How Tech Companies Can Evolve Their Workforce and Capital Strategies Amidst COVID-19

October 29, 2020
With You Today

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Evolving Deal-Making Environment

COVID-19 has been a foundational disruption to deals in progress

Uncertainty / Risk

Virus and the associated uncertainty have introduced unacceptable risk

Causing issues w/:
- Suppliers
- Customers
- Employees
- Investors

Challenging:
- Revenue
- Cashflow
- Projections
- Valuation

Implications for:
- Lenders
- Equity holders, and
- Transactions
Agenda

- Recent Trend - Tech Sector Financing and Growth Capital
- Leading Remote Workforces And The New Era Of Human Capital Management
- The Overall Impact of COVID-19 on the Recruiting & Onboarding Processes
- Cost And Tax Implications Of This Adaptive Workforce
Financial Capital

How Tech companies are financing growth and capitalizing on opportunities
M&A Leverage: Paradigm Shift

**Pre-COVID (Seller’s Market)**
- Stable / growing economy
- Record corporate cash and profits
- Record low interest rates
- Readily available financing
- High competition for deals
- **Sellers hold all the cards**
- **Premium valuations and seller-friendly deal terms**

**Today (Buyer’s Market)**
- Weak / uncertain economy
- Negative growth, insolvency
- Lenders more cautious
- Liquidity needs trump M&A
- Less competition for deals
- **Buyers dictate terms**
- **Downward pressure on pricing, structure and terms**

How Technology Companies Can Evolve their Workforce and Capital Strategies Amidst COVID-19
Tech M&A: Relative Strength

U.S. Targeted M&A ($B) by Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$429</td>
<td>$460</td>
<td>$467</td>
</tr>
<tr>
<td>Q2</td>
<td>$449</td>
<td>$328</td>
<td>$215</td>
</tr>
<tr>
<td>Q3</td>
<td>$356</td>
<td>$346</td>
<td>$108</td>
</tr>
<tr>
<td>Q4</td>
<td>$383</td>
<td>$383</td>
<td>$356</td>
</tr>
</tbody>
</table>

Source: Dealogic

U.S. Technology M&A % Total

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>17%</td>
<td>17%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>2019</td>
<td>19%</td>
<td>18%</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>2020</td>
<td>23%</td>
<td>22%</td>
<td>16%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: PitchBook

How tech companies can evolve their workforce and capital strategies amidst COVID-19
Tech M&A: Record 3Q20 Software Deal Volume

Global Software Deal Volume by Quarter

Global Software TEV / Revenue Multiples

How Tech Companies Can Evolve Their Workforce and Capital Strategies Amidst COVID-19
Tech Equities & Valuations

NASDAQ Composite Index Performance

NASDAQ TEV / Revenue Multiples

Source: CapitalIQ

HOW TECH COMPANIES CAN EVOLVE THEIR WORKFORCE AND CAPITAL STRATEGIES AMIDST COVID-19
Tech Equities: IPO Markets

U.S. IPOs ($B) by Quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>$17</td>
<td>$10</td>
<td>$11</td>
</tr>
<tr>
<td>Q2</td>
<td>$18</td>
<td>$14</td>
<td>$10</td>
</tr>
<tr>
<td>Q3</td>
<td>$15</td>
<td>$8</td>
<td>$11</td>
</tr>
<tr>
<td>Q4</td>
<td>$10</td>
<td>$14</td>
<td>$25</td>
</tr>
</tbody>
</table>

Source: Dealogic

Top 5 U.S. IPO Sectors (YTD October)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>$3</td>
<td>$0</td>
</tr>
<tr>
<td>Real Estate</td>
<td>$3</td>
<td>$0</td>
</tr>
<tr>
<td>Healthcare</td>
<td>$19</td>
<td>$22</td>
</tr>
<tr>
<td>Technology</td>
<td>$25</td>
<td>$22</td>
</tr>
<tr>
<td>Finance</td>
<td>$12</td>
<td>$61</td>
</tr>
</tbody>
</table>

