

Everbridge

Well...that doesn't happen often...Thoma increases bid for EVBG by 22%

Maintain Rating: NO RATING | PO: NA | Price: 35.51 USD

That magnitude of bid increase is pretty rare in software

The 22% upsized offer is intriguing because historically in software, it is rare to see an increased private equity bid of this magnitude. This likely means that a third-party saw more value in the asset than the previously implied 3.3x revenue take-out multiple (now 4x) suggesting the critical event management category (i.e., getting the right messages to the right people in times of stress) is more attractive than previously thought. It also could mean that the future growth potential of the category could be better-than-expected, which would be a positive for vendors with similar offerings, such as PagerDuty (PD). Lastly, this event suggests that there will likely be increased scrutiny on potential outcomes of future private equity acquisitions in software.

This is good for SMID software for three reasons

1) The go-shop period was in February, and if the increased bid came because of better-than-expected demand, it could also signal that broader infrastructure software demand improved too. **2)** Infrastructure software companies with adjacent offerings could be viewed as more attractive by private equity than previously thought. **3)** It provides valuation support to SMID-cap software stocks, especially self-help stories such as ZoomInfo (ZI), which we recently [upgraded](#) and subsequently had a [good 4Q23 result](#).

That's a big bid increase, who came back to the party?

We see two potential scenarios: 1) a former interested private equity firm reengaged quickly and outbid Thoma Bravo; or 2) a strategic acquirer placed a bid. We think the private equity scenario is more likely, as Everbridge's current growth profile (mid-single digits) would be a growth drag to most strategics, making a decision to acquire Everbridge difficult to explain to the Street. In other words, we do not think the upsized offering for Everbridge is a positive catalyst to strategic take-out multiples.

New deal: \$35/share, implies 4x EV/CY24E revs

In the amended agreement announced this morning, Everbridge shareholders would now receive \$35 per share in cash from Thoma Bravo, up from \$28.60 per share. The prior announcement stated there was a 25 day go-shop period, which ended February 29th. This purchase price implies 4x EV/CY24E revenue, based on our last forecast. This is roughly comparable to the historical private equity takeover multiple range of 4-6x. Please see our [previous note on the old deal details](#). Maintain No Rating on EVBG.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	0.21	0.67	1.50	1.94	2.13
GAAP EPS	(2.50)	(1.54)	(0.83)	(0.30)	(0.17)
EPS Change (YoY)	NM	219.0%	123.9%	29.3%	9.8%
Consensus EPS (Bloomberg)			1.52	1.86	1.99
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	169.1x	53.0x	23.7x	18.3x	16.7x
EV / EBITDA*	81.9x	41.3x	20.6x	17.9x	15.9x
Free Cash Flow Yield*	0.2%	0.1%	1.9%	2.9%	4.1%

* For full definitions of *IQmethod*SM measures, see page 5.

01 March 2024

Equity

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Stock Data

Price	35.51 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	18.50 USD - 35.55 USD
Mrkt Val (mn) / Shares Out (mn)	1,458 USD / 41.1
Free Float	98.4%
Average Daily Value (mn)	63.94 USD
BofA Ticker / Exchange	EVBG / NAS
Bloomberg / Reuters	EVBG US / EVBG.OQ
ROE (2023E)	21.8%
Net Dbt to Eqty (Dec-2022A)	104.3%
ESGMeter™	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"](#).

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Refer to important disclosures on page 6 to 9. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.

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Timestamp: 01 March 2024 12:47PM EST

iQprofileSM Everbridge

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	0.2%	2.7%	8.5%	10.7%	10.7%
Return on Equity	2.7%	8.2%	21.8%	24.4%	21.8%
Operating Margin	0.3%	5.5%	14.1%	17.4%	18.6%
Free Cash Flow	2	1	27	42	60

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.3x	0.6x	0.8x	0.8x	0.9x
Asset Replacement Ratio	0.4x	0.3x	0.4x	0.4x	0.4x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	38.4%	104.3%	79.2%	48.8%	27.5%
Interest Cover	0.1x	43.5x	NM	NM	NM

