

## Smartsheet

# Cautious on intensifying enterprise competition; initiating with U/P

Initiating Coverage: UNDERPERFORM | PO: 45.00 USD | Price: 42.04 USD

## Expect relative underperformance in category re-rate

We initiate coverage of Smartsheet with an Underperform rating and \$45 PO. Our Underperform rating is based on our view that 1) competitive intensity is increasing in Smartsheet's core enterprise market; 2) less room for revenue acceleration relative to peers; and 3) our preference for accelerating share capture and self-help equity stories in the category. We are bullish on the setup for collaborative work management (CWM) software entering 2024 (see our [collaboration software primer](#)) but prefer exposure through Buy rated ASAN and MNDY.

## Competition to intensify in enterprise market

Competition is set to intensify in Smartsheet's core market segment – large enterprises. While head-to-head competition has historically been relatively limited in the category, several companies with meaningful scale are revamping efforts to increase enterprise penetration (including both Asana and monday.com). A more heavily contested enterprise market could mute market/wallet share capture going forward and pressure sales and marketing efficiency, in our view.

## See less upside to shares in risk-on scenario

While we think there are several reasons to be bullish on SMAR shares entering 2024, we view the risk-reward of peers in the category as more attractive. We view Smartsheet's outsized penetration of the sought-after enterprise market, its diversified vertical exposure and low churn, and its discount valuation favorably. However, we see less opportunity for incremental penetration and revenue acceleration for SMAR as enterprise IT spending budgets loosen. We also have greater confidence in positive estimate revisions for peers like monday.com and Asana and are 1% below consensus for SMAR FY25 revenues.

## \$45 PO represents 4.6x EV/C25e revenue

Our \$45 PO is derived from a 4.6x 2025E EV/Revenue target multiple (0.25x growth adjusted). Our growth adjusted multiple of 0.25x is relatively in line with the collaboration software peer group. We believe an in line multiple to the collaboration software peer group on an EV/Revenue/Growth basis is warranted given Smartsheet's favorable margin profile and revenue exposure, offset by a lower long-term growth outlook.

Estimates (Jan) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(0.33)	(0.28)	(0.22)	0.69	0.90
GAAP EPS	(0.95)	(1.36)	(1.66)	(0.98)	(0.74)
EPS Change (YoY)	32.7%	15.2%	21.4%	NM	30.4%
Consensus EPS (Bloomberg)			(0.31)	0.69	0.93
DPS	0	0	0	0	0
<b>Valuation (Jan)</b>					
P/E	NM	NM	NM	60.9x	46.7x
EV / EBITDA*	NM	NM	NM	55.6x	39.9x
Free Cash Flow Yield*	-0.3%	-0.2%	0.3%	2.5%	3.1%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 35.

26 February 2024

### Equity

**Michael J. Funk**  
Research Analyst  
BofAS  
+1 646 855 5664  
[michael.j.funk@bofa.com](mailto:michael.j.funk@bofa.com)

**Matt Bullock**  
Research Analyst  
BofAS  
+1 646 556 2903  
[matthew.bullock2@bofa.com](mailto:matthew.bullock2@bofa.com)

### Stock Data

Price	42.04 USD
Price Objective	45.00 USD
Date Established	26-Feb-2024
Investment Opinion	C-3-9
52-Week Range	37.09 USD - 52.81 USD
Mkt Val (mn) / Shares Out (mn)	5,819 USD / 138.4
Free Float	96.9%
Average Daily Value (mn)	48.11 USD
BofA Ticker / Exchange	SMAR / NYS
Bloomberg / Reuters	SMAR US / SMAR.N
ROE (2023E)	-5.9%
Net Dbt to Eqty (Jan-2022A)	-89.0%
ESGMeter™	Medium

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ASAN: Asana

MNDY: monday.com

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Timestamp: 26 February 2024 06:00AM EST

# iQprofile<sup>SM</sup> Smartsheet

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-6.1%	-5.3%	-4.3%	16.4%	17.9%
Return on Equity	-7.6%	-6.8%	-5.9%	17.6%	19.5%
Operating Margin	-10.7%	-6.2%	-4.7%	8.8%	10.4%
Free Cash Flow	(20)	(14)	17	143	183

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	1.5x	1.4x
Asset Replacement Ratio	0.2x	0.5x	0.2x	0.1x	0.1x
Tax Rate	3.2%	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-83.9%	-89.0%	-45.9%	-48.0%	-63.7%
Interest Cover	NA	-44.8x	NA	NA	NA

## Income Statement Data (Jan)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	386	551	767	958	1,130
% Change	42.3%	42.9%	39.2%	24.9%	18.0%
Gross Profit	310	450	626	794	933
% Change	39.4%	45.2%	39.1%	26.8%	17.5%
EBITDA	(30)	(23)	(21)	101	140
% Change	42.0%	25.4%	4.8%	NM	39.5%
Net Interest & Other Income	2	(1)	10	22	21
<b>Net Income (Adjusted)</b>	<b>(40)</b>	<b>(35)</b>	<b>(29)</b>	<b>95</b>	<b>129</b>
<b>% Change</b>	<b>27.7%</b>	<b>11.1%</b>	<b>17.2%</b>	<b>NM</b>	<b>36.6%</b>

## Free Cash Flow Data (Jan)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(115)	(171)	(216)	(131)	(103)
Depreciation & Amortization	17	22	25	27	32
Change in Working Capital	(32)	(29)	(25)	(22)	(31)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	114	175	240	272	288
Capital Expenditure	(4)	(11)	(6)	(3)	(4)
<b>Free Cash Flow</b>	<b>-20</b>	<b>-14</b>	<b>17</b>	<b>143</b>	<b>183</b>
<b>% Change</b>	<b>-23.7%</b>	<b>28.8%</b>	<b>NM</b>	<b>721.6%</b>	<b>27.5%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(4)	0	0	0	0

## Balance Sheet Data (Jan)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	442	449	223	282	472
Trade Receivables	103	151	199	248	317
Other Current Assets	14	34	288	412	420
Property, Plant & Equipment	29	37	39	41	35
Other Non-Current Assets	325	331	361	360	380
<b>Total Assets</b>	<b>912</b>	<b>1,003</b>	<b>1,110</b>	<b>1,343</b>	<b>1,624</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	308	437	575	718	860
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	5	2	2	4	5
<b>Total Liabilities</b>	<b>385</b>	<b>498</b>	<b>625</b>	<b>755</b>	<b>883</b>
<b>Total Equity</b>	<b>527</b>	<b>505</b>	<b>486</b>	<b>588</b>	<b>741</b>
<b>Total Equity &amp; Liabilities</b>	<b>912</b>	<b>1,003</b>	<b>1,110</b>	<b>1,343</b>	<b>1,624</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 35.

## Company Sector

Server & Enterprise Software

## Company Description

Smartsheet is a leading cloud-based platform that enables teams and organizations to plan, capture, manage, automate, and report on work at scale.

## Investment Rationale

Our Underperform rating is based on our view that 1) competitive intensity is increasing in Smartsheet's core enterprise market, 2) less room for revenue acceleration relative to peers, and 3) our preference for accelerating share capture and self-help equity stories in the category.

## Stock Data

Average Daily Volume 1,144,285

## Quarterly Earnings Estimates

	2022	2023
Q1	-0.09A	-0.18A
Q2	-0.05A	-0.10A
Q3	-0.03A	-0.01A
Q4	-0.12A	0.07E

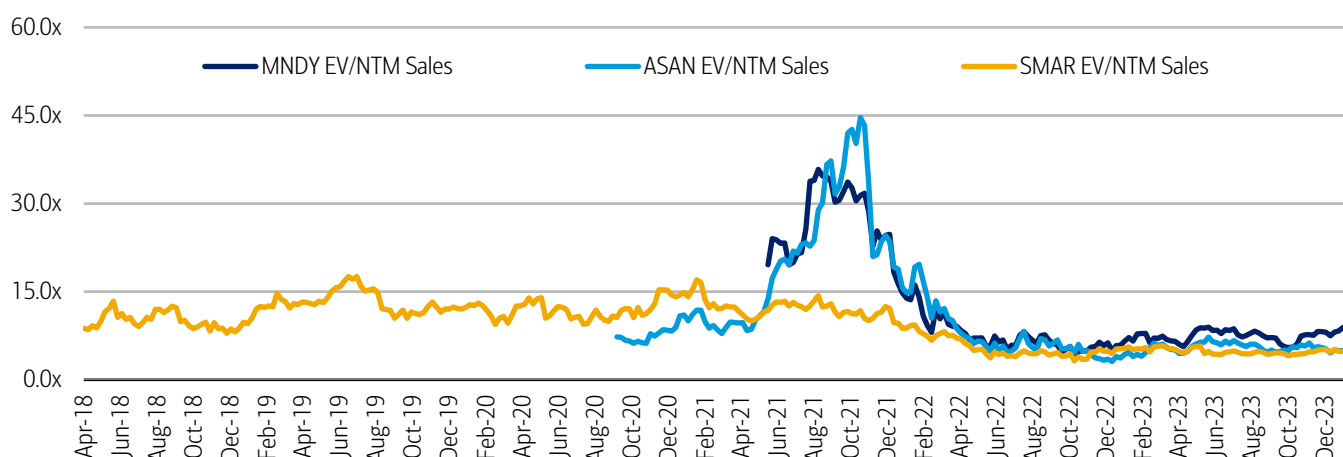
# Investment thesis

**Initiating coverage with an Underperform rating and \$45 PO.** Smartsheet is a leading cloud-based platform that enables teams and organizations to plan, capture, manage, automate, and report on work at scale. Our Underperform rating on SMAR shares reflects: 1) competitive intensity is increasing in Smartsheet's core enterprise market; 2) less room for revenue acceleration relative to peers; and 3) our preference for accelerating share capture and self-help equity stories in the category.

We expect the average multiples of CWM software vendors to re-rate higher in 2024; however, greater confidence in positive estimate revisions for peers like monday.com and Asana and a general preference for risk-on exposure has led to our relative Underperform rating. As depicted below, SMAR EV/Rev multiples remained relatively flat during the last period of improving CWM software sentiment, while the multiples of Asana and monday.com expanded 220%+ and 60%+ trough to peak (mid-2021 to Nov' 2021).

## Exhibit 1: Smartsheet lagged peers during the most recent period of multiple expansion

Historic EV/Sales multiples of collaboration software vendors since IPO



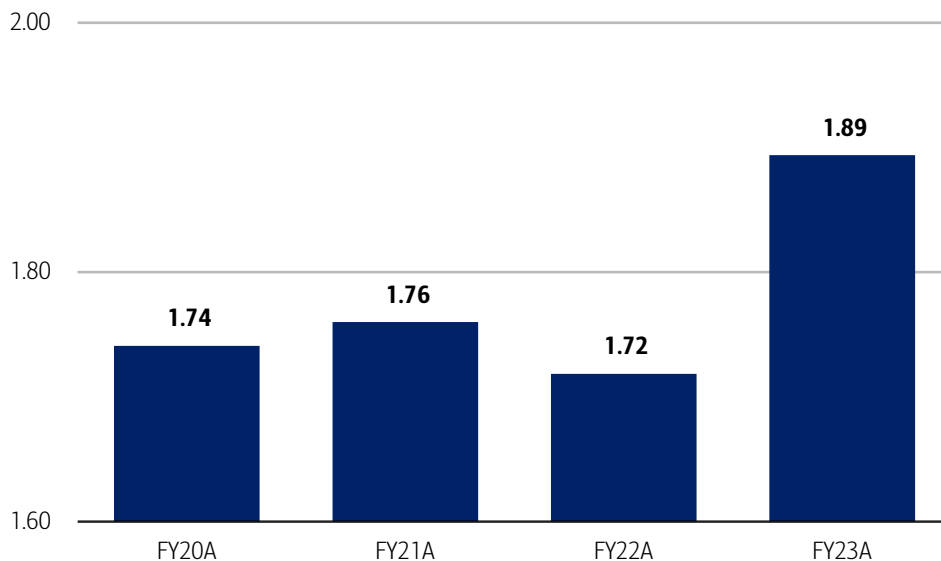
Source: BofA Global Research, Bloomberg

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Smartsheet has a relatively entrenched position within the enterprise CWM software market. However, we see potential for intensifying competition as competitive offerings are attractive relative to Smartsheet in our view and peers focus to a greater degree on the enterprise market. For example, Asana is in the process of evolving its go-to-market model with an increased focus on direct sales to complement its product-led motion. Interestingly, in December 2023 Asana management said, "Everything we're focused on today is in service of enterprise growth, building pipeline, retention and C-level customer engagement." Moreover, monday.com (historically focused on the SMB segment) is steadily rolling out improvements to its underlying infrastructure – making it a more viable option for wall-to-wall enterprise deployments. We see limited risk of Smartsheet being ripped and replaced, though the period of 'easy' market and wallet share capture may be in the rearview. We also note that, while not unique to Smartsheet, the company has experienced a decline in S&M efficiency.

**Exhibit 2: Smartsheet's SMIR ratio suggests a decline in sales and marketing efficiency in FY23**

Smartsheet SMIR (S&amp;M expense/incremental revenue)



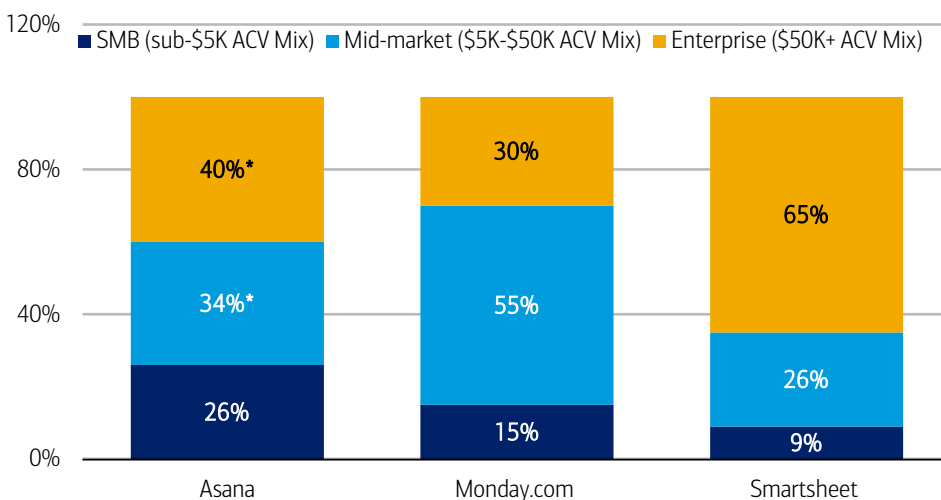
Source: BofA Global Research, company filings

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As detailed in our software [Year Ahead](#) report, we view companies with growth algos skewed towards new customer acquisition as best positioned for revenue reacceleration in 2024. Smartsheet's enterprise exposure and greater reliance on expansion over new logo growth may cause it to lag peers in reaccelerating growth. We see less upside to consensus revenue estimates than CWM peers; we are 1% and 2% below consensus revenue estimates for FY25 and FY26 respectively.

**Exhibit 3: Smartsheet has highest concentration of enterprise customers, followed by Asana**

Vendor exposure by customer size, as defined by contract size



Source: BofA Global Research, company filings and presentations \*Estimated ACV mix based on a triangulation of reported variables

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## Investment positives

### **Category leading gross retention enabling higher structural margin profile.**

Smartsheet is often deeply embedded enterprise workflows and commands a significantly higher gross retention rate (roughly 96%) than peers in the CWM software category. This requires less absolute S&M investment to maintain/grow the company's customer base and supports both healthy expansion trends and structural margins.

### **Favorable pricing/packaging strategy, underpenetrated Capabilities opportunity.**

We view Smartsheet's pricing and packaging strategy favorably and believe the company's monetization of separately sold Capabilities is likely to support growth in the medium term.

**Vertical diversification presents less risk from tech layoffs.** Smartsheet has a well-diversified base of customers across verticals and has lower exposure to the technology and financial services sectors than CWM peers. The company's diversified revenue mix should shelter it from seat rationalization pressures arising from headcount reductions in those industries which have been prevalent in the last 12 months.

**Potential vendor consolidation beneficiary.** We see Smartsheet as a potential vendor consolidation beneficiary in the enterprise market. CWM deployments are often opportunistic, with many enterprises using different vendors tactically across various use cases without concrete plans to operate using a single vendor at scale across the organization.

**Discount valuation relative to peers.** Smartsheet trades at a discount to CWM software EV/Revenue and EV/Rev/G peer averages despite having above average margins and enterprise exposure.

**Head start in enterprise market.** Several peers in the CWM software category have increased focus on the enterprise market given the superior unit economics. Smartsheet, however, is already a dominant force in the enterprise market, with large deployments at many of the largest organizations in the world. Smartsheet has robust enterprise-grade functionality that sets it apart from competition, and its enterprise go-to-market infrastructure is robust. While intensifying competition upmarket may slow new customer additions, we see little risk of Smartsheet's existing base of enterprises moving off the platform.

