Long: CommerceHub (CHUBA) Target Price: $30.23 (+37.3%)

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Investment Overview

Target Price: $30.23
Upside: 37.3%

CommerceHub

1 Need for drop-shipping and virtual inventory to compete with Amazon

2 Unique product offerings lead to strong moat with 39.4% EBITDA margins

3 E-commerce tailwinds derived top line revenue growth of 16.7%

4 Strong cash generator with FCF margin of 18.7%—undervalued due to street's misperceptions

Price—11/05/17	**$22.02**
Market Cap	**$821M**
Enterprise Value	**$1.36B**
FY18E Rev Growth	**16.7%**
Adj 2018E EBITDA Margin	**39.4%**
FCF Margin	**18.7%**

Why This Opportunity Exists

- Liberty Ventures spin-off—overseen by John Malone
- Mispricing due to incorrect revenue and margin projections
  - Share based compensation—confusion over mark-market differences
  - Mercent acquisition distorts top line revenue and sales & marketing margins
- Underfollowed by street—small size & lack of bank financing

CommerceHub—Range of Implied Share Values

Current Share Price: $22.02

Base DCF (NTM EV / FCF)
Base DCF (NTM EV / EBITDA)
LTM EV/FCF
NTM EV/EBITDA
NTM Forward P/E

$0 $20 $40 $60 $80 $100 $120 $140 $160
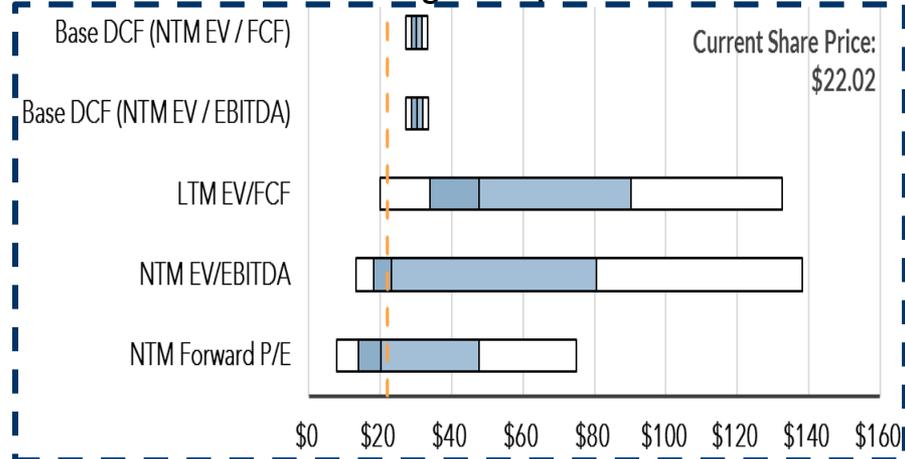
What is Drop-Shipping?

Drop shipping is a supply chain management technique in which the retailer does not keep SKUs on its shelf, but instead offers a product supplier's inventory for sale (virtual inventory). Upon customer order, the retailer transfers that order and shipment details back to the product supplier, who then ships the goods directly to the customer on behalf of the retailer.

Benefits

- Allows retailers to expand SKUs 5-10x normal levels through virtual inventory **without adding significant incremental capex and working capital**
- Allows retailers to test drive new inventory cheaply
- Faster delivery times with a larger geographic presence
- Outsource fulfilment and inventory to focus on core sales and marketing
- Suppliers receive more virtual shelf space to sell goods

Consumer	e-Commerce Retailer	Product Supplier
Places order with online retailer	Passes order to supplier	Ships item(s) ordered directly to consumer

CommerceHub Products

Supply—ProductStream

Customizable application for retailers that enables rapid data exchange with suppliers in **one centralized location**

- Accelerate product discovery
- Greater visibility into the SKUs
- Receive product content from approved suppliers in one place
- Identify assortment gaps on compatible product catalogs

Delivery—OrderStream

Connects brands, retailers, and marketplaces, for **end-to-end control** over fulfillment and delivery process

- Retailers—Manage and monitor fulfilment process in real-time
- Brands—Review orders, access real-time reports, and manage fulfillment in one place
- Smartshipping–Find closest fulfillment center for fastest delivery at lowest cost
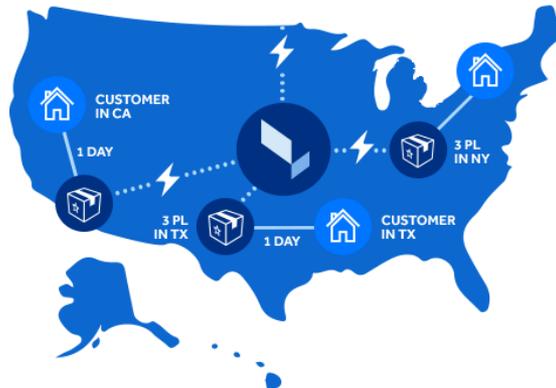
Demand—DemandStream

Connects brands and retailers for control over products, **catalog syndication**, marketplace selling, and advertising

- Build new SKUs and quickly update catalogues on all channels
- Quick and easy error resolution
- Integrate product catalogue to marketplaces and manage advertising campaigns
- Competitively price products
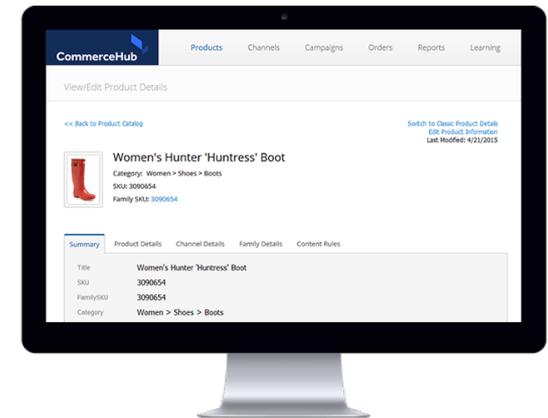
Need for Drop-Shipping in an Age of Amazon

Need for Faster Delivery

Customers expect delivery in 2 days or less, and free shipping. Instead of building a costly distribution network across the US, **retailers need to utilize CommerceHub to outsource fulfilment and delivery with drop-shipping**

- **Cost-effective and rapid delivery** requires quick processing coupled with geographically distributed inventory
- Reducing processing time by 1-day increases conversion rates by **4%**[1]
- CommerceHub retailers achieve 2-day shipping for **98%** of customers across the US

> CommerceHub is the **only** end-to end provider or a fully integrated solution for retailers and suppliers

Case Study on CommerceHub Delivery Times

Challenge—Multi-billion dollar retailer with warehouses only on the east coast has 4-6 day transit times to the west coast

Solution—Used CommerceHub to enable fulfillment from a 3PL warehouse in California, rather than incurring the expense to open new warehouses

	Before	After	Delta
Average Ground Cost per Package	$13	$8	–$5
Average Transit Time in Days	4.3	1.4	–2.9
US Population 1-day Ground Coverage	23%	32%	+9%
US Population 2-day Ground Coverage	60%	77%	+17%
US Population 3-day Ground Coverage	79%	100%	+21%
US Population 4-day Ground Coverage	91%	100%	+9%

Transit Times
- 1 day
- 2 days
- 3 days
- 4 days
- 5 days
- 6 days

[1]CommerceHub Case Study 2016

Need for Drop-Shipping in an Age of Amazon

Cost Benefits of Virtual Inventory

$252 billion annually (5% of North American retail sales) is lost to inventory distortion—more efficient B2B process needed to manage inventory and achieve faster delivery [2]

- Inventory distortion – lost sales due to out-of-stock (**$145 B annually**) and losses due to overstock items (**$108 B annually**) in North America[2]
- Doesn't include losses due to unstocked inventory
- Per CHUB SVP channel check, retailers stock most frequent purchases and drop-ship low-frequency or experimental products
- Profits of manufacturers who drop ship are **18.33%** higher

How CommerceHub Solves Inventory Distortion

- Virtual inventory reduces overstock inventory costs
- Retailers stock 75% of most frequent purchases and drop-ship remaining 25%
- Reduce out-of-stock lost sales by using suppliers on CommerceHub platform that carry same products
- Having 5x more virtual inventory mitigates losses due to unstocked inventory

$108 B — Overstocked inventory

$145 B — Out-of-stock inventory

$252 B

? Unstocked inventory

Potential industry gains after switching to drop-shipping solutions

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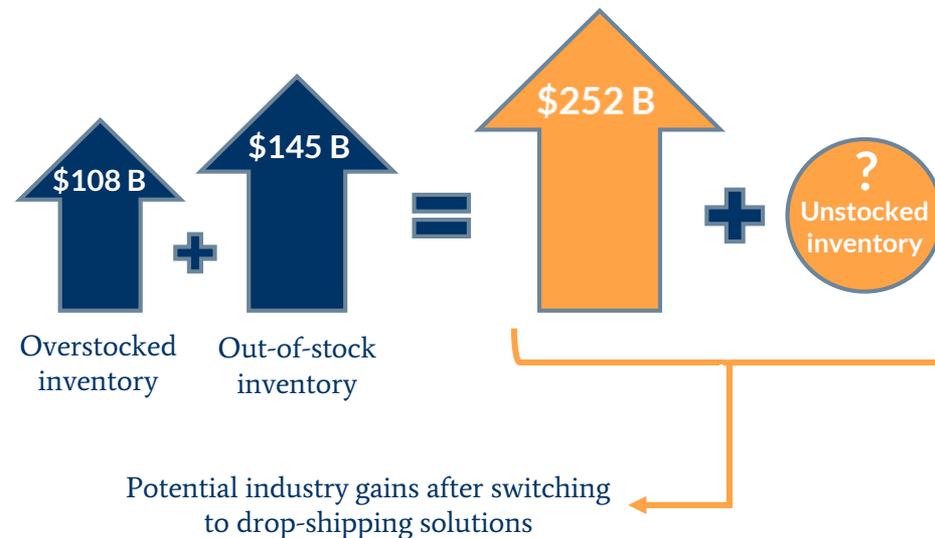
[1] Chiang, Feng, "Strategic Pricing and Economic-Lot-Size Decisions," 2009
[2] Buzek, Sheldon, Holman, "Retail's $1.1 Trillion Inventory Distortion Problem," 2015

Need for Drop-Shipping in an Age of Amazon

Need to Expand SKUs to Compete with Amazon

Retailers need to list more inventory online to match the range of SKUs that Amazon offers **to stay afloat**.

