RAYMOND JAMES

Investment Strategy
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Investment Strategy

"Road Trip"

"Thanks I needed that," (as Bluto guzzles a fifth of whisky and smashes the bottle into a car). "Christ," says Donald (aka Peter Riegert), "this is ridiculous." "What are we going to do?" asks Pinto. "ROAD TRIP," says Otter! (Road Trip)

. . . Animal House (1978)

So, as most of you know we were on a road trip last week. We flew into Albany, New York on Sunday only to be greeted with hotter temperatures than what we left in Florida. The mountain drive to Manchester, Vermont was spectacular, but hereto the temperatures were hotter than Florida. Dinner was at the fabulous Equinox Hotel (Equinox) with a few portfolio managers (PMs). The next day we did two presentations for our financial advisors (FAs) and their clients. On Tuesday it was off to Latham, New York to speak at a lunch, again for our FAs and about 130 clients. After the lunch it was a drive to Burlington, Vermont. Our plan was to take state road #7 to Burlington, but Laetitia (the name of our GPS) took us up New York expressway #87, which was faster than the two lane route #7. What we didn't know was taking that route entailed riding a ferry from Port Kent to Burlington, across Lake Champlain, which was the highlight of the trip. It also shaved about an hour off the other route. That night was yet another presentation for our FAs and their clients at the Shelburne Museum (Museum) in Burlington. Comes Wednesday, it was a drive to Boston for meetings with our FAs and portfolio managers. Lunch was with folks from the must have Ned Davis Research organization to discuss the markets. After that we met with Matt Weatherbie, captain of Weatherbie Capital, and Jim Tambone from Alger. As a sidebar, Weatherbie Capital sold itself to Alger about a year ago. Also at the meeting was the fund's two senior PMs, namely George Dai, Ph.D. and Joshua Bennett, CFA.

You know how sometimes when you meet new people there are some that you instantly like? Well that is the way we felt about the good folks at Weatherbie Capital. Maybe it is because all of us have been in the business a long time and have seen many cycles. But for whatever reason, we were of like minds about the stock market and the economy. Weatherbie Capital is a small cap growth stock expert and as a proof statement we suggest you look at the performance record of their mutual fund. Some of the stocks discussed, which have positive ratings from Raymond James' fundamental analysts, and screen well using our proprietary models, include: Paylocity Holdings (PCTY/$67.65/Outperform); LKQ (LKQ/$33.75/Outperform); XPO Logistics (XPO/$104.64/Outperform); and Everbridge (EVBG/$51.55/Outperform).

The next day we had breakfast with some PMs, and saw a few institutional accounts, before trotting off to see our friends at Putnam. Our first Putnam meeting was with our long-time friend Gerard Sullivan (I own his funds), who worked with Peter Lynch in a life gone by, so it is always fun to swap Peter Lynch stories with Gerry. Also in attendance was Gerry's right hand guy Ian Estabrooks. Gerry likes the large cap banks, a theme we have been suggesting for months, as well as the airlines. While there were many stocks discussed, most of them are not followed by our analysts and therefore cannot be mentioned in this letter. For ideas we suggest screening the Raymond James research universe.

Next up was Putnam's Daniel Graña, who manages the Putnam Emerging Markets Equity Fund. We asked him if he had just one country in which to invest what would it be? Without hesitation he said India. He reasons that India is a country that possesses the "rule of law," has an "equity culture," and is a democracy. He noted the best days for India are ahead for it with GDP growth expectations somewhere between 6% and 8% per year. India has a large domestic economy and therefore does not need a lot of imports, so trade tariffs should not really be impactful. The negative is that India is a large importer of crude oil. Daniel is also investing in Chinese environmental stocks on the premise China is now spending a lot of money cleaning up its rivers, smog infested cities, and arable land. Recall, China only has about 17% arable land. Deducting the contaminated land leaves that number at around 10%. Of interest is that he stated jogging an hour in Shanghai (he doesn't recommend it) is tantamount to smoking two and a half packs of cigarettes! Daniel said the emerging markets (EM) space has been difficult due to higher interest rates, a stronger U.S. dollar (chart 1 on page 3), and talk of trade tariffs. However, if your time horizon was more than three years the EM space should outperform. That night it was dinner with about ten Boston-based FAs with Alex Brown, where markets and stocks were discussed and stories told.

Please read domestic and foreign disclosure/risk information beginning on page 6 and Analyst Certification on page 7.

