Varonis (NASDAQ: VRNS)

GIC Technology Desk

Recommendation: LONG
Price: $21.62 (As of March 25th 2026)
Implied Upside: (37.01%) at 1.7x Risk/Reward
Time Horizon: 3-5 Years

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Company Overview

What Does Varonis Actually Do?

Varonis operates a data security SaaS platform that continuously finds, monitors, and protects sensitive data across enterprise systems

The Problem & How Varonis Solves It

Enterprises have **massive amounts of sensitive data** spread across systems, with too many users having unnecessary access and **little visibility into risk.** Varonis solves this by identifying where (1) critical data lives, (2) tracking who can access it, and (3) automatically detecting and fixing exposure before it leads to breaches

6400+ Customers ***110% SaaS NRR*** ***95+ Countries***

How Does Varonis Make Money?

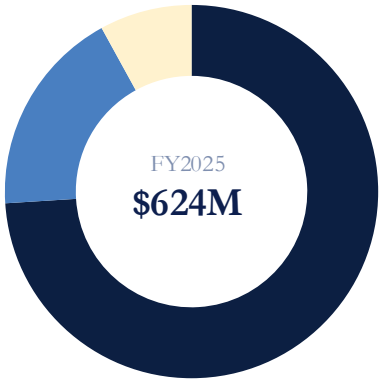
Charging recurring SaaS subscription fees for its data security platform, as it shifts toward a fully cloud-based model

How the Product Works

DSPM	UEBA	MDDR
Data Security Posture Management	**User & Entity Behaviour Analytics**	**Managed Data Detection & Response**
Scans every file and database. Classifies sensitive data, fixes over-exposed permissions automatically	Builds a behavioural baseline per user. Detects anomalies — bulk downloads, unusual access, credential misuse	Varonis team monitors 24/7 and responds directly. Locks accounts, stops breaches. 30-min SLA
"Find"	***"Watch"***	***"Fix"***

Summary: Varonis scans all your company's data to find what's sensitive and who has access (DSPM), watches how people use that data to catch anything unusual (UEBA), and steps in to fix issues or lock things down before a breach happens (MDDR)

Revenue Segments & SaaS Transition



74% SaaS

Annual subscription. Varonis hosts the platform, revenue recognised ratably

+122% YoY · $463M · Core growth engine

18% Term license

Legacy on-prem. Customer installs on own servers, revenue recognised upfront

Declining · $110M · End-of-life Dec 2026

8% Maintenance & services

Annual support on legacy installs. Shrinks as customers convert to SaaS

Declining · $51M · Includes professional services

Customer Base & End Markets

Healthcare	• **Hospitals, pharma, med-tech** • HIPAA breaches carry **fines up to $1.9M per violation**, making **spend non-discretionary**
Financial Services	• **Banks, asset managers, insurers** • SOX and GLBA require demonstrable access controls and **audit** trails. • **Highest average deal sizes**
Industrials & Energy	• **Manufacturers, utilities, energy firms** • Protecting **process IP** and **engineering** schematics • **NIS2** in Europe → **wave of new compliance-driven spend**
Public Sector	• **Federal agencies, state and local govt** • ~5% of ARR per management. • FedRAMP certified

Sources: Company Filings, AlphaSense Research, Claude

Background & Terminology Breakdown

It is important to first understand some key ideas we will be using throughout this pitch

On-Prem vs SaaS

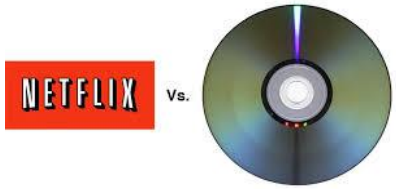
- Hosted on your own servers/infrastructure
- Higher upfront capex (hardware, licenses)
- Full data control and customization
- IT team responsible for maintenance, upgrades, security
- Longer deployment timelines

- Vendor-hosted, accessed via browser/API
- Subscription-based opex model
- Faster deployment, lower barrier to entry
- Vendor handles infra, updates, and security patches
- Less customization, data lives off-premise
- Costs scale with usage/seats over time

Structured vs Unstructured Data

- SQL tables, organized databases; mature tooling exists (Guardium, Imperva, Oracle)

- docs, PDFs, emails, Slack, SharePoint, code repos; ~80–90% of sensitive enterprise data lives here; largely unsecured at scale



Sources:

II

Industry Overview

Cybersecurity Overview

Evolution of Enterprise Security

Castle and Moat
Everything on-prem

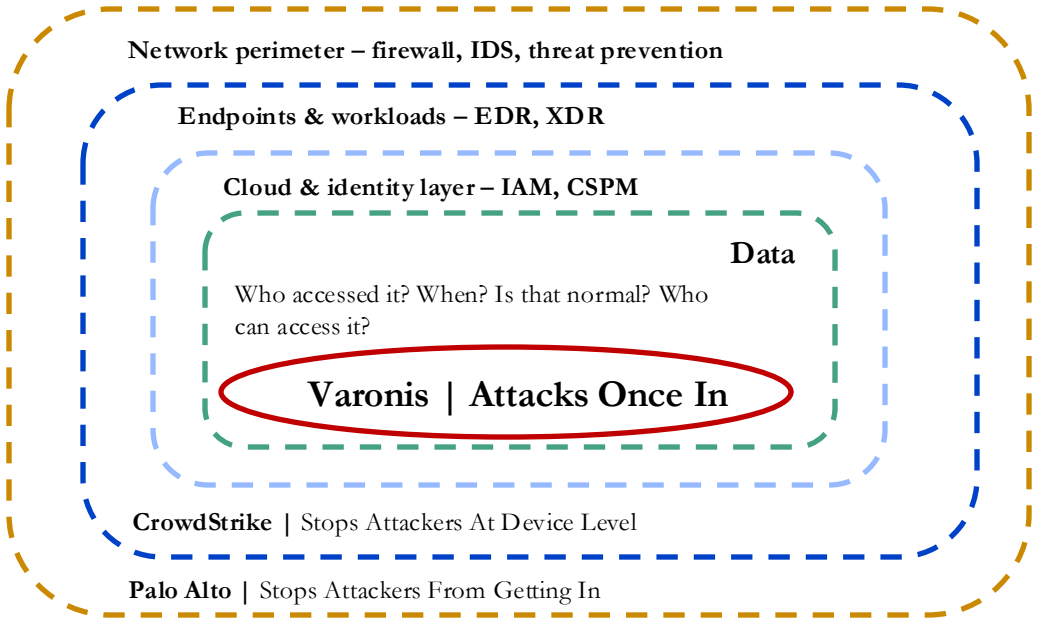
Data lived in one place: the data center. Firewalls kept enemies outside, but **once credentials were stolen, attackers had free run of the castle**

Perimeter Dissolution
Cloud + mobile + SaaS

Data scattered across cloud and SaaS, **no real perimeter**. Credentials became the new wall, but tools only asked, **"who are you?" not "what can you reach?"**

Data is the perimeter
AI + hybrid explosion

AI sees everything a user can see, suddenly, every forgotten permission is a **breach waiting to happen**. Goal is to protect the **data itself**. Varonis ← today's need



Varonis vs. Major Cyber Industry Names

Key takeaway:

Once an attacker gets past Palo Alto's perimeter and CrowdStrike's endpoint detection using stolen credentials, Varonis is the only layer watching what they do to the data itself.

Sources:

III

Investment Theses

I: An Interesting "Premise" (or lack thereof)

A Tremendous Miss/Lower Created Spiraling Fear

Management's Perceived Abrasiveness

Q3 2025:
- On-Prem EOL Announcement (2026)
- 5% headcount reduction
- Weakness in Fed Renewals

Q4 2025:
- SaaS metrics beat; 32% organic growth
- $30-50MM FCF headwind disclosed from non-converters

Has Led to Street Uncertainty

Buy-Side and Sell-Side React Heavily

FTSE Russell

Value funds fully liquidate positions followed by quants front-running Russell 1000 demotion, compounding sell-off

Morgan Stanley

Street takes prove-it approach on new customer adds in competitive SaaS market: MS quotes they are "stepping to the sidelines"

And a Legal Overhang

January 14, 2026 | News

Berger Montague PC Investigating Claims on Behalf of Varonis Systems, Inc. (NASDAQ: VRNS) Investors After Class Action Filing

Lawsuit alleges that VRNS failed to adequately disclose 1) how much the SaaS conversion process was impairing sales reps 2) challenges in the federal vertical

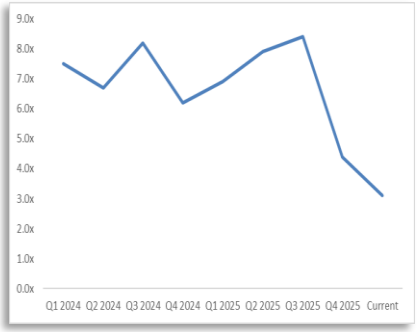
The Current Market Narrative Implies That Varonis is a Structurally Worse Business

