Five9, Inc. (FIVN)

Baird Facts

Please refer to Appendix - Important Disclosures and Analyst Certification.

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<tbody>
<tr>
<td>52WK H-L ($) :</td>
<td>107 - 46</td>
<td>Price Target ($) :</td>
<td></td>
<td></td>
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<tr>
<td>Market Cap (mil):</td>
<td>6,796</td>
<td>L-Term Rev. Gr Rate Est:</td>
<td></td>
<td></td>
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<tr>
<td>Shares Out (mil):</td>
<td>67.4</td>
<td>L-Term EPS Gr Rate Est:</td>
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<td>Float (mil):</td>
<td>60.7</td>
<td>Debt/Cap:</td>
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<tr>
<td>Avg. Daily Vol (mil):</td>
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<td>ROE:</td>
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<tr>
<td>Dividend ($) :</td>
<td>0.00</td>
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<td>Yield (%):</td>
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<th>Headquartered</th>
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<th>Dec</th>
<th>2019A</th>
<th>2020E</th>
<th>2021E</th>
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<td>San Ramon, CA</td>
<td>2014/2001</td>
<td></td>
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<tr>
<td>Management</td>
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<tr>
<td>Rowan Trollope</td>
<td>CEO</td>
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<tr>
<td>Barry Zwarenstein</td>
<td>CFO</td>
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Company Description

Five9 is a CCaaS (contact center as a service) provider replacing legacy contact center phone systems with a cloud, software-based solution.

Revenue Profile

![Revenue Profile Graph]

Source: Company Data, Baird Estimates

Competition

FIVN competes with public cloud providers like NICE, 8x8 and Vonage as well as smaller private companies like Talkdesk and on-premise/hybrid providers like Cisco, Avaya and Genesys.

Quick Summary

We rate the stock Outperform driven by:

- **Huge secular theme.** As with other applications that are rapidly moving to the cloud, contact center is rapidly being virtualized as companies look to upgrade legacy contact center platforms and/or are looking for contact center solutions to integrate with CRM cloud overhauls.

- **Strong revenue growth.** FIVN grew 23.5% YOY in 2017, 28.7% in 2018 and 27.3% in 2019. We forecast 16.5% growth in 2020.

- **Large TAM.** The global contract center market is estimated to be a $24 billion opportunity, with the market very underpenetrated in the cloud according to industry sources.

- **Strong profitability.** FIVN generated a 14.2% adjusted operating margin in 2019, unique in the SaaS universe.
**Investment Thesis**

**Huge secular theme.** As with other applications that are rapidly moving to the cloud, contact center is rapidly being virtualized as companies look to upgrade legacy contact center platforms and/or are looking for contact center solutions to integrate with CRM cloud overhauls.

**Strong revenue growth.** FIVN grew 23.5% YOY in 2017, 28.7% in 2018 and 27.3% in 2019. We forecast 16.5% growth in 2020.

**Large TAM.** The global contract center market is estimated to be a $24 billion opportunity, with the market very underpenetrated in the cloud according to industry sources.

**Competitive market.** Competitors include Cisco, Avaya, Genesys, NICE inContact, and increasingly unified communications providers like RingCentral and 8x8 as well as software providers like Twilio.

**Valuation.** Along with most of the broader SaaS group, FIVN has appreciated significantly. Its 2021 revenue multiple compares favorably to the SaaS group, though is near all-time highs.

**Risks & Caveats**

**Competitive market.** Competitors include Cisco, Avaya, Genesys, NICE inContact, and increasingly unified communications providers like RingCentral and 8x8 as well as software providers like Twilio.

**Single product focus.** Whereas many competitors are beginning to integrate contact center functionality into broader unified communications offers, FIVN remains focused on a stand-alone offer, though it does integrate with many UC and CRM solutions.

**Valuation.** Along with most of the broader SaaS group, FIVN has appreciated significantly. Its 2021 revenue multiple compares favorably to the SaaS group, though is near all-time highs.

**Supplemental Information**

FIVN is currently trading at 12.6x our 2021 revenue forecast vs. the Saas group at roughly 11x 2021.

Our $95 target price is based on 14x our 2021 revenue forecast, which represents a premium to the broader SaaS group at ~11x but in line with the higher-growth SaaS cohort at ~14x reflecting slower growth but higher profitability and conservative estimates.
Rating and Price Target History for: Five9, Inc. (FIVN) as of 05-13-2020

1 Robert W. Baird & Co. Incorporated makes a market in the securities of FIVN.

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