

Zoom Video Communications

4Q24 Wrap: Growth decel offset by returns to shareholders

Reiterate Rating: NEUTRAL | PO: 78.00 USD | Price: 63.12 USD

Decelerating growth with shareholder returns

Zoom is guiding for 1.6% Y/Y revenue growth in FY25 versus 3.1% in FY24. Revenue growth is projected to bottom in 2Q and accelerate in the back half of the year on Zoom Phone and Zoom Contact Center growth. Returns to shareholders (a \$1.5bn repurchase program we expect to be completed in the next 12-18 months) and strong FCF generation offsets revenue headwinds and downside risk to growth, in our view. Management left open the potential for strategic acquisitions, which could alter the growth profile. We would evaluate M&A based on projected accretion/dilution and strategic fit.

4Q24 results solid, FY25 guidance mostly in line

Total revenue of \$1.146bn (+2.6% y/y) was above our estimate of \$1.129bn. Non-GAAP operating income of \$444mn also exceeded our \$417mn forecast. Management provided 1Q25 revenue guidance of \$1.125bn (\$1.125bn cc), relatively in line with consensus of \$1.131bn. Additionally, 1Q25 non-GAAP income from operations guidance of \$413mn at the mid and EPS range of \$1.18-\$1.20 were above our previous estimates of \$410mn and \$1.12 respectively. ZM introduced its full year FY25 revenue guidance of \$4.600bn (\$4.597bn cc), compared to our previous estimate of \$4.645bn and consensus of \$4.633bn. ZM also introduced FY25 non-GAAP operating income guidance of \$1.725bn at the mid, above our prior forecast of \$1.708bn.

Topline outlook largely unchanged, increasing Adj EPS ests

We update our estimates to reflect results and management guidance. While our revenue estimates remain broadly unchanged, we increase our FY25 non-GAAP EPS estimate by 6%, and lower our FY25 FCF estimate by 6% to reflect guidance.

Reiterate Neutral, but lower PO to \$78 (from \$90)

Our new \$78 PO is based on a CY25E FCF multiple of 11x (prior 14.0x on '24, we roll our multiple forward) and represents a FCF yield of 9%. The 11x multiple is a discount to the less than 20% growth software peer group trading at 28x. This discount is warranted, in our view, based on ZM's weaker visibility with regard to future growth trajectory and an increasingly competitive XCaaS environment.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	4.37	5.21	4.83	4.60	4.45
GAAP EPS	0.35	2.12	2.12	2.43	2.34
EPS Change (YoY)	-13.8%	19.2%	-7.3%	-4.8%	-3.3%
Consensus EPS (Bloomberg)			4.72	4.77	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	14.4x	12.1x	13.1x	13.7x	14.2x
GAAP P/E	180.3x	29.8x	29.8x	26.0x	27.0x
EV / EBITDA*	6.8x	6.0x	6.2x	5.9x	5.8x
Free Cash Flow Yield*	6.1%	7.5%	7.3%	8.2%	8.4%

* For full definitions of *IQmethod*SM measures, see page 10.

27 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	90.00	78.00
2025E Rev (m)	4,645.3	4,620.1
2026E Rev (m)	4,854.1	4,806.1
2027E Rev (m)	NA	4,932.3
2025E EPS	4.55	4.83
2026E EPS	4.45	4.60
2027E EPS	NA	4.45

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Stock Data

Price	63.12 USD
Price Objective	78.00 USD
Date Established	27-Feb-2024
Investment Opinion	C-2-9
52-Week Range	58.87 USD - 76.98 USD
Mkrt Val (mn) / Shares Out (mn)	19,592 USD / 310.4
Free Float	91.0%
Average Daily Value (mn)	191.44 USD
BofA Ticker / Exchange	ZM / NAS
Bloomberg / Reuters	ZM US / ZM.OQ
ROE (2025E)	17.6%
Net Dbt to Eqty (Jan-2024A)	-86.8%
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".