Moving on to the stock market, in our "hit" on CNBC early Thursday morning we told Joe Kernen:

> On this show we told investors to raise some cash in January, suggested putting most of that cash back to work at the undercut low of February 9, 2018, with trading target of 2860. Well, we tagged the 2860 target on Tuesday of last week and we think the equity markets will stall around these highs given this is the biggest vacation week of the year. However, next week, when the "players" return, we are expecting new all-time highs.

That was pretty much the way the markets traded on Thursday, but overnight news hit about the Turkey Trauma and the preopening futures dove. The result left the S&P 500 (SPX/2833.28) preopening futures off some 20 points and us with egg on our short-term trading face. Clearly we did not expect such news, but they don't call 'em surprises because you expect 'em! The upside breakout above 2800 took the SPX up into no man's land (chart 2) between 2800 and 2872 (the all-time high). The resulting intraday "island reversal" in the SPX chart left us recalling the recording group Kansas' song of "The Point of Know Return" (Island). Yet, many of the indices made new all-time highs last week save the SPX. Meanwhile, bullish sentiment probes new lows, as typified by a recent cover from Fortune Magazine declaring "The End Is Near," as money continues to flow to cash (chart 3 on page 4). The most positive indicator for the equity markets remains the Advance – Decline Line, which as the astute Bespoke organization writes:

> The most positive internal indicator that the market has going for it right now, though, is the cumulative A/D line. Even though the week finished off with three straight negative readings, each of the prior three trading days before Wednesday saw record high readings. Since the S&P 500's record closing high in January, there have now been 24 all-time highs in the cumulative A/D line. While the strength in the cumulative A/D line contrasts with the percentage of stocks hitting new highs, the magnitude of the "positivity" of the cumulative A/D line outweighs the magnitude of "negativity" in the percentage of stocks hitting new highs. The road to new highs may not be as smooth as many thought earlier this week, and despite uncertainty surrounding geo-political issues, currencies, and tighter monetary policy, as along as breadth continues show strong underlying trends, it's hard to fight the tape (chart 4).

The call for this week: So, on our road trip we heard numerous questions about the length of the bull market, and the economic cycle, implying they are "long of tooth." We do not think so since secular bull markets tend to last 14+ years. Speaking to the economic cycle, our friends at Goldman Sachs, as reprised by Federated's Linda Duessel, note:

> Goldman Sachs studied other countries where growth cycles have lasted more than 10 years (Australia from 1992 to the present; the U.K., 1992-2008; Canada, 1992-2008; and Japan, 1975-1992). It found similar advantageous factors exist in the U.S.: a relatively flat Phillips curve (the relationship between inflation and unemployment), strengthened financial regulation and a lack of financial imbalances. In the past three U.S. expansions, the late-cycle phase lasted *2-4 years*, indicating the next recession could be as far out as 2021.

This morning, however, the preopening futures are lower as Turkey tumbles and North Korea threatens to end stability. Oh well, it must be an expiration week . . .

