Voyant Americas

Comprehensive Analysis

Alteryx, Inc. (AYX – $112.84) **January 05, 2021***

Alteryx, Inc. (AYX) develops and sells data analytics software on a subscription basis. The Company's products allow users to access, prepare, and analyze data through various sources. The Company utilizes a direct sales force and certain international channel partners to market and sell its products. The Company was founded in 1997 and is headquartered in Irvine, CA. Its fiscal year ends on 12/31.

Thesis Summary

We are concerned certain lower-cost alternatives may have driven recent churn and the Company's high price point may be prohibitive for smaller customers in a challenging economic environment. In our view, recent Tableau growth and commentary highlighting Tableau integration with Salesforce's product ecosystem highlights an elevated competitive environment. We are concerned a dollar-based net expansion and net customer addition slowdown and flat ARPU despite surging sales and marketing expenditures highlights deteriorating business economics, growth pressure, and/or elevated churn. We are concerned recent annual recurring revenue expansion may have been driven, in part, by a shorter average subscription term and may be unsustainable. In our view, elevated receivable levels and commentary highlighting extended credit terms suggest receivable quality may have deteriorated. We are concerned elevated contract asset levels highlight accelerated revenue recognition and potentially difficult comparable periods. In our view, depressed deferred revenue levels may portend revenue pressure. We are concerned elevated prepaid expenses, construction in process, and capital expenditure levels, and depressed cash flow levels highlight elevated earnings sustainability risk. An abrupt (in our view) CEO resignation and recent CRO turnover heighten our earnings sustainability concerns.

Catalysts and Timing

- FY 21 guidance and/or results are below expectations.
- Low-cost alternatives drive persistent market share loss.
- Expanded competitive product features drive share pressure.
- Inflated sales and marketing expense, ARPU stagnation, and a dollar-based expansion slowdown persist and pressure growth and profitability.

Company Data

Country/Exchange	US/NYSE
Shares Outstanding (mil)	54.0
Float (mil)	51.2
Short Interest (mil)	5.3
% of Float Short	10.3%
Average Volume (mil)	$170.5
52 Week Range	$75.17 – $185.75
Dividend Yield	0.0%
Market Cap (bil)	$7.5
Net Cash (bil)	$0.0
Enterprise Value (bil)	$7.5
FY 19 Rev (mil)/Rev Growth	$417.9 / 64.8%
FY 19 Adj. EBIT (mil)	$75.2
FY 19 Adj. GM %/Change	91.9% / (10 bps)
FY 19 Adj. EBIT Margin %/Chg	18.0% / (140 bps)

Historical Earnings

	Actual	Expected	Surprise
Q3 20	$0.39	$0.14	175.8%
Q2 20	$0.02	($0.14)	--
Q1 20	($0.10)	($0.09)	(12.5%)

Estimate Drift

	EST	1M Ago	6M Ago	1YR Ago
Q4 20 Rev	$151.6	$148.7	$182.1	$169.3
FY 20 Rev	$486.4	$483.4	$503.3	$520.1
FY 21 Rev	$567.1	$568.4	$658.0	$668.7
Q4 20 EPS	$0.30	$0.30	$0.62	$0.43
FY 20 EPS	$0.63	$0.63	$0.53	$0.83
FY 21 EPS	$0.74	$0.76	$1.08	$1.24

Peers Mentioned In This Report

Salesforce.com, Inc. (CRM)

Workiva Inc. (WK)

*** All research is completed as of 4:00PM – 4:15PM Eastern Time unless otherwise noted.**
Please refer to the end of this report for an updated version of *The Short List*.

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Background and Bull Story

Company Background

Company description: Alteryx, Inc. (AYX) develops and sells data analytics software on a subscription basis. The Company's products allow users to access, prepare, and analyze data through various sources. The Company utilizes a direct sales force and certain international channel partners to market and sell its products. The Company was founded in 1997 and is headquartered in Irvine, CA. Its fiscal year ends on 12/31.

Background on products: The Company's products include Alteryx Designer, Server, Connect, and Promote. Designer, Alteryx's core product, is a data preparation and analytics product used to create workflows and analytic processes. Server is the Company's secure server for running analytics processes on the web. Connect is a collaboration platform to share data and recommendations across an enterprise. Promote is the Company's advanced management tool to manage, monitor, and deploy analytics into applications.

Background on sales process and land and expand model: The Company utilizes a direct sales force and certain international channel partners. On its Q1 20 Conference Call on 05/06/20, the Company represented its typical sales cycle was approximately 45 days and began with a 14-day self-service trial of Designer. The Company highlighted initial subscriptions for two or three seats were typically between $10,000.00 and $15,000.00 per year. Per the Alteryx website, the Company charges individual users $5,195.00 per year for Designer.[1] In its FY 19 10K, the Company disclosed it employed a land and expand sales strategy to drive revenue growth by increasing revenue generated from existing customers (e.g. selling additional products and/or increasing user seats at the customer). The Company's product subscription terms are generally one to three years.

> As you know, our land cycle is typically a 45-day-or-so land cycle, $10,000, $12,000, $15,000 on the land with a couple of designers. It always begins with a frictionless 14-day self-service trial. (CEO Mr. Dean Stoecker, Q1 20 Conference Call, 05/06/20)

Background on revenue recognition: In FY 19, subscription-based software licenses accounted for 54.8% of revenue while post-contract support (PCS) and services accounted for 45.2%. In its FY 19 10K, the Company disclosed subscription-based software license revenue was recognized at a point in time when the Alteryx platform was made available to the customer at the beginning of the subscription, while PCS, cloud-based offering, and data subscription revenue was recognized ratably over the subscription term. Professional services revenue was recognized when the services were provided to the customer or when they expired (professional services revenue accounted for 5.0% or less of revenue in each of the last three fiscal years). On its Q3 20 Conference Call on 11/05/20, the Company represented it recognized approximately 35.0% to 40.0% of total contract value (TCV) up-front on average dependent on product mix.

> We recognize revenue when we satisfy a performance obligation by transferring control of a good or service to a customer. Revenue related to our subscription-based licenses is recognized at a point in time when the platform is first made available to the customer, or the beginning of the subscription term, if later. Revenue related to PCS, cloud-based offerings, and data subscriptions is recognized ratably over the subscription terms. (FY 19 10K)

[1] https://www.alteryx.com/products/platform-details/pricing

Revenue Analysis (as % of total)	FY 19 Revenue
Subscription-based software license	54.8%
PCS and services	45.2%
Total	100.0%

Background on customers: In its FY 19 10K, the Company disclosed it served organizations of all sizes across a wide variety of industries and no customer represented more than 10.0% of revenue. On its Q1 20 Conference Call on 05/06/20, the Company represented approximately one third of annual recurring revenue (ARR) was generated from Global 2000 customers. Accordingly, we believe the remaining two thirds of annual recurring revenue relates to smaller, potentially less complex companies.

