SMARTSHEETS & ASANA

Equity Report – Titan Investment Management LLC

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March 23, 2021

Asana (ASAN) and Smartsheets (SMAR):

ASAN is a work management platform that helps teams orchestrate work, from daily tasks to cross-functional strategic initiatives. Over 89,000 paying customers use ASAN to manage everything from product launches to marketing campaigns to organizational-wide goal setting. The platform adds structure to unstructured work, creating clarity, transparency, and accountability to everyone within an organization-individuals, team leads, and executives-so they understand exactly who is doing what, by when.

SMAR is the enterprise platform for dynamic work. SMAR empowers anyone to drive meaningful change. A leading cloud-based platform enables teams and organizations to plan, capture, manage, automate, and report on work at scale, resulting in more efficient processes and better business outcomes. Unstructured or dynamic work is work that has historically been managed using a combination of email, spreadsheets, whiteboards, phone calls, and in-person meetings to communicate with team members and complete projects and processes.

The Work Management Market:

The description of the previous firms provides some guidance on what exactly a work management platform is, but more meat needs to be added to the bone.

COVID has been discussed ad nauseam, but fortunately the worst seems to be past the world (knock on wood). The focus should now shift to how this "new normal" will look for not only consumers, but businesses. Historically, employees would gather at their respective place of work and work through whatever, project, product, advertisement, etc. in a dynamic fashion. However, as more and more employees shift to a remote setting, a centralized headquarters can no longer be counted on as a place of gathering. Without any sort of alternative communication, workflow will be lost and inefficiencies increased.

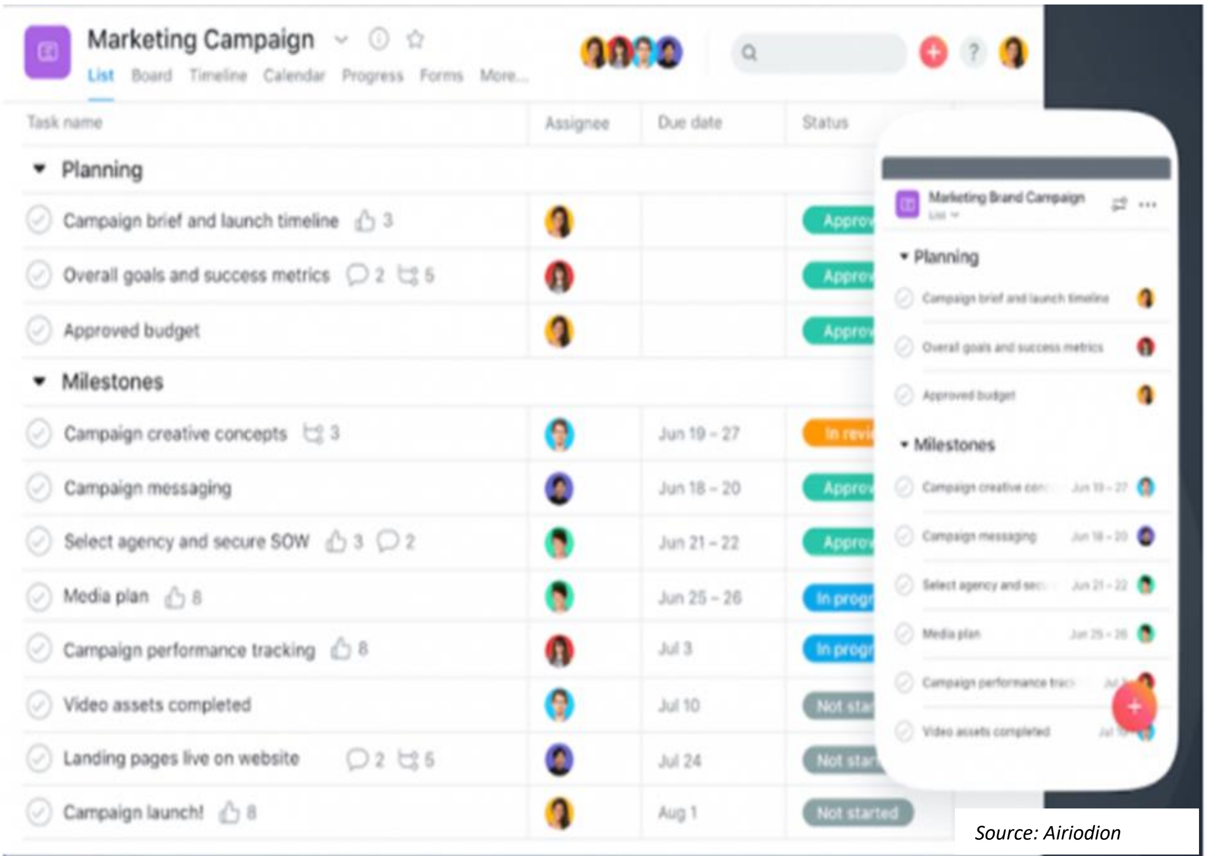
This is where a work management platform comes into play. Whether communicating via email or updating a shared spreadsheet, the resources and results of the venture are centralized and updated in real time for employees. This includes:

- Project Management – Gantt, Calendar, Kanban, Tasks, and Reminders.
- Work Management – Custom Fields, Formulas, Functions, Conditional Formatting, and External Web Content.
- Collaboration – Share with in/out of Network, Publications, Files, Notifications, and Updates.

Prior to COVID-19 only 3.6% of employees in the US worked from home. However, Global Workplace Analytics found that 56% of the US labor force holds a job that is compatible with remote work. This is expected to result in 25-30% of the US labor force working from home for multiple days by the end of 2021.

80% of the US labor force expressed a desire to work from home at least some of the time (33% even would agree to a cut in pay to do so). However, employers have been somewhat resistant to this trend as the means to track employee work and accountability becomes more difficult. This is where a work management platform adds further value. Not only does it provide transparency and accountability in a centralized manner for employees, but also provides the opportunity for employees to work from home.

