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ESADE CASE

SCYTL

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In 2001, Carles Rovira co-founded Scytl, a spin-off of the main European research group on electronic voting security. If by that time someone had told him that 14 years later he would be one of the owners of a global leader in providing state-of-the-art electronic voting and electoral modernization solutions whose technology was protected by international patents, he probably wouldn't have believed it.

Carles Rovira and his partner and co-founder Andreu Riera, a pioneer in research on e-voting security, struggled during the early stage of the company adapting the outcomes from the academic world to the market reality and looking for clients. 2004 represented a turning point for Scytl when a Swiss canton became the first to use the company's online voting system. In the ensuing 10 years, Scytl grew its revenues at an annual average rate of 50% to 70% and obtained the financial support of eight leading financial investors, which combined to own 80% of the company.

But in August 2014, after closing its fourth round of VC financing, Pere Vallès, CEO of Scytl and the person behind its international expansion, revealed that the company was considering an initial public offering (IPO) on the Nasdaq in 2016. Many questions were still open, the first one being whether this was an advantageous option for Scytl. Was the company ready for an IPO? Would the timing be right to go public? They were aware that an IPO was a critical strategic decision that would involve complex and often conflicting issues.

This case has been prepared by Eugenia Bieto, Luisa Alemany, and Lourdes Urriolagoitia from the ESADE Entrepreneurship Institute, with the help of Mr. Pere Vallès, CEO of Scytl.
It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.
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However, there were other options available. Current investors, venture capitalists from both Europe and the US, were expecting to have an exit in the near future to obtain liquidity. Most venture-backed technology companies are exited through a trade sale. In this scenario, a big multinational software company with a strong public sector practice could buy Scytl. Another option, given the current size of Scytl, with approximately €70 million in revenues and 600 employees, was to sell to a private equity fund. Each of the three options had its advantages and disadvantages. What was the best choice for Scytl? And for the management team and current employees? What would the current investors prefer?

The founding of Scytl and the early years (2000-2004)

In June 2001, Carles Rovira and Andreu Riera founded Scytl. They had met a few months earlier while Rovira was working at Isoco, a consulting company specializing in information technologies. After graduating from ESADE Business School, Rovira first started working in a technology-based multinational and then joined Isoco. "However, I always wanted to start my own company. I come from an entrepreneur family and they would not even understand that I worked for another company," remembered Rovira. Dr. Riera was a pioneer academic researcher in e-voting security at the Autonomous University of Barcelona. His PhD dissertation was one of the first two European PhD theses on electronic voting security. "Andreu was 30 years old and for seven years had been doing research in the field of application-level cryptography and e-voting. He told me that he had in mind transforming his research into products and bringing them into the market. We decided to create a company to develop and sell those products. From the beginning we were sure that we wanted to be a product company; we didn't want to be a consulting company," recalled Rovira.

Scytl[i] was launched in 2001 as a spin-off of the main European research group on electronic voting security from the Autonomous University of Barcelona. The timing seemed right, since in the previous year the United States had held the presidential election between George W. Bush and Al Gore in which the traditional paper-based voting systems had clearly failed with the infamous "hanging-chad" ballots in the state of Florida. After multiple recounts and uncertainty that lasted for over one month, the US Supreme Court made a controversial decision and declared the winner of that election. The market seemed ready for more modern voting technologies, including electronic voting, and this was one of the primary catalysts for the foundation of Scytl.

The start-up was initially financed with a grant from the Centre for Innovation and Business Development (CIDEM) from the Catalonian government. Founders also received support from family and friends. "At the beginning, the main focus was on research and development, converting and adapting the concepts and outcomes from the academic world obtained during the past seven years to the market reality: the integration to the clients' systems needs, performance, costs… concepts that were virtually nonexistent at the research stage would force the reassessment of several technical matters,"[1] wrote Riera in an article published by a magazine from the Autonomous University of Barcelona.

[i] The name Scytl comes from removing the vowels in the word *Scytale*. One of the oldest cryptography tools in history was a Spartan scytale.

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From the launch of the company, founders sought to adapt the product to the market needs. “Analyzing the market, we realized that besides political elections, our platform could be also used in several other areas such as shareholders’ meetings, professional associations, university elections,”[2] indicated Rovira.

