



NASDAQ: VERX

# First Quarter 2026 Earnings Conference Call

May 7, 2026



# Safe Harbor

## Forward Looking Statements

Any statements made in this presentation that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. Forward-looking statements are based on Vertex management's beliefs, as well as assumptions made by, and information currently available to, them. Because such statements are based on expectations as to future financial and operating results and are not statements of fact, actual results may differ materially from those projected. Factors which may cause actual results to differ materially from current expectations include, but are not limited to: our ability to attract new customers on a cost-effective basis and the extent to which existing customers renew and upgrade their subscriptions; our ability to sustain and expand revenues, maintain profitability, and to effectively manage our anticipated growth; our ability to maintain and expand our strategic relationships with third parties; and the other factors described under the heading "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 as filed with the Securities Exchange Commission ("SEC") and the Company's subsequent filings with the SEC. Copies of each filing may be obtained from the Company or the SEC. All forward-looking statements reflect our beliefs and assumptions only as of the date of this presentation. We undertake no obligation to update forward-looking statements to reflect future events or circumstances.

## Definitions of Certain Key Business Metrics

**Annual Recurring Revenue ("ARR")** – We derive the vast majority of our revenues from recurring software subscriptions. We believe ARR provides us with visibility to our projected software subscription revenues in order to evaluate the health of our business. Because we recognize subscription revenues ratably, we believe investors can use ARR to measure our expansion of existing customer revenues, new customer activity, and as an indicator of future software subscription revenues. ARR is based on monthly recurring revenues ("MRR") from software subscriptions for the most recent month at period end, multiplied by twelve. MRR is calculated by dividing the software subscription price, inclusive of discounts, by the number of subscription covered months. MRR only includes customers with MRR at the end of the last month of the measurement period.

**Net Revenue Retention Rate ("NRR")** – We believe that our NRR provides insight into our ability to retain and grow revenues from our customers, as well as their potential long-term value to us. We also believe it demonstrates to investors our ability to expand existing customer revenues, which is one of our key growth strategies. Our NRR refers to the ARR expansion during the 12 months of a reporting period for all customers who were part of our customer base at the beginning of the reporting period. Our NRR calculation takes into account any revenues lost from departing customers or customers who have downgraded or reduced usage, as well as any revenue expansion from migrations, new licenses for additional products or contractual and usage-based price changes.

## Use and Reconciliation of Non-GAAP Financial Measures

In addition to our results determined in accordance with accounting principles generally accepted in the U.S. ("GAAP"), we have calculated non-GAAP cost of revenues, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expense, non-GAAP selling and marketing expense, non-GAAP general and administrative expense, non-GAAP operating income, non-GAAP net income, non-GAAP diluted EPS, Adjusted EBITDA, Adjusted EBITDA margin, free cash flow and free cash flow margin, which are each non-GAAP financial measures. We have provided tabular reconciliations of each of these non-GAAP financial measures used in this presentation to its most directly comparable GAAP financial measure.

Management uses these non-GAAP financial measures to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, and to evaluate financial performance and liquidity. Our non-GAAP financial measures are presented as supplemental disclosure as we believe they provide useful information to investors and others in understanding and evaluating our results, prospects, and liquidity period-over-period without the impact of certain items that do not directly correlate to our operating performance and that may vary significantly from period to period for reasons unrelated to our operating performance, as well as comparing our financial results to those of other companies. Our definitions of these non-GAAP financial measures may differ from similarly titled measures presented by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Thus, our non-GAAP financial measures should be considered in addition to, not as a substitute for, or in isolation from, the financial information prepared in accordance with GAAP financial measures, and should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025 and in our other reports periodically filed with the SEC.

## Market & Industry Data

Market data and industry information used throughout this presentation are based on management's knowledge of the industry and the good faith estimates of management. The Company also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of third-party sources. All of the market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such assumptions and resulting estimates. Although the Company believes that these sources are reliable, the Company cannot guarantee the accuracy or completeness of this information, and the Company has not independently verified this information. While the Company believes the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company, any of its affiliates or underwriters as to the accuracy of any such statements or projections. Projections, assumptions and estimates of the Company's future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in the Company's estimates and beliefs and in the estimates prepared by independent parties.