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	368	432	448	471	500
% Change	35.9%	17.2%	3.7%	5.2%	6.1%
Gross Profit	270	315	334	354	382
% Change	38.3%	16.7%	6.1%	6.1%	7.8%
EBITDA	21	42	84	97	110
% Change	163.9%	98.4%	100.0%	15.1%	13.0%
Net Interest & Other Income	(3)	25	6	8	8
Net Income (Adjusted)	10	31	67	89	100
% Change	NM	223.2%	115.4%	34.4%	11.9%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(202)	(125)	(68)	(26)	(15)
Depreciation & Amortization	53	60	59	59	62
Change in Working Capital	(4)	(26)	(32)	(38)	(32)
Deferred Taxation Charge	(13)	(5)	(1)	0	0
Other Adjustments, Net	189	116	93	73	71
Capital Expenditure	(20)	(19)	(24)	(26)	(27)
Free Cash Flow	2	1	27	42	60
% Change	-15.7%	-59.9%	NM	57.0%	41.8%
Share / Issue Repurchase	5	2	3	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	281	(287)	(130)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	488	199	105	158	220
Trade Receivables	121	120	107	132	141
Other Current Assets	46	54	59	78	106
Property, Plant & Equipment	12	9	9	9	9
Other Non-Current Assets	788	716	688	688	688
Total Assets	1,478	1,125	999	1,096	1,195
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	304	301	288	293	298
Long-Term Debt	666	500	359	359	359
Other Non-Current Liabilities	46	35	32	32	32
Total Liabilities	1,016	837	679	684	689
Total Equity	463	289	321	413	507
Total Equity & Liabilities	1,479	1,126	1,000	1,096	1,196

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Server & Enterprise Software

Company Description

Everbridge, Inc. is a cloud provider of critical communications and enterprise safety applications, including emergency notification, incident management, IT alerting and secure messaging. The core EMNS enables organizations to communicate with employees, law enforcement, suppliers and other third parties over secure, reliable infrastructure across multiple communication channels (phone, text, email) in the event of local or organization-specific disasters.

Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

Stock Data

Average Daily Volume 1,800,653

Quarterly Earnings Estimates

	2022	2023
Q1	-0.02A	0.25A
Q2	0.03A	0.31A
Q3	0.27A	0.46A
Q4	0.39A	0.48E

Price objective basis & risk

Everbridge (EVBG)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

PagerDuty (PD, \$24.41, C-1-9)

Our \$30 PO is based on an EV/revenue multiple of 5.8x to our CY24E revenue estimate of \$475bn. The 5.8x multiple is below infrastructure peers at 7.6x, which we believe is warranted given its growth acceleration potential, large TAM and platform differentiation, balanced against execution risks. On an EV/R/G basis, the 5.8x multiple translates to 0.52x, which is below the peer group at 0.60x.

Risks to our PO: 1) decelerating growth metrics such as revenue, billings and RPO, 2) increased competition driving pricing pressure, 3) compressing NRR trends, 4) execution around its core growth strategy and international expansion, and 5) enterprise software spend can be cyclical.

ZoomInfo (ZI, \$16.79, C-1-9)

Our \$28 PO is based on a EV/CY24E free cash flow multiple of 30.1x, which is a discount to its horizontal software peers at 38.4x. We think the discount is warranted for better execution and revenue growth reacceleration potential, balanced against recent soft results. Our \$28 PO implies a EV/CY24E revenue multiple of 9.4x, which is a premium to its horizontal software peers at 7.8x.

Downside risks are: macroeconomic downturn, ability to capture share in broader CRM market, upmarket execution, high competition, potential regulatory risks.