Chart 1

Source: Bespoke Investment Group

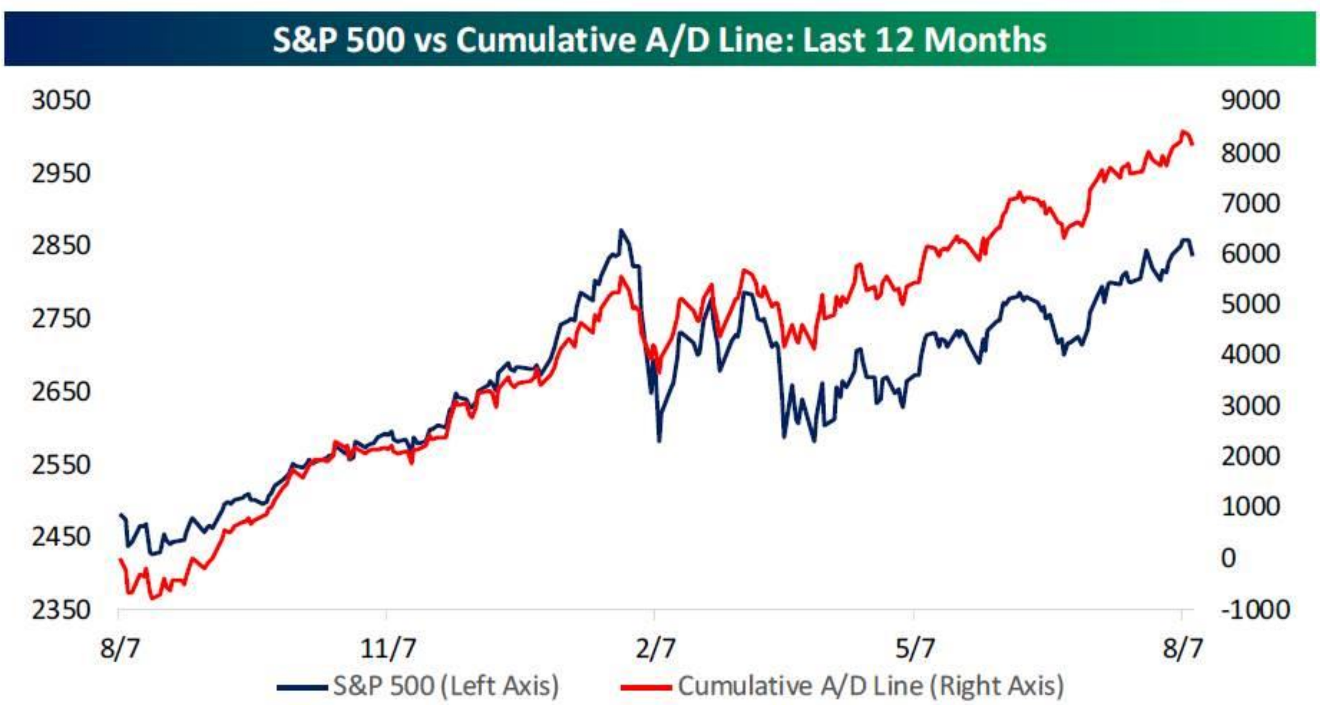
Chart 2

Source: Bespoke Investment Group

Chart 3

Source: Bespoke Investment Group

Chart 4



Source: Bespoke Investment Group

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Strong Buy (SB1) Expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months.
Outperform (MO2) Expected to appreciate and outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where we are comfortable with the relative safety of the dividend and expect a total return modestly exceeding the dividend yield over the next 12-18 months.
Market Perform (MP3) Expected to perform generally in line with the S&P 500 over the next 12 months.
Underperform (MU4) Expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold.
Suspended (S) The rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and price target are no longer in effect for this security and should not be relied upon.

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Strong Buy (SB1) The stock is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six months.
Outperform (MO2) The stock is expected to appreciate and outperform the S&P/TSX Composite Index over the next twelve months.
Market Perform (MP3) The stock is expected to perform generally in line with the S&P/TSX Composite Index over the next twelve months and is potentially a source of funds for more highly rated securities.
Underperform (MU4) The stock is expected to underperform the S&P/TSX Composite Index or its sector over the next six to twelve months and should be sold.

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Strong Buy (1) Expected to appreciate, produce a total return of at least 15%, and outperform the Stoxx 600 over the next 6 to 12 months.
Outperform (2) Expected to appreciate and outperform the Stoxx 600 over the next 12 months.
Market Perform (3) Expected to perform generally in line with the Stoxx 600 over the next 12 months.
Underperform (4) Expected to underperform the Stoxx 600 or its sector over the next 6 to 12 months.
Suspended (S) The rating and target price have been suspended temporarily. This action may be due to market events that made coverage impracticable, or to comply with applicable regulations or firm policies in certain circumstances, including when Raymond James may be providing investment banking services to the company. The previous rating and target price are no longer in effect for this security and should not be relied upon.

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Rating Distributions

	Coverage Universe Rating Distribution*			Investment Banking Distribution		
	RJA	RJL	RJEE/RJFI	RJA	RJL	RJEE/RJFI
Strong Buy and Outperform (Buy)	56%	69%	52%	23%	33%	0%
Market Perform (Hold)	39%	27%	34%	11%	11%	0%
Underperform (Sell)	5%	4%	15%	5%	22%	0%

* Columns may not add to 100% due to rounding.

Suitability Ratings (SR)

Medium Risk/Income (M/INC) Lower to average risk equities of companies with sound financials, consistent earnings, and dividend yields above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital.

Medium Risk/Growth (M/GRW) Lower to average risk equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, a potential dividend yield, and/or share repurchase program.

High Risk/Income (H/INC) Medium to higher risk equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and potential risk of principal. Securities of companies in this category may have a less predictable income stream from dividends or distributions of capital.

High Risk/Growth (H/GRW) Medium to higher risk equities of companies in fast growing and competitive industries, with less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial or legal issues, higher price volatility (beta), and potential risk of principal.

High Risk/Speculation (H/SPEC) High risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal.