# Christopher Young

President and  
Chief Executive Officer



# First Quarter 2026 Highlights

Revenue of

**\$196.6 million**

**up 11%**

compared to first quarter 2025

*First quarter guidance: \$194 to \$196 million*

Adjusted EBITDA of

**\$44.1 million**

**up 18.4%**

compared to first quarter 2025

*Adjusted EBITDA margin of 22.4 percent  
First quarter guidance: \$40.5 to \$43.5 million*

Customer metrics stable compared to fourth quarter 2025

**GRR 95% and NRR 105%**

E-invoicing ARR up over

**66% year-over-year**

**Notes:**

1. Based on information as of March 31, 2026.
2. Adjusted EBITDA is a non-GAAP measure, for a reconciliation of this non-GAAP measure to the nearest GAAP measure, see Appendix.

# April 2026 Value Creation Plan: Execution Reset to Reinvest

*Improving operating leverage, speed, and focus while continuing to invest in the highest-impact growth initiatives*

## What we're doing

- Tighter prioritization and sequencing of initiatives (focus on highest ROI)
- Simplify operating model; streamline decision-making and execution
- Reduce non-value-added work, duplicative spend, complexity

## Strategic rationale

- Align resources with long-term growth priorities
- Operate with greater discipline, speed, and efficiency
- Redeploy savings to: e-invoicing & compliance, AI roadmap, customer support & success
- Improve profitability and cash generation while executing strategy

***Stronger profitability  
and cash flow while  
providing capacity for  
investment.***

# E-invoicing Update

- Continued strong growth in ARR and revenue across the Compliance business
- Accelerating ARR ahead of key upcoming mandates in Europe
  - France – September 2026
  - Germany – January 2027
- Acquisition of Brinta accelerates country coverage in Latin America to support multi-national customers



# Brinta Acquisition

## Business Description

- Based in Montevideo, Uruguay
- AI-native, cloud-based tax compliance solution for e-commerce and digital businesses operating in Latin America
- E-invoicing, tax calculation, real-time reporting, filing, and remittance across 19 countries in Latin America and over 6,000 jurisdictions
- Real-time updates to tax content by anticipating regulatory changes and enabling businesses to proactively address any further modifications to local rules
- In 2023, Company raised \$5mm seed investment from several venture investors to launch its first product into market

