

## Private Company Spotlight

# EXAGRID<sup>®</sup>

*Tiered Backup Storage*

**Equity Research**  
Technology, Media and  
Communications

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## Key Metrics

>\$100M in revenue  
 25% revenue growth rate  
 95% retention rate  
 3,900 customers globally  
 +81 NPS Score  
 Rule of 40: 30%+  
 9 consecutive quarters of positive cash flow, P&L, and EBITDA

## Competitors



## Customers



## Investors



## ExaGrid – Leader in Tiered Backup Storage Our Q&A With Bill Andrews President and CEO

### 1. Discuss the history of the company and what problem you originally aimed to solve.

The company was founded in 2002. When I joined in 2005, the company pivoted focus to solve the problem of backup storage and has been focused on this mission since. Due to retention and regulatory requirements (for audits and legal discovery), backup storage contains up to 40 times the amount of data that primary storage does. To have fast, scalable, and high-performance backup, you need a storage solution that is optimized for backup. Our Tiered Backup Storage has a unique architecture specifically built for backup, which has led to our consistent 75% win rate in competitive deals.

### 2. Discuss the key macro trends driving the need for your solution.

Data is continuing to grow rapidly, so naturally backups are becoming larger and larger. As data grows, performance and scalability in a backup solution become critical to maintaining the same backup window (typically 6-8 hours). Additionally, as ransomware attacks continue to rise, security has been top of mind for organizations. If primary storage is compromised, an organization must rely on backup data to restore operations. Outside of ransomware, a customer also needs to protect against natural disasters (which are only increasing with climate change). This requires customers to maintain a second copy of data in a separate location to ensure business continuity.

As data continues to grow, it's crucial to have a solution that can restore data quickly, provide secure backups in case of ransomware, and provide a

secondary site for DR, all at a reasonable cost.

### 3. How come the cloud hasn't disintermediated your solution?

The primary reason is cost; we have never worried about this threat to our business because the cost of cloud is much higher than on-premises (when factoring in the cost of ingress/egress, and the cost to read/write). This has led to very few customers migrating to the public cloud for backup, and we have seen far more clients move to ExaGrid from the cloud. We do allow customers to replicate their data to the public cloud to assist in disaster recovery, although the cost is much higher than storing in a private data center.

We find that the cloud works better for use-cases such as DevOps and archive data, but otherwise we are not seeing a big exodus to the public cloud for data center functions. The public cloud provides the infrastructure to run IT operations but doesn't provide the IT professionals to support those operations. Consequently, we are seeing many customers look to outsource their data centers to IT professional services firms. We have identified over 170 different large IT outsourcing companies serving this demand, and we currently work with 30 of them (and hope to add more through dedicated sales reps).

### 4. Who is your target customer?

Most of our customers are upper midmarket, small enterprise, and enterprise (more than 1,000 employees). We typically win about 75% of the time and 33% of new customers enter with six- or seven-figure deals, with an average ASP of well over \$100,000. We are expanding

into the large enterprise (we currently have 42 customers in the *Fortune* 500) and recently added dedicated *Fortune* 500 sales reps to grow in this market.

### **5. Who is your main competition and what is your key technical differentiation?**

Most backup solutions leverage traditional primary storage, which is not built for high-performance backup and relies on the backup software for functions like dedupe and encryption—which makes these solutions slow and expensive. The other common hardware option is a purpose-built backup appliance (PPBA, like Dell Data Domain), which uses in-line data deduplication. This method leads to much less data stored on disk but reduces performance significantly to execute the deduplication process (subsequently increasing the backup window). Primary storage and PPBAs are also both network facing, which can more easily lead to lost data and increased security concerns.

In contrast, our systems use a Tiered Backup Storage architecture, which includes both a Landing Zone and a repository tier. Instead of using in-line deduplication, our architecture allows us to have the fastest backups and keep the most recent backups in the Landing Zone (which enables quick restores because data rehydration is not needed). The repository tier is for long-term retention on disk, and we deduplicate the data there to save space and costs. This tier is non-network-facing, which means in the event of a ransomware attack, the Landing Zone can be wiped out, but ExaGrid will still have a copy of all data in the repository tier.

Our appliances contain both servers and storage. ExaGrid products improve functions like ingest performance, restore performance, and scalability while also offering

many integrations with third-party backup applications for advanced features.

An additional differentiator for our system is the ability to linearly scale along with data while maintaining the same backup window. Our system can scale to a full backup size of 2.7 petabytes (which is 50% larger than Dell Data Domain). Competitive solutions are mainly scale-up, which leads to longer backup windows as data grows (a dealbreaker for many customers). We are also typically less expensive than primary storage (because we use less disk) and about half the price of competing backup appliances from the likes of Data Domain or Veritas.

We run into end-to-end, integrated backup solutions like Rubrik and Cohesity about 15% of the time. We find that both products are slowed down by their software and in-line deduplication. When we do see them in the market, ExaGrid partners with external backup apps like Commvault, Veeam, Oracle RMAN, and Veritas NetBackup to provide a comprehensive solution. When partnered with these solutions, we win about 75% of the time.

### **6. What can you share on ExaGrid in terms of scale, key customers, growth, etc.?**

ExaGrid has reached well over \$100 million in revenue, growing 25% in 2022 (and forecast to grow 25% in 2023). We have extremely high customer satisfaction with 95% retention and an NPS score of 81. We have roughly 60% of revenue from recurring sources—with 40% coming from maintenance and support (ARR) and the other 20% coming from existing customers that purchase additional capacity. In addition to a growing revenue base, we also have improved profitability in the past two years. For the past nine quarters, we

have been cash flow, P&L, and EBITDA positive. We have balanced growth and sustainable profitability, with a Rule of 40 score well over 30%.

We haven't needed to raise capital in the past 10 years, and we are now looking at potential M&A for companies to acquire in order to expand our product portfolio. We have over 3,900 customers across 81 countries (with sales teams in over 30 countries). Over 40% of our revenue comes from outside the U.S., and this part of our business is growing faster than the U.S. market. Thus far, the macro environment has not had a material impact on our business.

### **7. What is the primary headwind to growing your business?**

When customers think of backup storage, they typically go with their primary storage vendor or a storage product from their backup software vendor—they don't normally look to new vendors for backup storage. As a result, our primary growth headwind is access to new customers. We are working to improve this primarily through the reseller channel. Currently 95% of our business is executed through a reseller, with which we co-sell our solutions.

### **8. Where do you see the company in 5 years?**

Within the \$6 billion market we serve, we think our share could grow to 15% over the next five years, and we would still have plenty of room to grow, given how big this market is. Any organization backing up data (which is everyone) is a prospect of ours, and we remain focused on expanding our customer base. Down the road, we likely will add capabilities to back up public cloud data, but we first want to make sure all customers can access on-premises backup storage from ExaGrid, ultimately helping us become a \$1 billion revenue company.

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DOW JONES: 32798.40  
 S&P 500: 3992.01  
 NASDAQ: 11530.30

Additional information is available upon request.

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Coverage Universe	Percent	Inv. Banking Relationships *	Percent
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Market Perform (Hold)	28	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

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