



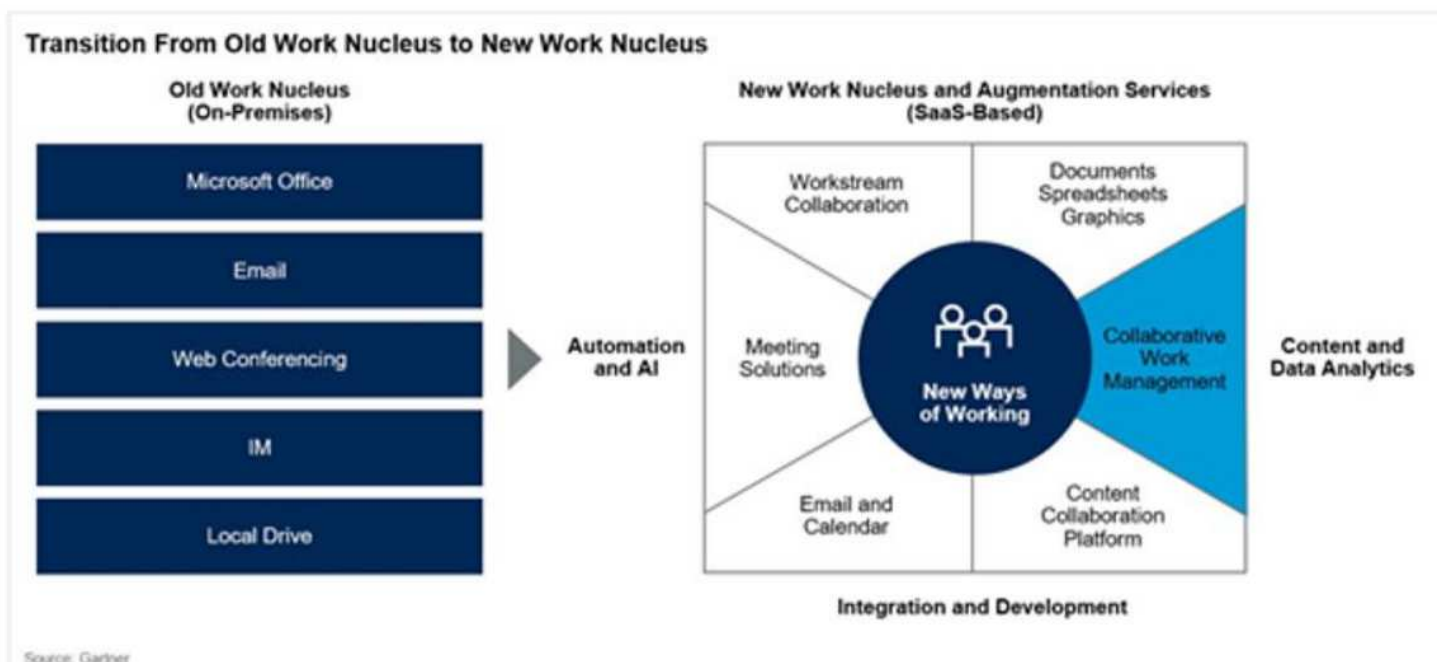
Thematic Research

Collaborative Work Management: The Key to Work from Home Viability

Focus Companies: Atlassian (TEAM), DocuSign (DOCU), SmartSheet (SMAR), Slack (WORK), Dropbox (DBX), Box (BOX), Asana (ASAN), Zoom (ZM), Citrix (CTXS), Open Text (OTEX), TeamViewer (TMV:GR); Private: Wrike, Airtable, Workfront, Clarizen, Planview, Kissflow, Huddle

Sub-Themes: Workflow Management; Project/Portfolio Management; Content Management; Collaborative Applications

