

Enfusion, Inc.

Good 4Q results, look ahead to next week's investor day for growth & profits outlook

Reiterate Rating: UNDERPERFORM | PO: 9.00 USD | Price: 9.36 USD

Good 4Q, but sustained outperformance uncertain

Enfusion's 4Q23 results were good with revenue growth accelerating to 14.7% y/y (from +13.3% last quarter) and healthy bookings commentary, suggesting its go-to-market strategy is working and could result in business fundamentals improving further in the future. Furthermore, 2024 revenue guidance is above Street at the mid, and implied adj. EBITDA margin guidance of 21% is 300bps higher than the 18% for 2023, suggesting confidence in its ability to execute and an improving demand environment. While the 4Q23 results were good, we believe a couple more quarters of consistent results are likely needed to drive investor sentiment meaningfully higher from here. Reiterate Underperform but raise PO to \$9 (from \$8) now based on 5.4x EV/C24E revenue multiple (vs 4.9x prior) for 4Q23 performance and higher forecasts.

Next week's investor day is key

We anticipate discussions on its TAM, product roadmap, platform differentiation, go-to-market, and medium to long-term financial targets. While the 2024 guidance implies a rule-of-38 (17% y/y revenue growth + 21% adj. EBITDA margins), we believe a longer term view could be closer to rule-of-50 (20% rev growth + 30% adj. EBITDA margins) which is an attractive profile.

Pos: Strong bookings. Neg: NDR declined, remains volatile

Positive: Bookings were the highest in four quarters, with 65% coming from conversions, and commentary that pipeline quality is improving, which supports the potential for revenue upside in 2024. **Negative:** Net dollar retention (NDR) contracted 30bps q/q to 102.1%, after expanding by 70bps last quarter. Volatility in NDR could constrain investor sentiment. Furthermore, the "NDR ex-voluntary churn" metric will no longer be given, which is a positive over the long-term as it was somewhat confusing given it also gave a traditional NDR metric, but will take time to get used to.

\$9 PO based on 5.4x EV/C24E revs, 0.3x EV/R/G

This compares to vertical software peers trading at 6.2x EV/CY24 revenue, or 0.4x EV/R/G. We use an EV/revenue/growth adjusted multiple that is a discount to its vertical software peers, which we believe is warranted given its sensitivity to market volatility.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.09	0.13	0.26	0.32	0.38
GAAP EPS	(0.16)	0.07	0.11	0.16	0.23
EPS Change (YoY)	80.0%	44.4%	100.0%	23.1%	18.8%
Consensus EPS (Bloomberg)			0.22	0.31	NA
DPS	0.06	0.46	0	0	0
Valuation (Dec)					
P/E	104.0x	72.0x	36.0x	29.3x	24.6x
GAAP P/E	NM	133.7x	85.1x	58.5x	40.7x
Dividend Yield	0.6%	4.9%	0%	0%	0%
EV / EBITDA*	39.7x	26.7x	18.3x	14.7x	11.9x
Free Cash Flow Yield*	0.7%	1.9%	2.6%	3.3%	4.0%

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

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Refer to important disclosures on page 8 to 10. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

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Timestamp: 13 March 2024 01:47AM EDT

13 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	8.00	9.00
2024E Rev (m)	200.9	204.5
2025E Rev (m)	233.8	238.2
2026E Rev (m)	NA	273.8
2024E EPS	0.23	0.26
2025E EPS	0.28	0.32
2026E EPS	NA	0.38

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Stock Data

Price	9.36 USD
Price Objective	9.00 USD
Date Established	13-Mar-2024
Investment Opinion	C-3-9
52-Week Range	7.37 USD - 11.56 USD
Mkt Val (mn) / Shares Out (mn)	841 USD / 89.9
Free Float	28.8%
Average Daily Value (mn)	3.99 USD
BofA Ticker / Exchange	ENFN / NYS
Bloomberg / Reuters	ENFN US / ENFN.N
ROE (2024E)	34.1%
Net Dbt to Eqty (Dec-2023A)	-26.0%
ESGMeter TM	NLA

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".