During the first quarter of 2002, Scytl provided the technology to conduct an electronic voting pilot in parallel to the elections at the Autonomous University of Barcelona. Barcelona University was also part of a pilot test to vote remotely during faculty elections. Both experiences were very successful and proved the technological feasibility of online voting.

Rovira and Riera also concentrated their efforts on raising capital. “A company like Scytl with a high need for investment in technology development has to carefully plan its funding strategy before getting into the market. Venture capital is the most feasible alternative as there aren’t any tangible assets that allow us to get more conventional financing sources such as bank loans,”[3] said Dr. Riera. In October 2002, after eight months of searching and negotiating, Scytl received an investment of €1 million at a valuation of €3 million from venture capital funds WebCapital and Spinnaker Invest, both funds belonging to the Barcelona-based investment group Riva & García. The company used the money to finish the development of the e-voting security software they were working on.[4] “The support of Spinnaker, and particularly the involvement of Carles Ferrer, by then director of private equity of Riva & García, was key; he had great confidence in Andreu and Carles’ project. Nowadays, he is still with us. Now he is a partner of another venture fund Nauta Capital,”[5] highlighted Pere Vallès, who joined Scytl in 2004 and has been its CEO since 2006.

By the end of 2002, Scytl released the first version of Pnyx, its e-voting plug-in security software. Pnyx was designed to easily integrate into existing e-voting platforms or to be used as the base to develop new platforms. In the following months, the founders devoted time to presenting Scytl at conferences like the European Conference on e-Government in Dublin, Ireland. There Riera presented his academic paper “Advanced Security to Enable Trustworthy Electronic Voting,” describing the security architecture of Pnyx. They also participated in competitions like the 6th edition of the Barcelona Entrepreneur Awards, organized by Barcelona Activa, the local development agency of the Barcelona City Council, which they won; or the European ICT Prize, in which they were selected as one of the 70 nominees out of a field of 420 candidates from 28 countries.

This initial stage was very useful to the founding team because, among other things, it confirmed that the company did have a valuable asset: its proprietary technology, which was in the process of obtaining patents, with a wide range of applications.[6]

In 2003, before securing its first customers, Scytl successfully ran some additional e-voting pilots such as the non-binding Internet voting pilot during the Catalan government election. The Catalonian government sponsored this event for expatriate Catalonians living in five countries (Belgium, Chile, USA, Argentina, and Mexico). Finally, in February 2004, a Swiss canton became the first to use the company’s online voting system in a binding political election.[7] The Swiss Canton of Neuchâtel chose Scytl’s technology to bring a secure electronic voting system to its e-government portal “Guichet Unique.” This platform became one of the few permanent Internet voting platforms in the world for binding elections and consultations.[8] Between 2004 and 2015 it was used to carry out

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from three to six citizen consultations, binding electoral processes, and referendums each year.

The take-off (2004-2010)

In March 2004, Pere Vallès joined Scytl as Managing Director with the purpose of leading the international expansion of the company. Previously, Mr. Vallès served as vice-president and CFO of GlobalNet, a US-based telecom company listed on the Nasdaq, which became one of the world's leading providers of Voice-over-IP (see Exhibit 1). "At that time, Scytl was a small company with 12 people, with a very academic and scientific profile," remembered Mr. Vallès. "We had a strong scientific DNA that was not a particularly good fit for the market. It was especially hard since we were offering a very innovative product in a critical environment such as elections, to complex and risk-averse clients such as governments."[9]

To start making inroads in the international market, Scytl entered into a partnership agreement with HP such that HP would commercialize Scytl's online voting and consulting services around the world.[10] By November 2005, Scytl and HP carried out the election of Argentina State Medical Association board members, this being the first binding election through the Internet in Latin America.

Scytl also started collaborating with the consulting firm Accenture to foster e-participation and e-voting in the government sector in Spain. The first project they worked on together was *Madrid Participa*, the largest e-participation experience ever carried out in Europe, involving all the citizens from downtown Madrid. The city of Madrid chose Scytl's Internet voting platform to carry out the e-consultations in which 135,000 citizens were able to vote through the Internet and mobile phones.

