

KEYNOTE INTERVIEW

The transformative power of tech investing



*When everyone wants to be a tech investor, a differentiated offering makes an impact, say Vista Equity Partners founder, chairman and CEO **Robert F Smith** and Endeavor Fund co-heads and senior managing directors **René Stewart** and **Rachel Arnold***

Q Let's kick the conversation off with Robert. Tell me about Vista - what is the Vista story?

Robert F Smith: As tenured investors, what we've seen proven over the last 12-18 months is not only the durability of software, but also that size and scale matter in the business of enterprise software investing – and the business of enterprise software matters. Even in times of economic distress, companies, individuals and students rely on enterprise software as a means not only to survive but also to thrive.

We were among the first to have strong conviction on the enterprise software sector, but today just about everyone is investing in tech.

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What does this mean for Vista? While there were about 500 firms in the US investing in software over the past year, most are not software specialists and do not have the same level of expertise. When you look at the roughly 50 firms whose deal flow includes 50 percent or more software investments, none have comparable experience. We have done over 500 transactions since inception and have made one platform investment per month and one add-on acquisition per week, on average, since 2018.

It's important to consider market char-

acteristics: 98 percent of software companies are private, so the average investor can only participate in about 2 percent of the software opportunity. Vista has created an engine that has been stress-tested, fine-tuned and directed to provide financial and value creation opportunities across capital structures.

So whatever today's software entrepreneurs, founders or CEOs need – we have a solution. We've also developed a global infrastructure of over 250 investors and operators with access to global centers of excellence and market reach in over 175 countries, connected with 75,000 employees and serving over 300 million users.

Through this ecosystem, we can not

only evaluate the market well, but also bring value-added operating structures to growing businesses, helping them create systems and build products so that they are consistently at the cutting edge.

In a world where capital is readily available, we have found our size, scale and experience to be highly differentiated and believe it will continue to lead to results for our companies, employees and all the stakeholders we serve.

Q Can you share more about the enterprise software opportunity you are capturing and what this means for your investors?

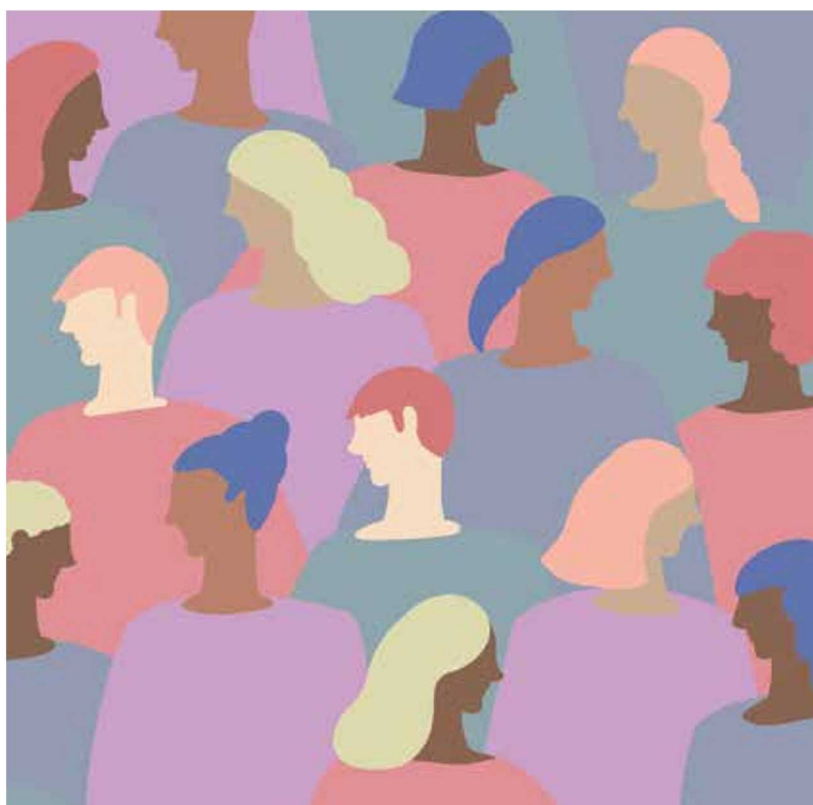
RFS: The power of enterprise software and the fundamental attributes of this asset class are the opportunities themselves. Rapid technological advancements in enterprise digitalization are supercharging performance and reshaping the economy. Software is projected to remain the fastest growing sector globally for the foreseeable future; to give an idea of the scale of this market opportunity, I would look no further than the \$83 billion active pipeline that we are tracking in our database.

So, how does this translate to Vista's investors? Within our focus on enterprise software, there's a diversity of industries, meaning that nearly every company we invest in operates in a different sector from the other, mitigating concentration risk.

It also allows us to focus on value creation opportunities that can be leveraged across our portfolio, with the ability to provide a virtuous ecosystem including 500 plus executives for our entrepreneurs.

We are also now approaching an inflection point for the investment industry where risk mitigation and strong returns are no longer enough – and we embrace the need for investors to be held accountable for building sustainable business models.