- Retailers can cheaply **grow SKUs 5-10x** by enabling dropshipping and virtual inventory

- CommerceHub's 11,000+ suppliers carry millions of SKUs

- Best e-retailers drop-ship **50%+** products (Wayfair, QVC), yet industry average is ~10% → opportunity to grow penetration

- More SKUs → more customers and higher conversion rates

- Cost of each transaction with CommerceHub dropshipping is effectively 0.75% when accounting for usage and subscription costs

- Without a capital base like Amazon, retailers can drop ship and **pay a small fee** of 0.75%, **or lose out on a sale**
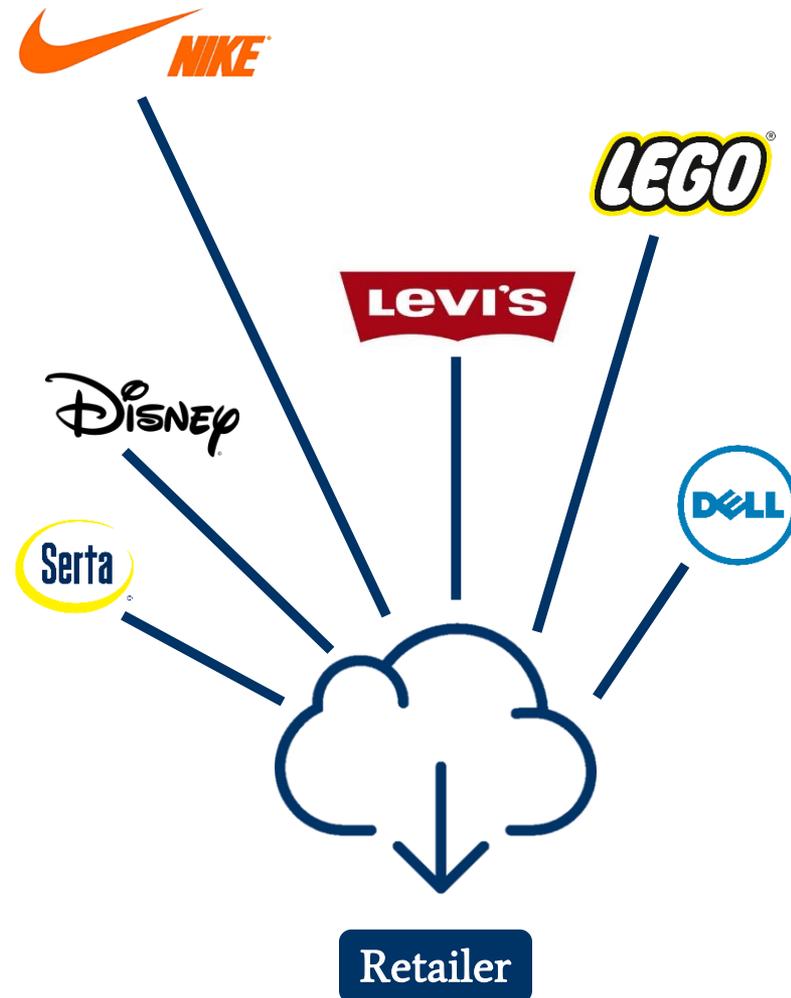
Strong Moat

Three-sided Value Proposition

Retailer
- Wider assortment of SKUs
- Less tied up working capital
- Lower shipping/storage costs

Supplier
- Greater exposure to retailers and customers
- Increased shelf space

Customer
- Wider selection of items
- Faster order delivery

Relationship with Top Ten E-Retailers

current
potential

Ecommerce Share of Total Sales

Rank	Retailer	Ecommerce Share of Total Sales
Rank 2	Wal-Mart	2.8%
Rank 4	Staples	55%
Rank 7	Best Buy	9.4%
Rank 8	QVC	43%
Rank 9	Costco	3.1%

Opportunity to expand wallet share
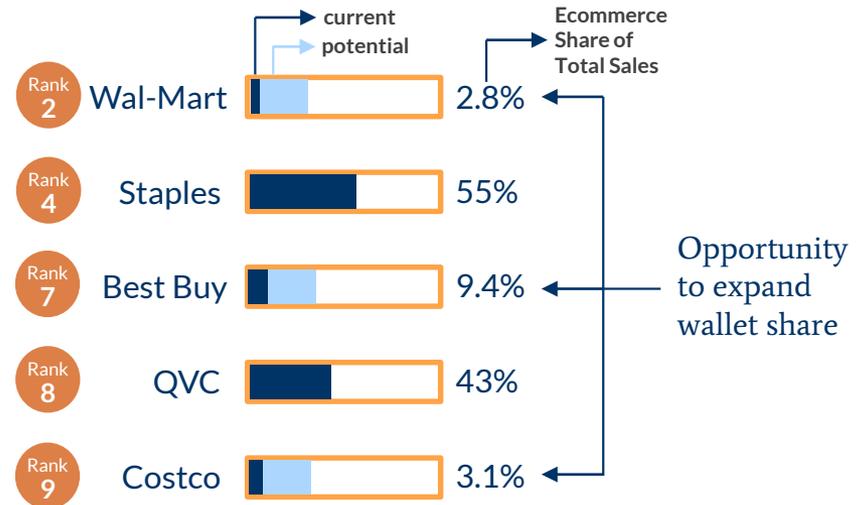
Brand Loyalty

- Strategic partner
- High retention rate, only lost two major customers:

circuit city — Left due to bankruptcy

Target — Left to develop an in-house solution

Network Effects

- Platform effects- once integrated, company can do business with any counterparty on the network

55 TOP US RETAILERS

11,200+ INTEGRATED BRANDS, DISTRIBUTORS & SELLERS

$13B+ GMV ENABLED IN 2016

No Close Competitors

Large barriers to entry, low acquisition costs

SPS COMMERCE
- Targets suppliers
- Uses outdated EDI

channeladvisor
- Advertising & placement on marketplaces

In-House Solution
- Expensive, only viable for largest retailers

EDI vs Drop-Shipping
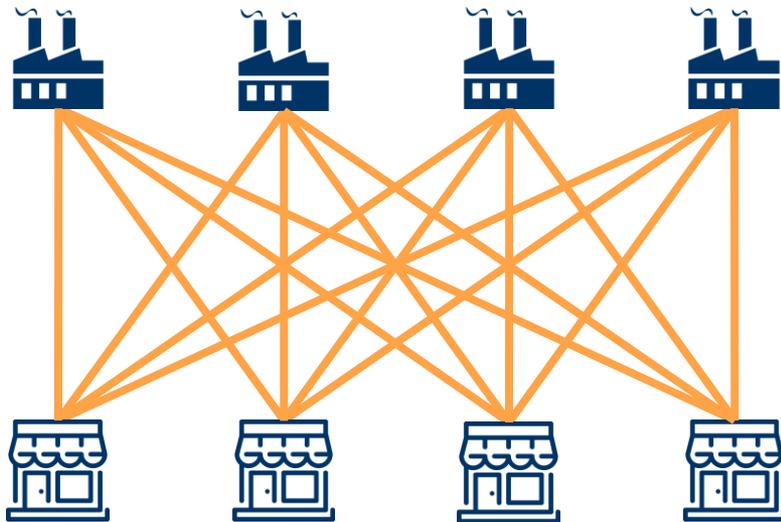
Drawbacks of EDI

- Fulfillment automation in a **single facility**

- **Point-to-point connections** between parties

- **Not user friendly**: difficult to deploy and maintain

- **Not scalable**: adding new partners must be done on a case by case basis
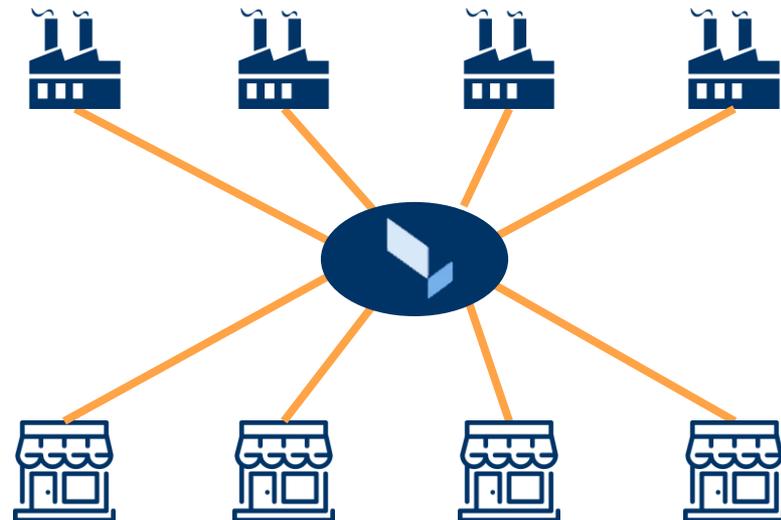
Benefits of Drop Ship

- **Two-sided party benefits**

- **Platform effects-** all parties can interact seamlessly

- **User friendly**: onboarding additional parties is easy and efficient

- **Highly scalable**: no extra work to form new connections

10

No Close Competitors

SPS COMMERCE

Customer:
- 24,600 suppliers

Marketing Strategy:
- High acquisition costs, S&M- 35% of revenue

Software:
- Enables suppliers to integrate with requirements of retailers
- Outdated EDI software

In-House Solution

Customer:
- Top 10 largest retailers
- Must have extensive distribution networks across US

Software:
- Significant capital and time required, no scale effects

CommerceHub Advantages
- Centralized platform that **benefits all parties**
- **Network effects** → significant moat
- Markets to retailers- 56
- **Low acquisition costs**, S&M- 8.3% of revenue
- **High retention rate-** becoming strategic partner for retailers
- Need for drop shipping and virtual inventory

channeladvisor

Customer:
- 2,690 brands
- Decline in customers 2015- 2016

Marketing Strategy:
- High acquisition costs
- S&M- 54% of revenue

Solution:
- Helps brands advertise & sell through online marketplaces

CommerceHub for Brands
- 2015 Mercent acquisition
- Allows brands to market and sell products through marketplaces
- Focused on large customers, strong relationship with Amazon
- **Low acquisition costs-** cross-selling
- **Revenue misperception-** churning costly customers relying on managed services
- Strategic importance- **exposure to Amazon's growth**

11

Capitalizing on Ecommerce Tailwinds

Growth

- Historic growth- **5B** in 1998 → **390B** in 2016 (28% CAGR)[1]
- Current growth- **~13% YoY** growth, ex-Amazon
- Outpacing industry- **3x higher** than retail growth of ~3.8% a year

Penetration

- Ecommerce penetration- **0.18%** in 1998 to **8.03%** in 2016
- Increased TAM each year → **15-20% revenue growth** a year for the next 5 years