Tragically, co-founder and CEO Dr. Andreu Riera died on March 11, 2006. "His significant scientific contribution to e-voting and his legacy for e-democracy remain through Scytl,"[11] highlighted the company. "Andreu has left us a company with a solid foundation. Both the Board of Directors and the executive team deeply mournhis death and have the strong determination of continuing the project that he devoted so much effort and enthusiasm,"[12] expressed Mr. Vallès. The Board of Directors appointed Mr. Vallès, until then Managing Director, as the new CEO.

In June 2006, local newspapers disclosed that Scytl held five patents in 100 different countries, for systems that ranged from electronic voting in person at the ballot box itself to remote voting mechanisms through the Internet and cell phones. 80% of its 32 employees were telecom engineers, programmers, software developers, or cryptography experts. The main goal for all of them was "constant innovation," as a way of paying tribute to its co-founder, Andreu Riera, who died at the age of 35.[13]

In 2008, Scytl won a contract to operate the remote e-voting systems for the 2008 US elections.[14] Florida was the first state to introduce electronic voting for citizens living abroad. While only 5% of this group participated in the 2004 US elections, with the e-voting system the participation rate was increased to 15% in 2008.[15]

By the summer of 2010, Scytl's technology had been used in 13 out of 16 countries worldwide that had introduced e-voting in their public elections. Countries were moving to adopt Internet voting systems because of the advantages they offer in terms of cost,

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efficiency, speed, and especially security. Analysts said that the public sector market just for electronic voting systems could potentially be worth approximately $1.5 billion.[16]

The entry of new investors in Scytl

In January 2007, after Scytl had already proved the technological and commercial feasibility of its technology, venture fund Nauta Capital invested €3 million in Scytl at a valuation of €10 million. Most of the money was channeled into the company to support its high growth, but some of the capital was used to buy out the early investors, to allow them a partial exit. As a result, Nauta Capital, with offices in Barcelona, London, and Boston and specializing in investing in high-growth tech companies, became the majority shareholder in Scytl.

Three and a half years later, in July 2010, Scytl closed a €7.5 million round at a valuation of €30 million, led by Balderton Capital, to accelerate the company's international expansion, especially in the United States, and the diversification of its product portfolio. Balderton Capital is one of the largest venture capital funds worldwide, based in London, with €2.3 billion under management. Its focus is on early-stage European technology businesses with the potential to disrupt huge industries and the ambition to scale globally.[17] As part of the investment, Bernard Liautaud, partner of Balderton Capital, joined the board of Scytl. "Bernard Liautaud has played an important role in the growth of the company. He has experience in the whole process of starting and growing a technology business, first as an entrepreneur, since he founded Business Objects in 1990, a start-up that eventually became the world leader in business intelligence and placed among the 15 largest software companies in the world; also, as Business Objects became the first European software company to list on Nasdaq," added Mr. Vallès.[18]

From start-up to multinational company (2010-2014)

From electronic voting to innovating democracy

By 2010, Scytl realized that its growth was limited by the growth of the e-voting market. "Any country that wants to adopt an e-voting system needs to go through a complex process that includes lobbying, modifying some existing laws, and this takes a long time," explained Mr. Vallès. "At the same time, we realized that our e-voting clients also had other needs within the election process beyond e-voting such as managing the election logistics, the electoral roll, or the results consolidation. As a result, we decided to change our focus from purely Internet voting to election modernization, which goes beyond just voting. To accomplish this goal, we invested in R&D to develop new products, but, more importantly, we implemented a strategy of acquisitions."

Accordingly, the company adopted the tagline "Innovating Democracy". They developed election modernization solutions with the purpose of helping organizations increase and improve participatory democracy, citizen empowerment, and public transparency. Scytl would cover the full election process, with a broad portfolio of products developed specifically to cater to the needs and requirements of each phase of the election cycle: pre-election, election day, post-election, and governance in between election periods (see Exhibit 2).

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Scytl's e-election platform became the first end-to-end solution, providing the highest level of security and transparency standards available for elections. It incorporated unique election-specific cryptographic security technology – protected by more than 40 international patents and patent applications in over 100 countries – ensuring maximum security, transparency, and auditability in all types of elections.

The international product expansion by acquisitions

"We want to diversify to become the leading election software company worldwide,"[19] announced Mr. Vallès. The business strategy established for the coming years included opening new business lines and growing the product portfolio and customer base through acquisitions.