The forced shutdown of nations around the world opened the bottle and there is little chance on getting that genie back in anytime soon. In addition, this does not even scratch the benefit of firms scaling back office space and saving on overhead.



Source: Airiodion

Lastly, Europe has seen an uptick in new COVID cases and this will not only put more pressure on employers to adopt a workplace software, but do so indefinitely as COVID variants and seasonality of viral infections come and go.

The Battle of Two Titans

The demand for workplace software not only grew during 2020, but is expected to grow for the foreseeable future. Thus, the industry is the benefactor of a prolonged tailwind. The real question becomes, who will rise to the top and who will be pushed aside?

The increasing demand for workplace platforms in conjunction with a growing list of demand for end clients is creating a moving target for the industry at large. Thus, a dynamic platform as well as cash (to grow the platform) are keys to success for any firm. With those two general metrics in mind, two firms quickly stand out: ASAN and SMAR.

The following comparison will seek to breakdown each firm and compare product offerings, pricing, customer reviews, customer type, growth, margins, capital structure, management, and outlook. This comparison will then set the stage for projecting financials and ultimately identify the best of breed.

Product Offerings –

Source: Smartsheet

Project Management	smartsheet	Asana
Gantt View	✓	✓
Calendar View	✓	✓
Kanban Board / Card View	✓	✓
Task Hierarchy with 4+ Levels	✓	✗
Task Dependencies	✓	✓
Reminders	✓	✓
Flexible Work Management	**smartsheet**	**Asana**
Create Custom Fields	✓	✓
Multi-Level Sort	✓	✗
50+ Formula Functions	✓	✗
Conditional Formatting	✓	✓
External Web Content in Dashboards	✓	✗
Collaboration	**smartsheet**	**Asana**
Share with Internal and External Collaborators	✓	✓
Publish	✓	✓
File Attachments	✓	✓
Comments & @ Mentions	✓	✓
Notifications	✓	✓
Change History	✓	✓
Update Requests	✓	✗
Branching Forms (Conditional Logic)	✓	✗

At first glance SMAR stands out in terms of capability compared to ASAN. Specifically, SMAR tends to lean into detailed, micro spreadsheets while ASAN leans more into overarching, macro employee portals. Both platforms are fairly similar, but when it comes to splitting the blade of grass, SMAR can do more while ASAN seems a bit more user friendly for the uninitiated.

Nonetheless, the increased sophistication of SMAR compared to ASAN provides the means to take on more sophisticated clients (Fortune 500) and their resulting demands. In addition, SMAR goes out of its way in highlighting its capability compared to ASAN, whereas ASAN keeps the comparison fairly vague. Thus, SMAR gets the nod in product offering.

Pricing –

	Basic	Individual	Business	Enterprise
SMAR	Free	$14/month	$25/month	Quote
ASAN	N/A	$10.99/month	$24.99/month	Quote

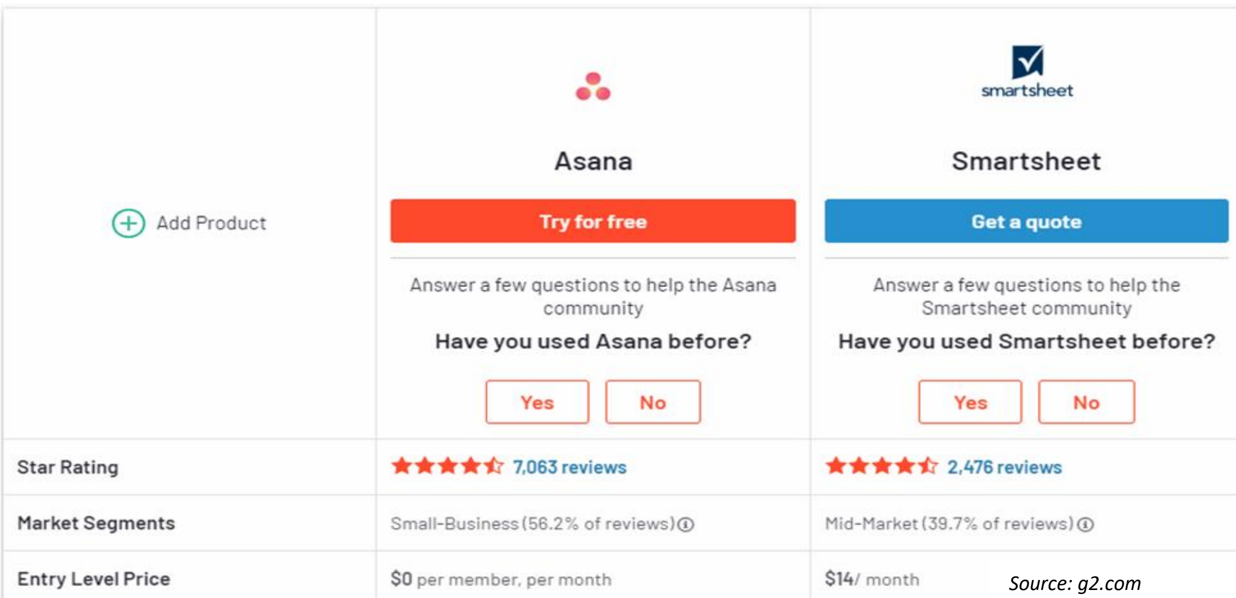
Two main differences stand out in terms of pricing:

- ASAN offers a free package.
- ASAN offers a cheaper Individual platform.

The ability to execute in ASAN's Basic package is limited, but does come with app integration. Thus, this introductory price (or lack thereof) provides the catalyst to integrate the platform into a business and increase the switching cost even as the business grows and becomes a paying client.

ASAN's strategy seems to be get the client early in their business life. Even if SMAR offers more sophistication (especially for larger clients), ASAN could ingrain itself so much into the business as it grows, the cost of switching does not overcome the added sophistication of SMAR. Thus, ASAN gets the nod in pricing.

