

Salesforce.com

Channel suggests healthy Q4 demand; Emerging as next quality GARP stock

Reiterate Rating: BUY | PO: 350.00 USD | Price: 289.72 USD

Sales & Service holding; Data Cloud pipeline ramping

We spoke to nearly a dozen key Salesforce partners and feedback suggests deal activity has been holding with recently healthy levels. Deal activity suggests that the spending backdrop has improved, though sales cycles remain challenging, with added executive approval required. Several key trends stand out, including 1) stable, healthy Sales and Service Cloud deal activity, 2) balanced results across the major verticals, with some uptick in the financials vertical and 3) growing interest/pipeline in Data Cloud.

Expect Q4 cRPO upside; Solidly in-line FY25 guide

We expect Salesforce to report 1% to 2% points upside to our current estimate for Q4 cRPO growth of +10% y/y (11% y/y cc), given positive channel feedback. Also, we remain comfortable with our estimate for FY25 total revenue growth of 12%. With ongoing focus on profitable growth and efficiency efforts, we remain comfortable with our estimate for FY25 operating margin of 32%, representing 150 bps margin expansion.

Improving macro, Data Cloud to drive topline acceleration

As the clear front office applications leader in the enterprise, Salesforce can sustain mid teens growth, outpacing industry growth of 14.5% (according to Gartner). Also, the company remains in the early stages of efficiency gains and margin expansion, via ongoing focus on sales productivity. We believe that Salesforce can achieve high 30s/low 40s margin (versus our FY24e of 30.5%) as the company approaches a sales efficiency ratio consistent with large cap peers (sales and marketing expense to incremental revenue ratio is 3.1x vs peers of 1.5x).

See strong 31% FCF CAGR from balanced growth

With enduring mid teens topline growth and 200 to 250 margin expansion in each of the next 3 years (in an upside case scenario), we estimate strong 31% 3 year FCF CAGR. See FCF base and upside case in exhibits 6 and 8. We believe Salesforce is emerging as the next quality GARP stock in the software group and the shares will continue to re-rate higher with upward revisions to FCF growth. We reiterate our Buy rating and view Salesforce as a top pick. We are raising our PO to \$350 from \$300 for expected Q4 cRPO upside. Our EV/FCF multiple moves from 22x to 25x on better visibility for accelerating FCF Growth.

Estimates (Jan) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	4.78	5.24	8.18	9.63	10.77
GAAP EPS	1.48	0.21	4.00	6.31	7.39
EPS Change (YoY)	-3.0%	9.6%	56.1%	17.7%	11.8%
Consensus EPS (Bloomberg)			8.20	9.67	11.13
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	60.6x	55.3x	35.4x	30.1x	26.9x
GAAP P/E	195.8x	1,379.6x	72.4x	45.9x	39.2x
EV / EBITDA*	33.0x	25.1x	18.9x	16.7x	14.5x
Free Cash Flow Yield*	1.9%	2.3%	3.2%	4.0%	5.0%

* For full definitions of *IQmethod*SM measures, see page 11.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Refer to important disclosures on page 13 to 15. Analyst Certification on page 10. Price Objective Basis/Risk on page 10.

12661266

Timestamp: 20 February 2024 05:00AM EST

20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	300.00	350.00

Brad Sills

Research Analyst
BofAS
+1 415 436 1400
brad.sills@bofa.com

Christopher Nolan

Research Analyst
BofAS
+1 917 864 1441
cnolan2@bofa.com

Natalie Howe

Research Analyst
BofAS
+1 415 436 1103
natalie.howe@bofa.com

Stock Data

Price	289.72 USD
Price Objective	350.00 USD
Date Established	20-Feb-2024
Investment Opinion	B-1-9
52-Week Range	159.66 USD - 295.24 USD
Mkt Val (mn) / Shares Out (mn)	271,468 USD / 937.0
Free Float	96.9%
Average Daily Value (mn)	1454.85 USD
BofA Ticker / Exchange	CRM / NYS
Bloomberg / Reuters	CRM US / CRM.N
ROE (2024E)	13.4%
Net Dbt to Eqty (Jan-2023A)	2.7%
ESGMeter™	High

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](#)".

SI = System integrator

CRPO = current remaining performance obligation

NRR = net revenue retention

CC: constant currency

iQprofileSM Salesforce.com

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	8.7%	6.6%	11.0%	11.3%	11.3%
Return on Equity	9.3%	9.0%	13.4%	14.5%	14.2%
Operating Margin	18.7%	22.5%	30.5%	32.0%	33.5%
Free Cash Flow	5,283	6,313	8,613	10,866	13,661

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.3x	1.4x	1.2x	1.2x	1.3x
Asset Replacement Ratio	0.2x	0.2x	0.2x	0.2x	0.2x
Tax Rate	5.7%	30.4%	21.5%	25.1%	26.0%
Net Debt-to-Equity Ratio	5.9%	2.7%	-2.3%	-15.9%	-28.0%
Interest Cover	NA	19.1x	NM	NM	NM

Income Statement Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	26,492	31,352	34,794	38,942	44,203
% Change	24.7%	18.3%	11.0%	11.9%	13.5%
Gross Profit	20,749	24,526	27,542	30,887	35,203
% Change	24.1%	18.2%	12.3%	12.1%	14.0%
EBITDA	8,249	10,854	14,451	16,353	18,793
% Change	24.8%	31.6%	33.1%	13.2%	14.9%
Net Interest & Other Income	984	(370)	(54)	(30)	(48)
Net Income (Adjusted)	4,653	5,224	8,054	9,816	11,594
% Change	1.7%	12.3%	54.2%	21.9%	18.1%