How CommerceHub Benefits

Need for:

↑ SKUs + ↓ Delivery times → Drop shipping   Virtual inventory

- Misperception in valuation- should use ex-Amazon e-commerce growth
- Increased ecommerce growth → increased subscriptions
- Increased ecommerce penetration → increased usage revenue

Continued E-commerce Growth

+11.3% CAGR

Year	Ecommerce Retail Ex-Amazon (billions)	CHUB GMV as % of Ex-Amazon Ecom
2014	$220	4.0%
2015	$248	4.7%
2016	$278	4.8%
2017	$315	4.9%
2018	$355	5.1%
2019	$401	5.2%
2020	$453	5.3%
2021	$511	5.4%
2022	$577	5.6%

■ Ecommerce Retail Ex-Amazon (billions) ─■─ CHUB GMV as % of Ex-Amazon Ecom

12
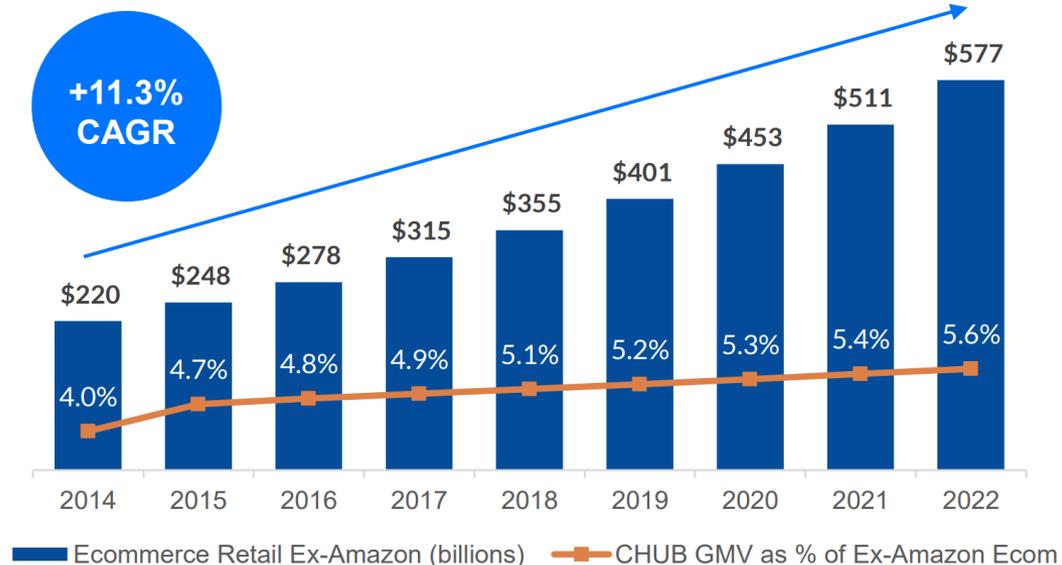
Valuation Methodology: Revenue Build

Total Revenue

$\left(\begin{array}{c}\textbf{~69\%}\\\text{total}\\\text{revenue}\end{array}\right)$ **Usage Revenue**

Fees charged to retailers and suppliers for use of CommerceHub platform

→ Driven as ~52 bps of gross merchandise volume

$\left(\begin{array}{c}\textbf{~26\%}\\\text{total}\\\text{revenue}\end{array}\right)$ **Subscription Revenue**

Based on number and type of customers and used demand channels

→ Driven as ~18 bps of gross merchandise volume

$\left(\begin{array}{c}\textbf{~6\%}\\\text{total}\\\text{revenue}\end{array}\right)$ **Set-up & Services Revenue**

On-boarding services and professional services throughout subscription

→ Driven as ~$150 per customer quarterly

Expected Gross Merchandise Volume Growth Breakout
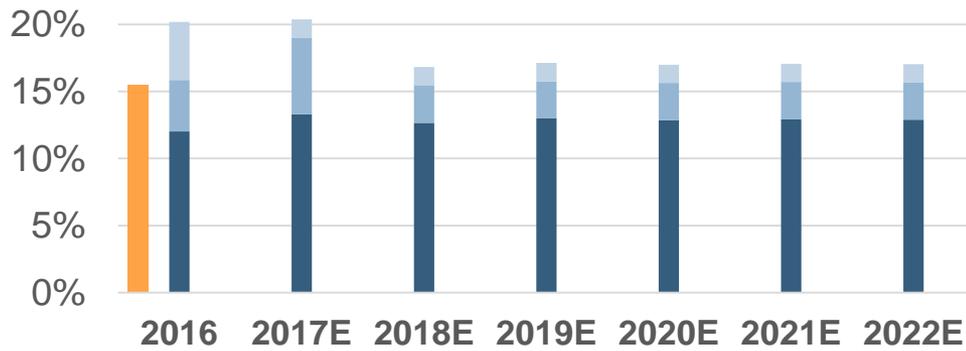
- ■ E-commerce excl. Amazon ■ Drop-shipping penetration
- ■ New customers ■ Actual GMV growth

Expected GMV Growth = E-commerce excl. Amazon (excl. AWS) growth + Drop-shipping penetration growth + New customer GMV contribution growth

Valuation Methodology: Mercent and SBC Impact

> "Ultimately Mercent was a **cheap purchase** ($20.2M) for tech that would've taken them [CommerceHub] too long to develop in-house… [Mercent] **customers signed on will be churned off**"— Managing Partner, Norwood Capital Partners

- Mercent impact is in the tail-end of clouding core drop-shipping business strong revenue growth (high teens vs low double-digits) and EBITDA margins

- Given total revenue growth excluding Mercent from 2016 Q3 to 2017 Q1 we can back out and project Mercent's revenue headwind

- Base case projects that Mercent will have **no contribution to revenues or margins from 2019 onwards**

Mercent Impact Hides Accelerating Drop-Shipping Revenue Growth

Legend: Core Drop-Shipping, Mercent, CommerceHub
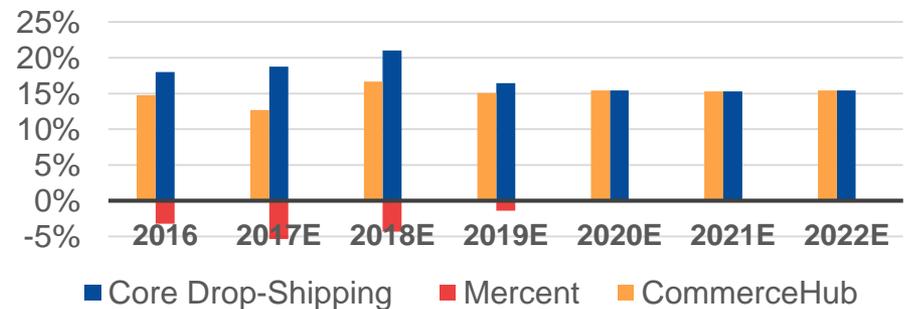
SBC and Mercent Impact Obfuscates Strong EBITDA Margins

Legend: EBITDA Margin, SBC & Mercent Impact, Adjusted EBITDA Margin
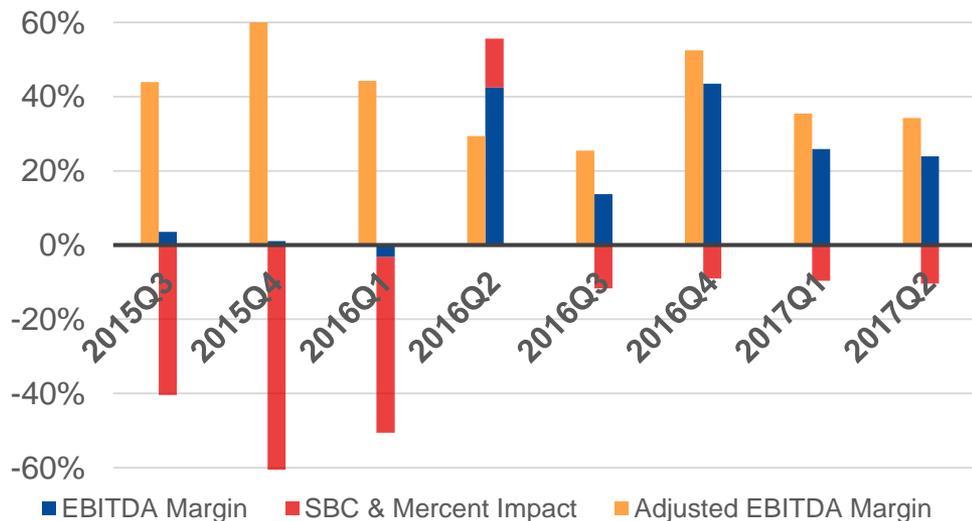
- While it is normal to back out of SBC for SaaS companies, CommerceHub's appears excessive

- Spin-off resulted in conversion of options from cash-settled to share-settled. Per GAAP, cash-settled shares must be marked-to-market → record-high SBC expense through 2015-2016.

- **As remaining options are converted, SBC expense decreases significantly**. Management and IR have guided SBC to be "$2-2.5M… [with] about 200-400M incremental diluted shares" going forward.

- Backing out of Mercent's impact reveals **industry-high EBITDA margins of ~55%** (~40% for high-quality SaaS businesses)

14

Valuation Methodology: Free Cash Flows

CommerceHub 2018E Free Cash Flow Bridge

Waterfall chart (Millions):
- Adjusted EBIT: $33.5
- Tax Expense: (13.3)
- Dep./Amort.: 10.3
- PP&E…: (2.3)
- Software…: (2.3)
- Δ NOWC: 2.3
- Free Cash…: $28.2
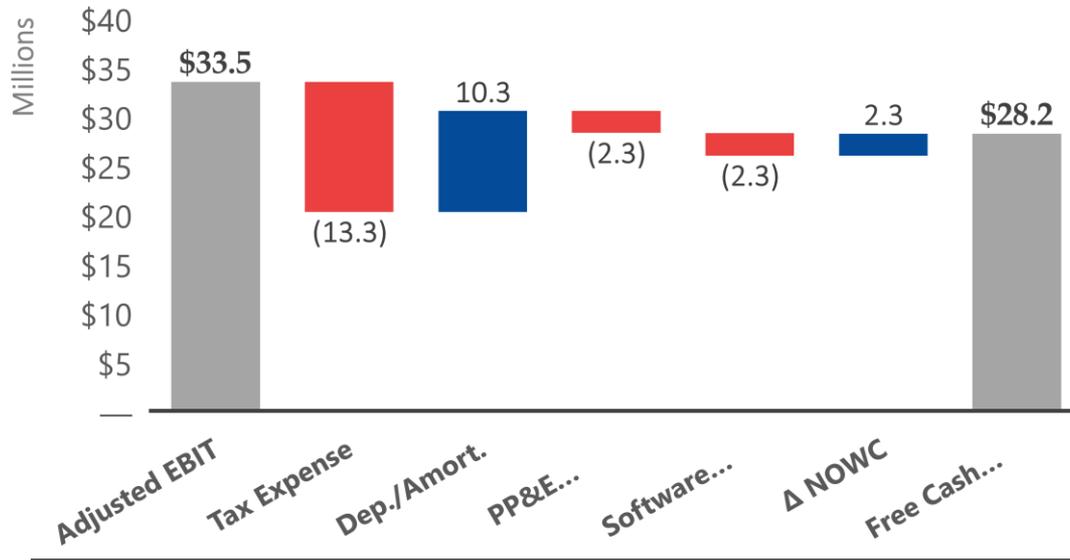
Much of CHUBA's adjusted EBIT is converted into cash:

- With John Malone's advice as a renowned capital allocator, CHUBA has **tremendous potential for strategic organic or organic growth** due to strong cash flows

- Further opportunity exists in reducing CHUBA's massive tax rate (40%!)