Customer Reviews –



Source: g2.com

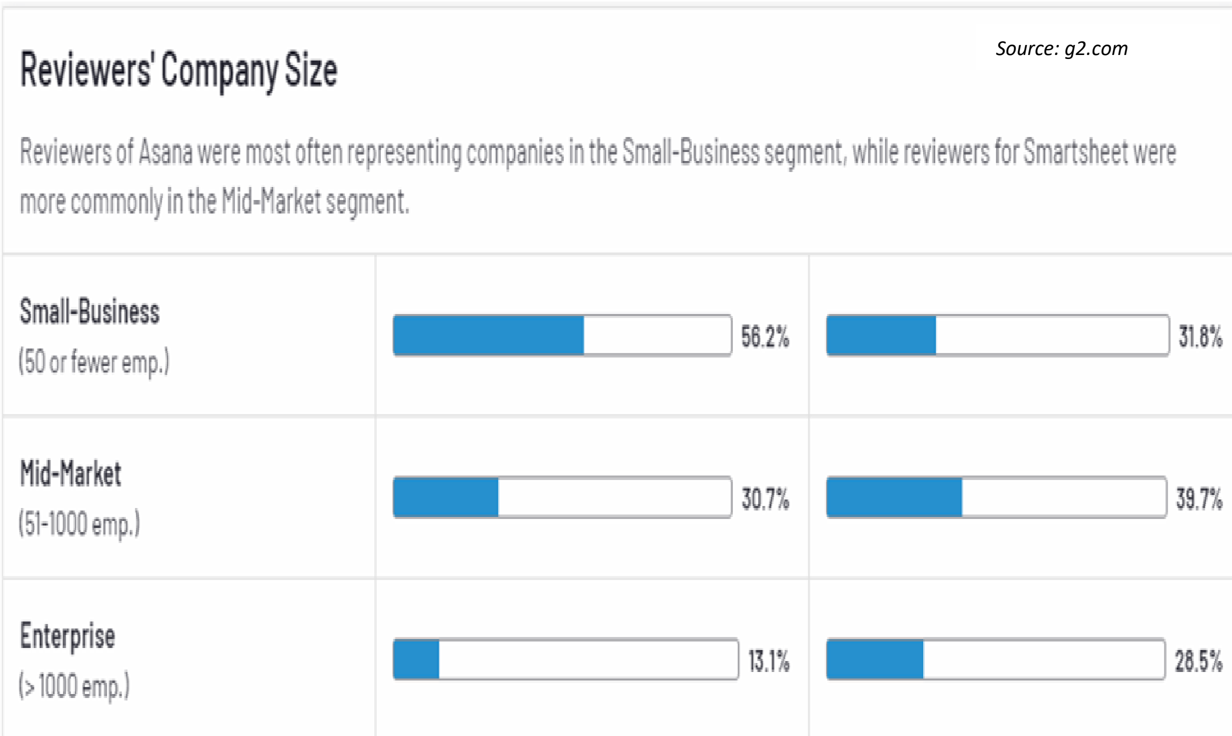
At a macro level reviews are very similar. However, it should be pointed out that ASAN has more reviews, but this should not be unexpected given their overweight in small business compared to SMAR. However, when peeling back the layers of workplace software, differences begin to emerge.

Customer Reviews (Out of 10)	SMAR	ASAN
Budgeting & Cost Estimation	8.8	8.3
Reporting	9.7	9.2
Offline Mode	8.0	8.9
Performance & ROI Tracking	9.8	8.8
GANTT	8.9	8.4
Project Map	9.0	8.6

SMAR's sophistication shines a bit in these reviews given the list above as well as ASAN not even reporting any metrics for Project Budgeting, Critical Path, and Time & Expense.

All other macro review metrics largely indicate positive reception for both firms. This restates the initial thesis of the entire investment idea that both firms are creating a lot of happy customers. However, when digging through each feature and their resulting view, SMAR comes out ahead.

Customer Type –



Given SMAR's platform sophistication, but ASAN's pricing, the customer type is not all that surprising. SMAR tends to overweight mid and large size firms while ASAN is overweight small firms. In addition, both firms are diversified across all economic sectors.

No. of Clients Paying More….	SMAR	ASAN
Than $5,000/year	11,874	10,174
Than $50,000/year	1,515	397
Than $100,000/year	588	N/A

In aggregation, both firms are similar in terms of number of clients north of $5,000. However, when it comes to the larger clients, SMAR has a 5x market presence compared to ASAN. Given all the metrics that have been displayed thus far this is not surprising. Nonetheless, it serves as a reminder that larger firms are clearly preferring the more sophisticated platform.

Both firms have incredible potential as SMAR has converted 17.7% of its client base to $50,000 or more while ASAN currently stands at 3.9%. Thus, it could be argued that ASAN has more potential in monetizing its client base as well as the pipeline developed from a free "Basic" model. However, this also comes with the counterbalance of volatility. SMAR's exposure to larger clients (such as the US Dept. of Defense) is much more insulated from the macro headwinds that could emerge from any sort of unforeseen risk. Thus, the customer type results in a wash as ASAN has more customer potential, but SMAR has more customer stability.

Growth –

Both firms have done an excellent job at growing the top line. However, SMAR has been a publicly traded firm since April 2018 while ASAN has only been publicly traded since September 2020. This has equipped SMAR with a longer track record than ASAN.

