

Shopify, Inc.

Solid Q4 Topline; Though Still Transitioning to Profitable Growth

Reiterate Rating: NEUTRAL | PO: 92.00 USD | Price: 78.09 USD

Healthy Q4 topline; margin reflects marketing initiatives

Shopify reported healthy Q4 topline results (revenue upside +5%) though operating margin of 18.4% shies from our 19.2%. Merchant solutions of \$1.6 billion exceeded our \$1.5 billion. Excluding the 6% impact from sales of logistics business, organic growth of 31% decelerated slightly from 33% organic in Q3 on a tougher comp (21% / 26% in 3Q22/4Q22). The outlook for Q1 operating expense to be up low teens from Q4 on a GAAP basis, translates to non-GAAP operating expense +13% q/q in our model, up from our prior +4% q/q, primarily from ramping investment on performance marketing.

Solid GMV growth on share gains by Shopify platform

We see some positives from Q4 results. First, GMV growth of 23% represented a 1.5% point acceleration on a 2% point easier comp and significantly outpaced eCommerce industry growth of low double digits. This suggests sustained share gains on strength of the Shopify brand and ecosystem. Also, the Shopify Plus price increase (15% for 3-year subscriptions, beginning in H2) demonstrates pricing power in the critical larger merchant base. This represents the 2nd price increase in a year and underscores Shopify's platform strength.

Looking for services to drive monetization (besides pmts)

Merchant solutions growth of 31% (ex Deliverr) is outpacing GMV growth (23%), though this is largely driven by higher payments penetration (60% vs 56% in Q4FY22). Shopify has not found a new service to move the needle on monetization excluding payments, which carry low economics (25% gross margin). Also, guidance for low teens q/q operating expense growth is above our 4%, suggesting that reinvestment is necessary. Incremental expense is coming from headcount and marketing costs which we classify as maintenance costs (flat headcount and optimizing customer acquisition costs). Investments are not expected to provide a catalyst for growth near term.

Maintain Neutral rating pending improving monetization

We are raising our PO to \$92 from \$85 to reflect our higher revenue growth estimate, largely driven by the price increase. However, we maintain our Neutral rating, pending signs of better monetization, growth and margin/scale. Our new PO of \$92 represents 10.4x C25e revenue (10.6x prior), or 0.4x adjusting for 25% growth, a discount to the large cap group (0.6x 17% growth) for lower profitability.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.65	0.04	0.74	1.13	1.56
GAAP EPS	2.34	(2.73)	0.10	0.71	1.01
EPS Change (YoY)	58.5%	-93.8%	NM	52.7%	38.1%
DPS	0	0	0	0	5.00
Valuation (Dec)					
P/E	120.1x	1,952.3x	105.5x	69.1x	50.1x
GAAP P/E	33.4x	NM	780.9x	110.0x	77.3x
Dividend Yield	0%	0%	0%	0%	6.4%
EV / EBITDA*	120.8x	NM	111.5x	70.8x	47.1x
Free Cash Flow Yield*	0.5%	-0.2%	1.0%	1.2%	2.1%

* For full definitions of *IQmethod*SM measures, see page 7.

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13 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	85.00	92.00
2023E Rev (m)	6,960.6	7,060.0
2024E Rev (m)	8,301.9	8,782.1
2025E Rev (m)	9,953.6	11,011.7
2023E EPS	0.75	0.74
2024E EPS	1.18	1.13
2025E EPS	1.44	1.56

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Stock Data

Price	78.09 USD
Price Objective	92.00 USD
Date Established	13-Feb-2024
Investment Opinion	C-2-9
52-Week Range	39.02 USD - 91.57 USD
Mkt Val (mn) / Shares Out (mn)	94,279 USD / 1,207.3
Free Float	96.6%
Average Daily Value (mn)	821.15 USD
BofA Ticker / Exchange	SHOP / NYS
Bloomberg / Reuters	SHOP US / SHOP.N
ROE (2023E)	11.0%
Net Dbt to Eqty (Dec-2022A)	-13.6%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