CHUBA has multiple ways to win on UFCF margins:

- E-commerce growth tailwind is a primary driver of upper-teens revenue growth.

- Low marketing and sales expenses as % of revenue relative to SaaS peers (~10% vs. ~30%+). CHUBA only needs to market towards top e-retailers—**incremental suppliers are free dessert!**

- Retailer churn is negligible (2 in history). Suppliers remained on platform.

CHUBA SaaS Competitors LTM UFCF Margins

Bar chart:
- CommerceHub: 18.7%
- Manhattan Associates: 24.1%
- Callidus Software: 15.7%
- Verint Systems: 15.4%
- Ebix: 13.7%
- Cornerstone OnDemand: 10.8%
- SPS Commerce: 10.5%
- SimCorp A/S: 5.3%

Average: 14.3%
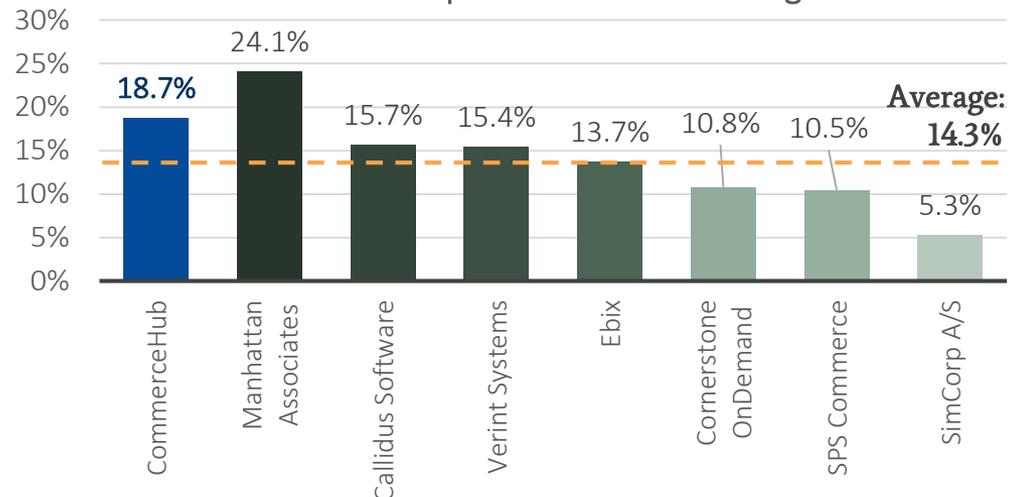
Valuation: DCF (Base) and Comparables

CommerceHub is attractively priced by either DCF and Comparables valuation—**37.3% upside in 18 months**

CommerceHub—Range of Implied Share Values with SaaS Comparables

Current Share Price: $22.02

Legend:
- ☐ Min to 25th
- ▨ 25th to Median
- ▨ Median to 75th
- ☐ 75th to Max

Categories (top to bottom):
- Base DCF (NTM EV / FCF)
- Base DCF (NTM EV / EBITDA)
- LTM EV/FCF
- NTM EV/EBITDA
- NTM Forward P/E

X-axis: $0, $20, $40, $60, $80, $100, $120, $140, $160

MODEL INPUTS	
Current Share Price	$22.02
Diluted Shares Outstanding	44,957
Market Capitalization	$989,953
Book Value of Debt	$6,000
Cash and equivalents	$6,777
Tax Rate	40.0%
NTM EBITDA	$48,188

WACC CALCULATION	
Risk-Free Rate	2.33%
Beta	0.78
Expected Market Return	9.38%
Cost of Equity	**7.83%**
Cost of Debt	**1.88%**
E / V	99.4%
D / V	0.6%
WACC	**7.79%**

Base Case

Base Case: EXIT MULTIPLE METHOD (EV/UFCF)	
NTM EV / Forward Unlevered FCF	**27.9x**
Terminal Value	**$1,246,001**
PV of Terminal Value	1,155,967
PV of FCFs	202,346
Enterprise Value	**1,358,313**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,359,090**
Diluted Shares Outstanding	44,957
Implied Share Price	**$30.23**
Upside (Downside)	**37.3%**
TV as % of Enterprise Value	85.1%
Implied Perpetuity Growth Rate	3.0%

Base Case

Base Case: EXIT MULTIPLE METHOD (EV/EBITDA)	
NTM EV / Forward EBITDA	**26.0x**
Terminal Value	**$1,252,877**
PV of Terminal Value	1,162,346
PV of FCFs	202,346
Enterprise Value	**1,364,692**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,365,469**
Diluted Shares Outstanding	44,957
Implied Share Price	**$30.37**
Upside (Downside)	**37.9%**
TV as % of Enterprise Value	85.2%
Implied Perpetuity Growth Rate	3.0%

Valuation: DCF (Bear, Base, Bull)

CommerceHub is attractively priced by either DCF and Comparables valuation—**37.3% upside in 18 months**

CommerceHub—Bear, Base, and Bull DCF Cases

Current Share Price: $22.02

Chart categories (top to bottom):
- Bull DCF (NTM EV / FCF)
- Base DCF (NTM EV / FCF)
- Bear DCF (NTM EV / FCF)
- Bull DCF (NTM EV / EBITDA)
- Base DCF (NTM EV / EBITDA)
- Bear DCF (NTM EV / EBITDA)

X-axis: $0 $5 $10 $15 $20 $25 $30 $35 $40 $45 $50

Legend:
- ☐ Min to 25th
- ☐ 25th to Median
- ☐ Median to 75th
- ☐ 75th to Max

MODEL INPUTS	
Current Share Price	$22.02
Diluted Shares Outstanding	44,957
Market Capitalization	$989,953
Book Value of Debt	$6,000
Cash and equivalents	$6,777
Tax Rate	40.0%
NTM EBITDA	$48,188

WACC CALCULATION	
Risk-Free Rate	2.33%
Beta	0.78
Expected Market Return	9.38%
Cost of Equity	**7.83%**
Cost of Debt	**1.88%**
E / V	99.4%
D / V	0.6%
WACC	**7.79%**

Bear Case

Bear Case: EXIT MULTIPLE METHOD (EV/UFCF)	
NTM EV / Forward Unlevered FCF	**21.9x**
Terminal Value	**$851,970**
PV of Terminal Value	790,408
PV of FCFs	158,780
Enterprise Value	**949,188**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**949,965**
Diluted Shares Outstanding	44,957
Implied Share Price	**$21.13**
Upside (Downside)	**(4.0%)**
TV as % of Enterprise Value	83.3%
Implied Perpetuity Growth Rate	3.0%

Bull Case

Bull Case: EXIT MULTIPLE METHOD (EV/UFCF)	
NTM EV / Forward Unlevered FCF	**33.9x**
Terminal Value	**$1,714,149**
PV of Terminal Value	1,590,287
PV of FCFs	251,683
Enterprise Value	**1,841,970**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,842,747**
Diluted Shares Outstanding	44,957
Implied Share Price	**$40.99**
Upside (Downside)	**86.1%**
TV as % of Enterprise Value	86.3%
Implied Perpetuity Growth Rate	3.0%

Risks, Mitigants, and Catalyts

Risks and Mitigants

Revenue is tied to E-commerce growth

- E-commerce growth at lower than projected rates still results in significant CHUB growth
- Revenue is also driven off of increased wallet share and customer growth, which can mitigate slower than projected E-commerce growth

Eventual adoption of in-house solutions for top 10 retailers

- Years away from becoming a material risk
- CHUB's largest customer, Walmart, does not currently have the capital to commit
- CommerceHub delivery times and cost savings will be superior for the foreseeable future

High cash flow can be a detriment if mismanaged

- Cash will be properly managed under John Malone and Liberty Venture guidance
- Reinvestment opportunities

Catalysts

- Distortions related to Mercent acquisition dissipate
- Announcement of significant partnerships with new top 20 retailers
- Revenue expands significantly leading to more sell-side coverage
- Drop-shipping penetration accelerates and gains coverage
- Announcement of acquisitions or large cash expenditures

Questions?

