



Evolve

Capital Partners

Zuora

April 2018

Summary of Initial Public Offering

zuora

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

Zuora IPO – Executive Summary

Initial Public Offering Overview

zuora

NASDAQ: ZUO



Description

- Zuora provides a cloud-based software platform called 'Zuora Central' that enables companies in various industries such as media, healthcare, and transportation to launch, manage, and transform into a subscription business.
- Zuora's solution helps businesses acquire and retain customers by providing regular delivery of services.
- Zuora Central automates order-to-cash processes like quoting, billing, ordering, and revenue management for subscription businesses.





Use of Proceeds

The Company intends to use the proceeds from the IPO for general operating purposes and working capital needs. Zuora also has plans for expansion via acquisitions and greater allocation of expenses for product development, R&D and investments in securities.

Source(s): Zuora Website



	Headquarters	San Mateo, CA
	Founded	2006
	Employees	933
	Listing Date	04/12/2018
	Lead Underwriters	 
	Issue Price	\$14.00
	Shares Offered	12.6 million ⁽¹⁾
	Gross Proceeds	\$177 million ⁽¹⁾

⁽¹⁾including 1.6 million overallotment shares

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Key Metrics – IPO

Shares Offered at the time of IPO	12.6 million ⁽¹⁾
Issue Price	\$14.00
Total Shares Outstanding after IPO	105 million
Market Value at Issue Price ⁽²⁾	\$1.5 billion
Enterprise Value at Issue Price ⁽³⁾	\$1.4 billion
EV / FY2018 Revenue	8.6x
Listing Date	04/12/2018

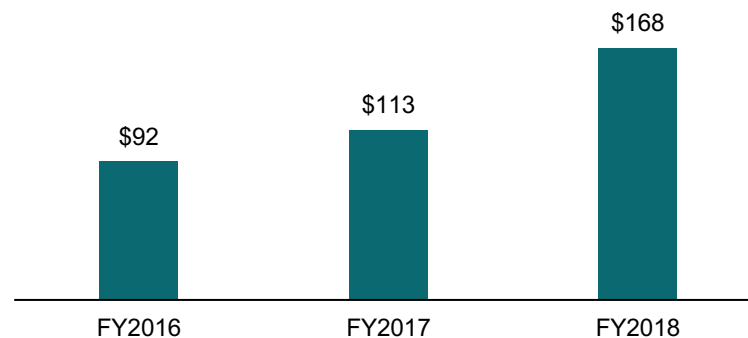
Source(s): Capital IQ, Zuora website

⁽¹⁾including 1.6 million overallotment shares

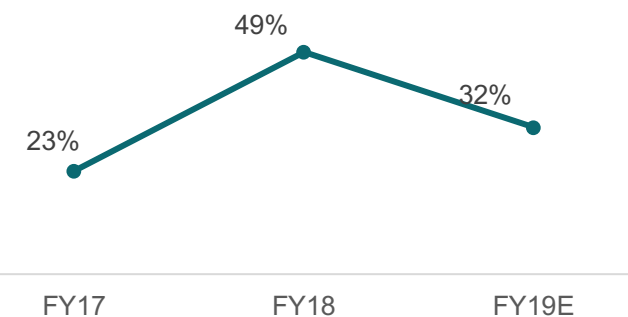
⁽²⁾Market value has been calculated by multiplying Total Shares Outstanding with the Issue Price. Total Shares Outstanding includes 1.6 million overallotment shares.

⁽³⁾Enterprise Value has been calculated by adding Net Debt as on 01/31/2018 to Market Value at Issue Price.

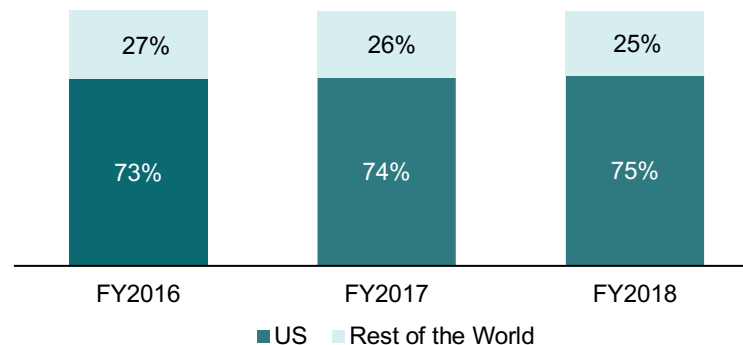
Total Revenue (\$mm)



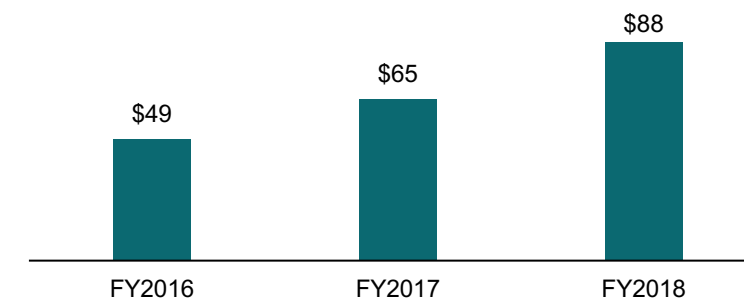
Revenue Growth (%)



Revenue by Geographies (%)



Gross Profit (\$mm)



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Company Overview

Zuora won the award for best payment, finance and billing solution in the 2017-18 annual cloud computing awards.