Free Cash Flow Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	1,444	208	3,940	6,435	7,953
Depreciation & Amortization	3,298	3,786	3,826	3,892	3,976
Change in Working Capital	(1,658)	(2,069)	(3,349)	(3,827)	(3,303)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	2,916	5,186	4,961	5,108	5,876
Capital Expenditure	(717)	(798)	(765)	(741)	(841)
Free Cash Flow	5,283	6,313	8,613	10,866	13,661
% Change	29.1%	19.5%	36.4%	26.2%	25.7%
Share / Issue Repurchase	0	(4,000)	(5,928)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(173)	(419)	(620)	(456)	(456)

Balance Sheet Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	10,537	12,508	14,120	24,530	37,735
Trade Receivables	9,739	10,755	12,524	16,270	19,084
Other Current Assets	2,574	3,132	5,337	6,565	8,054
Property, Plant & Equipment	2,815	3,702	3,819	3,782	3,828
Other Non-Current Assets	69,544	68,752	67,469	65,856	64,701
Total Assets	95,209	98,849	103,267	117,002	133,401
Short-Term Debt	686	1,772	1,522	1,522	1,522
Other Current Liabilities	21,102	24,119	26,692	27,839	28,839
Long-Term Debt	13,295	12,316	11,190	11,190	11,190
Other Non-Current Liabilities	1,995	2,283	2,348	2,348	2,348
Total Liabilities	37,078	40,490	41,752	42,899	43,899
Total Equity	58,131	58,359	61,515	74,103	89,502
Total Equity & Liabilities	95,209	98,849	103,267	117,002	133,401

* For full definitions of iQmethodSM measures, see page 11.

Company Sector

Server & Enterprise Software

Company Description

Salesforce.com is a provider of on-demand customer relationship management (CRM) services to business of all sizes and industries worldwide, including sales, service, marketing, commerce, analytics, AI. Salesforce.com also offers PaaS for customers and developers to build applications.

Investment Rationale

We believe Salesforce is well positioned to continue capturing share of the cumulative \$200 billion market opportunity. With a combined market share of only 15% and a formidable competitive Moat, stemming from 1) largest installed base of over 150,000 customers in the core sales/front office category, 2) distribution channel of an estimated 14,000 personnel, and 3) breadth and depth of the suite, we believe a long runway exists for Salesforce to continue growing 15%+ organic in the coming years.

Stock Data

Average Daily Volume 5,021,569

Quarterly Earnings Estimates

	2023	2024
Q1	0.98A	1.69A
Q2	1.19A	2.12A
Q3	1.40A	2.11A
Q4	1.68A	2.25E

Exhibit 1: Q4 and FY25Q1 estimates

Consensus estimates total revenue of \$9.2 billion in Q4.

	4Q24E						1Q25E			
	Consensus		BofA (Base)		BofA (Upside)		Consensus		BofA (Base)	
	Estimate	Y/Y Growth	Estimate	Y/Y Growth	Estimate	Y/Y Growth	Estimate	Y/Y Growth	Estimate	Y/Y Growth
Total revenue	\$9,219,980	10.0%	\$9,223,630	10.0%	\$9,324,577	11.2%	\$9,157,428	11.0%	\$9,140,722	10.8%
Subscription revenue	\$8,608,459	10.5%	\$8,581,030	10.2%	--	--	\$8,529,574	11.6%	\$8,464,553	10.8%
cRPO	\$27,101,110	10.2%	\$27,060,000	10.0%	\$27,312,513	11.0%	\$26,510,026	10.0%	\$26,751,000	11.0%
Current Bookings	--	--	\$12,383,630	2.5%	\$12,737,090	5.4%	--	--	\$8,831,722	14.0%
RPO	\$54,754,260	12.7%	\$53,460,000	10.0%	--	--	\$52,561,897	12.6%	\$51,837,000	11.0%
Total Bookings	--	--	\$14,383,630	-15.3%	--	--	--	--	\$7,517,722	18.4%
PF Operating margin	31.5%	--	31.6%	--	--	--	30.8%	--	30.5%	--
PF EPS	\$2.27	34.8%	\$2.25	34.3%	--	--	\$2.20	30.1%	\$2.21	30.6%
FCF	\$2,401,636	-6.6%	\$2,370,507	-7.8%	--	--	\$5,286,595	24.4%	\$4,629,778	9.0%
FCF margin	26.0%	--	25.7%	--	--	--	57.7%	--	50.7%	--

Source: BofA Global Research estimates, company report, Visible Alpha

BofA GLOBAL RESEARCH

Exhibit 2: FY24 and FY25 estimates

Consensus estimates total revenue of \$38.6 billion in FY25.