In January 2012, Scytl announced the acquisition of SOE Software, a leading software provider of election management solutions in the United States. According to Scytl, the acquired company would add eight new election modernization products to Scytl's portfolio, and at least €7 million to Scytl's sales, boosting their total to €24 million, as SOE Software had a strong presence in the US market.[20]

In April 2013, Scytl acquired Gov2U's software division. Based in Brussels, Gov2U was a non-profit organization dedicated to developing and promoting the use of technology in the fields of governance and democracy.[21]

In June 2013, Scytl announced the acquisition of PressVote, a provider of modernization solutions for parliaments, assemblies, and other legislative bodies, established in Athens and Barcelona. Prior to this transaction, Scytl already owned 50% of PressVote. With this acquisition, Scytl further added to its solutions portfolio In.Vote, an e-platform for parliaments and assemblies that combined a session management system with a vote automation solution, making parliamentary sessions and processes more efficient and transparent.[22]

In September 2013, the company announced the acquisition of Maxim Consulting, a US provider of automated election management systems for electoral and legislative bodies. Maxim's voter registration solution proved to be the most advanced technology available to further complement Scytl's end-to-end election modernization platform.[23]

In November, Scytl made its fourth acquisition of 2013 with the purchase of Brazilian e-voting software and digital certification firm Oak Soluçoes. Oak developed solutions based on the Brazilian digital certificate ICP-Bravo, and provided election services over the Internet with more than 60 customers in the Brazilian public and private sectors.[24] "The Brazilian election market is booming and Oak Soluçoes is the perfect choice to enter this market because of its technology, market presence and management team. We now have a great platform to grow in Brazil and in the region,"[25] said Mr. Vallès.

Finally, in October 2014 Scytl announced its sixth acquisition since 2012: Akira Systems, a provider of workforce management solutions based in Ontario, Canada. Akira's software lab and customer support center in Ontario would become Scytl's excellence center for human resources solutions, providing support to customers and partners in Canada and worldwide.[26]

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The market for electronic voting

“When we started, we had great expectations because of what happened in Florida in November 2000.[ii] The scandal prompted the emergence of a number of companies offering electronic voting in the United States, Australia and Europe,”[27] explained Mr. Vallès in a press interview. “The market for electoral modernization solutions is a big one. Governments spend approximately $25 billion per year to run their elections,”[28] Mr. Vallès said in another interview. He also highlighted that this market was antiquated, as the management of electoral processes had not changed much in the last 100 years; therefore there was a real opportunity to disrupt it through technology.

However, critics said the security involved in online voting was not good enough to ensure the integrity of democratic elections. In 2010, a high-profile test of online voting in Washington, D.C. provided by one of Scytl’s competitors was quickly hacked by programmers at the University of Michigan. "The stakes may be so high that the incentive to tamper with the system would overwhelm any currently available designs that preserve integrity,"[29] they said. Others were skeptical about the development of the election modernization market. “Governments are inherently context-specific, differing on standards, logistics, portion of the election cycle they want to target, risk aversion, and delivery preferences, among a host of other issues. Certifications differ widely by country, and can take anywhere from a few months to more than a year to obtain. Many governments carry significant political risk to enter, and more developed countries have large legacy infrastructures already in place. Finally, there is substantial – and valid – concern over security, particularly on the e-voting component of election modernization; stumbling here once can ruin a company’s reputation everywhere.”[30]

Mr. Vallès said that he understood the hesitation around e-voting. "Elections are very critical processes and governments are very risk averse. Nobody really wants to be the first one to introduce online voting, but nobody wants to be the last one either."[31] He also stressed that Scytl had already addressed many of these security barriers, beginning with a strong base in the online voting segment, where it had gathered over 70% of the market share with 16 out of the 18 countries using its platform.

By 2014, the company had the largest patent portfolio in the industry. Since the beginning, the company had made a major investment of time and resources to generate a series of security mechanisms that had been the distinguishing feature of their technology. “The fact that we have thoroughly protected our technology by patents and that any new company that wants to enter our market has difficulties to provide the same security without infringing our patents, is something that we and our investors give great importance to.”[32]

In 2014, Scytl’s business was split equally between developed markets, where cost savings were the major selling point, and emerging economies, where the prevention of election fraud was paramount. “Scytl is years ahead of anyone else,” said venture capitalist Bernard Liautaud, “elections are that rare industry which has yet to be modernized by technology.”[33] The election modernization market was estimated to be potentially worth at least $18 billion per year in the future.[34]

[ii] Florida had a major recount dispute that took center stage in the election. Consequently, the outcome of the 2000 United States presidential election was not known for more than a month after balloting, because of the extended process of counting and then recounting of Florida presidential ballots.