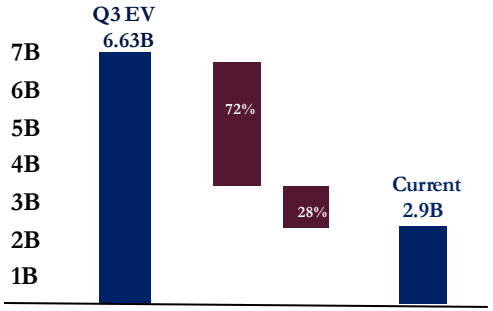
This Can Be Seen In the Following Beliefs

1. Management has made the erroneous decision to sacrifice on-prem competitive advantage to chase shiny SaaS market
2. "Still some feature parity needed between the premise and cloud product" (1) implying new adds will be difficult
3. Caution with regards to upselling and limited street visibility into new product (both organic and inorganic) contribution

We believe that the confluence of these fears creates a compelling entry point into a secular compounder

EV/ARR and Napkin Math Make The Story Clear





The market has lost faith in the quality of Varonis' Revenue and Free Cash Flow, effectively valuing this SaaS economics at substantially lower quality (53x vs 22x FCF)

Sources: 1) Morgan Stanley Equity Research 2) AlphaSense Expert Network 3) Company Filings

Ia: Defending the Shift to SaaS

Breaking Down the SaaS Transition

Announcement of end-of-life (EOL) for on-prem

Caught between two losing positions:
(1) an on-prem business in structural decline with no growth runway and **(2)** a competitive SaaS market they could not fully commit to with engineering and sales split across both
= recipe for mediocrity in both

"If we would have kept the on-prem subscription going forward, and we would have had a renewal rate that is historically lower than our historical levels - the total growth rate would have been masked by that component versus a really strong SaaS business"

CFO Guy Melamed - Q4 2025 earnings call

Market Fears

Apparently Varonis "abandoned" their **on-prem moat** to compete in a **crowded** SaaS market against cloud-native **competitors**

Cannot tell how much is customers **cancelling vs customers switching to SaaS**, where revenue now shows up in a different line item recognized **over time**

Securities fraud lawsuit filed January 2026 alleging management **knew on-prem renewals were deteriorating** while **raising** guidance all year

Reality

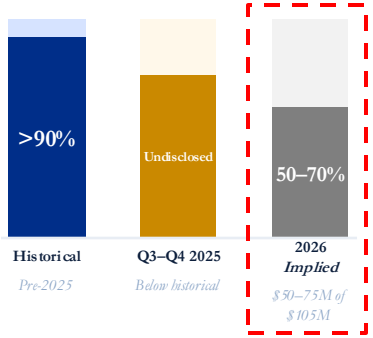
Term license revenue fell from $356M (FY23) → $110M (FY25**), 69% decline that happened before any EOL announcement.** SaaS transition strategy was **well** underway

Guy Melamed called conversions **"the rearview mirror"** and SaaS ARR (organic) excluding conversions → strips out converted customers entirely, **grew 32% YoY in Q4**

Standard post-miss litigation, **covered by D&O insurance.** Management described churn as hitting in the final weeks Q3 as genuine surprise than deliberately misguiding

Short-term Pain, Structural Gain

Declining Renewal Rates



Single-Thread Customers

Many on-prem customers were **"single-threaded"** per management, meaning - one use case, one data store, **no expansion potential**. Varonis was allocating engineering, support, and sales resources to serve this **low-return base** while SaaS customers sitting underneath had **110% NRR** and were **actively expanding**

Improved ROIC

Removing the low-renewal, non-expanding on-prem base improves the return profile of the business. CFO Guy Melamed claims:

"we believe it will allow us to show a healthier financial profile beginning in 2027 due to the removal of our lower renewal self-hosted customer base"

Now → **2027**

Our Take

We think Varonis made a fundamentally strong decision to shift toward 100% SaaS, even as short-term noise has led the market to view the transition negatively. This creates an opportunity to buy during a period of fear and volatility. The key question then becomes whether the SaaS product actually wins, which we address in the following theses. From a long-term perspective, we have conviction in the model as a scalable, compounding business which we demonstrate throughout the pitch

Sources: Company Filings, Claude, AlphaSense Reports

Ib: Punished for the Right Decision

1 A Completely Different Architecture

ON-PREM

Bicycle

Works. Can't scale. Adding features means rebuilding from scratch

SaaS

Self-driving Car

Different paradigm. Learns over time. Each customer makes it smarter

Selling	Entire bundle upfront	**Land small, expand per data source**
Deploy	Weeks of specialist setup	**Hours — trial IS production**
Updates	5+ versions in production	**All customers on latest, always**
MDDR	Not available	**24/7 SOC + 30-min SLA**

2 Land and Expand

The new SaaS model looks something like this:

Yr 1 — **Land — Windows file servers** — **$120K**
HIPAA audit. Low-friction entry point.

