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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): September 23, 2022**

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**AVALARA, INC.**  
(Exact name of Registrant as Specified in Its Charter)

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**Washington**  
(State or Other Jurisdiction  
of Incorporation)

**001-38525**  
(Commission  
File Number)

**91-1995935**  
(IRS Employer  
Identification No.)

**255 South King Street, Suite 1800**  
**Seattle, WA**  
(Address of Principal Executive Offices)

**98104**  
(Zip Code)

**Registrant's Telephone Number, Including Area Code: (206) 826-4900**

**Not Applicable**  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.0001 Per Share	AVLR	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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## Item 8.01 Other Events.

On September 23, 2022, Avalara, Inc. (“Avalara”) made available an investor presentation regarding the proposed transaction with affiliates of Vista Equity Partners. A copy of the investor presentation is attached as Exhibit 99.1 to this Current Report on Form 8-K.

## Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Investor Presentation, dated as of September 23, 2022
104	The cover page of this Current Report on Form 8-K, formatted in inline XBRL

## Additional Information and Where to Find It

This report has been prepared in respect of the proposed transaction involving Avalara and affiliates of Vista Equity Partners and does not constitute a solicitation of any vote or approval. In connection with the proposed transaction, Avalara has filed a definitive proxy statement on Schedule 14A on September 12, 2022 (the “Proxy Statement”) relating to a special meeting of its shareholders with the Securities and Exchange Commission (the “SEC”). Additionally, Avalara may file other relevant materials in connection with the transaction with the SEC. Shareholders of Avalara are urged to read carefully and in their entirety the Proxy Statement and any other relevant materials filed or that will be filed with the SEC when they become available because they contain or will contain important information about the proposed transaction and related matters. The Proxy Statement has been filed with the SEC and mailed or otherwise made available to Avalara shareholders. Shareholders are able to obtain a copy of the Proxy Statement, as well as other filings containing information about the transaction that are filed by Avalara with the SEC, free of charge on EDGAR at [www.sec.gov](http://www.sec.gov) or on the investor relations page of Avalara’s website at [investor.avalara.com](http://investor.avalara.com).

## Participants in the Solicitation

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## Safe Harbor for Forward-Looking Statements

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transaction; (viii) the ability to meet expectations regarding the timing and completion of the proposed transaction; (ix) significant costs associated with the proposed transaction; (x) potential litigation relating to the proposed transaction; and (xi) restrictions during the pendency of the proposed transaction that may impact Avalara's ability to pursue certain business opportunities. Additional factors that could cause Avalara's actual outcomes or results to differ materially from those described in the forward-looking statements can be found in the "Risk Factors" sections of Avalara's Annual Report on Form 10-K for the period ended December 31, 2021, Quarterly Report on Form 10-Q for the period ended March 31, 2022 and Quarterly Report on Form 10-Q for the period ended on June 30, 2022, as such factors may be further updated from time to time in Avalara's other filings with the SEC. These reports are or will be accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this press release and in Avalara's filings with the SEC. As a result of such risks, uncertainties and factors, Avalara's actual results may differ materially from any future results, performance or achievements discussed in or implied by the forward-looking statements contained herein. Avalara is providing the information in this report as of this date and assumes no obligations to update the information included in this report or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**AVALARA, INC.**

/s/ Alesia L. Pinney

Name: Alesia L. Pinney

Title: Executive Vice President, Chief Legal Officer, and  
Secretary

Date: September 23, 2022

**Avalara**

**September 2022**

## We believe robust process resulted in superior value to standalone plan

### Multi-year effort required to solve deep execution challenges

- International rebuild – expected y/y decline through 2023
- U.S. go-to-market transformation required to reaccelerate anemic demand generation growth
- Decline in lead generation indicated weakening market demand and created further execution challenges
- Required evolution of the executive team to resolve execution challenges and transform operations
- Challenges executing transformation amid guiding 2022 revenue estimates lower and tremendous macroeconomic uncertainty

### Compelling, certain value for shareholders

- Offers immediate cash value to Avalara shareholders at a significant premium, not subject to execution risk and challenges of standalone plan
- 8.8x represents top decile revenue multiple compared to the broad set of historical software transactions
- 27% premium to undisturbed price (prior to public rumors of a sale)
- We believe transaction multiple and premium are even higher if potential effects of post-Q2 trading and estimate revision are considered
- Majority of analysts are supportive of the transaction