ASAN

Product Projections	Historic					Projection				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$0	$0	$77	$143	$227	$311	$411	$523	$641	$769
Subscription	--	--	$77	$143	$227	$311	$411	$523	$641	$769
Market Share										
Subscription	--	--	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Growth Rates										
Revenue	--	--	--	85.68%	59.19%	37.00%	32.00%	27.50%	22.50%	20.00%
Subscription	--	--	--	85.68%	59.19%	37.00%	32.00%	27.50%	22.50%	20.00%
CAPEX	$0	$0	-$45	$13	-$159	-$6	-$8	-$10	-$13	-$15
Depreciation	$0	$0	$4	$2	$4	$6	$8	$10	$13	$15
Sales/CAPEX	#DIV/0!	#DIV/0!	58.20%	-8.91%	70.00%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPEX/Depreciation	#DIV/0!	#DIV/0!	9.40%	-17.32%	2.20%	100.00%	100.00%	100.00%	100.00%	100.00%

SMAR

Product Projections	Historic					Projection				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$67	$111	$178	$271	$386	$501	$631	$764	$907	$1,053
Subscription	$62	$100	$158	$244	$353	$459	$573	$688	$808	$930
Professional Services	$5	$11	$20	$27	$33	$43	$57	$76	$99	$124
Market Share										
Subscription	93.27%	90.21%	88.63%	90.11%	91.52%	91.52%	90.90%	90.05%	89.10%	88.27%
Professional Services	6.73%	9.79%	11.37%	9.89%	8.48%	8.48%	9.10%	9.95%	10.90%	11.73%
Growth Rates										
Revenue	--	66.37%	59.66%	52.45%	42.30%	30.00%	25.85%	21.14%	18.74%	16.09%
Subscription	--	60.90%	56.87%	54.98%	44.53%	30.00%	25.00%	20.00%	17.50%	15.00%
Professional Services	--	142.22%	85.32%	32.67%	22.01%	30.00%	35.00%	32.50%	30.00%	25.00%
CAPEX	$9	-$1	-$14	-$90	-$85	-$10	-$13	-$15	-$18	-$21
Depreciation	$1	$4	$8	$13	$17	$20	$23	$25	$27	$29
Sales/CAPEX	-13.60%	0.72%	7.77%	33.22%	22.08%	2.00%	2.00%	2.00%	2.00%	2.00%
CAPEX/Depreciation	-10.99%	512.50%	55.80%	14.89%	20.33%	200.00%	180.00%	165.00%	150.00%	140.00%

Growth has been at a rapid clip, given the trend in remote offices as well as a means for employers to create accountability and transparency with their employees. Neither firm in aggregate is expected to grow meaningfully faster than their peer. However, ASAN will exhibit a slightly higher growth rate given they are starting from a lower base.

The positive tailwind that is currently engulfing the industry is showing little signs of abating. Reportlinker.com highlighted the workplace software market is expected to reach $7.4B by 2026 and grow at 15% per annum over this time. In addition, the combined market share of SMAR and ASAN as of today is only 16.6% of the market, indicating both firms can grow without taking away from the other.

Strong growth metrics, little CAPEX, and a tailwind benefitting the industry benefits both firms. Nonetheless, SMAR has shown a higher client retention rate of 125% versus ASAN at 115%. A retention rate north of 100% indicates that not only are clients sticking to the platform, but are trading up into higher priced tiers. Both firms are growing at a healthy clip along with strong retention metrics, but SMAR gets the nod with a more transparent track record as well as higher retention.

Margins –

ASAN

Income Statement	Historic					Projection				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$0	$0	$77	$143	$227	$311	$411	$523	$641	$769
Cost of Goods	$0	$0	$14	$20	$29	$40	$52	$65	$79	$92
Net Interest Income	$0	$0	$63	$123	$198	$271	$358	$458	$563	$677
Rental Margin	--	--	*82.03%*	*86.04%*	*87.36%*	*87.00%*	*87.25%*	*87.50%*	*87.75%*	*88.00%*
SG & A	$0	$0	$68	$151	$231	$280	$318	$361	$398	$439
R & D	$0	$0	$43	$90	$121	$146	$172	$194	$212	$227
Other Operating	$0	$0	$0	($2)	$0	$0	$0	$0	$0	$0
EBITDA	$0	$0	($48)	($116)	($154)	($155)	($132)	($97)	($46)	$12
EBITDA Margin	--	--	*-62.24%*	*-81.07%*	*-67.84%*	*-50.00%*	*-32.25%*	*-18.50%*	*-7.25%*	*1.50%*
Depreciation & Amoritization	$0	$0	$4	$2	$4	$6	$8	$10	$13	$15
EBIT	$0	$0	-$52	-$118	-$158	-$162	-$141	-$107	-$59	-$4
EBIT Margin	--	--	*-67.71%*	*-82.61%*	*-69.38%*	*-52.00%*	*-34.25%*	*-20.50%*	*-9.25%*	*-0.50%*
Interest Expense	$0	$0	-$1	-$2	$36	$16	$16	$16	$16	$16
Other Abnomral Losses	$0	$0	$0	$2	$16	$0	$0	$0	$0	$0
EBT	$0	$0	-$51	-$118	-$210	-$177	-$156	-$123	-$75	-$20
Tax Expense	$0	$0	$0	$0	$2	$0	$0	$0	$0	$0
Net Income	**$0**	**$0**	**($51)**	**($119)**	**($212)**	**($177)**	**($156)**	**($123)**	**($75)**	**($20)**

SG & A Expense (% Sales)	--	--	88.80%	105.54%	101.85%	90.00%	77.50%	69.00%	62.00%	57.00%
R & D Expense (% Sales)	--	--	55.47%	62.90%	53.35%	47.00%	42.00%	37.00%	33.00%	29.50%
Effective Tax Rate (% EBT)	--	--	0.00%	-0.17%	-0.71%	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