Exhibit 1

Total Cost of Markdowns/Overstocks by Cause – EMEA
($USD Billions)
IHL Group

Cause	Cost ($USD Billions)
Buying/Planning Issues	$54.3
Spoilage	$19.4
Vendor Issues	$16.7
Training/Employee Issues	$14.6
Mktg Not Aligned W/Merch	$9.8
Competitive Price Match	$3.3
Other	$20.1

Buzek, Sheldon, Holman, "Retail's $1.1 Trillion Inventory Distortion Problem," 2015

Exhibit 2

[1] Chiang, Feng, "Strategic Pricing and Economic-Lot-Size Decisions," 2009
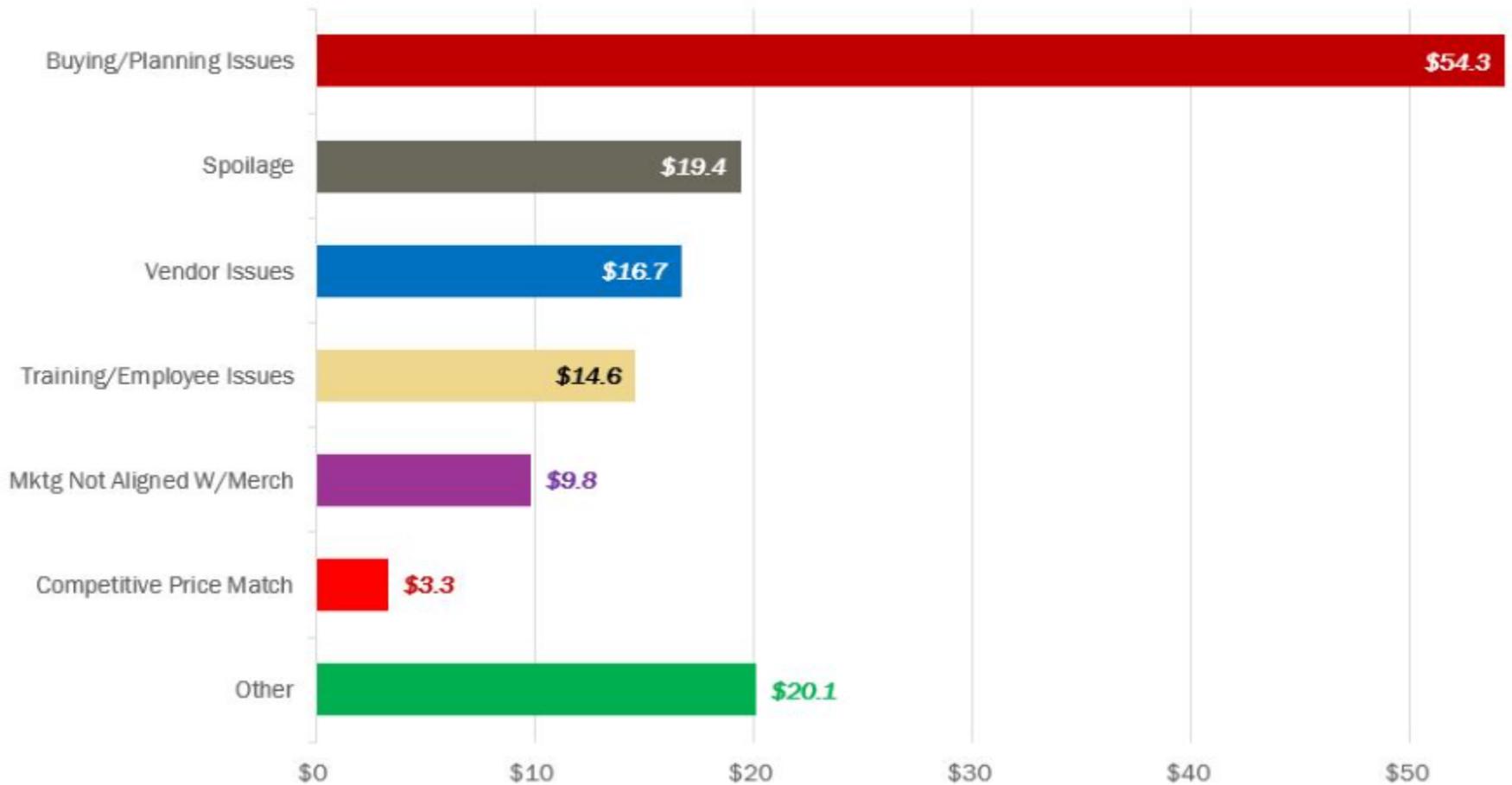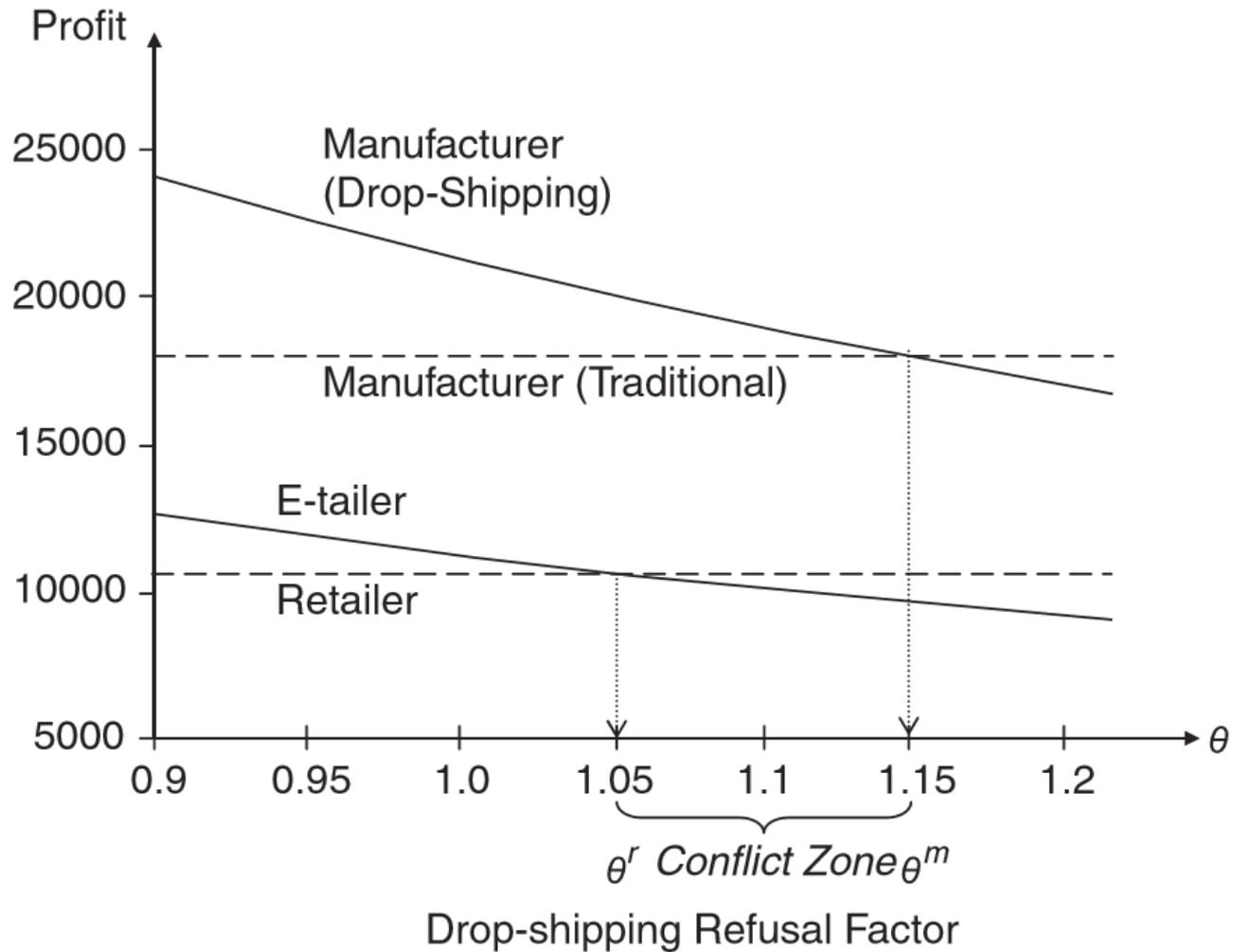
Exhibit 3

Tower Build
Quarterly Financials
$ in USD 000s

CommerceHub ®

	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
ADJUSTED INCOME STATEMENT									
Revenue	$65,761	$87,614	$100,552	$113,276	$132,167	$152,079	$175,533	$202,374	$233,547
Cost of revenue	13,097	20,610	22,408	24,325	29,238	33,185	38,610	44,384	51,353
Gross profit	52,664	67,004	78,144	88,951	102,930	118,894	136,922	157,990	182,195
Operating expenses	46,069	47,745	48,412	55,462	63,440	73,034	84,352	97,307	112,366
Research and development	9,966	12,119	16,688	24,554	25,982	29,886	34,482	39,741	45,845
Sales and marketing	6,370	8,619	10,416	9,162	11,887	13,691	15,823	18,263	21,102
General and administrative	29,733	27,008	21,308	21,746	25,572	29,457	34,048	39,303	45,418
EBIT	6,595	19,259	29,732	33,489	39,489	45,860	52,570	60,683	69,829
Interest (expense) income, net	657	600	(434)	(354)	197	229	263	303	349
EBT	7,252	19,859	29,298	33,135	39,687	46,089	52,833	60,986	70,178
Income tax expense	2,945	8,262	11,719	13,255	15,875	18,436	21,133	24,394	28,071
Net income	$4,307	$11,597	$17,579	$19,881	$23,812	$27,654	$31,700	$36,592	$42,107
Basic EPS	$0.09	$0.27	$0.41	$0.46	$0.55	$0.64	$0.73	$0.85	$0.98
Diluted EPS	—	$0.27	$0.40	$0.44	$0.53	$0.62	$0.71	$0.81	$0.94