## Product Platform

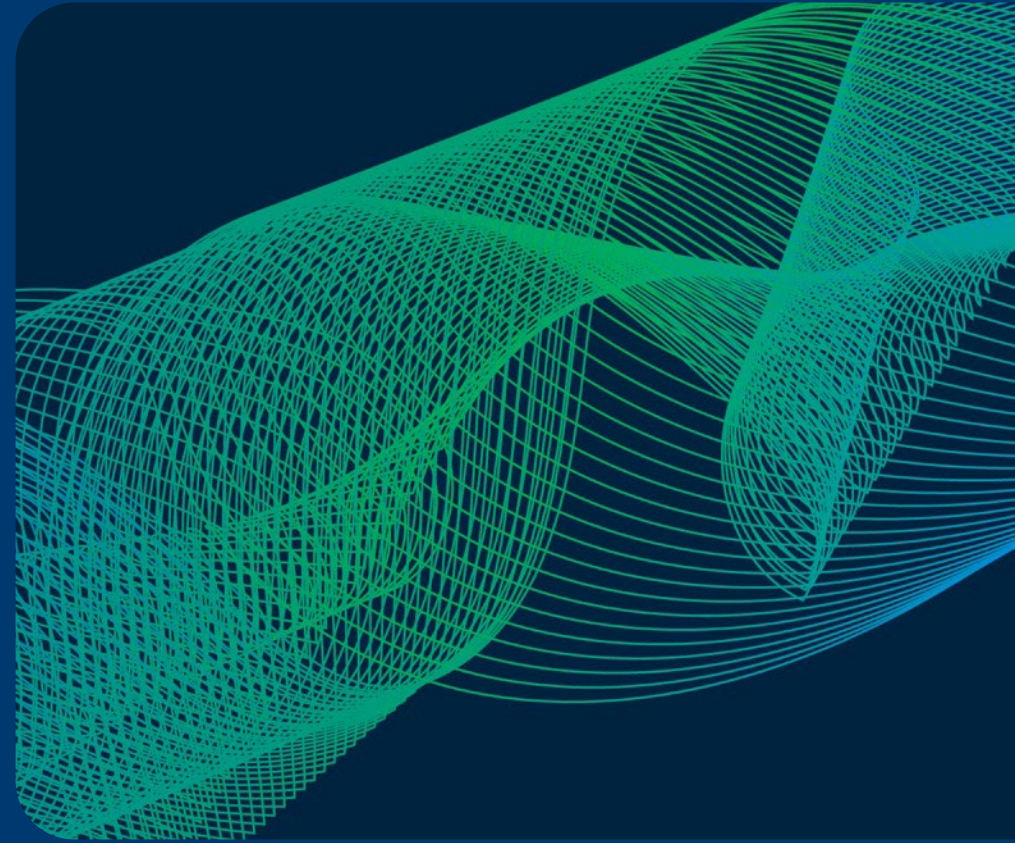
Tax Calculation

Tax Filing

Reports & Analytics

E-invoicing

# Artificial Intelligence Strategy Overview



# Vertex's AI Moat: Why AI Expands Our Advantage

## Deterministic Core with Auditable Outcomes

- Enterprise tax must be **100% correct, explainable, and repeatable – every single time**
- This is a structural constraint – not a timing constraint

## Proprietary Process for Tax Law Interpretation

- **Ambiguous legislation must become auditable rules**
- Interpretation, prior precedent, reconciliation, and audit traceability are essential
- This represents institutional knowledge - not web-scraped content

## Deeply Embedded in Enterprise Order-to-Cash Workflows

- **Vertex sits between our customers and government tax audits**
- Integrations can include ERP, compliance, commerce, tax returns and audit workflows
- Switching costs include heightened risk of audits and disputes

## Complexity is an Economic Moat

- **Vertex optimizes for multi-entity, multi-jurisdiction, frequently-audited enterprises**
- AI-native tools optimize for simplicity and SMB use cases
- Complexity increases switching costs – and pricing power.

## AI as an Offensive Weapon

- **AI expands workflow ownership beyond tax determination**
- AI improves productivity across Vertex's operations, including engineering, sales, support, and services
- AI increases stickiness, pricing power, and margin

**Vertex is the System of Record for Enterprise Indirect Tax Compliance – and is using AI to Expand that Market Position**

# AI Product Strategy

Improving the way customers work with an AI-powered Vertex platform



## Embedded AI

Enhance user experience through automation achieving intents and knowledge guidance.



## Data Insights

Leveraging AI agents to detect patterns and anomalies in data.



## AI-Infused User Experience

Enhance usability, streamline workflows and improve overall productivity.



## Ecosystem AI

Streamline workflows and connect across business processes.

- ✓ Pragmatic application of AI with targeted use cases
- ✓ Responsible AI & Governance
- ✓ Human + AI Collaboration

# Smart Categorization Solution Summary

**Smart Categorization** is an AI-powered application that automates the classification of products into correct taxability categories and drives greater accuracy for O Series configuration. It reduces manual effort, minimizes errors, and ensures O Series is optimized for precise tax determination across jurisdictions.

- Uses Generative AI Large Language Models (LLMs) to interpret product descriptions and attributes and automatically assign the right category.
- Employs Tax Smart AI Models with Human-in-the-Loop governance, combining automation with expert oversight for accuracy.
- Maintains strict data security: Customer data never becomes part of the LLM and is never stored on LLM servers.