Yr 2 — **Expand — Microsoft 365** — **$180K**
Copilot deployment reveals SharePoint oversharing.

Yr 2–3 — **Upsell — Add MDDR** — **$243K**
Near-miss ransomware. Board demands 30-min SLA.

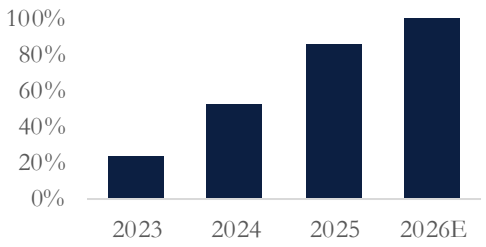
Yr 3+ — **Full platform — ex AWS** — **$400K+**
Switching cost enormous. Baselines + MDDR familiarity.

This new model within is **driving 110% NRR: 10%** net growth via upsells and cross-selling

3 Transition unlocks larger TAM

Varonis's shift to SaaS tripled its total addressable market (TAM) from **~$10B** to **$32B+** by unlocking coverage across cloud storage, SaaS applications, databases, and AI security, environments the on-prem product could never reach. With current ARR of **$745M representing just 2.3%** penetration of that $32B market, the runway for growth is substantial even without winning a single new industry vertical

SaaS ARR as a percentage of total ARR



Key Takeaway: The SaaS shift didn't just change how Varonis charges customers, it unlocked a 3x larger market, a compounding revenue base, and a managed service no competitor can match

Sources: SEC filings, Financial Content

II: Why the Sell-Off?

Now that we have established that we retain conviction in the SaaS shift being beneficial to the long-term vision of the business, why is the market still fearful?

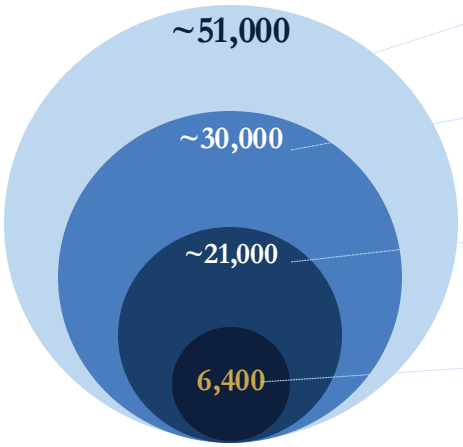
1. Cyera, Forcepoint, Sentra, etc. are rapidly coming after share, and are advantaged in cloud-native environments
2. Microsoft is using Varonis out of convenience for now, but will soon in-source with a "good-enough" product
3. PANW, CRWD acquiring their way into DSPM

Our Take

This is a market segmentation story, by no means has it ever been winner-take-all. The market is large enough and growing fast enough to support multiple vendors. We believe Varonis's specific segment (large regulated enterprises requiring cross-environment behavioral analytics and managed response) is the hardest to replicate and the most defensible. Competitors are seemingly fighting over the same crowded ground while $VRNS leads a category of its own.

Rising Tide Lifts All Boats

Significant White Space Remains



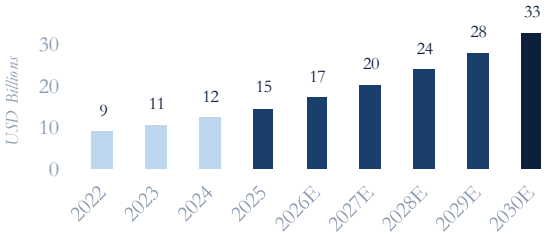
~51,000 Total Addressable Market (TAM)
7 verticals · 500–1,000+ employees · US / UK / EU27 / ROW
500–999 employee band adds ~13k · Public sector adds ~8k

~30,000 Commercial SAM
7 verticals · strictly 1,000+ employees
US ~8,530 · UK ~2,800 · EU27 ~14,700 · ROW ~4,000
SUSB 2022 · ONS 2024 · Eurostat SBS 2023

~21,000 Core 4 Verticals
Financial Services · Healthcare · Manufacturing · Utilities
Varonis 10-K explicitly named sectors
Highest breach costs · Non-discretionary spend

6,400 Current Customers
Q4 2025 10-K

Data Security Market



Takeaway

At 6,400 of ~51,000 addressable enterprises, Varonis is the category leader in a growing market that is still 87% unpenetrated

Sources: Company Filings, AlphaSense, SUSB 2022, ONS 2024, Eurostat SBS 2023

IIb: Not a Cyera-ous Threat

The market has seemingly become much more competitive with a proliferation of DSPM vendors…

Major Architectural Differences: Tool vs Platform

API Based Snapshots	Continuous Audit Trail
Identify overexposed data	Can "write" changes back
Lacks further context	Behavioral Understanding

A majority of competitors chose agentless deployment that is faster and more frictionless to deploy. Primarily built for identifying, not remediating.

