

Alarm.com

4Q23 Wrap: Core subscription momentum continues

Reiterate Rating: BUY | PO: 83.00 USD | Price: 75.33 USD

Results beat across the board, guidance bullish

On February 22, ALRM reported total revenue of \$226.2mn (+8.7% YoY), higher than our \$224.6mn. Subscription revenue grew to \$148.3mn (+10.3% YoY) and was better than our estimate of \$146.2mn. Adjusted EBITDA of \$45.6mn (20.1% margin) was much better than our estimate of \$36.2mn. Similarly, adjusted EPS of \$0.62 was well above our estimate of \$0.48. Management introduced FY24 subscription revenue guidance of \$623mn (consensus \$610.6mn, up 2.1% from the company's 'early look' provided at 3Q). ALRM also introduced non-GAAP FY24 EBITDA guidance of \$162mn at the mid (consensus \$149mn, up 8.7% from ALRM's 3Q early look). We adjust our estimates to reflect guidance.

Growth levers continue to deliver, Vivint in rear-view

ALRM's growth initiatives (Commercial, International, Video, growth venture businesses like EnergyHub) collectively represented 31% of total SaaS revenue in 2023 and together grew 27% Y/Y. We expect these levers to provide consistent support to core subscription growth throughout '24. In addition, we are encouraged that 1) the company entered into a long-term intellectual property license agreement with Vivint (Alarm.com will license its intellectual property portfolio), and 2) that ALRM also settled its outstanding Vivint legal dispute.

Raising sub revenue and EBITDA estimates

We are increasing our FY24 subscription revenue and adjusted EBITDA estimates by 2% and 9% respectively to reflect the company's strong results and updated outlook. In addition, we view the company's updated guidance as relatively conservative and expect beat and raises to continue throughout 2024.

Reiterate Buy, raising PO to \$83 (from \$75)

We reiterate our Buy and raise our PO to \$83 (from \$75), based on a target multiple of 4.4x EV/C25E rev (we roll forward our multiple from 4.3x and adjust for continued execution) representing 0.7x EV/Rev/G. The 4.4x multiple is slightly below the <20% growth software peers, on average, at 5.3x EV/25E rev (0.4x EV/Rev/G), but a premium on EV/Rev/Growth. We believe a premium EV/Rev/Growth multiple is warranted by revenue visibility, positive secular forces and profitability.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.98	1.94	2.06	2.18	2.63
GAAP EPS	1.03	1.11	1.39	1.49	2.10
EPS Change (YoY)	13.8%	-2.0%	6.2%	5.8%	20.6%
Consensus EPS (Bloomberg)			1.92	2.13	2.26
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	38.0x	38.8x	36.6x	34.6x	28.6x
GAAP P/E	73.1x	67.9x	54.2x	50.6x	35.9x
EV / EBITDA*	28.1x	27.2x	26.0x	24.3x	20.4x
Free Cash Flow Yield*	2.2%	0.7%	3.1%	1.5%	3.7%

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

28 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	75.00	83.00
2023E Rev (m)	880.0	881.7
2024E Rev (m)	920.2	923.5
2025E Rev (m)	996.0	984.5
2023E EPS	1.92	2.06
2024E EPS	1.99	2.18
2025E EPS	2.50	2.63

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Stock Data

Price	75.33 USD
Price Objective	83.00 USD
Date Established	28-Feb-2024
Investment Opinion	B-1-9
52-Week Range	44.92 USD - 75.52 USD
Mrkt Val (mn) / Shares Out (mn)	4,121 USD / 54.7
Free Float	94.7%
Average Daily Value (mn)	18.44 USD
BofA Ticker / Exchange	ALRM / NAS
Bloomberg / Reuters	ALRM US / ALRM.QQ
ROE (2023E)	17.5%
Net Dbt to Eqty (Dec-2022A)	-16.8%
ESGMeter TM	Medium

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

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iQprofileSM Alarm.com

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	11.6%	9.2%	8.2%	8.9%	9.8%
Return on Equity	19.0%	17.6%	17.5%	15.6%	15.6%
Operating Margin	15.1%	13.8%	13.9%	14.4%	16.7%
Free Cash Flow	92	28	128	63	154