*Multiple six-figure sales  
to large enterprise  
customers since  
general availability  
in 2025*

## Companies may carry more than 30,000 items.

These products can be classified hundreds of ways based on ingredients, components, package type, size, quantity and more



Product Classification  
for Taxability



With over 12,000 taxing jurisdictions in the U.S., each with unique levels of granularity that define product taxability, companies are forced to know and classify their catalogs at the lowest level of granularity to ensure tax accuracy wherever they do business.

# Where Smart Categorization helps

## Volume and Granularity

### Recurring Product Categorization for Supply Chain Management

Manual tax categorization for ever-changing new products is time-consuming, cumbersome, and error-prone.

### Complex, Seasonal or Other SKU Fluctuation

Frequent SKU changes, whether daily, weekly, or monthly – can create taxability issues.

### Validating Entire Product Catalog Sets

Manual validation of complex catalogs is time-consuming and challenging, increasing audit risk. Inconsistencies in categorization and jurisdictional changes may lead to unnecessary liability and surprises.

### New Customer, LOB, and M&A Implementation

Implementing a new system, additional platforms, or unfamiliar product and services is difficult. Managing product lines and inventory while maintaining consistency is a challenge.

# Examples of AI Use to Drive Internal Efficiency

## Managed Services

- Reduce manual effort and strengthen competitiveness

## Sales

- Boost precision targeting and seller effectiveness with AI insights, opportunity health, and coaching.

## Tax Research

- Accelerate regulatory analysis and expand coverage while driving efficiency

## Customer Success & Support

- Drive proactive, predictive care using AI routing, virtual assistants, telemetry, and knowledge base expansion.

## Engineering

- Streamline workflows, increase quality, and speed delivery.

# Q1 2026 New Business Wins



# Select Existing Customer New Business Wins

Industry	New Revenue	Ecosystem	Catalyst	Solution
Artificial Intelligence LLMs	Low seven figures	Oracle	Business expansion and complexity	E-invoicing, O Series Cloud for North American Sales Tax, Value-Added Tax
Airlines	High six figures	SAP	SAP cloud transformation	O Series Cloud, North America Use Tax, SAP Accelerator, Plus Tools, Vertex Consulting
Social Technology	Mid six figures	Oracle	Solution expansion	Local Indirect Tax Engine

# Select New Logos

Industry	New ACV	Ecosystem	Catalyst	Solution
Healthcare	Low six figures	Workday	Competitive displacement	O Series Cloud for North American Sales Tax and Use Tax, Vertex Consulting
Chemical Manufacturing	Mid six figures	SAP	New business segment	O Series Cloud, North America Use Tax, Plus Tools, Address Cleansing Vertex Consulting
Fashion/Apparel	High six figures	Oracle	Transaction volume growth	O Series Cloud, Sales Tax, Value Added Tax

# Financial Overview & Outlook

Quarter Ended – March 31, 2026



# Q1 2026 Results – Revenue

TOTAL REVENUE

**\$196.6M**

**+11.1%**

Year-Over-Year Change

SOFTWARE SUBSCRIPTION REVENUE

**\$167.1M**

**+10.9%**

Year-Over-Year Change

SERVICES REVENUE

**\$29.5M**

**+12.2%**

Year-Over-Year Change

CLOUD REVENUE

**\$96.8M**

**+20.7%**

Year-Over-Year Change

ANNUAL RECURRING REVENUE (ARR)

**\$687.6M**

**+11.2%**

Year-Over-Year Change

# Q1 2026 Results – Customer Metrics

Gross Revenue Retention

**95%**

**+1% Q/Q**

Net Revenue Retention

**105%**

**Stable Q/Q**

Scaled Customer Growth (Count)

**+12%**

**Stable Q/Q**

Average Annual Revenue Per Direct Customer (AARPC)

**\$140,464**

**+11% YoY**

# Q1 2026 Results – Profitability (Non-GAAP Metrics)

Overall Gross Margin

**75.5%**

+50 bps YoY

Software Subscription Gross Margin

**82.4%**

-20 bps YoY

Services Gross Margin

**35.9%**

+480 bps YoY

Adjusted EBITDA

**\$44.1M**

+18.4% YoY

AEBITDA Margin

**22.4%**

+140 bps YoY

Free Cash Flow

**7.7M**

+19.9M YoY

Free Cash Flow Margin

**3.9%**

+1081 bps YoY

Notes:

1. Based on information as of March 31, 2026.
2. Adjusted EBITDA is a non-GAAP measure, for a reconciliation of this non-GAAP measure to the nearest GAAP measure, see Appendix.

