

Building a single global solution for tax

About Sovos

Sovos is a leading provider of mission-critical software across the tax value chain. They have built a leading proposition for satisfying the increasingly complex tax needs of global enterprises and aim to build an increasingly comprehensive single cloud solution for tax compliance.

Currently supporting more than 8,000 customers, including half of the Fortune 500, and integrating with a wide variety of business applications, the Sovos team is based throughout the Americas and Europe.

Why Hg likes Sovos

Hg initially invested in Sovos through the mid-cap Genesis fund in January 2016 and reinvested via the larger-cap Saturn fund in August 2020.

Tax software is a core cluster for Hg. We have dedicated over 15 years of research and investment experience to the industry and built up industrial scale in our own portfolio.

Sovos falls directly into the "Hg sweet-spot": its tax and compliance solutions are mission-critical for businesses, and are becoming increasingly embedded in all business transactions.

Rapidly changing, fragmented and interconnected global tax regimes with increasing scope and complexity, have driven greater adoption of third party tax software across Sovos' customer base, particularly given the increasing cost of non-compliance.

Sovos also has a subscription business model, with more than 90% of revenues recurring in nature, allowing for stable growth. The Company's core products help customers meet critical tax reporting and determination obligations, with net retention rates of over 100%.

“ Our partnership with Hg has been an integral force in the expansion of Sovos in a dynamic environment. With Hg's confidence in our sector, our position and our unique ability to deliver a complete solution for modern tax, Sovos is ready for the next stage of the company's growth. ”

Andy Hovancik, CEO

A partnership...

Hg recognises that the global trend in digitising tax and compliance will continue. There is an increasing demand for real time business-to-government reporting. Sovos is well positioned as a trusted global leader in the sector with the most complete solution set spanning the tax value chain.

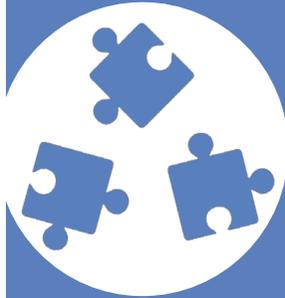
Our vision is closely aligned with the Sovos team and by working collaboratively for over five years, we have taken advantage of these favourable tailwinds both organically and through strategic M&A.

...with a proven leadership team...

The leadership at Sovos boasts over 95 years of industry-specific expertise cumulatively. Frequent engagement with the Hg Portfolio team and a strong cultural affinity have enabled a smooth pathway for growth and expansion on many levels.

		
Andy Hovancik President & CEO	Steve Sprague Head of GVAT	Colleen Schlagel Chief Talent Officer
		
Bob White CFO	Laura Handler Chief of Staff	John Landy CTO
		
John Strasser CSO	Pawel Smolarkiewicz CPO	

...right in Hg's sweet spot...



Fragmented Customer Base

Mission-critical product



Cluster defined by IP



Subscription business model



...building a global M&A engine

Hg's M&A expertise made a significant contribution to deal execution and the integration of our partners. A strategic approach enables the international footprint of Sovos to expand with coordination and collaboration.

- 2016** — **Invoiceware International** E-invoice & VAT solutions, Latin America
- 2017** — **Paperless®** E-receipts, Latin America
FISCALREPS® IPT capabilities, EU expansion
- 2018** — **trustweaver** API connections & networks for invoice e-signatures
- 2019** — **Foriba** Financial Services & Insurance reporting
 Adds Turkey to Global VAT Solution
- 2020** — **BOOKE** Enhances segment positioning in insurance
taxweb Cloud tax determination engine, Brazil
ACCORDANCE VAT managed services, Europe
KEANE Unclaimed property consulting & software
LTtax Payroll and non-wage withholding software

Moving into Real Time

Public finance decision making is growing to rely increasingly more on the collection of real-time fiscal data. In turn, this leads to a global increase in the adoption of Continuous Transaction Control (CTC) mandates. Under these modern regulatory systems, businesses are required to electronically invoice clients in real-time and simultaneously report this fiscal data to the government.

With its integrated regulatory reporting products, Sovos is uniquely positioned to help clients meet their reporting obligations. The rise of CTCs across the globe will continue to drive the demand for better tax software solutions. In particular, with the CTC regulation introduced in LatAm, Europe and Asia we have built a differentiated global scale at Sovos.

Value Creation

When Hg invested in Sovos in 2016, we believed in the trends behind the digitisation of tax and compliance and an increased focus on indirect tax globally.

We have linked arms to promote the expansion of core products into adjacent solutions to drive cross-sell. In addition, Hg has been supportive of Sovos' transition from an on-site to a SaaS subscription revenue model.

Over the years, Sovos has grown from a >\$150m revenue company in four geographies to a global leader in tax compliance with over \$300m in revenue.

Moving forward we plan to leverage Sovos' unique offering in global value-added tax to build partner engagement and help enterprises meet their global tax needs.

2016
>\$150m
revenue
4 geographies, 3 business lines

2020
>\$300m
revenue
global, 4 business lines

Geographic expansion

We expect growth to continue as countries look to close tax gaps and lower their cost of enforcement. We will stand alongside Sovos in a continued expansion of scope, adding more geographies and lines of business. We also plan to partner with management on furthering Sovos's M&A efforts to continue bolstering our product offering and to strengthen our global footprint.