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	1.0x	0.5x	1.2x	0.7x	1.2x
Asset Replacement Ratio	0.4x	0.9x	0.2x	0.5x	0.6x
Tax Rate	NM	1.7%	18.8%	5.0%	5.0%
Net Debt-to-Equity Ratio	-40.4%	-16.8%	-25.2%	-27.8%	-37.3%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	749	843	882	923	984
% Change	21.2%	12.5%	4.6%	4.7%	6.6%
Gross Profit	443	500	557	599	648
% Change	13.4%	12.8%	11.3%	7.7%	8.1%
EBITDA	142	147	154	164	196
% Change	13.7%	3.1%	4.8%	6.8%	19.2%
Net Interest & Other Income	(16)	(10)	(12)	(11)	(11)
Net Income (Adjusted)	103	106	113	120	147
% Change	16.1%	3.6%	5.8%	6.6%	22.7%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	51	56	76	75	106
Depreciation & Amortization	30	31	31	31	31
Change in Working Capital	(35)	(48)	1	(78)	(15)
Deferred Taxation Charge	(10)	(55)	(48)	0	0
Other Adjustments, Net	68	73	75	51	50
Capital Expenditure	(11)	(29)	(8)	(17)	(18)
Free Cash Flow	92	28	128	63	154
% Change	7.2%	-69.3%	354.5%	-51.1%	146.1%
Share / Issue Repurchase	(10)	(76)	(25)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	390	0	(3)	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	711	622	697	760	914
Trade Receivables	106	124	131	177	193
Other Current Assets	101	145	129	226	263
Property, Plant & Equipment	42	57	54	72	92
Other Non-Current Assets	273	381	429	429	429
Total Assets	1,232	1,329	1,440	1,663	1,890
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	129	165	175	240	278
Long-Term Debt	458	518	514	514	514
Other Non-Current Liabilities	19	24	25	25	25
Total Liabilities	606	707	715	780	817
Total Equity	626	623	725	883	1,072
Total Equity & Liabilities	1,232	1,329	1,440	1,663	1,890

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

Company Sector

Server & Enterprise Software

Company Description

Alarm.com is a leader in the smart home with its cloud and subscription-based platform that has redefined traditional home security and offers a variety of interactive services such as interactive security, home automation, energy management, wellness and other for both residential and commercial customers. We believe Alarm.com has the largest platform in the marketplace with 8.4mn subscribers.

Investment Rationale

We believe ALRM revenue growth will benefit from post-COVID reopenings, consensus forecasts don't reflect upsell opportunity and the valuation is attractive. New initiatives like International expansion, commercial, vacation rentals, energy management, provide additional revenue levers.

Stock Data

Average Daily Volume

244,806

Quarterly Earnings Estimates

	2022	2023
Q1	0.38A	0.40A
Q2	0.49A	0.49A
Q3	0.55A	0.56A
Q4	0.52A	0.62E

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Exhibit 1: ALRM's 4Q23 revenue beat our estimate by 1%