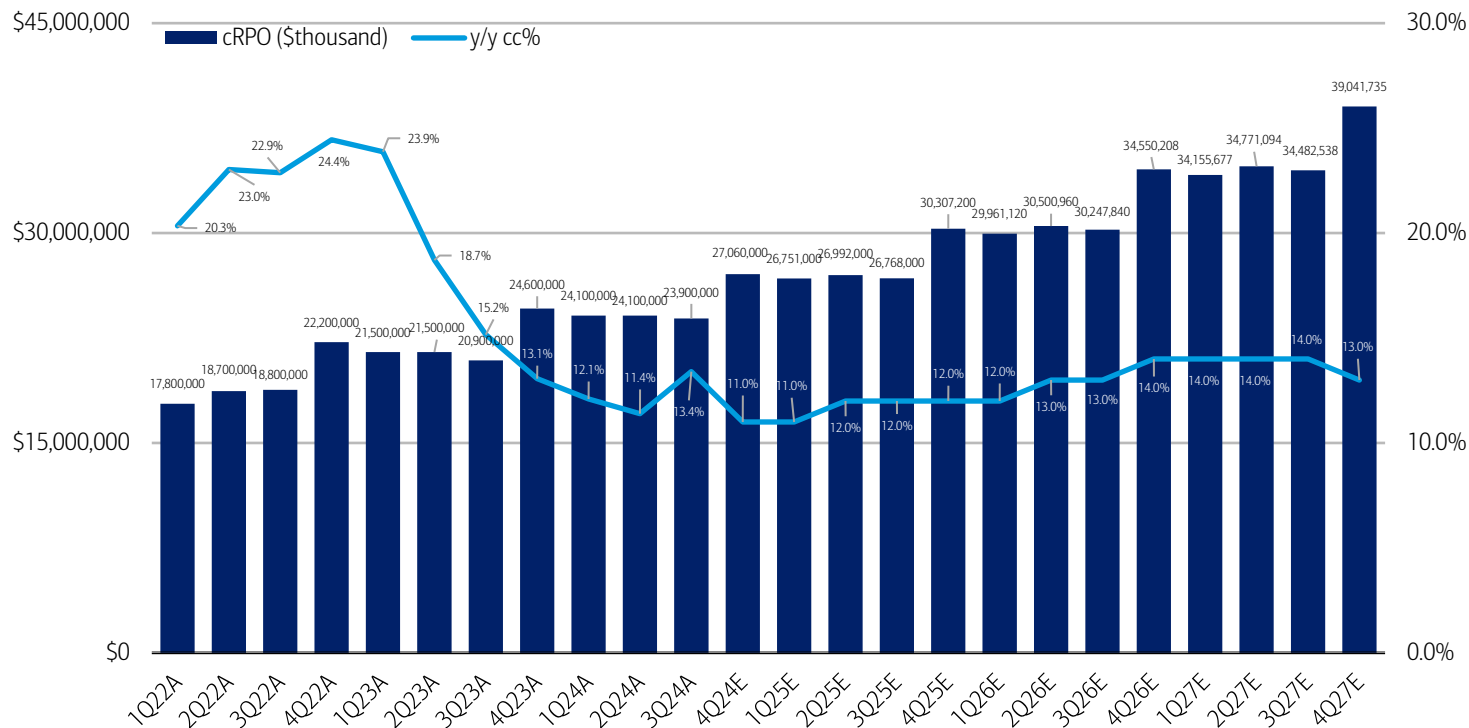
	2024E				2025E			
	Consensus		BofA (Base)		Consensus		BofA (Base)	
	Estimate	Y/Y Growth	Estimate	Y/Y Growth	Estimate	Y/Y Growth	Estimate	Y/Y Growth
Total revenue	\$34,789,980	11.0%	\$34,793,630	11.0%	\$38,600,044	11.0%	\$38,941,913	11.9%
Subscription revenue	\$32,397,459	11.6%	\$32,370,030	11.5%	\$36,045,682	11.3%	\$36,207,246	11.9%
cRPO	\$27,105,392	10.2%	\$27,060,000	10.0%	\$30,247,570	11.6%	\$30,307,200	12.0%
Current Bookings	--	--	\$37,253,630	10.4%	--	--	\$42,189,113	13.2%
RPO	\$54,543,628	12.2%	\$53,460,000	10.0%	\$60,943,645	11.7%	\$59,875,200	12.0%
Total Bookings	--	--	\$39,653,630	9.4%	--	--	\$45,357,113	14.4%
PF Operating margin	30.5%	--	30.5%	--	32.0%	--	32.0%	--
PF EPS	\$8.19	56.3%	\$8.18	56.1%	\$9.62	17.4%	\$9.63	17.8%
FCF	\$8,621,489	36.6%	\$8,612,507	36.4%	\$10,433,327	21.0%	\$10,866,289	26.2%
FCF margin	24.8%	--	24.8%	--	27.0%	--	27.9%	--

Source: BofA Global Research estimates, company report, Visible Alpha

BofA GLOBAL RESEARCH

Exhibit 3: Base case Current Remaining Performance obligation (cRPO)/backlog and growth

We are modeling cRPO/backlog to reaccelerate to low teens by 2QFY26 (See BofA detailed model for bottoms up cRPO assumptions)