We're on a mission to use our platform to invest with purpose and at scale, maximizing our collective potential for positive impact in the world around us. One of our goals, for example, is to make sure every company that leaves our portfolio is



Q Let's circle back to the DEI focus Robert shared. What have you learned on your journey, and what work remains to boost diversity in the investment and asset management industries?

Rachel Arnold: The notion of inclusive leadership is one that has to be embraced by everyone in asset management. Our industry must value talent and experience and rely upon achievements and demonstrable results, instead of perceived and often biased requirements for leadership via what is, quite frankly, a dated, singular path that excludes highly qualified leaders from expanding their influence.

Personally, I followed a less traditional investor path but bring an equally valuable and differentiated perspective on what makes a great business and what it takes to win the hearts and minds of founders and CEOs and increase their trajectory of growth.

Representation and the notion that if you can see it, you can be it, is critical to inspiring our next generation of leaders. Too often inclusive leadership is not the reality for women, for people of color or for other traditionally under-represented groups that endure bias. Fewer than 1.3 percent of global AUM is currently managed by women and people of color, and at Vista, we don't think that's okay.

Given the market data around diversity, equity and inclusion improving business performance, and what we have seen ourselves, we are energized by the opportunity to not only lead by example but also continuously evolve how we think about this across our portfolio and apply it. We believe the size and scale of our platform can effect lasting impact while delivering consistent, strong returns to our LPs.

either carbon neutral or carbon negative.

We're also highly committed to extending our diversity, equity and inclusion strategies across our portfolio. As one of the world's largest private equity investors and operator of more than 70 portfolio companies, we believe there is both a responsibility and an opportunity to make a difference.

We continuously work to diversify our teams, including early career stage pipeline programs like our Frontier Fellows initiative and Girls Who Invest partnership, employee training programs, as well as promoting and supporting diverse leaders, exemplifying opportunity for the next generation. We believe our Endeavor Fund is one of, if not the industry's largest, women-led tech PE buyout funds. Nearly half of the Vista team are women, while a third identify as people of color.

As we've created more opportunities for these important team members, we've only seen our performance accelerate. This influence extends to our portfolio of companies, which benefit from DEI best practices, leadership development and an independent board program to provide diversity of thought and experience to their governance structure. Today, 69 percent of our majority-owned boards have at least one female member and 85 percent have at least one person of color.

Q Share a bit more with us about the Endeavor Fund.

RA: We started the Endeavor Fund in 2017 as we saw an incredible opportunity with businesses in the \$10 million to \$30 million size range that are creating powerful software solutions; with product market fit and real potential, they need the resources and capital to seize and scale the opportunity.

Before joining Vista in 2012, I worked at four Vista portfolio companies in roles ranging from interim CEO to Vice President of Product Management and Strategy. This perspective has proven invaluable as an investor and dealmaker.

These companies are at a unique stage in their lifecycle, starting to hit the challenges of building their customer base

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ROBERT F SMITH

and growing to hundreds of employees. We work with founders and management teams to identify the areas of business that are working well and scale them, as well as enhance and accelerate other areas using our operating expertise. Our value creation strategies are unique to each company, building off shared knowledge and common insights on the enterprise software operating model that we have honed over two decades.

A key area our companies have invested in is the addition of further expertise to their leadership teams. That results in stronger businesses, with a more strategic focus at the top to take advantage of the market opportunity. The Endeavor team reflects the DNA of our firm as strategic operators with an engineering mindset, bringing the benefits of expertise, size and scale.

Q Why do you see Endeavor's target market at such a critical inflection point? What are the challenges for companies moving beyond this level and why does this make for an interesting investment strategy?

René Stewart: In the emerging lower mid-market we have found that somewhere around that \$10 million of annual recurring revenue stage is a key inflection point in a company's growth trajectory. It's fascinating because the same core behaviors that propelled them to \$10 million often will not serve them in getting

beyond that, and they need sustainable processes and structures to mature the organization and scale to meet the opportunity available to them. Both the mentality and the skillset of the leadership needs to look different, but it's more evolution than revolution, because those skills can be taught by the right partners.

We see investment opportunity with companies that have established a product market fit with real opportunity for growth, but they need more resources, sustainable plans and capital to get to the next level.

We work with founders to identify areas of the business where operations can be expanded and enhanced, then we provide the investment of dollars and operating partnership to make growth a reality.

Q Given how competitive the market is today, how does Endeavor differentiate itself from its peers?

RS: The market is only becoming more competitive. For us, what's important is figuring out what businesses need and how we can better serve them than our competitors.

We have found that founders and entrepreneurs need more than just capital; they are looking for someone that understands their space, their business and their market better than anyone else. They need someone to help their business become more successful than they can achieve alone or with their current set of investors.

We have a dedicated pool of capital for this unique stage, the right expertise in enterprise software and we understand these businesses and the challenges they face. While we are a smaller fund, we have the resources and operating support of one of the largest enterprise software investors in the world.

Vista's portfolio includes software businesses small and large, which means we've been through the opportunities and challenges these businesses experience along their journey of growth. This allows us to offer the many lessons learned along the way so that leadership teams don't have to reinvent the wheel. ■