> To give you more color on our business, approximately 1/3 of our ARR is from our Global 2000 customers. About 25% of our ARR today is from customers who are in the most impacted verticals I previously mentioned, and only 6% of our ARR is from small to medium-sized businesses within these highly impacted verticals. (CFO Mr. Kevin Rubin, Q1 20 Conference Call, 05/06/20)

Revenue by geography: In FY 19, US (international) customers accounted for 70.9% (29.1%) of revenue.

Geography Analysis (as % of total)	FY 19 Revenue
US	70.9%
International	29.1%
Total	100.0%

Seasonality: Over the past three years, Q4 (Q3) accounted for 34.0% (25.1%) of revenue on average. In its FY 19 10K, the Company disclosed fourth quarter revenue seasonality was driven by current and potential customer budgeting cycles.

> Our business is affected by seasonality. Due to the budgeting cycles of our current and potential customers, historically, we enter into more agreements with new customers and more renewed agreements with existing customers in the fourth quarter of each calendar year than in any other quarter. (FY 19 10K)

Seasonality Analysis (as % of total)	Q4	Q3	Q2	Q1
FY 19 quarterly revenue contribution	37.4%	24.7%	19.6%	18.2%
FY 18 quarterly revenue contribution	35.2%	24.7%	20.3%	19.8%
FY 17 quarterly revenue contribution	29.3%	26.0%	23.0%	21.7%
Three-year-average	34.0%	25.1%	21.0%	19.9%

Competition: Alteryx competes with traditional business intelligence tools from International Business Machines Corporation, Microsoft Corporation, Oracle Corporation, SAP SE, and SAS Institute Inc., as well as certain niche data preparation options which compete with certain features of the Alteryx platform including Dataiku Inc., MicroStrategy Incorporated, Paxata, Inc., Talend S.A., Tableau Software, Inc., TIBCO Software, Inc., and Trifacta, Inc.[2] In its FY 19 10K, Alteryx highlighted certain data visualization partners, including Tableau, introduced offerings which may compete with Alteryx.

Bull Story: Automation, Land & Expand Functionality, & Large Market Opportunity

Automation drives customer process efficiency: On its Citi Global Technology Conference Call on 09/10/20, the Company highlighted its products drove customer operational efficiency gains. The Company represented customer savings justified the Alteryx price point. On its Q1 20 Conference Call, the Company indicated large companies invested in initiatives to implement analytics to automate business operations. For example,on its Q3 20 Conference Call, the Company highlighted a certain customer drove an 80.0% efficiency increase through automation with Alteryx.

> Well, I think we've proven time and time again, year after year after year since launching our land-and-expand model in 2014, that price has no negative impact on spend… The reality is, if you go to community.alteryx.com, and I would encourage all the investors and listeners to go there, you'll see, I don't know, 250 use cases across every sector of business around the world. And you'll see ridiculous use cases. You'll see 757% improvements in operational efficiency gains at big organizations. You'll see on-time deliveries with 11% cut to spend in shipping costs. You'll see $1 billion top line improvements and $600 million bottom line improvements by using simple Designer at $5,000. So I don't think when we ask the question about, is Alteryx priced appropriately? We do believe it is. (Chairman Mr. Dean Stoecker, Citi Global Technology Conference Call, 09/10/20)

Land and expand strategy drives persistently high dollar-based net expansion: In its FY 19 10K, the Company disclosed dollar-based net expansion is the trailing four quarter average of the annual contract value (ACV), subscription revenue expected to be recognized over the term of the contract divided by the term of the contract in years, for a cohort of customers divided by the trailing four quarter ACV of the same cohort of customers in the prior year. In FY 19, dollar-based net expansion declined 200 basis points to 130.0%. In its FY 19 10K, the Company disclosed its dollar-based net expansion exceeded 125.0% in each of the last twelve quarters. The Company represented a "large portion" of its revenue in any given period was attributable to existing customers compared to new customers due to its land and expand business model.

> For each of the last twelve quarters, including the quarter ended December 31, 2019, our dollar-based net expansion rate has exceeded 125%. (FY 19 10K)

Dollar-Based Net Expansion Analysis	FY 19	FY 18	FY 17
Dollar-based net expansion	130.0%	132.0%	130.0%
Year-over-year change	*(200 bps)*	*200 bps*	--

Functionality relative to peers: On its Bernstein Software Summit Conference Call on 05/08/19, Tableau Software, Inc. (formerly: DATA) represented companies with complex modeling, data science, and statistics requirements were better suited for Alteryx's data preparation offerings. On its Citi Global Technology Virtual Conference Call on 09/10/20, Alteryx highlighted its product's ability to "orchestrate" data preparation and transfers between many different endpoints differentiated it competitively. Alteryx's greater functionality relative to peers may be especially valuable to large global customers with large data processing requirements and justify a higher price point relative to less complex competitive offerings.

> And the way I think about Prep is, I think, if you're only combining data, reshaping data or cleaning data, that's going to be actually a really good use case for Prep. If you start thinking of, "Oh, actually no. I need to do more modeling of my data and data science and that statistics and really do much more complicated

[2] Daitaku, Inc. (private), International Business Machines Corporation (IBM), Microsoft Corporation (MSFT), Microstrategy Incorporated (MSTR), Oracle Corporation (ORCL), Paxata, Inc. (private), SAP SE (SAPG.DE), SAS Institute (private), Tableau Software (subsidiary of Salesforce), and Talend, Inc. (TLND), TIBCO Software Inc. (TIBX), and Trifacta (private).

use cases," now that's probably a better Alteryx-type use case. (DATA CPO Mr. Francois Ajenstat, Bernstein Software Summit Conference Call, 05/08/19)

Large customer penetration opportunity: The Company discloses an approximate Global 2000 customer count in its quarterly and annual filings. In Q3 20, the Company's Global 2000 customer count increased 10.3% year-over-year to over 750. Global 2000 dollar-based net expansion was 135.0% while Company-wide dollar-based net expansion was 124.0%. Global 2000 dollar-based net expansion exceeded company-wide dollar-based net expansion in each of the periods disclosed.[3] Previously, on its Q2 19 Conference Call on 07/31/19, the Company represented it was 33.0% penetrated in Global 2000 customers with only 1.0% seat penetration. The Company guided for Global 2000 dollar-based net expansion to exceed Company-wide dollar-based net expansion "for quite some time."