ALRM variance

\$ in Thousands (except per share data)	BofA Estimates	4Q23 Actuals	Variance
Revenues			
Subscription revenue	\$146,187	\$148,347	1%
Hardware and other revenue	\$78,364	\$77,890	-1%
Total revenues	\$224,551	\$226,237	1%
Total cost of revenues	\$83,052	\$81,213	-2%
Gross profit	\$141,499	\$145,024	2%
Operating expenses			
Sales and Marketing	\$24,476	\$25,204	3%
General and Administrative	\$24,701	\$19,921	-19%
Research and Development	\$56,138	\$54,315	-3%
Amortization and depreciation	\$8,084	\$7,943	-2%
Total operating expense	\$113,398	\$107,383	-5%
Income/(Loss) from operations	\$28,101	\$37,641	34%
Other income (expense), net	(\$2,942)	(\$2,788)	NA
Net income before taxes	\$33,307	\$42,796	28%
Corporate tax expense	\$6,994	\$8,987	28%
Pro forma net income	\$26,313	\$33,809	28%
Pro forma EPS	\$0.48	0.62	29%
Diluted shares outstanding (pro forma)	55,029	54,712	-1%
Growth Analysis Y-Y			
Subscription revenue	8.6%	10.3%	19%
Hardware and other revenue	6.5%	5.8%	-10%
Total revenues	7.9%	8.7%	10%
Income/(Loss) from operations	-10.0%	20.6%	NA
Pro forma net income	-7.4%	18.9%	NA
Pro forma EPS	-8.3%	18.5%	NA
Margin Analysis			
Gross margin	63.0%	64.1%	2%
Sales and marketing	10.9%	11.1%	2%
Research and development	25.0%	24.0%	-4%
General and administrative	11.0%	8.8%	-20%
Operating margin	12.5%	16.6%	33%
Pre-tax margin	14.8%	18.9%	28%
Tax rate - pro forma	21.0%	21.0%	0%
Net Margin	11.7%	14.9%	28%
Balance Sheet & Cash Flow Analysis			
Total cash and equiv.	\$699,787	\$696,983	0%
Cash Flow from Operations	21,798	39,872	83%
Free Cash Flow	\$19,818	\$37,704	90%

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Exhibit 2: We are increasing our FY24 subscription revenue estimate

ALRM estimate changes

	1Q24E				2024E				2025E			
	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth	Previous Estimate	Previous Y/Y Growth	New Estimate	New Y/Y Growth
Subscription revenue	\$148,380	9.6%	\$148,644	9.8%	\$612,176	8.0%	\$622,658	9.4%	\$677,413	10.7%	\$679,437	9.1%
Hardware and other revenue	\$79,147	6.5%	\$77,890	4.8%	\$307,993	-1.6%	\$300,826	-3.7%	\$318,556	3.4%	\$305,051	1.4%
	\$227,52				\$920,16				\$995,96			
Total revenues	7	8.5%	\$226,534	8.0%	9	4.6%	\$923,484	4.7%	9	8.2%	\$984,488	6.6%
Pro forma net income	\$24,079	10.2%	\$27,742	27.0%	\$110,705	5.3%	\$120,085	6.6%	\$140,624	27.0%	\$147,335	22.7%
Pro forma EPS	\$0.44	8.3%	0.51	25.5%	\$1.99	3.6%	2.18	5.5%	\$2.50	25.2%	2.63	20.9%

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 3: ALRM generated \$881.7mn in 2023 revenues