SMAR

Income Statement	Historic					Projection				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	$67	$111	$178	$271	$386	$501	$631	$764	$907	$1,053
Cost of Goods	$14	$22	$34	$53	$86	$105	$126	$145	$163	$179
Net Interest Income	$53	$90	$144	$218	$300	$396	$505	$619	$744	$874
Rental Margin	*78.92%*	*80.50%*	*80.98%*	*80.47%*	*77.82%*	*79.00%*	*80.00%*	*81.00%*	*82.00%*	*83.00%*
SG & A	$67	$134	$191	$308	$403	$476	$536	$592	$644	$700
R & D	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Operating	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
EBITDA	($14)	($45)	($47)	($90)	($103)	($80)	($32)	$27	$100	$174
EBITDA Margin	*-21.23%*	*-40.25%*	*-26.67%*	*-33.37%*	*-26.74%*	*-16.00%*	*-5.00%*	*3.50%*	*11.00%*	*16.50%*
Depreciation & Amoritization	$1	$4	$8	$13	$17	$20	$23	$25	$27	$29
EBIT	-$15	-$49	-$55	-$104	-$120	-$100	-$54	$2	$73	$144
EBIT Margin	*-22.72%*	*-43.94%*	*-31.01%*	*-38.32%*	*-31.23%*	*-20.00%*	*-8.60%*	*0.20%*	*8.00%*	*13.70%*
Interest Expense	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Abnomral Losses	$0	$0	-$2	-$8	-$2	$0	$0	$0	$0	$0
EBT	-$15	-$49	-$54	-$96	-$119	-$100	-$54	$2	$73	$144
Tax Expense	$0	($0)	$0	$0	($4)	$0	$0	$0	$0	$0
Net Income	**($15)**	**($49)**	**($54)**	**($96)**	**($115)**	**($100)**	**($54)**	**$2**	**$73**	**$144**

SG & A Expense (% Sales)	--	120.75%	107.65%	113.84%	104.57%	95.00%	85.00%	77.50%	71.00%	66.50%
R & D Expense (% Sales)	--	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Effective Tax Rate (% EBT)	0.00%	0.61%	-0.56%	-0.10%	3.20%	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*

The margin story is where you begin to see the different clientele play out. Less sophistication comes with less overhead and hence why ASAN exhibits a wider gross margin than SMAR. However, as SMAR is further down the path of monetizing clients, ASAN will be forced to increase its sophistication and thus overhead. This increase in overhead as well as it's already elevated gross margin will limit the expansion of ASAN's gross margin relative to SMAR.

Because SMAR has already made the overhead investment for sophistication it is realizing scale at the operating level faster than ASAN. This ultimately results in a strong EBITDA margin for SMAR, despite both firms making progress in that metric. In addition, the cost of labor is not as accretive with 100 small clients compared to 1 large client. Thus, ASAN's exposure to small business comes with the ongoing cost of service and labor cost. This could ultimately slow the growth of margin at the EBITDA level.

This ultimately leads to SMAR realizing a bottom line profit before ASAN. This in and of itself is not necessarily a good or bad thing. However, it will provide SMAR the ability to self-finance their own ventures whereas ASAN will be more reliant on debt and the burden that brings to the capital structure. Overall, SMAR gets a slight edge in margin given their projected bottom line. Nonetheless, both firms are on a very strong trajectory.

TITAN INVESTMENTS

March 23, 2021

Capital Structure –

ASAN

Cash Flow Statement				Historic					Projection				
				2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EBIT				$0	$0	-$52	-$118	-$158	-$162	-$141	-$107	-$59	-$4
Tax Expense (-)	0%			$0	$0	$0	$0	$2	$0	$0	$0	$0	$0
Depreciation, Amoritization & Provision (+)				$0	$0	$4	$2	$4	$6	$8	$10	$13	$15
Change in Net Working Capital (-)				$0	$0	-$17	-$76	-$115	-$150	-$165	-$175	-$150	-$165
Capital Expenditures (+)				$0	$0	-$45	$13	-$159	-$6	-$8	-$10	-$13	-$15
Operating Cash Flow				$0	$0	-$76	-$27	-$199	-$12	$24	$68	$91	$161
Outstanding Debt: Principal Payments		Year	Size (M)										
Sr. Unsecured CONVERT Due Dec. 31, 2029		2029	450						$450	$450	$450	$450	$450
New Debt: Issuance	10	Tenor:											
Sr. Unsecured Due	2031	1	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2032	2	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2033	3	0							$0	$0	$0	$0
Sr. Unsecured Due	2034	4	0								$0	$0	$0
Sr. Unsecured Due	2035	5	0									$0	$0
Sr. Unsecured Due	2036	6	0										$0
Sr. Unsecured Due	2037	7	0										
Sr. Unsecured Due	2038	8	0										
Sr. Unsecured Due	2039	9	0										
Sr. Unsecured Due	2040	10	0										
									$0	$0	$0	$0	$0
Total Debt									**$450**	**$450**	**$450**	**$450**	**$450**
Outstanding Debt: Interest Payments		WACC											
Sr. Unsecured CONVERT Due Dec. 31, 2029		3.50%	450						$16	$16	$16	$16	$16
New Debt Interest Payments	Year												
Sr. Unsecured Due	1	2.18%	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2	2.55%	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	3	2.80%	0							$0	$0	$0	$0
Sr. Unsecured Due	4	2.93%	0								$0	$0	$0
Sr. Unsecured Due	5	3.18%	0									$0	$0
Sr. Unsecured Due	6	0.00%	0										$0
Sr. Unsecured Due	7	0.00%	0										
Sr. Unsecured Due	8	0.00%	0										
Sr. Unsecured Due	9	0.00%	0										
Sr. Unsecured Due	10	0.00%	0										
Current Total Interest Expense				**$0**	**$0**	**($1)**	**($2)**	**$36**	**$16**	**$16**	**$16**	**$16**	**$16**
Debt Tax Shield (35%)	0%			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Free Cash Flow				**$0**	**$0**	**($75)**	**($25)**	**($235)**	**($27)**	**$9**	**$52**	**$75**	**$145**
Base Total Interest Expense				**$0**	**$0**	**($1)**	**($2)**	**$36**	**$16**	**$16**	**$16**	**$16**	**$16**
Potential Debt Tax Shield (35%)	0%			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Base Free Cash Flow				**$0**	**$0**	**($75)**	**($25)**	**($235)**	**($27)**	**$9**	**$52**	**$75**	**$145**
Dividend $2.92/Share									$0	$0	$0	$0	$0
Share Repurchase									$0	$0	$0	$0	$0
Non-Guaranteed Equity Payments									$0	$0	$0	$0	$0
Maturity Schedule													
Sr. Unsecured CONVERT Due Dec. 31, 2029			450						$0	$0	$0	$0	$0
Retired Debt									$0	$0	$0	$0	$0
FCF - Obligations and Non-Guaranteed									($27)	$9	$52	$75	$145
Debt Retirement							Cash	Limit	$0	$0	$0	$0	$0
Cash Balance							$386	$50	$359	$367	$419	$494	$639
Base Capital Raise									$0	$0	$0	$0	$0
EBITDA/Interest Expense				N/A	N/A	N/A	N/A	N/A	(9.5)x	(7.9)x	(5.5)x	(2.1)x	1.7x
EBITDA/Interest Expense*				N/A	N/A	N/A	N/A	N/A	(9.5)x	(7.9)x	(5.5)x	(2.1)x	1.7x
(EBITDA - CAPEX)/Interest Expense				N/A	N/A	N/A	N/A	N/A	(9.9)x	(8.4)x	(6.1)x	(3.0)x	0.7x
(EBITDA - CAPEX)/Interest Expense*				N/A	N/A	N/A	N/A	N/A	(9.9)x	(8.4)x	(6.1)x	(3.0)x	0.7x
Total Debt/EBITDA				9.6x	6.9x	5.6x	5.2x	5.4x	(2.9)x	(3.4)x	(4.6)x	(9.7)x	39.0x
Total Debt/EBITDA*									(2.9)x	(3.4)x	(4.6)x	(9.7)x	39.0x