GMV = Gross Merchandise Volume

MRR = Monthly Recurring Revenue

BFCM = Black Friday Cyber Monday

iQprofileSM Shopify, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.2%	0%	5.2%	9.7%	12.7%
Return on Equity	9.2%	0.5%	11.0%	15.2%	18.5%
Operating Margin	15.6%	0.1%	11.1%	14.3%	17.3%
Free Cash Flow	454	(186)	905	1,091	1,999

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	0.6x	-2.7x	1.0x	0.8x	1.0x
Asset Replacement Ratio	0.8x	0.6x	0.6x	0.6x	0.6x
Tax Rate	7.2%	4.5%	28.6%	7.3%	6.7%
Net Debt-to-Equity Ratio	-18.4%	-13.6%	-9.2%	-18.9%	-30.9%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	4,612	5,600	7,060	8,782	11,012
% Change	57.4%	21.4%	26.1%	24.4%	25.4%
Gross Profit	2,509	2,812	3,554	4,428	5,455
% Change	60.0%	12.1%	26.4%	24.6%	23.2%
EBITDA	784	97	850	1,338	2,011
% Change	54.6%	-87.7%	780.1%	57.4%	50.3%
Net Interest & Other Income	12	74	242	242	242
Net Income (Adjusted)	810	51	948	1,489	2,139
% Change	65.3%	-93.7%	NM	57.0%	43.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	2,915	(3,460)	132	931	1,386
Depreciation & Amortization	66	91	69	86	108
Change in Working Capital	(161)	(98)	195	(351)	(78)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(2,316)	3,332	548	473	644
Capital Expenditure	(51)	(50)	(39)	(49)	(61)
Free Cash Flow	454	-186	905	1,091	1,999
% Change	18.4%	NM	NM	20.5%	83.3%
Share / Issue Repurchase	1,650	18	60	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	2,503	1,649	1,413	2,504	4,503
Trade Receivables	663	853	1,098	1,387	1,564
Other Current Assets	5,373	3,548	3,764	3,764	3,764
Property, Plant & Equipment	106	131	49	49	49
Other Non-Current Assets	4,695	4,576	4,975	4,975	4,975
Total Assets	13,340	10,757	11,299	12,679	14,855
Short-Term Debt	457	533	579	513	608
Other Current Liabilities	246	323	319	321	324
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	1,504	1,662	1,335	1,336	1,338
Total Liabilities	2,207	2,518	2,233	2,171	2,269
Total Equity	11,133	8,239	9,066	10,508	12,586
Total Equity & Liabilities	13,340	10,757	11,299	12,679	14,855

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Server & Enterprise Software

Company Description

Shopify Inc. is a cloud-based provider of e-commerce solutions to small businesses and entrepreneurs. The company's core Subscription Solutions includes front-end website features, such as design (across desktop, mobile and tablet) and a fully integrated back-end support system, including order management, point-of-sales, and a multichannel experience with over 70 payment gateways.

Investment Rationale

Shopify is likely to continue to consolidate the vast small business market of 5.2 million businesses in the US alone driven by growing awareness of its market leadership with a number of defensible competitive advantages. With the stock trading in line with the large software group on EV/C24 sales, we look for continued traction with new merchant solutions, such as Shopify app, Audiences, Capital and POS to drive GMV monetization (3.04% in Q1) and higher OpM from here.

Stock Data

Average Daily Volume 10,515,416

Quarterly Earnings Estimates

	2022	2023
Q1	0.02A	0.01A
Q2	-0.03A	0.14A
Q3	-0.02A	0.24A
Q4	0.07A	0.34E

Earnings recap

Shopify reported 4Q23 total revenue of \$2.1 billion (24% y/y or 30% y/y excluding impact from sale of logistics business), above our \$2.0 billion (18% y/y). Merchant solutions revenue of \$1.6 billion exceeded our \$1.5 billion. Excluding the 6% impact from sales of logistics business, growth of 31% is decelerated slightly from 33% organic in Q3 on a tougher comp (21% / 26% in 3Q22/4Q22). The overall solid merchant solution result is driven by strong GMV during the holiday season and continued penetration of Shopify payments (especially during BFCM) and to some extent Shopify Markets and Tax. Outperformance in the general merchant base, EMEA and offline Point of Sales (POS) drove solid 23% GMV growth, accelerating from 22% in Q3. Subscription revenue of \$525mn (+31% y/y) was above our \$496mn.