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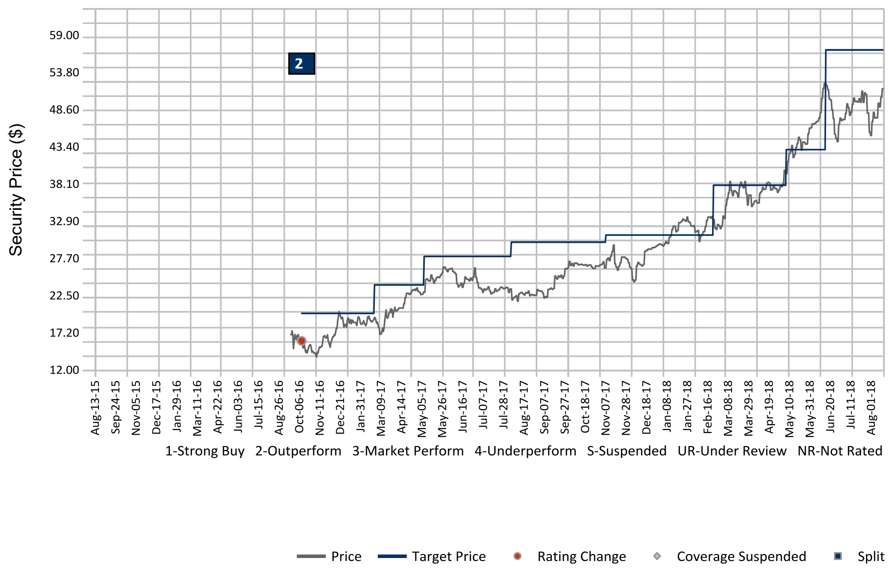
Company Name	Disclosure
Everbridge, Inc.	Raymond James & Associates co-managed a secondary offering of EVBG shares within the past 12 months.
	Raymond James & Associates co-managed an offering of convertible preferred equity for Everbridge, Inc. within the past 12 months.
	Raymond James & Associates makes a market in shares of EVBG.
LKQ Corporation	Raymond James & Associates makes a market in shares of LKQ.
	Raymond James & Associates received non-securities-related compensation from LKQ within the past 12 months.
Paylocity Holding Corporation	Raymond James & Associates makes a market in shares of PCTY.
	Raymond James & Associates received securities-related compensation from PCTY within the past 12 months.
XPO Logistics, Inc.	Raymond James & Associates has received compensation for investment banking services provided to XPO Logistics, Inc. within the past 12 months.
	Raymond James & Associates makes a market in shares of XPO.
	Raymond James & Associates received non-securities-related compensation from XPO within the past 12 months.

Stock Charts, Target Prices, and Valuation Methodologies

Valuation Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors including an assessment of industry size, structure, business trends and overall attractiveness; management effectiveness; competition; visibility; financial condition, and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates target price and rating changes for the subject companies included in this research.

Everbridge, Inc. (EVBG:NASDAQ) Date: August 11 2018

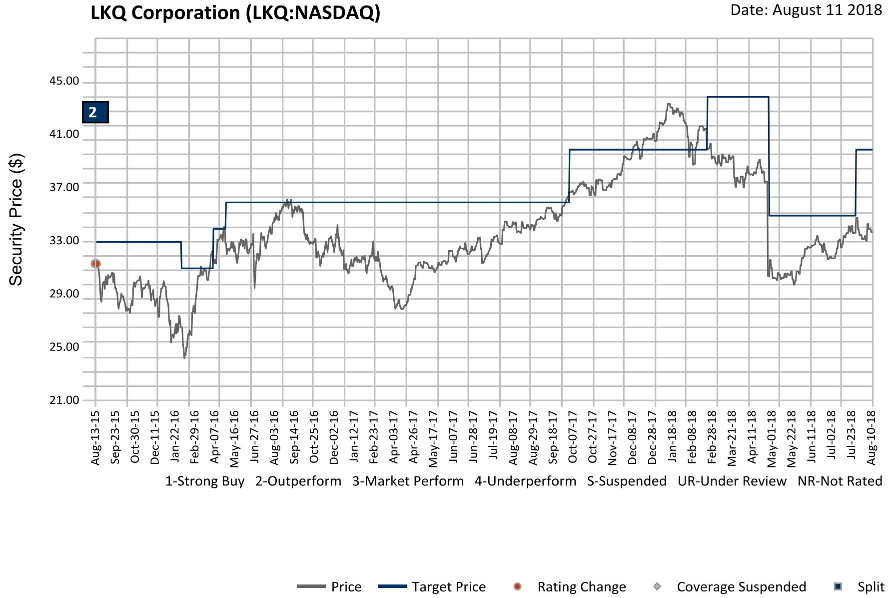


Rating & Target changes

Date	Curr.	Price	Target	Rating
Jun-15-18	$	52.32	57.00	2
May-07-18	$	39.65	43.00	2
Feb-21-18	$	33.17	38.00	2
Nov-07-17	$	26.38	31.00	2
Aug-04-17	$	23.41	30.00	2
May-09-17	$	22.97	28.00	2
Feb-27-17	$	19.39	24.00	2
Oct-11-16	$	16.13	20.00	2

