$250M, 1000 people, 40 years old, family owned

Premier US Sales Tax calculation engine

Named top place to work in Philadelphia region
Business Problem

Situation:

Offerings
- Sales Tax Corp
- VAT
- Sales Tax SMB
- NextGen

Markets
- US-Corp
- US-SMB
- EU
- Complex Multi-National (CMN)

Uncertain Business Environment

Choices in 2015:
- Investment in offering development
- Use of third party partners as go-to-market channels
Approach

Business Environment Evolution (Scenarios)

Vertex/Channel Partner Configuration (Strategy Dynamics Model)

Comparative Performance Trajectories

Focus of Presentation
### Strategic Architecture (cont’d)

#### Adoption Profiles

<table>
<thead>
<tr>
<th>Market</th>
<th>Adoption Profiles</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Corporations</td>
<td>SalesTax Corp – NextGen</td>
</tr>
<tr>
<td></td>
<td>VAT – NextGen</td>
</tr>
<tr>
<td></td>
<td>NextGen</td>
</tr>
<tr>
<td>EU Corporations</td>
<td>VAT – NextGen</td>
</tr>
<tr>
<td></td>
<td>NextGen</td>
</tr>
<tr>
<td>Complex Multi-Nationals</td>
<td>VAT – NextGen</td>
</tr>
<tr>
<td></td>
<td>NextGen</td>
</tr>
<tr>
<td>SMB</td>
<td>Sales Tax SMB</td>
</tr>
</tbody>
</table>

#### Performance Index

\[
\text{Market Traction} = \sum \text{Weighted Units of Offering} \\
\text{Vertex Effort Applied} = \text{Development} + \text{Selling} + \text{Relationship Mgmt} + \text{Services} \]
Scenarios

Vertex Global Tax Futures (20 year horizon)

5 Year Futures

Stalled Engines

ERP Gated Community

Corporate IT Phoenix

Global Tax Network

Protectionism

Complexity

Simplicity

Cooperation
Five Year Futures

Stalled Engines
• The consumer-led recovery from the Great Recession does not materialize. Risk averse tax leaders are unwilling to embrace new tax technology.

Corporate IT Phoenix
• Corporate information technology departments resort to building their own tax warehouses, since vendor-provided tax technology is inadequate.

ERP Gated Community
• Tax is a part of finance. Oracle, SAP and other ERPs capitalize on the strengths of their position, and argue successfully that companies should use the data management and tax solutions that are integral to their respective suites.

Global Tax Network
• Business transparency standards become widely adopted. In addition, companies are taking full advantage of the economies of cloud-based tax computing.
Business Environments – Defining Factors

- Offering Attractiveness
  - Expectations on cloud-based offering availability

- Opportunity Flow
  - ERP ecosystem maturity
  - ITAdvisor influence
  - Financial (and tax) process transformation
  - Marketplace Fairness Act
<table>
<thead>
<tr>
<th>Environment Factor</th>
<th>Possible Values</th>
<th>Value for Scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Stalled Engines</td>
</tr>
<tr>
<td>Cloud Expectations</td>
<td>Extended, Accelerated</td>
<td>Extended</td>
</tr>
<tr>
<td>ERP Gating</td>
<td>Open, Controlled</td>
<td>Open</td>
</tr>
<tr>
<td>Advisor Gating</td>
<td>Open, Controlled</td>
<td>Open</td>
</tr>
<tr>
<td>Tax Transformation</td>
<td>Slow, Moderate, Accelerated</td>
<td>Slow</td>
</tr>
<tr>
<td>Market Place Fairness Act</td>
<td>Fails, Pending, Passes</td>
<td>Fails</td>
</tr>
</tbody>
</table>
Activating the Wind Tunnel

With calibrated model, establish test configuration:

<table>
<thead>
<tr>
<th>Policy</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development resource allocation</td>
<td><strong>Static five year policy</strong></td>
</tr>
<tr>
<td></td>
<td>• For Sales Tax – Corp: Deployment on cloud, otherwise in maintenance</td>
</tr>
<tr>
<td></td>
<td>• For other offerings: Increasing investment</td>
</tr>
<tr>
<td>Use of channels (and associated marketing plan)</td>
<td><strong>If channels active:</strong></td>
</tr>
<tr>
<td></td>
<td>• Divide by markets:</td>
</tr>
<tr>
<td></td>
<td>• Vertex retains CMN</td>
</tr>
<tr>
<td></td>
<td>• Partners cover other three</td>
</tr>
<tr>
<td></td>
<td><strong>If channels inactive:</strong></td>
</tr>
<tr>
<td></td>
<td>• Vertex increases marketing investment</td>
</tr>
</tbody>
</table>
Sample Performance Index Traces

Stalled Engines Scenario

ERP Gating Scenario

Corporate IT Scenario

Global Tax Network Scenario
Closing Remarks

• Enhancements (partial list):
  – Offering investment policy
  – Market adoption dynamics
  – Competitor behavior
  – Financial measures
  – Staffing dynamics

• Overall outcome: basic testbed produced
  – Accurately portrays past history
  – Links scenario work to business operations
  – Lifts up and frames meaningful cause and effect impacts of strategy choices