# April 2026 Value Creation Plan

## Overview

**9%**

workforce reduction

Significant  
reduction in  
third party spend

## FY 2026 Impact

Q1 pretax charge of

**\$6.2 million**

Approximately

**\$14-\$16 million**

increase in 2026 AEBITDA

Fully annualized cash savings of  
approximately

**\$60 to \$70**

**million**

per year beginning in 2027

# Q2 and FY 2026 Financial Guidance

Q2 2026

FY 2026

Revenue expected to be

**\$200 to \$204 million**

Revenue expected to be

**\$823.5 to \$831.5 million**

25% Cloud Revenue Growth

Adjusted EBITDA expected to be

**\$47 to \$50 million**

Adjusted EBITDA expected to be

**\$202 to \$208 million**

# Appendix



# Adjusted EBITDA Reconciliation <sup>(1)</sup>

(\$ in Thousands)

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
<b>Adjusted EBITDA</b>													
Net Income (Loss)	(18,132)	(6,896)	(3,399)	15,334	2,684	5,164	7,221	(67,798)	11,130	(961)	4,045	(7,003)	(2,510)
Interest expense, net	(350)	(105)	597	4,022	286	181	(2,938)	(1,666)	(1,539)	(1,228)	(1,245)	(1,236)	(957)
Income tax expense (benefit)	9,553	2,929	784	(21,847)	(4,535)	2,200	613	56,360	(5,105)	(1,675)	1,520	5,628	(7,139)
Depreciation and amortization – property and equipment	3,741	3,878	3,782	3,801	5,006	5,212	5,214	5,521	5,880	6,187	6,372	6,373	6,442
Depreciation and amortization of capitalized software and acquired intangible assets – cost of subscription revenues	12,435	12,686	14,029	14,898	15,347	14,578	14,198	15,179	15,855	16,670	18,143	19,174	20,086
Amortization of acquired intangible assets - selling and marketing expense	766	684	596	595	595	592	706	585	531	571	588	587	525
Amortization of cloud computing implementation costs – general and administrative	-	631	919	1,020	994	995	1,005	1,013	1,006	1,018	871	843	1,037
Stock-based compensation expense	11,434	7,022	7,772	7,691	16,324	10,001	10,134	10,966	21,044	11,990	13,215	11,514	18,508
Severance expense	555	905	643	1,473	842	619	927	660	457	317	1,199	4,850	7,408
Acquisition contingent consideration	200	249	900	200	(800)	(1,575)	100	(300)	-	200	-	-	-
Litigation settlements	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of acquisition contingent earn-outs	-	-	-	-	-	-	-	17,500	(14,700)	2,300	(4,000)	(600)	(5,738)
Transaction costs	-	-	-	4,853	-	548	1,443	41	2,660	2,980	2,785	2,329	6,401
<b>Adjusted EBITDA (\$)</b>	<b>20,202</b>	<b>21,983</b>	<b>26,623</b>	<b>32,040</b>	<b>36,743</b>	<b>38,515</b>	<b>38,623</b>	<b>38,061</b>	<b>37,219</b>	<b>38,369</b>	<b>43,493</b>	<b>42,459</b>	<b>44,063</b>



Notes:

1. Adjusted EBITDA is a non-GAAP financial measure. The above table reconciles this non-GAAP financial measure to the most directly comparable GAAP financial measure. Refer to Form 10Q for the three months ended March 31, 2026 for additional information regarding the Company's use of this non-GAAP financial measure