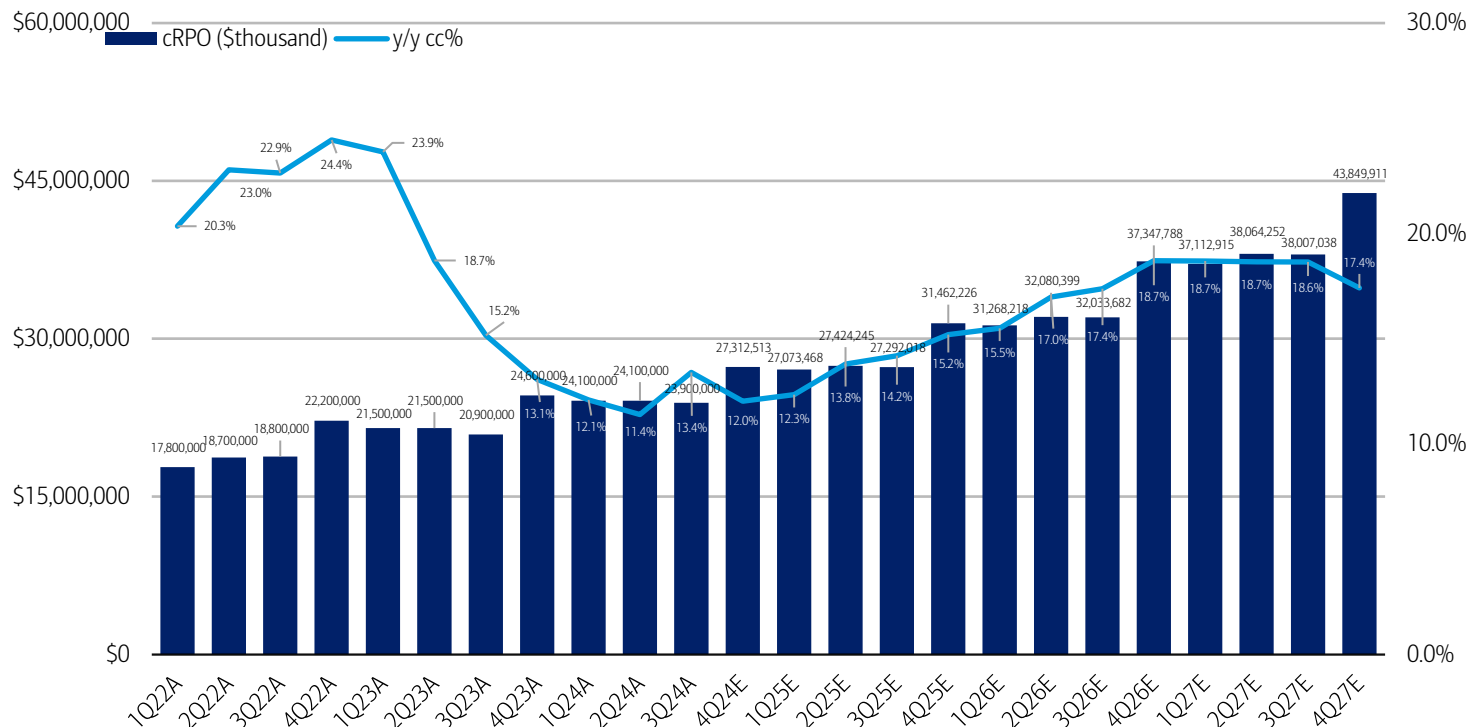


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 4: Upside case Current Remaining Performance obligation (cRPO)/backlog and growth

We are modeling cRPO/backlog to reaccelerate to mid teens by 4QFY25 (See BofA detailed model for bottoms up cRPO assumptions)

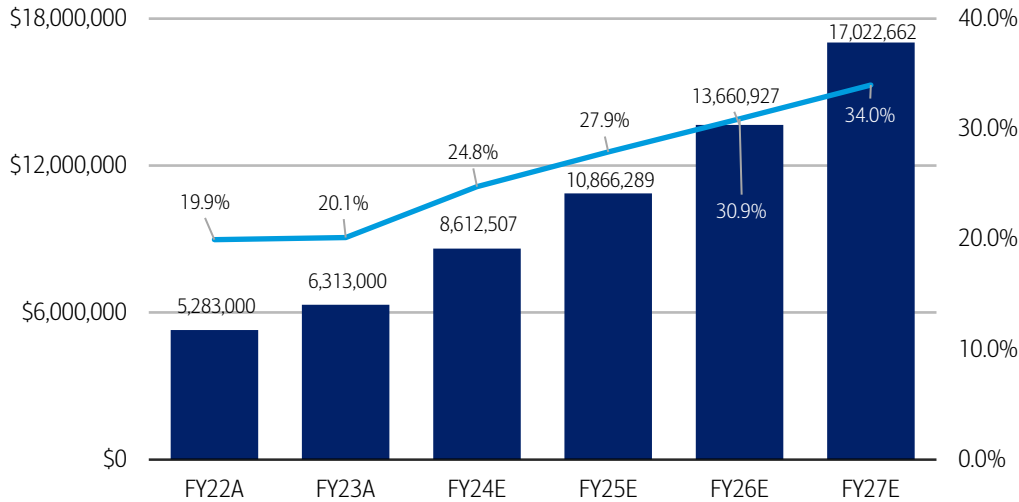


Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 5: Base case Free Cash Flow (FCF) and FCF Margin

We are modeling FCF to reach \$17 billion by FY27 in our base case, representing a CAGR of 25.5%



Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 6: Base case FCF table

Assumes the sales efficiency ratio (sales and marketing expense to incremental revenue) improves modestly to 2.3x by FY27 from 3.1x in FY24

