



Evolve
Capital Partners

Avalara, Inc.

June 2018

Summary of Initial Public Offering



**SPECIALIZED INVESTMENT BANKERS AT
THE INTERSECTION OF FINANCE & TECHNOLOGY**

Avalara IPO – Executive Summary

Initial Public Offering Overview



NYSE:AVLR



Description

Avalara provides a suite of cloud-based solutions designed to improve accuracy and efficiency by automating the processes of identifying applicable tax rates, determining and collecting taxes, preparing and filing returns, remitting taxes, maintaining tax records, and managing compliance.



Use of Proceeds

The company intends to use the proceeds to expand its headcount, scale its business through sales and marketing activities, develop its product technology, spend on general and administrative purposes, and repay the outstanding balance under its revolving credit facility. It also plans to use the proceeds for investing in complementary businesses, products, and technologies.

Source(s): Avalara S-1 filing

 Headquarters	Seattle, WA
 Founded	1999
 Employees	1,495
 Trading Date	06/15/2018
 Underwriters	     
 Issue Price	\$24.00
 Shares Offered	7.5 million
 Gross Proceeds	\$180 million

Avalara IPO – Executive Summary

Key Metrics – IPO

Shares Offered through the IPO	7.5 million
Issue Price	\$24.00
Total Shares Outstanding after the IPO	65 million
Market Value ⁽¹⁾	\$1.5 billion
Enterprise Value at Issue Price ⁽²⁾	\$2 billion
EV / Revenue ⁽³⁾	8.8x
Trading Date	06/15/2018
Listing Price	\$35.00
Listing Premium	\$11.00

Source(s): Capital IQ, Pitchbook, media reports, Avalara S-1 Filing

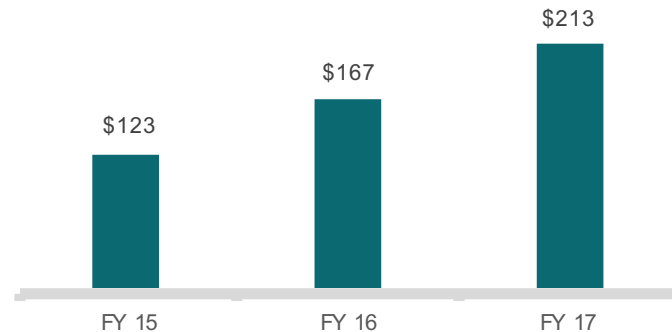
⁽¹⁾ Market Value has been calculated as Issue Price x Total Shares Outstanding after the IPO.

⁽²⁾ Enterprise value is based on the calculated Market Value at Issue Price and preferred equity, debt and cash as of March 31, 2018 taken from Capital IQ

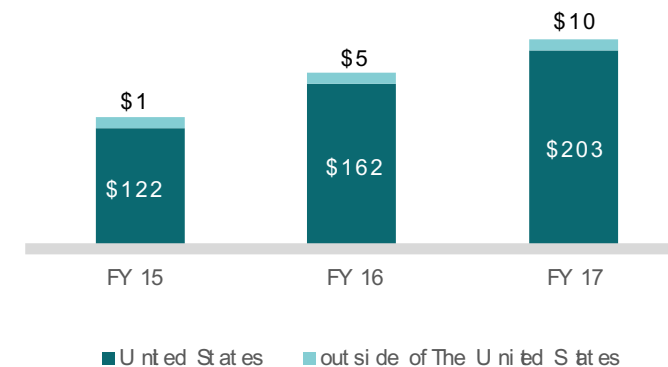
⁽³⁾ Based on LTM Revenue till March 31, 2018.

