

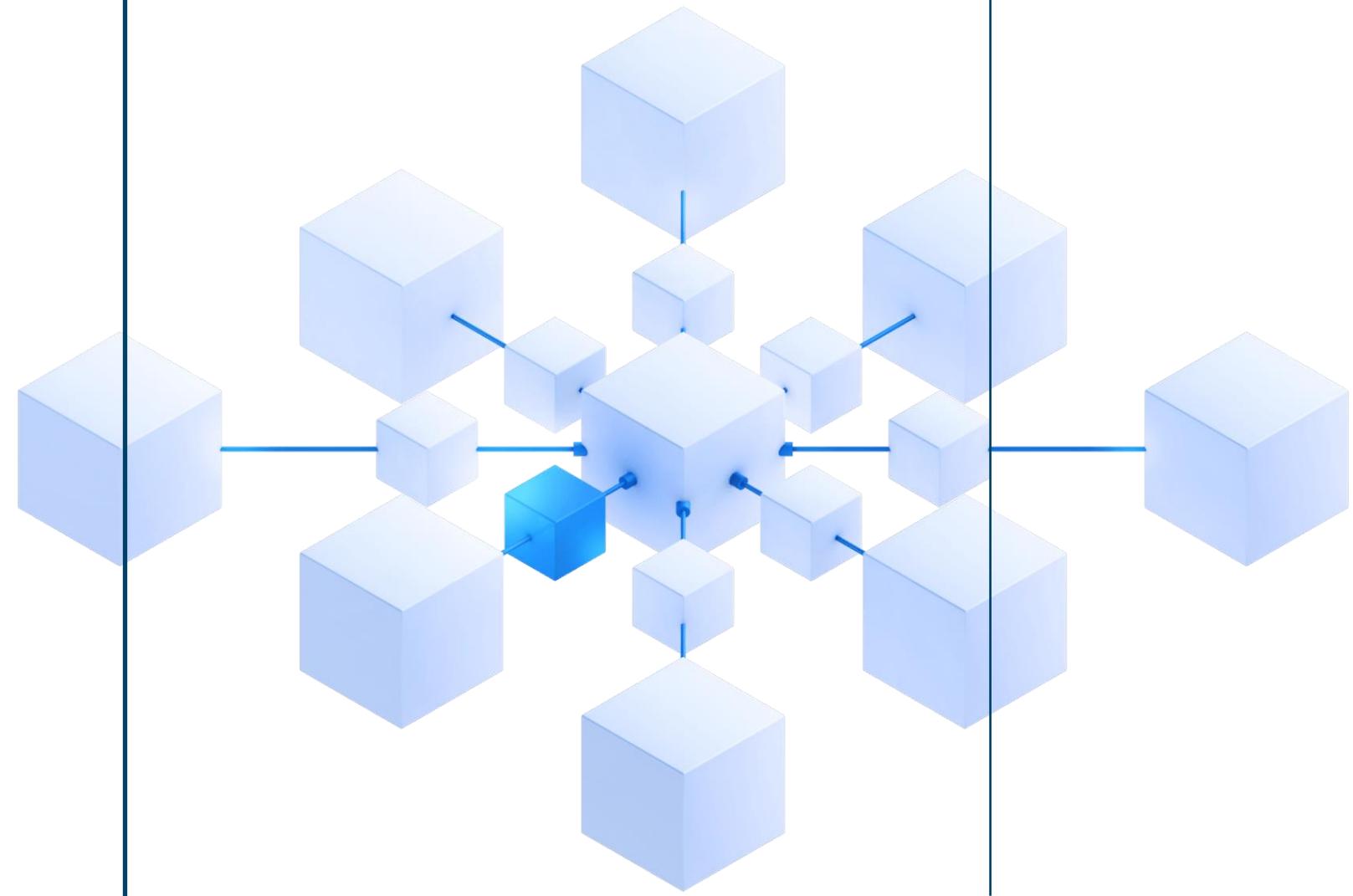
Private Company Spotlight

zensoft

Equity Research
Technology, Media and
Communications

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Maggie Nolan
+1 312 364 5090
mnolan@williamblair.com





Company Facts:



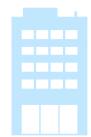
86%
client retention
rate



70% of new
projects by referral
of previous clients



3-4x
revenue growth
YoY for the last 3
consecutive years



100+ companies
served, from
Y-Combinator
backed start-ups to
the *Fortune 500*

Employees:



200+
in-house developers
and designers



7+
years average
developer experience



Capabilities include
mobile, blockchain,
Python, JavaScript

Offices:

United States **Eastern Europe**

Hong Kong **Central Asia**

Israel



Zensoft, Custom Software Development Services

Our Q&A With David Tolioupov,

Co-Founder and CEO of Zensoft

Company Description

Zensoft, based in the Bay Area, is a software development partner to start-ups and enterprises that are in pursuit of digital transformation. Zensoft's services include custom software development, design, quality assurance, and project management. The company boasts expertise in domains such as aviation, logistics, oil and gas, legal, and fintech, and strong technical expertise. Zensoft uses a continuous delivery approach (producing software in short cycles) and leverages machine learning and predictive analytics. For each project, Zensoft emphasizes visibility into the status of the project and reliable delivery. The company's proprietary platform promotes transparency, clear communication, and documentation allowing clients to review, approve, and track development from a user-friendly dashboard.