Developments On This Premise

Despite launching as cloud-only, in recent years Cyera and other similar competitors have started to launch on-prem support but this is a reactionary move.

Started with data backhaul but failed security reviews, and are now trying to develop a "good-enough" on-prem product but even their customers are hesitant to adopt, quoting "I think it's a big challenge. I think on-prem support for data security is difficult because then you have to deal with connectors, you have to be aware of your network. It's just -- you have to get access. It's just a completely different animal" (Cyera Customer, Alphasense)

Hybrid Is The Future

"Data sovereignty and repatriation is in full hype, every company he's talking to is talking about moving away from cloud and wanting to be in control …especially banking finance healthcare tight regulation. Europe saying fully air gapped…handful of US companies can't be responsible for everyone's critical data" (Senior Executive at Global Enterprise Networking Firm, Primary Call)

- 86% of CIOs plan to repatriate workloads from public cloud — up from 43% in 2021 (Barclays CIO Survey)
- $630B sovereign cloud market by 2033, growing at 23% CAGR
- 9x more private data exists than public data today

Aided by an AI Inflection

"For the first time, >60% of banking tech spend projected to shift from legacy maintenance to modernization by 2027" (BCG, May 2025)

"Regulatory window closing; DORA, SEC Reg S-P, and EU AI Act mandate real-time monitoring and board-level accountability by mid-2026. 44% of financial firms already non-compliant." (EU AI Act)

All of these trends point towards $VRNS being the secular winner and we would be lying if we claimed to know the precise timing of when they benefit from this pent-up demand but we do have conviction that they are the best positioned to win.

Sources: 1) Pirmary Call, 2) BCG 3) EU 4) AlphaSense Expert Network

IIc: The Micro Risk

The Microsoft Narrative Is Quite Complex, Partner or Competitor?

Key Differences

1. DLP within MSFT environments — 92% environments are multi-cloud, Varonis feeds critical data signals from Salesforce, AWS, etc
2. Infrastructure-centric, more static guardrails — < ~20% feature overlap with Varonis.
3. Rudimentary compliance/audit reporting, cannot remediate — Varonis acts as a force-multiplier to traditional rules-based DLP systems like Microsoft

So…

It would be "absolutely negligent to deploy AI and train it on enterprise data without a tool like Varonis in place to identify what is actually in that data" (Healthcare CISO, AlphaSense)

- We are still in early innings of copilot adoption (95% of trials thus far fail to materialize in production scale) yet still 110% YoY growth
- Many organizations are deploying **Copilot** pilots without third-party security, choosing to "accept the risk" that the AI might access sensitive data rather than paying for automated remediation up-front (AlphaSense, 2025)
- Microsoft sales reps can retire quota on Varonis sales. MSFT's main goal is copilot adoption, and the last thing they want is that being slowed down because of security fears.

The partnership is real, the demand is just beginning, and the runway is enormous

Should we be wary of in-sourcing?

Precedents

Microsoft notorious for developing partnerships with companies while slowly developing an in-house competitor

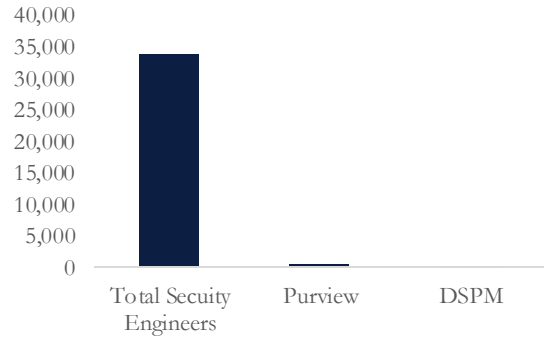
It can be likened to Amazon Basics products being "good enough" and cheaper and so encroach on legacy brands

The fear is that this will ultimately happen to Varonis, thus choking future growth prospects

We believe that this is a very naïve view that takes for granted the complexity of the data security industry

Why This Case is Different

A LinkedIn search of Microsoft's Employee base yields 551 Purview employees, of which only 82 are DSPM. This is out of a total security headcount of 34,000



Hence, we believe that it would be illogical for Microsoft to allocate resources to the pursuit of disintermediating Varonis, and we see this reflected accordingly in their current organizational structure. We see no reason that this changes.

