

BVP Nasdaq Emerging Cloud Index

ticker: EMCLOUD

April 2019



Two decades of expertise in the Cloud industry meets transparent, rules-based indexing

The BVP Nasdaq Emerging Cloud Index (ticker: EMCLOUD) is designed to track the performance of emerging public companies primarily involved in providing cloud software and services to their customers



Defining the Cloud Space

- Bessemer Venture Partners brings over two decades of experience investing in private cloud companies, including now-public Shopify, Wix, Twilio, Box and Instructure
- These companies are all currently in the BVP Nasdaq Emerging Cloud Index



Index Methodology

BVP Nasdaq Emerging Cloud Index

Currently, EMCLOUD is comprised of 50 publicly listed companies that:

- Derive the majority of their sales from cloud computing products and services
- Show the following revenue growth figures: 15%+ for each of the last two years for new companies and 7%+ for existing companies
- Listed on Nasdaq, NYSE, NYSE Amex or CBOE
- Have a minimum market cap of \$500M USD
- Have a minimum three-month average daily trading volume of \$5M USD

Defining the Cloud Space

Leveraging their expertise in the Cloud industry, Bessemer Venture Partners classifies Cloud companies by employing the criteria below:

The company derives the majority of its revenue from business-oriented software products, which are both:

1. provided to customers through a cloud delivery model – e.g., hosted on remote and multi-tenant server infrastructure, accessed through a web browser or mobile device, or consumed as an API
2. provided to customers through a cloud economic model – e.g., as a subscription-based, volume-based, or transaction-based offering

An “emerging” overlay that suits the rapid growth of Cloud

Revenue Growth for the evaluation of a security being considered as a new addition to the Index:

- At least 15% annual revenue growth for each of the last two full fiscal years, as determined by BVP

For the evaluation of a security currently in the Index:

- At least 7% annual revenue growth in at least one of the last two fiscal years, as determined by BVP

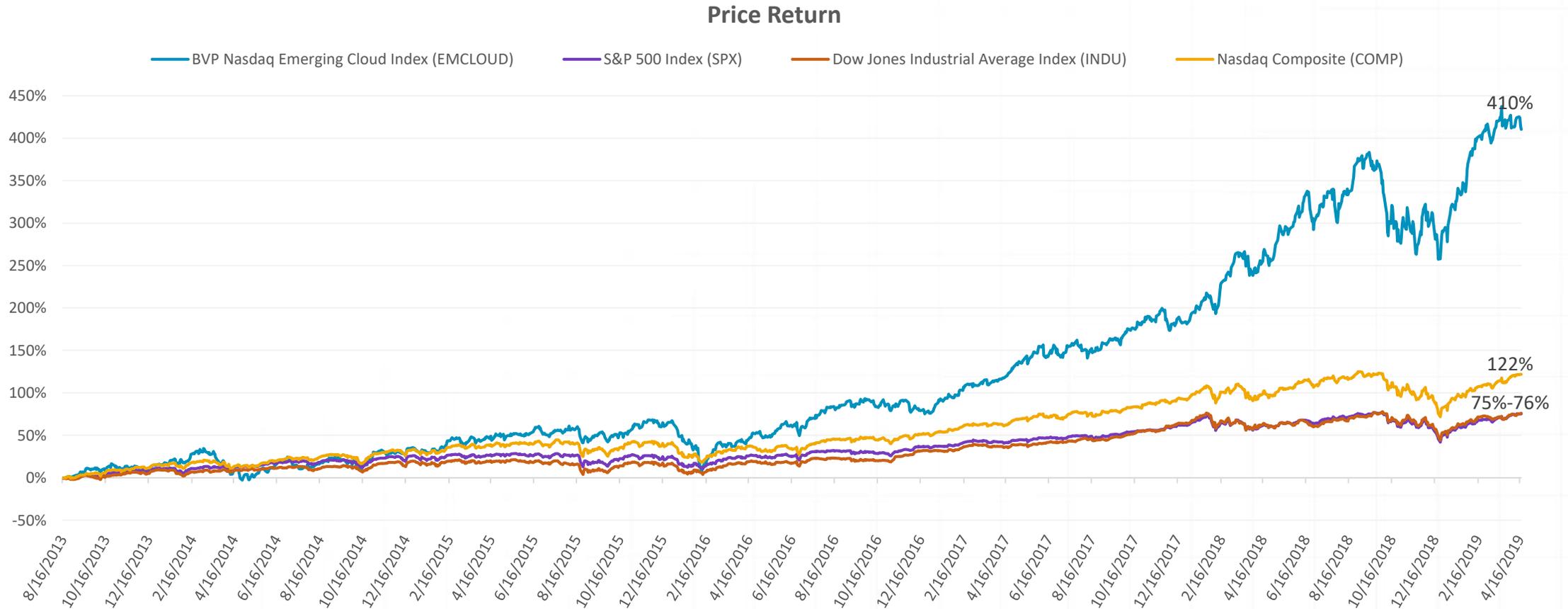
Nasdaq Indexes' expertise applies a transparent, rules-based methodology to ensure sufficient liquidity, tradability and size