Source: Dealogic
## Tech Equities: Software IPOs in 3Q20

<table>
<thead>
<tr>
<th>Company</th>
<th>Date of Listing</th>
<th>Gross Proceeds</th>
<th>Offering Share Price</th>
<th>Market Cap at Listing 1</th>
<th>First Day “Pop”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palantir</td>
<td>30-Sep</td>
<td>Direct Listing</td>
<td>$7.25</td>
<td>$11,961</td>
<td>33% Median: 49%</td>
</tr>
<tr>
<td>Asana</td>
<td>30-Sep</td>
<td>Direct Listing</td>
<td>21.00</td>
<td>3,246</td>
<td>37%</td>
</tr>
<tr>
<td>Bentley</td>
<td>22-Sep</td>
<td></td>
<td>236.5</td>
<td>5,747</td>
<td>52%</td>
</tr>
<tr>
<td>Unity</td>
<td>18-Sep</td>
<td>1300.0</td>
<td>52.00</td>
<td>13,695</td>
<td>32%</td>
</tr>
<tr>
<td>Sumo Logic</td>
<td>16-Sep</td>
<td>325.6</td>
<td>22.00</td>
<td>2,171</td>
<td>22%</td>
</tr>
<tr>
<td>Jfrog</td>
<td>16-Sep</td>
<td>509.0</td>
<td>44.00</td>
<td>3,902</td>
<td>47%</td>
</tr>
<tr>
<td>Snowflake</td>
<td>15-Sep</td>
<td>3360.0</td>
<td>120.00</td>
<td>33,203</td>
<td>45% 112%</td>
</tr>
<tr>
<td>Duck Creek Technologies</td>
<td>13-Aug</td>
<td>405.0</td>
<td>27.00</td>
<td>3,464</td>
<td>48%</td>
</tr>
<tr>
<td>BigCommerce</td>
<td>04-Aug</td>
<td>216.5</td>
<td>24.00</td>
<td>1,580</td>
<td>201% 247%</td>
</tr>
<tr>
<td>Jamf</td>
<td>21-Jul</td>
<td>468.0</td>
<td>26.00</td>
<td>3,025</td>
<td>51%</td>
</tr>
<tr>
<td>NCino</td>
<td>13-Jul</td>
<td>249.9</td>
<td>31.00</td>
<td>2,779</td>
<td>195% 157%</td>
</tr>
<tr>
<td>Aqora</td>
<td>25-Jun</td>
<td>350.0</td>
<td>20.00</td>
<td>1,984</td>
<td>153% 4,377</td>
</tr>
<tr>
<td>Zoominfo</td>
<td>03-Jun</td>
<td>934.5</td>
<td>21.00</td>
<td>935</td>
<td>62%</td>
</tr>
<tr>
<td>Exasol</td>
<td>19-May</td>
<td>84.5</td>
<td>10.38</td>
<td>222</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Change in Price Since Listing**

- Palantir: 31% Median: 80%
- Asana: 37%
- Bentley: 43%
- Unity: 48%
- Sumo Logic: 92%
- Jfrog: 22%
- Snowflake: 109%
- Duck Creek Technologies: 48%
- BigCommerce: 247%
- Jamf: 45%
- NCino: 157%
- Aqora: 115%
- Zoominfo: 105%
- Exasol: 101%

Source: CapitalIQ
Tech Equities: SPAC Frenzy

Annual SPACs & Capital Raised Since 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Raised ($B)</th>
<th>SPACs Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$0</td>
<td>5</td>
</tr>
<tr>
<td>2011</td>
<td>$5</td>
<td>8</td>
</tr>
<tr>
<td>2012</td>
<td>$12</td>
<td>12</td>
</tr>
<tr>
<td>2013</td>
<td>$10</td>
<td>18</td>
</tr>
<tr>
<td>2014</td>
<td>$20</td>
<td>20</td>
</tr>
<tr>
<td>2015</td>
<td>$12</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$34</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$45</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$51</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>$50</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>$117</td>
<td></td>
</tr>
</tbody>
</table>

Source: https://spacetrack.net as of September 30, 2020

Recent SPAC Acquisitions of Technology Targets

- **Diginex**: EV: N/A
- **Velodyne Lidar**: EV: $1.6B
- **Digital Media Solutions**: EV: N/A
- **OpenLending**: EV: $1.3B
- **Computex Technologies Solutions**: EV: $65
- **Nikola**: EV: $3.3B
- **Meten**: EV: $575M
- **KIDiscovery**: EV: $799M
- **Kaleyra**: EV: $192M
- **Galactic**: EV: N/A
- **REPAY**: EV: $600M
- **Clarivate**: EV: $4.2B

3x more SPACs raised this year → $73B of capital

HOW TECH COMPANIES CAN EVOLVE THEIR WORKFORCE AND CAPITAL STRATEGIES AMIDST COVID-19
Private Capital Overhang: Tech in Vogue

PE Funds & Capital Raised ($B) Since 2010

Source: PitchBook

Top 10 Tech PE Investors by AUM ($B)