> We don't forecast on this, but if we're successful at tackling greater penetration of the G2K, we're now 33% of the total with less than 1% penetration of the potential users of just Designer. There's an enormous opportunity there. I think at the investor conference at Inspire, we identified the net expansion of the Global 2000 customers at 143%, I believe. And so the net expansion of the G2K is demonstrably higher than net expansion of all customers in general. So we think this could continue for quite some time. (CEO Mr. Dean Stoecker, Q2 19 Conference Call, 07/31/20)

Global 2000 Customer Analysis	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Global 2000 customers	>750	>730	>730	>700	>680
Year-over-year change	*10.3%*	*12.3%*	*32.7%*	*40.0%*	*36.0%*
Global 2000 dollar-based net expansion	135.0%	137.0%	140.0%	--	--
Year-over-year change	--	--	--	--	--
Dollar-based net expansion	124.0%	126.0%	128.0%	130.0%	132.0%
Year-over-year change	*(800 bps)*	*(700 bps)*	*(600 bps)*	*(200 bps)*	*100 bps*

Valuation: On 11/05/20, Alteryx reported Q3 20 revenue (non-GAAP earnings) of $129.7 million ($0.39), 8.9% (175.8%) above the consensus estimate. As of the date of this publication, Alteryx shares traded at 13.1x forward revenue, 0.8% below its prior five-year average. While we acknowledge the valuation is relatively in-line with the historical average, the consensus expects FY 20 (FY 21) revenue to grow 15.7% (17.6%), materially below historical growth rates (revenue increased 64.8% in FY 19).

NTM P/S Valuation Analysis	Publication Date	One Year Ago	Two Years Ago	Three Years Ago	Five-Year Average
Alteryx, Inc. (AYX)	13.1x	12.5x	13.4x	9.2x	13.2x

[3] The Company began disclosing Global 2000 dollar-based net expansion in Q1 20.

Voyant's Earnings Risk Assessment

We are concerned certain lower-cost alternatives may have driven recent churn and the Company's high price point may be prohibitive for smaller customers in a challenging economic environment. In our view, recent Tableau growth and commentary highlighting Tableau integration with Salesforce's product ecosystem highlights an elevated competitive environment. We are concerned a dollar-based net expansion and net customer addition slowdown and flat ARPU despite surging sales and marketing expenditures highlights deteriorating business economics, growth pressure, and/or elevated churn. We are concerned recent annual recurring revenue expansion may have been driven, in part, by a shorter average subscription term and may be unsustainable. In our view, elevated receivable levels and commentary highlighting extended credit terms suggest receivable quality may have deteriorated. We are concerned elevated contract asset levels highlight accelerated revenue recognition and potentially difficult comparable periods. In our view, depressed deferred revenue levels may portend revenue pressure. We are concerned elevated prepaid expenses, construction in process, and capital expenditure levels, and depressed cash flow levels highlight elevated earnings sustainability risk. An abrupt (in our view) CEO resignation and recent CRO turnover heighten our earnings sustainability concerns.

Low-Cost Alternatives May Drive Less Complex/Value Account Churn

Competition disclosure expanded in recent years: Previously, in its FY 18 10K, the Company expanded its competition disclosure to include Daitaku, Talend, and Tableau. In its FY 19 10K, Alteryx disclosed it competed with data preparation and analysis tools from IBM, Microsoft, Oracle, SAP, and SAS Institute and certain niche data preparation tools which compete with some features within Alteryx's platform. In addition, Alteryx added Paxata to its disclosure and represented certain data visualization companies, including current Alteryx partners, offered products/services in adjacent markets and may become competitive in the future.[4] We are concerned a competition disclosure expansion in recent years highlights a potentially elevated competitive environment.

> In addition, some business analytics software companies offer niche data preparation options that are competitive with some of the features within our platform, such as Dataiku Inc., MicroStrategy Incorporated, Paxata, Inc., Talend S.A., Tableau Software, Inc., TIBCO Software, Inc., and Trifacta, Inc. (FY 19 10K)

Background on customer mix: On its Q1 20 Conference Call, the Company represented one third of its annual recurring revenue was from Global 2000 customers. Accordingly, we believe material revenue may be generated from smaller, less complex, and potentially less data-intensive businesses.

> To give you more color on our business, approximately 1/3 of our ARR is from our Global 2000 customers. (CFO Mr. Kevin Rubin, Q1 20 Conference Call, 05/06/20)

Recent churn suggests Alteryx pricing may be prohibitive for certain smaller companies: On its Q2 20 Conference Call on 08/06/20, the Company highlighted elevated churn and represented the churn was concentrated to customers with less than $100.0 million annual revenue. Per the Alteryx website, the Company charges individual users $5,195.00 per year for Designer, its core product. In our view, Alteryx Designer is more expensive than less complex alternatives (e.g. Tableau Prep, discussed next). We are concerned certain less data-intensive businesses may have been unable to justify a high price point for Alteryx products in a difficult economic environment and a portion of the churn may be related to customers switching to cheaper alternatives. Given companies outside the Global 2000 represent material revenue, we are concerned elevated smaller customer churn may pressure revenue and growth.

[4] Daitaku, Inc. (private), International Business Machines Corporation (IBM), Microsoft Corporation (MSFT), Oracle Corporation (ORCL), Paxata, Inc. (private), SAP SE (SAPG.DE), SAS Institute (private), Tableau Software (subsidiary of Salesforce), and Talend, Inc. (TLND).

It is also important to note that customer churn continued to be concentrated in the commercial sector, which we define as less than $100 million in annual revenue regardless of the vertical. (CEO Mr. Dean Stoecker, Q2 20 Conference Call, 08/06/20)

Tableau launches less complex competitive data preparation tool in FY 18: Tableau Software, Inc. (formerly: DATA) develops and sells data visualization and preparation software. On 04/23/18, Tableau launched Tableau Prep, a data preparation product which integrates into the existing Tableau workflow. While we acknowledge Tableau Prep functionality may be simpler relative to Alteryx, we are concerned it may be sufficient for certain less complex customers. Given Tableau Creator, which includes Tableau Prep, is offered for $70.00 per user per month (i.e. $840.00 annually), we are concerned recent Alteryx customer churn may have been driven by certain customers opting for Tableau Prep, a significantly less costly option.