## Investment risks

**Intensifying competition.** Smartsheet competes in an intensely competitive market with several major players vying for market share. While head-to-head competition remains limited in the category, several companies with meaningful scale in the category are revamping efforts to increase enterprise penetration (including both Asana and monday.com).

**Growth reacceleration may lag CWM peers.** Smartsheet's enterprise exposure may cause it to lag peers in reaccelerating growth exiting the macro, given longer average sales cycles.

**SMAR could lag longer duration CWM peers in a risk-on scenario.** We think SMAR's multiple expansion may lag peers in a risk-on scenario, given the company's short equity duration.

### **Spreadsheet view may resonate less meaningfully with younger generation.**

Smartsheet's user interface may be perceived as less attractive to younger professionals. We think the perception that the Smartsheet's spreadsheet view is less exciting than those offered by peers may pressure multiples relative to peers. Investors may be (inaccurately) conflating Smartsheet's technology with that of a simple spreadsheet.



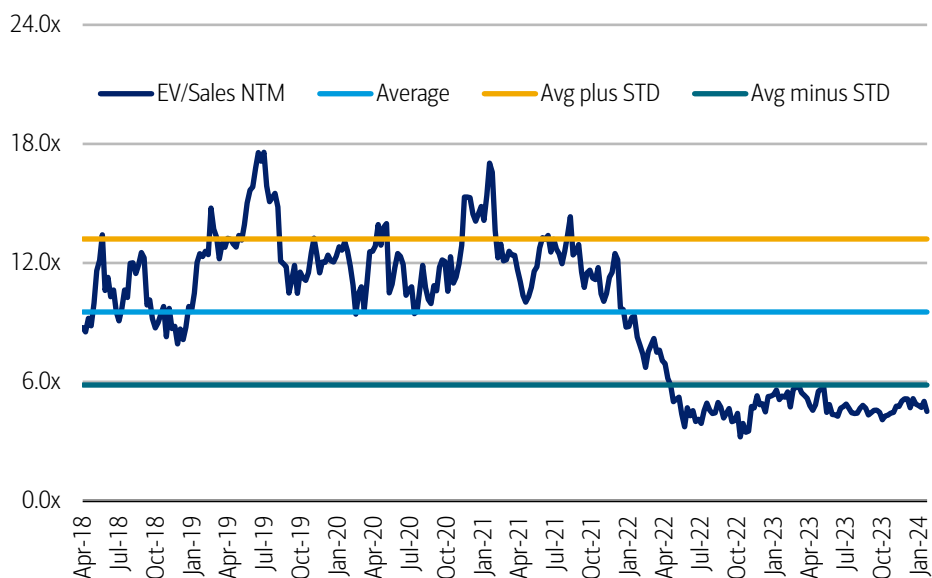
# Valuation

## Historic valuation

Similar to the broader software group – and high growth software in particular – Smartsheet's EV/Revenue multiple has compressed significantly from highs in late 2020/2021.

### Exhibit 4: Smartsheet is trading more than 1 standard deviation below its historic EV/NTM Sales average

Smartsheet EV/Sales multiple since IPO



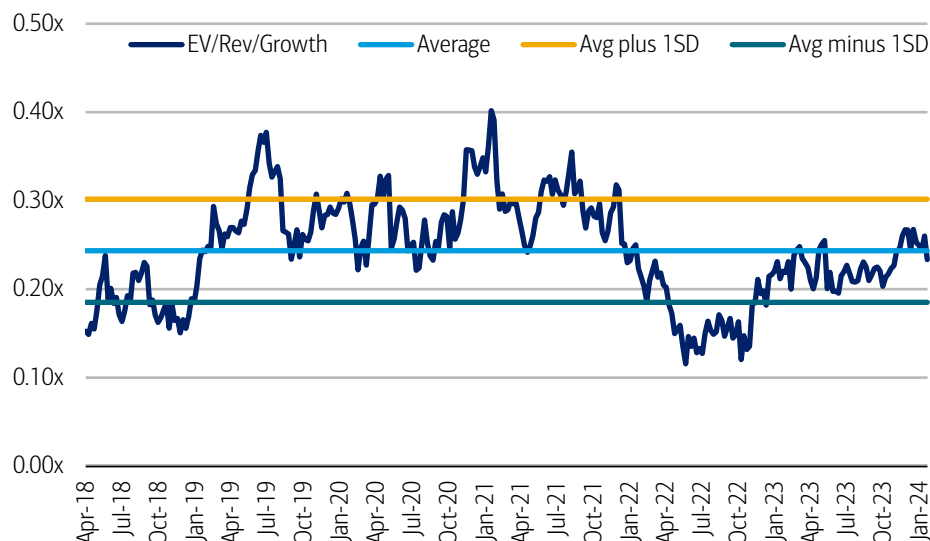
Source: BofA Global Research, Bloomberg

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EV/Rev/G is also relevant on a historic and comparable basis, in our view. SMAR is trading roughly in line with its historic average on an EV/rev/G basis since its IPO. A valuation multiple in line with the company's historic range is warranted based on improved profitability, partially offset by intensifying competition.

#### Exhibit 5: Smartsheet is trading relatively in line with its historic average for EV/Revenue/G

Smartsheet EV/Sales/Growth ratio since IPO



Source: BofA Global Research, Bloomberg

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## Comps

We leverage comparable analysis to derive our current PO, supported by a DCF valuation. In our view, SMAR is best compared against three different groups; CWM software peers, high growth (20%+) software, and the horizontal SaaS group. SMAR is currently trading at CY25 EV/Rev and EV/Rev/G multiples of 3.8x and 0.2x respectively relative to the CWM software peer group averages of 5.1x and 0.3x respectively.

Our \$45 PO implies a CY25 EV/Revenue multiple of 4.6x versus the CWM software peer average of 5.1x. We believe a slight discount valuation relative to the CWM software peer group is warranted given SMAR's lower long-term growth outlook, partially offset by its higher near-term profitability.

#### Exhibit 6: Smartsheet trades below collaboration software peer averages for EV/CY2025 Sales

Comp table for CWM software vendors

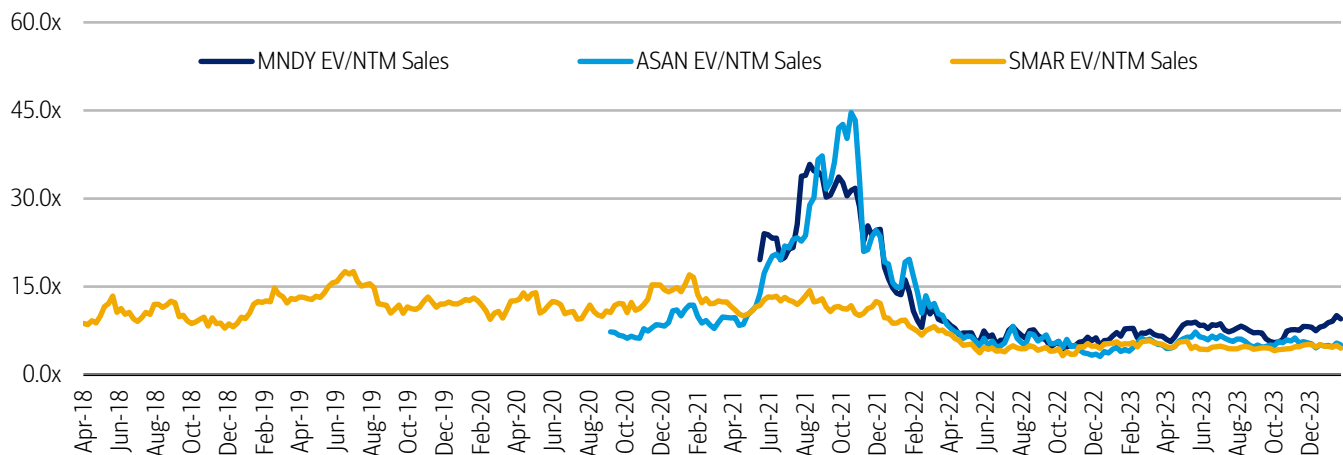
Ticker	Company name	Mkt Cap (\$mn)	2023 Rev Growth	2024 Rev Growth	2025 Rev Growth	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth	2023 PF Op Margin	2024 PF Op Margin	2025 PF Op Margin	EV/2023 FCF	EV/2024 FCF	EV/2025 FCF
ASAN	ASANA INC	3,970	20%	11%	13%	5.8x	5.2x	4.6x	0.3x	0.5x	0.4x	(11%)	(8%)	(2%)	...	...	57.5x
MNDY	MONDAY.COM	9,114	41%	28%	27%	11.0x	8.6x	6.8x	0.3x	0.3x	0.3x	8%	7%	8%	39.3x	39.5x	30.0x
SMAR	SMARTSHEET	5,682	26%	20%	20%	5.5x	4.6x	3.8x	0.2x	0.2x	0.2x	8%	10%	13%	39.8x	30.1x	19.6x
TEAM	ATLASSIAN	53,124	22%	18%	23%	13.6x	11.5x	9.3x	0.6x	0.6x	0.4x	22%	20%	22%	49.4x	47.5x	36.2x
Average		6,255	29%	20%	20%	7.4x	6.1x	5.1x	0.3x	0.3x	0.3x	2%	3%	6%	39.5x	34.8x	35.7x
Median		5,682	26%	20%	20%	5.8x	5.2x	4.6x	0.3x	0.3x	0.3x	8%	7%	8%	39.5x	34.8x	30.0x

Source: BofA Global Research estimates, Bloomberg

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**Exhibit 7: Smartsheet has historically traded at lower EV/Sales multiples relative to collaboration software peers**

Historic EV/Sales multiples of collaboration software vendors since IPO

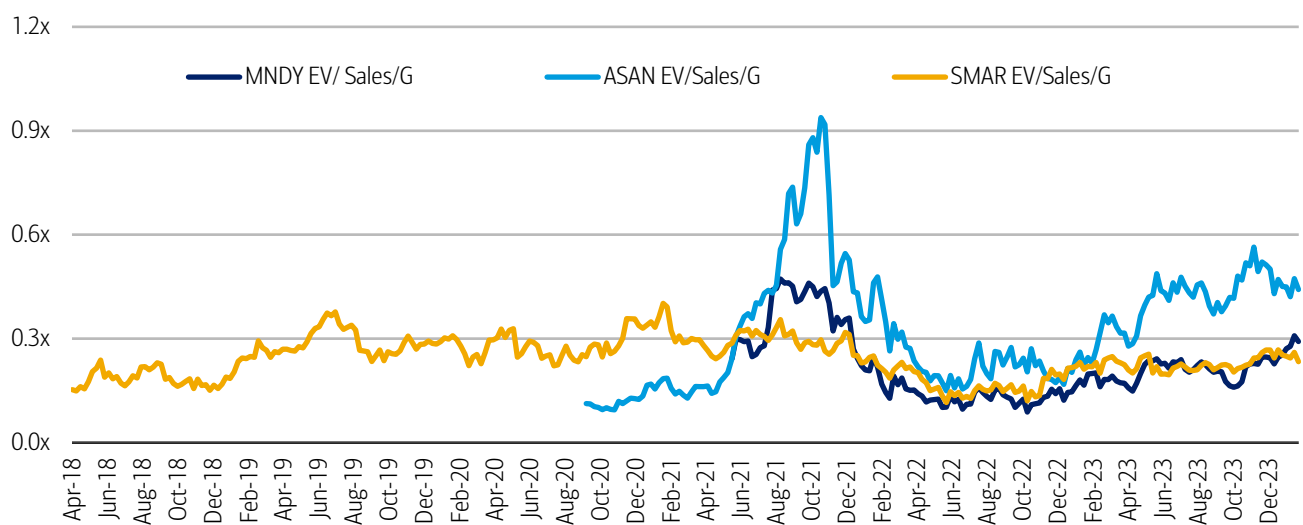


Source: BofA Global Research, Bloomberg

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**Exhibit 8: Smartsheet is trading at a lower EV/Sales/G multiple relative to collaboration software peers**

Historic EV/Sales/G multiples of collaboration software vendors since IPO



Source: BofA Global Research, Bloomberg

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Please see the appendix for comp tables for the high growth (20%+) software and the horizontal SaaS groups.



## DCF Analysis

Alternatively, we present a 10-year DCF, which supports our \$45 PO. We recognize that the longer-term time horizon presents a higher degree of uncertainty to assumptions, and projections for moderately decelerating revenue growth through the forecast period underscore the risks related to execution and the current valuation.

Our DCF analysis assumes that SMAR's operating margin reaches 16.7% over the next five years in FY27E and expands roughly 200bps per year until reaching terminal margin of 31%. Our analysis has an 13.1% revenue CAGR over the forecast period and a terminal free cash flow margin of 25%. We use a 12% WACC, 4% risk free rate, and a 4% terminal growth rate for our assumptions.

### Exhibit 9: Our discounted cash flow analysis supports our \$45 PO

Smartsheet discounted cash flow analysis

(\$Ms, except per share)	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	TV	CAGR
Revenues	\$767	\$958	\$1,130	\$1,339	\$1,586	\$1,846	\$2,113	\$2,375	\$2,599	\$2,767	\$2,862	\$2,976	13.1%
Growth		24.9%	18.0%	18.5%	18.4%	16.4%	14.4%	12.4%	9.4%	6.4%	3.4%	4.0%	
Operating income	(36)	84	118	177	264	373	500	646	732	807	864	\$927.9	
% margin	-4.7%	8.8%	10.4%	13.2%	16.7%	20.2%	23.7%	27.2%	28.2%	29.2%	30.2%	31.2%	
Cash interest expense (income), net	(8)	(23)	(21)	(21)	0	0	0	0	0	0	0	0	
Cash taxes	1	2	3	4	13	30	50	77	103	129	155	\$204	
Tax rate	-2.0%	2.0%	2.0%	2.0%	5.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%	22.0%	
Capex	(\$14)	(\$14)	(\$16)	(\$20)	(\$23)	(\$27)	(\$31)	(\$35)	(\$38)	(\$40)	(\$42)	(\$42)	
D&A	\$25	\$27	\$32	\$38	\$45	\$27	\$31	\$35	\$38	\$40	\$42	\$42	
Change in working capital	(\$25)	(\$22)	(\$31)	(\$12)	(\$4)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Adjustments	\$53	\$36	\$50	\$59	\$74	\$55	\$53	\$48	\$39	\$28	\$14	\$14	
Free cash flow	\$10	\$133	\$170	\$259	\$344	\$398	\$503	\$616	\$669	\$706	\$722	\$738	
Growth	NM	1257%	28%	52%	32%	16%	26%	22%	9%	6%	2%	2.2%	
Margin	1%	14%	15%	19%	22%	22%	24%	26%	26%	26%	25%	25%	
Discounted FCF		\$119	\$136	\$185	\$218	\$226	\$255	\$278	\$270	\$255	\$233		
Cumulative cash flow	\$2,174	34%		WACC	12%								
Terminal value	\$4,278	66%		Exit mult	18.0x								
Total DCF value	\$6,452	100%											
Debt	\$0												
Cash & ST investments	\$569												
Market value of equity	\$7,020												
Shares outstanding	151												
Share price	\$46.61												

Source: BofA Global Research estimates

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## 4M framework

- **Market:** SMAR addresses a large and growing \$12.5bn+ market, where it is considered a leader with over \$1bn in ARR and 13.9mn+ total users as of 3Q24.
- **Moat:** Smartsheet's platform is both easy to adopt and flexible, with thousands of potential use cases and advanced enterprise-grade functionality. The company has a substantial user base and best-in-class churn at roughly 4%.
- **Margin:** We are encouraged by SMAR's demonstrated ability to drive margin improvement over time with additional scale. SMAR's non-GAAP operating margin increased from -23.2% in FY20 to -4.7% in FY23 and we are modeling a positive operating margin for FY24 (+8.8%). Long-term, we believe SMAR's ability to upsell customers for additional services/add-ons should lead to margin improvement with additional scale.
- **Management:** We believe SMAR's management team is strong, and view CEO Mark Mader and CFO Pete Godbole's extensive C-suite level experience favorably.