EMCLOUD includes companies that:

- Are listed on the Nasdaq Stock Market, the New York Stock Exchange, NYSE American or the CBOE Exchange (major US exchanges)
- Have “seasoned” for at least three months on an Index-eligible exchange
- Have a minimum market capitalization of \$500M USD
- Have a minimum three-month average daily dollar trading volume of \$5M USD
- The index is evaluated and rebalanced semi-annually in February and August using market data as of the end of January and July
- The Index is equal-weighted

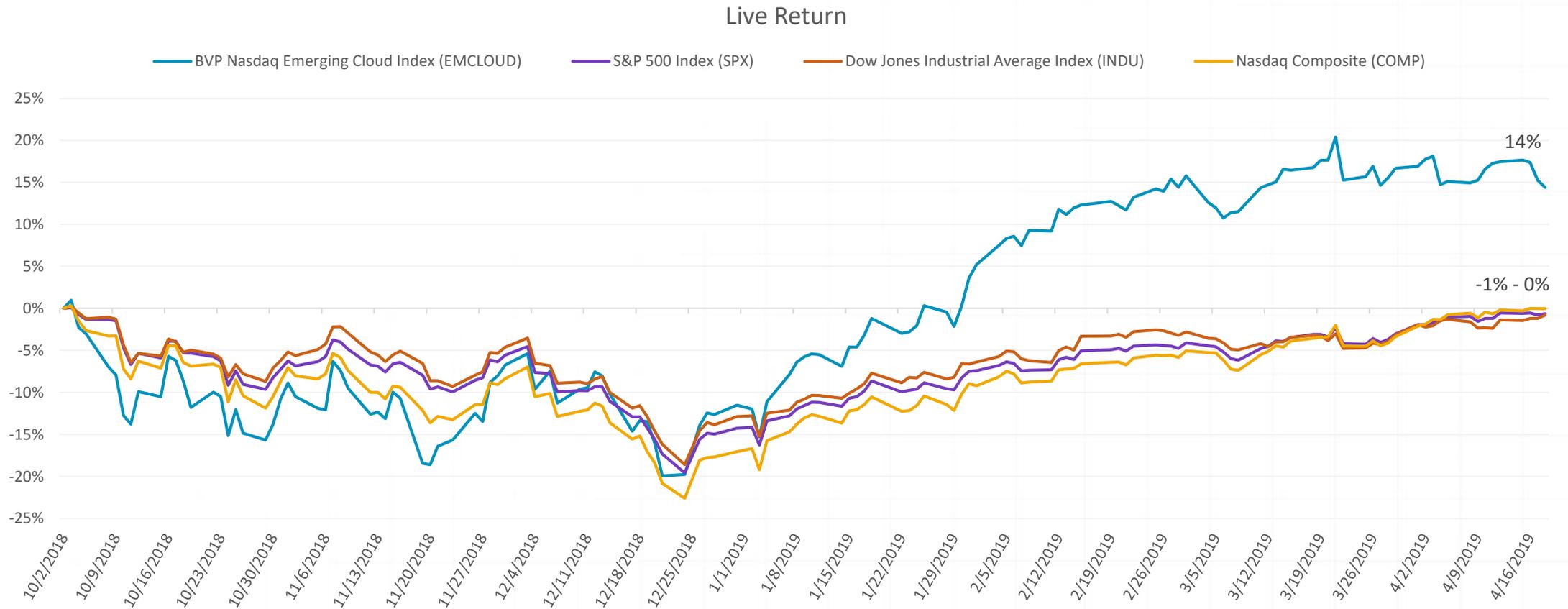
Index Characteristics

Index Performance



- Performance figures are from 8/16/2013 to 4/18/2019. EMCLLOUD values are back-tested prior to 10/2/2018
- The same basket of securities was utilized and screened historically for the back-test, so results should be interpreted accordingly

Performance since EMCLOUD Launch



• Live performance is from 10/2/2018 to 4/18/2019

Index Components as of 4/18/2019

| Ticker | Company Name | Index Weight (%) | Ticker | Company Name | Index Weight (%) |
|--------|--------------------|------------------|--------|-------------------|------------------|
| TWOU | 2U | 1.73 | PAYC | PAYCOM SOFTWARE | 2.03 |
| ADBE | ADOBE | 2.05 | PCTY | PAYLOCITY | 2.07 |
| PLAN | ANAPLAN | 2.03 | PYPL | PAYPAL | 2.22 |
| APPF | APPFOLIO | 2.57 | PS | PLURALSIGHT | 2.08 |
| TEAM | ATLASSIA | 1.91 | PFPT | PROOFPOINT | 1.97 |
| AVLR | AVALARA | 2.15 | Q TWO | Q2 HOLDINGS | 2.01 |
| BL | BLACKLINE | 1.81 | QLYS | QUALYS | 1.97 |