Exhibit 4

Tower Build
Quarterly Financials
$ in USD 000s

CommerceHub ®

	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
SUPPLEMENTAL METRICS									
EBITDA	**6,595**	**27,053**	**39,535**	**43,798**	**52,045**	**60,308**	**69,246**	**79,908**	**92,016**
Effective Tax Rate	40.6%	41.6%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Effective Interest Expense Rate	-10.0%	-3.1%	1.5%	1.1%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
Growth Rates (y/y):									
GMV		**31.8%**	**15.5%**	**16.0%**	**15.5%**	**15.8%**	**15.6%**	**15.7%**	**15.7%**
GMV excl. non-comparable customers			15.8%	19.0%	15.5%	15.8%	15.6%	15.7%	15.7%
GMV per customer		18.5%	9.4%	2.7%	6.9%	7.2%	7.1%	7.1%	7.1%
E-commerce excl. Amazon		12.6%	12.0%	13.3%	12.7%	13.0%	12.8%	12.9%	12.9%
Drop-shipping penetration			3.8%	5.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Non-comparable customers GMV contribution			4.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Expected GMV growth (y/y)			**20.2%**	**20.4%**	**16.8%**	**17.1%**	**17.0%**	**17.1%**	**17.0%**
Revenue		33.2%	14.8%	12.7%	16.7%	15.1%	15.4%	15.3%	15.4%
Cost of revenue		57.4%	8.7%	8.6%	20.2%	13.5%	16.3%	15.0%	15.7%
Gross profit		27.2%	16.6%	13.8%	15.7%	15.5%	15.2%	15.4%	15.3%
Operating expenses		3.6%	1.4%	14.6%	14.4%	15.1%	15.5%	15.4%	15.5%
Research and development		21.6%	37.7%	47.1%	5.8%	15.0%	15.4%	15.2%	15.4%
Sales and marketing		35.3%	20.9%	(12.0%)	29.7%	15.2%	15.6%	15.4%	15.5%
General and administrative		(9.2%)	(21.1%)	2.1%	17.6%	15.2%	15.6%	15.4%	15.6%
EBIT		192.0%	54.4%	12.6%	17.9%	16.1%	14.6%	15.4%	15.1%
Interest (expense) income, net		(8.7%)	(172.3%)	(18.4%)	(155.8%)	16.1%	14.6%	15.4%	15.1%
EBT		173.8%	47.5%	13.1%	19.8%	16.1%	14.6%	15.4%	15.1%
Income tax expense		180.5%	41.8%	13.1%	19.8%	16.1%	14.6%	15.4%	15.1%
Net income		169.3%	51.6%	13.1%	19.8%	16.1%	14.6%	15.4%	15.1%
Margins:									
Gross margin	80.1%	76.5%	77.7%	78.5%	77.9%	78.2%	78.0%	78.1%	78.0%
GAAP Gross margin			77.1%	—	—	—	—	—	—
Impact of gross margin adjustment			(0.6%)	(78.5%)	(77.9%)	(78.2%)	(78.0%)	(78.1%)	(78.0%)
EBITDA margin	10.0%	30.9%	39.3%	38.7%	39.4%	39.7%	39.4%	39.5%	39.4%
GAAP EBITDA margin			26.3%	10.9%	—	—	—	—	—
Impact of EBITDA adjustment		(30.9%)	(13.0%)	(27.7%)	(39.4%)	(39.7%)	(39.4%)	(39.5%)	(39.4%)
EBIT margin	10.0%	22.0%	29.6%	29.6%	29.9%	30.2%	29.9%	30.0%	29.9%
GAAP EBIT margin									
Impact of EBIT adjustment									
EBT margin	11.0%	22.7%	29.1%	29.3%	30.0%	30.3%	30.1%	30.1%	30.0%
Net income margin	6.5%	13.2%	17.5%	17.6%	18.0%	18.2%	18.1%	18.1%	18.0%
% of Revenue:									
Cost of revenue	19.9%	23.5%	22.3%	21.5%	22.1%	21.8%	22.0%	21.9%	22.0%
Operating expenses	70.1%	54.5%	48.1%	49.0%	48.0%	48.0%	48.1%	48.1%	48.1%
Research and development	15.2%	13.8%	16.6%	21.7%	19.7%	19.7%	19.6%	19.6%	19.6%
Sales and marketing	9.7%	9.8%	10.4%	8.1%	9.0%	9.0%	9.0%	9.0%	9.0%
General and administrative	45.2%	30.8%	21.2%	19.2%	19.3%	19.4%	19.4%	19.4%	19.4%
Interest (expense) income, net	1.0%	0.7%	(0.4%)	(0.3%)	0.1%	0.2%	0.1%	0.1%	0.1%
Income tax expense	4.5%	9.4%	11.7%	11.7%	12.0%	12.1%	12.0%	12.1%	12.0%

Exhibit 5

Tower Build
Quarterly Financials
$ in USD 000s

CommerceHub ®

	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
BALANCE SHEET									
ASSETS									
Cash and cash equivalents	26,385	19,337	6,471	7,275	36,548	70,461	109,443	154,448	206,314
Accounts receivable, net of allowances	13,578	16,472	18,109	21,008	23,993	27,398	31,295	35,748	40,841
Prepaid income taxes	—	—	4,311	3,012	3,012	3,012	3,012	3,012	3,012
Prepaid expenses	921	1,048	1,549	1,562	1,784	2,037	2,327	2,658	3,037
Total current assets	**40,884**	**36,857**	**30,440**	**32,857**	**65,336**	**102,908**	**146,077**	**195,866**	**253,204**
Note receivable — Parent	35,507	36,107	—	—	—	—	—	—	—
Capitalized software, net	3,973	7,189	6,716	3,359	(317)	(4,525)	(9,401)	(15,018)	(21,511)
Deferred services costs	4,000	4,956	4,989	5,083	5,805	6,629	7,572	8,649	9,882
Property and equipment, net	4,061	6,706	7,629	5,589	1,913	(2,295)	(7,171)	(12,788)	(19,281)
Intangibles, net	—	1,750	—	—	—	—	—	—	—
Goodwill	9,020	21,410	21,410	21,410	21,410	21,410	21,410	21,410	21,410
Deferred income taxes	22,956	38,825	7,714	8,639	8,639	8,639	8,639	8,639	8,639
Other long-term assets	—	—	1,122	1,524	1,524	1,524	1,524	1,524	1,524
Total assets	**120,401**	**153,800**	**80,020**	**78,460**	**104,310**	**134,289**	**168,650**	**208,282**	**253,867**
LIABILITIES AND EQUITY									
Accounts payable and accrued expenses	3,861	3,982	2,135	2,899	3,311	3,781	4,318	4,933	5,635
Accrued payroll and related expenses	3,441	5,538	7,435	5,597	6,393	7,300	8,338	9,524	10,881
Due to Parent	9,635	9,112	—	—	—	—	—	—	—
Income taxes payable	—	—	7	8	8	8	8	8	8
Deferred revenue	4,606	4,490	5,149	5,848	6,679	7,627	8,712	9,952	11,370
Share-based compensation liability	55,603	94,427	—	—	—	—	—	—	—
Total current liabilities	**77,146**	**117,549**	**14,726**	**14,352**	**16,391**	**18,716**	**21,377**	**24,417**	**27,895**
Note payable - Parent	—	—	—	—	—	—	—	—	—
Deferred revenue, long-term	5,173	7,532	7,581	7,965	7,965	7,965	7,965	7,965	7,965
Share-based compensation liability, long-term	5,967	1,786	—	—	—	—	—	—	—
Other long-term liabilities	—	—	1,135	1,995	1,995	1,995	1,995	1,995	1,995
Long-term debt	—	—	26,000	—	—	—	—	—	—
Total liabilities	**88,286**	**126,867**	**49,442**	**24,312**	**26,351**	**28,676**	**31,337**	**34,377**	**37,855**
Parent investment	22,915	22,784	—	—	—	—	—	—	—
Retained earnings	9,200	4,149	—	54,148	77,960	105,613	137,313	173,905	216,012
Total equity	**32,115**	**26,933**	**30,578**	**54,148**	**77,960**	**105,613**	**137,313**	**173,905**	**216,012**
Total liabilities and equity	**120,401**	**153,800**	**80,020**	**78,460**	**104,310**	**134,289**	**168,650**	**208,282**	**253,867**
	Check	*Check*	*Check*	*Check*	*Check*	*Check*	*Check*	*Check*	*Check*

Exhibit 6

Tower Build
Quarterly Financials
$ in USD 000s

STATEMENT OF CASH FLOWS	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
CASH FLOWS FROM OPERATING ACTIVITIES									
Net income		**(4,467)**	**9,096**	**17,008**	**23,812**	**27,654**	**31,700**	**36,592**	**42,107**
Adjustments to net income:									
Depreciation and amortization		7,794	9,803	10,309	12,556	14,448	16,676	19,225	22,187
Amortization of debt issuance costs		—	111	111	—	—	—	—	—
Share-based compensation		42,150	11,290	4,977	—	—	—	—	—
Deferred income taxes		(12,289)	21,326	(925)	—	—	—	—	—
Bad debt expense		481	629	591	—	—	—	—	—
Accrued interest income		(600)	(273)	—	—	—	—	—	—
Loss on disposal of long-term assets		—	179	17	—	—	—	—	—
Working capital changes:									
Accounts receivable		(816)	(2,326)	(3,491)	(2,985)	(3,405)	(3,897)	(4,453)	(5,093)
Prepaid expenses and other assets		(40)	(599)	(517)	(222)	(253)	(290)	(331)	(379)
Prepaid income taxes		—	(4,311)	1,300	—	—	—	—	—
Deferred costs		(1,094)	(33)	(94)	(722)	(824)	(943)	(1,077)	(1,232)
Deferred revenue		2,031	708	1,083	831	948	1,085	1,240	1,418
Accounts payable and accrued expenses		(2,683)	166	1,269	412	470	538	614	703
Accrued payroll and related expenses		2,097	1,901	(1,815)	795	907	1,038	1,186	1,357
Income taxes payable		—	7	—	—	—	—	—	—
Share-based compensation liability payments		(7,507)	(86,684)	—	—	—	—	—	—
Parent receivables and payables, net		(523)	(9,112)	—	—	—	—	—	—
Net cash from operating activities		**24,534**	**(48,122)**	**29,823**	**34,477**	**39,944**	**45,907**	**52,996**	**61,068**
CASH FLOWS FROM INVESTING ACTIVITIES									
Purchases of property and equipment		(4,158)	(4,995)	(2,271)	(2,602)	(3,015)	(3,462)	(3,995)	(4,601)
Additions to capitalized software		(6,484)	(4,545)	(2,306)	(2,602)	(3,015)	(3,462)	(3,995)	(4,601)
Acquisition of business, net of cash acquired		(20,225)	—	—	—	—	—	—	—
Collections on note receivable - Parent		—	36,380	—	—	—	—	—	—
Net cash from investing activities		**(30,867)**	**26,840**	**(4,577)**	**(5,205)**	**(6,031)**	**(6,925)**	**(7,991)**	**(9,202)**
CASH FLOWS FROM FINANCING ACTIVITIES									
Borrowings on note payable - Parent		—	—	—	—	—	—	—	—
Payments on revolver		—	26,000	(26,000)	—	—	—	—	—
Cash paid for debt issuance costs		—	(1,100)	—	—	—	—	—	—
Cash received from exercise of stock options		33	248	1,557	—	—	—	—	—
Purchase of treasury stock		(164)	(3,002)	—	—	—	—	—	—
Contribution from Liberty		—	6,000	—	—	—	—	—	—
Cash dividends paid		(584)	(19,730)	—	—	—	—	—	—
Net cash from financing activities		**(715)**	**8,416**	**(24,443)**	**—**	**—**	**—**	**—**	**—**
Currency effect on cash		—	—	1	—	—	—	—	—
Net increase (decrease) in cash and cash equivalents		**(7,048)**	**(12,866)**	**804**	**29,272**	**33,913**	**38,982**	**45,005**	**51,866**