## Market

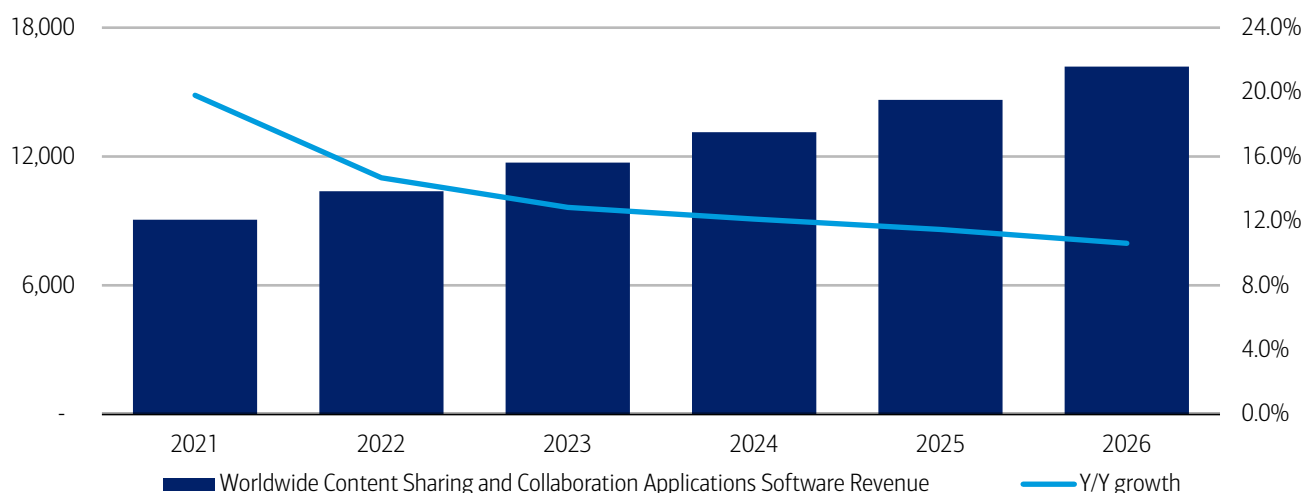
We provide TAM estimates based on a combination of 3<sup>rd</sup>-party, top-down, and bottom-up estimates. Based on our top-down analysis, we expect the collaborative work management TAM to reach roughly \$18.9bn by 2026, growing at a CAGR of 14.9% from approximately \$12.5bn in 2023. We note that our top-down estimates do not include the potential opportunities associated with Smartsheet's Capabilities offerings (for which revenue is not directly to seat count).

### Third-party TAM estimates

According to IDC, the global content sharing and collaboration applications software market is expected to reach \$16.2bn by 2026, growing at a CAGR of 11.7% from \$10.4bn in 2022. We flag that – according to IDC estimates – the CWM software category is transitioning from a period of mid-teens growth to low double-digit growth. This trend is in line with actions taken by several vendors to reorient cost structures and grow more 'responsibly' following years in which share capture was the top priority. This shift has largely arisen due to increasing investor focus on profitability given macro pressures and an elevated interest rate environment, and tighter IT budgets which have muted new logo growth and expansion opportunities.

**Exhibit 10: Worldwide spending on content sharing and collaboration applications software is expected to reach \$16.2bn by 2026**

Worldwide content sharing and collaboration applications software revenue



Source: BofA Global Research, IDC

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**Top-down TAM estimates**

We calculate a top-down TAM estimate for the CWM software market based on global knowledge worker, ARPU, and penetration assumptions. We apply an annual ARPU assumption of \$126 for 2023 based on an analysis of various vendor pricing and packaging plans and assume 6% annual expansion for inflation and the introduction of incremental functionality (we view 6% as conservative given higher historical category ARPU growth). We assume that approximately 9.0% of global knowledge workers leverage CWM software today, expanding to 10.5% by 2026 as the category matures. Based on these assumptions, we expect the CWM software TAM to reach \$18.9bn by 2026, expanding at a CAGR of 14.9% from \$12.5bn in 2023.

**Exhibit 11: Applying a top-down framework, we estimate the global CWM software market could reach \$18.9bn by 2026**

Top-down estimate for the global CWM software TAM based on global knowledge workers, ARPU, and penetration

	2023E	2024E	2025E	2026E
Global knowledge workers (thousands)	1,100,000	1,133,000	1,166,990	1,202,000
Y/Y growth		3.0%	3.0%	3.0%
ARPU (annual, \$)	126	134	142	150
Y/Y growth		6.0%	6.0%	6.0%
Implied TAM assuming 100% global adoption of CWM software	138,600,000	151,323,480	165,214,975	180,381,710
% penetration of knowledge workers	9.0%	9.5%	10.0%	10.5%
Implied TAM (\$, thousands)	12,474,000	14,375,731	16,521,498	18,940,080
Y/Y TAM growth		15.2%	14.9%	14.6%

Source: BofA Global Research estimates

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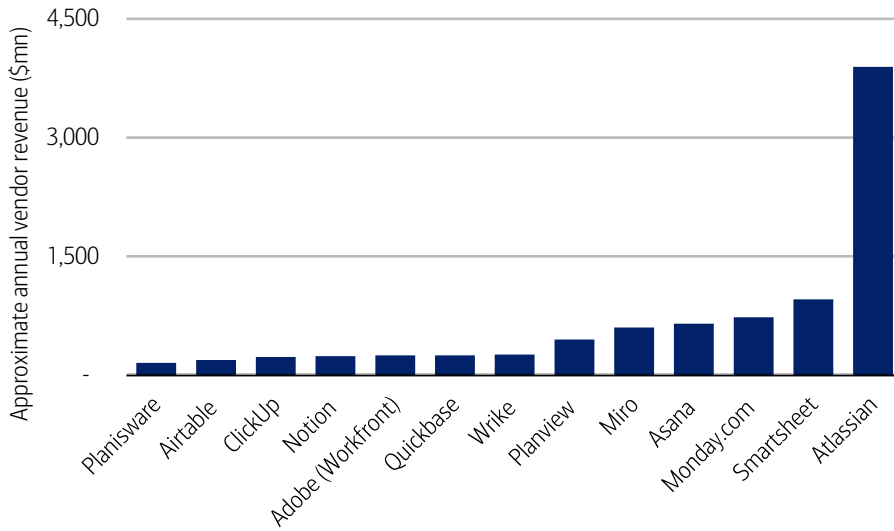
**Bottom-up TAM**

We estimate a bottom-up TAM estimate for the CWM software market based on reported and estimated revenues of key competitors. We view our bottom-up TAM analysis as conservative, and recommend investors use this figure as a lower limit for the CWM software addressable market. The total estimated revenue of the 14 vendors listed below sums to \$8.9bn in 2023. We note that 1) in some cases the figures listed below include revenues from products that wouldn't be considered direct equivalents to the products offered Asana, monday.com, and Smartsheet (for example, Atlassian's Bitbucket product), and 2) revenues from vendors like Microsoft have been omitted given challenges associated with estimating revenue run rates.



**Exhibit 12: We estimate that the CWM software vendors below generate almost \$9bn in annual revenues in aggregate**

Bottom-up TAM estimate based on reported and estimated vendor revenue



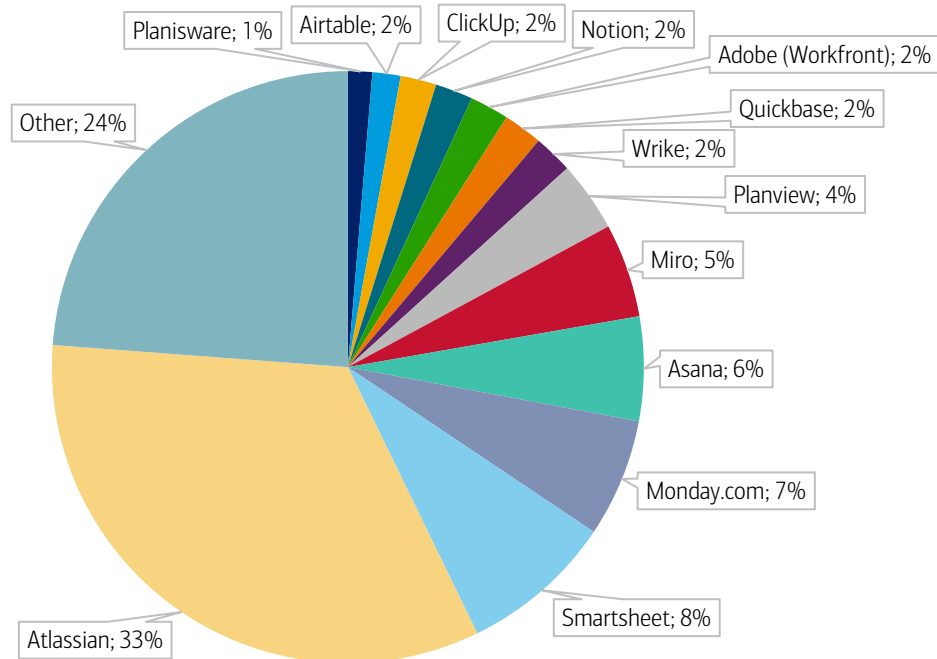
Source: BofA Global Research estimates, company filings

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We estimate market share leveraging a combination of IDC estimates for total category revenues and reported/estimated vendor sales. We note that CWM software revenues for vendors like Microsoft are included in Other given challenges associated with estimating revenue run rates. While Atlassian is the clear market share leader within the collaboration software category, its products focus on developers more than non-technical business users. We believe this provides ample opportunity for vendors like Asana, monday.com, and Smartsheet to consolidate share within the business-user focused CWM market.

**Exhibit 13: Atlassian, Smartsheet, monday.com, and Asana have the largest share of the fragmented CWM software market**

Approximate market share of vendors within the CWM category



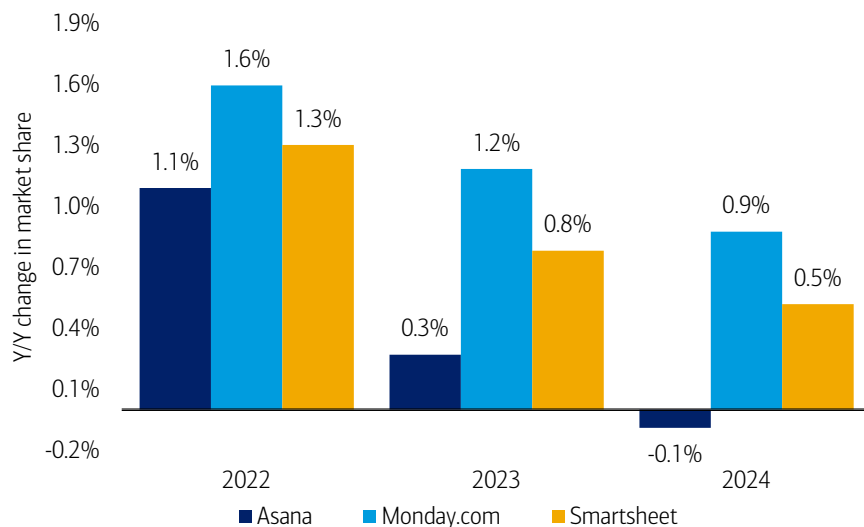
Source: BofA Global Research

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We note that Asana, monday.com, and Smartsheet each captured market share during CY2022 and CY2023 with monday.com gaining the most market share. This reflects differentiated offerings and go-to-market infrastructure relative to most private vendors, in our view. We present the following chart summarizing the evolving market share dynamics between Asana, monday.com, and Smartsheet below.

#### Exhibit 14: Consensus estimates suggest Asana could be a market share donor in 2024, with monday.com taking share most rapidly

Approximate Y/Y change in market share for Asana, monday.com, and Smartsheet for 2022, 2023, and 2024E



Source: BofA Global Research, IDC, Visible Alpha

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## Moat

We believe Smartsheet's competitive moat stems from 1) differentiated platform scalability, 2) ease of use and adoption, 3) depth/breadth/flexibility of functionality, 4) best-in-class gross retention arising enterprise-grade capabilities embedded in customer workflows, and 5) its extensive legacy in the CWM software market.

### Long history as enterprise CWM software leader

Founded in 2005, Smartsheet has an extensive legacy within the CWM software industry. Smartsheet services customers in 190+ countries and is 90% penetrated within the Fortune 100 and 80%+ penetrated within the Fortune 500. We note that Smartsheet also has robust go-to-market infrastructure that has supported its leadership in the enterprise market.

### Platform scalability provides 'right to win' in enterprise market

One of the company's primary competitive strengths is the platform's ability to scale alongside its customer's existing business systems. The Smartsheet platform is scalable in terms of data intensity/workload/infrastructure and ability to support hundreds of thousands of seats.

Smartsheet excels when it comes to "transformational workflows" that drive a business forward at scale. These usually involve an array of managers and team members and are multifaceted and recurring, providing significant potential ROI when transformed. Smartsheet's portfolio of premium add-ons (Capabilities) drives deep attachment within its customer base and helps to differentiate Smartsheet relative to CWM peers. Smartsheet has some of the largest deployments in the category, suggesting to us that enterprise customers often have a high degree of confidence in the company as a long-term partner.

### Depth/breadth of functionality and ease of adoption is compelling,

The Smartsheet platform is extensible and flexible, and integrations with other platforms/the ability to connect to legacy systems of record are also key positives. Affordable pricing on a per seat basis also makes experimenting with the platform easy. The company has a passionate base of users that are often willing to evangelize the product across departments within their organizations. Smartsheet's platform is both easy to adopt and flexible, with thousands of potential use cases. Smartsheet's malleability and ease of use empowers business users to create and adapt business apps customized for specific workflows, projects, or processes.

## Management

### Mark Mader – President and CEO

Mr. Mader has served as Smartsheet's President since 2006 and as its Chief Executive Officer and a member of the board of directors since 2007. From 1995 to 2005, Mr. Mader served in various leadership positions at Onyx Software Corporation, a customer relationship management software company acquired by M2M Holdings, including as Senior Vice President of Global Services. From 1993 to 1995, Mr. Mader worked as a senior associate at Greenwich Associates, a financial consulting firm. Mr. Mader holds a B.A. in Geography from Dartmouth College and serves as a board member of ZoomInfo and of the University of Washington Information School.

### Pete Godbole – CFO and Corporate Treasurer

Mr. Godbole has served as Smartsheet's CFO since December 2020 and has 20+ years of experience as a financial leader in the industry. Prior to Smartsheet, Pete served as CFO of Hearsay Systems, Inc., CFO of GoodData Corporation, and CFO of the end user computing business of VMware, Inc. He has also served in various other finance roles for VMware, Inc., Hyperion Solutions Corporation, Autodesk Inc., and The Hewlett-Packard Company. Mr. Godbole currently serves on the board of directors of Hearsay Systems and received a BS in business and accounting from the University of Delhi and an MBA from Michigan State University.

## Margin

Smartsheet's adjusted gross margin in FY23 was 81.7%, flat Y/Y from FY22. Adjusted operating margin improved from -10.7% in FY21 to -4.7% in FY23, driven by leverage in research and development (R&D) and general and administrative (G&A) expenses. We expect operating margin improvement to be primarily driven by incremental scale efficiencies, cost discipline, positive skew towards renewals over new logo additions, and leverage in S&M. We note that non-GAAP S&M expenses represented 53.4% of revenues in FY23 as the company has continued to invest in topline growth.

### Exhibit 15: We expect SMAR to expand OpMs to 16.7% by FY27

Summary of historical and projected Smartsheet margins over time

Margin analysis (non-GAAP)	FY20A	FY21A	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
Gross margin	82.2%	80.5%	81.7%	81.7%	82.4%	83.1%	83.7%	82.6%	83.0%	82.3%	82.4%	82.8%	82.7%	82.6%	83.1%	83.6%
Operating margin	-23.2%	-10.7%	-6.2%	-4.7%	10.4%	8.2%	7.9%	8.8%	8.8%	11.3%	10.4%	9.8%	10.2%	10.4%	13.2%	16.7%
Adjusted EBITDA margin	-19.2%	-7.8%	-4.1%	-2.8%	12.1%	9.9%	9.5%	10.7%	10.5%	13.3%	12.4%	11.8%	12.3%	12.4%	15.5%	19.2%
Net margin	-20.3%	-10.3%	-6.4%	-3.8%	11.4%	9.3%	9.2%	9.8%	9.9%	12.5%	11.5%	10.8%	11.2%	11.4%	14.5%	16.8%
FCF margin	-9.9%	-8.2%	-3.8%	1.3%	14.2%	19.3%	4.6%	17.4%	13.9%	13.3%	22.0%	12.6%	12.7%	15.1%	19.4%	21.7%

Source: BofA Global Research estimates, company filings

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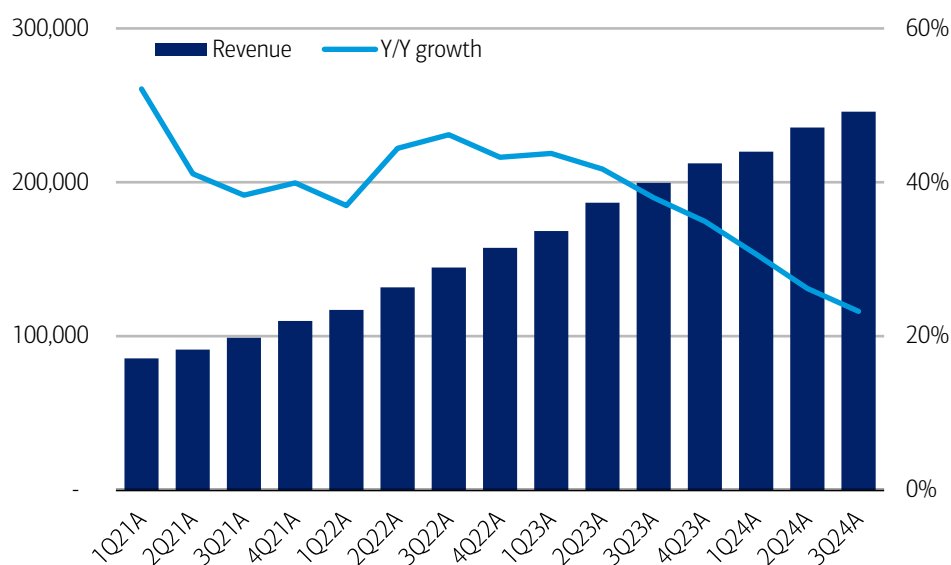
## Company description

Smartsheet is a leading cloud-based platform that enables teams and organizations to plan, capture, manage, automate, and report on work at scale – resulting in more efficient processes and better business outcomes. Founded in 2005 as Navigo Technologies, Inc., the company changed its name to Smartsheet.com in February 2006 and to Smartsheet Inc. in February 2017. Smartsheet is headquartered in Bellevue, Washington and had 3,370 employees as of October 31, 2023.

