last few years alone, questions loomed over mandates such as the meaningful use program, the ICD-10 transition, MACRA/MIPS, ACA and its replacement. This uncertainty is offset by an environment in which demand is outpacing supply and practice models favorable to physicians are emerging. Physicians also recognize that technology is key to managing regulation requirements.

Peter: Can you comment on private equity interest in the Healthcare IT sector? For a PE investor (or from an investor's perspective), where are the opportunities in Healthcare IT?

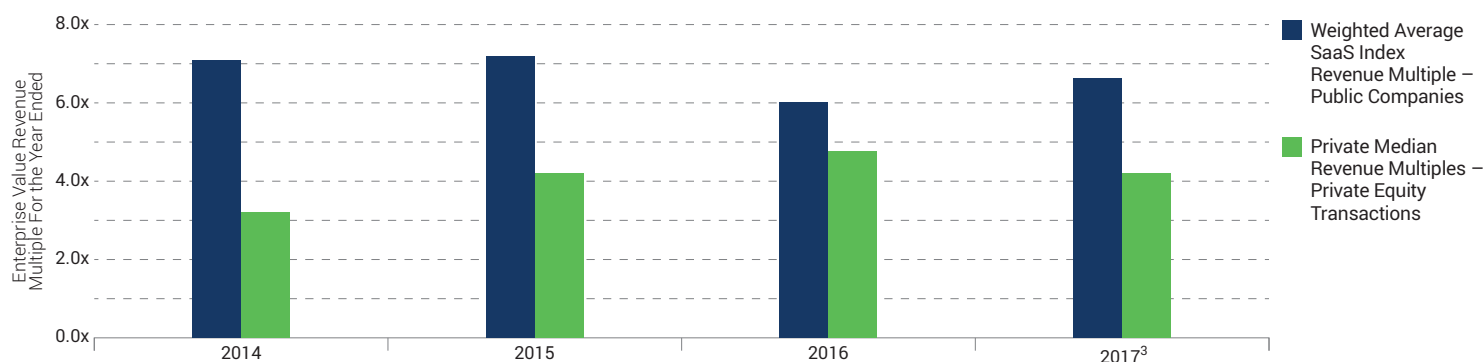
Gregg: Healthcare market dynamics, including government programs like the HITECH Act, have created an unsustainable supply-demand imbalance. The crowded market remains highly fragmented

and includes both vertical and horizontal players. The long-term viability of many of these firms is yet untested. A healthy supplier base ultimately will be comprised of dozens of suppliers, at most, each providing better solutions supported by sustainable businesses. Observers may disagree on whether Healthcare IT sector consolidation is underway, will begin in the near term or is still years away, but smart investors will inevitably see opportunities for creating value through consolidation for companies that serve great markets and are operating efficiently.

Peter: As a VC-backed company in this space, where do you focus on investing (e.g. R&D, infrastructure, marketing) during early years and how does that change as the company grows?

Gregg: R&D is the investment priority in the early growth stage as a Healthcare IT company builds a viable product offering. Once in the operational scale stage, investment priorities broaden to ensure a company is adequately positioned for growth. This includes ongoing R&D investment and support for G&A systems. It is much easier to expand from \$0 to \$50 million in revenue than from \$50 million to \$100 million. With the economics of recurring revenue models, a company with favorable sales efficiency metrics, such as months to breakeven, will find an excellent ROI on spending as much on sales growth as the business model can accommodate. Over time, scale advantage will emerge in most cost-of-sales and op-ex areas, with improvements from efficiencies reinvested for further growth.