NDER-net dollar expansion rate

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iQprofileSM Zoom Video Communications

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	12.8%	18.7%	14.9%	12.8%	11.3%
Return on Equity	22.2%	22.6%	17.6%	15.0%	13.2%
Operating Margin	35.9%	39.2%	37.4%	37.9%	37.9%
Free Cash Flow	1,186	1,472	1,439	1,608	1,642

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	1.0x	1.0x	1.0x	1.1x	1.1x
Asset Replacement Ratio	1.3x	1.2x	1.5x	1.5x	1.5x
Tax Rate	58.4%	23.4%	22.3%	25.0%	25.4%
Net Debt-to-Equity Ratio	-87.2%	-86.8%	-86.8%	-88.2%	-89.2%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	4,393	4,527	4,620	4,806	4,932
% Change	7.1%	3.1%	2.1%	4.0%	2.6%
Gross Profit	3,480	3,619	3,675	3,846	3,947
% Change	11.5%	4.0%	1.6%	4.6%	2.6%
EBITDA	1,661	1,879	1,821	1,916	1,966
% Change	-0.8%	13.1%	-3.1%	5.2%	2.6%
Net Interest & Other Income	41	197	172	177	177
Net Income (Adjusted)	1,329	1,608	1,559	1,577	1,615
% Change	-14.2%	21.0%	-3.1%	1.2%	2.4%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	104	637	669	816	832
Depreciation & Amortization	82	104	92	96	99
Change in Working Capital	(413)	(255)	(443)	(293)	(302)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,517	1,112	1,259	1,133	1,161
Capital Expenditure	(104)	(127)	(139)	(144)	(148)
Free Cash Flow	1,186	1,472	1,439	1,608	1,642
% Change	-8.4%	24.1%	-2.2%	11.8%	2.1%
Share / Issue Repurchase	43	10	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	5,413	6,962	8,401	10,010	11,652
Trade Receivables	557	536	626	738	1,013
Other Current Assets	386	428	756	848	874
Property, Plant & Equipment	253	294	340	388	437
Other Non-Current Assets	1,519	1,710	1,513	1,332	1,060
Total Assets	8,128	9,930	11,636	13,316	15,035
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	1,739	1,762	1,798	1,809	1,813
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	183	148	161	156	160
Total Liabilities	1,921	1,910	1,959	1,965	1,973
Total Equity	6,207	8,019	9,677	11,351	13,062
Total Equity & Liabilities	8,128	9,930	11,636	13,316	15,035

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Server & Enterprise Software

Company Description

Zoom is the leader in the video conferencing market. Zoom is a video-first enterprise communication platform that addresses customer pain points with legacy conferencing solutions. The company's mission is to provide a video-led communications solution for enterprises that "just works" and fundamentally changes the way people interact.

Investment Rationale

Zoom provides a leading platform for video meetings and is positioned well to capture more wallet share with other forms of communication, in our view. However, as the pandemic subsides in 2022 and Zoom faces reopening headwinds with a broader slowdown in both new customer growth and expansion activity, and heightened Online churn. This provides little certainty as to the bottom for growth.

Stock Data

Average Daily Volume 3,033,003

Quarterly Earnings Estimates

	2024	2025
Q1	1.16A	1.17E
Q2	1.34A	1.22E
Q3	1.29A	1.23E
Q4	1.42A	1.21E

4Q24 results solid, FY25 guidance mostly in line

Total revenue of \$1.146bn (+2.6% y/y) was above our estimate of \$1.129bn. Non-GAAP operating income of \$444mn also exceeded our \$417mn forecast. Management provided 1Q25 revenue guidance of \$1.125bn (\$1.125bn cc), relatively in line with consensus of \$1.131bn. Additionally, 1Q25 non-GAAP income from operations guidance of \$413mn at the mid and EPS range of \$1.18-\$1.20 were above our previous estimates of \$410mn and \$1.12 respectively. ZM introduced its full year FY25 revenue guidance of \$4.600bn (\$4.597bn cc), compared to our previous estimate of \$4.645bn and consensus of \$4.633bn. ZM also introduced FY25 non-GAAP operating income guidance of \$1.725bn at the mid, above our prior forecast of \$1.708bn.