Since its founding, Smartsheet has steadily expanded its organically developed feature set, completed strategic acquisitions, and bolstered its go-to-market infrastructure – scaling the business to \$1bn+ in ARR. Approximately 94% of total revenues are subscription and the remaining 6% is derived from professional services. Professional services revenue includes fees for consulting (primarily platform configuration and use case optimization) and training services.

### Exhibit 16: Smartsheet's revenue grew at a CAGR of 41% from FY20-FY23

Smartsheet revenue and revenue Y/Y growth by quarter



Source: BofA Global Research, company filings

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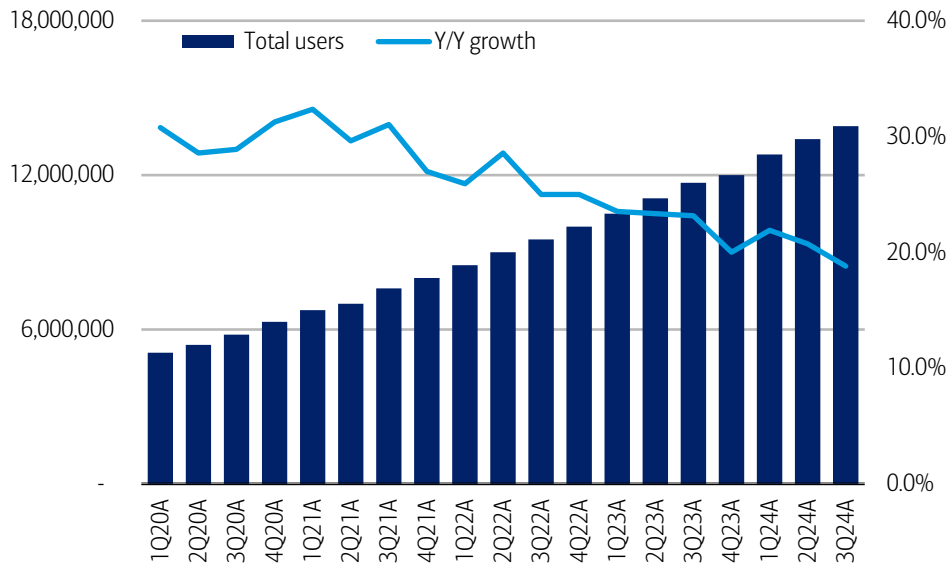
## Customer base

As of 3Q24, Smartsheet had approximately 13.9mn total users. Most users leveraging the Smartsheet platform are free collaborators (participating in workflows without paid licenses). As of FY21-end, Smartsheet had a total of 1.2mn paying users – representing 15% of its total 8mn users at the time. Applying a 14% paid seat conversion rate to total users equates to an estimated 1.95mn paid seats at 3Q24-end. The company's user base of free collaborators (roughly 12mn free users at 3Q24-end based on a 14% assumed conversion rate) serves as a solid base for future conversion to paid seats. Smartsheet has 3 separate customers with 125K+ users leveraging the platform (most of which are non-paying users).



**Exhibit 17: Smartsheet had over 13.9mn total users on its platform as of 3Q24**

Smartsheet total users and user growth

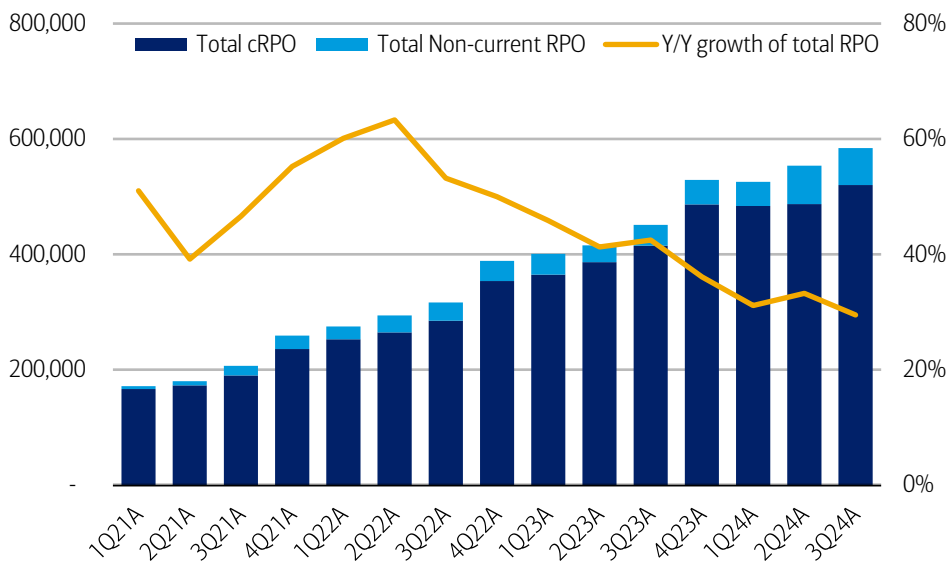


Source: BofA Global Research, company filings

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**Exhibit 18: Smartsheet's total RPO grew at a CAGR of 47% from FY20-FY23**

Smartsheet remaining performance obligations (RPO) and RPO growth



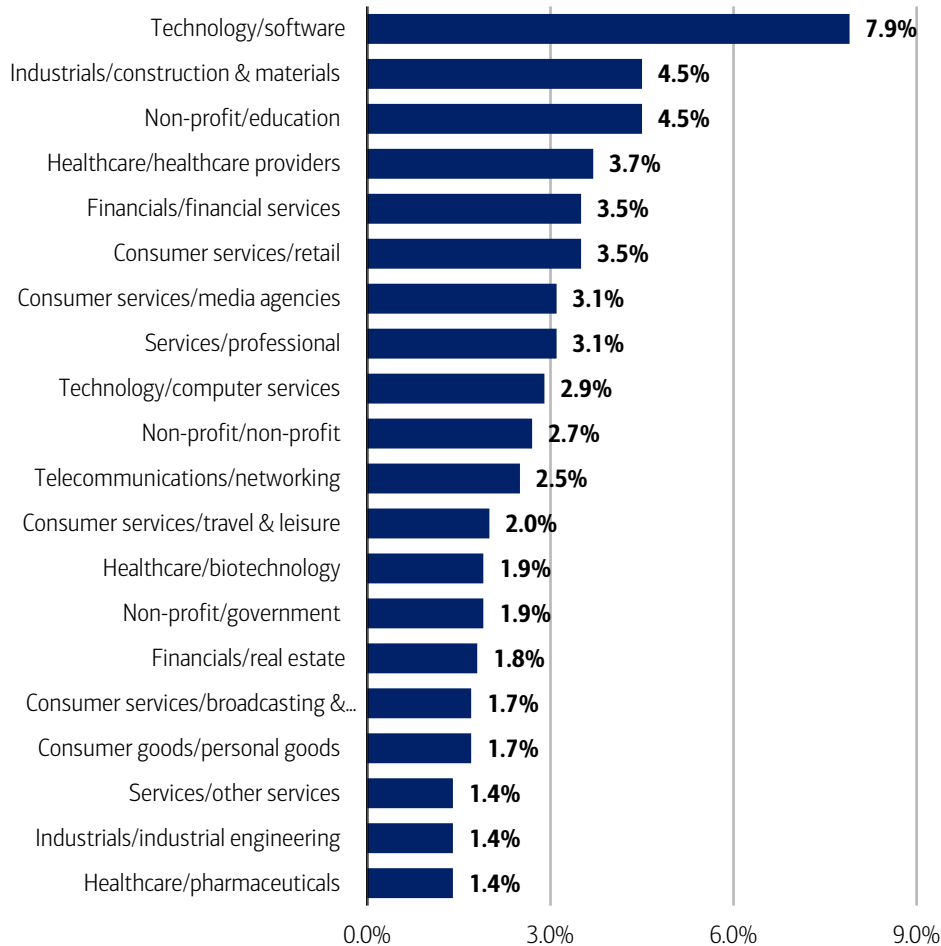
Source: BofA Global Research, company filings

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Smartsheet's customers include organizations across virtually all sectors, including aerospace, automotive, biotechnology, consumer, e-commerce, education, finance, government, healthcare, IT services, marketing, media, non-profit, publishing, software, technology, and travel. Smartsheet's revenue is well-diversified across verticals, with its largest vertical driving roughly 13% of ARR (we believe tech including software, computer services, and telecommunications/networking). We provide a detailed breakdown of Smartsheet's ARR breakdown by granular vertical, but note data is from September 2018.

**Exhibit 19: Smartsheet's revenues are well diversified across verticals**

Smartsheet ARR by vertical as of September 2018



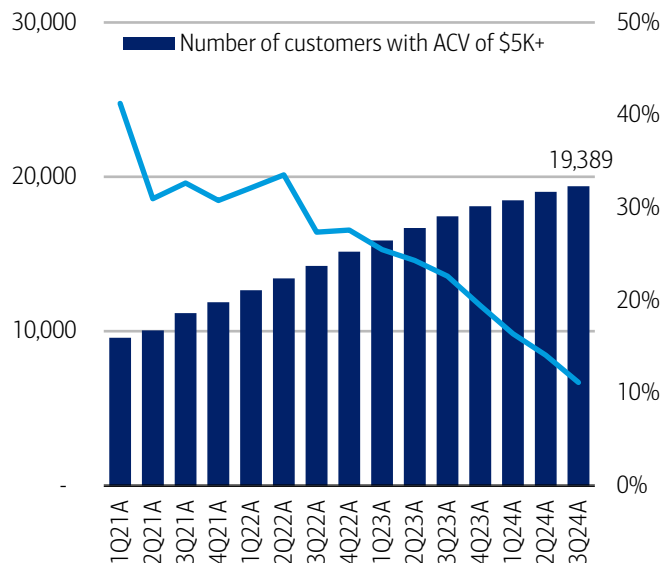
Source: BofA Global Research, company presentation \*does not sum to 100% as some verticals do not fall into the categories presented  
BofA GLOBAL RESEARCH

Smartsheet services customers in 190+ countries and is 90% penetrated within the Fortune 100 and 80%+ penetrated within the Fortune 500. As of 2Q23, approximately 50% of SMAR's ARR was derived from enterprises with over 2,000 employees, with only ~25% coming from SMBs. In FY23, SMAR derived approximately 16% of its revenue from customers outside the United States.

While the Smartsheet platform provides enterprise-grade functionality, its capabilities are not necessarily only relevant for larger organizations. The company's contracts can vary significantly depending on the stage of customer adoption, with Fortune 100 and Fortune 500 customer ACVs ranging from less than \$200 to over \$4.0mn. Customers represent both domain-based accounts associated with a business or public sector organization (email with an @cisco.com for example), and a much smaller number of Internet service provider-based (ISP) accounts (email with @gmail.com for example). The vast majority (we estimate 95%+) of SMAR's ACV is derived from domain-based customers (rather than ISP-based customers).

**Exhibit 20: SMAR has grown its \$5K+ ACV customer cohort rapidly**

Number of customers with \$5K+ ACVs and growth of customer cohort

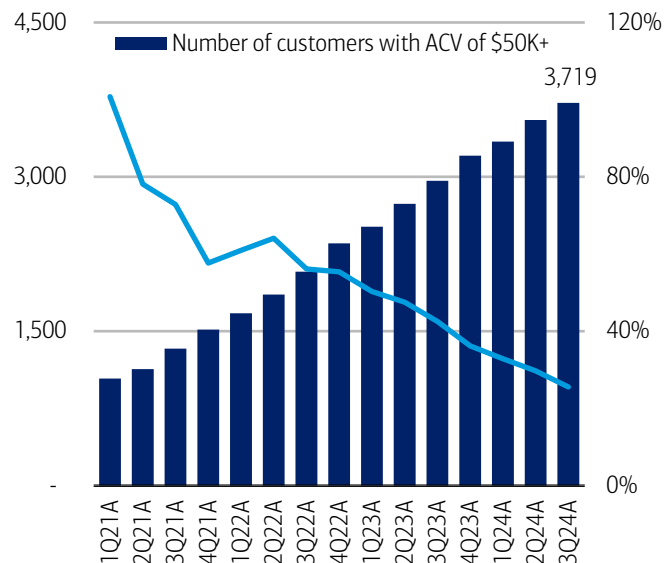


Source: BofA Global Research, company filings

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**Exhibit 21: SMAR is nearing 4K customers with \$50K+ ACVs**

Number of customers with \$50K+ ACVs and growth of customer cohort

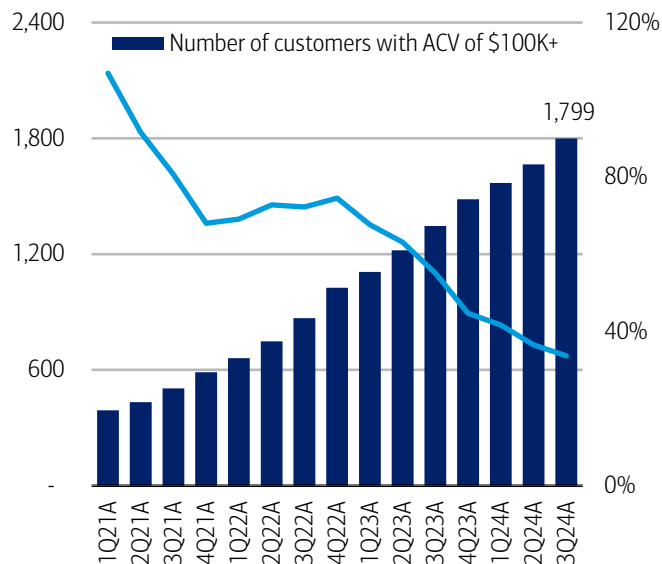


Source: BofA Global Research, company filings

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**Exhibit 22: SMAR has nearly 2K customers generating \$100K+ in ACV**

Number of customers with \$100K+ ACVs and growth of customer cohort

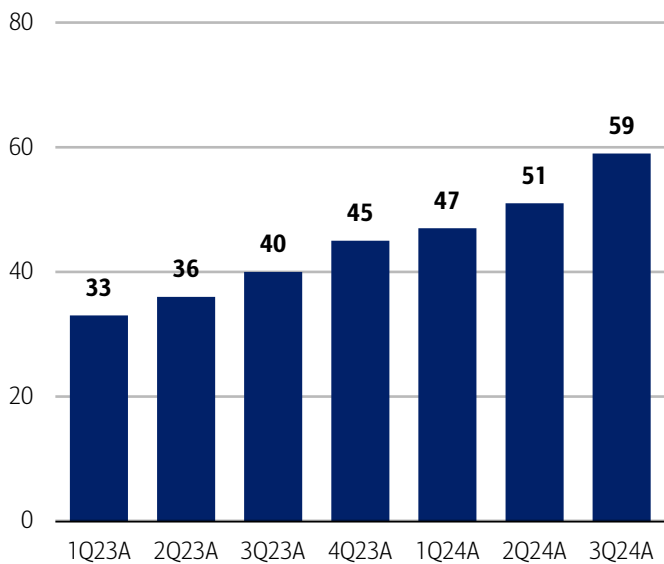


Source: BofA Global Research, company filings

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**Exhibit 23: SMAR's \$1mn+ ACV customer count grew 48% in 3Q**

Number of customers with \$1mn+ ACVs



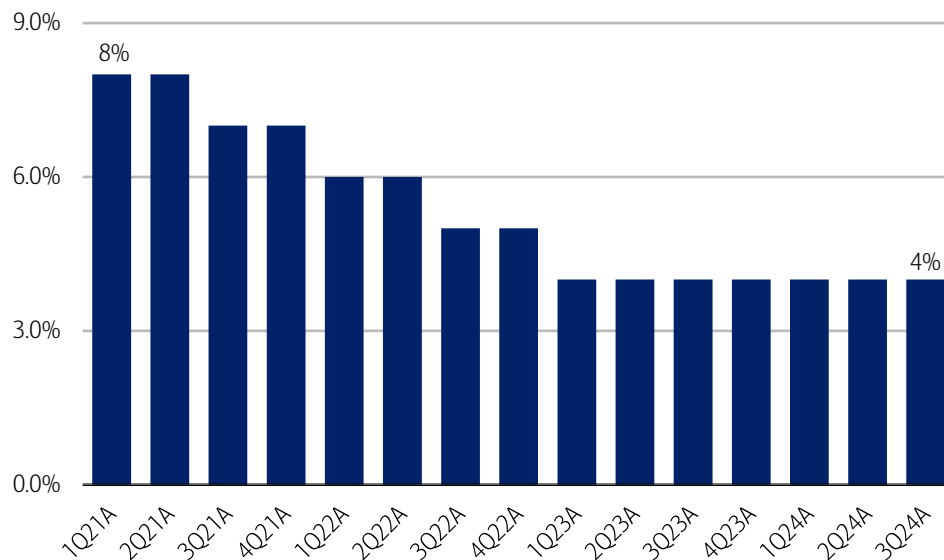
Source: BofA Global Research, company filings

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We note that churn rate for customers that pay \$5K or more annually is substantially lower than the company's overall churn rate. This has been the major driver of churn improvement as the company steadily has increased the mix of customers contributing \$5K+ in ACV. Customers contributing \$5K+ in ACV now represent 91% of total ARR, up from 86% in 4Q22. Smaller customers often churn due to business mortality or project completion (though these customers often return to Smartsheet for future projects).