PUBLIC¹ VS. PRIVATE² REVENUE MULTIPLE



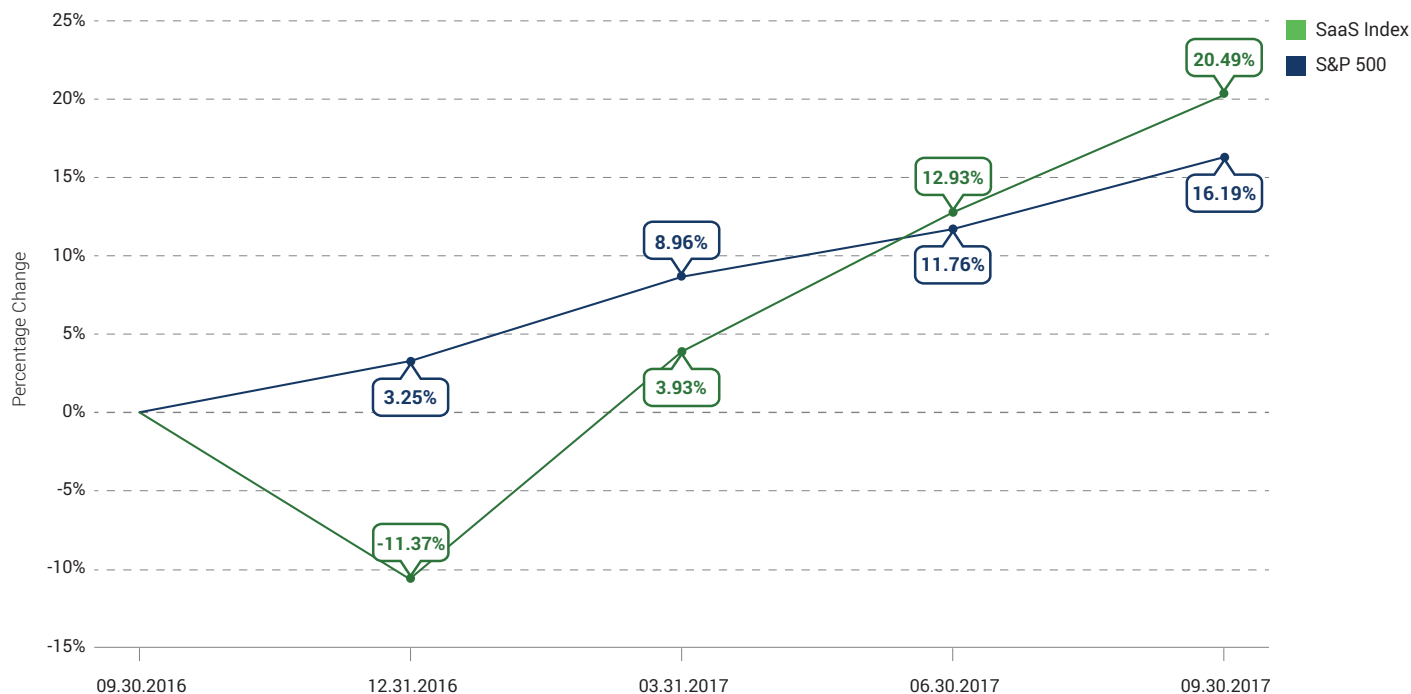
1. For companies on the SaaS Index from 01.01.2014 – 09.30.2017