Valuation Methodology: We believe enterprise value-to-sales (EV/sales) represents a reasonable valuation metric given the immature nature of the company's financial model with significant growth investments being made today to drive future high-margin recurring revenue over a long-term basis. With the emphasis in small-cap tech investing focused on maximizing growth and addressable market opportunities, other valuation metrics such as EV/EBITDA, EV/free cash flow (FCF), and price-to-earnings (P/E) will likely remain less relevant, in our opinion. EV/sales is a common valuation methodology in enterprise software, and when utilized in combination with relative top-line growth rate assumptions, provides a foundation for valuing SaaS stocks, in our opinion. Longer term, we believe significant operating leverage could materialize given the high margin nature of recurring revenue and additional valuation metrics that take into account EBITDA, FCF, or earnings would become more relevant.

LKQ Corporation (LKQ:NASDAQ) Date: August 11 2018

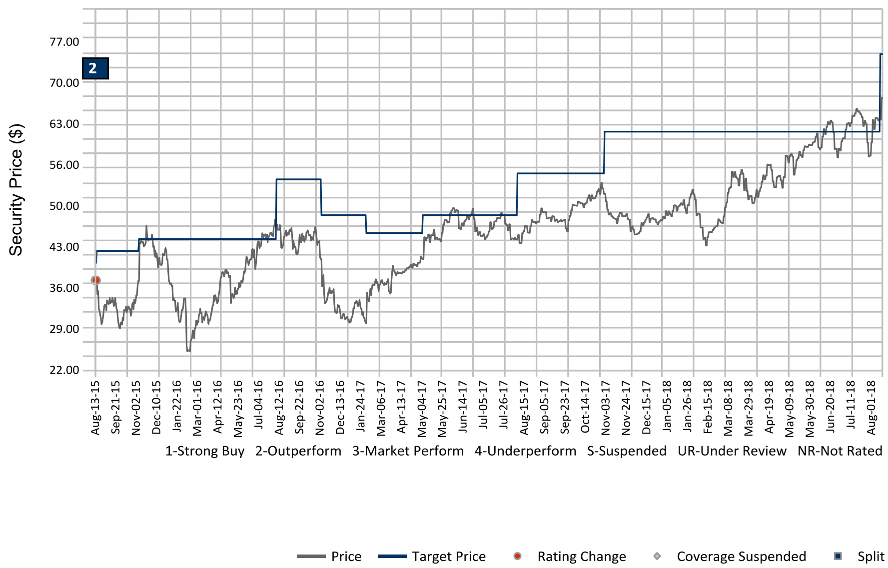


Rating & Target changes

Date	Curr.	Price	Target	Rating
Jul-26-18	$	34.84	40.00	2
Apr-27-18	$	30.42	35.00	2
Feb-22-18	$	40.05	44.00	2
Oct-05-17	$	36.76	40.00	2
Apr-29-16	$	32.89	36.00	2
Apr-06-16	$	31.50	34.00	2
Feb-04-16	$	26.56	31.00	2
Aug-13-15	$	31.36	33.00	2

Valuation Methodology: For LKQ, our valuation methodology takes into consideration a 12-month estimate of intrinsic value, as well as the company's P/E ratio, P/E to growth, P/E versus peers, historical P/E and EV/EBITDA multiple trends, and a comparison to the current S&P multiple.