TITAN INVESTMENTS

March 23, 2021

SMAR

Cash Flow Statement				Historic					Projection				
				2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EBIT				-$15	-$49	-$55	-$104	-$120	-$100	-$54	$2	$73	$144
Tax Expense (-)	0%			$0	$0	$0	$0	-$4	$0	$0	$0	$0	$0
Depreciation, Amoritization & Provision (+)				$1	$4	$8	$13	$17	$20	$23	$25	$27	$29
Change in Net Working Capital (-)				-$14	-$32	-$43	-$72	-$82	-$90	-$110	-$130	-$150	-$165
Capital Expenditures (+)				$9	-$1	-$14	-$90	-$85	-$10	-$13	-$15	-$18	-$21
Operating Cash Flow				$9	-$14	-$18	-$109	-$102	$0	$66	$141	$232	$318
Outstanding Debt: Principal Payments		Year	Size (M)										
Sr. Unsecured Due After 2029		2029	26,000						$0	$0	$0	$0	$0
New Debt: Issuance	10	Tenor:											
Sr. Unsecured Due	2031	1	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2032	2	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2033	3	0							$0	$0	$0	$0
Sr. Unsecured Due	2034	4	0								$0	$0	$0
Sr. Unsecured Due	2035	5	0									$0	$0
Sr. Unsecured Due	2036	6	0										$0
Sr. Unsecured Due	2037	7	0										
Sr. Unsecured Due	2038	8	0										
Sr. Unsecured Due	2039	9	0										
Sr. Unsecured Due	2040	10	0										
									$0	$0	$0	$0	$0
Total Debt									**$0**	**$0**	**$0**	**$0**	**$0**
Outstanding Debt: Interest Payments		WACC											
Sr. Unsecured Due After 2029		3.75%	26,000						$0	$0	$0	$0	$0
New Debt Interest Payments	Year												
Sr. Unsecured Due	1	2.18%	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	2	2.55%	0						$0	$0	$0	$0	$0
Sr. Unsecured Due	3	2.80%	0							$0	$0	$0	$0
Sr. Unsecured Due	4	2.93%	0								$0	$0	$0
Sr. Unsecured Due	5	3.18%	0									$0	$0
Sr. Unsecured Due	6	0.00%	0										$0
Sr. Unsecured Due	7	0.00%	0										
Sr. Unsecured Due	8	0.00%	0										
Sr. Unsecured Due	9	0.00%	0										
Sr. Unsecured Due	10	0.00%	0										
Current Total Interest Expense				**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Debt Tax Shield (35%)	0%			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Free Cash Flow				**$9**	**($14)**	**($18)**	**($109)**	**($102)**	**($0)**	**$66**	**$141**	**$232**	**$318**
Base Total Interest Expense				**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
Potential Debt Tax Shield (35%)	0%			$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Base Free Cash Flow				**$9**	**($14)**	**($18)**	**($109)**	**($102)**	**($0)**	**$66**	**$141**	**$232**	**$318**
Dividend $2.92/Share									$0	$0	$0	$0	$0
Share Repurchase									$0	$0	$0	$0	$0
Non-Guaranteed Equity Payments									$0	$0	$0	$0	$0
Maturity Schedule													
Sr. Unsecured Due After 2029			26,000						$0	$0	$0	$0	$0
Retired Debt									$0	$0	$0	$0	$0
FCF - Obligations and Non-Guaranteed									($0)	$66	$141	$232	$318
Debt Retirement							Cash	Limit	$0	$0	$0	$0	$0
Cash Balance							$442	$50	$442	$508	$649	$881	$1,199
Base Capital Raise									$0	$0	$0	$0	$0
EBITDA/Interest Expense				N/A	N/A	N/A	N/A	N/A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA/Interest Expense*				N/A	N/A	N/A	N/A	N/A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
(EBITDA - CAPEX)/Interest Expense				N/A	N/A	N/A	N/A	N/A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
(EBITDA - CAPEX)/Interest Expense*				N/A	N/A	N/A	N/A	N/A	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Total Debt/EBITDA				9.6x	6.9x	5.6x	5.2x	5.4x	0.0x	0.0x	0.0x	0.0x	0.0x
Total Debt/EBITDA*									0.0x	0.0x	0.0x	0.0x	0.0x

*Includes Capital Raising and Acquisitions

Both firms are expected to turn free cash flow positive in 2022. From there, both will enjoy a larger and larger cash position to pursue any venture or shareholder friendly activity. Two differences do emerge:

- SMAR has a larger cash position $442M versus ASAN's cash position of $368M.
- SMAR has no debt whereas ASAN issued $450M of convertible debt.

