

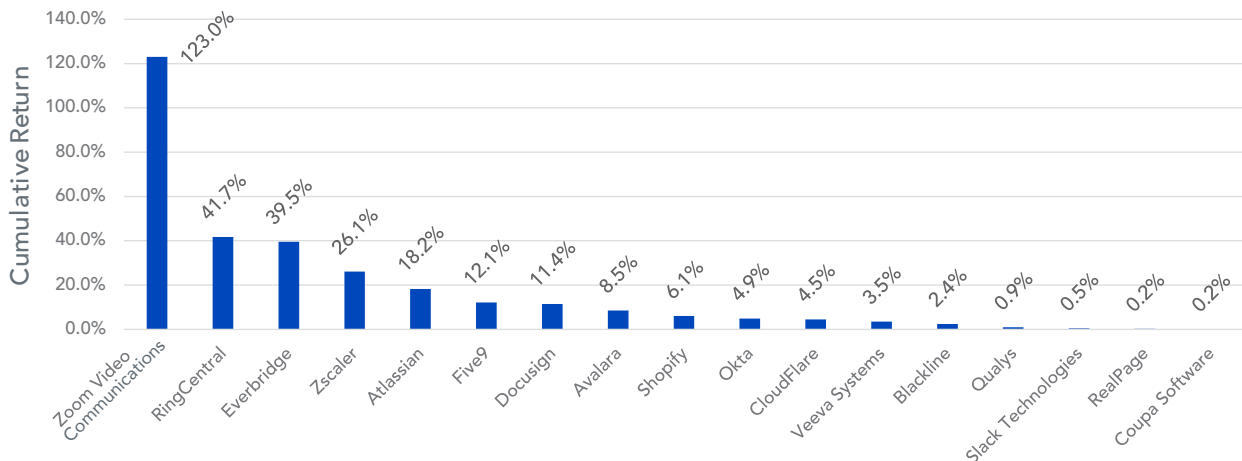
CLOUD COMPUTING COMPANIES: A PERFORMANCE ANALYSIS

DURING A DIFFICULT PERIOD FOR EQUITY PERFORMANCE,
SOME CLOUD COMPUTING COMPANIES DELIVERED STRONG RETURNS

March 2020

Below, we look at the constituents of the BVP Nasdaq Emerging Cloud Index for the period from 31 December 2019 to 27 March 2020. Specifically, we pull out those companies that have delivered a positive, cumulative return during this period. After Figure 1, we summarise a few details about these businesses as well as any impacts they are seeing from the Coronavirus period or actions they are taking to help clients and customers during this period.

FIGURE 1: COMPANIES THAT HAVE GENERATED A POSITIVE RETURN YEAR-TO-DATE 2020 WITHIN THE BVP NASDAQ EMERGING CLOUD INDEX



Source: Bloomberg. Year-to-Date 2020 refers to the period from 31 December 2019 to 27 March 2020.
Historical performance is not an indication of future performance and any investments may go down in value.

ZOOM VIDEO COMMUNICATIONS

- + As of 18th March 2020, Zoom cloud meetings ranked first in Apple daily downloads among business apps in the US, and first in overall apps and games, according to App Annie. One week prior, it was number 11 and two weeks prior, it was number 87¹.

RINGCENTRAL

- + Shares of RingCentral have gained significantly since the company announced in October 2019 that it would become the exclusive provider of cloud-based unified communications solutions to Avaya. As part of the arrangement, the two companies are working together to develop programs to make sure Avaya's on-premises customers have an easy transition to the cloud².

EVERBRIDGE

- + Everbridge, the global leader in critical event management (CEM), recently announced new capabilities across the Internet of Things (IoT) for corporate government and healthcare organisations to protect their people, assets, operations supply chain and brand from critical events, such as COVID-19. The CEM platform monitors thread data streams continuously, alerts stakeholders when there is a relevant issue, and automatically orchestrates a coordinated response—it is always on³.

ZSCALER

- + There is a potential long-term tailwind for Zscaler, as many companies are migrating to the cloud for their computing needs. This means that they will need to adopt new security architecture. Some analysts are even predicting that Zscaler will achieve \$1 billion in annual revenue by 2024⁴.

ATLASSIAN

- + Atlassian recently made Atlassian Cloud products available at no charge. This is not a time-bound offer, but rather a full commitment to make their products more easily accessible to more teams throughout the world, full stop. Additionally, to help teams work better together, Atlassian has launched a remote work hub. The hub features advice on staying productive and collaborative, the collection of free cloud products, and access to integrations from leading Atlassian partners such as Slack, Zoom, G Suite, and Dropbox⁵.

FIVE9

- + Five9 is a leader in cloud software for contact centres. It has demonstrated revenue growth of 33%, annualised, for the period from 2009 to 2019⁶.