### Robust transaction process

- Proactively initiated a comprehensive review of strategic options, including remaining standalone, following analysis of the business performance and financial outlook
- No strategic had inbounded since Avalara's IPO regarding a potential acquisition
- Engaged with 8 parties, 7 participated in diligence; over 10 parties were either contacted by Avalara or had reached out to Avalara regarding a potential transaction involving Avalara
- No strategic inbound interest in the ~1 month period following public rumors of the Vista transaction before Avalara announced the sale
- Vista was only party to submit a definitive proposal
- Heavily negotiated with several price increases to maximize potential shareholder value

Transaction was announced contemporaneously with Avalara's Q2 earnings and therefore formal guidance for Q3 was not provided

<b>Transaction Summary</b>	<b>\$93.50</b> Cash Per Share	<b>\$8.4 billion</b> Enterprise Value	<b>8.8x</b> NTM EV / Street Consensus Revenue (based on consensus <b>prior to deal and contemporaneous Q2 earnings announcement</b> )	<b>27%</b> Premium to Undisturbed Price ( <b>prior to Q2 earnings announcement</b> )
<b>About Avalara</b>	<ul style="list-style-type: none"> <li>Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes</li> <li>Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Brazil, Europe, and India</li> </ul>			
<b>Approvals</b>	<ul style="list-style-type: none"> <li>Subject to customary closing conditions, including approval by Avalara shareholders and receipt of regulatory approval</li> <li>HSR waiting period expired on September 21, 2022</li> <li>Financing commitments in place; transaction is not subject to a financing condition</li> </ul>			
<b>Timeline</b>	<ul style="list-style-type: none"> <li>Expected to close second half of 2022</li> <li>Record date: September 8, 2022</li> <li>Special Meeting date: October 14, 2022</li> </ul>			

Source: Avalara merger proxy and employee FAQ, filed as a DEF14A

Note: 8.8x NTM EV / Revenue based on Street consensus next 4 quarters revenue prior to Q2 earnings. 27% undisturbed premium based on \$93.50 deal price compared to Avalara's closing price as of 06-Jul-2022, last trading day prior to media reports speculating that Avalara had been contacted by Vista regarding a potential acquisition.

### Avalara / Vista Transaction

**\$93.50**  
per share

✓ Certain cash value, no risk, attractive valuation

### Standalone Path

- × International rebuild – y/y decline through 2023
- × Required U.S. GTM transformation to reaccelerate anemic demand generation
- × High sales and marketing attrition contributing to 2022 sales divot
- × Required evolution of the executive team to resolve execution challenges and transform operations
- × Q2 earnings revenue miss and would need to guide down 2022 revenue expectations
- × Challenging and uncertain macroeconomic backdrop

**\$?? per share**

**Avalara's Board unanimously recommends that shareholders vote FOR the acquisition by Vista for \$93.50 cash per share**

**Now is the right time to sell considering expected degradation of performance and further operating challenges anticipated as a standalone public company resulting in significant downside risk**

**The Avalara / Vista transaction delivers significant and certain cash value at an attractive valuation and premium**

**Avalara conducted a comprehensive structured sale process and evaluated other strategic alternatives to maximize shareholder value with strong independent board oversight**

> **Now is the Right Time to Sell**

Multi-year effort required to rebuild international while year-over-year growth declines likely through 2023



Winding down of partnership with large European marketplace partner



Missed product execution has led to competitive disadvantage



Weak GTM execution while lapping regulatory tailwinds resulting in growth contraction

Rebuilding U.S. GTM operations required to efficiently support growth and execute multi-product, multi-segment, and multi-geo strategy

Current GTM operations requires a rebuild to support demand generation growth

Execution challenges and high attrition have left a divot in 2022 new and upsell bookings

- Tax-related searches and AVLR website organic clicks down 20% y/y
- 10% decline in won deals in 1H22
- 2H22 plan would need 33% y/y increase in leads after a 9% decline in 1H22