Salesforce acquisition of Tableau may have increased Tableau Prep competitive positioning: On 06/10/19, Salesforce.com, Inc. (CRM) announced it would acquire Tableau Software, Inc. (formerly: DATA) for $15.7 billion. The acquisition closed on 08/01/19. On its Tableau Acquisition Conference Call on 06/10/19, Salesforce highlighted Tableau was the number one analytics platform and guided to accelerate Tableau's mission to help people understand data. In addition, Salesforce guided for Tableau's integration with Salesforce's Customer 360 product ecosystem to enable Tableau to reach a broader set of customers. On its Barclay's Global Technology, Media, and Telecommunications Conference Call on 12/10/20, Salesforce highlighted its Customer 360 product ecosystem and guided for Tableau to amplify its core value proposition. We are concerned Salesforce's acquisition of Tableau and integration with Salesforce's product ecosystem may have increased Tableau Prep's competitive positioning.

Let me close by saying that I'm just thrilled that we'll be able to help Tableau accelerate its mission to help people see and understand data. Those powerful 7 words, there they are again. Tableau will operate independently as part of Salesforce led by Adam and his fantastic team. This combination will accelerate Salesforce's mission as well. Tableau will make both Customer 360 and Einstein stronger than ever and enable us to reach a much broader set of customers and users. (CRM CEO Mr. Mark Benioff, M&A Conference Call, 06/10/19)

Alteryx risk factor expansion after Tableau acquisition heightens our concerns: In its Q3 19 10Q, the Company expanded its risk factor language to disclose the risk new customers may enter smaller or shorter-term subscriptions and existing customers may not renew their subscriptions. We are concerned the added risk factor shortly after Salesforce's Tableau acquisition highlights increased competition risk as customers assess the impact of the acquisition.

New customers may enter into license agreements for lower subscription amounts or for shorter subscription terms than we anticipate, which reduces our ability to forecast revenue growth accurately. Moreover, our customers may not renew their subscriptions... (Q3 19 10Q) [new language added to risk factor]

Strong Tableau performance amidst elevated Alteryx churn highlights increased competitive risk: In Q3 21, Tableau revenue increased 22.7% year-over-year to $378.0 million.[5] On its Analyst/Investor Day Conference Call on 12/08/20, Salesforce highlighted recent Tableau performance and sales pipeline strength. Salesforce guided for Tableau's future runway to be less impacted by the COVID-19 pandemic. In our view, Tableau revenue growth amidst elevated Alteryx churn highlights increased competitive risk from lower cost offerings. We are concerned certain Alteryx customers may reassess data preparation needs in an uncertain economic environment and trade down to lower cost, lower functionality offerings (e.g. Tableau Prep).

Analyst: Can you please discuss how Tableau is doing relative to your internal forecasts?

CRM CFO Mr. Mark J. Hawkins: We couldn't be more excited about Tableau and the thesis that we had with Tableau, the asset of Tableau, it's a best-in-class, unique asset in the world, great leadership team, great CEO with Adam Selipsky and the management team. And moreover, what we can do with that and a

[5] Salesforce's fiscal year ends on 1/31.

greater picture within Salesforce. And so that thesis is very much intact. Obviously, as you know, we ran to day 1 literally into the CMA, and then we rolled right into the pandemic. That being said, I think Q2, we had a great quarter in Q2. Q3, in fact, Q2 was even stronger than Q3. But then we have a great backlog and -- or pipeline, I should say, rather in Q4. So we're excited about that. And we just think that we're just getting started with Tableau. I'm very, very happy about that. And I think you should look at us and check in probably like second half of next year, I think we're going to just be -- it gives us even more runway uninterrupted by the pandemic or the large part of the pandemic. And also CMA, and we couldn't be more happy about the company being part of our company. Evan, anything you would add. (Analyst/Investor Day Conference Call, 12/08/20)

Tableau Revenue Analysis ($ in millions)	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
Tableau revenue	$378.0	$375.0	$273.0	$381.0	$308.0
Year-over-year change	*22.7%*	--	--	--	--

Potential Tableau Prep functionality expansion presents direct competition risk, in our view: While we acknowledge Tableau Prep functionality may be limited relative to Alteryx, certain large customers may favor Alteryx for data preparation, and Tableau/Salesforce consistently highlighted Alteryx as a partner, we are concerned Salesforce may invest in Tableau Prep and its functionality may expand. To the extent Salesforce continues to develop new Tableau Prep functionality, we would be concerned about increased Tableau Prep competition for customers with more specialized/complex data preparation needs (e.g. Global 2000 market share pressure).

Strong Workiva Wdata adoption amidst elevated Alteryx churn heightens our market pressure concerns: On its Q2 18 Conference Call on 08/07/18, Workiva Inc. (WK) represented it recently launched Wdata, a data preparation solution integrated with its core products.[6] On its Q2 20 Conference Call on 08/04/20, Workiva indicated Wdata was a “baby version” of Alteryx. On its Analyst/Investor Day Conference Call on 11/19/20, Workiva represented new customers subscribed to Wdata “at a high rate” and existing customers adopted Wdata gradually. While we acknowledge Wdata functionality may be limited relative to Alteryx, the commentary about Wdata strength amidst elevated Alteryx churn heightens our concerns around value/lower-end market share pressure.

Our new customers are attaching Wdata at a high rate. Certainly, our global statutory reporting customers almost have to have it to be successful. So there, the attachment rate is high. On our existing customer base, SEC and others, we're seeing a nice gradual adoption, just about what we'd like to see in terms of the rates that we can satisfy those customers do the integrations and move forward. So again, we're very bullish on Wdata not only from a sort of ultimately offering connections but also just loading and flat files, which a lot of our customers do and then actually manipulating their data, doing different queries against it in the different spreadsheets, and it just provides a lot of value in that mode too. (WK CEO Mr. Martin Vanderploeg, Analyst/Investor Day Conference Call, 11/19/20)

Soft Dollar-Based Net Expansion & Flat ARPU Highlight Churn And Growth Pressure

Background on dollar-based net expansion: In its Q3 20 10Q, the Company disclosed dollar-based net expansion was the trailing four quarter average of the annual contract value (ACV), subscription revenue expected to be recognized over the term of the contract divided by the term of the contract in years, for a cohort of customers divided by the trailing four quarter ACV of the same cohort of customers in the prior year. Accordingly, dollar-based net expansion includes customer seat count changes, upselling/cross selling new products, price changes, and churn.