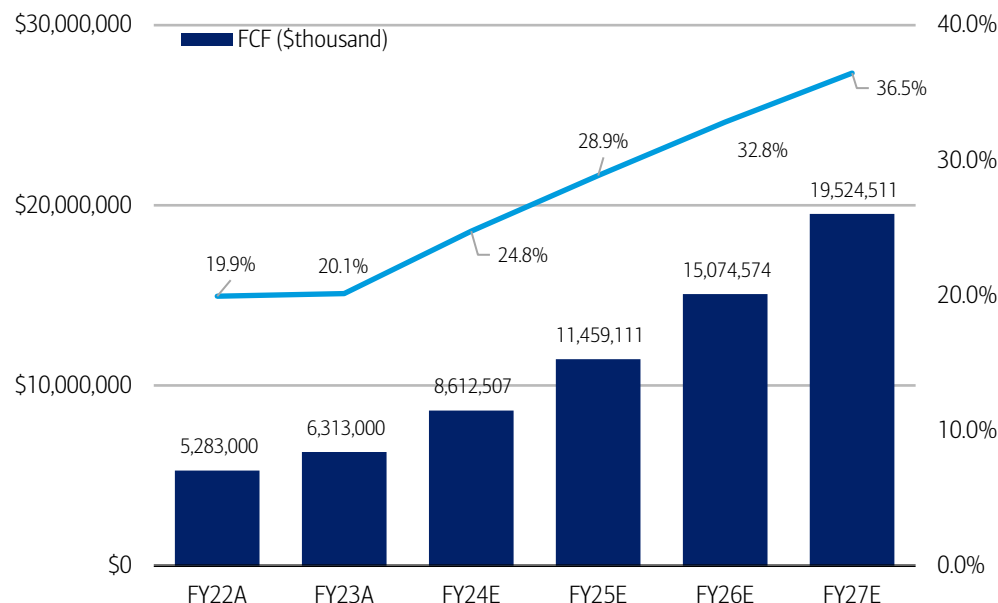
FCF Model - Base Case		FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue (\$mns)		26,492	31,352	34,794	38,942	44,203	50,102
y/y		25%	18%	11%	12%	14%	13%
CAGR							
Gross Profit		20,749	24,526	27,542	30,887	35,203	40,062
Gross Margin		78.3%	78.2%	79.2%	79.3%	79.6%	80.0%
S&M Expense		10,024	11,354	10,763	11,539	12,435	13,343
Sales efficiency ratio (S&M exp/incremental total rev)		1.9x	2.3x	3.1x	2.8x	2.4x	2.3x
as % of revenue		37.8%	36.2%	30.9%	29.6%	28.1%	26.6%
R&D Expense		3,547	3,919	3,899	4,374	5,098	5,928
as % of revenue		13.4%	12.5%	11.2%	11.2%	11.5%	11.8%
G&A Expense		2,227	2,185	2,254	2,514	2,853	3,234
as % of revenue		8.4%	7.0%	6.5%	6.5%	6.5%	6.5%
Non GAAP Operating Income		4,951	7,068	10,626	12,460	14,817	17,557
Non GAAP Operating Margin		18.7%	22.5%	30.5%	32.0%	33.5%	35.0%
Interest and other		984	(370)	(54)	(30)	(48)	(48)
Pretax Income		5,935	6,698	10,572	12,430	14,769	17,509
Tax		1,276	1,474	2,517	2,614	3,175	3,794
Tax Rate		21.5%	22.0%	23.8%	21.0%	21.5%	21.7%
Net Income		4,659	5,224	8,054	9,816	11,594	13,715
Net Income Margin		17.6%	16.7%	23.1%	25.2%	26.2%	27.4%
EPS		\$6.55	\$5.24	\$8.18	\$9.63	\$10.77	\$12.06
Shares Outstanding		711	997	985	1,019	1,077	1,137
Net Income		4,659	5,224	8,054	9,816	11,594	13,715
Net Working Capital		(1,658)	(2,069)	(3,349)	(3,827)	(3,303)	(2,460)
as a % of revenue		-6.3%	-6.6%	-9.6%	-9.8%	-7.5%	-4.9%
Depreciation and other		2,999	3,956	4,672	5,619	6,211	6,721
as a % of revenue		11.3%	12.6%	13.4%	14.4%	14.1%	13.4%
Operating Cash Flow		6,000	7,111	9,377	11,608	14,502	17,976
Operating Cash Flow Margin		22.6%	22.7%	27.0%	29.8%	32.8%	35.9%
Capex		(717)	(798)	(765)	(741)	(841)	(954)
as a % of revenue		-2.7%	-2.5%	-2.2%	-1.9%	-1.9%	-1.9%
FCF		5,283	6,313	8,613	10,866	13,661	17,023
y/y		29.1%	19.5%	36.4%	26.2%	25.7%	24.6%
FCF Margin		19.9%	20.1%	24.8%	27.9%	30.9%	34.0%
3 year CAGR							25.5%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 7: Upside case Free Cash Flow (FCF) and FCF Margin

We are modeling FCF to reach \$19.5 billion by FY27 in an upside case scenario, representing a CAGR of 31.4%



Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 8: Upside case FCF table

Assumes that the sales efficiency ratio reaches industry average 1.5x by FY27 from 3.1x in FY24

