

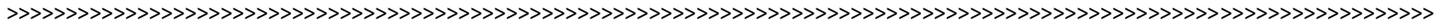
BREAKAWAY Q&A

Matthew Rizai, Workiva

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By Orlaith Farrell for Bloomberg

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BACKGROUND

Workiva is a software company that provides technology to help businesses collaborate, collect, and manage different data. It was co-founded by Matt Rizai in 2008 and offered its first cloud-based solution in 2010.

MATTHEW RIZAI, CHAIRMAN AND CEO, WORKIVA



Matt Rizai co-founded Workiva in 2008 and currently serves as Chairman and CEO. Rizai is known for his ability to build a collaborative culture that fosters the high level of innovation that is critical to successfully scaling technology firms. Previously Rizai was Chairman and CEO of Engineering Animation, Inc. (EAI). Rizai was credited with turning EAI into a highly innovative and profitable enterprise that created leading-edge software for engineering, design and manufacturing productivity. Matt led EAI's successful IPO in 1996 as well as its sale to Unigraphics Solutions (UGS) in 2000. Prior to EAI, Rizai was the co-founder of Computer Aided Design Software, Inc. He was also a research engineer at General Motors Research Labs. He holds a PhD in mechanical engineering from Michigan State University and an MBA from the University of Chicago Booth School of Business.

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Breakaway Q&A

Bloomberg: You started Workiva in 2008 when companies were relying heavily on paper and antiquated systems for data management. Your product is now used to manage risk, boost compliance, and for generally easier utilization. Tell me about the beginning of Workiva and what the vision for the software was?

Rizai: We started Workiva with the understanding that businesses are continuously creating and developing an ever-expanding volume of data, a lot of which is unstructured. In other words, on a day-to-day basis, people were just creating spreadsheets and communicating, and they had different divisions with different ways of dealing with data. We thought it would be really good if we could put together a productivity platform for businesses so they can collect, report, and analyze business data, and link to all the information, with control and accountability. That's why, instead of trying to hodgepodge together some of the off-the-shelf capabilities that are out there, we started from the ground up. We developed our own word processor, developed our own spreadsheet, developed our own presentation capability, and made sure it sat on a data engine and that everything was linked together. Then, everyone can know who is doing what and when, through audit trails, and can also decide who they want to permit to see data and put comments on it.

That was the concept from the beginning and, since then, we started putting more capabilities in it. As a company, we wanted to make sure that we had a test to see if we can find audiences that this would resonate well with right away, so that we could scale it. One area that we found at the beginning was compliance, especially for public companies, which are putting together regulatory reporting for the SEC, 10Ks and 10Qs. We ended up really revolutionizing the way that they were trying to communicate, collect a lot of data, and put it together to report. Before, it was using spreadsheets and different versions. They had version controls. They had to tick and tie things by hand. We were able to do a proof-of-concept with that segment of businesses and, from then on, we felt that we had proved ourselves. As a matter of fact, we end up really changing the way that people were doing their work and disrupted that market.

We're a cloud-based platform. In the mid-to-late part of 2008, the cloud-based concept was still relatively new, and we were able to penetrate very large companies very quickly with our cloud-based platform. That gave us an indication that businesses were really looking for capabilities that they can harmonize, so that they can become more efficient with the way that they are doing their work today. That was the original vision. We wanted to focus on business-to-business, because that's where our background comes from, and bring the cloud-based technology to it and use consumer-based applications. The user interface is really important, so we wanted to bring that element to the platform so users would be more familiar with it. So, we put a lot of importance in to the usability.

“If you're in a business, you're first focus should be to keep your customer as satisfied as possible.”

Bloomberg: Can we talk about R&D costs? Are you expecting those costs to decrease over the coming quarters when the next generation Wdesk is rolled out?

Rizai: Just like every other technology company, we have to continually innovate. At the same time, we have to make sure that you have the current process and current technical abilities—that we have with our capabilities—and keep up with them as well. So, as a technology company, you also want to make sure that you have healthy R&D activities; however, as our revenues grow, we expect that the percentage of the revenue that we spend on all these different areas to become more stabilized.

Of course, we also expect that the growth [of R&D spending] is going to be, as a percentage, less than the growth of the overall revenue. So that's how we manage that. We also look to make sure that we are allocating our resources properly, from an operating cash flow point-of-view. We've indicated that we are moving in that direction. We expect that as time goes on, we're moving toward an operating cash flow even position next year on a run-rate basis, after the second quarter of next year. We expect that we will continue to make sure that we have efficiency in our operations as we see the growth in our top line.

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funding to get them going. That's an important part psychologically from our point of view. We come out with new capabilities and new versions several times a week. That is a huge difference in whether or not you can scale a company. Every week was challenging because we wanted to make sure that, as a software company, we had to get to \$100 million in five years or less. We felt that if you didn't get there, typically, you're really not considered to be a relevant software company. So that was really important for us.

Bloomberg: I understand that at the headquarters, you have a gourmet chef and basketball court, among other things. Are those the perks that millennials are looking for, or is there more to attracting that type of employee to your workforce?

Rizai: Looking back at the last 30 years of my career, you're always looking to see what type of people are going to be part of your organization. Most of the time, the people who are creative and work in this industry are younger people. It's no different than it was in the early 1990s. You have to look out for the well-being of the employee, as they're your most valuable assets. In this business, these assets walk out of the office every day. It's not like a manufacturing business—you don't have machines. You have to focus on them: how you want to take care of them to make sure that they're really excited. The way that they get excited, they have to have a positive environment, and they also have to feel good about what they're doing. You tell them that they're doing something that customers really want and that no one has done before, and they get all excited. That has not changed, even from twenty years ago. As time you go on, you have these new generations coming in, and the technology is different. When I tell my son (who is 16) that there was no cellphone or internet in my day, he looks at me strange. So, you have a different generation now, working differently, and their outlook is different. If you want them to be part of your organization—which you do, because they're creative, ambitious, and they want to do things—then you really have to look and see what their needs are.

It's [that] more people work a lot more productively. It's good for the company, and it's good for them. The fact that we would provide them lunch—we're making more money, so to speak. They're staying there, and they're being more productive, and they engage and bond together. I think it needs to be talked about a little differently than, "Oh, you know the technology business, these guys are spoiled, they have a cafeteria." No, it's not that. It's more how you look at the business and how you attract these people. It's a different generation, different outlook.

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We caught up with Matt Rizai on March 2, 2017, to follow up on their recent earnings. This portion of the interview was conducted over email.

Bloomberg: Workiva had a great fourth quarter. Can you walk us through the breakdown in how that was generated and what your quarter looked like?

Rizai: Workiva's fourth quarter was strong. Adoption of Wdesk continues to gain traction with new and existing customers and our sales pipeline continues to build. We generated positive operating cash flow of nearly \$10 million in Q4 and total revenue for the year ended December 31, 2016 was \$178.6 million, an increase of 23.0 percent over full-year 2015. Subscription and support revenue in Q4 was \$38.3 million, up 19.4 percent from the fourth quarter of 2015, and total revenue in the fourth quarter was \$46.4 million, up 16.3 percent over the same quarter last year.

Bloomberg: R&D costs were up in Q4 to \$14 million, an increase of 8.5 percent from Q4 last year, due to increased compensation and additional staff. Is that the nature of your business?