Sources: 1) Morgan Stanley Equity Research 2) AlphaSense Expert Network 3) Company Filings

IIIa: MDDR Potential

MDDR as a Whole

What is MDDR?

MDDR is Varonis's fully managed data security service where AI autonomously resolves the vast majority of threats in real time, and Varonis's own engineers handle the rest — with a contractual guarantee to respond to ransomware within 30 minutes

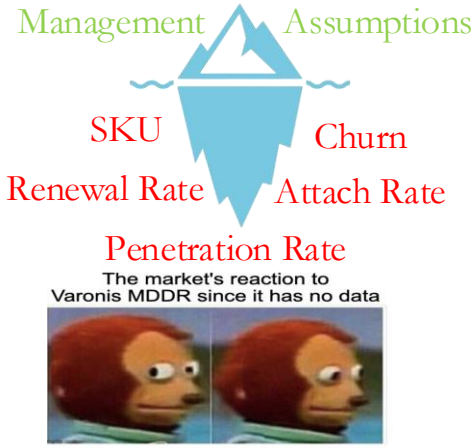
24x7x365

Management on MDDR

The MDDR has been very well received by both our customers and our sales force and has been adopted very well. Keep in mind, we only introduced it in 2024, and it's been adopted in a very positive way. We still believe that every single customer should have MDDR.

Guy Melamed
CFO & COO of Varonis

Street's Blindspot w/ MDDR



The market's reaction to Varonis MDDR since it has no data

MDDR's Success Story

AI leaks sensitive data from the inside – a simple prompt can surface files you shouldn't see

→

Humans will struggle keeping up with AI breaches. Robots needed to counter robots for data breaches

→

Varonis MDDR analyzes and closes 80% of alerts with their "AI Robots." Places them in prime position.

→

No other company can structurally answer this with DDR. Varonis has built this structure and is hard to beat.

35% ASP Premium

Compound Switching Costs

Shift Away from DDR

Structural Capabilities

Sources:

IIIb: Acquisition Upsell

3 Major Acquisitions

Cyral	SlashNext	AllTrue.ai
-Expands into **database activity monitoring (structured data)** -Adds visibility across **critical data stores**	-AI-native protection against **phishing, BEC, and social engineering** -Powers **Varonis Interceptor**	-Maps **AI agents, workflows, data access** -Provides visibility into **AI behavior**
-Targets large, replaceable legacy market -Positions Varonis as **full data-layer provider**	-Moves Varonis **upstream** -Expands into **fast-growing AI-driven phishing market**	-Secures **AI-driven data access layer** -Completes **end-to-end AI security platform vision**
-Broadens coverage = **higher ACV per customer** -Key **2026 upsell driver**	-Enables MDDR to **detect and respond before attackers reach sensitive data**	-Positions Varonis for **GenAI adoption tailwind** -Expands platform to **AI security TAM**

models NRR declining substantially down to 96%, which is overly pessimistic and effectively gives $VRNS no credit for these incremental pro

In Millions of USD 12 Months Ending	2023 A (Rep) 12/31/2023	2024 A (Rep) 12/31/2024	2025 A (Rep) 12/31/2025	2026 A (Fwd) 12/31/2026	2027 A (Fwd) 12/31/2027
Net New ARR	77.90	31.90	103.50	76.32	126.38
Total Billings	569.04	661.34	773.43	855.39	992.47
Deferred Revenue	181.94	292.32	442.22	873.84	1,088.26
Number of Employees		2,400.00			
Number of Subscription Customers	4,950.00	5,600.00	6,400.00	6,786.80	7,227.38
Net Retention Rate (%)	107.00	105.00	110.00	103.59	96.81

Sources: Bloomberg, AlphaSense Expert Network

IV: And if We're Wrong?