| BOX | BOX | 1.50 | RP | REALPAGE | 2.08 |
| CBLK | CARBON BLACK | 1.60 | RNG | RINGCENTRAL | 1.98 |
| CARB | CARBONITE | 2.01 | CRM | SALESFORCE | 1.92 |
| COUP | COUPA SOFTWARE | 1.83 | NOW | SERVICENOW | 1.98 |
| DOCU | DOCUSIGN | 1.93 | SHOP | SHOPIFY | 2.43 |
| DOMO | DOMO | 2.16 | SMAR | SMARTSHHET | 2.12 |
| DBX | DROPBOX | 1.63 | SQ | SQUARE | 1.83 |
| ESTC | ELASTIC N.V. | 1.78 | TENB | TENABLE HOLDINGS | 2.09 |
| EVBG | EVERBRIDGE | 2.03 | TWLO | TWILIO | 2.24 |
| FIVN | FIVE9 | 1.79 | ULTI | ULTIMATE SOFTWARE | 1.95 |
| HUBS | HUBSPOT | 1.89 | VEEV | VEEVA SYSTEMS | 2.08 |
| INST | INSTRUCTURE | 2.13 | WIX | WIX.COM | 1.98 |
| JCOM | J2 GLOBAL | 2.05 | WDAY | WORKDAY | 1.93 |
| LOGM | LOGMEIN | 1.94 | WK | WORKIVA | 2.24 |
| MDSO | MEDIDATA SOLUTIONS | 2.05 | YEXT | YEXT | 2.21 |
| MIME | MIMECAST LIMITED | 1.96 | ZEN | ZENDESK | 2.02 |
| NEWR | NEW RELIC | 1.76 | ZS | ZSCALER | 2.46 |
| OKTA | OKTA | 2.13 | ZUO | ZUORA | 1.68 |

Size Exposure

- Companies in EMCLOUD vary in size from \$839 million to \$132 billion with an average market cap of \$15 billion and a median of \$5 billion
- While 40/50 companies in the Index are in the Mid Cap range, EMCLOUD also captures 10 mature, Large Cap companies in the Cloud space

- Market Cap calculated at the company level (all share classes) including non-traded securities as of 4/18/2019
- Mid Cap range calculated by the lower and upper bounds (\$145M to \$14B) of the Nasdaq Global Mid Cap Index as of 3/29/2019