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



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Vertex, Inc.	VERX	VERX US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk

UNDERPERFORM

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	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
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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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Disclosures

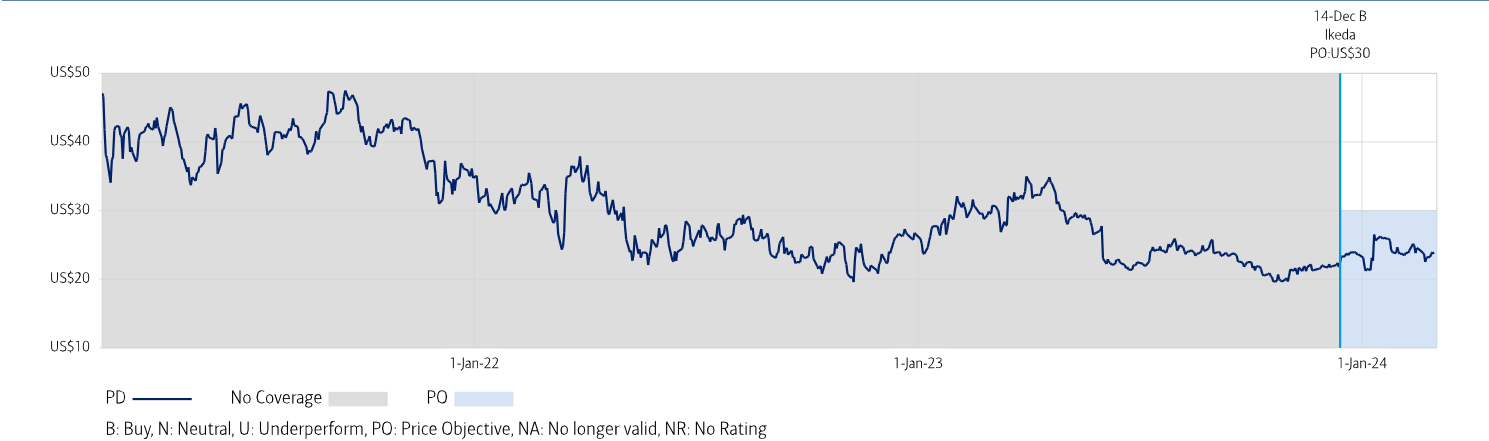
Important Disclosures

Everbridge (EVBG) Price Chart



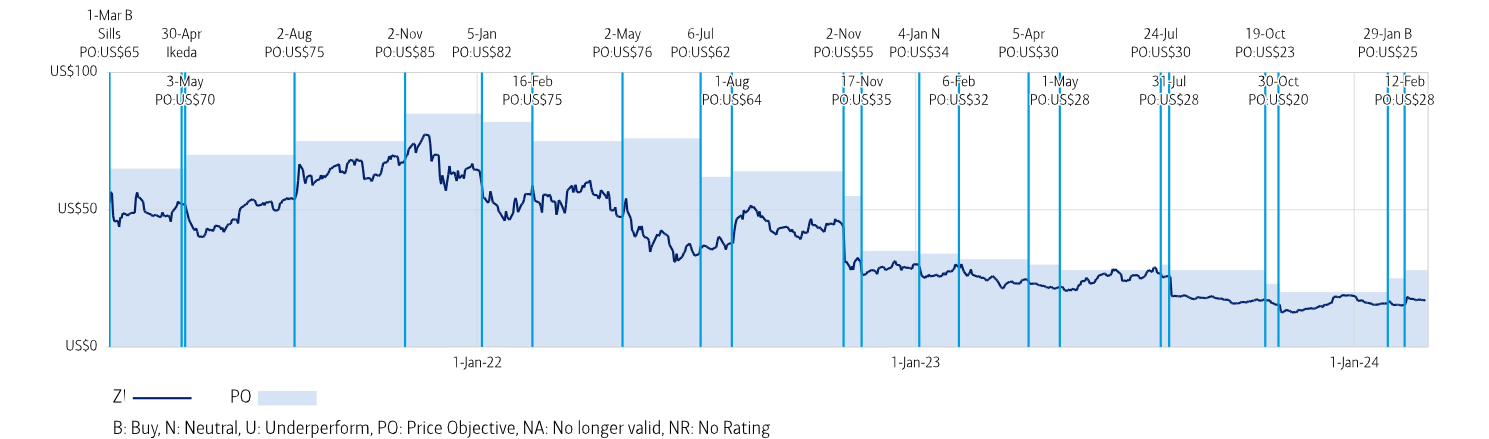
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PagerDuty (PD) Price Chart



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ZoomInfo (ZI) Price Chart



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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%
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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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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