OVERVIEW

- Zuora is a SaaS-based software company that licenses its Enterprise Resource Planning (ERP) software platform, Zuora Central, to subscription businesses and automates their order-to-cash operations in real time.
- More than 800 companies use Zuora's platform to boost their subscription business.
- Zuora's platform allows companies to manage different aspects of their subscription business, including revenue management, billing, quoting, and analytics. It offers specialized modules for several business functions that clients can use based on their specific needs.
- Zuora markets its platform directly as well as through partnerships with Global Systems Integrators, or GSIs. The company has 15 global offices including Boston, Beijing, Chennai, Japan, London and Paris.

Key Clients in Different Industries

 Communication				
 Education				
 Media				
 Cloud Business				
 Healthcare				
 IoT				

Source(s): Zuora Website






Zuora IPO – Executive Summary

Zuora Central Platform

Zuora's subscription order-to-cash platform caters to industries such as healthcare, media, and education, as well as to business functions such as finance, IT, and sales.

- The Zuora Central platform allows companies to manage their ongoing subscription relationships and create new relationships for those who wish to adopt a subscription model.
- The platform captures all subscription orders as soon as they are renewed and upgraded. This helps Zuora track and reconcile order data points easily.
- Zuora Central also helps businesses with their pricing strategies based on factors such as customer usage and billing frequency.
- Through Zuora Central, businesses can provide multiple payment options to their customers that cover over 180 currencies and more than 30 payment gateways.
- Zuora Central can incorporate any local payment method into its domain which helps in increasing the platform's customer sign-up rates.

Solutions that are part of Zuora Central platform

 Zuora Billing	Zuora Billing solution provides monthly, quarterly and yearly subscription models to businesses with charge structures like flat fee, per unit, and volume pricing. It also pulls in real-time tax calculations for every invoice that is generated on the Zuora Central platform.
 Zuora CPQ	Zuora CPQ solution advises businesses on how to book and manage subscription deals rather than just subscription products for their customers. The solution adds, removes and updates products that are part of subscription deals to cater to individual business needs.
 Zuora Insights	Zuora Insights solution enables businesses to identify trends in the subscription economy and their business performance to increase revenues. It also analyzes customer behavior patterns to help businesses understand their customer needs and preferences.
 Zuora RevPro	Zuora RevPro solution provides revenue management and advises businesses on how to expand into new markets and business models to maximize revenues. It also ensures that businesses are complying with the latest revenue standards.
 Zuora Collect	Zuora Collect solution automates payment collections for businesses and manages any failed payments that are overdue.

Source(s): Zuora Website

Zuora IPO – Executive Summary

Customer Case Studies

Carbonite

Company Information



- Carbonite provides backup, disaster recovery, and workload migration technology solutions that ensure the accessibility and survivability of data for any system and any business. The company was founded in 2005 and is headquartered in Boston, MA.

Challenge

- Carbonite's legacy financial processes were labor intensive and could not support large volumes of customer data. It wanted to streamline its business into a single tech platform.
- The company also wanted to cross-sell new products and solutions, and move into new markets, which required flexible pricing and packaging across subscriptions.

Solutions and Benefits

Carbonite was able to migrate all its order transactions to Zuora's centralize platform. There was a significant drop in the level of manual interventions through a simplified revenue recognition process. Carbonite was able to reduce its IT time, improve time to market, and increase flexibility in terms of pricing and packaging.

Source(s): Zuora Website

Guardian News and Media (GNM)

Company Information



- GNM publishes newspapers and develops online publications. The company was incorporated in 1967 and is based in London, the UK.

Challenge

- GNM generates its revenue from advertising and subscriptions to print and digital editions. It wanted to introduce a membership program as an additional source of revenue. However, GNM's subscriptions were managed by third parties. The company wanted to streamline its revenue operations into a single platform.
- GNM also wanted to increase its readership with a flexible pricing strategy and customized membership features.