Transformation will take time and require leadership and team changes



Required evolution of the executive team to resolve execution challenges ahead



Likely guidance reduction for 2022 revenue at Q2 earnings announcement which would impact forward revenue estimates and put pressure on our stock price in the near-to-mid term



Tremendous macro uncertainty ahead driving further execution risk

# Avalara expects the challenging macroenvironment and high interest rates to continue to weigh on its valuation for a protracted period

## NTM Time-Weighted Revenue Multiple Since Avalara's IPO to Last Trading Day Prior to Deal Announcement (05-Aug-2022)

High growth software valuation multiples typically exhibit an inverse relationship with interest rates



Source: FactSet, Bloomberg, Avalara merger proxy, Public filings, Capital IQ, IBES

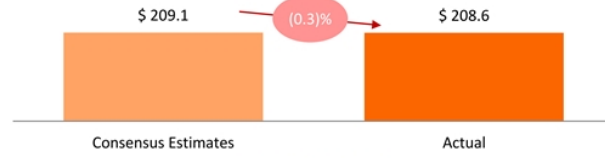
Note: \$ in millions

<sup>1</sup> Avalara peers include Alteryx, BigCommerce, Blackline, Coupa, Datadog, Elastic, HubSpot, MongoDB, Okta, PagerDuty, Paylocity, Shopify, Smartsheet, Zscaler.

## Q2 Earnings Represented Avalara's First Miss and Would Likely Have Required Avalara to Lower Its Forward Guidance

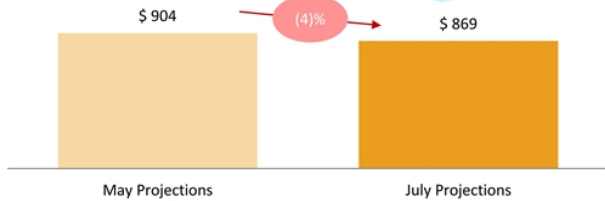
### Q2'22 Revenue

Prior to Q2'22, Avalara has beat top-line consensus estimates 16 out of 16 quarters, with median beat of 7%



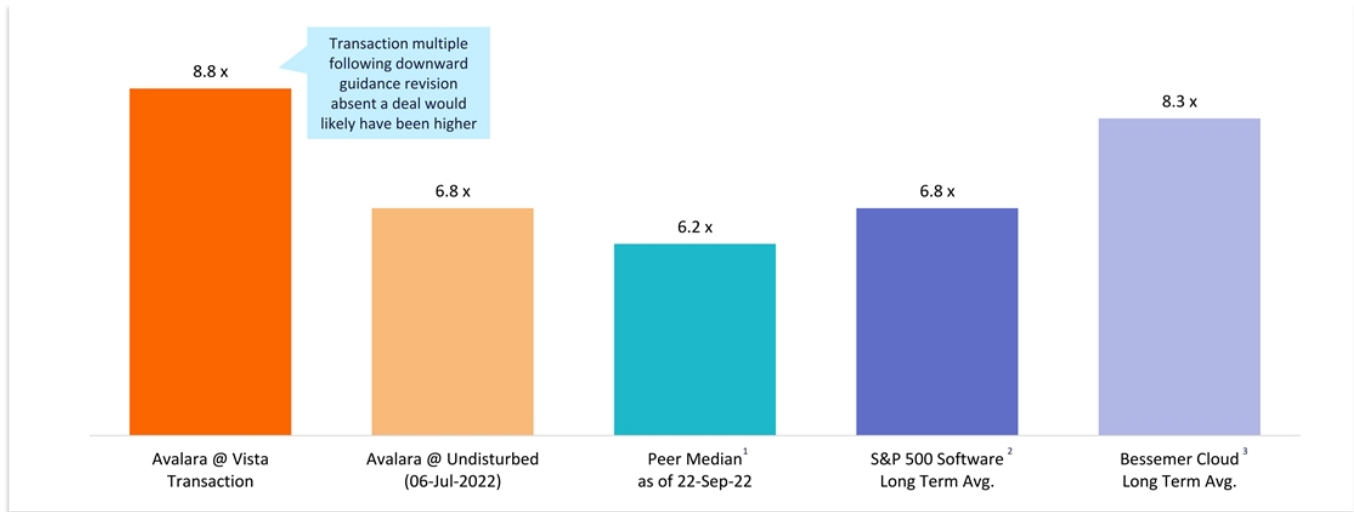
### FY2022E Revenue

Lower expected 2022 performance and major execution challenges would likely have required Avalara to modify public guidance previously disclosed in Q1 earnings