1. What is the problem that Zensoft is aiming to solve?

We have solved problems in the past as founders of tech start-ups, and experience tells us that it's not enough to just provide technical solutions. It is important for us to help our clients succeed, not just build their technology and applications. At Zensoft, we aim to understand what the client's problem is and then craft a solution. It's about being business-outcome driven. We've found this offering resonates well with start-ups where we can partner with the company from the beginning of their journey, not only committing to tech milestones, but business milestones as well. It's difficult for entrepreneurs to think about how they're going to convert people, build the business and

technology, maintain it, scale it, and there is a need to understand domain. That's what we're striving to become, the partner that helps companies from the ideation stage, puts them in front of the distribution, and then helps them execute from a technology and business standpoint.

2. What differentiates Zensoft from competitors and how will you sustain that differentiation going forward?

There are several ways that Zensoft differentiates itself; we have strong product teams and differentiated technical capabilities, like in blockchain. Perhaps most importantly, we help companies grow and execute from multiple perspectives. Many outsourcing companies simply execute on a set of predetermined specifications from their clients. That doesn't work for long—that's why they are being commoditized. We look at the engagement from the product perspective and ask important questions. How is this product going to do in the market? Is the market big enough for this product? Why is this product being developed and what does it need to succeed? We ask the questions a co-founder would ask of a start-up. But many outsourcing companies don't ask these questions, they don't ask why are we creating this or why is this going to be so successful. These are the questions you need to ask to develop the right product to help a company grow.

Zensoft also offers a design prototype package, which involves creating a visual prototype before any software development starts, allowing clients to validate their idea in advance, and results in a proposal containing the

project scope and an in-depth price quote and timeline for software development. Zensoft then takes a collaborative approach to refining each product.

3. Discuss the market opportunity, demand environment, and Zensoft's plans to scale?

The opportunity extends beyond just software and product development engagements because we are outcome driven. There is a lot of capital out there, for start-ups for example, VCs put the money in but there may not be additional value, and capital is not the only problem that founders face. As a result, we partner with a lot of VCs. We do the technical due diligence for them. It isn't just about the quality of the code or how the code was written, but it goes back to the viability of the product. We have found we can get traction with enterprises too, including as some of these start-ups are acquired, they know the value that Zensoft brings and the work that we do, and they bring us along to the larger enterprises. There is an opportunity for scale there, and our global delivery allows us to scale pretty quickly. We serve clients ranging from Y-Combinator backed start-ups to the *Fortune* 500.

4. Blockchain is a featured solution area for Zensoft, can you talk about that technology and highlight some of the related work you've been doing?

We do a lot of work in blockchain, we are big believers in the technology. We have a lot of experience in hyperledger (a multi-project open source collaborative effort hosted by The Linux Foundation), but we've also built our own blockchain from scratch. Distributed databases have advantages over completely centralized databases with only one authority that controls them. And it

becomes even more interesting the more players there are in the ecosystem. Blockchain was essentially about marketing at the beginning, a tool that helped people overcome things they felt uncomfortable about, but it has turned into a very powerful technology advancement tool. For example, there are a lot of applications, think about logistics in the aviation space, or elsewhere, opportunities in fintech, or the legal space.

Our blockchain services include consulting with the client about the architecture and design of the future product, an analysis of the existing blockchains' implementation, and helping to determine the optimal technology stack based on project type and size. Given that blockchain is an emerging technology, our clients want to know how stable is blockchain and how well is it working? How quickly is it being deployed and how quickly are the blocks being pushed together? Can we help clients understand where latency is happening?

5. How important is project management—considering both the value it drives as a stand-alone service offering but also as a component of your custom software development services?

At Zensoft we believe it is very important to control the process of delivery to ensure a high-quality product. The world seems to be becoming more and more distributed, where people are collaborating across different offices, companies, some even working remotely out of homes, which can introduce a lot of variation into the quality of output. Zensoft's project workflow is grounded in agile methodologies, including Scrum, and the company's own software development lifecycle (SDLC). Throughout the project, we ensure transparency so clients have an

accurate understanding of where their project is at every phase of the development process. Currently, we use several project management tools, such as Jira, Microsoft Project, GitHub, and Slack, among others, but we are also in the process of enhancing our own software solution.

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DOW JONES: 26728.20

S&P 500: 2976.00

NASDAQ: 8116.83

Additional information is available upon request.

Current Rating Distribution (as of September 6, 2019):

Coverage Universe	Percent	Inv. Banking Relationships *	Percent
Outperform (Buy)	67	Outperform (Buy)	19
Market Perform (Hold)	32	Market Perform (Hold)	7
Underperform (Sell)	1	Underperform (Sell)	0

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