MRR growth accelerated to 36% y/y, from 32% in Q3, primarily driven by impact from price increase on standard subscriptions (~33% price increase). Shopify Plus as % of MRR was steady at 33%. Lastly, operating margin of 18.4% shied from 19.2 due to ramping spend on performance marketing to further support key growth initiatives.

Q1 revenue guidance of low 20s (or mid/high 20s excluding logistics) compares to our prior 19% growth. Given the outlook for Q1 operating expense to be up by low teens from Q4, we arrive at Q1 operating margin of 9.9%, versus our prior 13.1%. The lowered margin in Q1 is due to a combination of marketing investment noted above and compensation increase for employees. With guidance on Q1 FCF margin of high single digits, we arrive at FCF margin of 9.1%, up from 5.7% in 1Q23.

Exhibits

Exhibit 1: Large cap software comp sheet

The large cap software group is trading at 0.6x C25e sales growth of 17%

	Last 02/13/24	Mkt Cap (\$mn)	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth	EV/2023 FCF	EV/2024 FCF	EV/2025 FCF	2023 EV/FCF/ Growth	2024 EV/FCF/ Growth	2025 EV/FCF/ Growth
Large Cap														
ADBE	\$611.84	280,835	14.3x	12.9x	11.6x	1.4x	1.3x	1.0x	39.9x	30.2x	27.3x	...	0.9x	2.6x
ADSK	\$262.04	56,601	10.5x	9.5x	8.4x	1.1x	0.9x	0.7x	46.1x	36.2x	26.9x	...	1.3x	0.8x
BSY	\$51.49	17,137	15.2x	13.7x	12.5x	1.2x	1.3x	1.2x	52.9x	52.6x	39.1x	1.4x	...	1.1x
CRM	\$287.32	281,861	8.2x	7.3x	6.4x	0.7x	0.6x	0.5x	32.9x	26.2x	20.7x	0.9x	1.0x	0.8x
DDOG	\$134.85	47,590	21.8x	17.6x	13.8x	0.8x	0.7x	0.5x	79.5x	63.9x	48.6x	1.6x	2.6x	1.5x
DT	\$52.42	15,686	11.0x	9.3x	7.8x	0.5x	0.5x	0.4x	44.1x	39.6x	31.3x	3.5x	3.5x	1.2x
HUBS	\$617.07	30,885	14.0x	11.9x	9.8x	0.6x	0.7x	0.4x	87.9x	57.1x	45.4x	...	...	1.8x
INTU	\$656.99	185,928	12.6x	11.2x	10.1x	1.2x	0.9x	0.9x	35.7x	37.6x	30.2x	1.1x	...	1.2x
MDB	\$487.99	40,259	23.9x	19.5x	15.5x	0.8x	0.9x	0.6x	...	...	...	...	...	...
MSFT	\$415.26	3,101,162	13.8x	12.0x	10.7x	1.2x	0.8x	0.8x	47.7x	52.2x	35.7x	4.7x	...	0.8x
NOW	\$787.35	162,981	17.9x	14.7x	12.0x	0.8x	0.7x	0.5x	59.3x	47.4x	37.4x	2.3x	1.9x	1.4x
ORCL	\$115.84	326,321	7.9x	7.4x	6.8x	0.7x	1.0x	0.8x	40.2x	39.0x	32.2x	...	...	1.5x
PATH	\$26.88	15,242	10.5x	8.5x	6.9x	0.5x	0.4x	0.3x	52.6x	47.0x	34.3x	...	3.9x	0.9x
SHOP	\$89.12	101,864	14.1x	11.8x	9.8x	0.6x	0.6x	0.5x	...	63.1x	50.3x	...	0.6x	2.0x
SNOW	\$232.16	84,282	29.1x	22.3x	17.0x	0.8x	0.7x	0.5x	...	77.3x	57.6x	...	2.1x	1.7x
VEEV	\$218.46	35,775	13.5x	11.6x	10.0x	1.5x	0.7x	0.6x	37.9x	32.2x	26.5x	3.9x	1.8x	1.2x
WDAY	\$299.09	79,671	10.5x	9.0x	7.7x	0.6x	0.5x	0.4x	44.1x	36.6x	31.6x	1.3x	1.8x	2.0x
ZM	\$64.48	20,014	3.0x	2.9x	2.8x	1.1x	1.0x	0.6x	10.1x	8.9x	8.4x	0.7x	0.7x	1.5x
Large Cap														
Average			14.0x	11.8x	10.0x	0.9x	0.8x	0.6x	47.4x	43.9x	34.3x	2.1x	1.8x	1.4x
Median			13.7x	11.7x	9.9x	0.8x	0.7x	0.6x	44.1x	39.6x	32.2x	1.5x	1.8x	1.4x