2. Private company data is primarily extracted from recent middle-market private equity transactions

3. LTM as of 09.30.2017

Source: CapIQ, Golub Capital Internal Data

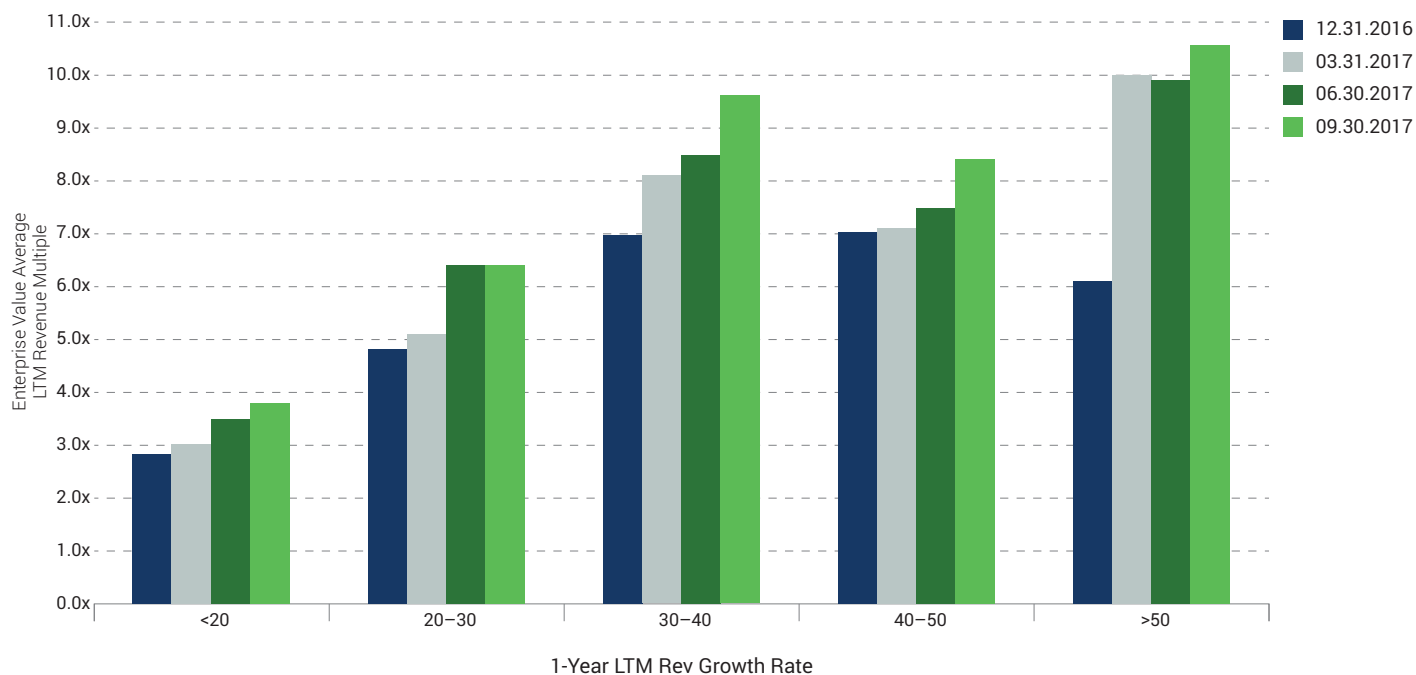
SaaS INDEX PRICE MOVEMENT¹ VS. S&P 500 PRICE MOVEMENT



1. The SaaS Index represents the weighted-average movement of the market capitalization for 50+ publicly-traded SaaS companies
See page 5 for the full company listing