## Exhibit 24: Smartsheet's enterprise focus and advanced feature set drive best-in-class gross retention

Smartsheet's reported churn rates



Source: BofA Global Research, company filings

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## Go-to-market motion

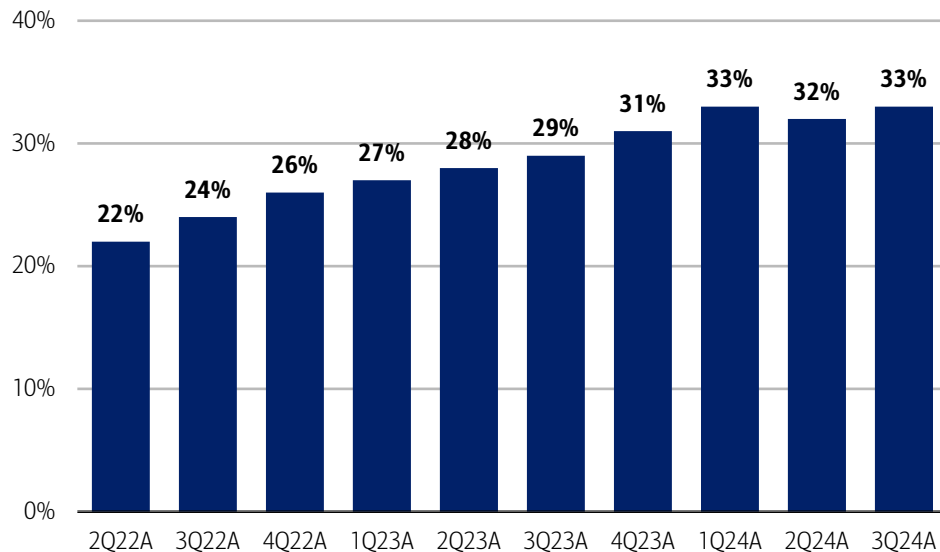
Smartsheet generates demand at the top of the funnel in a variety of ways, including via its website, search engine optimization (SEO), paid campaigns, viral adoption, and partnering with marketplaces and offering integrations. The company uses an unassisted sales model for self-service adoption through its website and employs an inside sales team to convert other interested users within new and existing organizations.

Smartsheet's go-to-market is based on a "land, expand, and climb" motion. The company often lands within a department like marketing and subsequently expands across departments throughout the organization. In addition to expansion, Smartsheet 'climbs' within an enterprise by selling additional features/capabilities that are incremental to the initial use cases the platform was initially adopted for.

Smartsheet offers three paid subscription levels to new customers: Pro, Business, and Enterprise (the pricing for which varies by the capabilities provided). Customers can also purchase Smartsheet Advance with Enterprise subscriptions, which provides "Capabilities" that enable customers to implement solutions for a specific use case or for large scale projects, initiatives, or processes. These capabilities include Control Center, Dynamic View, Data Shuttle, Connectors, and Bridge. Capabilities is the fastest growing aspect of Smartsheet's business and enable sales reps to do more problem-solving based selling.

**Exhibit 25: Smartsheet has steadily increased mix of Capabilities as a % of total subscription revenue**

Mix of Smartsheet's Capabilities revenue as a percentage of total subscription revenue



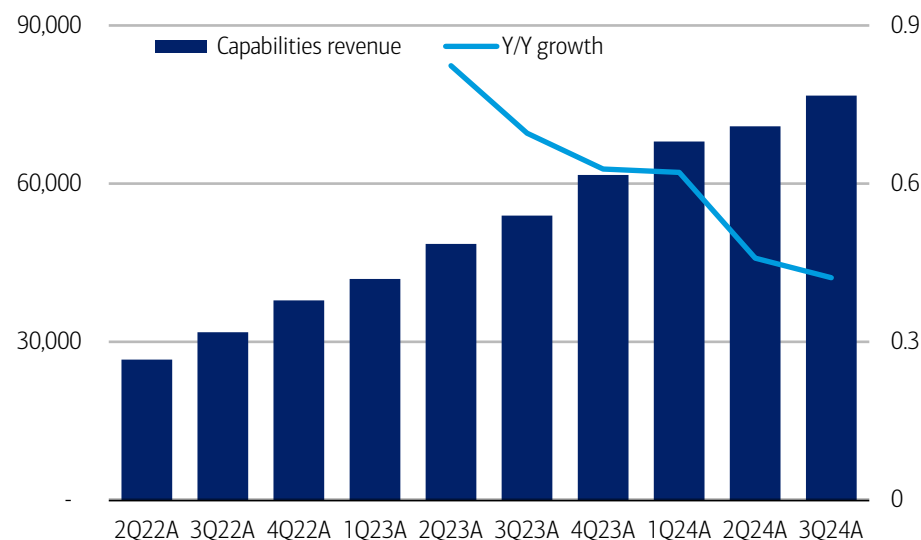
Source: BofA Global Research, company filings

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Premium Capabilities command much higher price points, effectively increasing ARPU via positive mix shift. Capabilities are also more commonly sold to existing customers, benefitting overall go-to-market efficiency. In 3Q24, Capabilities were present in each of SMAR's top 10 expansions. SMAR closed 250 Advance deals in 3Q24. Through 2Q23, only around 7,000 of Smartsheet's 100,000+ customers had deployed at least one Capability. Customers often start with purchase of one Capability which then snowballs into future Capability purchases. Capabilities also have a particularly strong ROI profile, making them easier to sell in a tough macro. Capabilities can represent material portions of customer ACV (for example, Capabilities represent 50%+ of ACV for one multi-million-dollar ARR Smartsheet customer).

**Exhibit 26: Smartsheet Capabilities revenue reached an annual run rate of \$307mn in 3Q24**

Smartsheet Capabilities revenue and Y/Y growth by quarter



Source: BofA Global Research, company filings

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Smartsheet is rolling out new ways for its customers to discover and use its premium capabilities without the need to first contact a Smartsheet rep or partner (self-discovery). The company is attempting to better enable frictionless self-discovery of capabilities to drive adoption. Interestingly, 40%+ of Capabilities deals in Q3 were closed as a result of Capability self-discovery where customers bought a premium capability for the first time.

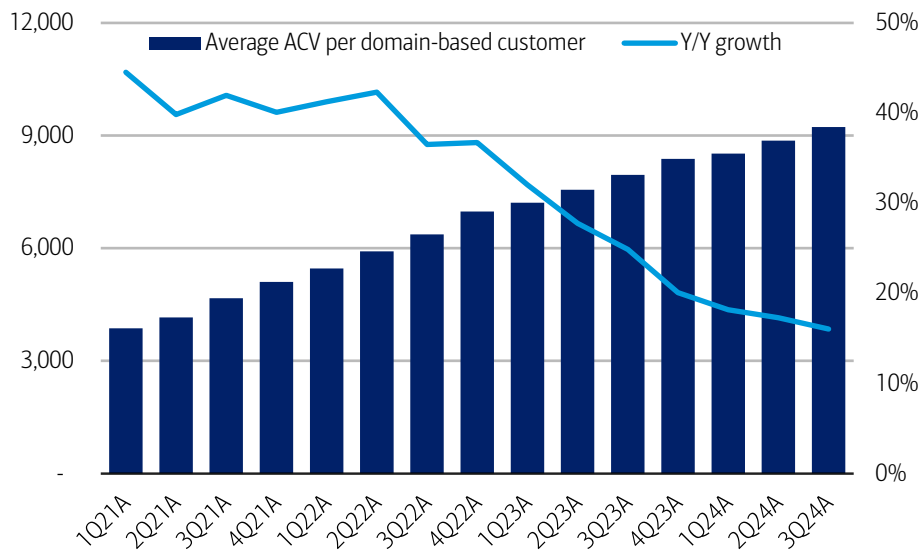
Project management use cases often represent the ‘tip of the spear’ for new logo additions, though Smartsheet lands in a wide variety of departments for various use cases. We suspect that Smartsheet’s base of free collaborators represents the largest contributor to paying user growth. Verticalized offerings/SEO also serves as a strong demand generation tool. Smartsheet offers more than 100K free trials each year.

The vast majority of domain-based ACV growth is derived from incremental license purchases and Capabilities. Smartsheet’s largest customers expand at the fastest rates – driving sizable contributions to bookings dollars each quarter. These customers are already on Enterprise plans, resulting in incremental expansion revenues much larger than incremental revenues generated from plan migration/up-tiering dollars.

Most new logo deals are relatively small in size (an average of roughly \$2,000 ACV for new deals), making formal bake-offs unlikely. While initial new logo additions often put pressure on SMAR’s average ACV growth rate in the near term, they provide a healthy base for expansion in the future.

#### Exhibit 27: Smartsheet has grown its average ACV significantly since 2021

Average ACV per domain-based customer and Y/Y growth



Source: BofA Global Research, company filings

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Smartsheet has several hundred systems integration partners and has developed reseller relationships to reach international markets more efficiently. Management commentary suggests the percentage of “partner-touched revenue” has been increasing steadily, representing mid-teens of total revenue. However, we note that entirely partner-led deals represent a small minority of revenue. Smartsheet’s partners help connect the dots for customers in specific markets and segments (for example, internationally or within the government channel).

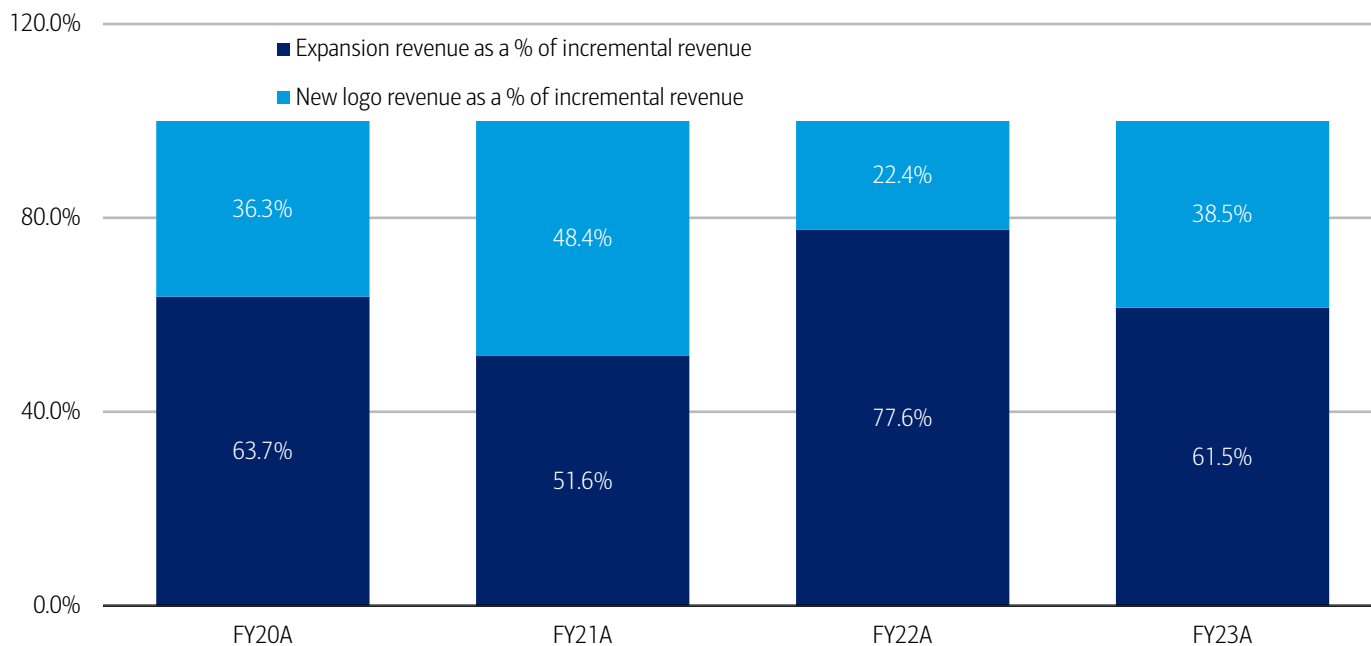
## Business model

Smartsheet generates revenue via sale of paid seats and Capabilities, though Capabilities revenue is not directly related to the number of seats a customer pays for. Certain components of Smartsheet Advance are available for standalone purchase and are monetized based on the value they create for customers, not on a per seat basis. Smartsheet also offers powerful out-of-the-box integrations with Salesforce, Adobe, Atlassian, and Microsoft that it sells for an additional fee on top of its user-based pricing.

Approximately 94% of subscription billings are billed annually, with roughly 4% billed monthly and 2% billed quarterly/semiannually. Sales commissions are paid on initial contracts and on any future upsell, but not at renewal.

### Exhibit 28: Expansion has driven the majority of incremental revenue growth since FY20

Estimated incremental revenue mix (expansion versus new logo growth)

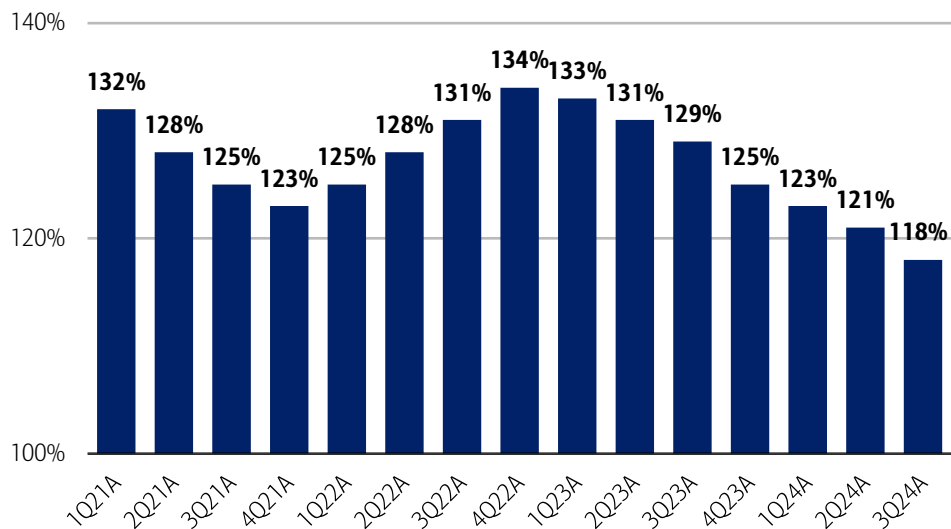


Source: BofA Global Research, company filings

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**Exhibit 29: While Smartsheet's NRR has come under pressure, it remains well above most peers**

Smartsheet net revenue retention by quarter

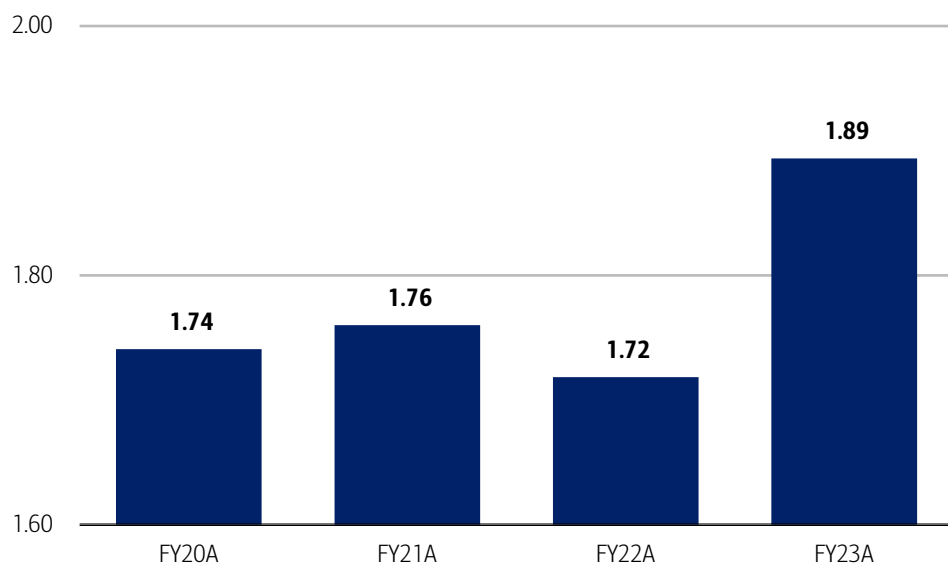


Source: BofA Global Research, company filings

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**Exhibit 30: Smartsheet's SMIR ratio suggests a decline in sales and marketing efficiency in FY23**

Smartsheet SMIR (S&amp;M expense/incremental revenue)



Source: BofA Global Research, company filings

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In FY23, SMAR spent roughly \$1.89 in S&M expenses for each \$1 of incremental revenue generated.