Source: BofA Global Research

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Exhibit 2: Variance

Total revenue came in 5% ahead of our estimate

\$ in Thousands (except per share data)		4Q23 Actuals	Variance
Subscription solutions	\$496,315	\$525,000	5.8%
Merchant solutions	\$1,548,280	\$1,619,000	4.6%
Revenues	\$2,044,595	\$2,144,000	4.9%
GMV (\$mn)	\$235,379	\$235,868	0.2%
Total Cost of Revenues	\$998,085	\$1,077,000	7.9%
Gross Profit	\$1,046,510	\$1,067,000	2.0%
Operating Expenses			
Sales & Marketing	\$286,639	\$303,000	5.7%
Research & Development	\$248,978	\$243,000	-2.4%
General & Administrative	\$118,439	\$126,000	6.4%
Total Operating Expenses	\$654,056	\$672,000	2.7%
Operating Income	\$392,454	\$395,000	0.6%
Other income (loss)	\$61,200	\$73,000	19.3%
Earnings Before Taxes	\$453,654	\$468,000	3.2%
Income taxes	\$0	\$27,000	NA
Net Income - Pro forma	\$453,654	\$441,000	(\$12,654)
EPS (diluted) - Pro forma	\$0.35	\$0.34	(\$0.01)
Net Income - GAAP	\$327,257	\$657,000	\$329,743
Shares Outstanding - Basic	1,296,163	1,285,499	-0.8%
Shares Outstanding - Diluted	1,308,788	1,297,296	-0.9%
Growth Analysis Y-Y			
Total Revenues	17.8%	23.6%	5.7%
Subscription solutions	24.0%	31.2%	7.2%
Merchant solutions	19.5%	24.9%	5.5%
Operating Income	543.5%	547.6%	4.2%
Net Income - Pro forma	398.5%	384.6%	-13.9%
EPS (diluted) - Pro forma	394.4%	380.2%	-14.2%
Margin Analysis			
Total gross margin	51.2%	49.8%	-1.4%
Subscription solutions	82.5%	81.6%	-0.9%
Merchant solutions	41.2%	39.4%	-1.7%
Sales & Marketing	14.0%	14.1%	-0.1%
Research & Development	12.2%	11.3%	0.8%
General & Administrative	5.8%	5.9%	-0.1%
Operating Margin	19.2%	18.4%	-0.8%
Pre-tax margin	22.2%	21.8%	-0.4%
Tax rate - pro forma	0.0%	5.8%	5.8%
Net Margin	22.2%	20.6%	-1.6%
BS/CF Analysis			
Cash & equivalents	\$1,604,395	\$1,413,000	-11.9%
Billings	\$2,023,477	\$2,122,000	4.9%
Cash Flow from Operations	\$325,246	\$448,000	37.7%
Free Cash Flow	\$317,067	\$446,000	40.7%