FCF Model - Base Case	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Revenue (\$mns)	26,492	31,352	34,794	39,689	45,926	53,560
y/y CAGR	25%	18%	11%	14%	16%	17%
Gross Profit	20,749	24,526	27,542	30,887	35,203	40,062
Gross Margin	78.3%	78.2%	79.2%	77.8%	76.7%	74.8%
S&M Expense	10,024	11,354	10,763	10,966	11,102	11,069
Sales efficiency ratio (S&M exp/incremental total rev)	1.9x	2.3x	3.1x	2.2x	1.8x	1.5x
as % of revenue	37.8%	36.2%	30.9%	27.6%	24.2%	20.7%
R&D Expense	3,547	3,919	3,899	4,374	5,098	5,928
as % of revenue	13.4%	12.5%	11.2%	11.0%	11.1%	11.1%
G&A Expense	2,227	2,185	2,254	2,514	2,853	3,234
as % of revenue	8.4%	7.0%	6.5%	6.3%	6.2%	6.0%
Non GAAP Operating Income	4,951	7,068	10,626	13,033	16,150	19,830
Non GAAP Operating Margin	18.7%	22.5%	30.5%	32.8%	35.2%	37.0%
Interest and other	984	(370)	(54)	(30)	(48)	(48)
Pretax Income	5,935	6,698	10,572	13,003	16,102	19,782
Tax	1,276	1,474	2,517	2,614	3,175	3,794
Tax Rate	21.5%	22.0%	23.8%	20.1%	19.7%	19.2%
Net Income	4,659	5,224	8,054	10,389	12,927	15,989
Net Income Margin	17.6%	16.7%	23.1%	26.2%	28.1%	29.9%
EPS	\$6.55	\$5.24	\$8.18	\$10.19	\$12.01	\$14.06
Shares Outstanding	711	997	985	1,019	1,077	1,137
Net Income	4,659	5,224	8,054	10,389	12,927	15,989
Net Working Capital	(1,658)	(2,069)	(3,349)	(3,901)	(3,431)	(2,630)
as a % of revenue	-6.3%	-6.6%	-9.6%	-9.8%	-7.5%	-4.9%
Depreciation and other	2,999	3,956	4,672	5,727	6,453	7,185
as a % of revenue	11.3%	12.6%	13.4%	14.4%	14.1%	13.4%
Operating Cash Flow	6,000	7,111	9,377	12,215	15,949	20,544
Operating Cash Flow Margin	22.6%	22.7%	27.0%	30.8%	34.7%	38.4%
Capex	(717)	(798)	(765)	(756)	(874)	(1,020)
as a % of revenue	-2.7%	-2.5%	-2.2%	-1.9%	-1.9%	-1.9%
FCF	5,283	6,313	8,613	11,459	15,075	19,525
y/y FCF Margin	29.1%	19.5%	36.4%	33.1%	31.6%	29.5%
3 year CAGR	19.9%	20.1%	24.8%	28.9%	32.8%	36.5%
3 year CAGR						31.4%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Partner Commentary

"Demand has picked up in Q4 and pipelines looking forward are healthy. A lot of companies held back on resources last year, however as the macro has been improving,



they have been loosening their budgets. The technology vertical is recovering as they have cut costs. Financial services vertical activity has been strong. I think Salesforce is well positioned with their net zero cloud product and I see a big push there in 2024. I think they will also double down on AI; they have been putting a lot of investments there hiring top talent. We have seen some customers add AI onto their deals, while some are still waiting to see if it provides enough value. There is definitely growing interest. MuleSoft is a good product, but their price increase has impacted demand. Mid-market tech companies pay upwards of \$1 million a year for MuleSoft, which is up 40% from 5 years ago. Customer bought in and are now paying more than they forecasted from a budgeting perspective. It's cheaper to get Teams than Slack, especially for bigger companies. I think Salesforce is losing some share in the SMB market, especially from HubSpot, but nevertheless their moat is strong. Salesforce's core product is expensive and take more technically knowledge to set up effectively versus other cheaper options. Sales and Service cloud deal activity has been holding.” – **Global SI**

“We are seeing an overall positive trend and saw a modest difference in the spending environment this past quarter, which we are excited about. We also saw strong renewals despite the pricing increase. We are starting to see more conversations about growth in the technology vertical, similar to the ones we saw 18-20 months ago. We also saw clients talking about AI much more positively and have started seeing the GPT products in deals, though we don't expect growth to materialize for another few years. Service Cloud continues to do well, and we are very happy with performance there. Mulesoft is a pre-eminent platform in the infrastructure industry. Data Cloud (CDP) is starting to see new use cases in the marketing and commerce domains. There are a lot of clients that are still underinvested in infrastructure and data even if they have multiple analytics platforms, and we think that Salesforce could benefit. Slack is still soft in our view. However, we are still balancing that some companies overbought Salesforce previously. Overall, we do expect more growth this year and are optimistic.” – **Global SI**

“This past quarter we were satisfied with our business in EMEA and APAC. North America was a bit more of a difficult environment, but it was more than offset with our other geographies. Salesforce increased prices, but existing customers still found value in the platform and we did not see a lot of churn. We ourselves saw our Salesforce revenue nearly double but also faced cost challenges that we assume our clients felt as well. We saw a lot of competition for implementations, which is a trend that started in 2023. Looking ahead, there is a growing emphasis on AI but pricing is a concern. Our Service Cloud business continued to outperform Sales Cloud. Slack, Tableau, and Mulesoft do well in our geographies. Data Cloud is still confusing– we are still working with customers on cleaning up their data before even considering a solution like that. We've seen an increase in multi-cloud customers, which is very promising. We think this year will be strong, but don't think it will be driven by AI or Data Cloud.” – **Regional SI, APAC/EMEA**