**Avalara / Vista Transaction**  
**> Delivers Significant and Certain**  
**Cash Value at an Attractive**  
**Valuation and Premium**

# The Vista transaction represents a premium multiple compared to public software long-term and current trading multiples



Source: Avalara merger proxy, public filings, Capital IQ, IBES, Thomson Reuters; Market data as of 22-Sep-2022

Note: Avalara's NTM revenue multiple @ Vista transaction based on next four quarters Street consensus estimates. Other multiples' NTM Revenue based on time-weighted Street consensus estimates.

<sup>1</sup> Avalara peers include Alteryx, BigCommerce, Blackline, Coupa, Datadog, Elastic, HubSpot, MongoDB, Okta, PagerDuty, Paylocity, Shopify, Smartsheet, Zscaler.

<sup>2</sup> S&P 500 Software long term average since 2012.

<sup>3</sup> Based on 75 companies from Bessemer Venture Partner's Nasdaq Emerging Cloud Index (EMCLOUD). Long term average since 2013 due to the lack of a meaningful number of constituents in 2012.

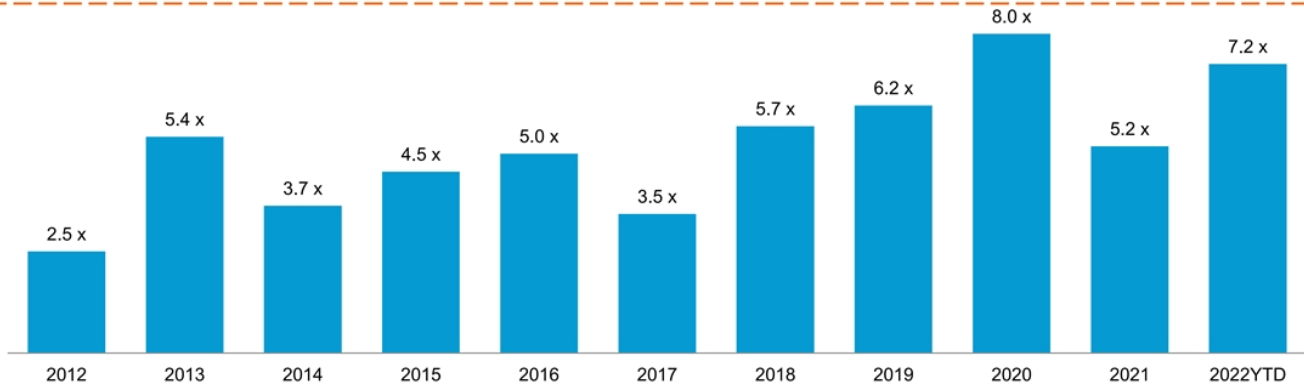
The Vista transaction represents a top decile revenue multiple compared to the broad set of historical software transactions

**U.S. Public Software All-Cash Transaction >\$1bn Since 2012**

Median Transaction NTM EV / Revenue

90th Percentile	8.6 x
75th Percentile	7.4 x
50th Percentile	5.1 x

Vista Transaction Implied Multiple  
 (Prior to the effect of Q2 earnings and likely  
 downward guidance revision):  
**8.8x**



Source: FactSet, Avalara employee FAQ filed as a DEFA14A as of 20-Sep-2022  
 Note: Precedent software NTM revenue multiples compiled from FactSet. Avalara transaction implied multiple as disclosed in the employee FAQ filed as a DEFA14A.