Exhibit 1: ZM's 4Q24 revenue was 2% above our estimate

Variance analysis

\$ in millions (except per share data)	BofA Estimates	4Q24 Actuals	Variance
Total revenues	\$1,129	\$1,146	2%
Total cost of revenues	\$236	\$239	1%
Gross profit	\$893	\$907	2%
Operating expenses			
Research and development	\$105	\$114	9%
Sales and marketing	\$287	\$279	-3%
General and administrative	\$85	\$71	-16%
Total operating expense	\$476	\$464	-3%
Income/(Loss) from operations	\$417	\$444	7%
Other income (expense), net	\$41	\$83	102%
Net income before taxes	\$458	\$527	15%
Income tax expense	\$101	\$83	-18%
Proforma net income	\$357	\$444	24%
Proforma EPS	\$1.14	\$1.42	24%
GAAP Net Income	\$96.20	\$298.83	211%
GAAP EPS	\$0.32	\$0.98	209%
Diluted shares outstanding (proforma)	312	313	1%
Growth Analysis Y-Y			
Total revenues	1.0%	2.6%	156%
Income/(Loss) from operations	2.9%	9.6%	230.9%
Proforma net income	-2.6%	21.1%	NA
Proforma EPS	-6.0%	16.4%	NA
Margin Analysis			
Gross margin	79.1%	79.2%	0%
Research and development	9.3%	9.9%	7%
Sales and marketing	25.4%	24.3%	-4%
General and administrative	7.5%	6.2%	-17%
Operating margin	36.9%	38.7%	5%
Pre-tax margin	40.5%	46.0%	13%
Tax rate - pro forma	22.0%	15.7%	-29%
Net Margin	31.6%	38.7%	22%
Balance Sheet & Cash Flow Analysis			
Total cash and equiv.	\$6,931	\$7,171	3%
Cash Flow from Operations	\$251	\$351	40%
Free Cash Flow	\$211	\$333	58%

Source: BofA Global Research, company filings

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Exhibit 2: ZM report 4Q24 revenues of \$1.146mn

ZM income statement

\$mn, except EPS	YEAR FY22A	YEAR FY23A	Apr 1Q24A	Jul 2Q24A	Oct 3Q24A	Jan 4Q24A	YEAR FY24A	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E	YEAR FY26E	YEAR FY27E
Total revenues	4099.9	4393.0	1105.4	1138.7	1136.7	1146.5	4527.2	1127.5	1150.1	1161.7	1180.9	4620.1	4806.1	4932.3
Y/Y rev growth	54.6%	7.1%	2.9%	3.6%	3.2%	2.6%	3.1%	2.0%	1.0%	2.2%	3.0%	2.1%	4.0%	2.6%
Total cost of revenues	977.9	912.9	215.2	223.9	230.3	239.0	908.3	232.3	235.8	237.0	239.7	944.7	959.9	985.1
Gross profit (total)	3122.0	3480.0	890.2	914.8	906.5	907.5	3618.9	895.2	914.3	924.7	941.1	3675.4	3846.2	3947.2
Operating expenses														
Research and Development	235.4	393.5	106.3	104.1	105.7	114.0	430.1	107.1	103.5	104.6	106.3	421.4	438.4	449.9
Sales and Marketing	890.5	1153.7	278.1	275.9	283.8	278.5	1116.4	287.5	299.0	309.0	312.9	1208.5	1258.0	1291.1
General and Administrative	338.9	353.8	83.5	73.1	69.8	71.2	297.6	90.2	74.8	75.5	76.8	317.2	330.0	338.7
Total operating expense	1464.8	1901.0	467.9	453.1	459.3	463.7	1844.1	484.8	477.3	489.1	496.0	1947.1	2026.4	2079.7
Income/(Loss) from operations	1657.1	1579.0	422.3	461.7	447.1	443.7	1774.9	410.4	437.0	435.7	445.2	1728.3	1819.8	1867.5
Operating margins	40%	36%	38%	41%	39%	39%	39%	36%	38%	38%	38%	37%	38%	38%
EBITDA	1674.9	1661.4	446.4	487.8	474.1	471.0	1879.3	432.9	460.0	458.9	468.8	1820.7	1915.9	1966.1
Other income (expense), net	(5.7)	41.4	31.2	41.1	41.9	83.1	197.3	38.1	40.4	50.8	43.1	172.4	176.7	177.4
Net income before taxes	1651.4	1620.5	453.5	502.8	489.0	526.8	1972.2	448.5	477.4	486.5	488.3	1900.6	1996.5	2044.9
Income tax expense	102.3	291.5	100.3	93.2	87.8	82.8	364.1	80.7	85.9	87.6	87.9	342.1	419.3	429.4
	0.0	0.0					0.0					0.0	0.0	0.0
Pro forma net income	1549.1	1329.0	353.3	409.6	401.2	444.0	1608.0	367.7	391.4	398.9	400.4	1558.5	1577.3	1615.4
Pro forma EPS	5.1	4.37	1.16	1.34	1.29	1.42	5.21	1.17	1.22	1.23	1.21	4.83	4.60	4.45
GAAP net income	1375.6	103.7	15.4	182.0	141.2	298.8	637.5	145.9	163.6	177.5	182.0	669.0	816.4	831.7
GAAP EPS	4.64	0.35	0.05	0.61	0.47	0.98	2.12	0.47	0.52	0.56	0.56	2.12	2.43	2.34
Basic shares outstanding	296.3	296.6	295.4	299.1	302.5	305.8	300.7	307.8	312.8	317.8	322.8	315.3	335.3	355.3
Diluted shares outstanding (pro forma)	305.8	304.2	304.1	305.9	310.4	313.5	308.5	315.5	320.5	325.5	330.5	323.0	343.0	363.0