“Demand has been good and was in line with our expectations for Q4. A lot of the growth for us has been customers expansion as opposed to net new business, although of course we still had net new business. In terms of Data cloud, there is definitely skepticism around its pricing, however, I've been hearing that Salesforce is giving customers free trial on Data cloud. Interest around Data cloud is definitely growing. I think they will push hard on AI this year; we are seeing that already. Salesforce has also released a non-profit cloud which is also an industry cloud, there is definitely a lot of interest however no implementations yet. Pipelines are accelerating and more active than it was in the previous quarter, which I think has to do some the financial pressure from last year; customers can't hold off projects forever. There are definitely more favorable conditions in the market right now and I think the macro is easing a bit. I think net new deals will also come back stronger this year. In Q4, non-profit vertical was strong, and mid-market sized customers overall were strong whereas enterprise was weak.” – **Regional SI, North America**



“Demand in Q4 has been holding. It was slightly quieter than the previous quarter, which happens usually in November and December. Even given pricing increases, we have not heard from any customers that they will use a competitor’s software. We have not seen any customer reduce licenses in Q4. Service and Sales cloud activity has been strong, and experience cloud has been solid too. We’ve seen a push from continual configuration to no code, especially with omni cloud. I think industry clouds and omni studio is going to perform well going into 2024. In terms of AI, chatbots are very popular right now, e.g., Virgin Voyages has a chatbot AI through salesforce, but overall, customers are still waiting for Salesforce to put out use cases.” – **Global SI**

“Demand in Q4 has been strong, however, we missed our target by 20%. Heading into 2024, I think we will see big things from omni studio and Einstein. I work predominantly with the Financial Services Cloud and exclusively with the insurance industry, mostly with mid-market companies with deals in the low 7 figures. I like the data model for Financial Services Cloud. However, it is hard to take advantage of it, if not properly used/implemented. We end up highly customizing and making subsets of it when working on projects with Financial Services Cloud. Leveraging Service cloud is a great platform for AI because you receive a wide variety of unpredictable inputs, which you don’t get in Sales cloud for example.” – **Global SI**

“Demand in Q4 has been slow. We’ve seen slight fall in revenue over the last few months. Referrals for potential new projects were 30-35% less than normal, leading us to cutting costs internally. Things slowed down starting August 2023, where May, June and July were pretty good. We had a good month to start the year but it was the end of the fiscal year, so it was not a surprise. Q4 will probably show 10% growth. Most of our growth comes from new customers, and they have pulled back on Sales and Marketing spend. I think the macro has a lot to do with it (higher interest rates). I also think their pricing increase in August and implementing multi-factor authentication has also impacted demand. Our customers are usually in financial services and real estate, and I don’t think they’re at a point where they want to invest in software. Nevertheless, all of our deals are still multi-cloud deals, it is rare for a customer to only purchase one cloud. Not many SMID companies have been implementing Data Cloud, they don’t view it as a CDP like they would an Azure or AWS. As far as AI, it is definitely still in the hype stage and not compelling enough yet to drive sales. In the future however, I do think Salesforce will be a winner in AI. From our 350-400 customers last year, no one expressed interest in Slack. On the lower end of the market, there is notable competitive pressure from HubSpot.” – **Regional SI, North America**

“Demand this quarter has been good and fell in line with expectations. We have not seen any slowdown in demand. We have a good outlook looking forward this year and pipelines are healthy. I think we have gone through the worst of the macro. Data cloud is a precursor to working with generative AI, which allows customers to do more with their data. Interest for Data cloud is definitely growing. When it comes to market share in CRM, the main competitor is Microsoft dynamics that matches Salesforce’s offerings from what we’ve seen. A lot of customers like Tableau, however, some do not like its high price. Verticals such as healthcare and manufacturing have been performing well, haven’t seen any clients pick up the life sciences cloud yet.” – **Global SI**

“Sales cycles took longer, and customers were spending less. Nevertheless, it seems like demand stayed in line with our expectation; deals were getting done. Smaller customers were more reserved in Q4 and spending less, whereas larger enterprise customers had the budgets to do more transformational software changes which meant they spent more. Not seeing many pure Service cloud deals, most customers are doing multi product deals with Service Cloud. Service and Sales cloud activity have been stable in our practice. Opinions vary a lot on Data cloud at the moment, some customers say it’s too little too late (Snowflake has been doing it for a while), while other customers think it will be useful. If a client is a fully Salesforce powered company, then Data cloud would benefit them a lot. Having a lot of conversations around Data cloud but haven’t signed

any deals. I think moving forward in 2023, we are pretty optimistic about the year. Pipelines are healthy and I think the financial services vertical will perform particularly well.” – **Global SI**

“Demand in Q4 were good but not great, in line with our expectation. Although there is interest for AI products such as Einstein, we haven't seen many implementations of it. On the other hand, Data cloud is selling very well and selling better than other AI products. They have been trying to sell Data Cloud for a while (formerly Genie), I don't think the technology has improved too much but the marketing definitely has. For customers already using Salesforce Data cloud is probably one of the better CDP options. Growth this quarter was a good mix between new customers and customer expansion. MuleSoft is doing great. Tableau growth has slowed. Pipelines looking forward are holding but not accelerating. Sales cycles have been taking longer and deal sizes have decreased in Q4, though this is consistent.” – **Global SI**

Price objective basis & risk

Salesforce.com (CRM)

Our PO of \$350 is based on an EV/FCF multiple of 25x our C25 FCF estimate, representing a growth adjusted multiple of 0.6x. This is a discount to the large cap software group at 1.3x, which we believe is justified for margin expansion.