¹ Source: Reinicke, Carmen. "Zoom Video has seen its stock spike more than 100% since January as coronavirus pushes millions to work from home (ZM)." BusinessInsider.com. 23 March 2020.

² Source: DeFrancesco, Robert. "RingCentral Stock Gains 54% In Four Months on New Avaya Partnership." Forbes. 27 January 2020.

³ Source: "Everbridge Unveils Critical Event Management (CEM) for the Internet of Things (IoT) Supported by Two Technology Acquisitions." Businesswire: A Berkshire Hathaway Company. 9 March 2020.

⁴ Source: Betz, Brandy. "Zscaler gains bull on long-term tailwind." Seeking Alpha. 27 March 2020.

⁵ Source: Farquhar, Scott. "We're making our remote-friendly software products available for free." Atlassian: Products & News. 18 March 2020.

⁶ Source: "Q4 2019 Investor Presentation." Five9. 24 February 2020.

DOCUSIGN

- + Docusign is set to cross a \$1 billion revenue run rate this year, putting it in an elite group of SaaS companies. On a recent conference call with analysts, management reiterated its estimate of \$25 billion in total addressable market for its eSignature products, and a \$50 billion overall market when counting all products from its Agreement Cloud suite. The CEO recently stated, when asked if there was an expectation of Docusign's growth being impacted by a global recession, that most of the focus in using the service is around efficiency. Getting rid of manual processes, wasted labour, transportation costs, shipping, etc. are important no matter the economic condition⁷.

AVALARA

- + During the Coronavirus Pandemic, Avalara has worked to compile a frequently updated resource for business owners regarding different tax-related changes and relief packages that governments are putting into place. For example, different countries in Europe are shifting certain deadlines as to when they expect businesses to pay value-added taxes (VAT). That resource is available here: <https://www.avalara.com/us/en/blog/2020/03/coronavirus-tax-relief-roundup.html>.

SHOPIFY

- + In its most recent quarterly earnings call, Shopify was able to announce its first quarter of profitability. Investors seem to have warmed to Shopify's model as an alternative to Amazon by offering independent online retailers the ability to own and operate their own online storefront, while simplifying the back-end technology such as checkout, payments and logistics. As of this earnings call, they had more than 1 million merchants on their platform, including Kylie Jenner's cosmetics range and Kanye West's clothing line⁸.

OKTA

- + Okta, which sells identity and access management software, aims to keep growing revenue by at least 30% into fiscal year 2024. The company has recently delivered positive free cash flows of \$36.3 million (6.2% of total revenue), which compares to a value of negative \$6.8 million over the same period in the year prior. The growth opportunity is founded on capitalising on the explosion in the total number of applications that organisations use⁹.

CLOUDFLARE

- + As part of the company's response to addressing the needs of small businesses during the Coronavirus business disruption, a new hub has been created with offers on a wide range of free products and services from cloud-computing companies¹⁰.

⁷ Source: Duberstein, Billy. "Why DocuSign Management Doesn't See Coronavirus Headwinds in its Business." The Motley Fool. 14 March 2020.

⁸ Source: Bradshaw, Tim. "Shopify's First Quarterly Profit Sends Shares to Fresh Highs." FT.com. 12 February 2020.

⁹ Source: Gaus, Annie. "Okta CEO: Here's Why We Can Compete Effectively with Microsoft." TheStreet.com. 7 March 2020.

¹⁰ Source: Elder, Jeff. "Cybersecurity company Cloudflare is making a directory of free tech services to support

VEEVA SYSTEMS

- + Veeva Systems is playing a key role to help players in the life sciences industry develop testing, treatment and vaccinations for the fast-spreading coronavirus. One of its products, Veeva Engage, has been made available free of charge to new clients. The product uses Zoom Video to help connect doctors with health-care professionals. Veeva Systems sees product usage increase tenfold as biotech companies race to find COVID-19 cure¹¹.

BLACKLINE

- + With the onset of the coronavirus pandemic, many accounting teams find themselves operating in a distributed fashion, with many, if not all, team members suddenly working from home. As a trusted advisor to finance and accounting professionals around the world, Blackline has announced a number of complimentary offerings to help customers who could benefit from extra support closing their books during these uncertain and trying times. These include: 1) open access to the entire Blackline U library of educational online resources 2) New curriculum focused on closing in a distributed work environment 3) Pre-scheduled one-on-one time with a Blackline subject matter expert to get real-time guidance 4) Task management and reporting free for six months to existing customers who haven't yet licensed these solution¹².

QUALYS

- + Qualys, a supplier of cloud-based security and compliance services, is offering 60 days of free access to its cloud-based remote endpoint protection solution for existing customers¹³.