<table>
<thead>
<tr>
<th>PE Firm</th>
<th>Tech AUM (Est.)</th>
<th>Tech Allocation (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackstone</td>
<td>$56.7</td>
<td>20%</td>
</tr>
<tr>
<td>Vista Equity Partners</td>
<td>$52.4</td>
<td>100%</td>
</tr>
<tr>
<td>Thoma Bravo</td>
<td>$43.6</td>
<td>100%</td>
</tr>
<tr>
<td>Carlyle</td>
<td>$42.6</td>
<td>28%</td>
</tr>
<tr>
<td>Insight Partners</td>
<td>$32.0</td>
<td>100%</td>
</tr>
<tr>
<td>KKR</td>
<td>$28.4</td>
<td>31%</td>
</tr>
<tr>
<td>Ardian</td>
<td>$26.1</td>
<td>30%</td>
</tr>
<tr>
<td>Silver Lake Management</td>
<td>$25.8</td>
<td>75%</td>
</tr>
<tr>
<td>TPG</td>
<td>$24.2</td>
<td>45%</td>
</tr>
<tr>
<td>Apollo Global</td>
<td>$22.1</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: PitchBook
The New Era of Human Capital Management in Technology

How human capital efforts have shifted since COVID-19
The Shift in Human Capital Management

69% of workers worked remotely (51% always, 18% sometimes)

58% of workers still working remotely (33% always, 25% sometimes)

Source: Gallup, 2020
No Going Back

- 35% of workers say that they would prefer to remain working remotely
- 35% say they would prefer to return to the office
- 30% say they prefer to work remotely but due to concern for COVID-19

Companies like Microsoft, Facebook, Twitter, Google and Dropbox, are offering long-term remote work options to employees

Source: Gallup, 2020
A Subtle Change with Huge Implications

Leading in a remote environment means:

- Managing emotional, physical and mental strain on workers
- Moving company culture, training, and mentorship online
- Realigning organizational design as the business adapts to the new landscape
- Considering effects on compensation and benefits packages
Managing The Mental Strain on Workers Remotely

- High anxiety
- Decline in attention and productivity
- Negative performance impact

= Exit company
Realigning Organizational Design

What are the skillsets my organization will need more of in the future?

How do I reskill or upskill my workforce for high performance?

How do I align organizational structure with evolving business priorities?

How do foster a new generation of leaders within my organization?
Maintaining a Strong Company Culture

Shared Purpose
Shift from the tangible assets and symbols of a company’s culture to cultivating or strengthening shared purpose or values

Team Approach
Focus on what will give employees a shared sense of belonging to a group - connectivity, purpose, striving for excellence

Communication
Foster communication and connection when there’s no water cooler to gather around

Return to Work
How does the company culture translate if everyone comes back to the office? If half of the workforce comes back? If the entire workforce stays remote?
Considerations for Managing Your Team

**Lead with Empathy**
- Trust your employees
- Focus on mental health

**Focus on Enablement**
- Equip with right technology/tools
- Encourage innovation
- Output vs. Hours

**Connect with Purpose**
- Share and reinforce company values
- Increase recognition
The Evolution of the Recruiting & Onboarding Process

How a global talent pool can offer benefits and challenges
Recruiting Remotely

THE BIG SHIFT: National & Global Recruitment

- Expanding the talent pool
- No geographic location restriction
- Diversification of applicants in every sense
What to Consider When Hiring at Executive Levels

Do you feel comfortable hiring a Chief X Officer without ever meeting them in person?

- Flexibility
- Adaptability
- Empathy
- Communication skills
- Analytical reasoning
- Problem-solving skills
- Data analytics understanding
- Creativity
- People management
- Conflict management
- Time management
## Onboarding Remotely

<table>
<thead>
<tr>
<th>Week 1</th>
<th>Month 1</th>
<th>Month 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Create a plan - keeping in mind a typical in-person experience</td>
<td>• Go one level deeper on subject matter</td>
<td>• Offer opportunity for feedback - for them and you</td>
</tr>
<tr>
<td>• Schedule regular touchpoints</td>
<td>• Offer trainings on tools they will use</td>
<td>• Expand their circle</td>
</tr>
<tr>
<td>• Create a smooth onboarding ramp</td>
<td>• Hammer out any kinks with remote work situation</td>
<td>• Stay connected</td>
</tr>
</tbody>
</table>

**HOW TECH COMPANIES CAN EVOLVE THEIR WORKFORCE AND CAPITAL STRATEGIES AMIDST COVID-19**
Diversity, Equity and Inclusion

Safety Now, Diversity Next

Source: BDO Board Pulse Survey
Cost Savings And Tax Implications Of This Adaptive Workforce

Managing the Financial Side of Human Capital
Tech Compensation & Benefits are Evolving

REMOTE
How are comp/benefits and perks changing during a (mostly) remote environment?

REEVALUATE
What benefits are more desirable to employees now?

REALLOCATE
How should they reallocate employee costs?