The Smartsheet platform

Smartsheet offers multiple ways for customers to plan and manage their work using grids, projects, cards, and calendars. Users can easily toggle between views to support their team’s preferred way of working. Smartsheet’s cloud-based platform enables teams to accelerate execution and is both flexible and extensible – allowing customers to leverage the platform 2,000+ documented use cases. Customers use Smartsheet for various purposes including software migration planning, vendor and contract management, brand launches, compliance reporting, event planning, talent acquisition, sales enablement, and marketing programs management, among many others.

**Exhibit 31: The Smartsheet platform is leveraged for thousands of different use cases**  
Smartsheet chart summarizing potential platform use cases

Over 2,000 Customer-Driven Use Cases Across All Departments

<b>Sales</b> Lead assignment Sales enablement Pipeline management Contract management 	<b>IT</b> Software migration Help desk IT ticketing Managing development 	<b>Operations</b> Schedule deliveries Track invoices Sales operations Vendor requests 	<b>Marketing</b> Manage brand launches Investor relations Event planning Website management 	<b>Engineering</b> Feature development Bug tracking Case management 	<b>Legal</b> Patent app processing Case management Client onboarding Due diligence review Transaction management 
<b>Project Management</b> Product initiation Commissions calculation M&A integration 	<b>Administrative</b> Travel scheduling Meeting scheduling Compliance 	<b>Human Resources</b> Employee onboarding Off-boarding processing Talent acquisition Benefit tracking 	<b>Finance</b> Audit preparation Purchase orders Expense approvals Budget approvals 	<b>Customer Service</b> Issue escalation Assign tickets Schedule employees Returns processing 	<b>Industry Verticals</b> Claims adjusting Clinical trial tracking Contractor scheduling Property management 

Source: Company filings

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Smartsheet’s reporting and automation capabilities further improve speed by reducing time spent on administration and repetitive work. Smartsheet makes it easy for teams to apply business logic to automate repetitive actions using an extensive list of conditions. Business users, with little or no training, can configure and modify the platform to customize workflows to suit their needs.

Both licensed users and free collaborators can edit, input, and view data/dashboards; however, free collaborators cannot create their own workflows. Users can begin using Smartsheet within minutes and configure the platform for their needs with limited or no training. Rather than being just a task-oriented tool, Smartsheet can scale from a simple project used by a five-person firm to an enterprise SaaS platform that enables work across critical business systems at the largest companies in the world. What separates the CWM software category from other existing large systems of record is that much of the configuration/deployment/usage of Smartsheet is done within business units at a high velocity and does not require extensive IT implementation and management.

The Smartsheet platform sits between traditional systems of record (ERP, CRM, ITSM, HCM) and applications like Emails, Docs, Calendar, Storage & Communications (Microsoft, Google, Dropbox, Slack, Zoom). Through Connectors either built by Smartsheet or developed in collaboration with partners, Smartsheet extends the reach and consistency of data from other systems, such as those offered by Salesforce, Adobe, UiPath, Workday, DocuSign, Atlassian, ServiceNow, and Microsoft. Smartsheet also integrates into popular document and communication applications from Google, Microsoft, Slack, Dropbox, Box and others.



## Platform scalability and security

The Smartsheet platform is underpinned by a highly scalable grid system that provides a rich and flexible data model to capture comprehensive information about any type of project, program, or process and enables teams to act upon it. The platform horizontally scales using sharded database technology to support a high volume of data as well as multiple, numerous requests to process these data. This allows the platform to achieve high availability, storage capacity, and responsiveness. Smartsheet's scalable multi-tenant architecture provides customers with highly usable, secure, and reliable functionality.

## Advance/Capabilities

Smartsheet Advance combines the company's Premium Apps and Connectors with new Smartsheet capabilities in packages that match customer solution maturity. Smartsheet Advance provides components that enable customers to implement solutions for a specific use case or for large scale projects, initiatives, or processes. These capabilities deliver on the sophisticated needs of customers to provision and manage thousands of projects with consistency and repeatability, to integrate data from third-party systems, and to build more complex automations.

### Exhibit 32: In addition to the core platform, Smartsheet offers several premium applications and connectors

Summary of Smartsheet's Premium Apps and Connectors

Premium Apps and Connectors	Description
Connectors:	Provide embedded integrations with industry-leading systems of record, including those from Salesforce, Atlassian, ServiceNow, and Microsoft. Connectors enable data to be synchronized in real-time, fostering visibility and interoperability across these business platforms.
Control Center:	Provides enterprises with real-time visibility so they can react quickly to changing conditions. Without burdening the team with manual reporting, executives and managers can review the status of projects at scale without disrupting the speed of execution.
Dynamic View:	Enables business users to collaborate using the same data set while maintaining confidentiality when working with vendors or across inter- or intra-departmental teams. This solution simplifies views into complex processes so each individual stakeholder has a partial view of the overall work.
Data Shuttle:	Allows business users to upload or offload data between Smartsheet and other existing systems and databases. Data Shuttle automates the data upload process to centralize disparate data, drive collaboration, provide real-time visibility into multiple business systems, and empower teams to be more efficient through effective work execution.
Bridge:	Enables organizations to build intelligent workflows and automate business processes across platforms.
Calendar App:	Extends customer capabilities beyond those of the calendar view included in Smartsheet's core offering. Calendar App is a flexible, configurable calendar add-on that allows customers to build shareable calendars with custom details.
Pivot App:	Enables customers to create Smartsheet pivot tables to analyze data and make better decisions, faster. Pivot App slices and dices data to create meaningful summary sheets, and enables creation of charts in dashboards with report data.
DataMesh:	Provides lookup functionality between sheets and reports, making it easy to keep data consistent. DataMesh helps customers scale work in Smartsheet by eliminating typos, duplicative data entry, and unnecessary work.
Resource Management:	Helps businesses find and schedule appropriate project teams, track and manage time, and forecast hiring needs.
Brandfolder:	A digital asset management platform with templating scale that enables workers to intuitively store, customize, and share digital assets.

Source: BofA Global Research, company filings

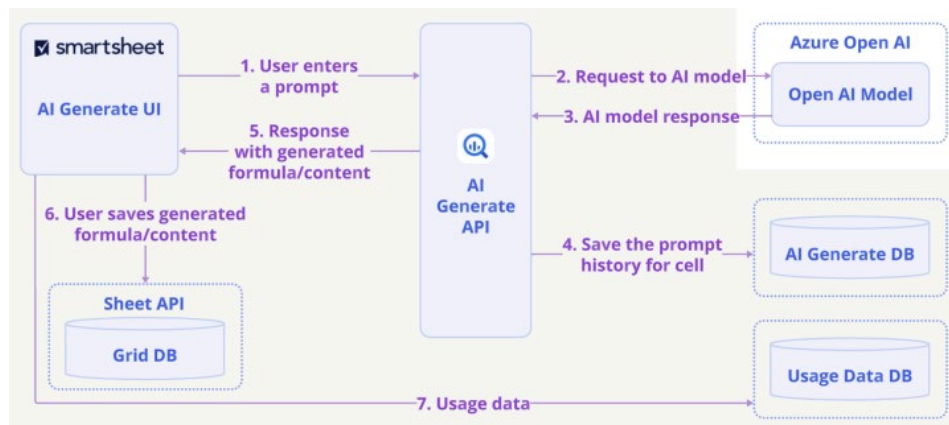
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## Smartsheet's AI strategy

Smartsheet's AI functionality streamlines complex tasks by transforming natural user inputs (like a simple sentence or an image) into outputs such as formulas and descriptions. To enhance the effectiveness of these tools, a user's input may be enriched with extra context. For instance, the AI utilizes a sheet's specific column names to construct a responsive formula, designed to provide a more personalized output.

**Exhibit 33: Smartsheet's AI-enabled tools have the potential to drive significant productivity gains**

Diagram summarizing flow of data for Smartsheet's generate formulas and text and summaries tools



Source: Company website

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The AI tools available today are:

- **Suggested descriptions:** empower users to quickly add valuable description metadata to images in Brandfolder. Leveraging AI to understand images, the suggested descriptions tool produces text that can describe the content of an image. The suggested descriptions tool is powered by the Imagen model developed by Google Vertex AI.
- **Generate formulas:** With the generate formulas tool, users can create powerful formulas to process, calculate, or extract information from sheets by simply describing what the formula should do. Users can easily reference columns using the autocomplete feature. Once generated, the formula behaves like a normal formula including the ability to manually convert it to a column formula. Generate formulas is powered by large language models (LLMs) built by Azure OpenAI.
- **Text and summaries:** With the text and summaries tool, users can process row content or generate all-new row content using generative AI, and store it directly in a cell in the sheet. Users simply need to describe what they want while also passing in references to other cells for the same row. The text and summaries tool is powered by large language models (LLMs) built by Azure OpenAI.

Smartsheet has approximately 50,000 enterprise users in early access experimenting with AI-powered skills that allow users to generate formulas and content directly in their sheets. Both of these skills will be generally available this quarter to enterprise customers.

### Monetization of AI-enabled functionality

AI formula builder, AI content generation, and AI insights will only be available to paid users on enterprise plans. We expect AI-driven functionality catalyze paid user conversion as some AI features will be only available for licensed users. For premium gen AI capabilities, Smartsheet plans to provide a base tier of consumption beyond which greater volumes can also be purchased. Brandfolder, image captioning, people tagging, and basic image editing will also be available in multiple usage tiers as part of Brandfolder's pricing plans. Gen AI is still in early adopter program (EAP) with a limited number of customers. Usage frequency of AI features has been slightly lower than initially expected, but customer feedback for those that have used the capabilities has been broadly positive. Management commentary suggests no AI-driven revenues are baked into FY24 guidance, though the company anticipates additional revenue opportunities in FY25 (though too early to quantify).

**Exhibit 34: Smartsheet generated \$246mn in total 3Q24 revenues**

Smartsheet income statement

	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
(\$, thousands)	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
Subscription revenues	507,375	713,735	206,001	221,522	232,470	241,769	901,762	249,022	260,228	273,239	286,901	1,069,390	1,273,677	1,518,674
Professional services revenue	43,457	53,180	13,885	14,063	13,448	14,425	55,821	15,135	15,329	14,658	15,723	60,845	65,104	66,904
<b>Revenue</b>	<b>550,832</b>	<b>766,915</b>	<b>219,886</b>	<b>235,585</b>	<b>245,918</b>	<b>256,193</b>	<b>957,582</b>	<b>264,157</b>	<b>275,557</b>	<b>287,898</b>	<b>302,624</b>	<b>1,130,235</b>	<b>1,338,781</b>	<b>1,585,578</b>
% Y/Y	42.9%	39.2%	30.6%	26.2%	23.2%	20.7%	24.9%	20.1%	17.0%	17.1%	18.1%	18.0%	18.5%	18.4%
% Q/Q			3.6%	7.1%	4.4%	4.2%		3.1%	4.3%	4.5%	5.1%			
Subscription cost of revenue	65,392	96,300	27,884	28,298	29,124	32,639	117,945	34,116	35,651	37,434	39,305	146,506	171,946	205,021
Professional services cost of revenue	35,225	44,262	10,803	11,539	10,992	11,828	45,162	12,562	12,723	12,166	13,050	50,501	54,036	55,530
Cost of revenue	100,617	140,562	38,687	39,837	40,116	44,467	163,107	46,678	48,374	49,600	52,355	197,007	225,982	260,551
% Revs	18.3%	18.3%	17.6%	16.9%	16.3%	17.4%	17.0%	17.7%	17.6%	17.2%	17.3%	17.4%	16.9%	16.4%
<b>Gross profit</b>	<b>450,215</b>	<b>626,353</b>	<b>181,199</b>	<b>195,748</b>	<b>205,802</b>	<b>211,726</b>	<b>794,475</b>	<b>217,479</b>	<b>227,183</b>	<b>238,297</b>	<b>250,269</b>	<b>933,227</b>	<b>1,112,799</b>	<b>1,325,027</b>
Gross margin	81.7%	81.7%	82.4%	83.1%	83.7%	82.6%	83.0%	82.3%	82.4%	82.8%	82.7%	82.6%	83.1%	83.6%
R&D	124,222	152,229	38,756	40,745	40,934	43,041	163,476	44,907	49,600	51,822	51,446	197,774	244,085	289,078
% Revs	22.6%	19.8%	17.6%	17.3%	16.6%	16.8%	17.1%	17.0%	18.0%	18.0%	17.0%	17.5%	18.2%	18.2%
S&M	284,077	409,221	94,603	109,529	118,972	117,849	440,953	113,587	115,734	123,796	130,128	483,245	545,633	614,509
% Revs	51.6%	53.4%	43.0%	46.5%	48.4%	46.0%	46.0%	43.0%	42.0%	43.0%	43.0%	42.8%	40.8%	38.8%
G&A	76,162	100,897	25,040	26,255	26,540	28,181	106,016	29,057	33,067	34,548	37,828	134,500	145,943	156,994
% Revs	13.8%	13.2%	11.4%	11.1%	10.8%	11.0%	11.1%	11.0%	12.0%	12.0%	12.5%	11.9%	10.9%	9.9%
Total opex (non-GAAP)	484,461	662,347	158,399	176,529	186,446	189,071	710,445	187,551	198,401	210,165	219,402	815,520	935,662	1,060,581
<b>Non-GAAP operating income</b>	<b>(34,246)</b>	<b>(35,994)</b>	<b>22,800</b>	<b>19,219</b>	<b>19,356</b>	<b>22,656</b>	<b>84,031</b>	<b>29,928</b>	<b>28,782</b>	<b>28,132</b>	<b>30,866</b>	<b>117,708</b>	<b>177,136</b>	<b>264,446</b>
% Op. Margin	-6.2%	-4.7%	10.4%	8.2%	7.9%	8.8%	8.8%	11.3%	10.4%	9.8%	10.2%	10.4%	13.2%	16.7%
Interest expense & other, net	(765)	9,601	4,681	5,792	6,393	5,131	21,997	5,131	5,131	5,131	5,131	20,524	20,524	0
<b>Income (loss) before taxes</b>	<b>(35,011)</b>	<b>(26,393)</b>	<b>27,481</b>	<b>25,011</b>	<b>25,749</b>	<b>27,787</b>	<b>106,028</b>	<b>35,059</b>	<b>33,913</b>	<b>33,263</b>	<b>35,997</b>	<b>138,232</b>	<b>197,660</b>	<b>264,446</b>
Income taxes	296	2,849	2,436	3,002	3,164	2,779	11,381	2,170	2,282	2,292	2,227	8,971	2,959	(1,230)
Tax rate	0.8%	10.8%	-8.9%	-12.0%	-12.3%	-10.0%	-10.7%	-6.2%	-6.7%	-6.9%	-6.2%	-6.5%	-1.5%	0.5%
<b>Non-GAAP net income (loss)</b>	<b>(35,307)</b>	<b>(29,242)</b>	<b>25,045</b>	<b>22,009</b>	<b>22,585</b>	<b>25,008</b>	<b>94,647</b>	<b>32,888</b>	<b>31,631</b>	<b>30,971</b>	<b>33,770</b>	<b>129,260</b>	<b>194,702</b>	<b>265,675</b>
<b>Non-GAAP earnings per share (diluted)</b>	<b>(\$0.28)</b>	<b>(\$0.22)</b>	<b>\$0.18</b>	<b>\$0.16</b>	<b>\$0.16</b>	<b>\$0.18</b>	<b>\$0.69</b>	<b>\$0.23</b>	<b>\$0.22</b>	<b>\$0.22</b>	<b>\$0.23</b>	<b>\$0.90</b>	<b>\$1.31</b>	<b>\$1.73</b>
Basic shares	125,632	130,071	132,542	133,829	135,189	136,557	134,529	137,868	139,170	140,463	141,821	139,831	145,006	150,583
Diluted shares	125,632	130,071	136,728	137,370	138,421	139,789	138,077	141,100	142,402	143,695	145,053	143,063	148,238	153,815