In the case that the business does not have the upwards explosion we predict, there is downside protection: VRNS is a fantastic acquisition for bigger players

What an Acquirer Would Get	
AI Security	Agent behavior monitoring and Realtime guardrails via AllTrue AI
MDDR	The only managed service that actively stops ransomware
Hybrid Coverage	One platform watching both the office and cloud continuously
Behavioral Analytics	Tracks every file touch, builds baselines over years

VRNS vs. Cyera- Why VRNS is the Better Strategic Buy

	VRNS	Cyera
Valuation	*$2.8B*	*$9.1B*
ARR Multiple	*3.7x*	*50-100x**
Surveillance	*24/7*	*Periodic*

**Since Cyera is a private company, these are analyst estimates, not directly disclosed by Cyera*

Potential Acquirers

paloalto NETWORKS

Microsoft

CROWDSTRIKE

The Missing Piece

Platformization strategy requires a complete set, and DSPM is the only missing card. **Varonis just is 2.5% of PANW's market cap** but completes the platform that justifies their entire consolidation pitch to customers

AI Liability

Copilot is exposing unintentional permissions and **Purview can't fix it outside of Microsoft**. Varonis already gives data to the Purview portal; the **partnership** would be the perfect **segway to an acquisition**

Market Opportunity

Falcon has **no deep data security layer**. Varonis + MDDR completes the platform and immediately opens **cross-sell into 8,000+** enterprise accounts CRWD doesn't currently own

"[T]he … problem that Varonis solves and the technology that they've built would be a **fantastic acquisition target …** because of the proprietary nature of the technology" –*Expert Formal Regional Engineer*

Sources: SEC filings, AllTrue ai Press Release, AlphaSense, Claude AI

V

Risks & Catalysts

Risks & Mitigants

	Risks	Mitigants
Management Credibility Destroyed	• CEO and CFO signaled the SaaS transition was on track throughout 2025 • Market was blindsided by a 48% single-day stock decline • Wall Street now discounts forward guidance from management • Rebuilding credibility is a multi-year process, not a near-term fix	• Management implemented a 5% headcount reduction and product end of life • Q4 2025 results beat expectations, indicating early stabilization • Credibility risk appears partially priced in; sustained execution can reset narrative
Acquisition Integration Risk	• Cyera, SlashNext, and AllTrue must be fully integrated into a unified platform • If products remain siloed, upsell weakens as customers avoid fragmented tools • MDDR effectiveness declines without unified signals across email, data, and • AI Execution risk in combining technology, data pipelines, and go-to-market	• All acquisitions align directly with Varonis's core platform around data and signals • Interceptor from SlashNext has already been launched into the platform • Early pipeline traction in DAM shows initial customer demand and cross sell potential
SaaS Execution Risk	•Legacy on-prem revenue declining faster than SaaS grows •Proven in 2025 blowup (renewals missed, federal weakness) •Risk that ARR growth stalls or becomes volatile	• ~76–86% of ARR already SaaS → transition largely done • Forced end-of-life of on-prem accelerates conversion • Sales now focused on upsell vs migration

Sources:

Catalysts

Litigation Clears

- The class action (Jan 2026) is a huge reason why sentiment on VRNS is down. Comparable cases settle for **$20–50M**, which would be a rounding error vs **$1.1B cash**. Many other companies outside and in the industry have had similar cases dismissed, and if this happened, it would make people **reevaluate the company**.

Completing the SaaS Transition

- Management guided **100% SaaS by end of 2026**. A clean SaaS P&L invites direct peer comparison to other pure-play SaaS companies that trade at **8–12x ARR**, which is a big improvement from Varonis's current **3.7x**. The transition discount would evaporate overnight.

Short-Term

Management Discloses MMDR Stats

- Varonis has never broken out MDDR attach rates or disclosers. Any statistical disclosure reveals a high-margin revenue stream that the market isn't pricing in. MDDR carries a **~35% average selling price premium;** if analysts are forced to model it separately, **price target upgrades follow immediately**.

Medium-Term

Acquisition

- There was over **$84B in cyber M&A in 2025**. Varonis is **the last public standalone DSPM** asset. At 3.7x ARR it sits below every comparable acquisition multiple. PANW, Microsoft, or CrowdStrike acquiring at 6–8x ARR implies a significant upside for investors.

Long-Term

Sources:

VI

Appendix

Revenue Build

Revenue Build By ARR Driver										
ARR Build										
Opening ARR		387.10	465.10	543.00	641.90	638.50	797.91	916.01	1,021.39	1,113.03
(+) Expansion ARR (NRR on Existing Base)						51.08	47.87	36.64	20.43	11.13
(+) Net Conversion ARR (on-prem -> SaaS)						50				
(+) New ARR						58.33	70.23	68.73	71.21	73.20
(-) Churn						76				
Ending ARR	387.10	465.10	543.00	641.90	745.40	797.91	916.01	1,021.39	1,113.03	1,197.36
YoY Growth %		*20%*	*17%*	*18%*	*16%*					
ARR Decomposition										
SaaS ARR			124.89	340.21	638.50					
SaaS % of Total			27%	63%	99%					
Term License ARR										
Maintenance ARR										
Total ARR										
Opening Customers				4.95	5.60	6.40	6.87	7.43	8.12	8.83
Net New Customers				0.65	0.80	0.47	0.56	0.54	0.55	0.56
Closing Customers			4.95	5.60	6.40	6.87	7.43	8.12	8.83	9.57
Y/Y Customer Growth %				*13%*	*14%*	*12%*	*8%*	*9%*	*9%*	*8%*
Revenue Bridge										
SaaS Revenue (Average ARR)				208.78	462.60	718.21	856.96	968.70	1,067.21	1,155.19
Term License Revenue	268.94	366.14	400.91	254.24	109.64	50				
Maintenance Revenue	119.30	107.49	98.25	87.93	51.30	21	11	11		
Total Revenue	**388.244**	**473.634**	**499.16**	**550.95**	**623.532**	**739.205**	**867.961**	**979.699**	**1,067.207**	**1,155.193**
YoY Growth %		*22%*	*5%*	*10%*	*13%*	*18.55%*	*17.42%*	*12.87%*	*8.93%*	*8.24%*

Assumptions										
SaaS NRR %	120.00	115.00	107.00	105.00	110.00	108%	106%	104%	102%	101%
Bear						*108%*	*106%*	*104%*	*102%*	*101%*
Base						*115%*	*115%*	*114%*	*113%*	*112%*
Bull						*120%*	*118%*	*116%*	*115%*	*115%*
TAM			49.0	50.0	51.0	52.0	53.1	54.1	55.2	56.3
Escalator						2%	2%	2%	2%	2%
Penetration %			10.10%	11.20%	12.55%	13.20%	14.00%	15.00%	16.00%	17.00%
Bear						13.2%	14.0%	15.0%	16.0%	17.0%
Base						13.5%	14.5%	15.5%	16.5%	18.0%
Bull						13.8%	15.4%	14.0%	18.4%	19.0%
Implied Opening ACV per Customer ($K)				115.18	126.09	107.75	123.17	128.24	128.33	127.27
Implied New Customer ACV				110.38	49.14	125	125	127	129	130
Bear						*125*	*125*	*127*	*129*	*130*
Base						*130*	*135*	*136*	*138*	*140*
Bull						*145*	*148*	*151*	*154*	*156*
Conversion Rate						48%				

Sources:

Operating Model

Operating Model										
Revenue	388	474	499	551	624	739	868	980	1067	1155
% Growth		22%	5%	10%	13%	19%	17%	13%	9%	8%
COGS (excl. D&A)	46	57	63	87	125	152	182	211	229	248
% Growth		24%	10%	39%	44%	22%	20%	16%	9%	8%
Gross Profit	342	417	437	464	499	588	686	769	838	907
% Revenue	88.2%	88.0%	87.5%	84.3%	80.0%	79.5%	79.0%	78.5%	78.5%	78.5%
SG&A (Operating Expenses)	317	387	408	448	503	588	655	719	782	843
% Revenue	81.7%	81.7%	81.7%	81.4%	80.6%	79.5%	75.5%	73.4%	73.3%	73.0%
S&M Expense	186	221	228	244	260	307	342	382	416	451
% Revenue	47.8%	46.6%	45.7%	44.3%	41.6%	41.5%	39.4%	39.0%	39.0%	39.0%
R&D Expense	96	124	133	154	187	217	246	269	293	318
% Revenue	24.8%	26.3%	26.7%	28.0%	30.0%	29.3%	28.3%	27.5%	27.5%	27.5%
G&A Expense	35	42	47	50	56	64	68	68	73	75
% Revenue	9.1%	8.9%	9.3%	9.0%	8.9%	8.7%	7.8%	6.9%	6.8%	6.5%
EBITDA	25	30	29	16	-4	15	48	69	77	86
% Revenue										
D&A	11	12	12	11	12	15	17	19	21	23
% Revenue	2.80%	2.57%	2.34%	2.02%	1.97%	1.97%	1.97%	1.97%	1.97%	1.97%
EBIT	14	17	17	5	-16	0	30	50	55	64
% Revenue	3.70%	3.66%	3.41%	0.87%	-2.56%	0.00%	3.50%	5.10%	5.20%	5.50%

Sources:

Discounted Cash Flow Analysis

Weighted Upside		
Probability of Bear Case	15%	15.7
Probability of Base Case	50%	29.15
Probability of Bull Case	35%	36.34
Weighted Average Price Target		**29.65**
Implied Upside		**37.01%**
Implied Risk/Reward		**1.65x**

Sources: