



EQUITY RESEARCH

UPDATED

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# Wingspan

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## Wingspan

Payroll and compliance software for companies managing large networks of independent contractors

#payroll #contractor-payroll

[Visit Website](#)

## Details

HEADQUARTERS

New York, NY

CEO

Anthony Mironov



### REVENUE

\$90,000,000

2022

### FUNDING

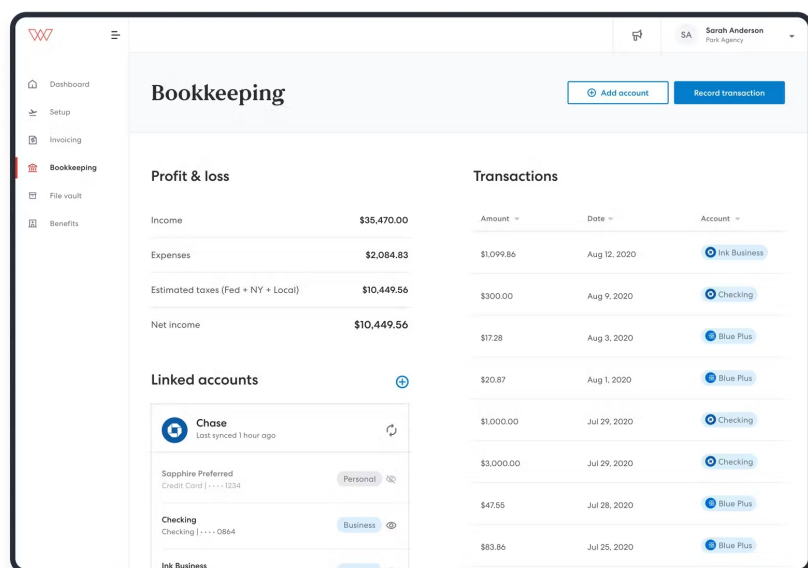
\$23,500,000

2023

## Valuation

Wingspan raised \$29.4M as of their latest funding round, with backing from Andreessen Horowitz and Distributed Ventures among others. The company has secured investments across multiple rounds from notable venture capital firms including Ludlow Ventures and Long Journey Ventures. Additional strategic investors include 186 Ventures and Asymmetric.

## Product



Wingspan provides an all-in-one platform designed specifically for onboarding, paying, and supporting independent contractors, freelancers, and gig workers.

By connecting both companies and contractors in a graph that treats both as first-class entities and persists as contractors pick up new jobs and clients, Wingspan allows contractors to get paid more quickly and makes it easier for them to manage their administrative and financial tasks across all of their clients.

Key features of the platform include include:

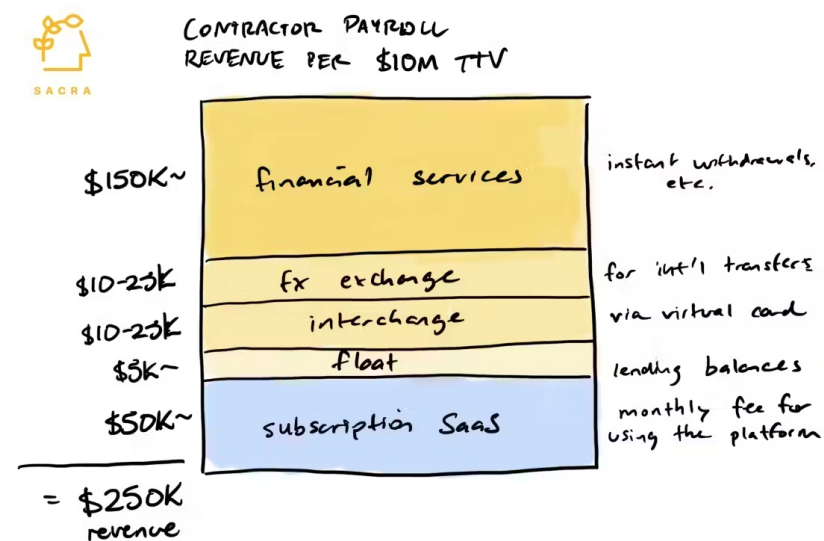
**Data collection and onboarding:** Wingspan has built-in forms to collect essential details from contractors, such as tax information and banking details. Once a company signs up and connects their existing systems (like HR or finance software), Wingspan pulls in the necessary data. The aim is to make onboarding faster by reducing the number of steps involved and by storing the contractor profiles within the platform.

**Paying contractors:** Wingspan handles the process of paying contractors. It consolidates payments, meaning instead of the company needing to individually process each payment to different contractors, Wingspan allows them to handle it all within one system. This includes payments to contractors both in the U.S and internationally.

**3rd-party integrations:** Wingspan has been built with an 'API-first' approach. This means it has been designed to connect and share data with other systems a company might use. For instance, if a company uses a particular HR platform, Wingspan can pull data from that platform into its system. This aims to reduce the duplication of data entry across different systems.

**Automating workflows:** Wingspan's software automates certain tasks involved in managing contractors. It has features for automatically collecting necessary documents from contractors, for scheduling and processing payments, and for tracking the status of different contractors. It's designed to cut down

## Business Model



Wingspan turns the the transactional business of contractor payments into subscription SaaS by layering a set of workflow products on top.

The core business model is characterized by **gross margin** of about 80%, with major costs composed of cloud hosting, executing payments (ACH, push to debit), and international banking and currency exchange, **client retention** of about 90% (due to the high switching costs of swapping out your payroll provider), and **capital spend to total sales** around 5% due to relative lack of fixed assets.

Wingspan charges customers a monthly fee to access their payments and compliance tools, and an additional per-seat fee based on the number of contractors that a company is paying.

**Teams:** For businesses, Wingspan offers a "Teams" plan, which costs \$500 per month with an additional fee of \$5 per month per contractor paid. This plan includes full-service payroll for up to 10 contractors per month, unlimited contractor profiles, and access to 27+ contractor health and financial benefits. The aim here is to provide a comprehensive, bundled solution to businesses that manage a small to medium-sized pool of contractors.

**Companies:** For businesses with more extensive contractor needs, Wingspan offers a "Companies" plan. This costs \$1,000 per month plus \$5 per month per contractor paid. It comes with unlimited contractor payments, e-signatures, accounting sync, and reporting. The "Companies" plan is designed for larger businesses with greater administrative needs and a larger contractor workforce.

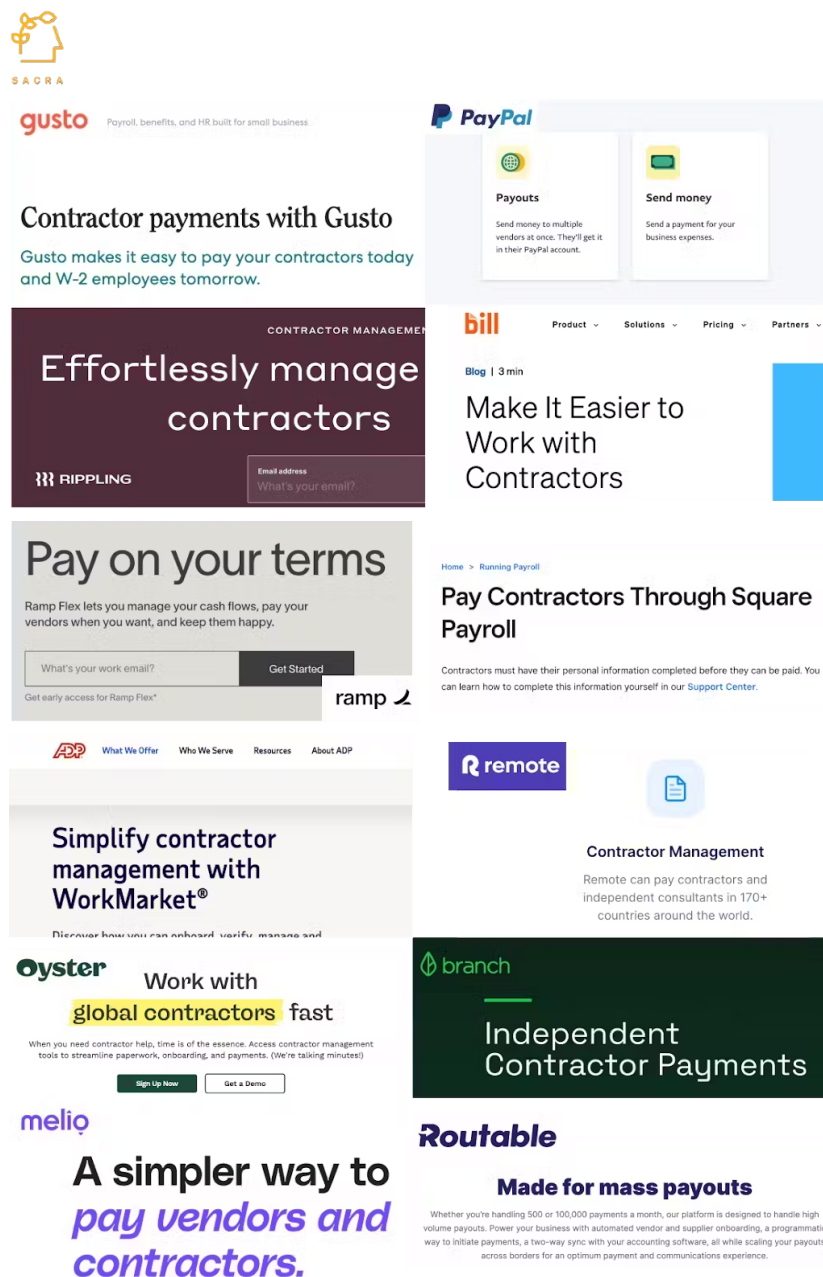
The majority of revenue comes from monetizing on payroll volume via:

**Markups on financial services:** Wingspan can make money selling financial services into the contractors that use their product, like their instant transfers of wages to bank accounts.

**Interest on float:** Wingspan makes some money by lending out float—money held by a platform that's in the process of clearing an account.

**Interchange split:** Wingspan can make roughly \$1.05 per every \$100 that a contractor spends using their virtual card via interchange: the fee set by card networks for using their payment rails to move money

## Competition



As B2B products all compete to eat up B2B transactions, we're seeing the widespread bundling of contractor payroll into their products.

These companies want to eat up contractor payroll and include it in the larger bundle of payments and back-office functions they already perform: **employee payroll companies** like ADP, Paylocity, Paychex, Rippling, and Gusto, **vertical SaaS** like Wingspan, Bonsai, and Toast, **expense management companies** like Bill.com, Brex, and Ramp, **B2B payments businesses** like Wise, Square, Melio and Ratable, **payments businesses** like PayPal and Venmo, and **global payroll businesses** like Deel, Panther, Remote, Oyster, and Papaya Global.