Source: BofA Global Research estimates, company filings

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**Exhibit 35: Smartsheet ended 3Q24 with \$569mn in cash and cash equivalents**

Smartsheet balance sheet

Balance sheet (\$, thousands)	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
Cash and cash equivalents	449,074	223,156	294,946	237,278	233,247	282,348	282,348	322,510	387,921	428,853	471,897	471,897	750,415	1,113,064
Short-term investments	-	233,225	194,593	311,707	335,492	335,492	335,492	335,492	335,492	335,492	335,492	335,492	335,492	335,492
Accounts receivable, net	151,138	198,643	152,104	156,492	179,475	247,599	247,599	192,657	204,568	233,406	317,145	317,145	400,804	509,969
Prepaid expenses and other	34,390	55,063	68,025	54,904	53,625	76,858	76,858	76,964	59,605	56,771	84,632	84,632	104,023	121,126
Total current assets	634,602	710,087	709,668	760,381	801,839	942,297	942,297	927,624	987,586	1,054,522	1,209,166	1,209,166	1,590,734	2,079,652
Restricted cash	17	197	189	193	184	184	184	184	184	184	184	184	184	184
Deferred commissions	91,312	121,785	129,058	136,248	142,051	145,572	145,572	151,064	154,345	161,114	173,700	173,700	205,266	243,052
PP&E	36,835	39,395	39,162	40,262	41,701	40,861	40,861	39,502	37,989	36,447	34,615	34,615	23,789	7,361
Operating lease ROU assets	67,171	54,278	51,123	46,922	42,060	42,060	42,060	42,060	42,060	42,060	42,060	42,060	42,060	42,060
Intangible assets	44,096	39,069	36,097	33,442	30,531	27,830	27,830	25,430	23,029	20,629	18,228	18,228	10,343	4,624
Goodwill	125,605	142,415	141,518	141,723	140,928	140,928	140,928	140,928	140,928	140,928	140,928	140,928	140,928	140,928
Other long-term assets	3,194	2,983	3,135	3,595	3,939	3,074	3,074	5,170	5,102	5,344	4,675	4,675	4,964	5,853
<b>Total assets</b>	<b>1,002,832</b>	<b>1,110,209</b>	<b>1,109,950</b>	<b>1,162,766</b>	<b>1,203,233</b>	<b>1,342,807</b>	<b>1,342,807</b>	<b>1,331,961</b>	<b>1,391,224</b>	<b>1,461,228</b>	<b>1,623,555</b>	<b>1,623,555</b>	<b>2,018,269</b>	<b>2,523,714</b>
Liabilities and SE														
Accounts payable	1,506	2,125	1,727	1,502	1,005	2,222	2,222	2,050	1,995	2,210	2,333	2,333	2,644	3,054
Accrued compensation	66,744	68,347	53,106	66,181	75,155	88,863	88,863	58,614	69,065	76,825	96,364	96,364	114,214	127,373
Other accrued liabilities	18,901	27,437	28,783	35,135	31,258	37,814	37,814	27,799	34,366	36,548	36,250	36,250	44,316	51,455
Operating lease liabilities, current	18,003	19,220	19,299	17,597	16,263	16,263	16,263	16,263	16,263	16,263	16,263	16,263	16,263	16,263
Finance lease liabilities, current	-	-	-	-	194	194	194	194	194	194	194	194	194	194
Deferred revenue	332,285	457,534	453,831	461,239	482,898	572,621	572,621	568,173	576,838	602,194	708,178	708,178	868,974	1,059,519
Total current liabilities	437,439	574,663	556,746	581,654	606,773	717,978	717,978	673,092	698,720	734,234	859,582	859,582	1,046,605	1,257,858
Operating lease liabilities	58,237	47,564	43,372	40,068	36,174	32,377	32,377	28,581	24,883	21,086	17,314	17,314	2,251	-
Finance lease liabilities	-	-	-	-	505	505	505	505	505	505	505	505	505	505
Deferred revenue, non-current	2,377	2,195	1,530	1,679	2,572	3,812	3,812	2,745	2,578	4,013	4,993	4,993	7,584	10,717
Other long-term liabilities	-	129	337	343	404	331	331	375	391	414	422	422	490	557
<b>Total liabilities</b>	<b>498,053</b>	<b>624,551</b>	<b>601,985</b>	<b>623,744</b>	<b>646,428</b>	<b>755,004</b>	<b>755,004</b>	<b>705,297</b>	<b>727,077</b>	<b>760,253</b>	<b>882,816</b>	<b>882,816</b>	<b>1,057,435</b>	<b>1,269,636</b>
Stockholders' equity														
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock (class A and B)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	1,047,313	1,243,730	1,296,364	1,360,851	1,411,594	1,478,185	1,478,185	1,542,030	1,605,395	1,668,353	1,734,245	1,734,245	1,988,435	2,267,503
Accumulated OCI	-	101	(356)	(429)	(961)	(961)	(961)	(961)	(961)	(961)	(961)	(961)	(1,026,640)	(1,012,464)
Accumulated deficit	(542,534)	(758,173)	(788,043)	(821,400)	(853,828)	(889,421)	(889,421)	(914,406)	(940,287)	(966,417)	(992,546)	(992,546)		
<b>Total SE</b>	<b>504,779</b>	<b>485,658</b>	<b>507,965</b>	<b>539,022</b>	<b>556,805</b>	<b>587,803</b>	<b>587,803</b>	<b>626,664</b>	<b>664,147</b>	<b>700,975</b>	<b>740,739</b>	<b>740,739</b>	<b>960,834</b>	<b>1,254,078</b>
<b>Total liabilities and SE</b>	<b>1,002,832</b>	<b>1,110,209</b>	<b>1,109,950</b>	<b>1,162,766</b>	<b>1,203,233</b>	<b>1,342,807</b>	<b>1,342,807</b>	<b>1,331,961</b>	<b>1,391,224</b>	<b>1,461,228</b>	<b>1,623,555</b>	<b>1,623,555</b>	<b>2,018,269</b>	<b>2,523,714</b>

Source: BofA Global Research estimates, company filings

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**Exhibit 36: Smartsheet generated \$15mn in 3Q24 CFO**

Smartsheet cash flow statement

	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
(\$, thousands)	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
<b>Net loss</b>	(171,097)	(215,639)	(29,870)	(33,357)	(32,428)	(35,593)	(131,248)	(24,985)	(25,881)	(26,130)	(26,129)	(103,125)	(34,094)	14,176
Share-based compensation	114,900	176,555	51,779	52,023	49,647	57,900	211,349	55,473	55,111	54,701	57,499	222,783	220,911	245,781
Remeasurement of convertible pref stock warrant	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D&A	21,765	24,856	6,410	6,781	6,817	7,411	27,419	7,567	7,859	8,191	8,666	32,283	38,231	45,280
Net amortization (accretion) of premium (discount)	-	(2,768)	(2,028)	(2,817)	(3,901)	-	(8,746)	-	-	-	-	-	-	-
Amortization of deferred commission costs	43,680	47,093	11,429	12,949	14,061	12,205	50,644	12,661	12,969	12,974	12,702	51,306	51,347	51,338
Unrealized foreign currency (gain) loss	1,048	(1,198)	381	102	201	-	684	-	-	-	-	-	-	-
Loss on disposal of assets	-	779	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-cash operating lease costs	14,905	18,914	3,155	3,167	3,128	4,183	13,633	3,408	3,472	3,548	3,653	14,081	14,207	14,236
Impairment	-	1,544	-	-	1,448	-	1,448	-	-	-	-	-	-	-
Other, net	-	(1,208)	872	802	1,415	-	3,089	-	-	-	-	-	-	-
Changes in NWC:														
Accounts receivable	(48,575)	(47,597)	45,746	(5,313)	(23,892)	(68,124)	(51,583)	54,942	(11,911)	(28,837)	(83,739)	(69,546)	(83,659)	(109,165)
Prepaid expenses and other current assets	(19,884)	(21,437)	(6,981)	7,030	1,011	(23,233)	(22,173)	(106)	17,360	2,834	(27,861)	(7,774)	(19,391)	(17,103)
Operating lease ROU assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other long-term assets	467	(590)	(267)	(531)	(603)	865	(536)	(2,096)	68	(242)	669	(1,600)	(290)	(889)
Accounts payable	(1,331)	154	(246)	(356)	(395)	1,217	220	(173)	(55)	216	123	111	311	410
Other accrued liabilities	1,950	8,432	1,581	6,419	(3,900)	6,556	10,656	(10,015)	6,567	2,182	(298)	(1,565)	8,067	7,138
Accrued compensation and related benefits	19,906	3,739	(20,552)	18,215	4,358	13,708	15,729	(30,249)	10,451	7,760	19,539	7,501	17,850	13,159
Deferred commissions	(74,463)	(77,566)	(18,701)	(20,139)	(19,865)	(15,726)	(74,431)	(18,153)	(16,250)	(19,743)	(25,288)	(79,434)	(82,913)	(89,124)
Deferred revenue	110,664	123,853	(4,452)	7,635	22,256	90,964	116,403	(5,516)	8,498	26,791	106,964	136,738	163,387	193,678
Other long-term liabilities	(3,904)	89	210	6	62	(73)	205	43	17	23	8	91	68	67
Operating lease liabilities	(13,543)	(14,417)	(3,895)	(4,157)	(4,274)	(3,797)	(16,123)	(3,797)	(3,698)	(3,796)	(3,772)	(15,063)	(15,064)	(2,251)
<b>Net cash from operating activities</b>	<b>(3,512)</b>	<b>23,588</b>	<b>34,571</b>	<b>48,459</b>	<b>15,146</b>	<b>48,463</b>	<b>146,639</b>	<b>39,005</b>	<b>64,575</b>	<b>40,471</b>	<b>42,736</b>	<b>186,786</b>	<b>278,968</b>	<b>366,731</b>
Cash from investing:														
Purchases of short-term investments	-	(456,649)	(62,010)	(186,470)	(126,907)	-	(375,387)	-	-	-	-	-	-	-
Maturities of short-term investments	-	226,048	96,885	78,015	107,000	-	281,900	-	-	-	-	-	-	-
Proceeds from early termination of ST investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of long-term investments	(1,000)	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchases of PP&E	(10,563)	(6,137)	(853)	(542)	(702)	(1,170)	(3,267)	(898)	(904)	(1,015)	(1,118)	(3,936)	(4,712)	(5,596)
Sales of PP&E	-	217	16	11	1	-	28	-	-	-	-	-	-	-
Proceeds from liquidation of LT investments	-	622	-	-	-	-	-	-	-	-	-	-	-	-
Capitalized internal-use software costs	(6,706)	(7,660)	(2,397)	(2,418)	(3,035)	(2,699)	(10,549)	(2,909)	(3,042)	(3,234)	(3,315)	(12,499)	(14,809)	(17,537)
Purchases of intangible assets	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments for business acquisitions	-	(20,342)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(18,300)</b>	<b>(263,901)</b>	<b>31,641</b>	<b>(111,404)</b>	<b>(23,643)</b>	<b>(3,870)</b>	<b>(107,276)</b>	<b>(3,807)</b>	<b>(3,946)</b>	<b>(4,249)</b>	<b>(4,433)</b>	<b>(16,434)</b>	<b>(19,521)</b>	<b>(23,133)</b>
Cash from financing:														
Proceeds from IPO/follow-on offering	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments on finance leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payments on deferred offering costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	19,132	5,633	532	538	260	616	1,946	487	475	459	509	1,930	1,937	1,940
Taxes paid related to net share settlement of RSUs	(6,171)	(4,177)	(621)	(529)	(494)	(685)	(2,329)	(582)	(572)	(583)	(606)	(2,344)	(2,355)	(2,359)
Proceeds from contributions to ESPP	17,380	12,600	5,783	5,063	4,818	4,576	20,240	5,060	4,879	4,833	4,837	19,610	19,490	19,470
<b>Net cash from financing activities</b>	<b>30,341</b>	<b>14,056</b>	<b>5,694</b>	<b>5,072</b>	<b>4,584</b>	<b>4,508</b>	<b>19,858</b>	<b>4,964</b>	<b>4,782</b>	<b>4,709</b>	<b>4,741</b>	<b>19,197</b>	<b>19,071</b>	<b>19,051</b>
Effect of FX	(1,197)	334	(108)	114	(254)	-	(248)	-	-	-	-	-	-	-
<b>Net change in cash</b>	<b>7,332</b>	<b>(225,923)</b>	<b>71,798</b>	<b>(57,759)</b>	<b>(4,167)</b>	<b>49,101</b>	<b>58,973</b>	<b>40,162</b>	<b>65,411</b>	<b>40,932</b>	<b>43,044</b>	<b>189,549</b>	<b>278,518</b>	<b>362,649</b>
Cash - beginning of period	442,348	449,680	223,757	295,555	237,796	233,629	223,757	282,730	322,892	388,303	429,235	282,730	472,279	750,797
Cash - end of period	449,680	223,757	295,555	237,796	233,629	282,730	282,730	322,892	388,303	429,235	472,279	472,279	750,797	1,113,446

Source: BofA Global Research estimates, company filings

BofA GLOBAL RESEARCH



# Appendix

## Exhibit 37: Smartsheet trades well below high growth peer averages for EV/CY2025 Sales

Comp table for high growth software

Ticker Company name	Mkt Cap (\$mn)	2023 Rev Growth	2024 Rev Growth	2025 Rev Growth	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth	2023 PF Op Margin	2024 PF Op Margin	2025 PF Op Margin	EV/2023 FCF	EV/2024 FCF	EV/2025 FCF
<b>High growth</b>																
APPF APPFOLIO INC - A	8,426	31%	23%	20%	13.3x	10.8x	9.0x	0.4x	0.5x	0.5x	12.2%	15.4%	18.5%	...	55.9x	41.2x
ASAN ASANA INC - CL A	3,970	20%	11%	13%	5.8x	5.2x	4.6x	0.3x	0.5x	0.4x	-10.8%	-7.7%	-2.1%	...	...	57.5x
BILL BILL HOLDINGS INC	6,534	39%	9%	21%	4.9x	4.5x	3.8x	0.1x	0.5x	0.2x	13.0%	13.9%	16.6%	26.9x	33.1x	22.5x
CFLT CONFLUENT INC	11,028	33%	22%	25%	13.2x	10.8x	8.6x	0.4x	0.5x	0.3x	-7.4%	0.0%	5.5%	...	...	...
CRWD CROWDSTRIKE	75,800	37%	29%	25%	24.6x	19.1x	15.2x	0.7x	0.7x	0.6x	20.3%	22.3%	23.6%	81.2x	61.4x	47.2x
DDOG DATADOG INC	46,273	27%	20%	25%	21.0x	17.4x	13.9x	0.8x	0.9x	0.6x	23.0%	21.3%	22.3%	70.5x	60.9x	46.8x
FROG JFROG LTD	4,826	25%	22%	22%	12.3x	10.1x	8.3x	0.5x	0.5x	0.4x	11.1%	13.3%	14.3%	59.6x	58.1x	44.9x
MAX MEDIAALPHA INC	937	(15%)	25%	16%	2.8x	2.3x	1.9x	-0.2x	0.1x	0.1x	-10.3%	-1.5%	0.4%	54.3x	41.0x	30.5x
MDB MONGODB INC	37,123	29%	22%	26%	22.0x	18.0x	14.3x	0.8x	0.8x	0.5x	14.4%	14.1%	16.8%	...	...	...
MNDY MONDAY.COM LTD	9,114	41%	28%	27%	11.0x	8.6x	6.8x	0.3x	0.3x	0.3x	8.4%	6.8%	8.2%	39.3x	39.5x	30.0x
NOW SERVICENOW INC	159,226	24%	22%	22%	17.5x	14.3x	11.8x	0.7x	0.7x	0.5x	27.7%	29.0%	30.2%	57.9x	46.3x	36.5x
PATH UIPATH INC	13,280	22%	23%	23%	9.0x	7.3x	5.9x	0.4x	0.3x	0.3x	15.6%	16.2%	17.6%	44.9x	40.2x	29.3x
PCOR PROCORE	11,108	...	20%	20%	11.1x	9.2x	7.7x	0.3x	0.5x	0.4x	2.0%	7.7%	10.2%	...	91.4x	58.6x
S SENTINELONE INC	7,817	50%	33%	31%	11.7x	8.8x	6.7x	0.2x	0.3x	0.2x	-22.0%	-3.4%	6.6%	...	...	60.8x
SHOP SHOPIFY INC	85,759	26%	24%	25%	11.6x	9.3x	7.4x	0.4x	0.4x	0.3x	11.1%	14.3%	17.3%	90.5x	75.1x	41.0x
<b>SMAR SMARTSHEET</b>	<b>5,682</b>	<b>26%</b>	<b>20%</b>	<b>20%</b>	<b>5.5x</b>	<b>4.6x</b>	<b>3.8x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>8.3%</b>	<b>10.3%</b>	<b>13.3%</b>	<b>39.8x</b>	<b>30.1x</b>	<b>19.6x</b>
SNOW SNOWFLAKE INC	81,908	35%	30%	31%	28.2x	21.6x	16.5x	0.8x	0.7x	0.5x	6.8%	10.6%	14.5%	...	75.0x	55.9x
SPT SPROUT SOCIAL INC	3,627	31%	28%	27%	10.6x	8.3x	6.6x	0.3x	0.3x	0.2x	1.4%	3.6%	6.4%	...	...	70.0x
U UNITY SOFTWARE	10,171	53%	14%	24%	5.4x	4.7x	3.8x	0.1x	0.3x	0.2x	18.0%	30.3%	34.5%	38.8x	18.3x	11.3x
ZS ZSCALER INC	33,385	41%	26%	25%	17.6x	14.0x	11.2x	0.4x	0.5x	0.4x	17.0%	17.7%	19.4%	69.2x	63.4x	46.0x
<b>Average</b>		<b>30%</b>	<b>23%</b>	<b>23%</b>	<b>13.0x</b>	<b>10.4x</b>	<b>8.4x</b>	<b>0.4x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>8.0%</b>	<b>11.7%</b>	<b>14.7%</b>	<b>56.1x</b>	<b>52.6x</b>	<b>41.6x</b>
<b>Median</b>		<b>31%</b>	<b>23%</b>	<b>24%</b>	<b>11.6x</b>	<b>9.3x</b>	<b>7.6x</b>	<b>0.4x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>11.1%</b>	<b>13.6%</b>	<b>15.6%</b>	<b>56.1x</b>	<b>55.9x</b>	<b>43.0x</b>

