

E2open

Strategic review announced

Maintain Rating: NO RATING | PO: NA | Price: 4.45 USD

Formally starting a strategic review

On 3/7, E2open's Board announced it started a strategic review. This follows a 10/16/23 13D filing by Elliott Investment Management. In the filing, Elliott said it was seeking engagement with E2open's Board around "strategic opportunities." These could potentially include Elliott acting as "an acquirer, investor and/or financing source." Elliott participated in the original 2015 buyout of E2open. For more details, [see our 10/16/23 report](#). E2open will not provide updates on the strategic review until it has been completed. The strategic review has no deadline. Shares rose 10% intra-day (versus S&P 500 index up 1%) on the news. We maintain No Rating as we think ETWO is not trading on its fundamentals.

FY24 guidance reiterated

Management reaffirmed FY24 (Feb-end) guidance. This includes total revenue of \$628-633mn and adjusted EBITDA of \$215-220mn. This compares to current consensus revenue of \$631mn and adjusted EBITDA of \$218mn. Management lowered the midpoint of FY24 adjusted EBITDA guidance by 2.5% with 2QF24 (Aug-end) results and maintained this guidance with 3QF24 (Nov-end) results. For more details on 3QF24 results, [see our 1/10/24 report](#).

E2open continues internal turnaround plans

E2open's Board has already brought in new executive leadership to drive a turnaround in SaaS subscription revenue. Andrew Appel has served as interim CEO since 10/10/23 when former CEO Michael Farlekas stepped down. On 2/14, the Board named Andrew Appel as CEO. During 3QF24 (Nov-end), E2open hired two new senior vice presidents (Sales Operations and Channels & Growth Initiatives). On the conference call, CEO Appel said reducing churn was his "first priority." However, management expected elevated churn in 4Q given clients make decisions several quarters in advance.

Estimates (Feb) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.24	0.25	0.18	0.20	0.26
GAAP EPS	(0.68)	(2.15)	(1.31)	(0.16)	(0.03)
EPS Change (YoY)	200.0%	4.2%	-28.0%	11.1%	30.0%
Consensus EPS (Bloomberg)			0.15	0.18	0.20
DPS	0	0	0	0	0
Valuation (Feb)					
P/E	18.5x	17.8x	24.7x	22.3x	17.1x
EV / EBITDA*	17.0x	12.7x	12.6x	11.9x	10.6x
Free Cash Flow Yield*	1.4%	1.5%	4.7%	6.5%	7.3%

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

07 March 2024

Equity

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Stock Data

Price	4.45 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	2.15 USD - 6.90 USD
Mkt Val (mn) / Shares Out (mn)	1,350 USD / 303.3
Free Float	67.5%
Average Daily Value (mn)	8.53 USD
BoFA Ticker / Exchange	ETWO / NYS
Bloomberg / Reuters	ETWO US / ETWO.N
ROE (2024E)	2.7%
Net Dbt to Eqty (Feb-2023A)	35.0%
ESGMeter™	Medium

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Timestamp: 07 March 2024 11:13AM EST

iQprofileSM E2open

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	0.3%	0.1%	0.1%	1.0%	2.1%
Return on Equity	3.1%	3.0%	2.7%	3.2%	4.1%
Operating Margin	4.1%	0.6%	0.6%	7.4%	14.9%
Free Cash Flow	19	20	63	87	99

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	0.8x	1.4x	1.6x	1.3x
Asset Replacement Ratio	0.2x	0.2x	0.1x	0.2x	0.2x
Tax Rate	24.0%	24.0%	24.0%	24.0%	24.0%
Net Debt-to-Equity Ratio	20.4%	35.0%	34.2%	31.2%	27.3%
Interest Cover	0.6x	0.1x	0x	0.5x	1.2x

Income Statement Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	479	652	633	661	715
% Change	41.8%	36.1%	-2.9%	4.4%	8.2%
Gross Profit	344	448	437	459	500
% Change	42.9%	30.3%	-2.4%	4.9%	9.0%
EBITDA	162	217	218	232	259
% Change	48.4%	33.7%	0.4%	6.4%	11.6%
Net Interest & Other Income	(34)	(77)	(98)	(95)	(92)
Net Income (Adjusted)	81	85	66	77	100
% Change	281.6%	5.0%	-22.0%	16.5%	29.4%

Free Cash Flow Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(11)	(53)	(69)	(35)	11
Depreciation & Amortization	143	213	214	183	152
Change in Working Capital	89	552	294	(33)	(34)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(170)	(644)	(344)	5	5
Capital Expenditure	(32)	(48)	(32)	(33)	(36)
Free Cash Flow	19	20	63	87	99
% Change	NM	3.4%	215.3%	37.8%	13.6%
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	447	97	(55)	(55)	(55)

Balance Sheet Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	155	93	90	121	163
Trade Receivables	155	175	166	177	196
Other Current Assets	45	37	50	52	57
Property, Plant & Equipment	66	72	72	73	78
Other Non-Current Assets	4,983	4,023	3,840	3,691	3,574
Total Assets	5,405	4,400	4,219	4,115	4,067
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	433	324	283	273	271
Long-Term Debt	867	1,046	1,002	947	892
Other Non-Current Liabilities	622	303	269	250	231
Total Liabilities	1,921	1,673	1,555	1,470	1,394
Total Equity	3,484	2,727	2,664	2,644	2,673
Total Equity & Liabilities	5,405	4,400	4,219	4,115	4,067

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

Company Sector

Industrials/Multi-Industry

Company Description

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

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 1,916,404

Quarterly Earnings Estimates

	2023	2024
Q1	0.06A	0.05A
Q2	0.05A	0.04A
Q3	0.06A	0.04E
Q4	0.07A	0.05E



Price objective basis & risk

E2open (ETWO)

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US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
NEUTRAL				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Pentair plc	PNR	PNR US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
UNDERPERFORM				
	Allegion	ALLE	ALLE US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA

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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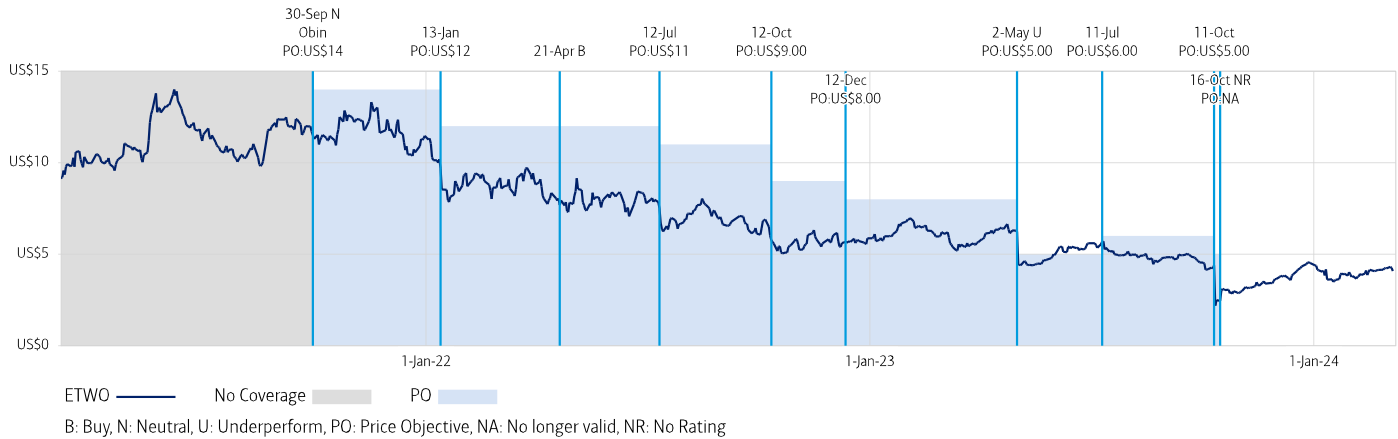
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E2open (ETWO) Price Chart



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Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

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%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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