* Revenue and Gross Profit for fiscal year ending December 31

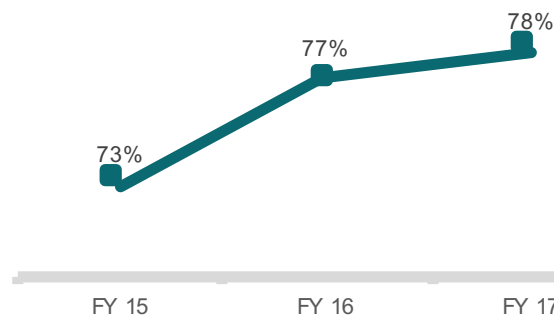
Total Revenue (\$mm)*



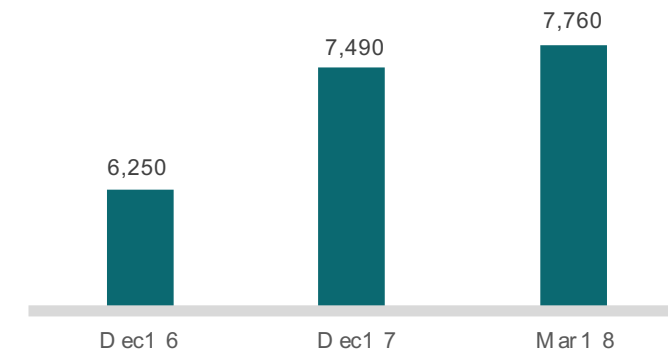
Revenue by Geography (\$mm)*



Gross Margins (%)*



Number of Core Users



Avalara IPO – Executive Summary







Company Overview

Overview

- Avalara provides a cloud-based tax management platform that helps customers address the complexity of transaction tax compliance.
- This subscription-based platform processes transactions in real-time and produces detailed records of transaction tax determinations. The platform helps businesses reduce their tax processing errors, audit exposure, and total transaction tax compliance costs.
- The company's platform combines an advanced database of broad, deep, and up-to-date tax content with technology for executing compliance processes, including tax determination, returns preparation, and returns filing.
- The platform is designed to integrate seamlessly with the customers' business applications and perform a series of operations for delivering real time tax compliance while the transactions are executed in the customers' business applications.
- The platform allows businesses to manage transaction tax compliance with fewer personnel and focus more on their core business operations.

Source(s): Avalara S-1 filing

Key Statistics

	The total expenditure on product and development three months ended March 31, 2018 was \$12.6 million.
	Avalara's sales and use tax calculator, AvaTax, processes transaction tax determinations in under 60 milliseconds, on average.
	In 2017, the platform processed over 16 million tax determinations per day.
	In 2017, Avalara had 7,490 core users who generated approximately 85% of its total revenue.
	Avalara's net revenue retention rate was 107% on average for the four quarters ending March 31, 2018.*
	Avalara offers its platform services in the United States, Europe, South America, and Asia.

*Avalara calculates net revenue retention rate as the percentage change in revenue in the current quarter compared to the corresponding quarter last year, from accounts that generated revenues in both quarters.

Avalara IPO – Executive Summary

Products Overview

Avalara offers an extensive range of easy-to-use and scalable transaction tax compliance solutions that are built on powerful technology. These solutions can be purchased individually or as a single comprehensive, integrated solution.



AvaTax Solutions

AvaTax Solutions determines sales tax, use tax, VAT, excise tax, communications tax, and lodging tax for several industries in the US and overseas. There is also an add-on option for tariff and duty rate determinations for cross-border transactions.

These solutions can integrate with the Avalara Returns and Compliance Document Management solutions for seamless end-to-end transaction tax compliance.



Avalara Returns

Avalara Returns includes solutions for return preparation, filing and remittance as an add-on to AvaTax. These solutions are either integrated and embedded inside AvaTax, offered on a standalone managed basis, or accessed online via a self-serve web tool.

The Avalara Returns product is generally sold on an annual subscription basis. Customers can also purchase Avalara Returns on a per filing basis.



CertCapture

CertCapture creates, validates, stores, and manages sales tax exemption and reseller certificates. This solution allows tax documents to be easily retrieved, helps customers validate them and keep the documents up-to-date.

Avalara also offers a range of solutions for the collection, storage, and management of tax exemption certificates, W-8 forms, W-9 forms, and licenses and registrations.



Professional Services

Nexus studies and analyzes voluntary compliance initiatives, tax registrations, and specialized tax research. A broad range of specialized tax compliance services are delivered on a standalone basis or in conjunction with the sale or implementation of the automated determination, returns, or document management solutions.



Additional Solutions

- **MatrixMaster** is a large-scale product taxability database for retail operations.
- **Avalara CloudConnect** is a hardware device used to process and store transactions on-site for regularly scheduled uploads to AvaTax.
- **VAT Expert** is a web-based solution that checks the validity of customer and supplier VAT numbers and offers VAT determinations.

Source(s): Avalara S-1 filing

Avalara IPO – Executive Summary

Market Opportunity

The demand for automated tax compliance solutions is expected to increase rapidly as transaction tax complexities increase due to globalization and more stringent regulations.

