Blackstone

VISTA
EQUITY PARTNERS

$8.4B Buyout of

smartsheet

Private
Equity
Society

Deal Overview

Acquirer

Blackstone

VISTA EQUITY PARTNERS

$8.4B All-Cash Deal

$56.50 per share
41% Premium to 90 Day VWAP (Volume Weighted Average Closing Price)

Target

smartsheet

Financial Advisors

Buy-Side

Goldman Sachs

Morgan Stanley

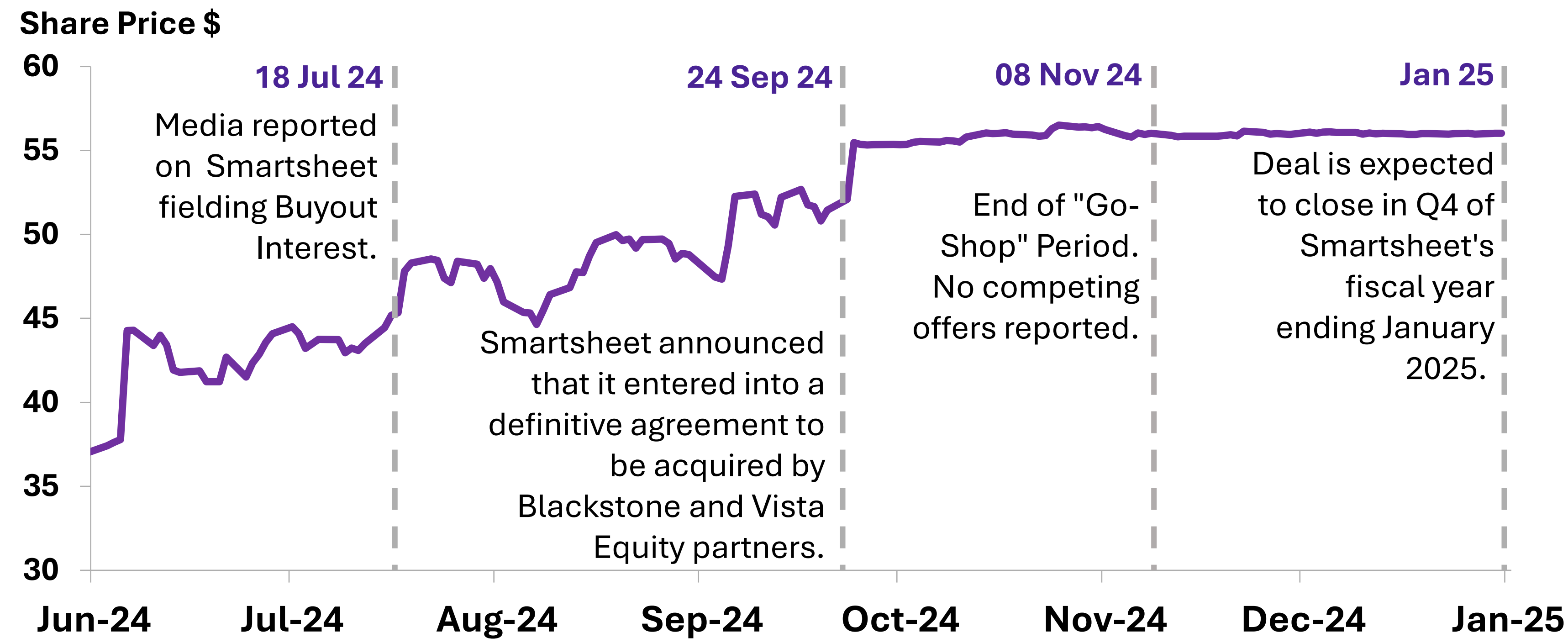
Sell-Side

Qatalyst PARTNERS

Go-Shop Period

Merger Agreement involved a 45-day “Go-Shop” Period that expired on Nov 8. Smartsheet was permitted to seek out competing offers, but none have been reported.

Strategic Timeline



Source(s): Smartsheet Investor Relations

Target Overview

Smartsheet is a cloud-based platform designed to enhance work management and collaboration across various industries. It offers a suite of tools that enable teams to plan, capture, manage, automate, and report on work at scale.