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 3: Variance

We revised our estimates to reflect new guidance

	1Q24E				2024E				2025E			
	New Estimate	New Y/Y Growth	New Estimate	New Y/Y Growth	New Estimate	New Y/Y Growth	New Estimate	New Y/Y Growth	New Estimate	New Y/Y Growth	New Estimate	New Y/Y Growth
Subscription solutions	\$473,680	24.0%	\$477,500	25.0%	\$2,085,41		\$2,165,91		\$2,335,66			
	\$1,323,05		\$1,362,46		6	15.3%	5	17.9%	6	12.0%	\$2,505,624	15.7%
Merchant solutions	0	17.5%	0	21.0%	\$6,216,47		\$6,616,23		\$7,617,92			
	\$6,960,59		\$7,060,00		1	22.1%	0	28.2%	6	22.5%	\$8,506,100	28.6%
Total revenue	5	19.1%	0	22.0%	\$8,301,88		\$8,782,14		\$9,953,59		\$11,011,72	
Operating margin	13.1%	NM	9.9%	NM	7	19.3%	5	24.4%	2	19.9%	4	25.4%
Net Income - Pro forma	\$296,615	NM	\$241,847	NM	16.0%	NM	14.3%	NM	17.5%	NM	17.3%	NM
Pro forma EPS	\$0.23	NM	\$0.19	NM	\$1,573,941	NM	\$1,494,113	NM	\$1,990,303	NM	\$2,145,456	NM
					\$1.18	NM	\$1.13	NM	\$1.44	NM	\$1.56	NM

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Price objective basis & risk

Shopify, Inc. (SHOP)

Our \$92 PO is based on an EV/sales multiple of 10.4x our C25 sales estimates, or 0.4x on a growth adjusted basis, discount to the large cap software group at 0.6x for lower profitability.

Upside risks are: A larger contribution to monthly recurring revenue stemming from traction of the premium Shopify Plus business.

Downside risks are: A lower customer renewal rate (75-80%) compared to the broader cloud applications market, averaging in the high eighties given the focus on the SMB market segment. Higher attrition may limit growth as the dollar attrition amount increases. High exposure to the macroeconomic cycle in both the applications subscription and payments businesses, driven by consumer discretionary spend.

Analyst Certification

I, Brad Sills, 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
BUY				
	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
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dropbox	DBX	DBX US	Michael J. Funk
	Dynatrace	DT	DT US	Koji Ikeda, CFA
	Elastic NV	ESTC	ESTC US	Koji Ikeda, CFA
	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
	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

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE 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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IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

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

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

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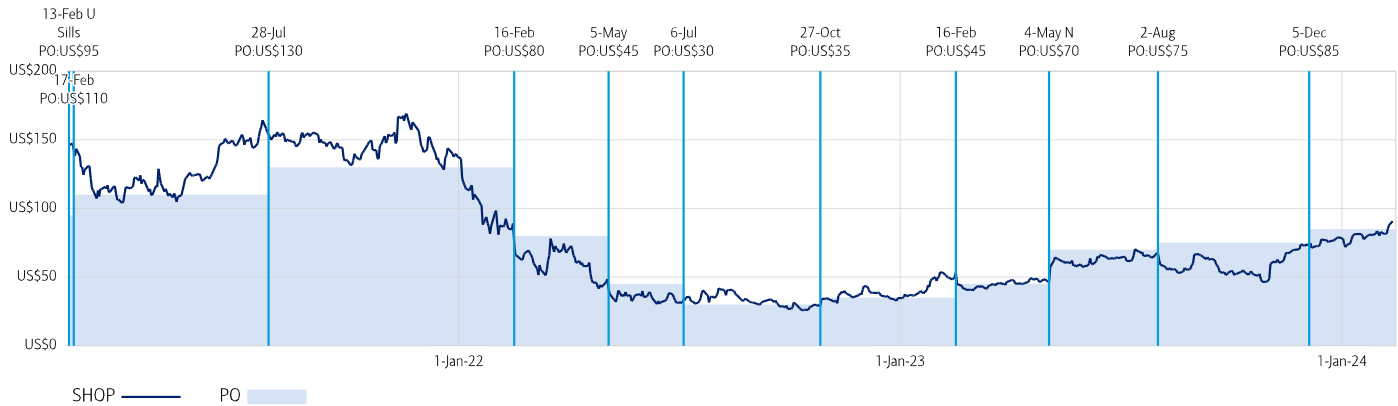
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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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 ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
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^{R1} 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 ^{R2}
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Neutral	≥ 0%	≤ 30%
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