ALRM income statement

\$ Thousands, except EPS	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E
Revenues												0.09	0.09	0.07
Subscription revenue	460,372	520,377	135,394	140,432	145,027	148,347	569,200	148,644	153,103	157,696	163,215	622,658	679,437	724,585
Hardware and other revenue	288,597	322,182	74,322	83,443	76,827	77,890	312,482	77,890	76,332	74,042	72,561	300,826	305,051	326,932
Total revenues	748,969	842,559	209,716	223,875	221,854	226,237	881,682	226,534	229,435	231,738	235,777	923,484	984,488	1,051,517
Y/Y rev growth	21.2%	12.5%	2.1%	5.2%	2.6%	8.7%	4.6%	8.0%	2.5%	4.5%	4.2%	4.7%	6.6%	6.8%
Cost of revenues														
Service	66,758	73,897	19,583	21,576	21,917	22,822	85,898	21,553	22,965	23,654	24,482	92,656	101,916	97,819
Product	239,141	268,684	56,589	64,791	59,485	58,391	239,256	59,975	58,776	57,013	55,872	231,636	234,889	250,103
Total cost of revenues	305,899	342,581	76,172	86,367	81,402	81,213	325,154	81,529	81,741	80,667	80,355	324,291	336,805	347,922
Gross profit (total)	443,070	499,978	133,544	137,508	140,452	145,024	556,528	145,005	147,694	151,071	155,422	599,193	647,683	703,595
Operating expenses														
Sales and Marketing	82,232	88,406	25,613	22,880	23,007	25,204	96,704	27,184	26,385	26,186	26,643	106,398	109,469	112,727
General and Administrative	64,974	79,364	23,809	24,908	22,685	19,921	91,323	24,919	25,238	26,650	27,114	103,921	106,866	109,923
		185,360												
Research and Development	153,392	0	53,399	53,347	53,325	54,315	214,386	54,368	55,523	56,776	57,765	224,433	235,336	247,143
Amortization and depreciation	29,715	30,870	7,673	7,860	7,948	7,943	31,424	7,835	7,596	7,839	7,806	31,077	31,158	31,178
		384,000												
Total operating expense	330,313	0	4	5	5	3	433,837	6	3	1	9	465,828	482,828	500,970
Income/(Loss) from operations	112,757	115,978	23,050	28,513	33,487	37,641	122,691	30,699	32,951	33,621	36,093	133,364	164,855	202,625
EBITDA	142,472	146,848	30,575	36,373	41,435	45,584	153,967	38,534	40,548	41,459	43,900	164,441	196,013	233,802
Other income (expense), net	(15,956)	(9,843)	(3,067)	(2,853)	(2,877)	(2,788)	(11,585)	(2,896)	(2,854)	(2,854)	(2,848)	(11,451)	(11,427)	(11,423)
Net income before taxes	129,965	6	27,656	33,520	38,558	42,796	142,530	35,796	38,141	38,860	41,389	154,185	186,500	225,073
Corporate tax expense	27,293	28,280	5,808	7,039	8,097	8,987	29,931	8,054	8,391	8,549	9,105	34,100	39,165	47,265
Pro forma net income	102,672	106,386	21,848	26,481	30,461	33,809	112,599	27,742	29,750	30,311	32,283	120,085	147,335	177,808
Pro forma EPS	1.98	1.94	0.40	0.49	0.56	0.62	2.06	0.51	0.54	0.55	0.58	2.18	2.63	3.13
Basic shares outstanding (pro forma)	49,868	49,926	49,585	49,860	49,918	49,925	49,818	50,175	50,068	50,425	50,318	50,247	50,658	51,077
Diluted shares outstanding (pro forma)	51,814	54,933	54,269	54,446	54,779	54,712	54,625	54,912	55,112	55,312	55,512	55,212	56,012	56,812



Exhibit 3: ALRM generated \$881.7mn in 2023 revenues
ALRM income statement

\$ Thousands, except EPS	YEAR	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	YEAR	YEAR
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Source: BofA Global Research, company filings