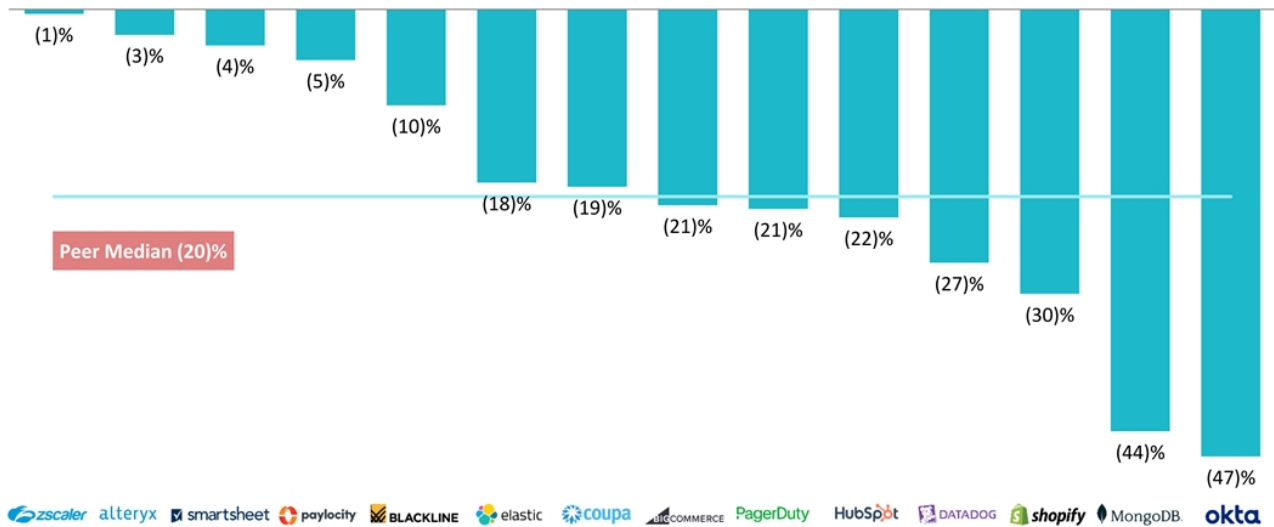
Without a deal, we believe Avalara's stock would likely have been under significant pressure after Q2 earnings

	Avalara	okta	DOMO	zoom	coupa
	Q2 FY'22 / 08-Aug-2022	Q2 FY'23 / 31-Aug-2022	Q2 FY'22 / 25-Aug-2022	Q2 FY'23 / 22-Aug-2022	Q4 FY'22 / 14-Mar-2022
<b>Guidance Updates</b>	?	<p><b>0%</b> FY23 Revenue Guidance Below Street Expectations</p> <p><b>(0)%</b> Q3 FY23 Revenue Guidance Below Street Expectations</p> <p><i>Withdraw &gt;35% annual growth target (\$4bn in revenue by FY26)</i></p>	<p><b>(3)%</b> FY22 Revenue Guidance Below Street Expectations</p> <p><b>(4)%</b> Q3 FY22 Revenue Guidance Below Street Expectations</p>	<p><b>(3)%</b> FY23 Revenue Guidance Below Street Expectations</p> <p><b>(5)%</b> Q3 FY23 Revenue Guidance Below Street Expectations</p>	<p><b>(4)%</b> FY23 Revenue Guidance Below Street Expectations</p> <p><b>(3)%</b> Q1 FY23 Revenue Guidance Below Street Expectations</p>
<b>1-Day Price Reaction</b>	?	<b>(34)%</b>	<b>(28)%</b>	<b>(17)%</b>	<b>(19)%</b>

Source: Public filings, FactSet

Conditions have worsened and peers have traded down since Avalara agreed to the Vista transaction

Peers' Share Price Performance Since Last Trading Day Prior to Deal Announcement (05-Aug-22)



Source: FactSet; Market data as of 22-Sep-2022

Transaction multiple and premium would be even higher if potential effects of post-Q2 trading and estimate revision are considered

We believe undisturbed price and consensus estimates would likely have been lower given Q2 earnings and likely downward guidance revision

Illustrative Implied Deal Premia

		Offer Price: \$93.50	Illustrative Undisturbed Price	Implied Deal Premium
Illustrative Post-Earnings Stock Movement	0 %		\$ 73.54	27 %
	(10)		66.19	41
	(20)		58.83	59
	(30)		51.48	82