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH



**Exhibit 38: Smartsheet trades below horizontal software peer averages for EV/CY2025 Sales**

Comp table for horizontal software

Ticker Company name	Mkt Cap (\$mn)	2023 Rev Growth	2024 Rev Growth	2025 Rev Growth	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev Growth	2024 EV/Rev Growth	2025 EV/Rev Growth	2023 PF Op Margin	2024 PF Op Margin	2025 PF Op Margin	EV/2023 FCF	EV/2024 FCF	EV/2025 FCF
ADBE ADOBE INC	246,745	10%	10%	12%	12.5x	11.4x	10.1x	1.22x	1.11x	0.9x	46%	45%	46%	35.0x	26.5x	24.0x
AI C3.AI INC-A	3,160	10%	16%	14%	8.3x	7.1x	6.3x	0.81x	0.43x	0.4x	(41%)	(17%)	(0%)	...	...	49.5x
ALRM ALARM.COM	3,829	4%	5%	8%	4.2x	4.0x	3.7x	0.94x	0.87x	0.4x	13%	13%	16%	33.1x	66.4x	25.4x
ASAN ASANA INC	3,970	20%	11%	13%	5.8x	5.2x	4.6x	0.28x	0.46x	0.4x	(11%)	(8%)	(2%)	...	...	57.5x
APPN APPIAN CORP-A	2,418	17%	13%	14%	4.7x	4.1x	3.6x	0.28x	0.32x	0.2x	(10%)	(5%)	0%	...	...	...
BIGC BIGCOMMERCE	627	11%	7%	7%	2.3x	2.1x	2.0x	0.21x	0.30x	0.3x	(2%)	3%	5%	...	...	47.3x
BILL BILL HOLDINGS INC	6,534	39%	9%	21%	4.9x	4.5x	3.8x	0.13x	0.52x	0.2x	13%	14%	17%	26.9x	33.1x	22.5x
BL BLACKLINE INC	4,229	13%	9%	9%	7.1x	6.5x	6.0x	0.55x	0.72x	0.7x	17%	17%	18%	34.7x	30.5x	26.7x
BLKB BLACKBAUD INC	3,599	4%	7%	7%	4.0x	3.7x	3.5x	0.89x	0.51x	0.5x	27%	29%	30%	32.4x	16.6x	14.8x
BOX BOX INC - CLASS A	3,745	5%	5%	7%	3.7x	3.5x	3.3x	0.69x	0.76x	0.5x	25%	27%	29%	12.6x	12.6x	10.9x
CRWD CROWDSTRIKE	75,800	37%	29%	25%	24.6x	19.1x	15.2x	0.66x	0.65x	0.6x	20%	22%	24%	81.2x	61.4x	47.2x
CRM SALESFORCE INC	288,071	11%	12%	14%	8.3x	7.4x	6.6x	0.76x	0.62x	0.5x	31%	32%	34%	33.7x	26.7x	21.2x
DBX DROPBOX INC	7,999	8%	1%	1%	3.5x	3.4x	3.4x	0.5x	2.5x	2.6x	33%	32%	34%	11.4x	9.4x	8.7x
DDOG DATADOG INC	46,273	27%	20%	25%	21.0x	17.4x	13.9x	0.8x	0.9x	0.6x	23%	21%	22%	70.5x	60.9x	46.8x
DOCU DOCUSIGN INC	10,432	9%	6%	7%	3.5x	3.3x	3.1x	0.4x	0.5x	0.4x	25%	23%	24%	13.4x	12.6x	11.5x
DT DYNATRACE INC	14,831	24%	18%	19%	10.4x	8.7x	7.4x	0.4x	0.5x	0.4x	28%	26%	27%	41.6x	37.4x	29.5x
ESTC ELASTIC NV	13,074	17%	15%	17%	10.1x	8.7x	7.5x	0.6x	0.6x	0.4x	11%	11%	14%	...	67.6x	51.2x
EVBG EVERBRIDGE INC	1,243	4%	5%	6%	3.4x	3.2x	3.1x	0.9x	0.6x	0.5x	14%	17%	19%	56.4x	36.0x	25.4x
FIVN FIVE9 INC	4,348	17%	16%	18%	4.8x	4.2x	3.5x	0.3x	0.3x	0.2x	14%	15%	16%	50.1x	45.0x	24.6x
FROG JFROG LTD	4,826	25%	22%	22%	12.3x	10.1x	8.3x	0.5x	0.5x	0.4x	11%	13%	14%	59.6x	58.1x	44.9x
FRSH FRESHWORKS	6,505	20%	19%	19%	9.0x	7.6x	6.4x	0.5x	0.4x	0.3x	7%	8%	11%	63.0x	45.8x	34.6x
HUBS HUBSPOT INC	30,226	25%	18%	22%	13.7x	11.6x	9.5x	0.5x	0.7x	0.4x	15%	16%	18%	93.4x	69.7x	52.2x
INTU INTUIT INC	186,849	10%	12%	11%	12.7x	11.3x	10.2x	1.2x	0.9x	0.9x	39%	39%	39%	36.1x	37.9x	30.5x
JAMF JAMF HOLDING CORP	2,689	17%	13%	13%	5.1x	4.5x	4.0x	0.3x	0.3x	0.3x	8%	11%	14%	65.7x	43.1x	27.5x
LAW CS DISCO INC	475	2%	8%	13%	2.4x	2.2x	1.9x	1.4x	0.3x	0.1x	(26%)	(5%)	2%	...	...	...
MDB MONGODB INC	37,123	29%	22%	26%	22.0x	18.0x	14.3x	0.8x	0.8x	0.5x	14%	14%	17%	...	...	...
MNDY MONDAY.COM LTD	9,114	41%	28%	27%	11.0x	8.6x	6.8x	0.3x	0.3x	0.3x	8%	7%	8%	39.3x	39.5x	30.0x
NOW SERVICENOW INC	159,226	24%	22%	22%	17.5x	14.3x	11.8x	0.7x	0.7x	0.5x	28%	29%	30%	57.9x	46.3x	36.5x
OKTA OKTA INC	13,529	22%	10%	12%	5.8x	5.3x	4.7x	0.3x	0.5x	0.4x	12%	17%	19%	30.6x	27.4x	23.5x
PAYC PAYCOM	10,399	23%	11%	12%	6.0x	5.4x	4.8x	0.3x	0.5x	0.4x	34%	31%	32%	34.8x	35.0x	27.2x
PCTY PAYLOCITY	9,793	29%	14%	14%	7.3x	6.4x	5.7x	0.3x	0.5x	0.4x	29%	29%	31%	35.8x	33.3x	27.7x
PD PAGERDUTY INC	2,228	16%	10%	13%	4.9x	4.5x	3.9x	0.3x	0.4x	0.3x	13%	15%	17%	30.0x	22.5x	18.1x
QLYS QUALYS INC	6,111	13%	10%	10%	10.3x	9.4x	8.5x	0.8x	1.0x	0.8x	42%	38%	38%	24.2x	26.0x	23.6x
SHOP SHOPIFY INC	85,759	26%	24%	25%	11.6x	9.3x	7.4x	0.4x	0.4x	0.3x	11%	14%	17%	90.5x	75.1x	41.0x
<b>SMAR SMARTSHEET INC</b>	<b>5,682</b>	<b>26%</b>	<b>20%</b>	<b>20%</b>	<b>5.5x</b>	<b>4.6x</b>	<b>3.8x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>8%</b>	<b>10%</b>	<b>13%</b>	<b>39.8x</b>	<b>30.1x</b>	<b>19.6x</b>
SNOW SNOWFLAKE INC	81,908	35%	30%	31%	28.2x	21.6x	16.5x	0.8x	0.7x	0.5x	7%	11%	15%	...	75.0x	55.9x
TEAM ATLISSIAN	53,124	22%	18%	23%	13.6x	11.5x	9.3x	0.6x	0.6x	0.4x	22%	20%	22%	49.4x	47.5x	36.2x
TWLO TWILIO INC - A	10,581	9%	4%	9%	1.8x	1.7x	1.6x	0.2x	0.4x	0.2x	13%	13%	13%	20.4x	17.0x	14.2x
WDAY WORKDAY	81,677	17%	17%	17%	10.8x	9.2x	7.9x	0.6x	0.5x	0.5x	24%	24%	25%	45.2x	37.6x	32.4x
ZI ZOOMINFO	7,091	13%	2%	5%	6.4x	6.2x	5.9x	0.5x	2.5x	1.2x	40%	39%	39%	19.4x	19.9x	18.9x
ZM ZOOM VIDEO	19,281	3%	3%	4%	2.9x	2.8x	2.7x	1.1x	0.9x	0.6x	39%	37%	37%	9.5x	8.4x	8.0x
ZS ZSCALER INC	33,385	41%	26%	25%	17.6x	14.0x	11.2x	0.4x	0.5x	0.4x	17%	18%	19%	69.2x	63.4x	46.0x
ZUO ZUORA INC	1,156	10%	9%	10%	2.5x	2.3x	2.1x	0.3x	0.3x	0.2x	4%	14%	18%	...	20.6x	NA
<b>Average</b>		<b>18%</b>	<b>14%</b>	<b>15%</b>	<b>9.0x</b>	<b>7.7x</b>	<b>6.5x</b>	<b>0.5x</b>	<b>0.6x</b>	<b>0.4x</b>	<b>16%</b>	<b>18%</b>	<b>20%</b>	<b>42.6x</b>	<b>38.4x</b>	<b>30.6x</b>
<b>Median</b>		<b>17%</b>	<b>12%</b>	<b>14%</b>	<b>7.1x</b>	<b>6.4x</b>	<b>5.9x</b>	<b>0.4x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>14%</b>	<b>17%</b>	<b>18%</b>	<b>35.9x</b>	<b>36.0x</b>	<b>27.5x</b>

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH





## Price objective basis & risk

### Asana (ASAN: C-1-9: \$17.94)

Our \$25 PO is derived from a 6.4x 2025E EV/Revenue target multiple (0.3x growth adjusted). Our growth-adjusted target multiple is in line with the high-growth software group. We believe this is warranted given Asana's multiple levers for long-term growth, partially offset by its lower margin profile.

Downside risks to our PO are: 1) higher than expected layoffs in the tech sector leading to continued pressure on NRR (net revenue retention), 2) slower than expected progress in the company's go-to-market reorientation, and 3) pricing pressure from intensifying competition in the enterprise market.

### Monday.com (MNDY: C-1-9: \$207.90)

Our PO is derived from a 10.7x 2025E EV/Revenue target multiple (0.3x growth adjusted). That is a premium to the high growth software and collaboration software peer groups at 8.4x and 5.1x, but in line on a growth-adjusted basis. We think that valuation is merited given MNDY's higher growth profile and margin expansion potential. Downside risks to our PO: 1) higher than expected user churn, 2) slower than expected incremental enterprise penetration, 3) weaker than expected adoption of recently introduced products, and 4) intensifying competition leading to pricing pressure.

### Smartsheet (SMAR)

Our \$45 PO is derived from a 4.6x 2025E EV/Revenue target multiple (0.25x growth adjusted). Our growth adjusted multiple of 0.25x is a discount to the high growth software group but relatively in line with the collaboration software peer group. We believe an in line multiple to the collaboration software peer group on an EV/Revenue/Growth basis is warranted given Smartsheet's favorable margin profile and revenue exposure, offset by a lower long-term growth outlook.

Upside risks to our PO are: 1) greater than expected new customer additions, 2) faster than expected improvements in gross user retention and net revenue retention, 3) more rapid adoption than expected of AI-enabled products, and 4) FCF margin expansion ahead of consensus estimates.

Downside risks to our PO are: 1) higher than expected user churn, 2) slower than expected incremental enterprise penetration, and 3) intensifying competition leading to pricing pressure.

## Analyst Certification

I, Michael J. Funk, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	8x8	EGHT	EGHT US	Michael J. Funk
	Adobe	ADBE	ADBE US	Brad Sills
	Alarm.com	ALRM	ALRM US	Michael J. Funk
	Amplitude, Inc.	AMPL	AMPL US	Koji Ikeda, CFA
	Asana	ASAN	ASAN US	Michael J. Funk
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA



## US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	GitLab Inc.	GTLB	GTLB US	Koji Ikeda, CFA
	Global-e Online Ltd.	GLBE	GLBE US	Koji Ikeda, CFA
	HubSpot	HUBS	HUBS US	Brad Sills
	Informatica Inc.	INFA	INFA US	Koji Ikeda, CFA
	Intapp Inc.	INTA	INTA US	Koji Ikeda, CFA
	Intuit	INTU	INTU US	Brad Sills
	JFrog Ltd	FROG	FROG US	Koji Ikeda, CFA
	MeridianLink, Inc.	MLNK	MLNK US	Koji Ikeda, CFA
	Microsoft Corporation	MSFT	MSFT US	Brad Sills
	Monday.com	MNDY	MNDY US	Michael J. Funk
	MongoDB Inc	MDB	MDB US	Brad Sills
	nCino, Inc.	NCNO	NCNO US	Adam Bergere
	NICE Ltd.	NICE	NICE US	Michael J. Funk
	NICE Ltd.	NCSYF	NICE IT	Michael J. Funk
	PagerDuty	PD	PD US	Koji Ikeda, CFA
	PowerSchool Holdings, Inc.	PWSC	PWSC US	Koji Ikeda, CFA
	RingCentral	RNG	RNG US	Michael J. Funk
	Salesforce.com	CRM	CRM US	Brad Sills
	ServiceNow	NOW	NOW US	Brad Sills
	UiPath	PATH	PATH US	Brad Sills
	Unity	U	U US	Michael J. Funk
	Weave	WEAV	WEAV US	Michael J. Funk
	Workday Inc.	WDAY	WDAY US	Brad Sills
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA

## NEUTRAL

	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA
	Coveo	YCVO	CVO CN	Koji Ikeda, CFA
	Datadog Inc	DDOG	DDOG US	Koji Ikeda, CFA
	DocuSign	DOCU	DOCU US	Brad Sills
	Freshworks, Inc.	FRSH	FRSH US	Adam Bergere
	HashiCorp	HCP	HCP US	Brad Sills
	Jamf	JAMF	JAMF US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	LSPD	LSPD US	Koji Ikeda, CFA
	Lightspeed Commerce Inc.	YLSPD	LSPD CN	Koji Ikeda, CFA
	Oracle Corporation	ORCL	ORCL US	Brad Sills
	Paycom	PAYC	PAYC US	Adam Bergere
	Paylocity	PCTY	PCTY US	Adam Bergere
	Shopify, Inc.	SHOP	SHOP US	Brad Sills
	Snowflake	SNOW	SNOW US	Brad Sills
	Veeva Systems, Inc.	VEEV	VEEV US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk

## UNDERPERFORM

	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills

## RSTR

	Splunk	SPLK	SPLK US	Brad Sills
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## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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