Exhibit 4: ALRM ended 4Q23 with \$697mn in cash

ALRM balance sheet

\$ Thousands	YEAR FY21A	YEAR FY22A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E
Current Assets										
Cash and cash equivalents	710,621	622,165	696,983	652,058	691,019	721,422	759,747	759,747	914,237	1,117,757
Accounts receivable, net	105,548	124,283	130,626	147,247	156,016	166,852	176,833	176,833	192,645	203,766
Inventory	75,276	115,584	96,140	163,057	179,831	185,534	192,851	192,851	229,804	235,088
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other current assets	26,175	29,056	33,031	33,031	33,031	33,031	33,031	33,031	33,031	33,031
Total Current Assets	917,620	891,088	956,780	995,393	1,059,897	1,106,838	1,162,462	1,162,462	1,369,718	1,589,643
Property and equipment, net	41,713	57,172	54,164	58,399	62,976	67,402	71,982	71,982	91,617	113,239
Intangible assets, net	91,406	82,458	78,564	78,564	78,564	78,564	78,564	78,564	78,564	78,564
Goodwill	112,901	148,183	154,498	154,498	154,498	154,498	154,498	154,498	154,498	154,498
Deferred tax asset	13,547	84,185	131,815	131,815	131,815	131,815	131,815	131,815	131,815	131,815
Marketable securities	-	-	-	-	-	-	-	-	-	-
Operating lease right of use asset	30,479	28,933	24,242	24,242	24,242	24,242	24,242	24,242	24,242	24,242
Other assets	24,349	37,356	39,500	39,500	39,500	39,500	39,500	39,500	39,500	39,500
Total Assets	1,232,015	1,329,375	1,439,563	1,482,411	1,551,491	1,602,859	1,663,063	1,663,063	1,889,954	2,131,500
Current Liabilities										
Accounts payable and accrued expenses	89,816	119,657	124,475	135,920	165,193	176,121	193,337	193,337	228,132	241,302
Accrued compensation	23,495	25,582	28,626	22,653	22,944	23,174	23,578	23,578	25,348	26,811
Deferred revenue	5,697	7,540	10,193	10,493	10,793	11,093	11,393	11,393	12,593	13,793
Operating lease liabilities, current	10,331	12,157	12,043	12,043	12,043	12,043	12,043	12,043	12,043	12,043
Current portion of long term debt	-	-	-	-	-	-	-	-	-	-
Total Current liabilities	129,339	164,936	175,337	181,110	210,973	222,431	240,351	240,351	278,116	293,950
Deferred revenue	9,140	10,792	12,692	12,692	12,692	12,692	12,692	12,692	12,692	12,692
Long term debt	425,345	490,370	493,515	493,515	493,515	493,515	493,515	493,515	493,515	493,515
Operating lease liabilities, noncurrent	32,591	27,380	20,468	20,468	20,468	20,468	20,468	20,468	20,468	20,468
Other long-term liabilities	9,545	13,050	12,697	12,697	12,697	12,697	12,697	12,697	12,697	12,697
Total Liabilities	605,960	706,528	714,709	720,482	750,345	761,803	779,723	779,723	817,488	833,322
Redeemable convertible preferred stock	12,888	23,988	36,308	36,308	36,308	36,308	36,308	36,308	36,308	36,308
Stockholders' Equity	613,167	598,859	688,546	725,621	764,839	804,748	847,032	847,032	1,036,157	1,261,871
Total liabilities and shareholder equity	1,232,015	1,329,375	1,439,563	1,482,411	1,551,491	1,602,859	1,663,063	1,663,063	1,889,954	2,131,500