Source: CapIQ

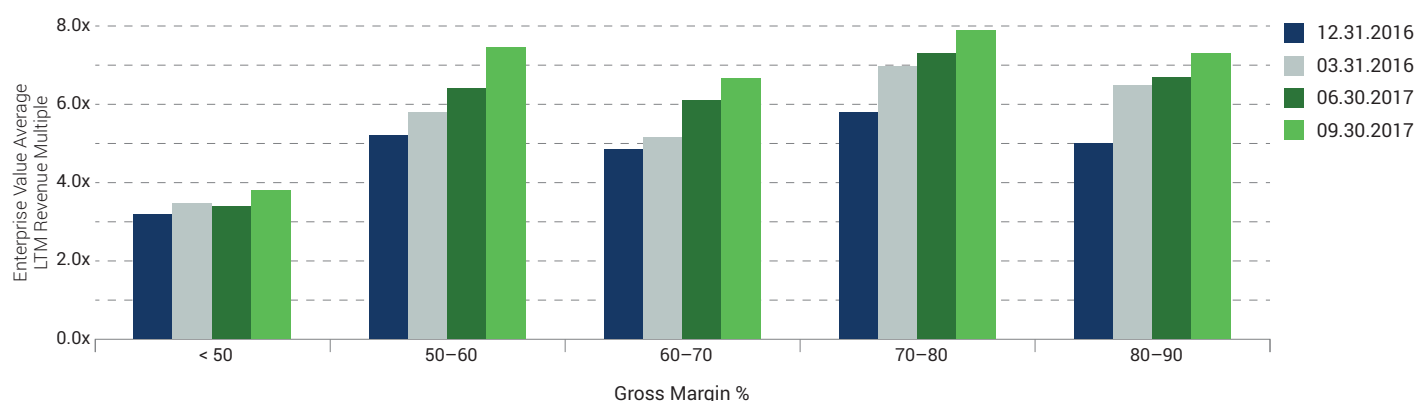
LTM REVENUE MULTIPLE VS. 1-YEAR GROWTH¹



1. For companies on the SaaS Index from 12.31.2016 – 09.30.2017

Source: CapIQ

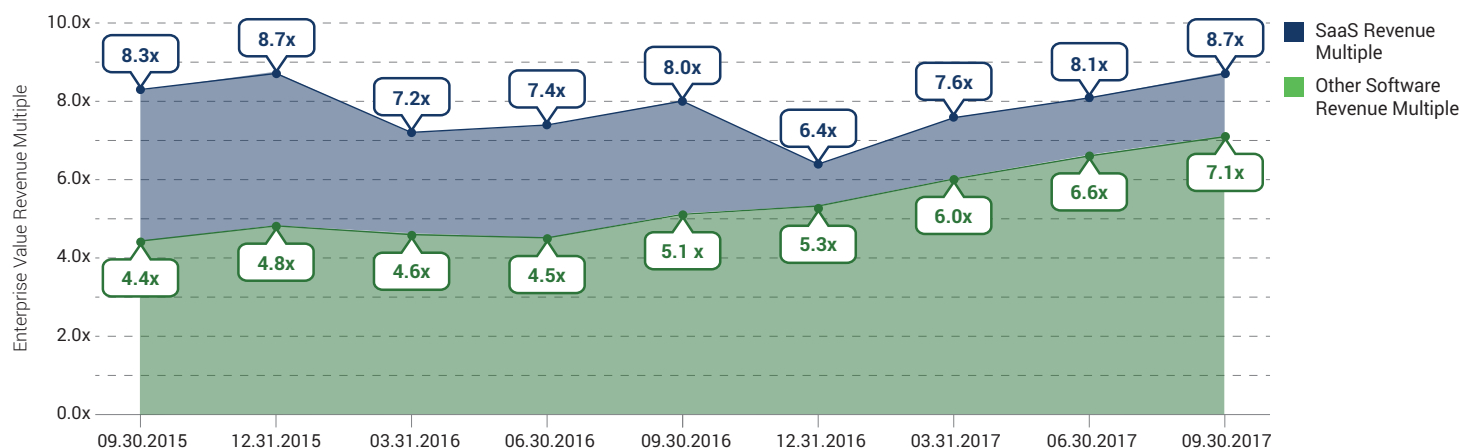
LTM REVENUE MULTIPLE VS. GROSS MARGIN PERCENTAGE¹



1. For companies on the SaaS Index from 12.31.2016 – 09.30.2017

Source: CapIQ

WEIGHTED AVERAGE LTM SaaS REVENUE MULTIPLE¹ VS. OTHER SOFTWARE² REVENUE MULTIPLE

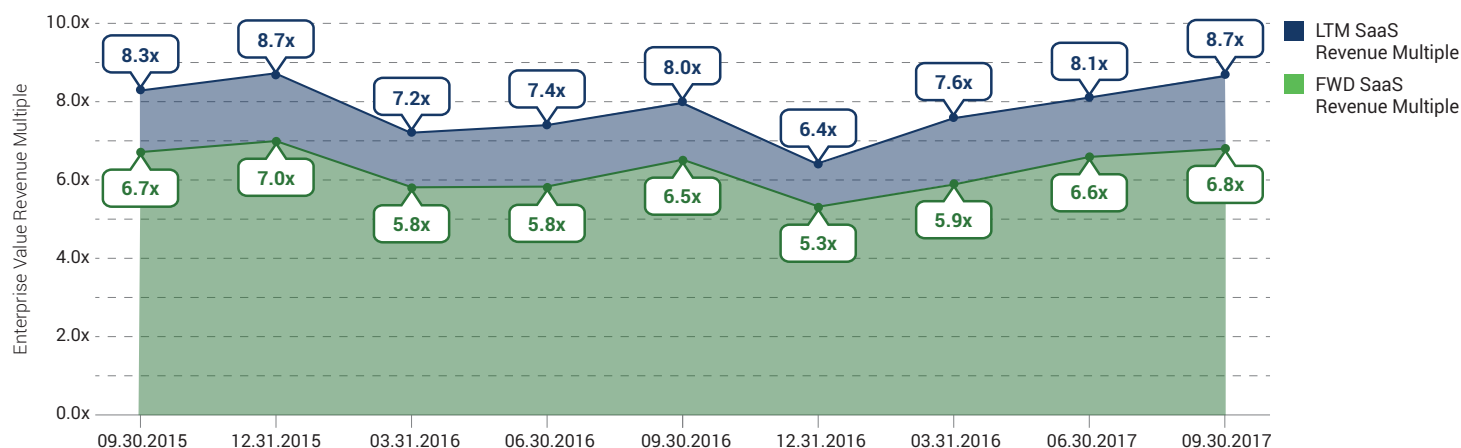


1. For companies on the SaaS Index from 09.30.2015 – 09.30.2017

2. Other Software is typically defined as companies with perpetual license revenue models

Source: CapIQ

WEIGHTED AVERAGE LTM SaaS MULTIPLE¹ VS. WEIGHTED AVERAGE FWD SaaS REVENUE MULTIPLE



1. For companies on the SaaS Index from 09.30.2015 – 09.30.2017

Source: CapIQ

Q3 2017 SaaS INDEX COMPANIES SORTED BY MARKET CAP

Companies in the SaaS Index, listed by Market Cap, below:

All data as of 09.30.2017.