The cash position is not nearly as relevant as the difference in debt. ASAN will see that $450M worth of debt mature in January and June of 2025 or see those obligations converted to shares. In addition, the specifics of converting the debt into shares is fairly opaque outside of conversion prices listed at $31.58 and $31.09. Shares are currently hovering around $30/share, but unlocks the possibility of these shares being converted and diluting the value to existing stock holders. One final note on share dilution, ASAN also faces blackout periods coming to an end. In one weeks' time, 30M ASAN shares will be eligible to be traded (37.5% of all shares) and could put downward pressure on shares.

Once again, it cannot be said enough that both firms are in strong financial shape. Free cash flow is set to grow, both firms have strong cash positions, and neither has an overly burdensome capital structure. When peeling back the layers of each firm's financials, SMAR is in better position from a value perspective given no current risk of equity dilution.

Management –

ASAN Executive Team	Name	Ownership	Notes
CEO/Founder	Dustin Moskovitz	6.16%	Co-Founder of FaceBook
CFO	Tim Wan	0.85%	CFO RealNetworks
Board Member	Colin Mark De Luc	0.08%	Generation Investment (7.79% ownership)
Board Member	Anne Raimondi	0.08%	Co-Founder Blue Nile
Board Member	Lorrie Norrington	0.08%	Partner Lead Edge Capital
Board Member	Sydney Carey	0.08%	CFO Sumo Logic

SMAR Executive Team	Name	Ownership	Notes
CEO/Board Member	Mark Mader	0.61%	VP Onyx Software
CFO	Pete Godbole	N/A	CFO Hearsay Networks
CSO	Gene Farrell	0.02%	VP Amazon (AWS)
CTO	Praerit Garg	0.03%	Co-Founder Symform
Chairman/Co-Founder	Geoffrey Barker	0.31%	Co-Founder RPX, Cobalt Group, and Vigilos
Board Member/Co-Founder	Brent Frei	2.22%	Co-Founder Onyx Software
Board Member	Matthew McIlwain	0.08%	Partner Madrona Venture
Board Member	James White	0.35%	Partner Sutter Hill Ventures
Board Member	Magdalena Yesil	0.06%	Broadway Angels
Board Member	Elena Gomez	0.02%	CFO ZenDesk
Board Member	Michael Gregoire	N/A	Partner Park Capital Management
Board Member	Rowan Trollope	N/A	CEO Five9
Board Member	Alissa Abdullah	N/A	CSO MasterCard

There are a lot of puts and takes when evaluating the boards:

1. ASAN Executives own a much larger portion of the firm compared to SMAR. Thus, the adage of "eat your own cooking" is being embraced by ASAN.

2. The respective founders of each firm are both impressive, but Mr. Moskovitz is a once in a generation entrepreneur.
3. SMAR has a much deeper bench in terms of board members and experience that are composed from both the financial and practical side.
4. SMAR is more "institutionally owned" than ASAN. This ties back to executive ownership, but SMAR is concentrated in the hands of firms like Vanguard while ASAN is tied to hedge funds.

In summation, ASAN gets the green light on this comparison. SMAR has a more well-rounded and deep executive team, but it is hard to overlook ownership exposure. Mr. Moskovitz's wealth is increasingly tied to the success of ASAN.

Outlook –

ASAN

Adjusted Present Value

Equity SnapShot	5YR CAGR				
Growth 5.00%	#DIV/0!				
Discount 8.29%					
Time	1	2	3	4	5
Discount Factor	0.92790201	0.859183	0.790293	0.716595	0.6509759
Free Cash Flow	-$27	$9	$52	$75	$145
Discounted FCF	-$25	$7	$41	$54	$95
Terminal Value					$3,018
Enterprise Value	$3,189				Terminal
Outstanding Debt	$450				Weight
Equity Value	$2,739				94.63%
Shares Outstanding	80.3				
Share Price	**$34.11**				

Current Share Price	**$29.50**

Sensitivity Analysis	7.29%	7.54%	7.79%	8.04%	8.29%	8.54%	8.79%	9.04%	9.29%
4.00%	$33.79	$31.16	$28.88	$26.87	$25.11	$23.53	$22.12	$20.85	$19.70
4.25%	$36.95	$33.88	$31.24	$28.95	$26.95	$25.17	$23.60	$22.18	$20.91
4.50%	$40.68	$37.05	$33.97	$31.33	$29.03	$27.02	$25.24	$23.66	$22.25
4.75%	$45.14	$40.79	$37.15	$34.06	$31.41	$29.11	$27.09	$25.31	$23.73
5.00%	$50.58	$45.26	$40.89	$37.24	$34.15	$31.49	$29.19	$27.17	$25.38
5.25%	$57.35	$50.71	$45.37	$41.00	$37.34	$34.24	$31.58	$29.26	$27.24
5.50%	$66.00	$57.49	$50.84	$45.49	$41.10	$37.44	$34.33	$31.66	$29.34
5.75%	$77.47	$66.17	$57.63	$50.96	$45.61	$41.21	$37.53	$34.42	$31.74
6.00%	$93.39	$77.67	$66.33	$57.78	$51.09	$45.72	$41.31	$37.63	$34.51

Upside/Downside Capture	
U/D Capture	6.5x
FV Discount	86.49%

SMAR

Adjusted Present Value

Equity SnapShot	5YR CAGR				
Growth 5.00%	54.94%				
Discount 7.85%					
Time	1	2	3	4	5
Discount Factor	0.93093401	0.866178	0.800306	0.729112	0.6656894
Free Cash Flow	$0	$66	$141	$232	$318
Discounted FCF	$0	$57	$113	$169	$211
Terminal Value					$7,780
Enterprise Value	$8,330				Terminal
Outstanding Debt	$0				Weight
Equity Value	$8,330				93.39%
Shares Outstanding	123.3				
Share Price	**$67.56**				