Paylocity Holding Corporation (PCTY:NASDAQ) Date: August 11 2018

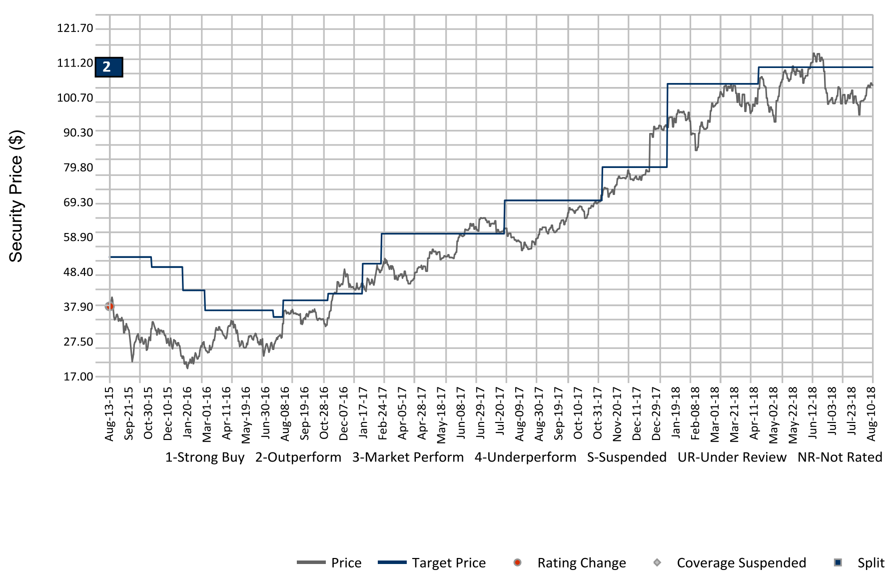


Rating & Target changes

Date	Curr.	Price	Target	Rating
Aug-09-18	$	64.05	75.00	2
Nov-02-17	$	51.59	62.00	2
Aug-09-17	$	43.92	55.00	2
May-04-17	$	40.67	48.00	2
Feb-02-17	$	29.92	45.00	2
Nov-03-16	$	40.68	48.00	2
Aug-09-16	$	46.36	54.00	2
Nov-06-15	$	36.97	44.00	2
Aug-14-15	$	37.08	42.00	2
Aug-13-15	$	37.08	40.00	2

Valuation Methodology: We believe enterprise value-to-sales (EV/sales) represents a reasonable valuation metric given the immature nature of the company's financial model with significant growth investments being made today to drive future high-margin recurring revenue over a long-term basis. With the emphasis in small-cap tech investing focused on maximizing growth and addressable market opportunities, other valuation metrics such as EV/EBITDA, EV/free cash flow (FCF), and price-to-earnings (P/E) will likely remain less relevant, in our opinion. EV/sales is a common valuation methodology in enterprise software, and when utilized in combination with relative top-line growth rate assumptions, provides a foundation for valuing SaaS stocks, in our opinion. Longer term, we believe significant operating leverage could materialize given the high-margin nature of recurring revenue and additional valuation metrics that take into account EBITDA, FCF, or earnings would become more relevant.

XPO Logistics, Inc. (XPO:NYSE) Date: August 11 2018



Rating & Target changes

Date	Curr.	Price	Target	Rating
Apr-17-18	$	103.56	110.00	2
Jan-11-18	$	91.94	105.00	2
Nov-03-17	$	71.56	80.00	2
Jul-26-17	$	61.58	70.00	2
Feb-23-17	$	49.02	60.00	2
Jan-17-17	$	45.07	51.00	2
Nov-04-16	$	34.68	42.00	2
Aug-05-16	$	33.00	40.00	2
Jul-18-16	$	25.32	35.00	2
Feb-26-16	$	25.82	37.00	2
Jan-12-16	$	23.25	43.00	2
Nov-06-15	$	31.46	50.00	2
Aug-13-15	$	38.18	53.00	2

Valuation Methodology: Our valuation analysis for XPO is primarily based on our discounted multiple analysis, and also considers multiples in the context of the company's historical trading range and current peer group averages.

Risk Factors

General Risk Factors: Following are some general risk factors that pertain to the businesses of the subject companies and the projected target prices and recommendations included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product / service pricing could change and adversely impact expected revenues and earnings; (2) Issues relating to major competitors or market shares or new product expectations could change investor attitudes toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation; or (4) External factors that affect the U.S. economy, interest rates, the U.S. dollar or major segments of the economy could alter investor confidence and investment prospects. International investments involve additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability.

Specific Investment Risks Related to the Industry or Issuer

Company-Specific Risk Factors for Paylocity Holding Corporation

Mid-Market Exposure Could Create Greater Business Volatility

The company's target market is in the 20-999 employee range. This market is considered the mid market, where certain dynamics are common among prospects and customers including slower new customer acquisition cycles relative to enterprise customers, higher churn, and negative same-store sales from customers reducing employee counts due to macro uncertainty. With this higher volatility in the target market, it may reduce the visibility in the company's future growth as well as create near-term volatility in business trends.

Attractive Mid Market Open to More Competition

The company is focused on the mid-market opportunity, which we calculate to be a potential $8 billion market and growing. We believe the attractiveness of the market due to size and relative underpenetration could cause competition to heat up in this market born from other small growth competitors, established payroll/HCM players like Ultimate Software, and defensive moves by the legacy incumbent payroll/HCM providers.