Downside risks are: 1) Competition from point solutions and platform vendors presents the risk of slowing share gains/share losses if the company fails to continue delivering ongoing roadmap of new features/new modules, 2) Salesforce's history of acquisitions could present a higher degree of execution risk given the need to continuously integrate the technologies and the installed bases of offerings of technology that are not organically built, and 3) enterprise application spending has proven to be highly cyclical, given the more discretionary nature of applications projects - during an economic slowdown, projects involving application upgrades, migrations or new installations are often deferred which could present a higher degree of risk for a bookings deceleration.

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
	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

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
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

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

Valuation Toolkit

Numerator

Denominator

*iQmethod*SM 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.

iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

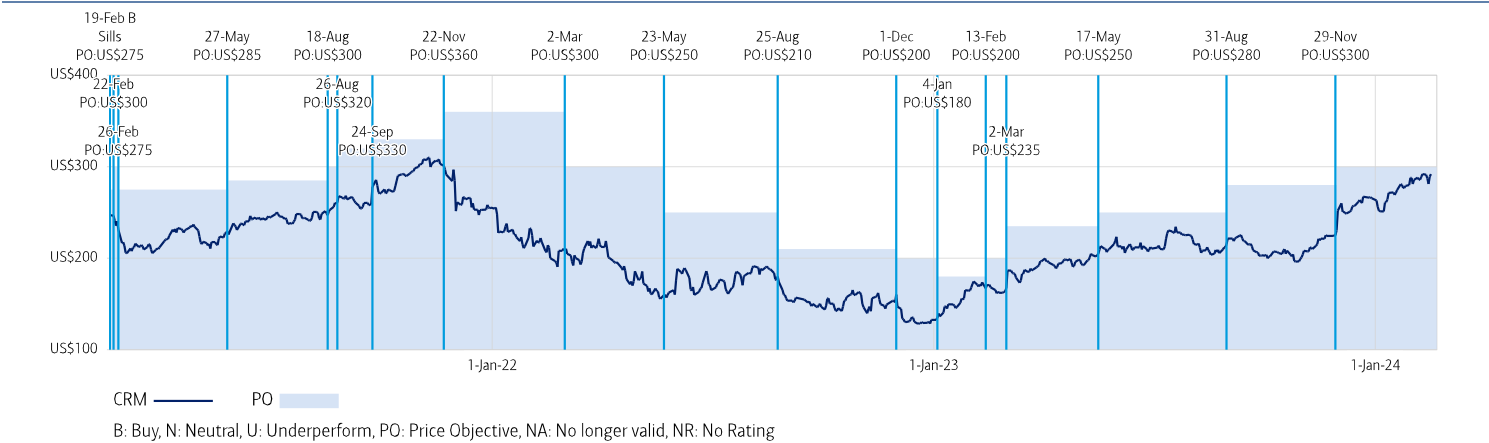
*iQprofile*SM, *iQmethod*SM are service marks of Bank of America Corporation. *iQdatabase*[®] is a registered service mark of Bank of America Corporation.



Disclosures

Important Disclosures

Salesforce.com (CRM) 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.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. VOLATILITY RISK RATINGS, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. INVESTMENT RATINGS reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. Coverage Cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed. BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Salesforce.com. The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Salesforce.com. BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Salesforce.com. The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Salesforce.com. An officer, director or employee of BofAS or one of its affiliates is an officer or director of this issuer: Salesforce.com. BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Salesforce.com. BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Salesforce.com. BofAS together with its affiliates beneficially owns one percent or more of the common stock of this issuer. If this report was issued on or after the 9th day of the month, it reflects the

ownership position on the last day of the previous month. Reports issued before the 9th day of a month reflect the ownership position at the end of the second month preceding the date of the report: Salesforce.com.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Salesforce.com.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Salesforce.com.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofamli.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects

may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofA or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information. In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

BofA ESGMeter Methodology:

ESGMeter is a proprietary metric based on quantitative analysis and fundamental analyst inputs that reflects our assessment of a company's Environmental, Social and Governance-related attributes. The ESGMeter is intended to indicate a company's likelihood of experiencing stronger financial stability (higher return on equity and lower earnings and price volatility) over the next three years relative to peer group. There are three ESGMeter levels - Low, Medium, and High - which indicate whether a company has attributes most likely to translate into superior financial stability (in the case of a High level) or weaker financial stability (in the case of a Low level) over the next three years relative to its peer group. A Medium level suggests that a company exhibits ESG characteristics that are likely associated with financial stability results in line with its peer group over the next three years. Full details of our methodology, financial stability definition and disclaimers are available at [BofA ESGMeter methodology](#). ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of the BofA Global Research fundamental equity analyst's investment rating, volatility risk rating, income rating or price objective for that company.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