Source: BofA Global Research, company filings

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Exhibit 3: ZM ended FY24 with \$6.96bn in cash and equivalents

ZM balance sheet

\$mn	YEAR FY22A	YEAR FY23A	YEAR FY24A	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E	YEAR FY26E	YEAR FY27E
Current Assets										
Cash, Cash Equivalents, and Marketable Securities	5,419.3	5,412.7	6,962.5	7,309.2	7,710.3	8,132.7	8,401.5	8,401.5	10,010.0	11,651.8
Contract Asset - Current	199.3	223.3	208.5	213.8	209.2	209.7	295.2	295.2	368.8	379.8
Accounts Receivable	419.7	557.4	536.1	529.9	615.3	627.3	625.9	625.9	737.6	1,012.9
Prepaid Expenses and Other Current Assets	145.6	163.1	219.2	372.1	402.5	441.5	460.5	460.5	479.4	493.8
	6,183.9	6,356.5	7,926.3						11,595.8	13,538.4
Total Current Assets	8	4	2	8,425.0	8,937.3	9,411.2	9,783.1	9,783.1	7	4
Fixed Assets	222.4	252.8	293.7	305.0	316.5	328.1	339.9	339.9	388.0	437.3
Contract Asset - Non-Current	164.7	180.0	138.7	170.1	151.8	143.6	212.6	212.6	307.3	316.5
Operating lease right-of-use assets	96.0	80.9	59.0	59.0	59.0	59.0	59.0	59.0	59.0	59.0
Goodwill	27.6	122.6	307.3	307.3	307.3	307.3	307.3	307.3	307.3	307.3
		1,135.3	1,204.9							
Other Long Term Assets	856.9	3	9	1,137.7	1,070.3	1,002.5	934.3	934.3	658.4	376.8
	7,551.3	8,128.1	9,929.8	10,404.0	10,842.1	11,251.6	11,636.2	11,636.2	13,315.6	15,035.3
Total Assets	3	1	8	0	1	6	2	2	6	3
Current Liabilities										
Accounts Payable	7.8	14.4	10.2	33.8	21.1	40.7	35.4	35.4	23.9	31.3
Accrued Liabilities	430.4	457.7	500.2	428.4	437.0	441.5	448.7	448.7	430.2	379.8
	1,141.2	1,266.1	1,251.4							
Deferred Revenue - Current	4	5	8	1,357.5	1,385.2	1,352.2	1,313.7	1,313.7	1,354.9	1,402.1
Other Current Liabilities	-	-	-	-	-	-	-	-	-	-
	1,579.4	1,738.6	1,762.4							
Total Current liabilities	7	6	2	1,819.8	1,843.3	1,834.3	1,797.8	1,797.8	1,809.0	1,813.2
Indirect Tax Liabilities	-	-	-	-	-	-	-	-	-	-
Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Other Long Term Liabilities	153.1	140.9	129.7	129.7	129.7	129.7	129.7	129.7	129.7	129.7
Deferred Revenue - Noncurrent	38.5	41.9	18.5	38.0	39.3	34.1	31.7	31.7	26.4	30.6
	1,771.6	1,921.8	1,910.9							
Total Liabilities	3	5	4	1,987.5	2,012.3	1,998.1	1,959.2	1,959.2	1,965.1	1,973.5
	5,780.0	6,206.6	8,019.4						11,350.5	13,061.8
Total stockholders' equity	0	6	4	8,416.6	8,829.8	9,253.5	9,677.0	9,677.0	5	8
	7,551.3	8,128.1	9,929.8	10,404.0	10,842.1	11,251.6	11,636.2	11,636.2	13,315.6	15,035.3
Total liabilities and shareholder equity	3	1	8	0	1	6	2	2	6	3