Ticker	Price	Mkt Cap	EV	LTM Rev	FWD Rev	EV/LTM Rev	EV/FWD Rev	1 Year Rev Growth	LTM Gross Profit
CRM	93.42	67,140.95	66,221.80	9387.931	11386.8465	7.053929	5.8x	25.6%	6855.23
WDAY	105.39	21,921.12	20,371.79	1853.254	2347.25084	10.99244	8.7x	37.3%	1301.282
NOW	117.53	20,063.79	19,511.68	1631.808	2189.66639	11.95709	8.9x	36.7%	1185.903
SHOP	116.49	11,536.92	10,604.51	508.995	778.72793	20.83421	13.6x	80.3%	280.968
SPLK	66.43	9,299.55	8,296.88	1073.662	1349.63554	7.72765	6.1x	35.4%	848.686
VEEV	56.41	7,932.18	7,207.53	617.435	735.729567	11.67334	9.8x	30.7%	427.754
DATA	74.89	5,923.42	4,930.52	869.496	919.850731	5.670549	5.4x	16.9%	764.443
LOGM	110.05	5,802.76	5,517.26	617.551	1113.66486	8.934101	5.0x	100.1%	502.711
ULTI	189.6	5,655.27	5,554.32	860.723	1022.26262	6.453087	5.4x	23.0%	531.214
GDDY	43.51	5,420.25	8,066.15	2005.5	2395.04465	4.022015	3.4x	16.2%	1291
ATHN	124.36	4,965.68	5,174.48	1151.4	1303.30561	4.494073	4.0x	13.8%	595
MDSO	78.06	4,566.74	4,470.28	508.768	603.71038	8.786485	7.4x	20.9%	387.35
PAYC	74.96	4,465.78	4,432.28	382.87	487.280202	11.57647	9.1x	34.6%	325.171
PFPT	87.22	3,874.73	3,822.78	442.168	571.946625	8.64553	6.7x	41.3%	318.188
JCOM	73.88	3,571.08	4,483.30	989.796	1186.41902	4.529519	3.8x	24.4%	828.605
RP	39.9	3,297.92	3,368.97	611.251	747.441797	5.511605	4.5x	18.8%	355.19
WIX	71.85	3,266.05	3,082.08	355.847	488.765675	8.661259	6.3x	47.8%	299.225
RNG	41.75	3,199.46	3,032.44	432.569	549.21105	7.010307	5.5x	27.8%	327.595
HUBS	84.05	3,112.00	2,909.44	318.378	415.364956	9.138334	7.0x	41.6%	250.016
FEYE	16.77	3,054.96	2,944.67	730.317	766.760866	4.032041	3.8x	5.3%	466.009
ZEN	29.11	2,925.52	2,685.25	363.62	482.729307	7.384781	5.6x	39.3%	255.402
TWOU	56.04	2,913.01	2,890.78	239.134	338.930851	12.08854	8.5x	35.2%	193.541
ELLI	82.13	2,823.51	2,489.88	393.689	438.246537	6.324474	5.7x	32.3%	255.593
TWLO	29.85	2,743.82	2,454.61	336.727	410.682508	7.289609	6.0x	53.4%	191.618
NEWR	49.8	2,714.90	2,487.60	284.97	367.855036	8.729344	6.8x	41.2%	231.658
OKTA	28.21	2,696.39	2,483.17	205.105	284.564795	12.10682	8.7x	138.8%	138.17
MULE	20.14	2,596.90	2,340.95	234.86	328.977849	9.967415	7.1x	113.0%	173.794
BOX	19.32	2,584.42	2,502.45	452.9	561.651952	5.525383	4.5x	29.6%	330.73
PCTY	48.82	2,526.44	2,422.97	300.01	369.524356	8.076301	6.6x	30.0%	176.023
TTD	61.51	2,508.45	2,419.60	251.522	333.594169	9.619815	7.3x	68.8%	200.141