Smartsheet Core Functions

- Project Management
- Data Collection
- Collaboration
- Reporting & Analytics
- Tool Integration
- Task Automation

Competitors and Key Statistics

Firm	Revenue ($M)	No. of Employees	Revenue per Employee	SG&A Margin	Net Dollar Retention Rate (NDR)	Customers with >100k ARR
smartsheet	1,024	3,337	287,200	64.9%	118%	2,056
monday	906	1,670	393,500	71.6%	111%	833
asana	689	1,854	245,500	80.4%	>100%	607
Atlassian	4,568	10,800	259,259	33.9%	ND	ND
servicenow	10,464	20,433	354,600	43.9%	ND	ND

3 Key Insights

Smartsheet has more employees and lower revenue per employee than Monday.com. There is room to cut headcount for lower costs.

Atlassian and ServiceNow have significantly lower SG&A margins than Smartsheet. There is room to cut SG&A margins with scale.

Smartsheet has best in class Net Dollar Retention Rate, and the most customers with >100k ARR among similar companies.

Source(s): Various SEC Filings

Deal Rationale

Enterprise Growth and Network Effect

Smartsheet demonstrates robust growth in enterprise accounts, providing opportunity for Blackstone and Vista Equity Partners to further scale Smartsheet's enterprise customer base by leveraging their vast networks for expansion strategies.

Annualised Recurring Revenue (ARR)	No. of customers with ARR >$100,000
$1.093B , +17% yoy	+23% yoy

Margin Expansion

High Operating Expenses
93% of FY 2023 Total Revenue

High Sales and Marketing Expenses
45.6% of TR & *56.6%* of Gross Profit

Cost Optimization Opportunities

Refining sales processes

Targeting high-value customer segments

Optimise lead generation and conversion rates from marketing

Pricing and Packaging Strategy

New Pricing Model

Introduction of **provisional trials** lowers price per user for firms and **increases membership conversion rate**. This shift from maximizing price per user to **expanding paid user base** drives **sustained ARR growth**.

SAAS[1] Expertise

Vista's **expertise in optimising Saas Businesses** supports Smartsheet in refining its customer acquisition and conversion processes through **advanced analytics** to **identify high-value trial users**.

1 Software as a Service

Source(s): Smartsheet Investor Relations

SWOT Analysis

Strengths

Market Leadership
Trusted by 85% of Fortune 500 companies; Strong brand recognition and customer loyalty.

Recurring Revenue Model
Robust subscription-based model ensures predictable cash flows and scalability, with ARR exceeding $1 billion.

AI-Driven Innovation
Advanced AI features like automation and predictive analytics differentiate Smartsheet in the SaaS market.

Weaknesses

High Operating Expenses
Sales and Marketing costs at 45.6% of total revenue highlight inefficiencies in customer acquisition.

Enterprise Dependence
Heavy reliance on large corporate clients creates vulnerability to economic downturns.

Complexity for SMEs
The platform's feature set can feel overly complex for smaller teams, limiting adoption in the SME segment.

SWOT

Opportunities

Broader Market Penetration
The new pricing model and provisional trials can drive adoption in underpenetrated markets like APAC and LATAM.

Expansion into Regulated Industries
Smartsheet’s security and advanced tools position it well to grow in sectors like healthcare and government.

Enhanced Customer Success Programs
Investing in customer retention strategies can reduce churn and increase upselling opportunities.

Threats

Intense Competition
Competitors like Microsoft Teams, Asana, and Monday.com are aggressively innovating and bundling services.

Economic Sensitivity
A downturn in IT spending could slow customer acquisition and renewables, especially among enterprise clients.

Customer Conversion Risks
The success of the provisional trial model depends on effectively converting users to paid memberships.

Source(s): Smartsheet Investor Relations

LBO – Transaction Details

Key Transaction Details

Equity Offer Value ($M)

Shares Outstanding (M)	139
Acquired Price	$56.50
Shareholder Consideration	**7,862**
% Shares Bought	95%
Equity Offer Value	**8,284**

Financing Breakdown

53.5% Equity Invested	**38.1%** Total Debt	**8.4%** Target Cash

Sources of Cash ($M)	% of Leverage	% of Uses	Amount
Cash (Target)		8.4%	707
Revolving Credit Line	9.4%	3.6%	300
Term Loan A	90.6%	34.5%	2,900
Management Rollover		5.0%	422
Sponsor Equity		48.5%	4,070
Total Sources		**100.0%**	**8,400**

Uses of Cash ($M)	Amount
Equity Offer Value	8,284
Refinance ST Debt	–
Refinance LT Debt	–
Deal Fees	116
Total Uses	**8,400**

Debt Financing Assumptions

Type	Amount	Issuance Fee %	Issuance Fee	Standby Fee	Floating Coupon	Mandatory Repayment	Cash Sweep
Revolver	300	**1.5%**	5	**0.50%**	**B+300bps**	N/A	N/A
Term Loan A	2,900	**1.0%**	29	N/A	**B+630bps**	**12.5%**	**100.0%**

Description

- A Revolver is a flexible credit facility that allows the borrower to draw, repay, and re-draw funds as needed, typically for short-term liquidity needs like working capital. Interest is charged only on the drawn amount, and it usually includes a **standby fee on undrawn funds**.
- A Term Loan A is a senior secured loan with a fixed repayment schedule, often used for long-term investments or acquisitions. It features **mandatory repayments and may include a cash sweep provision**.