Source: BofA Global Research, company filings

Exhibit 5: ALRM generated \$136mn in CFO in 2023

ALRM cash flow statement

\$ Thousands	YEAR FY21A	YEAR FY22A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E
Cash Flows from Operations:										
Net Income	51,175	55,631	80,340	15,490	18,555	19,071	21,881	74,997	106,395	144,045
Provision for doubtful accounts	(775)	1,156	1,508					-	-	-
Reserve for product returns	2,494	4,746	4,399					-	-	-
Amortization on patents	1,240	1,359	1,213					-	-	-
Depreciation and Amortization	29,715	30,870	31,424	7,835	7,596	7,839	7,806	31,077	31,158	31,178
Amortization of debt issuance costs	15,823	3,126	3,145					-	-	-
Amortization of operating lease right of use asset	9,692	10,499	11,484					-	-	-
		(55,039)	(47,730)							
Deferred income taxes	(10,115)))					-	-	-
Tax benefit from stock based awards	-	-	-					-	-	-
Undistributed losses from equity investees	-	-	-					-	-	-
Stock based compensation	38,694	52,654	47,283	13,592	12,619	12,746	12,260	51,217	49,658	47,796
Goodwill and intangible asset impairment	-	-	-					-	-	-
Gain on release of contingent liability	-	-	68					-	-	-
Other, net, litigation/acquisition costs	710	(218)	1,423					-	-	-
Changes in Working Capital Accounts										
Accounts Receivable	(23,941)	)	)	(16,621)	(8,769)	(10,836)	(9,981)	(46,207)	(15,812)	(11,121)
		(40,308)						(96,711)	(36,953)	
Inventory	(31,443)	)	20,961	(66,917)	(16,773)	(5,703)	(7,317)	)	)	(5,284)
Other Assets	(11,912)	(8,952)	(1,338)					-	-	-
Accounts payable and accrued expenses	39,418	32,938	4,613	5,473	29,563	11,158	17,620	63,814	36,566	14,633
Deferred Revenue	2,308	3,428	4,553	300	300	300	300	1,200	1,200	1,200
		(10,643)	(16,845)							
Changes in Liabilities	(9,926)))					-	-	-
				(40,848)						
Total Cash Flow from Operating Activities	103,157	56,901	135,965	)	43,091	34,574	42,569	79,387	172,211	222,447
Investing Activities:										
Business acquisition, net of cash acquired	-	(36,880)	(9,696)					-	-	-
		(28,640)						(16,623)	(17,721)	
Additions to property and equipment	(11,062)	)	(7,517)	(4,078)	(4,130)	(4,171)	(4,244)	)	)	(18,927)
Purchases of in-process R&D			(5,915)					-	-	-
Investments in cost and equity method investees	-	140	(1,700)					-	-	-
Purchases of licenses to patents	(4,362)	-	(743)					-	-	-
Issuances of notes receivable	-	(3,000)	(450)					-	-	-
Payments received on notes receivable	59	61	55					-	-	-
Purchase of available for sale security	(5,000)	-	-	-	-	-	-	-	-	-
		(68,319)	(25,966)					(16,623)	(17,721)	
Total Cash Flow from Investing Activities	(20,365)	)	)	(4,078)	(4,130)	(4,171)	(4,244)	)	)	(18,927)
Financing Activities:										
Offering proceeds		-	-					-	-	-
Proceeds from convertible senior note	500,000	-	-					-	-	-
	(110,000)									
Repayments of term loan	)	-	(3,040)					-	-	-
Dividends paid to common stockholders	-	-	-					-	-	-
Dividends paid to redeemable convertible preferred stock holders	-	-	-					-	-	-
		(78,844)	(27,298)							
Repurchases of common stock and repayments of debt	(15,698)))					-	-	-
Issuance of ownership units in subsidiary	-	(1,500)	-					-	-	-
Issuances of common stock from equity based plans	5,704	4,020	3,598					-	-	-
Tax benefit from stock-based awards	(4,476)	-	(2,621)					-	-	-
Proceeds from issuance of preferred stock	-	-	-					-	-	-
Payments of Deferred Offering Costs	(1,160)	-	(1,672)					-	-	-
Payment for repurchase of preferred stock/NCI	-	-	(832)					-	-	-
		(76,324)	(31,865)							
Changes in Financing Activities	374,370))	-	-	-	-	-	-	-
Currency Adjustments	-	-	66					-	-	-
		(87,742)		(44,925)						
Change in Cash and Cash Equivalents	457,162	)	78,200	)	38,961	30,403	38,325	62,764	154,490	203,520

Exhibit 5: ALRM generated \$136mn in CFO in 2023
ALRM cash flow statement

\$ Thousands	YEAR	YEAR	YEAR	Mar	Jun	Sep	Dec	YEAR	YEAR	YEAR
Cash Beginning Balance	253,459	710,621	622,879	701,079	656,154	695,115	725,518	701,079	763,843	918,333
Cash Ending Balance	710,621	622,879	701,079	656,154	695,115	725,518	763,843	701,079	763,843	918,333

Source: BofA Global Research, company filings



Price objective basis & risk

Alarm.com (ALRM)

Our PO of \$83 is based on a 4.4x EV/25e revenue multiple (0.7x on an EV/25e Rev/Growth basis), a discount on EV/Rev, but a premium on EV/Rev/Growth versus <20% growth software peers, on average, at 5.3x EV/24e revenue (0.4x EV/Rev/G). We think a premium EV/Rev/Growth multiple is warranted by revenue visibility, positive secular forces and profitability.

Downside risks to our price objective are SaaS multiple compression, lower growth during housing market growth, continued COVID impact, internet company competition, ADT shifting away from Alarm.com, hardware supply, high customer concentration, ability to expand the business internationally, ability to grow beyond professionally-monitored security, fierce competition in the smart home market and dependency on security dealers

Analyst Certification

I, Michael J. Funk, 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
	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
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	Smartsheet	SMAR	SMAR 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

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Important Disclosures

Alarm (ALRM) 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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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Underperform	N/A	≥ 20%

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