WAGE	60.7	2,409.81	1,879.66	434.867	502.041792	4.322389	3.7x	27.5%	273.709
CSOD	40.61	2,338.28	2,271.50	445.02	520.720136	5.104267	4.4x	14.3%	307.603
CLDR	16.62	2,314.98	1,920.30	309.509	400.308497	6.204356	4.8x	86.4%	172.813
EBIX	65.25	2,052.25	2,337.71	321.144	381.711431	7.279313	6.1x	14.4%	220.078
QLYS	51.8	1,943.63	1,664.77	211.634	245.676714	7.866277	6.8x	16.5%	164.525
BL	34.12	1,790.28	1,683.47	148.463	195.077718	11.33934	8.6x	45.9%	112.648
Q TWO	41.65	1,719.60	1,640.95	172.619	218.732997	9.506172	7.5x	34.7%	84.774
APPN	28.46	1,710.95	1,633.30	146.019	174.669835	11.18551	9.4x	31.3%	94.888
COUP	31.15	1,669.77	1,461.43	159.148	198.691811	9.182836	7.4x	45.4%	107.933
CALD	24.65	1,667.39	1,494.95	227.993	268.480618	6.556981	5.6x	20.1%	139.192
APPF	47.95	1,626.10	1,593.97	124.175	157.90196	12.83647	10.1x	37.8%	74.593
KXS	58.96519	1,499.17	1,342.76	125.593	144.556509	10.69137	9.3x	21.2%	86.272
FIVN	23.9	1,317.29	1,305.93	179.93	211.050289	7.258005	6.2x	23.9%	106.126
MB	25.85	1,198.31	989.72	159.774	202.175099	6.194474	4.9x	33.2%	112.622
AYX	20.37	1,195.95	1,043.24	106.288	145.867514	9.815247	7.2x	97.5%	87.807
VRNS	41.9	1,152.43	1,030.86	185.899	219.986692	5.545245	4.7x	28.9%	167.723
HDP	16.95	1,137.41	1,065.58	217.285	277.839596	4.904086	3.8x	40.5%	141.21
BNFT	33.65	1,049.20	1,101.94	248.188	270.174064	4.43993	4.1x	16.8%	126.125
SPSC	56.71	976.65	818.01	206.561	236.619587	3.960129	3.5x	17.6%	137.547
INST	33.15	973.92	948.18	133.714	173.924163	7.09111	5.5x	45.5%	95.34
WK	20.85	872.08	819.51	192.379	220.147598	4.259875	3.7x	17.5%	137.933
EVBG	26.42	742.28	697.01	89.077	115.693549	7.8248	6.0x	32.9%	61.568
APTI	18.47	737.98	613.94	174.103	194.71558	3.526304	3.2x	22.0%	115.756
LRN	17.84	728.29	520.03	888.519	916.782293	0.585273	0.6x	1.8%	331.903
UPLD	21.16	439.92	454.76	82.648	103.339127	5.502326	4.4x	16.6%	53.642
BV	4.95	417.22	359.69	203.3	209.128767	1.769242	1.7x	1.2%	125.888
MOBL	3.7	348.30	259.13	171.978	190.944536	1.506756	1.4x	8.9%	141.697
ECOM	11.5	303.96	247.13	118.088	129.936238	2.092747	1.9x	10.1%	90.882
ZIXI	4.89	270.26	240.75	63.157	69.8465252	3.811904	3.4x	9.7%	51.726
AMBR	7.68	208.58	220.63	76.28742	84.8578187	2.892082	2.6x	9.5%	39.28945
MRIN	12.25	69.21	39.75	86.012	-	0.462096	-	-20.6%	52.395
CNXR	0.67001	15.33	109.81	82.182	77.4707393	1.336173	1.4x	-6.7%	27.915

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Source: CapIQ