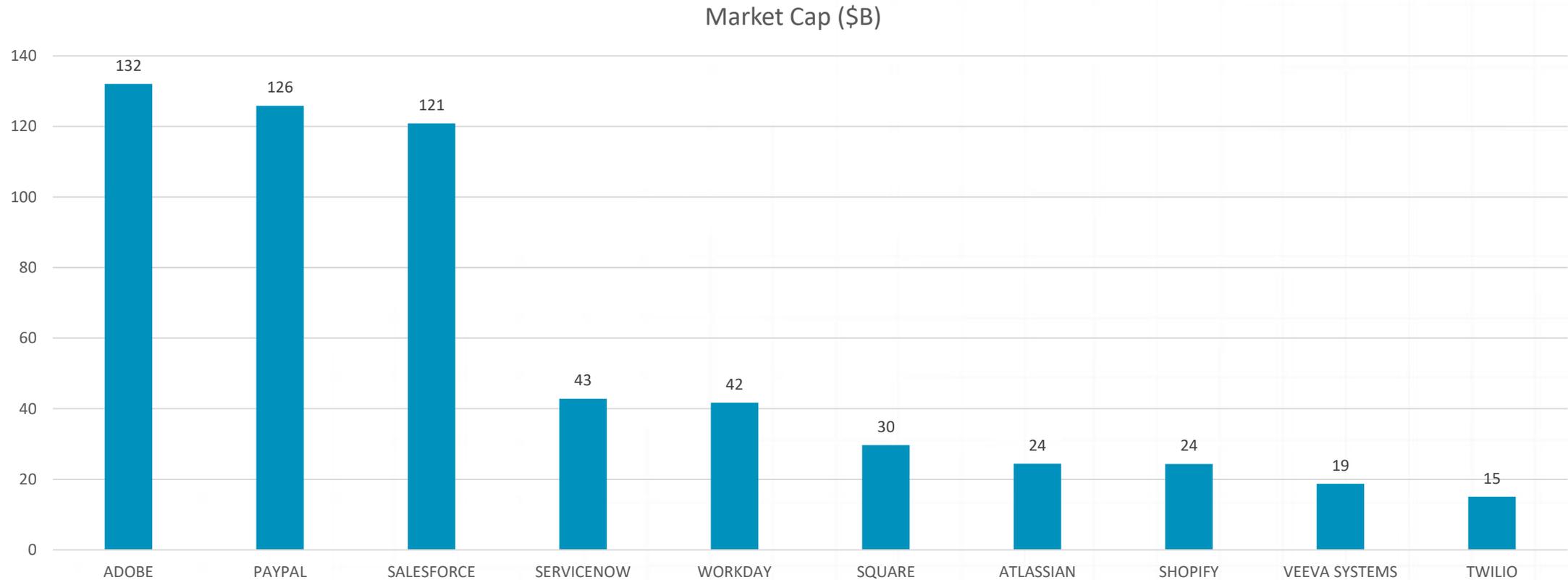
Recent Additions

- Eight Cloud companies were added to EMCLOUD during the Index evaluation effective on February 2019
- Seven of these companies went public in 2018

| Ticker | Company | Market Cap (\$M) | IPO Date |
|---------------|----------------|-------------------------|-----------------|
| ESTC | Elastic | 6,048 | 10/5/2018 |
| PLAN | Anaplan | 4,449 | 10/12/2018 |
| PS | Pluralsight | 4,398 | 5/17/2018 |
| AVLR | Avalara | 3,807 | 6/15/2018 |
| TENB | Tenable | 3,000 | 7/26/2018 |
| WK | Workiva | 2,186 | 12/12/2014 |
| DOMO | Domo | 933 | 6/29/2018 |
| CBLK | Carbon Black | 893 | 5/4/2018 |

- Market Cap calculated at the company level (all share classes) including non-traded securities as of 4/18/2019

Top 10 Companies by Market Cap Large Cap Exposure



- Market Cap calculated at the company level (all share classes) including non-traded securities as of 4/18/2019

Traditional Software vs Cloud

Cloud software leads to better margins, growth and efficiency characteristics

| | Non-Cloud Software | Cloud |
|-------------------------------|--------------------|-------|
| <i>EV / Revenue*</i> | 7x | 11x |
| <i>Average Gross Margin</i> | 59% | 71% |
| <i>Average Revenue Growth</i> | 18% | 34% |
| <i>Average Free Cash Flow</i> | 11% | 10% |
| <i>Average Efficiency</i> | 29% | 44% |