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By 2014, Scytl's solutions had been successfully used in more than 20 countries around the world, including Canada, the United States, Mexico, Ecuador, France, Norway, Switzerland, Bosnia-Herzegovina, the UAE, India, and Australia.[35]

According to Scytl, the company was well positioned to address the key election industry trends: On one side, sophisticated democracies were focusing on establishing the necessary infrastructure and legislation to support the implementation of remote online voting to help increase voter turnout. On the other side, developing democracies were looking into more elaborate and integrated election management systems, with a growing interest in poll-site electronic voting and electronic results transmission systems to help improve security and transparency.[36]

Fourth funding round

In August 2014, Scytl closed its fourth financing round, raising $104 million (€78 million) led by Paul Allen's (Microsoft's co-founder) Vulcan Capital at a total valuation of $320 million (€241 million). Three months earlier, Scytl had announced that it had raised $40 million from Vulcan Capital, which would allow Scytl to continue "investing 20% of its sales in R&D, and to make an acquisition every quarter during 2014 and 2015,"[37] said Mr. Vallès.

In this round, Sapphire Ventures also invested $20 million. Sapphire Ventures is the venture capital arm of SAP, the worldwide market leader in enterprise software, analytics, and mobility solutions. "This alliance will help further improve Scytl´s agility and facilitate the company's access to SAP's global enterprise ecosystem of customers and partners,"[38] indicated Mr. Vallès.

Other investors in the fourth round were Vy Capital, Adams Street Partners, and Industry Ventures. Of the $104 million raised in this fourth round, $64 million were used to provide partial liquidity to Scytl's existing investors - Balderton Capital, Nauta Capital, and Spinnaker Invest – and $40 million to fund the company's future growth. Despite the partial liquidity event, the three existing investors at Scytl remained as significant shareholders in the company.[39]

"We have a very strong shareholder base, as eight leading venture capital funds—Balderton Capital, Nauta Capital, Spinnaker Invest, Vulcan Capital, Sapphire Ventures, Vy Capital, Industry Ventures, and Adams Street Partners—own 80% of the company. They provide great credibility in the industry. With this shareholder base, the corporate governance of the company works similarly to that of a large publicly listed company. The management team has an important degree of autonomy; it holds a minority stake and acts as the link between the eight institutional investors and the company."

The Board of Directors was composed of the CEO Pere Vallès, Bernard Liautaud from Balderton, Carles Ferrer from Nauta, Albert Ferrer from Spinnaker, and Abhishek Agrawal from Vulcan. There were also three observers, representing the other venture capital funds invested in the company.

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The future

Scytl grew at a 50-70% rate annually from 2004 to 2014. In 2013, the company had sales of €39 million and in 2014 of €55 million; it was expected to reach €75 million by 2015. “From now on, we expect to grow at a 40% to 50% rate,” said Mr. Vallès.

At this stage, Scytl considered starting trading on Nasdaq in 2016.[40] Some newspapers reported that the $104 million raised in the last round was a “pre-IPO round,” and that they were planning to go public in 2016. If this were to happen, Scytl would become the first Spanish technology company to reach the Nasdaq.[41] “As we need some sort of ‘liquidity event’ for our financial investors, we are thinking about an IPO. We had two other options besides an IPO. One is selling the company to another company, a strategic buyer, normally a partner or somebody with related products and services interested in entering the e-voting and election modernization market. In this regard, we have received strong indications of interest in the past from very large software companies with whom we are currently working as partners. The second option is to sell Scytl to a private equity group. Private equity funds could be interested in a company with the size and potential of Scytl, and would buy out current investors. We have also received indications of interest from multiple large private equity funds that have lots of liquidity and are looking to invest in companies that are at a stage like ours. This would mean that the current team would have to work hard to increase the company’s value in the next three to five years, as that would be the expected exit timing of the private equity.”