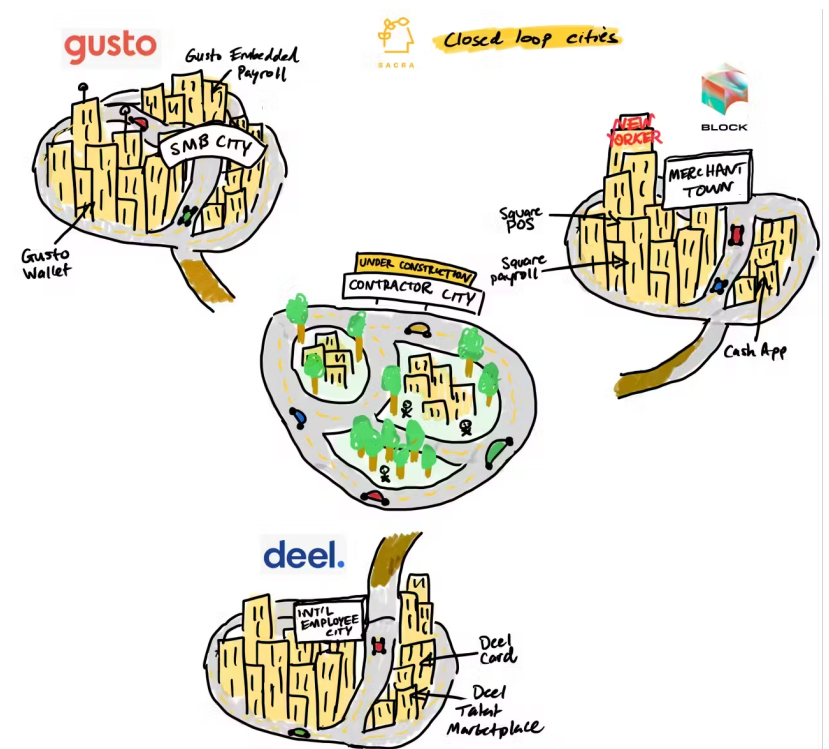
Some of these services target different segments of customers. For example, Wingspan primarily targets mid-market companies paying hundreds or thousands of contractors with a particular need for workflow automation around contractor payments—their average ACV on SaaS is around \$20K-\$70K. Gusto, which is focused on SMB payroll, brings in about \$260M a year in revenue on more than 200,000 customers for about \$1.3K per customer.

On the other hand, they're threatened by an emerging set of companies like Check (\$119M raised) and Zeal (\$15.4M raised) that are abstracting the payroll function into a set of APIs open to any vertical SaaS to use.

All of these different kinds of companies want to own contractor payroll because while employees are networked via professional graphs like LinkedIn, freelancers are networked via payments graphs.

This is a network with high built-in retention, trillions in fund flows every year, and a long list of monetizable products and services that can be sold into it.

## TAM Expansion



The big opportunity for Wingspan is to build a closed loop payments network for the \$1.4T and growing of freelancer payments made every year.

Cash App found product-market fit with Americans living paycheck-to-paycheck for whom speed was of the essence because of the potential ripple effects that could arise with any volatility in their personal lives. In the freelancer economy, volatility is the rule, with contractors going from company to company, making their income lumpy and unpredictable.

If a platform like Wingspan can guarantee timely freelancer payment based on the amount of work done, it would give contractors a vastly upgraded sense of financial security—and also give their platform the kind of stickiness that Cash App was able to reach in the consumer space by reducing time-to-money in the same way.

By owning the contractor wallet with that 10x better experience, Wingspan then gain an opening into selling a range of other products and services into their network. The same way that Gusto has launched products like Embedded Payroll and Gusto Wallet on top of their network of SMBs, Wingspan would have the opportunity to launch value-add products like:

**Freelancer insurance:** Liability insurance protects freelancers against claims that they provided the wrong service or their work was faulty in some way

**Contractor loans:** Getting a loan as a freelancer can be notoriously difficult, but contractor payroll platforms could more easily underwrite these

**Healthcare and benefits:** By acting as a PEO, contractor payroll platforms can get cheaper healthcare for their workers and take that burden off companies

**Earned wage access:** Contractor payroll platforms can make earned funds immediately available to contractors for a fee (typically 1%~)

**Talent marketplace:** Contractor payroll platforms can allow both companies and contractors to search across their network of workers to staff new projects

Across these various product lines, contractor payroll platforms can derive a powerful advantage over other traditional providers by virtue of the data and visibility they have into the activities of both contractors and companies.

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