EV/R/G = enterprise value / revenue / growth

iQprofileSM Enfusion, Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	11.6%	15.4%	28.7%	27.6%	26.3%
Return on Equity	12.1%	18.5%	34.1%	30.6%	29.3%
Operating Margin	8.9%	11.1%	17.0%	18.5%	20.0%
Free Cash Flow	6	16	22	27	33

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.2x	1.5x	1.0x	1.0x	0.9x
Asset Replacement Ratio	1.3x	1.0x	1.5x	1.5x	1.5x
Tax Rate	NM	19.4%	2.7%	1.8%	1.2%
Net Debt-to-Equity Ratio	-53.7%	-26.0%	-46.1%	-52.2%	-56.1%
Interest Cover	NM	41.8x	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	150	175	204	238	274
% Change	35.0%	16.1%	17.2%	16.5%	15.0%
Gross Profit	105	118	142	169	194
% Change	31.0%	12.6%	20.7%	18.7%	14.8%
EBITDA	20	29	43	54	66
% Change	12.7%	48.7%	45.8%	25.0%	22.7%
Net Interest & Other Income	0	0	0	0	0
Net Income (Adjusted)	12	17	34	44	54
% Change	64.6%	37.8%	105.1%	27.3%	24.6%

Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(13)	9	15	22	33
Depreciation & Amortization	6	10	8	10	11
Change in Working Capital	(6)	(9)	(8)	(11)	(15)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	27	16	20	21	21
Capital Expenditure	(8)	(10)	(12)	(14)	(17)
Free Cash Flow	6	16	22	27	33
% Change	NM	156.4%	36.4%	25.7%	22.2%
Share / Issue Repurchase	0	17	0	0	0
Cost of Dividends Paid	(8)	(59)	0	0	0
Change in Debt	0	(1)	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	63	36	57	84	118
Trade Receivables	26	28	27	30	38
Other Current Assets	8	6	1	0	0
Property, Plant & Equipment	16	18	23	27	31
Other Non-Current Assets	11	21	27	31	35
Total Assets	124	109	135	172	222
Short-Term Debt	4	4	0	0	0
Other Current Liabilities	13	16	10	9	10
Long-Term Debt	3	11	0	0	0
Other Non-Current Liabilities	0	0	1	1	1
Total Liabilities	20	31	11	10	12
Total Equity	103	77	124	162	210
Total Equity & Liabilities	124	109	135	172	222

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

Company Sector

Server & Enterprise Software

Company Description

Enfusion is a vertical software platform vendor that is focused on front, middle and back office workflows for the investment industry. Products include: accounting, portfolio management, order/execution management, and analytics, among others. The company was founded in 2006 and is based in Chicago, Illinois.

Investment Rationale

We rate ENFN U/P. ENFN has built an end-to-end platform that can drive front & back office efficiencies for its target investment management end-market. We believe as the investment industry continues to expand & digitize, Enfusion has potential to become the vertical sw category winner in the future and a more profitable business along the way. However, we see relatively few catalysts until several overhangs (e.g., exec transitions, ability to operate in prolonged volatility) are overcome.

Stock Data

Average Daily Volume 425,980

Quarterly Earnings Estimates

	2023	2024
Q1	0.03A	0.04E
Q2	0.03A	0.06E
Q3	0.04A	0.07E
Q4	0.03A	0.09E

Performance and guidance

4Q23 Performance

- **ARR** of \$185.1mn compares to our/Street \$187.7/183.0mn
- **Total revenue** of \$46.5mn was above our/Street \$44.8/45.1mn
- **NDR ex-voluntary churn** was 106.4%, compared to 107.1% in 3Q23 and was below our/Street 106.8/107.0%
- The company gained 23 net-new **customers** in 4Q23, bringing the total count to 865, above our/Street estimate of 857/858
- **PF Operating income** of \$5.3mn was below our/Street \$7.0/7.2mn
- **Adj. EBITDA** of \$9.8mn was above our/Street \$9.1/9.2mn

FY24 Guidance

- **Total revenue** guidance of \$200-210mn, mostly above our/Street \$200.9/\$203.2mn
- **Adjusted EBITDA** of \$40-45mn, comparable with our/Street \$38.6/43.1mn