Solutions and Benefits

Zuora managed GNM's online and offline subscriptions through billing and payment collections, financial reporting, and relationship management solutions. This allowed GNM to offer more flexible pricing, packaging, and membership opportunities to its readers. GNM also added customer-centric features such as holiday requests (suspend and resume), easy upgrades and cancellations to ensure a smooth customer experience.

Zuora IPO – Executive Summary

Market Opportunity

Subscription businesses can benefit from these opportunities

Growing popularity of subscription-based business models

Businesses across various verticals and geographies are constantly adopting subscription-based business models. It is expected that 80% of software providers will make a shift to support a subscription business by 2020.

Legacy technology players' inability to adapt to the subscription economy

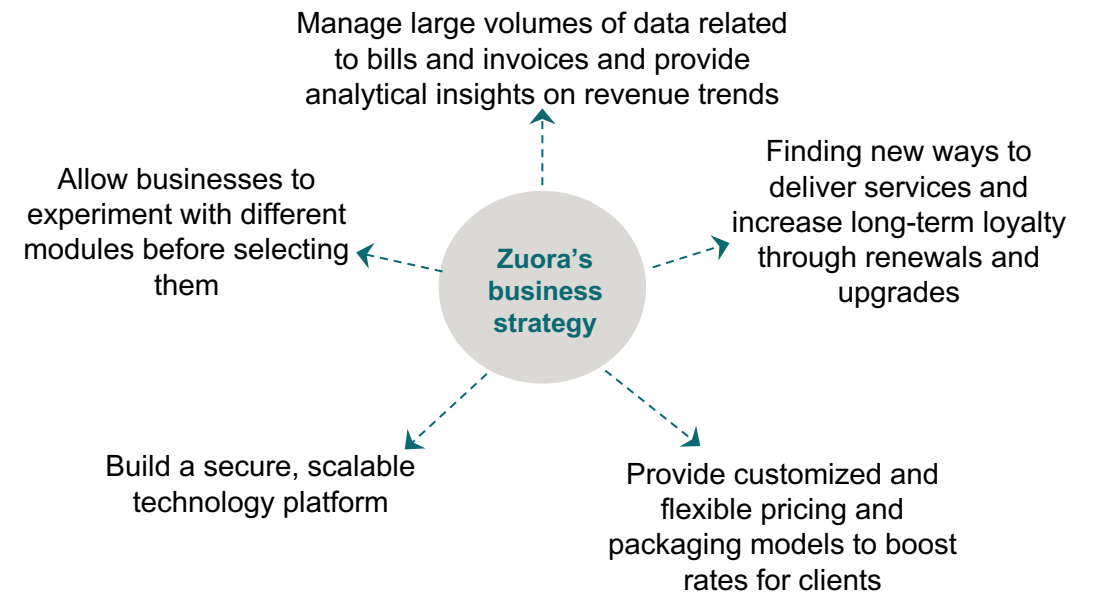
With more businesses moving to subscription models, there is a need to develop strategies and experiment with different products and payment methods to acquire customers. However, the legacy technology players won't be able to adapt to these changing conditions with their slow manual processes. The legacy players will face competition from SaaS players like Zuora.

Increasing demand for automation in handling subscriptions due to new revenue recognition standards

New revenue recognition standards under IRFS are effective as of January 2018. These standards are expected to incentivize subscription businesses to adopt automation and do away with outdated manual processes for revenue recognition. Automation will ensure better compliance and give better insights on revenue trends.

Source(s): Zuora Website and Media Reports








With more businesses moving to a subscription model, Zuora plans to leverage these market opportunities by following the five-point strategy shown below:



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Financing History

The company raised a total of \$250 million prior to the IPO, with the latest pre-money valuation at \$623 million. Zuora's pre-money valuation for this IPO at \$1.3 billion represents a 109% increase from its previous financing round in 2015.

Date	Transaction Type	Amount (\$mm)	Pre-Money Valuation (\$mm)	Key Investors	Transaction Notes
03/11/15	Series F	\$115	\$623	  Marc Benioff	The company raised \$115 million in Series F venture funding in a deal led by BlackRock Private Equity Partners, Marc Benioff and Passport Capital on March 11, 2015, putting the pre-money valuation at \$623 million.
09/05/13	Series E	\$50	\$422	  	The company raised \$50 million of Series E venture funding in a deal co-led by Next World Capital, Vulcan Capital and Northgate Capital on September 5, 2013, putting the pre-money valuation at \$422 million.
11/04/11	Series D	\$36	\$280		The company raised Series D venture funding of \$36 million from lead investor Index Ventures on November 4, 2011, putting the pre-money valuation at \$280 million.
10/28/10	Series C	\$25	\$140		The company raised \$25 million of Series C venture funding in a deal led by Redpoint Ventures on October 28, 2010, putting the pre-money valuation at \$140 million.

Source(s): Pitchbook

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