Coupon

- We have assumed a floating coupon, which represents a spread over a benchmark rate such as the **Secured Overnight Financing Rate (SOFR)**.
- Term Loan A has a higher spread due to enhanced credit risk and its long-term nature.

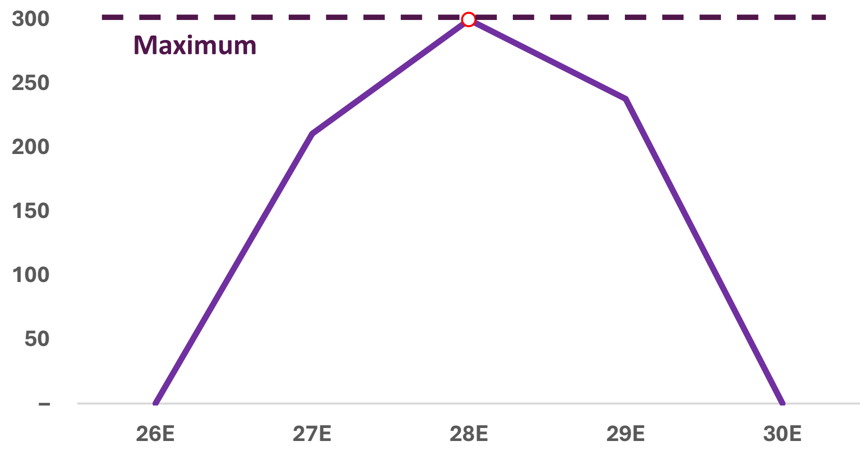
Repayment/Cash Sweep

- **Mandatory Repayment:** A set percentage of the loan principal must be repaid annually, ensuring gradual debt reduction over time.
- **Cash Sweep:** Excess cash flow is fully allocated toward loan repayment, accelerating debt paydown and reducing lender risk.

Source(s): Smartsheet Investor Relations, S&P Global,

LBO – Model

Revolving Credit Line Drawn ($M)



- In 2028, the entire $300M credit line is drawn
- This illustrates the aggressive strategy of using all available cash flows to pay down long term debt to maximise returns on exit
- This highlights the risk associated with the deal and the need for accurate financial management

Income Statement

All figures in $M unless stated		2023A	2024A	2025E	2026E	2027E	2028E	2029E	2030E
Revenue		767	958	1,119	1,320	1,567	1,873	2,254	2,730
COGS		(165)	(186)	(178)	(203)	(234)	(272)	(318)	(376)
Gross Profit		**602**	**772**	**941**	**1,116**	**1,333**	**1,601**	**1,935**	**2,354**
SG&A		(608)	(658)	(591)	(682)	(792)	(926)	(1,089)	(1,289)
R&D Expense		(215)	(234)	(224)	(257)	(298)	(347)	(406)	(478)
EBITDA		**(197)**	**(93)**	**164**	**217**	**285**	**373**	**486**	**634**
D&A		(25)	(27)	(37)	(40)	(42)	(44)	(46)	(47)
EBIT		**(222)**	**(120)**	**127**	**177**	**243**	**329**	**441**	**587**
Interest Income		8	26	26	15	–	(0)	0	(0)
Interest Expense		–	–	–	(276)	(204)	(166)	(123)	(76)
EBT		(214)	(95)	153	(84)	39	163	317	511
	Tax Rate								
Total Tax	17.5%	(3)	(8)	(27)	–	(7)	(28)	(55)	(89)
Net Income		(217)	(103)	126	(84)	32	134	262	422