Exhibit 1: Variance

Total revenue exceeded our estimate by 3.7%

	4Q23A		
	BofA Est.	Actual	Variance
ARR	187,676	185,100	(1.4%)
Y/Y change %	14.0%	12.4%	(156bps)
NRR (Calculated)	106.8%	105.2%	(169bps)
Total Customers (Actual)	857	865	0.9%
Y/Y change %	4.6%	5.6%	98bps
Total Revenue	44,848	46,486	3.7%
Y/Y change %	10.7%	14.7%	404bps
Guidance			
Platform Subscriptions	41,291	43,054	4.3%
Y/Y change %	9.2%	13.9%	466bps
Managed Services	3,407	3,056	(10.3%)
Y/Y change %	26.6%	13.6%	(1302bps)
Other	150	376	150.7%
Y/Y change %	581.8%	1609.1%	102727bps
PF Operating Income	6,978	5,538	(20.6%)
PF Operating Margin	15.6%	11.9%	(365bps)
Adjusted EBITDA	9,108	9,787	7.5%
Adjusted EBITDA margin	20.3%	21.1%	75bps
Guidance			
PF EPS	\$0.05	\$0.03	(58.1%)
Cash from operations (CFO)	10,141	6,586	(54.0%)
OCF margin	22.6%	14.2%	(844bps)
Free cash flow	7,506	4,291	(74.9%)
FCF margin	16.7%	9.2%	(751bps)

Source: BofA Global Research estimates, company filings

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Exhibit 2: Estimate revisions

We forecast total revenue of \$204.5mn in FY24

	1Q24E			FY24E			FY25E			FY26E		
	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %	New Estimate	Old Estimate	Change %
ARR	193,682	194,609	(0.5%)	221,604	215,432	2.9%	256,472	251,488	2.0%	293,913	N/A	N/A
Y/Y change %	16.0%	16.5%	(56bps)	19.7%	14.8%	493bps	15.7%	16.7%	(100bps)	14.6%	N/A	N/A
NRR (Calculated)	108%	109%	(0.8%)	111%	108%	3.2%	112%	113%	(0.8%)	112%	N/A	N/A
Total Customers (Actual)	888	880	0.9%	960	950	1.0%	1,013	1,002	1.1%	1,029	N/A	N/A
Y/Y change %	9.2%	8.3%	97bps	11.0%	10.9%	9bps	5.5%	5.5%	5bps	1.6%	N/A	N/A
Total Revenue	47,314	46,874	0.9%	204,477	200,911	1.8%	238,163	233,835	1.9%	273,801	N/A	N/A
Y/Y change %	15.5%	14.4%	107bps	17.2%	16.2%	95bps	16.5%	16.4%	9bps	15.0%	N/A	N/A
Guidance												
Platform Subscriptions	43,866	43,299	1.3%	190,108	186,190	2.1%	222,197	216,747	2.5%	254,480	N/A	N/A
Y/Y change %	15.4%	14.0%	149bps	17.7%	16.5%	115bps	16.9%	16.4%	47bps	14.5%	N/A	N/A
Managed Services	3,148	3,475	(9.4%)	13,169	14,321	(8.0%)	15,566	16,687	(6.7%)	18,921	N/A	N/A
Y/Y change %	14.7%	26.6%	(1192bps)	11.9%	18.1%	(627bps)	18.2%	16.5%	168bps	21.6%	N/A	N/A
Other	300	100	200.0%	1,200	400	200.0%	400	400	0.0%	400	N/A	N/A
Y/Y change %	31.0%	(56.3%)	8734bps	(3.5%)	(60.7%)	5721bps	(66.7%)	0.0%	(6667bps)	0.0%	N/A	N/A
PF Operating Income	5,734	4,871	17.7%	34,682	30,580	13.4%	44,051	38,876	13.3%	54,772	N/A	N/A
PF Operating Margin	12.1%	10.4%	173bps	17.0%	15.2%	174bps	18.5%	16.6%	187bps	20.0%	N/A	N/A
Adjusted EBITDA	7,626	6,746	13.0%	42,861	38,617	11.0%	53,578	48,230	11.1%	65,724	N/A	N/A
Adjusted EBITDA margin	16.1%	14.4%	173bps	21.0%	19.2%	174bps	22.5%	20.6%	187bps	24.0%	N/A	N/A
Guidance												
PF EPS	\$0.04	\$0.04	16.2%	\$0.26	\$0.23	12.9%	\$0.32	\$0.28	12.8%	\$0.38	N/A	N/A
Cash from operations (CFO)	6,903	9,667	(40.0%)	34,151	32,947	3.5%	41,792	44,988	(7.6%)	50,032	N/A	N/A
OCF margin	14.6%	20.6%	(603bps)	16.7%	16.4%	30bps	17.5%	19.2%	(169bps)	18.3%	N/A	N/A
Free cash flow	3,961	6,752	(70.5%)	21,781	20,791	4.5%	27,380	30,840	(12.6%)	33,463	N/A	N/A
FCF margin	8.4%	14.4%	(603bps)	10.7%	10.3%	30bps	11.5%	13.2%	(169bps)	12.2%	N/A	N/A