Source: BofA Global Research, company filings

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Exhibit 4: ZM generated \$1.6bn in CFO during FY24

ZM cash flow statement

\$mn	YEAR FY22A	YEAR FY23A	YEAR FY24A	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E	YEAR FY26E	YEAR FY27E
Cash Flows from Operations:										
Net Income	1375.6	103.7	637.5	145.9	163.6	177.5	182.0	669.0	816.4	831.7
Adjustments to reconcile net income										
Stock-based compensation expense	477.3	1285.8	1057.2	251.3	249.6	246.2	241.4	988.6	857.1	879.6
Amortization of deferred contract acquisition costs		259.4	270.7	67.1	67.5	67.8	68.1	270.5	276.0	281.5
Depreciation & Amortization	48.2	82.3	104.5	22.5	23.0	23.2	23.6	92.4	96.1	98.6
Other Accruals	0.0	0.0	--					--	--	--
Provision for accounts receivable allowances	36.7	50.3	35.2					--	--	--
Amortization of operating lease right-of-use assets	18.4	5.5	--					--	--	--
Charitable donation of common stock	--	--	--					--	--	--
Remeasurement gain on equity investment	--	--	--					--	--	--
non-cash restructuring charges										
Other	(341.8)	(83.8)	-251.6					--	--	--
Changes in Working Capital Accounts									(111.7)	(275.4)
Accounts receivable	(159.2)	(231.8)	53.3	6.2	(85.4)	(12.1)	1.5	(89.8)))
Prepaid expenses and other assets	(155.9)	(18.1)	(71.2)	(152.9)	(30.5)	(38.9)	(19.1)	(241.3)	(18.9)	(14.4)
Deferred contract acquisition costs	(247.4)	(298.6)	(214.7)	(36.7)	22.9	7.7	(154.5)	(160.6)	(168.3)	(20.3)
Accounts payable	(2.2)	11.6	(4.4)	23.6	(12.8)	19.6	(5.2)	25.3	(11.5)	7.4
Accrued expenses and other liabilities	101.4	20.5	52.0	(71.7)	8.6	4.4	7.3	(51.4)	(18.5)	(50.4)
Deferred Revenue	293.9	127.4	(46.7)	125.2	29.0	(38.2)	(40.9)	75.0	36.0	51.3
Operating lease liability, net	(17.0)	(23.8)	(22.8)					0.0	0.0	0.0
Total Cash Flow from Operating Activities	1428.0	1290.3	1598.8	380.5	435.6	457.2	304.2	1577.6	1752.7	1789.8
EBITDA	1674.9	1661.4	1879.3	432.9	460.0	458.9	468.8	1820.7	1915.9	1966.1
Investing Activities:										
Capital Expenditures	(132.6)	(103.8)	(127.0)	(33.8)	(34.5)	(34.9)	(35.4)	(138.6)	(144.2)	(148.0)
Purchase of marketable securities	(4613.5)	(2849.1)	(4,084.0)					0.0	0.0	0.0
Proceeds from marketable securities	1867.9	2835.2	3,132.6					0.0	0.0	0.0
Purchase of intangible assets	(93.4)	(11.3)	-					0.0	0.0	0.0
Other	112.6	(189.3)	(105.4)					0.0	0.0	0.0
Total Cash Flow from Investing Activities	(2859.1)	(318.3)	(1,183.7)	(33.8)	(34.5)	(34.9)	(35.4)	(138.6)	(144.2)	(148.0)
Financing Activities:										
Proceeds from initial public offering, net	-	-	-					-	-	-
Cash paid for repurchases of common stock		(867.6)	-					-	-	-
Proceeds from international employee stock sales	(28.3)	-	-					-	-	-
Proceeds from exercise of stock options, net	14.4	43.2	10.2					-	-	-
Principal payments on capital lease obligations	-	-	-					-	-	-
Proceeds from issuance of convertible notes	-	-	-					-	-	-
Other	48.0	(112.53)	50.0					-	-	-
Cash flow from Financing	-	-	-	-	-	-	-	-	-	-
Changes in Financing Activities	34.1	(936.9)	60.2	-	-	-	-	-	-	-
Currency Adjustments	-	(8.1)	(10.2)					-	-	-