Illustrative Implied Deal Multiples

		Transaction EV: \$8.4bn	Illustrative NTM Revenue	Implied Deal Multiple
Illustrative Post-Earnings Consensus Revenue Revision	0 %		\$ 957	8.8 x
	(2)		938	9.0
	(4)		919	9.2
	(6)		900	9.4

U.S. Public Software All-Cash Transactions >\$1bn Since 2012: 24% Median

Source: FactSet, Avalara employee FAQ filed as a DEFA14A as of 20-Sep-2022

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➤ **Comprehensive Process to  
Maximize Shareholder Value**

Avalara has strong board oversight, with experienced independents and robust M&A transaction experience



**Bruce Crawford**  
SVP of Jacobs, Former CIO of US Army



**Robin Foote**  
Partner of Novantas



**Edward Gilhuly**  
Founder of Sageview Capital



**Bill Ingram**  
Former CFO of Avalara



**Marcela Martin**  
President of BuzzFeed



**Scott McFarlane**  
Cofounder and CEO of Avalara



**Tami Reller**  
CEO of Duly Health and Care



**Brian Sharples**  
Cofounder and former CEO of HomeAway



**Rajeev Singh**  
CEO of Accolade



**Srinivas Tallapragada**  
Chief Engineering Officer of Salesforce



**Kathy Zwickert**  
Former Chief People Officer of NetSuite

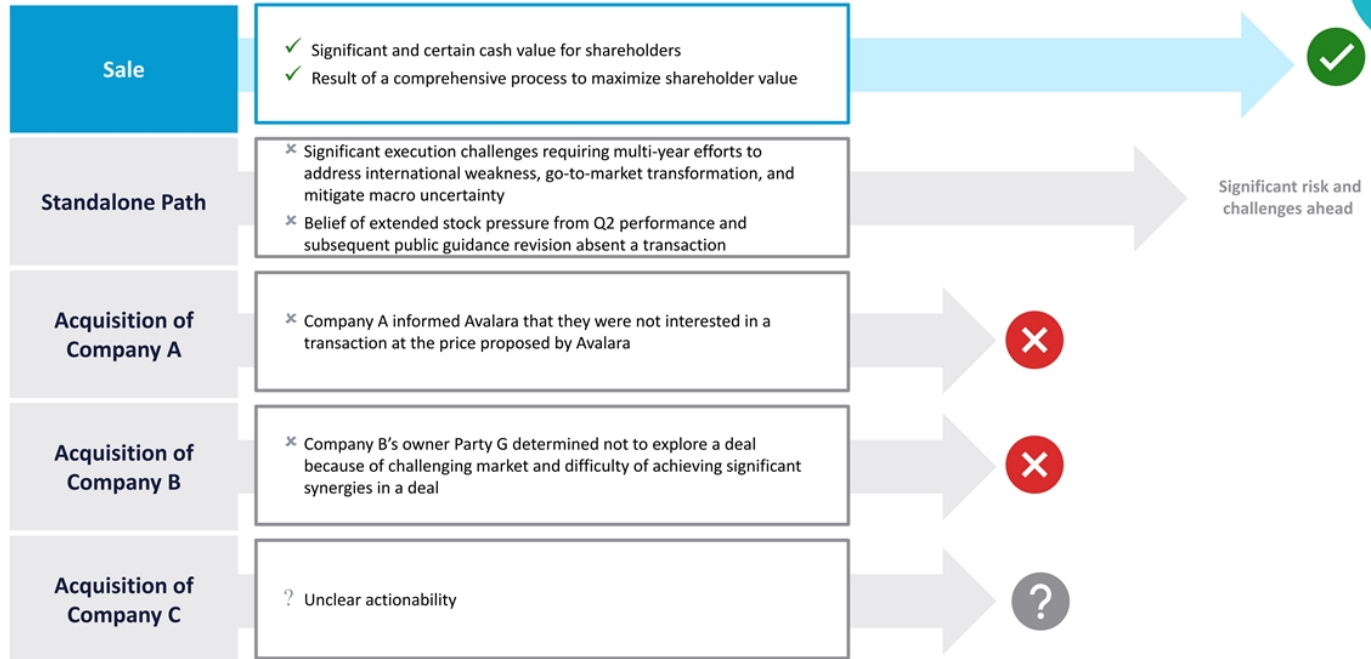
 Independent Directors

**82%**  
Independent Board

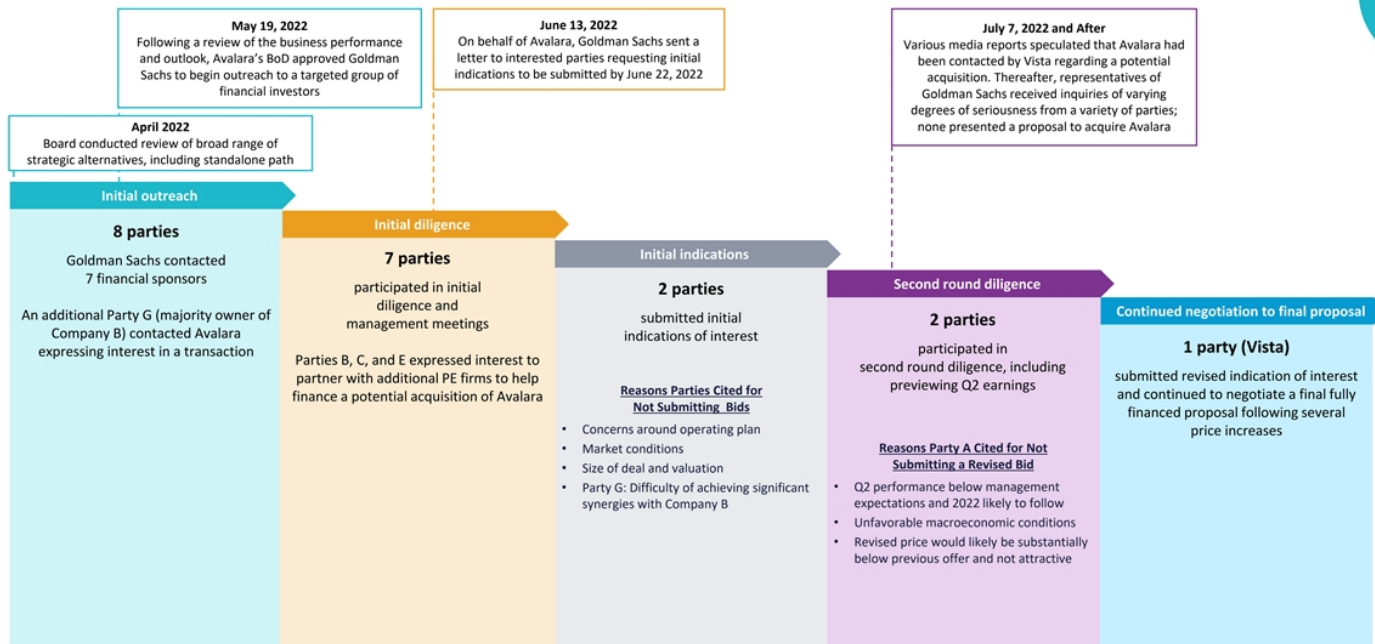
**3+ Month**  
Review Process

**11**  
Board Meetings Held during the Process

Avalara Board took proactive action based on degradation of business performance and considered a broad range of alternatives