Source: BofA Global Research estimates, company filings

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Price objective basis & risk

Enfusion, Inc. (ENFN)

Our \$9 PO is based on a 5.4x EV/C24E revenue multiple, representing a growth adjusted multiple of 0.3x (i.e., EV/R/G) which is lower than its vertical software peers at 0.4x (or 6.2x EV/revenue). We believe a discount EV/R/G multiple is warranted given Enfusion's relatively good growth profile balanced against execution risks given sensitivity to market volatility.

Upside risks to our PO: 1) revenue growth proves accelerates above 20%+, 2) customer retention proves healthy, 3) ability to drive strong new customer acquisition in a tough macro environment, 4) big new logo and conversion deals, and 5) company delivers a Rule of 40 (revenue growth + adjusted EBITDA profile) over the medium-term.

Downside risks to our PO: 1) revenue growth proves decelerates and stays below 10%, 2) customer churn increases, 3) new customer acquisition proves difficult in an improving macro environment, and 4) company struggles to get back a rule of 25 profile (revenue growth + adjusted EBITDA) over the medium-term.

Analyst Certification

I, Koji Ikeda, CFA, 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
	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
	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



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Vertex, Inc.	VERX	VERX 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
RSTR				
	Splunk	SPLK	SPLK US	Brad Sills

iQmethodSM 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 & 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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

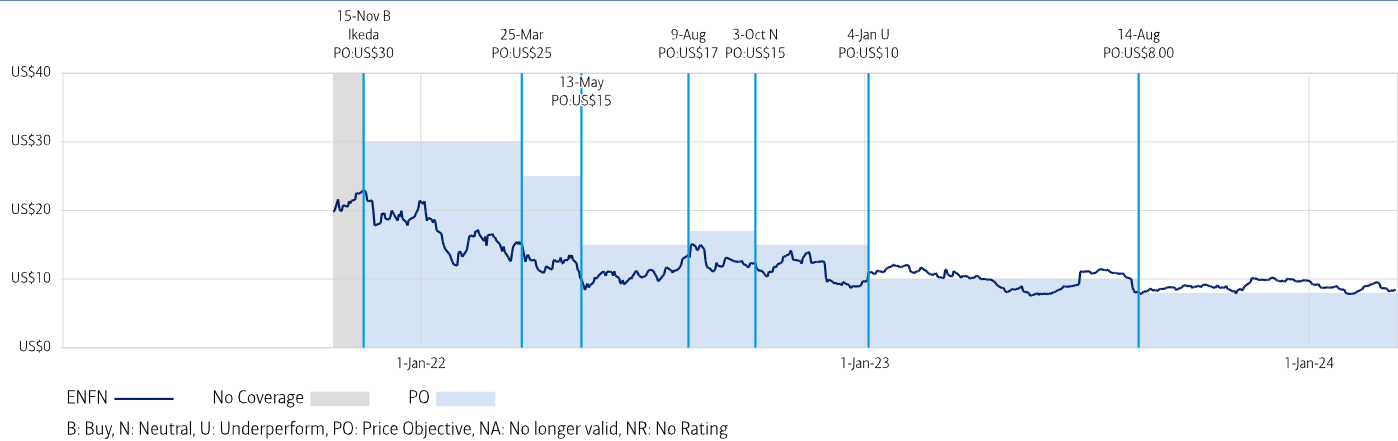
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Disclosures

Important Disclosures

Enfusion, Inc. (ENFN) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{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}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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