Exhibit 7

Tower Build Quarterly Financials $ in USD 000s	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
Scenario — Base									
ASSUMPTIONS									
Expected GMV growth assumptions:									
E-commerce excl. Amazon growth (y/y)	**15.4%**	**12.6%**	**12.0%**	**13.3%**	**12.7%**	**13.0%**	**12.8%**	**12.9%**	**12.9%**
Bear				13.3%	12.7%	13.0%	12.8%	12.9%	12.9%
Base				13.3%	12.7%	13.0%	12.8%	12.9%	12.9%
Bull				13.3%	12.7%	13.0%	12.8%	12.9%	12.9%
Drop-shipping penetration growth (y/y)	**–**	**–**	**3.8%**	**5.7%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**	**2.8%**
Bear				5.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Base				5.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Bull				5.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Non-comparable customers GMV contribution (y/y)	**–**	**–**	**4.3%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**	**1.4%**
Bear				1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Base				1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Bull				1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Segment revenues as % of GMV assumptions:									
Total usage revenue as % of GMV	**–**	**0.517%**	**0.514%**	**0.499%**	**0.507%**	**0.507%**	**0.507%**	**0.507%**	**0.507%**
Bear				0.499%	0.507%	0.507%	0.507%	0.507%	0.507%
Base				0.499%	0.507%	0.507%	0.507%	0.507%	0.507%
Bull				0.499%	0.507%	0.507%	0.507%	0.507%	0.507%
Total subscription revenue as % of GMV	**–**	**0.193%**	**0.192%**	**0.185%**	**0.189%**	**0.187%**	**0.188%**	**0.188%**	**0.189%**
Bear				0.185%	0.189%	0.187%	0.188%	0.188%	0.189%
Base				0.185%	0.189%	0.187%	0.188%	0.188%	0.189%
Bull				0.185%	0.189%	0.187%	0.188%	0.188%	0.189%
Set-up and profession services assumptions:									
Total set-up and professional services per customer	**–**	**$542**	**$589**	**$605**	**$587**	**$587**	**$587**	**$587**	**$587**
Bear				$605	$587	$587	$587	$587	$587
Base				$605	$587	$587	$587	$587	$587
Bull				$605	$587	$587	$587	$587	$587
Customer growth assumptions:									
Customer growth, net (y/y)	**–**	**11.2%**	**5.6%**	**13.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**
Bear				13.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Base				13.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Bull				13.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Exhibit 7 (cont.)

Tower Build

Quarterly Financials CommerceHub®

$ in USD 000s

Scenario	Base		FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
Mercent assumptions:											
Mercent revenue as % of total revenue			–	–	6.2%	3.2%	0.8%	–	–	–	–
Bear						3.2%	0.8%	–	–	–	–
Base						3.2%	0.8%	–	–	–	–
Bull						3.2%	0.8%	–	–	–	–
Margin assumptions:											
Gross margin			80.1%	76.5%	77.7%	74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Bear						74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Base						74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Bull						74.0%	74.0%	74.0%	74.0%	74.0%	74.0%
Operating expenses as % of total revenue assumptions:											
Research and development			15.2%	13.8%	16.6%	21.7%	19.7%	19.7%	19.6%	19.6%	19.6%
Bear						21.7%	19.7%	19.7%	19.6%	19.6%	19.6%
Base						21.7%	19.7%	19.7%	19.6%	19.6%	19.6%
Bull						21.7%	19.7%	19.7%	19.6%	19.6%	19.6%
Sales and marketing			9.7%	9.8%	10.4%	8.1%	9.0%	9.0%	9.0%	9.0%	9.0%
Bear						8.1%	9.0%	9.0%	9.0%	9.0%	9.0%
Base						8.1%	9.0%	9.0%	9.0%	9.0%	9.0%
Bull						8.1%	9.0%	9.0%	9.0%	9.0%	9.0%
General and administrative			45.2%	30.8%	21.2%	19.2%	19.3%	19.4%	19.4%	19.4%	19.4%
Bear						19.2%	19.3%	19.4%	19.4%	19.4%	19.4%
Base						19.2%	19.3%	19.4%	19.4%	19.4%	19.4%
Bull						19.2%	19.3%	19.4%	19.4%	19.4%	19.4%
Share-based compensation assumptions:											
Total SBC			–	$25,332	$4,730	$4,774	$4,774	$5,251	$5,251	$5,728	$5,728
Bear						$4,774	$4,774	$5,251	$5,251	$5,728	$5,728
Base						$4,774	$4,774	$5,251	$5,251	$5,728	$5,728
Bull						$4,774	$4,774	$5,251	$5,251	$5,728	$5,728

Exhibit 8

Tower Build Quarterly Financials *$ in USD 000s*		FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
Scenario	**Base**									
REVENUE BUILD										
Total:										
Usage revenue		–	$59,994	$68,853	$77,644	$91,032	$105,369	$121,824	$140,944	$163,026
Subscription revenues		–	22,436	25,749	28,730	33,910	38,906	45,281	52,327	60,691
Set-up and professional services		–	5,184	5,950	6,903	7,226	7,804	8,428	9,102	9,830
Total revenue		–	$87,614	$100,552	$113,276	$132,167	$152,079	$175,533	$202,374	$233,547
Drop-shipping										
Usage revenue		–		$62,595	$74,005	$89,990	$105,369	$121,824	$140,944	$163,026
Subscription revenues		–		23,384	27,343	33,474	38,906	45,281	52,327	60,691
Set-up and professional services		–		5,403	6,568	7,116	7,804	8,428	9,102	9,830
Total revenue		–	$77,019	$90,882	$107,916	$130,581	$152,079	$175,533	$202,374	$233,547
Mercent:										
Usage revenue		–		$6,258	$3,638	$1,042	–	–	–	–
Subscription revenues		–		2,365	1,387	435	–	–	–	–
Set-up and professional services		–		547	335	109	–	–	–	–
Total revenue		–	$10,595	$9,670	$5,360	$1,586	–	–	–	–

28

Exhibit 8 (cont.)

Tower Build

Quarterly Financials

$ in USD 000s

CommerceHub®

	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
Scenario — Base									
SUPPLEMENTAL METRICS									
Growth Rates (y/y):									
Total:									
Usage revenue			14.8%	12.8%	17.2%	15.7%	15.6%	15.7%	15.7%
Subscription revenues			14.8%	11.6%	18.0%	14.7%	16.4%	15.6%	16.0%
Set-up and professional services			14.8%	16.0%	4.7%	8.0%	8.0%	8.0%	8.0%
Total revenue			**14.8%**	**12.7%**	**16.7%**	**15.1%**	**15.4%**	**15.3%**	**15.4%**
Drop-shipping:									
Usage revenue			#DIV/0!	18.2%	21.6%	17.1%	15.6%	15.7%	15.7%
Subscription revenues			#DIV/0!	16.9%	22.4%	16.2%	16.4%	15.6%	16.0%
Set-up and professional services			#DIV/0!	21.6%	8.4%	9.7%	8.0%	8.0%	8.0%
Total revenue			**18.0%**	**18.7%**	**21.0%**	**16.5%**	**15.4%**	**15.3%**	**15.4%**
Mercent:									
Usage revenue			#DIV/0!	-41.9%	-71.4%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!
Subscription revenues			#DIV/0!	-41.4%	-68.6%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!
Set-up and professional services			#DIV/0!	-38.7%	-67.4%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!
Total revenue			**-8.7%**	**-44.6%**	**-70.4%**	**-100.0%**	**#DIV/0!**	**#DIV/0!**	**#DIV/0!**
Seasonality:									
Total:									
Usage revenue									
Subscription revenues									
Set-up and professional services									
Total revenue									
As % of total revenue:									
Usage revenue		68.5%	68.5%	68.5%	68.9%	69.3%	69.4%	69.6%	69.8%
Subscription revenues		25.6%	25.6%	25.4%	25.7%	25.6%	25.8%	25.9%	26.0%
Set-up and professional services		5.9%	5.9%	6.1%	5.5%	5.1%	4.8%	4.5%	4.2%
Segment revenues per customer ($USD):									
Usage revenue		$6,274.2	$6,821.2	$6,807.1	$7,389.7	$7,920.0	$8,478.5	$9,082.6	$9,727.4
Subscription revenues		$2,346.4	$2,550.9	$2,518.8	$2,752.7	$2,924.4	$3,151.4	$3,372.0	$3,621.3
Set-up and professional services		$542.2	$589.5	$605.2	$586.6	$586.6	$586.6	$586.6	$586.6

Exhibit 9

Tower Build — Quarterly Financials — $ in USD 000s — Scenario: Base	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
USEAGE REVENUE BUILD									
Gross Merchandise Volume:									
GMV	$8,800,000	$11,600,000	$13,400,000	$15,548,543	$17,954,420	$20,785,456	$24,034,491	$27,810,725	$32,172,224
GMV excl. non-comparable customers		$11,149,927	$12,916,782	$15,368,306	$17,746,294	$20,544,512	$23,755,885	$27,488,345	$31,799,287
GMV per customer	$1,023.4	$1,213.1	$1,327.5	$1,363.2	$1,457.5	$1,562.3	$1,672.7	$1,792.2	$1,919.6
GMV growth (y/y)		31.8%	15.5%	16.0%	15.5%	15.8%	15.6%	15.7%	15.7%
GMV excl. non-comparable customers growth (y/y)			15.8%	19.0%	15.5%	15.8%	15.6%	15.7%	15.7%
GMV per customer growth (y/y)		18.5%	9.4%	2.7%	6.9%	7.2%	7.1%	7.1%	7.1%
E-commerce excl. Amazon growth (y/y)	15.4%	12.6%	12.0%	13.3%	12.7%	13.0%	12.8%	12.9%	12.9%
Drop-shipping penetration growth (y/y)			3.8%	5.7%	2.8%	2.8%	2.8%	2.8%	2.8%
Non-comparable customers GMV contribution (y/y)			4.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Expected GMV growth (y/y)			20.2%	20.4%	16.8%	17.1%	17.0%	17.1%	17.0%
As % of GMV:									
Usage revenue		0.517%	0.514%	0.499%	0.507%	0.507%	0.507%	0.507%	0.507%
Subscription revenues		0.193%	0.192%	0.185%	0.189%	0.187%	0.188%	0.188%	0.189%
Set-up and professional services		0.045%	0.044%	0.044%	0.040%	0.038%	0.035%	0.033%	0.031%
Drop-shipping usage revenue as % of GMV	0.000%	0.000%	0.467%	0.476%	0.501%	0.507%	0.507%	0.507%	0.507%
CUSTOMER COUNT BUILD									
Customer count:									
Comparable customers		9,191	9,730	11,274	12,176	13,150	14,202	15,338	16,565
Non-comparable customers		371	364	132	143	154	167	180	194
Total customer count	8,599	9,562	10,094	11,406	12,319	13,304	14,369	15,518	16,759
Customer growth, net (y/y)		11.2%	5.6%	13.0%	8.0%	8.0%	8.0%	8.0%	8.0%

Exhibit 9 (cont.)