Our dollar-based net expansion rate is a trailing four-quarter average of the annual contract value, or ACV, which is defined as the subscription revenue that we would contractually expect to recognize over the term of the contract divided by the term of the contract, in years, from a cohort of customers in a quarter as

[6] Workiva Inc.’s (WK) fiscal year ends on 12/31.

compared to the same quarter in the prior year. A dollar-based net expansion rate equal to 100% would indicate that we received the same amount of ACV from our cohort of customers in the current quarter as we did in the same quarter of the prior year. (Q3 20 10Q)

Dollar-based net expansion slowdown highlights churn and/or demand pressure: In its FY 19 10K, the Company disclosed dollar-based net expansion exceeded 125.0% in each of the prior three years. In Q3 20, dollar based net expansion declined 800 basis points year-over-year to 124.0%, the lowest level ever reported and the first time the Company reported dollar-based net expansion below 125.0%. On its Q3 20 Conference Call, the Company reiterated guidance for dollar-based net expansion to exceed 120.0% long-term. While we acknowledge the dollar-based net expansion slowdown may have been driven, in-part, by pandemic-related churn, we are concerned a persistent dollar-based net expansion slowdown highlights growth pressure.

> Look, I mean, we've been going back to IPO. I think we indicated with a degree of confidence that we believe this business over the long-term will be able to sustain above 120% net expansion. And we're still notably above that, especially in the Global 2000. (CFO Mr. Kevin Ruby, Q3 20 Conference Call, 11/05/20)

Dollar-Based Net Expansion Analysis	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Dollar-based net expansion	124.0%	126.0%	128.0%	130.0%	132.0%
Year-over-year change	*(800 bps)*	*(700 bps)*	*(600 bps)*	*(200 bps)*	*100 bps*

Net customer additions decline from soft base period heightens our churn and growth pressure concerns: In Q3 20 net customer additions declined 28.1% year-over-year to 241 customers, from a depressed base period (declined 10.7% in Q3 19), to the lowest level in twelve periods. Persistently depressed net customer additions heighten our churn and growth pressure concerns.

Net Customer Additions Analysis	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Net customer additions	241	271	356	474	335
Year-over-year change	*(28.1%)*	*(11.1%)*	*28.5%*	*24.4%*	*(10.7%)*

Sales and marketing expenditure surge highlights demand pressure and/or elevated churn: In Q3 20, total sales and marketing (S&M) expenditures increased 35.9% year-over-year to $63.1 million, while net customer additions declined 28.1% to 241.[7] Accordingly, total S&M expenditures-per-net customer addition surged 88.9% year-over-year $261,701, from a materially elevated base period (surged 98.0% in Q3 19). While we acknowledge certain S&M expenditures relate to efforts to expand offerings/user seats with existing customers, we believe persistently elevated S&M expenditures-per-net new customer addition highlights demand pressure and/or elevated churn.

[7] The Company does not disclose gross customer additions. To calculate total sales and marketing expenditures we summed sales and marketing expense and the increase/(decrease) in deferred compensation. Given deferred compensation relates to commissions amortized over the subscription term, we determined total sales and marketing expenditures for the period must include capitalized sales costs.

S&M Analysis ($ in millions, except per customer metric)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Sales and marketing expenses	$60.9	$57.9	$65.2	$61.3	$43.8
Increase/(decrease) in deferred compensation	$2.2	$0.3	($1.2)	$16.2	$2.6
Total sales and marketing expenditures (Voyant estimate)	$63.1	$58.2	$64.0	$77.5	$46.4
Net customer additions	241	271	356	474	335
Total S&M expenditures-per-net customer addition	$261,701	$214,849	$179,736	$163,523	$138,525
Year-over-year change	*88.9%*	*32.1%*	*28.1%*	*45.0%*	*98.0%*

Flat ARPU despite a sales and marketing expense surge highlights deteriorating business economics: In Q3 20, revenue-per-average customer (ARPU) remained relatively flat at $18,980. In our view, stable ARPU levels despite a persistent S&M expenditure surge and S&M expenditure growth persistently in excess of ARPU growth highlights deteriorating business economics. While we acknowledge the COVID-19 pandemic and ensuing economic uncertainty may have pressured ARPU, we are concerned flat ARPU suggests the Company's land and expand model may be less effective.

ARPU Analysis	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Revenue (in millions)	$129.7	$96.2	$108.8	$156.5	$103.4
Average customer	6,835	6,579	6,265	5,850	5,446
Revenue-per-average customer	$18,980	$14,628	$17,371	$26,744	$18,988
Year-over-year change	*0.0%*	*(8.6%)*	*10.5%*	*35.2%*	*25.2%*

Flat ARPU despite smaller account churn highlights large account seat stagnation/reductions, in our view: On its Q2 20 Conference Call on 08/06/20, the Company represented recent churn was concentrated to customers with less than $100.0 million annual revenue. We believe smaller companies may have less complex data requirements, lower seat count requirements, and may generate below Company-wide ARPU. Accordingly, we believe smaller account churn would drive an ARPU benefit. Accordingly, our concerns about flat ARPU levels are heightened.

> It is also important to note that customer churn continued to be concentrated in the commercial sector, which we define as less than $100 million in annual revenue regardless of the vertical. (CEO Mr. Dean Stoecker, Q2 20 Conference Call, 08/06/20)

Shorter Term Subscriptions May Have Driven ARR Expansion, In Our View

Background on annual recurring revenue: The Company began disclosing annual recurring revenue (ARR) in its Q3 20 Earnings Release and included ARR for each period since Q1 19 in its disclosure. In its Q3 20 10Q, the Company disclosed ARR was the annualized value of all active subscriptions as of the end of the reporting period. On its Q3 20 Conference Call, the Company highlighted ARR was an additional metric to assess the Alteryx business. Multi-year contracts and contracts with terms less than one year are annualized to calculate the ARR metric. Given 35.0% to 40.0% of total contract value is recognized upfront on new and renewed subscriptions, average subscription term changes and product mix may drive near term revenue volatility. While we acknowledge average subscription term changes may drive upfront revenue recognition volatility, we believe ARR may also be impacted by subscription term length (discussed next).