For Mr. Vallès, the IPO seemed to be the top option, even though he knew it meant that his quality of life would suffer. “We’ll be under great pressure. We already report results to our current investors every three months, but once in the market we will have to deal with the share price fluctuations, the market exposure, increased liabilities, and of course our strategic plans will be known by the market, and the competitors,” reflected Scytl’s CEO.

However, after a thorough review of the company, two key challenges were identified for the IPO: the first one was related to the management team and the second one to the business model. The existing management team, led by Mr. Vallès, recognized that they had some degree of “semi-controlled” internal chaos. This was normal since they had been growing at a 50% to 70% annual rate for the previous 10 years. Basically, every year they had a different company, with different challenges. As a result, they adapted the management team and recruited additional talent. However, now that they were thinking of going public, they needed to strength the management team. A first step in this direction was adding two new executives with extensive experience in listed companies. Dan Graham, former CFO of a SAP division, joined the company as CFO to oversee financial activities, legal, HR, and operations technologies; and Neil Weston, with many years of experience in the software industry in companies such as Oracle, Siebel, and Omniture, joined as COO to manage the day-to-day operations of the company.[42]

“The second challenge is more complicated, as we decided to shift from the traditional software licensing model to a software as a service (SaaS) business model. Until now, we have worked as a traditional software company, selling the product and making the installation with minor maintenance. However, being a public company entails having a predictable flow of revenues, which we don’t have right now. For this reason, we started the migration to the SaaS model. This implies ‘renting’ our software rather than ‘selling’

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it, generating predictable recurring sales in the future," explained Mr. Vallès. One of the most challenging aspects of this transition is convincing their main clients, the governments, who were reluctant to move to SaaS for security reasons. Another challenge is the financial impact of this change, which implies sacrificing short-term revenue growth for long-term recurring revenue streams. They started adapting pricing models, R&D, the sales team structure, and compensation practices to the new model.

Another issue was the timing of the IPO. Given the main challenges Scytl had ahead, they decided to postpone the IPO and schedule realistic objectives to ensure a successful offering in 2017. "Going public in 2017 is perfect timing for us, we just made the fourth round of funding in 2014, so our investors expect to exit the company between 2018 and 2021; it will be a controlled exit."

The valuation multiple for SaaS companies ranges from 5 to 10 times sales. Accordingly, Mr. Vallès was expecting to have a valuation of €1,000 million by 2017. "Our projected annual growth rate is 40% to 50% whereas technological Nasdaq-traded companies are growing at a median of 30% annually. On top of that, we are 'category leaders' in a new technology market. The SaaS companies will keep this valuation multiple because the market is growing, but more importantly because the structural aspects of the SaaS business model activate a long-term recurring revenue" (See Exhibit 3).

Scytl was aware that besides having a strong and consistent track record, it should also be able to showcase its future performance. Mr. Vallès was enjoying the nice weather of October 2015 in Barcelona. However, he could not stop thinking about the different options for giving liquidity to the current shareholders. His biggest concern was not the IPO itself, but the day after. Once the company makes an initial public offering, it must be prepared to keep up with the success story, and that is always a challenge, reflected Mr. Vallès.

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Exhibit 1: Pere Vallès's background

Pere Vallès joined Scytl in March 2004 after spending most of his professional career in the United States. "I've been working in the technology industry for over 20 years—the last 10 years at Scytl, where I became CEO in 2006. Prior to joining Scytl in 2004, I was in the US in various financial positions in the technology and telecommunications markets. I worked first for KPMG in mergers and acquisitions for telecom and technology."[43] Pere Vallès had worked as Senior Manager for KPMG's Mergers & Acquisitions group in Los Angeles and Miami, providing financial and strategic consulting services to private equity groups and corporations involved in acquisitions in the United States, Latin America, and Europe.

Then, in 2000, Mr. Vallès went to work as the CFO for one of his clients, a company called GlobalNet in Chicago, a NASDAQ publicly traded telecommunications company and one of the pioneers in the VoIP (Voice over Internet Protocol) space in the US. "At that time VoIP was a hot topic, it was the convergence of telecom and technology, and GlobalNet was a company that had a valuation of more than $1 billion. I was 30 years old and was offered the possibility of being the CFO... so I went there probably the worst time I could go there! I joined in August of 2000, the stock price between the announcement that I had joined and the time I actually joined—a three-week period—went down 60%! At the company they always made the joke that the price went down because of the announcement... I became the 'chief restructuring officer' since we had to cut everything we could to survive…I was there for four years until we sold the company," recalled Mr. Vallès.