The year 2020 will be remembered in the investment World as one that accelerated a lot of key technological shifts that will change the way we work and live in the future. One of the major shifts was to the ability for large corporations to continue operating with employees working from home and with this highlighted the importance for management teams on the digital transformation efforts needed to maintain operations across a large number of employees. It put a spotlight on several IT initiatives including automation, cloud security, and video conferencing. However, in order for any of these corporations to operate there needs to be a way for employees to collaborate on tasks & projects with open lines of communication, and this is where the importance of collaboration software took center stage as productivity is the primary focus of organizations in an era with an abundance of distractions. Not only are company's workers now scattered around the globe, but so is the data across different applications and without automation, collaboration and digitization it can result in a sharp decrease in productivity. And the shift is not temporary, in reading hundreds of management team transcripts, work from home is a trend that is here to stay, and many Tech firms have already rolled out work-from-anywhere policies.



With news this week that Salesforce (CRM) signed an agreement to acquire Slack (WORK) for \$27.2B (Slack was valued around \$17B prior to the report and Slack a component of the Future of Work basket), you have the best software management team in the World giving a clear signal as to the importance of collaborative software in the future. Collaborative workflow management tools are seeing incredible innovation that can increase productivity of the workforce and thus drive strong ROI.

Salesforce (CRM) commenting on its deal for Slack (WORK) says “We see in Slack a once-in-a-generation company platform. It's the central nervous system of so many companies on this call and our company and so many of our great customers, connecting everyone and everything, and now we could go even bigger, better, more exciting. And it brings all the companies, people, the data, the tools together. What this is all about is the value of the social enterprise and creating this incredible idea that you have this amazing hub of productivity, of collaboration and integration and applications that now leverage all this amazing data.”

We are focusing on the pure play collaboration software names, though the large Software companies like Microsoft (MSFT), Google (GOOGL), Adobe (ADBE), Oracle (ORCL), SAP (SAP), Salesforce (CRM) and Service-Now (NOW) all have exposure to the trend but not as much of a needle mover. Collaborative work management is a set of tools that provides employees a unified and central platform to easily share business data, documents, and discussions. There is not an abundance of names in the group to currently invest but also will be watching some of the private plays such as Wrike, Airtable, Workfront, Kissflow and Clarizen for possible IPOs in the future.

According to a June 2019 IDC report, the markets for collaborative applications and project and portfolio management, in aggregate, are expected to grow from \$23 billion in 2020 to \$32 billion in 2023. The Enterprise Content Management (ECM) market size is seen reaching \$95B in 2025, a 14-15% CAGR with solutions under this umbrella including content lifecycle management, document imaging, web content management, digital asset management, eDiscovery and eSignature.

The potential market is massive for these themes with Forrester Research estimating there are 1.25 billion global information workers. Core features of collaboration software include file sharing, synchronizing devices, and team workspaces. Growth drivers include the growing popularity of the work from home trend, a rising demand for unified communications, the need for automation and streamlining of business processes, and an effort for corporations to reduce SG&A costs. Asana's research revealed that knowledge workers spend 60% of their time on 'work about work': digging through email, searching for the latest business plan, responding to pings, or writing status reports. These are challenges work management tools aim to tackle: reducing duplicative work and automating routine processes and status tracking to ensure that nothing falls out of date.



DocuSign (DOCU) estimates the TAM of the signature market at \$25B while also is moving into the Agreement/Contract cloud market that is another \$20B-\$25B opportunity. **Atlassian (TEAM)** estimates 1 billion potential end users that can benefit from teamwork and collaboration software and says “we are in very, very early days of the potential that we have with all 3 segments (software developers/engineers, IT teams, and business teams).” **TeamViewer (TMV:GR)** acquired Ubimax in July to create the global leader in connectivity solutions and workplace digitalization technology. It sees that deal expanding its TAM to EUR40 billion in 2023 with a 27% annual growth rate driven by strong expansion in Augmented Reality markets with continued tailwinds from digitalization, automation and remote control.