Contracts Are Cancellable Within 60 Days or Less

The company does not have long-term contracts with customers, and the contracts are structured so a customer can terminate the contract with 60 days' or less notice. With this clause in contracts, customers can cancel within a short period of time, having ramifications on the company's retention rate, customer count, and ultimately revenues.

Company-Specific Risks for LKQ Corporation

Relationship With Auction Companies or Suppliers

The majority of LKQ's salvage inventory is typically obtained through salvage auctions, and LKQ does not have written contracts with any of the companies that operate the auction facilities (~50% of the salvage auction market is controlled by three companies). Therefore, if an auction company chose to block LKQ from its salvage auctions, or raised prices significantly, LKQ's business could be affected. Additionally, LKQ currently has arrangements with insurance companies and aftermarket and OEM manufacturers to acquire necessary parts. If the arrangements cease, LKQ's business could be negatively affected. LKQ also purchases aftermarket parts directly from foreign suppliers. If LKQ could not obtain less costly parts from foreign suppliers, its business could also be negatively impacted.

Legal Issues Related to New Laws and Regulations

Certain laws and regulations could be enacted that hamper the use of certain aftermarket products. Specifically, legislatures in many states have introduced or considered bills that would prohibit the use of aftermarket products or require increased disclosure to the customer. The enactment of these bills could hurt LKQ's business. Further, proposed regulations under the National Stolen Passenger Motor Vehicle Information system could require LKQ to shoulder more of the cost burden of identifying and inspecting salvaged vehicles for its vehicle identification number.

Relationship with Insurance Companies

LKQ currently has agreements with major insurance companies that attempt to persuade the repair facility to use LKQ's products. If the agreements with insurance companies were terminated, it would negatively impact LKQ's business.

Environmental Regulations

LKQ is required by local, state, and federal environmental laws to follow certain procedures with respect to emission and discharge of hazardous materials, exposure to hazardous materials, as well as the storage of such materials. The company must also obtain environmental permits in order to conduct business. Fines with respect to environmental law or an inability to obtain said permits could hurt LKQ's business operations.

Company-Specific Risks for XPO Logistics, Inc.

Business Cycle
As with any 3PL, XPO is beholden to the ebb and flow of the business cycle and its effect on the transportation industry. While asset-light 3PLs, such as XPO, could carry less risk than an asset-based carrier (given their countercyclical quality), a severe drop in volume could have a negative impact on XPO's operating results. Also, due to the high fixed cost nature of the asset-based carriers, a severe downturn could impair their ability to operate, which, in turn, could impair XPO's ability to procure capacity at marketable rates.

Health & Relationships of Third Party Capacity
XPO's Freight Forwarding and Truck Brokerage operations are highly dependent on access to a variety of third party asset providers. As such, these carrier relationships are critical in XPO's success and must be effectively selected, managed, and cultivated. Importantly, many carriers are put under significant financial strain during the downturn in 2009 and in some cases are still incurring losses. Further, as noted above, changes in trucking regulations could continue to put prolonged pressure on the availability of capacity which could impact both access to carrier capacity (pressuring growth potential) in addition to unitary profitability.

Failure to Develop, Implement, Maintain, and Protect Information Technology System
Virtually all 3PLs are highly dependent on IT systems to manage customer orders (EDI), capacity procurement, customer information, finances, etc. Failure to effectively develop, implement, maintain, or protect XPO's systems remains a risk. We stress XPO is building its own proprietary IT system largely from the ground up which could fail to meet customers' needs (or wants); in addition, the company has an unproven operational history. In addition to the normal operating risks surrounding IT, scalability and integration risks remain given XPO's aggressive growth plans and strategy to integrate acquisitions onto a common operating system – a task with a limited track record.

Risks Surrounding Acquisitions & Inability to Effectively Manage Growth
A major part of XPO's growth strategy is dependent on making successful acquisitions at decent prices. There are many reasons why this strategy could fail. There is no guarantee that acquisition targets will be available at prices that make sense for XPO. In addition, management may overpay for acquisitions because of misjudgment or the pressure of the timetables that it has placed itself. The quality of the acquired companies may be completely misrepresented by the sellers, causing delays, if not complete losses, for XPO. If it does not make the acquisitions by its specified dates, the share price could move significantly to the downside. If XPO does make an acquisition at a good price, the fact is it is paying for people and customer relationships, both of which can be fickle. There is no guarantee that the employees of the acquired company will be retained. The customers of the acquired company may not feel comfortable outsourcing their logistics operations to XPO, especially given the rapid changes that it is going through.
Management intends for XPO to grow quickly both internally and externally. This could lead to serious missteps due to unfamiliarity with new markets, higher than expected expenses, and execution risks. The high rate of growth and integration could put stress on management and stretch XPO's human resources, which could lead to mistakes.