> In order to measure the underlying performance of our subscription-based contracts, we calculate annual recurring revenue, or ARR, which represents the annualized recurring value of all active subscription contracts at the end of a reporting period and excludes the value of non-recurring revenue streams, such as

professional services… Both multi-year contracts and contracts with terms less than one year are annualized by dividing the total committed contract value by the number of months in the subscription term and then multiplying by twelve. (Q3 20 10Q)

Shorter term subscriptions may have driven ARR expansion, in our view: In Q3 20, annual recurring revenue (ARR) increased 37.8% year-over-year to $449.5 million. On its Q3 20 Conference Call, the Company highlighted average subscription term declined to approximately two years. We are concerned an average subscription term decline may have driven an ARR increase as shorter-term subscriptions may be billed at a higher monthly rate (e.g. a less than one year contract likely has a higher monthly rate than a multi-year contract). In our view, a portion of recent ARR expansion may be unsustainable as shorter term contracts may face higher churn risk.

ARR Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Annual recurring revenue	$449.5	$432.3	$404.9	$372.8	$326.3
Year-over-year change	*37.8%*	*41.0%*	*43.6%*	--	--

Contract Asset Surge Highlights Accelerated Revenue Recognition, In Our View

Background on ASC 606 revenue recognition: The Company adopted ASC 606, *Revenue from Contracts with Customers* on 01/01/18 under the modified retrospective basis. Accordingly, historical figures were not restated. Under ASC 606, the Company recognizes a portion of revenue on the date the Alteryx platform is made available to the customer at the beginning of the subscription term and the remaining total contract value (TCV) is recognized ratably over the term of the subscription. In its FY 19 10K, the Company disclosed subscription-based software license revenue was recognized at a point in time when the Alteryx platform was made available to the customer (i.e. up-front), while PCS, cloud-based offering, and data subscription revenue was recognized ratably over the subscription term. Professional services revenue was recognized when the services were provided to the customer or when they expired (professional services revenue accounted for 5.0% or less of revenue in each of the last three fiscal years). On its Q3 20 Conference Call, the Company represented it recognized approximately 35.0% to 40.0% of TCV up-front dependent on product mix, consistent with prior periods.

> And approximately 35% to 40% of TCV booked in the quarter will be recognized upfront with the remainder recognized ratably over the time of the contract. (CFO Mr. Kevin Rubin, Q3 20 Conference Call, 11/05/20)

Background on contract assets: In its FY 19 10K, the Company disclosed contract assets related to unbilled amounts for which revenue was recognized in excess of billings. Under ASC 606, the portion of revenue recognized upfront at the beginning of the subscription term was initially recorded to contract assets. Contract assets are transferred to receivables as the right to invoice becomes unconditional. Accordingly, the drivers of contract assets are sales volume, average term, product mix, and timing within the period.

> Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. Contract assets primarily relate to unbilled amounts for contracts with customers for which the amount of revenue recognized exceeds the amount billed to the customer. Contract assets are transferred to accounts receivable when the right to invoice becomes unconditional. Contract assets are recorded as current if the invoice will be delivered to the customer within the succeeding 12-month period with the remaining recorded as long-term. (FY 19 10K)

Elevated receivables and extended credit terms highlight credit risk, in our view: Previously, on its Q1 20 Conference Call, the Company represented it extended credit terms and “provided flexibility” to certain customers. In Q3 20, total receivables (including contract assets)-to-revenue increased 5.6% year-over-year to 1.207. In our view, elevated receivables and commentary highlighting extended credit terms suggest credit risk may be elevated. Our concerns are heightened given the total receivable level increase was driven by increased revenue recognized in excess of billings (discussed next).

Analyst: And are you guys doing anything in terms of giving, especially the most impacted customers, kind of easier payment terms or things like that on the contract?

CFO Mr. Kevin Rubin: Yes. We're certainly working with customers. I mean, we're obviously a customer-centric organization and providing flexibility where we can. And so we are having those conversations, and we are accommodating and working with customers that are most impacted. (Q1 20 Conference Call, 05/06/20)

Receivables Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Total receivables	$156.5	$150.6	$129.6	$187.7	$118.1
Revenue	$129.7	$96.2	$108.8	$156.5	$103.4
Total receivables-to-revenue	1.207	1.565	1.191	1.200	1.142
Year-over-year change	*5.6%*	*24.0%*	*4.6%*	*(12.8%)*	--

Contract asset surge highlights increased revenue recognized in excess of billings: In Q3 20, total contract assets-to-subscription-based license revenue increased 62.2% year-over-year to 1.504.[8] On its Q3 20 Conference Call, the Company represented average subscription term declined slightly to approximately two years and the percent of upfront TCV recognition was at the "higher end" of the 35.0% to 40.0% range. Given contract assets increased despite a contract duration decline, we believe the contract asset surge was driven by increased upfront revenue recognition. In our view, increased upfront revenue recognition may create difficult comparable periods.

While overall duration remained at approximately 2 years in the quarter, we did see a slight tick down on a year-over-year basis. We expect this trend to continue in Q4. Product mix in the quarter was favorable at the higher end of the upfront range. (CFO Mr. Kevin Rubin, Q3 20 Conference Call, 11/05/20)

Contract Asset Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Total contract assets	$95.0	$82.1	$75.8	$57.8	$50.4
Subscription-based license revenue	$63.1	$34.6	$50.7	$103.2	$54.3
Total contract assets-to-subscription-based license revenue	1.504	2.370	1.494	0..560	0.928
Year-over-year change	*62.2%*	*126.2%*	*50.7%*	*4.8%*	--

Elevated long-term contract assets heighten our concerns around accelerated revenue recognition: Previously, on its Q3 19 Conference Call, the Company attributed revenue strength to execution, product mix resulting in a higher percentage of revenue recognized upfront, and a modest increase to contract duration. In Q3 20, long-term contract assets as a percent of total contract assets increased 320 basis points year-over-year to 61.4%. A long-term contract asset level increase despite commentary in the base period highlighting longer term contracts and a higher percentage of revenue recognized upfront heightens our concerns around accelerated revenue recognition and potentially difficult comparable periods.

Our revenue upside was due to the following 3 factors: first, we had another quarter of strong execution; second, product mix was favorable, resulting in the upfront percentage of our revenue being once again at the high end of the range; third, we did see a modest sequential increase in contract duration driven by some of our larger customers entering into longer-term contracts, although overall duration continues to average 2 years. (CFO Mr. Kevin Rubin, Q3 19 Conference Call, 10/31/19)

[8] Given point-in-time revenue, which generates contract assets, primarily relates to subscription-based license revenue, we analyzed total contract assets relative to subscription-based license revenue.