Tower Build
Quarterly Financials
$ in USD 000s

CommerceHub®

Scenario	Base	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
IMPACT OF MERCENT										
Mercent Impact:										
Usage revenue growth excl. Mercent				18.0%	18.2%	21.6%	17.1%	15.6%	15.7%	15.7%
Total revenue growth excl. Mercent				18.0%	18.7%	21.0%	16.5%	15.4%	15.3%	15.4%
Implied usage revenue growth excl. Mercent				#DIV/0!	18.2%	21.6%	17.1%	15.6%	15.7%	15.7%
Implied total revenue growth excl. Mercent				18.0%	18.7%	21.0%	16.5%	15.4%	15.3%	15.4%
Mercent headwind				($925)	($4,310)	($3,774)	($1,586)	—	—	—
As % of total revenues:										
Usage revenue			0.0%	6.2%	3.2%	0.8%	0.0%	0.0%	0.0%	0.0%
Subscription revenues			0.0%	2.4%	1.2%	0.3%	0.0%	0.0%	0.0%	0.0%
Set-up and professional services			0.0%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%
Total revenue			12.1%	9.6%	4.7%	1.2%	0.0%	0.0%	0.0%	0.0%
Mercent segment revenues as % of Mercent total revenue										
Usage revenue			0.0%	64.7%	67.9%	65.7%	0.0%	0.0%	0.0%	0.0%
Subscription revenues			0.0%	24.5%	25.9%	27.5%	0.0%	0.0%	0.0%	0.0%
Set-up and professional services			0.0%	5.7%	6.3%	6.9%	0.0%	0.0%	0.0%	0.0%

Exhibit 9 (cont.)

Tower Build
Quarterly Financials
$ in USD 000s

CommerceHub®

Scenario	Base	FY 2014	FY 2015	FY 2016	FY 2017E	FY 2018E	FY 2019E	FY 2020E	FY 2021E	FY 2022E
SHARE-BASED COMPENSATION BUILD										
Cost of revenue		–	$1,784	$56	–	–	–	–	–	–
Research and development		–	4,097	1,148	1,015	1,015	1,117	1,117	1,218	1,218
Sales and marketing		–	2,557	233	386	386	424	424	463	463
General and administrative		–	16,894	3,293	3,373	3,373	3,710	3,710	4,047	4,047
Total SBC		**–**	**$25,332**	**$4,730**	**$4,774**	**$4,774**	**$5,251**	**$5,251**	**$5,728**	**$5,728**
Growth Rates (y/y):										
Cost of revenue			#DIV/0!	-96.9%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Research and development			#DIV/0!	-72.0%	-11.6%	0.0%	10.0%	0.0%	9.1%	0.0%
Sales and marketing			#DIV/0!	-90.9%	65.6%	0.0%	10.0%	0.0%	9.1%	0.0%
General and administrative			#DIV/0!	-80.5%	2.4%	0.0%	10.0%	0.0%	9.1%	0.0%
As % of Total Share-Based Compensation										
Cost of revenue		#DIV/0!	7.0%	1.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Research and development		#DIV/0!	16.2%	24.3%	21.3%	21.3%	21.3%	21.3%	21.3%	21.3%
Sales and marketing		#DIV/0!	10.1%	4.9%	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
General and administrative		#DIV/0!	66.7%	69.6%	70.7%	70.7%	70.7%	70.7%	70.7%	70.7%

Exhibit 10

FREE CASH FLOW PROJECTION								

			Fiscal Years Ending December 31,					
	Discount Factor		0.504	1.000	2.000	3.003	4.003	5.003
($ in USD 000s)	2015	2016	2017E	2018E	2019E	2020E	2021E	2022E
EBIT	**$19,259**	**$29,732**	**$33,489**	**$39,489**	**$45,860**	**$52,570**	**$60,683**	**$69,829**
Tax Expense	8,262	11,719	13,255	15,875	18,436	21,133	24,394	28,071
NOPAT	**$10,997**	**$18,013**	**$20,235**	**$23,615**	**$27,424**	**$31,437**	**$36,288**	**$41,758**
Depreciation and amortization	7,794	9,803	10,309	12,556	14,448	16,676	19,225	22,187
Purchases of property and equipm	4,158	4,995	2,271	2,602	3,015	3,462	3,995	4,601
Additions to capitalized software	6,484	4,545	2,306	2,602	3,015	3,462	3,995	4,601
Δ Net operating working capital	**(8,535)**	**(100,283)**	**(2,264)**	**(1,891)**	**(2,157)**	**(2,469)**	**(2,821)**	**(3,227)**
Accounts receivable	(816)	(2,326)	(3,491)	(2,985)	(3,405)	(3,897)	(4,453)	(5,093)
Prepaid expenses	(40)	(599)	(517)	(222)	(253)	(290)	(331)	(379)
Prepaid income taxes	—	(4,311)	1,300	—	—	—	—	—
Deferred costs	(1,094)	(33)	(94)	(722)	(824)	(943)	(1,077)	(1,232)
Deferred revenue	2,031	708	1,083	831	948	1,085	1,240	1,418
A/P and accrued expenses	(2,683)	166	1,269	412	470	538	614	703
Accrued payroll	2,097	1,901	(1,815)	795	907	1,038	1,186	1,357
Income taxes payable	—	7	—	—	—	—	—	—
SBC liability payments	(7,507)	(86,684)	—	—	—	—	—	—
Parent receiv. and payables	(523)	(9,112)	—	—	—	—	—	—
Free Cash Flow	**$16,684**	**$118,559**	**$28,231**	**$32,857**	**$37,998**	**$43,657**	**$50,344**	**$57,970**
Present Value of FCFs			$27,184	$30,483	$32,705	$34,853	$37,288	$39,833

Exhibit 11 (Base Case)

MODEL INPUTS	
Current Share Price	$22.02
Diluted Shares Outstanding	44,957
Market Capitalization	$989,953
Book Value of Debt	$6,000
Cash and equivalents	$6,777
Tax Rate	40.0%
NTM EBITDA	$48,188

WACC CALCULATION	
Risk-Free Rate	2.33%
Beta	0.78
Expected Market Return	9.38%
Cost of Equity	**7.83%**
Cost of Debt	**1.88%**
E / V	99.4%
D / V	0.6%
WACC	**7.79%**

Base Case: EXIT MULTIPLE METHOD (EV/UFCF)	
NTM EV / Forward Unlevered FCF	**27.9x**
Terminal Value	**$1,246,001**
PV of Terminal Value	1,155,967
PV of FCFs	202,346
Enterprise Value	**1,358,313**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,359,090**
Diluted Shares Outstanding	44,957
Implied Share Price	**$30.23**
Upside (Downside)	**37.3%**
TV as % of Enterprise Value	85.1%
Implied Perpetuity Growth Rate	3.0%

Base Case: EXIT MULTIPLE METHOD (EV/EBITDA)	
NTM EV / Forward EBITDA	**26.0x**
Terminal Value	**$1,252,877**
PV of Terminal Value	1,162,346
PV of FCFs	202,346
Enterprise Value	**1,364,692**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,365,469**
Diluted Shares Outstanding	44,957
Implied Share Price	**$30.37**
Upside (Downside)	**37.9%**
TV as % of Enterprise Value	85.2%
Implied Perpetuity Growth Rate	3.0%

PERPETUITY GROWTH METHOD	
Perpetuity Growth Rate	**3.0%**
Terminal Value	**$1,246,889**
PV of Terminal Value	1,156,790
PV of FCFs	202,346
Enterprise Value	**1,359,136**
Less: Debt	6,000
Plus: Cash	6,777
Implied Equity Value	**1,359,913**
Diluted Shares Outstanding	44,957
Implied Share Price	**$30.25**
Upside (Downside)	**37.4%**
TV as % of Enterprise Value	85.1%
NTM EV / Forward EBITDA	25.9x
NTM EV / Forward Unlevered FCF	27.9x

Exhibit 12 (Base Case)

Implied Share Price

NTM EV / Forward EBITDA		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	23.0x	$27.23	$27.31	$27.39	$27.47	$27.55
	24.5x	$28.71	$28.80	$28.88	$28.97	$29.05
	26.0x	$30.20	$30.28	$30.37	$30.46	$30.55
	27.5x	$31.68	$31.77	$31.86	$31.96	$32.05
	29.0x	$33.17	$33.26	$33.36	$33.45	$33.55

Implied Upside (Downside)

NTM EV / Forward EBITDA		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	23.0x	23.6%	24.0%	24.4%	24.8%	25.1%
	24.5x	30.4%	30.8%	31.2%	31.5%	31.9%
	26.0x	37.1%	37.5%	37.9%	38.3%	38.7%
	27.5x	43.9%	44.3%	44.7%	45.1%	45.6%
	29.0x	50.6%	51.0%	51.5%	51.9%	52.4%

Implied Share Price

NTM EV / EV Forward Unlevered FCF		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	24.9x	$27.30	$27.38	$27.47	$27.55	$27.63
	26.4x	$28.68	$28.76	$28.85	$28.93	$29.02
	27.9x	$30.05	$30.14	$30.23	$30.32	$30.41
	29.4x	$31.43	$31.52	$31.61	$31.71	$31.80
	30.9x	$32.81	$32.90	$33.00	$33.09	$33.19

Implied Upside (Downside)

NTM EV / EV Forward Unlevered FCF		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	24.9x	24.0%	24.4%	24.7%	25.1%	25.5%
	26.4x	30.2%	30.6%	31.0%	31.4%	31.8%
	27.9x	36.5%	36.9%	37.3%	37.7%	38.1%
	29.4x	42.7%	43.2%	43.6%	44.0%	44.4%
	30.9x	49.0%	49.4%	49.8%	50.3%	50.7%

Implied Share Price

Perpetuity Growth Rate		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	2.70%	$26.34	$27.45	$28.66	$30.00	$31.48
	2.80%	$26.76	$27.91	$29.17	$30.56	$32.10
	2.90%	$27.20	$28.39	$29.70	$31.15	$32.76
	3.00%	$27.65	$28.89	$30.25	$31.76	$33.44
	3.10%	$28.12	$29.41	$30.82	$32.40	$34.16

Implied Upside (Downside)

Perpetuity Growth Rate		WACC				
		8.29%	**8.04%**	**7.79%**	**7.54%**	**7.29%**
	2.70%	19.6%	24.7%	30.2%	36.2%	42.9%
	2.80%	21.5%	26.7%	32.5%	38.8%	45.8%
	2.90%	23.5%	28.9%	34.9%	41.4%	48.8%
	3.00%	25.6%	31.2%	37.4%	44.2%	51.9%
	3.10%	27.7%	33.5%	40.0%	47.1%	55.1%