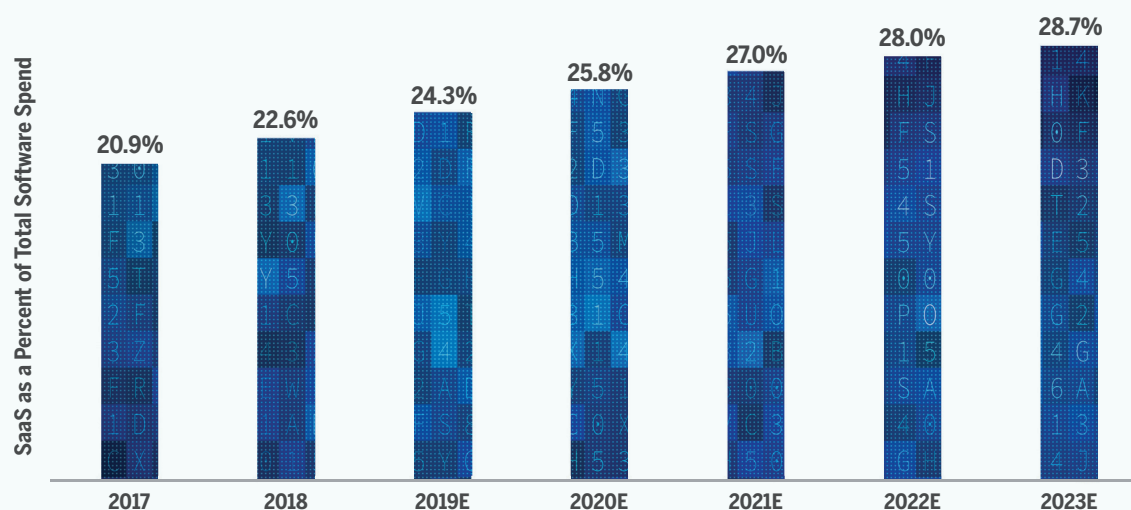


The Opportunity in SaaS

The software industry is in the midst of a multi-year secular shift toward software as a service (SaaS). Innovation in cloud infrastructure and networking technologies over the last 10-15 years has enabled an increasing number of new and innovative SaaS companies to come to market. In our view, this shift from on-premise license models to SaaS could last for many years to come.

SaaS Is Growing as a Percent of Software Spend



Source: Gartner.

- Spending on SaaS is expected to increase from 20.9% of total software spend in 2017 to 28.7% in 2023. Cloud-based SaaS software is deployed over a network and paid for by customers with a recurring subscription fee. An example of SaaS is customer relationship management software that allows businesses to collect information on leads, prospects and customers on a single online platform, enabling users access anywhere and more highly targeted client experiences.
- The advantages of SaaS include lower initial costs, pay-as-you-go pricing, greater functionality and access to more frequent upgrades. SaaS users do not have to maintain their own infrastructure to run these applications.
- SaaS company investors may realize increased financial visibility because revenue is comprised of recurring subscriptions, higher renewal rates and potentially higher margins relative to non-SaaS companies.
- We believe investment opportunities are most apparent in SaaS companies that serve large addressable markets, offer disruptive and differentiated technologies, and have sustainable competitive moats and efficient go-to-market models with compelling unit economics.

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