Receivables Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Long-term contract assets	$58.3	$57.4	$49.2	$39.3	$29.3
Total contract assets	$95.0	$82.1	$75.8	$57.8	$50.4
Long-term contract assets as % of total	61.4%	69.9%	64.9%	68.0%	58.1%
Year-over-year change	*320 bps*	*390 bps*	*140 bps*	*840 bps*	--

New risk factor heightens our concerns around potentially elevated credit risk, in our view: In its FY 19 10K, the Company added a risk factor to disclose exposure to collection and credit risks. The new risk factor heightens our concerns around credit risk and potentially deteriorated receivable quality.

> We are exposed to collection and credit risks, which could impact our operating results. Our accounts receivable and contract assets are subject to collection and credit risks, which could impact our operating results. These assets may include upfront purchase commitments for multiple years of subscription-based software licenses, which may be invoiced over multiple reporting periods, increasing these risks. For example, our operating results may be impacted by significant bankruptcies among customers, which could negatively impact our revenues and cash flows. Although we have processes in place that are designed to monitor and mitigate these risks, we cannot guarantee these programs will be effective. If we are unable to adequately control these risks, our business, operating results and financial condition could be harmed. (FY 19 10K) [new risk factor disclosure]

Depressed Deferred Revenue Highlights Potential Revenue Pressure, In Our View

Depressed deferred revenue levels may portend revenue pressure, in our view: In Q3 20, deferred revenue-to-revenue declined 14.5% year-over-year to 0.567, the lowest seasonal level ever reported by the company. On its Q3 20 Conference Call, the Company guided for approximately 50.0% of Q4 20 revenue to come from deferred revenue and scheduled multi-year billings. In our view, depressed deferred revenue levels suggest revenue may be pressured. Additionally, we believe depressed deferred revenue levels may highlight adjusted payment terms and a customer weakness.

> For Q4, approximately 50% of revenue will be recognized from deferred revenue and scheduled multiyear billings, approximately 20% is expected from contract renewals and the remainder expected to come from net new business closed in the quarter. (CFO Mr. Kevin Rubin, Q3 20 Conference Call, 11/05/20)

Deferred Revenue Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Total deferred revenue	$73.6	$86.6	$80.7	$86.6	$68.6
Revenue	$129.7	$96.2	$108.8	$156.5	$103.4
Deferred revenue-to-revenue	0.567	0.900	0.741	0.554	0.663
Year-over-year change	*(14.5%)*	*0.4%*	*(22.9%)*	*(42.7%)*	*(67.4%)*

Depressed current deferred revenue heightens our concerns: In Q3 20, current deferred revenue-to-revenue declined 15.7% year-over-year to 0.543, the ninth consecutive year-over-year decline. Persistently depressed current deferred revenue levels heighten our revenue pressure concerns and suggest revenue pressure may be near-term.

Deferred Revenue Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Current deferred revenue	$70.4	$84.0	$78.5	$83.9	$66.6
Revenue	$129.7	$96.2	$108.8	$156.5	$103.4
Current deferred revenue-to-revenue	0.543	0.872	0.721	0.536	0.644
Year-over-year change	*(15.7%)*	*(0.3%)*	*(22.9%)*	*(43.1%)*	*(67.6%)*

RPO quality deterioration despite shorter-term contracts heightens our revenue pressure concerns: The Company discloses remaining performance obligations (RPO) expected to be recognized to revenue within the next twenty-four months in its annual and quarterly filings. In Q3 20, current deferred revenue as a percent of next twelve-month RPO declined 890 basis points year-over-year to 19.3%, the fourth consecutive decline and lowest level reported since the Company began disclosing RPO in Q4 18. RPO quality deterioration (i.e. less cash collected prior to revenue recognition relative to RPO) despite an average subscription term decline (discussed heretofore) heightens our revenue pressure concerns.

RPO Quality Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Current deferred revenue (CDR)	$70.4	$84.0	$78.5	$83.9	$66.6
Next 24M RPO	$365.1	$366.3	$344.1	$340.1	$236.3
CDR as % of next 24M RPO	19.3%	22.9%	22.8%	24.7%	28.2%
Year-over-year change	*(890 bps)*	*(1,670 bps)*	*(1,710 bps)*	*(1,810 bps)*	--

OCA Surge Suggests Earnings May Be Pressured As Expenses Are Incurred

In Q3 20, prepaid expenses and other current assets (OCA)-to-revenue (excluding contract assets), surged 76.8% year-over-year 0.348. In our view, an OCA level surge suggests earnings may be pressured as expenses are recognized to the income statement.

OCA Analysis ($ in millions)	Q3 20	Q2 20	Q1 20	Q4 19	Q3 19
Other current assets (OCA) ex. contract assets	$45.2	$43.9	$36.9	$19.1	$20.4
Revenue	$129.7	$96.2	$108.8	$156.5	$103.4
OCA-to-revenue	0.348	0.456	0.339	0.122	0.197
Year-over-year change	*76.8%*	*95.5%*	*(3.8%)*	*(59.4%)*	*(10.8%)*

Elevated Capital Expenditure Levels Suggests Depreciation May Ramp, In Our View

Elevated capital expenditure levels heighten our earnings pressure concerns: In the twelve-months ended Q3 20, capital expenditures increased 180.9% year-over-year to $19.6 million, while depreciation increased 51.3% to $6.9 million. Accordingly, capex-to-depreciation surged 85.7% year-over-year to 2.824. The Company did not discuss capital expenditures on its Q3 20 Conference Call or in its Q3 20 10Q. Elevated capex levels suggest depreciation may ramp and pressure margins.

Depreciation Analysis ($ in millions)	12M Ended Q3 20	12M Ended Q2 20	12M Ended Q1 20	12M Ended Q4 19	12M Ended Q3 19
Capital expenditures (capex)	$19.6	$18.3	$14.9	$11.5	$7.0
Depreciation	$6.9	$5.9	$5.0	$4.3	$4.6
Capex-to-depreciation	2.824	3.092	3.007	2.682	1.521
Year-over-year change	*85.7%*	*67.4%*	*45.3%*	*27.1%*	*(50.2%)*

CIP increase suggests earnings may be pressured as depreciation commences on assets placed into service: In FY 19, construction in process (CIP) as a percent of net Property, Plant, & Equipment (PP&E) increased 1,150 basis points year-over-year to 18.6%.[9] The Company has not discussed CIP on any of its recent conference calls or quarterly/annual filings. In our view, elevated CIP levels suggests depreciation may ramp as assets are placed into service and depreciated.