Dropbox (DBX) in September commented “So the way we think about the market we address today is we think of it as a \$50 billion-plus addressable market, it expands content management, document workflow and eSignature, collaborative applications and project and task management. All teams need a workspace that connects their content, their communications and their project plans together in kind of one organized place that's platform-agnostic and accessible in any device, on any OS platform. And we see as a major collaboration challenge to date is this sort of idea of content fragmentation, whether it's traditional files like office docs and PDFs or even cloud files, like Google Docs, Paper, et cetera.”

Smartsheet (SMAR) was asked about the collaborative work management space over the next ten years at a Needham conference earlier this year, and responded:

“Well, I think you're going to see continued growth. We think the TAM is really huge. I think, as more and more customers discover what -- and users discover what's possible using these types of tools versus traditional ways, they're seeing really big increases in effectiveness. We have customers that are seeing 30% and 40% gains in productivity for a team or a workflow when they're able to use our platform versus more traditional ways. And so we think what happens over time is likely you're going to see players like ourselves and others continue to grow, and we think it'll likely shake out to a few key platforms that people will adopt, and I think companies will start to move to a chosen platform for the enterprise as opposed to kind of letting everybody decide on their own. And I think as far as the user experience, I think, AI and ML are going to continue to make our apps smarter. I think it's going to make our tools do more of the work for us, and ourselves and many others are investing in that space.”

In closing, looking at the collaborative workflow management software industry, it is one that is not only addressing a massive market opportunity with a high rate of growth, but also in the early innings of a longer-

term transition. Further, the high ROI of these solutions make it a more resilient area for IT budgeting as corporations look to expand productivity and reduce unnecessary expenses. Despite projected cuts in IT spending, IDC worldwide surveys show 54% of companies expect that they will increase collaboration applications spending this year.

The future is bright for these companies and innovation continues at a rapid rate while there are certain to be new investable companies coming public in this space over the next year, but for now the opportunities look compelling in the US while **TeamViewer** screens very attractive across all metrics compared to US peers. **Dropbox (DBX)** is very undervalued for having mid-double-digit growth and strong profitability. **Atlassian (TEAM)** is just a best-in-class operator that carries a premium valuation, but deservedly so. **Asana (ASAN)** is a newer hyper growth name we need to see inflection in profitability and FCF but the opportunity is present. **Zoom (ZM)** is in a hyper-growth class of its own while also see strong profitability metrics and as valuation comes in after the latest earnings sell-off, starts to look attractive.

Ticker	Company	Market Cap	EV to Sales FY+1	Revenue CAGR FY-1 to FY+1	EBIT Margin	FCF Margin	ROCE	R&D % of Sales	SG&A % of Sales	Incremental Revenue Per Spend	
ASAN	Asana, Inc.	4,321			66%	(48.62%)	(33.24%)	(35.46%)	62.88%	105.72%	0.84
BOX	Box Inc	3,108	3.9x		12%	1.34%	4.50%	3.31%	28.69%	60.38%	5.80
DBX	DROPBOX, INC.	8,082	3.7x		17%	12.34%	23.52%	16.35%	39.85%	40.19%	(4.89)
DOCU	DOCUSIGN, INC.	42,195	30.3x		41%	4.86%	4.48%	4.22%	19.05%	74.61%	(17.96)
OTEX	Open Text Corp (USA)	12,031	4.5x		6%	34.05%	28.17%	9.43%	11.91%	26.45%	2.49
SMAR	SMARTSHEET INC	6,999	17.4x		44%	(23.18%)	(8.39%)	(17.06%)	35.24%	76.23%	1.21
TEAM	Atlassian Corp Plc	55,688	28.9x		25%	22.92%	33.36%	49.22%	47.27%	34.40%	4.04
TMV:GR	TeamViewer AG	9,445	18.3x		34%	39.22%	32.75%	27.65%	8.64%	38.18%	1.82
WORK	Slack Technologies, Inc.	25,012	27.5x		48%	(20.72%)	(10.23%)	(14.63%)	72.55%	104.05%	0.73
ZM	Zoom Video	140,999	57.8x		170%	14.24%	18.26%	14.70%	10.77%	68.66%	1.48