At GlobalNet, Mr. Vallès was responsible for designing and executing the strategic plan that led to an increase in revenues from $25 million to over $100 million and brought the company to profitability. Then he was instrumental in the successful sale of the company to the Titan Corporation, a NYSE defense company.

After the sale of GlobalNet, Mr Vallès decided it was time to come back to Barcelona, where he was born and raised, and joined Scytl as the CEO. "At that time, going to work for a technological start-up was a little bit eccentric as you had other opportunities like going to an investment bank or a large multinational technology company where you could earn a good salary… but I was attracted by the project, I thought the market was there, I was able to understand the technology which sometimes is not obvious. So I joined the company right when we got the first contract in 2004," explained Mr. Vallès.

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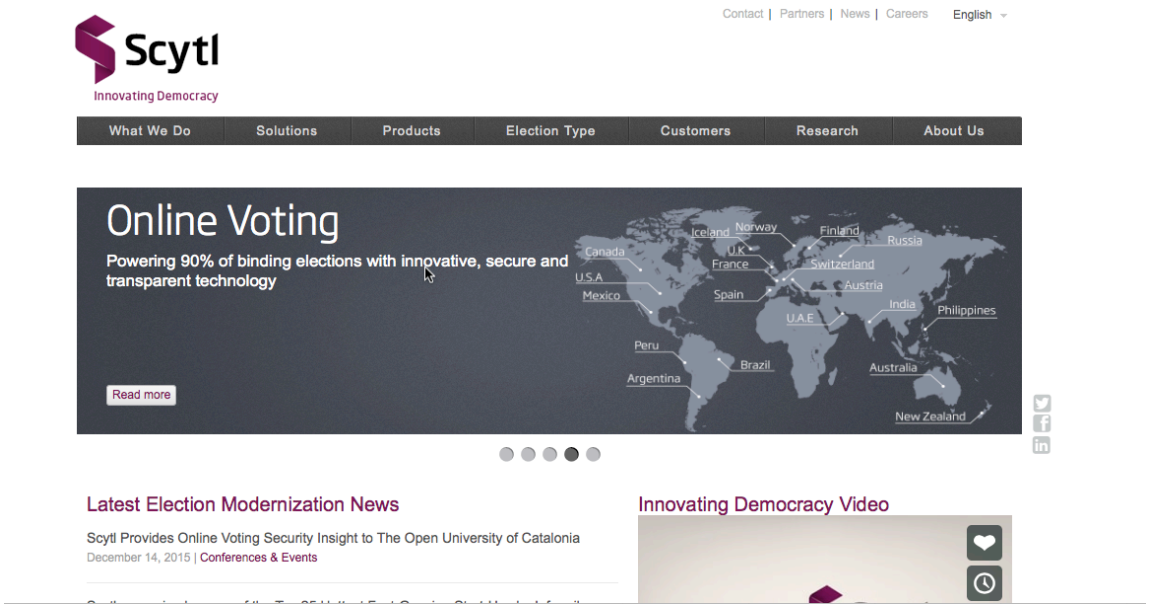
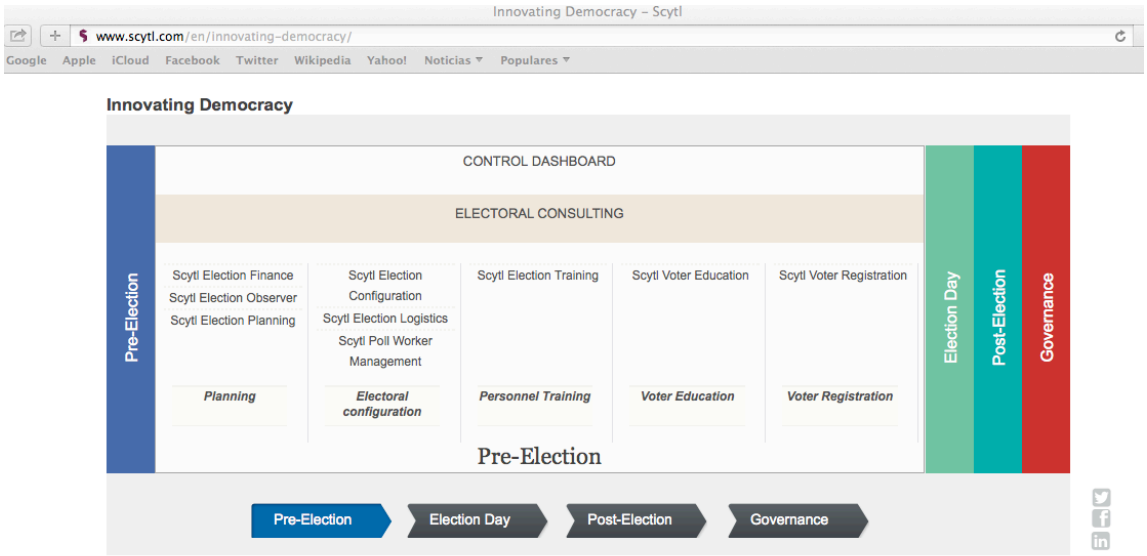
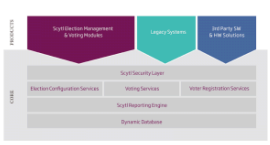
Exhibit 2: Scytl' website