Exhibit 4: ZM generated \$1.6bn in CFO during FY24

ZM cash flow statement

\$mn	YEAR	YEAR	YEAR	Apr	Jul	Oct	Jan	YEAR	YEAR	YEAR
Change in Cash and Cash Equivalents	(1219.8)	26.9	465.1	346.7	401.1	422.4	268.8	1439.0	1608.5	1641.9
Cash Beginning Balance	2293.1	1073.4	1100.3	1565.4	1912.1	2313.2	2735.6	1565.4	3004.4	4612.9
Cash Ending Balance	1073.4	1100.3	1565.4	1912.1	2313.2	2735.6	3004.4	3004.4	4612.9	6254.8

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH

Price objective basis & risk

Zoom Video Communications (ZM)

Our \$78 PO is based on CY25 free cash flow multiple of 11x and represents a free cash flow yield of 9%. The 11x multiple is a discount to the less than 20% growth software peer group trading at 28x. This discount is warranted based on ZM's weaker visibility with regards to future growth trajectory and an increasingly competitive xCaaS environment.

Upside risks to our price objective are stabilization of the non-enterprise user base, successful penetration of enterprise phone and contact center and acquisition.

Downside risks are greater-than-expected attrition of non-enterprise users, failed M&A, a prolonged economic downturn and heightened competitive pressure.

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
NEUTRAL	Autodesk	ADSK	ADSK US	Michael J. Funk



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
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	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	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

$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) \times (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$

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
 $\text{EV} = \text{Current Share Price} \times \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$
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
 $\text{Market Cap} = \text{Current Share Price} \times \text{Current Basic Shares}$
Sales

Basic EBIT + Depreciation + Amortization

Valuation Toolkit

Numerator

Denominator

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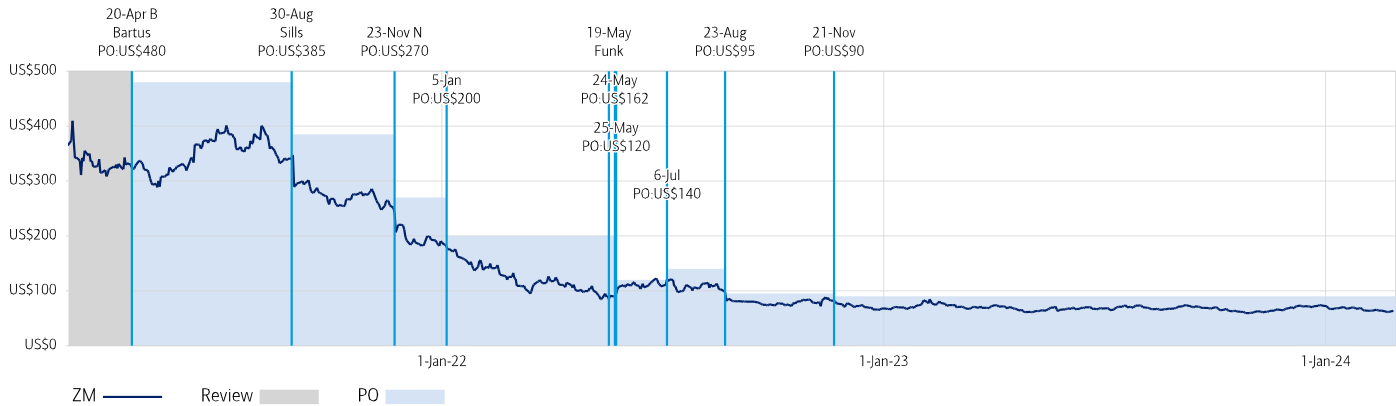
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Zoom (ZM) Price Chart



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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%

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Buy	≥ 10%	≤ 70%
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Underperform	N/A	≥ 20%

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