# Avalara ran a robust 3+ month competitive sale process



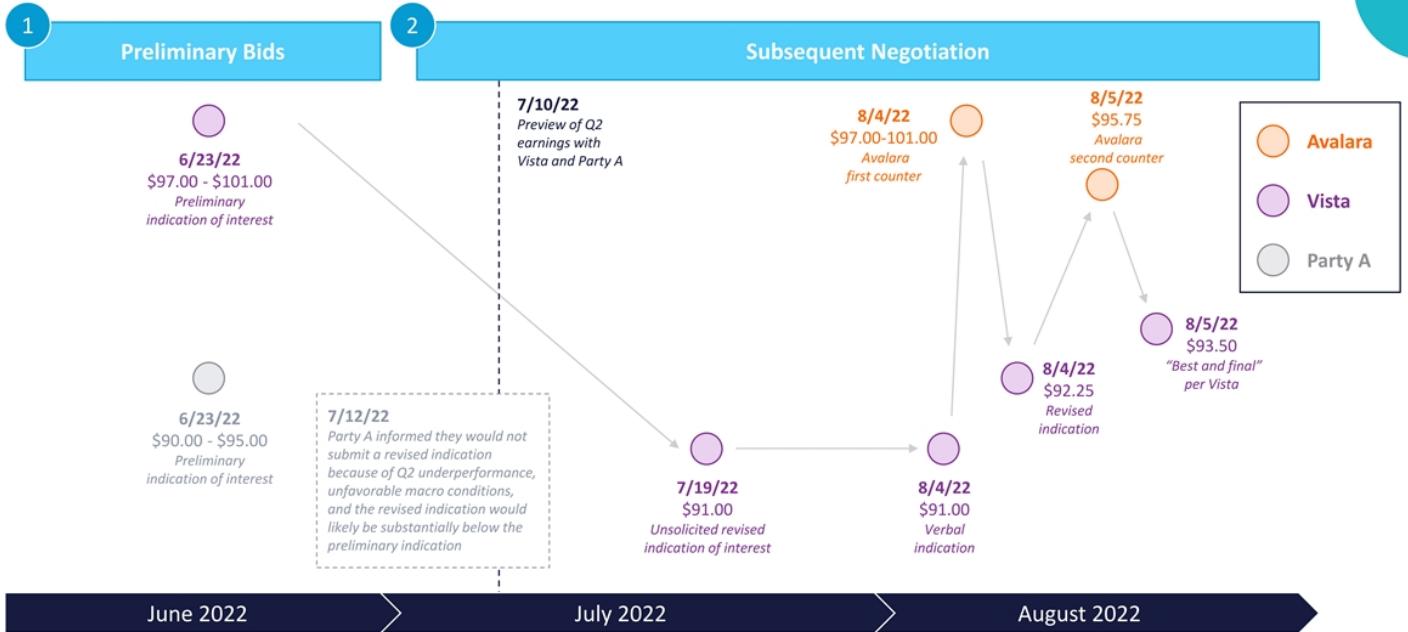
Source: Avalara merger proxy

Avalara's strategy is centered around neutrality relative to our wide partner network

An acquisition by a strategic buyer could result in significant customer loss

No strategics had inbounded since Avalara's IPO regarding a potential acquisition

No strategic inbounded in the ~1 month period following public rumors of the Vista transaction and before Avalara announced the sale



Source: Avalara merger proxy

## Following review of the proxy statement, majority of analysts endorsed the timing of the sale and the attractiveness of the deal price

### Timing is Right

"The filing also enumerated a number of compounding operational and market-related challenges that have been building in recent quarters, **introducing substantial amount of uncertainty regarding the company's ability to execute on its strategic vision over the next couple of years...** Given the incremental information provided in the proxy filing, we see another offer as unlikely."

— William Blair, 24-Aug-2022

"We continue to believe that the agreed-upon acquisition by Vista will remain the best near term offer for AVLR... **we believe shares would likely face significant near-term pressures should the sale not proceed** until investors can gain greater confidence on its recent investor day outlook."

— Raymond James, 23-Aug-2022

### Price is Attractive vs. Standalone

"**We believe the company is fairly priced** as it was sold to Vista Equity Partners because: 1) several additional PE firms contacted Avalara financial advisor... none submitted any oral or written indication of interest following the initial contact, while **no strategic party expressed interest; and 2) Avalara's 2Q22 revenue came in below expectations and there is uncertainty surrounding the company's expected performance ...**"

— JMP Securities, 29-Aug-2022

"In Vista [Avalara] found a partner with a proven track record of driving efficient growth, so it would not surprise us to see Avalara reemerge in the years ahead with a different look... **when you assume forward estimates were very likely moving lower, the multiple becomes even more appealing.**"

— Canaccord Genuity, 8-Aug-2022

"This acquisition was announced in conjunction with Q2 results that were mixed with the lowest q/q subscription growth rate of 1.9% in five years and a sharp moderation in calculated billings growth that slipped to 17% vs. 28% last quarter. **Justification of a higher premium appear challenging from a timing perspective given the uncertain macro backdrop and mixed operating results.**"

— Piper Sandler, 8-Aug-2022

Source: Wall Street research

Note: Select quotes bolded for additional emphasis.

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