HOW TECH COMPANIES CAN EVOLVE THEIR WORKFORCE AND CAPITAL STRATEGIES AMIDST COVID-19
Relocation Packages That Scale

EXAMPLE:

$20,000 payouts in exchange for a 15% pay decrease if workers relocate

Sliding pay scale deductions based on new location
Tax Implications

International
- U.S. federal tax system & overseas employees
- International tax implications

National
- State legislation
- State income tax

HOW TECH COMPANIES CAN EVOLVE THEIR WORKFORCE AND CAPITAL STRATEGIES AMIDST COVID-19
Real Estate Cost Saving Opportunities

What happens when Silicon Valley no longer needs to be the center of the tech world?

- Silicon Alley (NYC)
- Silicon Hills (Austin)
- Silicon Beltway (DC)
- Silicon Forest (Portland)
- Silicon Prairie (Lincoln, Nebraska)
- Sili-corn Valley (Fairfield, Iowa)
- Philicon Valley (Philadelphia)

How tech companies can evolve their workforce and capital strategies amidst COVID-19
### Real Estate Trends That Tech May Tap Into

<table>
<thead>
<tr>
<th>SUBURBAN MIGRATION</th>
<th>REGIONAL HUB OFFICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Cost-saving opportunities</td>
<td>• Convenience for employees</td>
</tr>
<tr>
<td>• Safety &amp; health concerns</td>
<td>• Shorter commutes</td>
</tr>
<tr>
<td>• No more commuting because of WFH</td>
<td>• Adapting to suburban migration</td>
</tr>
<tr>
<td></td>
<td>• Rent costs lowered</td>
</tr>
</tbody>
</table>
How Tech Is Positioning Itself Now, and For the Future

- Momentum is with the Tech industry
- There is demand for products and services and demand from investors
- Effective human capital strategies will make or break the industry’s ability to realize its potential

For more on the future of the Tech industry, stay tuned for:

- BDO/Pitchbook report on PE Demand for SaaS coming in November
- BDO’s 2021 BDO Technology CFO Outlook Survey coming in January
Questions & Answers
Additional Resources
Additional Insights

Top Tech Balancing Act in 2020: Innovation vs. Risk

BDO Board Pulse Survey Fall 2020

BDO 600: Study of CEO & CFO Compensation Practices

Five Silver Lining Strategies for Recession
PRESENTER: Aftab Jamil

AFTAB JAMIL
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BIOGRAPHY:
Aftab Jamil has more than 28 years of experience in public accounting. He has substantial experience in serving VC and PE backed medical device, life sciences and technology companies. Aftab has served public and private companies ranging from start-up, development stage enterprises to established multinational companies.

Aftab has experience with SEC reporting, mergers and acquisitions, international operations and strategic partnerships. He has participated in the preparation of numerous IPOs and secondary public equity and debt registration statement filings as well as on-going Securities and Exchange Commission reporting.

Aftab has also spent substantial time assisting publicly and privately held clients and their audit committees in understanding, evaluating, and implementing new accounting and regulatory requirements. In addition, Aftab has been a key contributor in multiple publications and “Thought Leadership” projects on related topics.
ALEX LIFSON
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BIOGRAPHY:
Alex Lifson leads the national Compensation & Benefits practice and has about 25 years of experience in both national accounting firms and in industry. He has advised clients ranging in size from very large publicly traded companies to emerging growth companies, and across various industries including life sciences, software, technology, financial services, manufacturing, communications, and retail.

Alex has extensive experience advising his clients on all executive compensation and employee benefits matters (both in the U.S. and globally), including incentive and stock compensation plans, qualified and nonqualified retirement plans, a broad range of tax planning and accounting issues related to these plans, as well as fringe benefit and payroll tax issues. He has had a particular focus throughout his career on advising clients on these matters in the context of mergers and acquisitions (M&A) and restructuring transactions, including due diligence, planning, and integration.
BIOGRAPHY:

Patrick Bisceglia is a Managing Director in the Boston office of BDO Capital Advisors, LLC. He has more than a decade of experience advising middle market companies on buy- and sell-side M&A transactions, private equity recaps, management buyouts, capital raising, ESOP formations, joint ventures, and strategic alternatives across a wide variety of industries. Mr. Bisceglia has completed transactions in the Business Services, Consumer & Retail, Healthcare & Life Sciences, and Manufacturing & Distribution sectors, among others. Mr. Bisceglia has extensive experience leading execution of sell-side transaction processes and specializes in working closely with business owners and management teams to achieve their objectives in addition to maintaining strong relationships with institutional capital providers throughout the market.

Prior to joining BDO Capital in 2011, Mr. Bisceglia worked in the Investment Banking Division of Mann, Armistead & Epperson, Ltd., where he assisted the named partners with execution of M&A transactions, capital raises, fairness opinions, litigation support, and board advisory mandates. Prior to joining Mann, Armistead & Epperson, Mr. Bisceglia covered diversified media and small-cap companies within the U.S. Equity Division at T. Rowe Price Associates.

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