CIP Analysis ($ in millions)	FY 19	FY 18	FY 17
Construction in process (CIP)	$3.7	$0.8	$1.5
PP&E, net	$20.3	$11.7	$7.5
CIP as % of PP&E	18.6%	7.1%	19.9%
Year-over-year change	*1,150 bps*	*(1,280 bps)*	--

Persistent Cash Flow Deterioration Heightens Our Earnings Pressure Concerns

Cash flow level decline highlights earnings sustainability risk, in our view: In the twelve-months ended Q3 20, cash from operations (CFO) increased 32.6% year-over-year to $37.0 million, while non-GAAP net income surged 61.4% to $66.6 million. Accordingly, CFO-to-non-GAAP net income declined 17.9% year-over-year to 0.555, the eight consecutive double-digit decline. In our view, persistent cash flow level deterioration highlights potential earnings pressure.

Cash Flow Analysis ($ in millions)	12M Ended Q3 20	12M Ended Q2 20	12M Ended Q1 20	12M Ended Q4 19	12M Ended Q3 19
Cash from operations (CFO)	$37.0	$34.1	$38.1	$34.2	$27.9
Non-GAAP net income	$66.6	$55.9	$55.1	$64.6	$41.3
CFO-to-non-GAAP net income	0.555	0.611	0.692	0.530	0.676
Year-over-year change	*(17.9%)*	*(14.9%)*	*(17.3%)*	*(20.6%)*	*(45.8%)*

Free cash flow deterioration heightens our concerns: In the twelve-months ended Q3 20, free cash flow declined 16.7% year-over-year to $17.4 million. Free cash flow pressure heightens out earnings pressure concerns.

[9] The Company only discloses property, plant, & equipment composition annually.

Free Cash Flow Analysis ($ in millions)	12M Ended Q3 20	12M Ended Q2 20	12M Ended Q1 20	12M Ended Q4 19	12M Ended Q3 19
Cash from operations (CFO)	$37.0	$34.1	$38.1	$34.2	$27.9
Capital expenditures (capex)	$19.6	$18.3	$14.9	$11.5	$7.0
Free cash flow	$17.4	$15.8	$23.2	$22.7	$21.0
Year-over-year change	*(16.7%)*	*(19.2%)*	*0.2%*	*17.4%*	*23.0%*

Other Observations: Recent Executive Turnover & Potentially Overstated TAM

Abrupt (in our view) CEO resignation heightens our earnings pressure concerns: On 10/05/20, the Company announced CEO and Chairman Mr. Dean Stoecker resigned as CEO on 10/02/20 to be effective 10/05/20. While we acknowledge Mr. Stoecker maintained his role as Chairman of the Board, we are concerned his resignation as CEO on 10/02/20 to be effective three days later, may have been abrupt. In our view, an abrupt CEO resignation highlights potentially elevated earnings risk.

> On October 2, 2020, as part of a succession plan, Dean A. Stoecker, the Company's founder, Chief Executive Officer ("CEO") and Chairman of the Company's Board of Directors (the "Board") resigned from his role as CEO, effective October 5, 2020. In connection with the succession plan, Mr. Stoecker will remain as the Chairman of the Board and was appointed by the Board as the Company's Executive Chairman. (8K, 10/05/20)

CRO departure heightens executive turnover concerns: In its Press Release on 01/03/21, the Company announced Mr. Scott Jones left his role as Alteryx CRO to be effective within one month. The Company appointed Mr. Dean Darwin to succeed Mr. Scott Jones as CRO. The CRO departure heightens our executive turnover and earnings risk concerns.

> The company also announced that Scott Jones, who previously held the position of president and CRO, is leaving the company to pursue outside opportunities. Jones will transition his responsibilities to Darwin this month. (Press Release, 01/03/21)

Tableau commentary highlights a potentially overstated Alteryx TAM, in our view: In its Investor Presentation on 11/04/20, Alteryx highlighted a $49,000.0 million total addressable market (TAM). On its Bernstein Software Summit Conference Call on 05/08/19, Tableau represented only two out of ten employees who perform data prep require a specialized tool like Alteryx. In our view, certain data preparation employees may not require the complexity of Alteryx's offerings and Alteryx's TAM may be overstated.

> If you think about 10 users in a company that could use data prep, right, maybe 2 of them use a specialized tool like Alteryx, Trifecta, et cetera. (DATA CPO Mr. Francois Ajenstat, Bernstein Software Summit Conference Call, 05/08/19)

Risk to Our Thesis and Conclusion

Risks to our thesis: The following developments could present challenges to our thesis:

- Persistent feature/functionality expansion insulates the Company from market share pressure.
- Existing customers expand subscriptions and business economics improve.
- Global 2000 growth offsets smaller/less complex customer churn.

- The Company is acquired.

Conclusion: We are concerned certain lower-cost alternatives may have driven recent churn and the Company's high price point may be prohibitive for smaller customers in a challenging economic environment. In our view, recent Tableau growth and commentary highlighting Tableau integration with Salesforce's product ecosystem highlights an elevated competitive environment. We are concerned a dollar-based net expansion and net customer addition slowdown and flat ARPU despite surging sales and marketing expenditures highlights deteriorating business economics, growth pressure, and/or elevated churn. We are concerned recent annual recurring revenue expansion may have been driven, in part, by a shorter average subscription term and may be unsustainable. In our view, elevated receivable levels and commentary highlighting extended credit terms suggest receivable quality may have deteriorated. We are concerned elevated contract asset levels highlight accelerated revenue recognition and potentially difficult comparable periods. In our view, depressed deferred revenue levels may portend revenue pressure. We are concerned elevated prepaid expenses, construction in process, and capital expenditure levels, and depressed cash flow levels highlight elevated earnings sustainability risk. An abrupt (in our view) CEO resignation and recent CRO turnover heighten our earnings sustainability concerns.

Disclaimer and Disclosure

This report was produced by Voyant Advisors, LLC ("Voyant"). The following Research Analysts employed by Voyant contributed to this report: Alex Cook, Graeme Lazarus, Clay LaBrec, Dayne Burzinski, and Miles Trevelyan. Voyant's home office is at 15373 Innovation Dr, Suite 365 San Diego, CA 92128. The firm's home office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, Voyant expects to provide updates on a quarterly or semi-annual basis depending on the frequency of when the above company discloses material financial results. We will cease providing updates if we are discontinuing research coverage as disclosed on the front page of this report in the Thesis Summary.

Voyant has not provided previous recommendations concerning the same financial instrument or issuer during the preceding twelve-month period.