Access to Capital Markets & Potential Dilution
At some point XPO could find a need to access the debt or equity markets (or both) in order to fund future acquisitions or internal growth. Whether the markets are conducive at the required times is completely out of management's control. This could delay XPO's growth, causing the company's value to decline as the valuation, in our opinion, is highly dependent on high growth expectations.
Were XPO to raise capital, dilution to common holders could occur through the issuance of equity or equity-linked securities.

Loss of Key Management or Inability to Find Talent
While Brad Jacobs has assembled an impressive team, we believe that they were all willing to join XPO, in part, due to Mr. Jacobs' track record. In our view, any dissolution or disassociation of key management personnel (particularly Mr. Jacobs) with XPO could have a negative impact on XPO growth rate, operational execution, ability to access capital or acquisition targets, etc. – potentially negatively impacting XPO's share price.

Company-Specific Risks for Everbridge, Inc.

Uncertain Benefits From Growth Investments
Everbridge has aggressively invested in its technology platform and expanded its sales and distribution reach. The company has managed such investments while consistently generating positive adjusted EBITDA and cash flow; however, future growth investments could fail to deliver on sustaining strong top-line growth. This could lead to disappointing earnings and cash flow performance. In addition, the company could be challenged by managing what are often typical growing pains that accompany rapid growth and an increasingly complex business.

Continued Reliance on Mass Notification Product
The majority of new business and accompanying recurring revenue has come from sales of the company's mass notification product. Over the past couple of years, the company has significantly expanded its addressable market via organic technology investments and acquisitions of complementary products in high-growth emerging market segments. While non-mass notification products now account for an estimated quarter of new bookings, they could fail to be adequately monetized going forward. Hence, the company could remain reliant on sale of mass notification solutions, which could reach a point of market saturation and impact its ability to sustain high rates of growth going forward.

Exposure to Public Sector and Regulated Industries
The company garners roughly 50% of its revenue from enterprise or corporate customers. The company has significant public sector exposure selling into government-related entities. Macro economic challenges that impact federal, state or local funding of critical communications initiatives could materially impact the company's business. In addition, the company is exposed to long and unpredictable sales cycles

involving large monetary decisions in the public sector, which can create quarter-to-quarter volatility in new business, and consequently, billings. Also the company could experience demand volatility given exposure to highly regulated industries, such as healthcare and financial services. Heightened regulatory dynamics in these sectors could impact new customer acquisition, renewals and upsells, all of which could harm the financial model.

International Expansion Increases Execution Risk
Monetizing international opportunities represents an important growth catalyst going forward, especially in light of increased terrorist activity, other forms of man-made and natural disasters, as well as cyber-attacks. These all are catalyzing increased demand for communications solutions that keep people safe and ensure business continuity. Managing international growth introduces additional execution risk with higher-than-expected investments, which could fail to provide the appropriate payoff in the form of increased revenue, profits, and cash flow, impacting the stock. In addition, an increased international presence also entails increased foreign exchange volatility and exposure to volatile global macro conditions.

Fragmented Competitive Landscape Could Change
We view the current competitive landscape as favorable for Everbridge. We believe growing scale, share gains in mass notification, progress in emerging product segments, and brand awareness from a successful IPO could distance the company from many of its smaller fragmented competitors; however, entrance into the critical communications market by nontraditional larger capitalized players and/or consolidation among best-of-breed vendors could increase the competitive dynamics and upset what appears to be growing benefits of niche market leadership for Everbridge.

Critical Communications Increases Liability Risk
Given the critical nature of the company's solutions and management of highly sensitive personally identifiable information associated with citizens, employees, health care patients, etc., we believe there is higher associated liability risk in the event such information is compromised. The company's solutions, such as mass notification systems, incident management, and IT alerting, are involved in situations where speed, scalability, and preciseness of the communications are valued highly. Any failure in the platform to operate effectively and/or a breach of service level agreements could cause serious reputation risk as well as increase the risk of liability claims.

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Exponential Moving Average (EMA) - A type of moving average that is similar to a simple moving average, except that more weight is given to the latest data.
Relative Strength Index (RSI) - The Relative Strength Index is a technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions of an asset.

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Small-cap stocks generally involve greater risks. Dividends are not guaranteed and will fluctuate. Past performance may not be indicative of future results.

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