SLACK TECHNOLOGIES

- + Slack's growth over the past couple of weeks has surpassed its growth in each of the last two quarters. While the company counted 5,000 new customers in both Q3 and Q4 of 2019, it has already added 9,000 in Q1 of 2020. It's also true that people are spending more time in Slack, and the average number of messages per user per day is up 20%, and average active usage has surged past one billion minutes each weekday¹⁴.

REALPAGE

- + RealPage is a software company targeting the multi-family housing market. It reported sales of \$255 million in the fourth quarter, an increase of 12%. There is a trend that technology is becoming more important and more demanded within people's experience of real estate purchasing¹⁵.

COUPA SOFTWARE

- + Coupa software is an SaaS vendor that helps businesses reduce spending, and it's a leader in that market segment. There is no easy way to forecast the influence that the coronavirus will have in terms of economic impact on this company, but it does seem that businesses would benefit from the solutions offered during this time¹⁶.

¹¹ Source: Clifford, Tyler. "Veeva Systems sees product usage increase tenfold as biotech companies race to find COVID-19 cure." CNBC. 26 March 2020.

¹² Source: "BlackLine Offers Free Financial Training, Coaching and Software Options." CPA Practice Advisor. 24 March 2020.

¹³ Source: Scroton, Alex. "Coronavirus: What are the latest free cybersecurity offers?" ComputerWeekly.com. 26 March 2020.

¹⁴ Source: Pesce, Nicole Lyn. "Slack's CEO shows how many more people are now using the platform since the coronavirus outbreak." MarketWatch. 26 March 2020.

¹⁵ Source: Womack, Brian. "RealPage's revenue tops expectations as 'growth inflection is already arriving.'" Dallas Business Journal. 28 February 2020.

¹⁶ Source: "Coupa Software: In the Coronavirus Era, Businesses Need to Cut Expenses." Seeking Alpha. 21 March 2020.

We can also look at some of the top private cloud companies to see if there has been any news or notable developments during the recent Coronavirus period. To do this, we look at the Forbes Cloud 100 list and search for developments impacting the top 5 companies. The full list is available here: <https://www.forbes.com/cloud100/#3b604e625f94>. We would also note that, while Datadog was in the top 5 during the publication of this list, it was no longer a privately held company as of the writing of this document.

STRIPE

- + Payments technology is a relative bright spot as coronavirus' economic fears hit venture capital, since an emergency can be a catalyst for early-stage innovation designed to ease digital commerce. Stripe has recently made a \$20 million series A investment in Fast, a San Francisco-based company about one year old. Fast is attempting to build a universal multi merchant "buy button"—this was a slow trend in shopping that has become an urgent need. The concept is to instead of signing in merchant by merchant by merchant or website by website by website, customers are able to have a "Fast" checkout experience as all of this information is in one place that transfers across all merchants¹⁷.

SNOWFLAKE

- + On Snowflake's company blog, there is writing on the impact of democratising coronavirus data. Starschema is a snowflake partner that is listing data sets for download on the coronavirus on the Snowflake Data Exchange. The concept is that through data and increasing knowledge and making it simpler for many different experts and companies to work together, more solutions to this difficult time will become more apparent more quickly¹⁸.

UIPATH

- + This company was recently valued as high as \$7 billion. UiPath is involved in robotic process automation, so the real concept involves the automation of routine processes to allow software to do more and more of what was formerly very manual. There is a use case that would have the software potentially helping hospitals process coronavirus backlogs¹⁹.

HASHICORP

- + HashiCorp valuation has surged above \$5 billion in its latest round of funding. It is among the fastest growing independent developers of open source cloud automation cloud technologies²⁰.

PROCORE

- + Procore supports the construction management industry, recognising that different software-based solutions might be ideal to help builders track the evolution of a given project and how well (or not well) things are going in terms of budgets or deadlines in something closer to real-time. The company has filed an S-1, meaning that an initial public offering could be in the near future. The document describes \$289.2 million in revenue in 2019, significant growth over the \$186.4 million in 2018. The valuation could be somewhere in the \$4 billion range²¹.

¹⁷ S Source: Adams, John. "Coronavirus paves a path for Stripe's latest fintech investment." PaymentsSource. 26 March 2020.

¹⁸ Source: Morello, Vincent. "The Impact of Democratizing Coronavirus Data." Snowflake. 26 March 2020.

¹⁹ Source: Timu, Andra & Irina Vilcu. "A \$7 Billion Robot to Automate Boring Tasks Eyes an IPO." Bloomberg. 26 February 2020.

²⁰ Source: Whiting, Rick. "5 Companies that Came to Win this Week." CRN. 20 March 2020.

²¹ Source: Brenzel, Kathryn. "Construction startup Procore Files Initial IPO Paperwork." The Real Deal. 2 March 2020.

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