*Current run rate calendar quarter

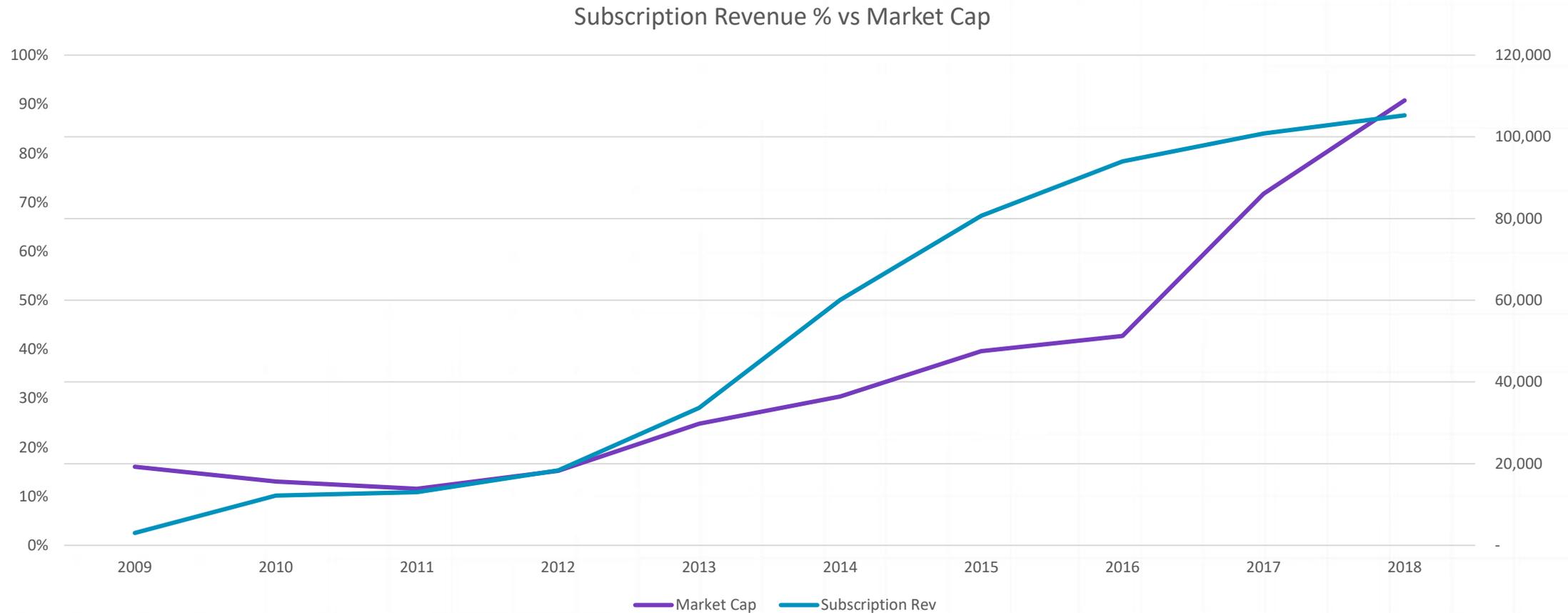
Case Study: Adobe

- Until 2013, Adobe was primarily an on-premise, traditional software vendor (Photoshop, Creative Suite) resulting in a \$2B business
- In 2013, they migrated their product to a cloud-delivered model. This translated from a one-time price (typically ~ \$1,800 USD) to a recurring, monthly subscription revenue model
- While the transition was painful, they accelerated revenue growth from
 - 2012-2014: <10%
 - 2015-present*: 16%+ growth



*As of March 2019

Case Study: Adobe



- Figures are from 10-K reports from fiscal years 2009 to 2018

Find out more at:

<https://indexes.nasdaqomx.com/Index/Overview/EMCLOUD>

<https://www.bvp.com/blog/introducing-bvp-nasdaq-emerging-cloud-index>

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