Current Share Price	**$63.68**

Sensitivity Analysis	6.85%	7.10%	7.35%	7.60%	7.85%	8.10%	8.35%	8.60%	8.85%
4.00%	$67.06	$62.01	$57.72	$54.02	$50.80	$47.97	$45.47	$43.24	$41.25
4.25%	$73.24	$67.21	$62.15	$57.84	$54.14	$50.91	$48.08	$45.57	$43.34
4.50%	$80.74	$73.41	$67.36	$62.29	$57.97	$54.26	$51.02	$48.18	$45.67
4.75%	$90.02	$80.92	$73.57	$67.51	$62.42	$58.10	$54.37	$51.13	$48.29
5.00%	$101.82	$90.23	$81.11	$73.74	$67.66	$62.56	$58.23	$54.49	$51.25
5.25%	$117.30	$102.05	$90.43	$81.29	$73.90	$67.81	$62.70	$58.36	$54.61
5.50%	$138.51	$117.57	$102.28	$90.64	$81.47	$74.07	$67.96	$62.84	$58.48
5.75%	$169.37	$138.83	$117.83	$102.51	$90.84	$81.65	$74.23	$68.11	$62.98
6.00%	$218.37	$169.76	$139.15	$118.10	$102.75	$91.05	$81.84	$74.40	$68.26

Upside/Downside Capture	
U/D Capture	6.9x
FV Discount	94.25%

Both firms trade at a discount to their projected value. However, ASAN trades a slightly greater discount (86.5% versus 94.3%) than SMAR. The ambiguous nature of the share dilution that could take place from convertible debt could quickly erase this perceived discount. Thus, the outlook for each firm is largely a wash when taking into account the ramifications of corporate actions.

Summation of Titans:

	SMAR	ASAN
Product Offering		
Pricing		
Customer Review		
Customer Type		
Growth		
Margins		
Capital Structure		
Management		
Outlook		

Workplace software is on the rise with an industry being defined by innovation and constant change. A firm's ability to be agile and proactive is paramount to success. SMAR comes out better positioned than ASAN to take advantage of this environment. SMAR has a more robust product offering all the while boasting rock solid financials. In addition, the deep bench at the executive level serves as a means to take advantage of any shareholder friendly (takeout) event that emerges in the future.

ASAN is no slouch. They are simply a couple of steps behind SMAR in terms of product offering and the resulting scale that comes with growth. However, the leadership of Dustin Moskovitz is incredibly hard to overlook. In addition, ASAN could develop a fairly deep pipeline of clients who start at the Basic tier, but ultimately end up at the Enterprise level.

A Quick Note on Relative Value:

Given the similarity between the two firms, it pays to study the share price movement since ASAN's inception.

The spread between SMAR and ASAN shares highlights the current relationship is largely trading near the historic average, with a small premium to SMAR. This is not unsurprising, given ASAN as a slightly higher discounted value than SMAR. Like the outlook of each respective firm, SMAR does not have to deal with the risk of convertible debt and/or blackout periods. Thus, the small premium makes intuitive sense.

	SMAR	ASAN
2021 P/S	15.7x	7.5x
2022 P/S	12.4x	5.5x
2023 P/CF	55.6x	64.1x

Lastly, valuation ratios deserve a quick mention, but are not surprising given the previous information. SMAR's slower growth rate, but reaching positive cash flow first relative to ASAN results in elevated P/S ratios, but discounted P/CF. Titan Investments focuses more on positive cash flow with robust growth rather than just growth. Positive cash flow is the life blood for any business and gives a slight edge to SMAR.

Conclusion:

The robust nature of the workplace software industry is here to stay. COVID has ushered in a "new normal" where employees will expect the ability to work from home on a partial basis at the very least. The risk of hotspots, variants, vaccine issues, etc. would only benefit the industry. Employees will find themselves in this perpetual state of working from two offices and instead of relying on emails, phone calls, face to face meetings, etc. this platform will serve as the means to keep employees connected. This connection will also provide employers the ability to hold their employees accountable to a schedule as well as see daily progress.

SMAR and ASAN are the leaders in an industry that is set to grow at 15% per annum for the next 5 years. Both firms offer a similar outlook, but SMAR takes a slight lead when considering the entire picture: a proven track record, sophisticated product offering, and a clientele that is more geographically spread out.

Given the volatile nature of each firm and their relative short trading life, any position in SMAR or ASAN needs to be done from a tactical perspective. Moving forward, Titan will look to add SMAR given its relative strength to ASAN. However, a keen eye will be kept on ASAN over the next week as we lap the blackout period as this could result in ASAN shares falling and providing a strong point of entry.

If you have any questions, do not hesitate to ask.

Respectfully

Kenny Blickenstaff, CFA
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Backtested performance is NOT an indicator of future actual results. There are limitations inherent in hypothetical results particularly that the performance results do not represent the results of actual trading using client assets, but were achieved by means of retroactive application of a backtested model that was designed with the benefit of hindsight. The results reflect performance of a strategy not historically offered to investors and do NOT represent returns that any investor actually attained. Backtested results are calculated by the retroactive application of a model constructed on the basis of historical data and based on assumptions integral to the model which may or may not be testable and are subject to losses.

Backtested performance is developed with the benefit of hindsight and has inherent limitations.

Specifically, backtested results do not reflect actual trading, or the effect of material economic and market factors on the decision making process, or the skill of the adviser. Since trades have not actually been executed, results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity, and may not reflect the impact that certain economic or market factors may have had on the decision-making process. Further, backtesting allows the security selection methodology to be adjusted until past returns are maximized. Actual performance may differ significantly from backtested performance.

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