Everbridge, Inc. (EVBG)

Baird Facts

Please refer to Appendix - Important Disclosures and Analyst Certification.

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</tr>
</thead>
<tbody>
<tr>
<td>52WK H-L ($) :</td>
<td>166 - 60</td>
<td>Suitability:</td>
<td>Higher Risk</td>
<td>Q1</td>
<td>(0.15)A</td>
<td>(0.16)A</td>
<td></td>
</tr>
<tr>
<td>Market Cap (mil):</td>
<td>6,348</td>
<td>Price Target ($) :</td>
<td></td>
<td>Q2</td>
<td>(0.07)A</td>
<td>(0.21)E</td>
<td></td>
</tr>
<tr>
<td>Shares Out (mil):</td>
<td>41.0</td>
<td>L-Term Rev. Gr Rate Est:</td>
<td></td>
<td>Q3</td>
<td>(0.04)A</td>
<td>0.04E</td>
<td></td>
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<tr>
<td>Avg. Daily Vol (mil):</td>
<td>34.0</td>
<td>L-Term EPS Gr Rate Est:</td>
<td></td>
<td>Q4</td>
<td>0.05A</td>
<td>0.15E</td>
<td></td>
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<tr>
<td>Dividend ($) :</td>
<td>0.00</td>
<td>Debt/Cap:</td>
<td>66.5%</td>
<td>Total</td>
<td>(0.21)A</td>
<td>(0.18)E</td>
<td>(0.11)E</td>
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<tr>
<td>Yield (%):</td>
<td>0.0</td>
<td>ROE:</td>
<td>0.0%</td>
<td>FY P/E</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
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Company Description
EVBG is a SaaS company enabling customers to communicate with impacted parties during critical events. Its fully-cloud solution dynamically locates people at risk, and enables contextually aware communication with millions of recipients across different modalities such as voice, SMS, and email.

Revenue Profile

<table>
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<tr>
<th>Headquartered</th>
<th>IPO/Founded</th>
<th>Dec</th>
<th>2019A</th>
<th>2020E</th>
<th>2021E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burlington, MA</td>
<td>2016/2002</td>
<td>Revenue (Mil)</td>
<td>200.9</td>
<td>262.5</td>
<td>327.5</td>
</tr>
<tr>
<td>Management</td>
<td></td>
<td>% Growth</td>
<td>36.6%</td>
<td>30.7%</td>
<td>24.8%</td>
</tr>
<tr>
<td>CEO:</td>
<td></td>
<td>Operating Margin</td>
<td>-1.7%</td>
<td>-1.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>CFO:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Meredith</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patrick Brickley</td>
<td></td>
<td></td>
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Source: Company Data and Baird & Co. Estimates

Competition
EVBG competes with a range of independent companies and in-house solutions, both in the U.S. and internationally. Key competitors include AtHoc (a unit of BlackBerry), OnSolve, F24 in Europe, and xMatters. The company also competes with a range of application specific players, specifically in IT alerting.

Quick Summary
We rate the stock Outperform based on the following factors:

- **Public safety leader.** EVBG has revolutionized the delivery of critical alerts for government agencies and businesses quickly and at scale utilizing a cloud-based SaaS platform. The solution benefits public safety foremost, along with business continuity. Now more than ever, the importance of Everbridge's platform is apparent.

- **Strong growth.** Revenue grew 36.6% in 2019 and 41.0% YOY in 2018, an acceleration from the 35.8% growth rate in 2017. Though it has a dominant early position, we believe there is still plenty of runway for growth and new use cases and user groups emerge.

- **Positive on EU population alerting opportunity.** EVBG remains positive on the EU population alerting outlook, including the possibility for multiple 7 and 8-figure deals over the next couple of years. Outside of the U.S. and Europe, EVBG has also announced several wins in India, with pipelines building elsewhere as well.

- **State deals drive network effects.** Everbridge has won many U.S. state deals including New York, California and Florida, which have led to an acceleration in deals within those states.

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FedRAMP opens new opportunities. In August 2018, EVBG received its FedRAMP certification, which opens up its opportunity in the federal market, likely providing an additional avenue of growth going forward.

Investment Thesis

Public safety leader. EVBG has revolutionized the delivery of critical alerts for government agencies and businesses quickly and at scale utilizing a cloud-based SaaS platform. The solution benefits public safety foremost, along with business continuity.

Large TAM. Everbridge cites its global TAM at $46.1 billion by 2020, including $6.4 billion for mass notification, $29 billion for critical event management, and $10.7 billion for IT alerting.

Business continuity a growing theme. In addition to obvious public safety benefits, the various alert products also provide businesses with critical human and logistics information to protect employees and improve business operations.

Strong growth. Revenue grew 36.6% in 2019 and 41.0% YOY in 2018, an acceleration from the 35.8% growth rate in 2017. Though it has a dominant early position, we believe there is still plenty of runway for growth and new use cases and user groups emerge.

FedRAMP opens new opportunities. In August 2018, EVBG received its FedRAMP certification, which opens up its opportunity in the federal market, likely providing an additional avenue of growth going forward.

Roadmap to expanding margins. Gross margins have expanded, with EBITDA margins improving from negative 5.7% 2 years ago to slightly positive in Q3’18.

Risks & Caveats

Multiple competitors. EVBG competes with a variety of independent providers and in-house solutions, both in the U.S. and country by country.

TAM questions. As the market leader that’s pioneering new capabilities, defining a precise TAM has been difficult.

Lack of profitability. The company’s EBITDA margins are about breakeven, though have improved markedly.

CEO transition risk. On June 14, 2018, EVBG announced plans for CEO Jaime Ellerton to transition to Executive Chairman. David Meredith became CEO in mid-2019.

Valuation. EVBG is trading near its highs, though the same can be said of the broader SaaS peer group.

Supplemental Information

EVBG is trading at 17.5x our 2021 revenue forecast vs. the SaaS group at roughly 13x 2021 and the 30%+ growth group at 17x.

Our $132 target price is based on 15x our 2021 revenue forecast. That puts it slightly below the high growth cohort at ~17x, reflecting a strong position with respect to COVID-19 and better visibility on average as a result.
1 Robert W. Baird & Co. Incorporated makes a market in the securities of EVBG.

3 Robert W. Baird & Co. Incorporated and/or its affiliates have received investment banking compensation from Everbridge, Inc. in the past 12 months.

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- Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

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