Improving SG&A Margin

Sustained Revenue Growth

Improving R&D Margin

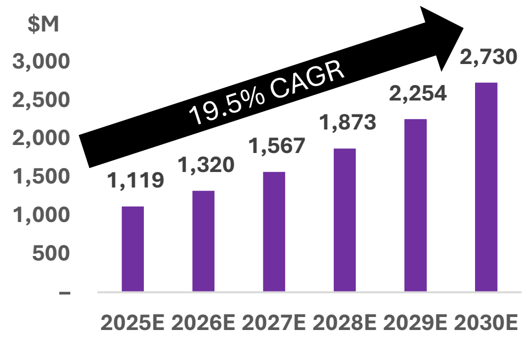
Repayments Reducing Interest Expense

Source(s): Smartsheet Investor Relations, S&P Global

LBO – Assumptions and Outputs

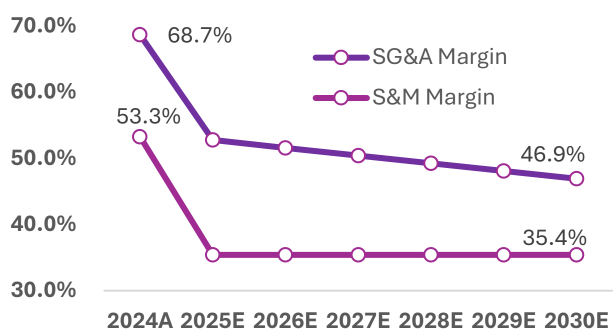
Key LBO Assumptions

Revenue Growth



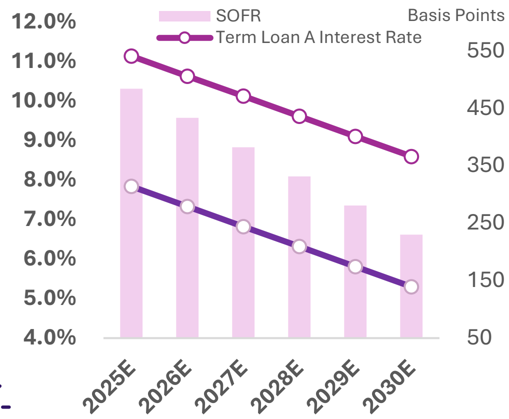
High **NDR** suggests strong product quality, and opportunities to expand internationally signal sustained revenue growth.

SG&A Margin



Impressive **NDR** but low revenue per employee indicate opportunities to reduce personnel costs and improve SG&A Margins without harming revenue growth.

Financing



SOFR returning to long-term average and aggressive debt paydowns lead to falling interest expenses.

Key LBO Outputs

Sensitivity Analysis

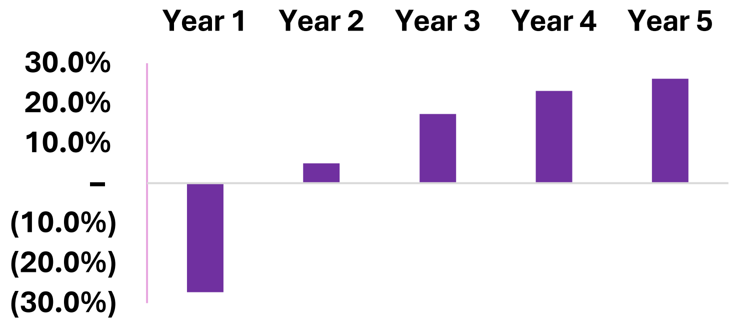
IRR and MOIC (Exit Multiple)

Exit Multiple	IRR	MOIC
27.0x	29.2%	3.7x
25.5x	**27.7%**	**3.5x**
24.0x	**26.2%**	**3.3x**
22.5x	**24.5%**	**3.0x**
21.0x	22.8%	2.8x

IRR and MOIC (Proportion of Leverage)

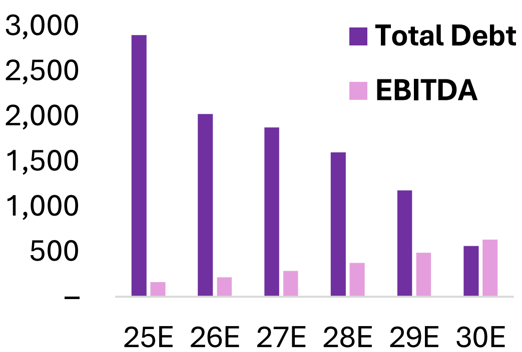
Proportion of Leverage	IRR	MOIC
48.1%	29.3%	3.7x
43.1%	**27.6%**	**3.5x**
38.1%	**26.2%**	**3.3x**
33.1%	**24.9%**	**3.1x**
28.1%	23.8%	3.0x

IRR by Investment Horizon



The **J-curve effect** represents the initial negative returns in PE investments, due to upfront costs, fees, and limited cash flows.

EBITDA vs Debt ($M)



Equity Returns by Horizon