- **Traditional applications fail to address tax compliance**

Existing ERP, ecommerce payment systems, PoS software, recurring billing mechanisms, and CRM systems are not sufficiently robust to provide accurate tax determinations. More businesses are expected to use applications such as Avalara's cloud-based platform because they offer pre-built integrations with their existing applications.

- **Complexities in tax estimation and calculation due to multiple types of transaction tax**

Businesses face a variety of transaction tax types that vary based on industry and location. Accordingly, complexities in activities related to tax estimation and filing such as recording sales, determination and collection of tax, and remittance of tax with detailed tax returns exist. Businesses find it challenging to address these complexities through manual processes and look to automate their tax compliance processes through compliance solutions.

- **Increased tax compliance burden resulting from globalization**

Ecommerce, globalization, and omni-channel retailing have facilitated cross-jurisdiction transactions for businesses of all sizes. This globalization has increased the risk and burden of transaction tax compliance and created the need for an automated tax compliance solution.

Avalara plans to leverage these market opportunities through the following five strategies:

Grow Through Cross Selling

Avalara plans on exploiting cross-sell opportunities after establishing itself as a trusted part of a customer's financial system.

Broaden Customer Base

Capitalize on its growing market momentum by leveraging its sales and marketing capabilities to win new customers.

Broaden The Suite Of Solutions.

The Company plans to continue acquiring businesses and technologies that would help it expand its tax content solutions, customer base, cross-selling opportunities, and geographic reach.

Expand Partner Ecosystem

Expand the partner ecosystem by seeking new relationships that offer exposure to potential customers and integrations with business applications.

Expand International Reach








Continue investing in Europe, South America, and Asia, while expanding solutions and growing the sales force to expand into new regions.

Source(s): Avalara S-1 filing

Avalara IPO – Executive Summary

Financing History





The company raised a total of \$394 million prior to the IPO, with the latest post-money valuation at \$1 billion. Avalara's valuation for this IPO at \$1.5 billion represents a 50% increase from its previous financing round in December 2016.

Date	Transaction Type	Amount (\$mm)	Post-Money Valuation (\$mm)	Key Investors	Transaction Notes
09/12/2016	Series D2	\$96	\$1,020	  	The company raised \$96 million of Series D2 venture funding from lead investors Sageview Capital, Battery Ventures and Warburg Pincus.
01/20/2015	Series D1	\$42	\$845		The company raised \$42 million of Series D1 venture funding in a deal led by Technology Crossover Ventures.
11/10/2014	Series D1	\$100	\$803		The company raised \$100 million of Series D1 funding from Warburg Pincus.
05/09/2014	Series D	\$26	\$574	Undisclosed Investors	The company raised \$26 million of a planned \$35 million of Series D venture funding from undisclosed investors.
02/12/2014	Series D	\$30	\$547	 	The company raised \$30 million of a planned \$35 million of venture funding from Battery Ventures and Sageview Capital.

Source(s): Pitchbook

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Financing History

Date	Transaction Type	Amount (\$mm)	Post-Money Valuation (\$mm)	Key Investors	Transaction Notes
11/08/2013	Series C 1	\$29	\$327	Undisclosed Investors	The company raised \$29 million of Series C 1 venture funding from undisclosed investors.
06/27/2012	Series C	\$20	\$250		The company raised \$20 million of Series C (venture) funding from lead investor Battery Ventures. Other undisclosed investors also participated.
09/12/2011	Series B1	\$24	\$89	 	The company raised \$24 million of Series B1 venture funding from Sageview Capital, Benaroya Capital, Lynwood capital and other undisclosed investors.
11/19/2010	Series B	\$6	\$56		The company raised \$6 million of Series B venture funding from Benaroya Capital and other undisclosed investors, putting the pre-money valuation at \$50 million.
06/24/2009	Series A1	\$3	\$21	Undisclosed Investor	The company raised \$3 million of Series A1 venture funding from an undisclosed investor.
10/28/2008	Series A	\$13	\$36	Undisclosed Investor	The company raised \$13 million of Series A venture funding from undisclosed investors..
12/08/2005	Series A	\$5	\$23	Undisclosed Investor	The company raised \$5 million of Series A venture funding from an undisclosed investor.

Source(s): Pitchbook

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