Scytl Election Modernization Platform Architecture

Click to enlarge

Scytl e-Election Platform Architecture

Scytl´s robust architecture platform is comprised of the 3 key layers. Firstly a modular functionality layer allowing for specific products to be selected to cover current requirements and grow as needed. The platform then provides an integration layer with seamless consolidation capacity not only with Scytl products but with third party hardware and software products and legacy systems allowing for data and process integration and full visibility across election cycles. And finally the core layer that leverages a dynamic database for data integration, cleansing and de-duping; the reporting engine that provides access to dashboards providing a full view of the electoral cycle; and the security framework layer that provides embedded, leading industry security across the full electoral cycle.

Scytl Security Layer

Scytl´s solutions incorporate unique election-specific cryptographic security technology – protected by more than 40 international patents and patent applications – ensuring maximum security, transparency and auditability in all types of elections. Based on advanced cryptography, Scytl´s security framework ensures end-to-end encryption for privacy and confidentiality, end-to-end security through digital signatures and end-to-end verifiability for scenarios such as cast as intended counted as cast, verifiable tallying, etc.

Exhibit 3: Public sector Nasdaq comparables

Public sector Nasdaq comparable

Company	Enterprise Value ($m)	Revenue ($m)	Revenue Multiple	Revenue multipl. w control premium
Tyler Technologies - TYL	3,951	493	8.0x	10.0x

Control premium 25%

Revenues (SEC files) $k			
2013	2014	% Rev. Growth	
416,543	493,101	*18%*	

Nasdaq SaaS comparables

Company	Enterprise Value ($m)	Revenue ($m)	Revenue Multiple	Revenue multipl. w control premium
Amber Road - AMBR	222	65	3.4x	4.3x
Castlight Health - CSLT	874	46	19.2x	24.0x
Channel Advisor - ECOM	469	85	5.5x	6.9x
Cornerstone - CSOD	2,686	264	10.2x	12.7x
Marin Software - MRIN	222	99	2.2x	2.8x
Marketo - MKTO	1,250	150	8.3x	10.4x
Opower - OPWR	591	128	4.6x	5.8x
SciQuest - SQI	265	102	2.6x	3.2x
Textura - TXTR	662	63	10.5x	13.1x
Zendesk - ZEN	1,675	127	13.2x	16.5x
Total Average	1,170	147	8.0x	10.0x
Total Median	662	102	8.0x	10.0x
Nasdaq SaaS Comparables - Average	892	113	8.0x	10.0x
Nasdaq SaaS Comparables - Median	627	101	6.9x	8.7x

Revenues (SEC files) $k			
2013	2014	%	
52,527	64,834	*23%*	
12,973	45,605	*252%*	
68,004	84,901	*25%*	
185,139	263,568	*42%*	
77,315	99,354	*29%*	
95,918	149,954	*56%*	
88,703	128,439	*45%*	
90,231	101,932	*13%*	
40,766	62,968	*54%*	
72,045	127,049	*76%*	
		58%	
		42%	
		62%	
		44%	

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Source: Scytl internal documents

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