

European Technology

Software, Payments & IT Services Year Ahead 2024: surfing the rate cycle

Rating Change

Solid outlook for Software, work in progress elsewhere

The EMEA Software, IT Services and Payments space outperformed the market by 14pp in 2023, with the compression in interest rates expectations driving a 30% multiple expansion. As European and US macro remains uncertain (we expect a mild deceleration in global / US GDP in 2024), we see contrasting fates across our coverage in 2024: we remain constructive on the **Software** outlook with a mix of growth acceleration and margin expansion. **IT Services** should continue to decelerate short term, but we expect a recovery from H2 2024. **Payments** remains pressured by macro, but we see support from attractive valuations and M&A. **Gen AI** remains an emerging theme: although we do not expect meaningful contribution to forecasts in 2024, but see it an additional opportunity on a multiyear view, both from a growth and margin perspective.

Remain bullish on high visibility software

Our coverage was up 41% in 2023. We remain positive on the group, with top line set to accelerate from 6.8% in 2023 to 8.8% in 2024. Alongside this, we expect margin expansion across the group to drive 10% EBIT growth. While multiple expansion is likely to take a breather with rate expectations stabilising, we expect the group to continue to outperform the market on superior earnings growth. Reiterate **Buy on SAP**, top line benefiting from Cloud scale (>50% revenues growing c 25%). We upgrade **Sabre to Neutral** on more balanced risk/reward. In travel IT, we maintain our **Buy on PROS** with exposure to powerful secular themes on steep sector discount.

Payments: Growth, value and M&A

We reiterate our **Underperform (U/P) on Paysafe**. We expect M&A to become an increasing theme considering weak share price performances in 2023 and pick up in private equity interest in the space.

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Frederic Boulan, CFA >>
Research Analyst
MLI (UK)
+44 20 7995 7101
frederic.boulan@bofa.com

Aditya Buddhavarapu, CFA >>
Research Analyst
MLI (UK)
+44 20 7995 7318
aditya.buddhavarapu@bofa.com

Victor Cheng, CFA >>
Research Analyst
MLI (UK)
+44 20 7996 0272
victor.cheng@bofa.com

James Pavey, CFA >>
Research Analyst
MLI (UK)
+44 20 7996 1156
james.pavey@bofa.com

Exhibit 1: Price objective changes

Sabre upgraded to Neutral from Underperform

Company	Ticker	Rating	Old	New
Paysafe	PSFE US	U/P	\$13.7	\$13.4
PROS	PRO US	Buy	\$44.0	\$43.0
Sabre	SABR US	Neutral	\$3.5	\$5.0
SAP	SAP US	Buy	\$163.0	\$186.0
SAP	SAP GY	Buy	€ 152	€ 173

Source: BofA Global Research

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Refer to important disclosures on page 14 to 18. Analyst Certification on page 13. Price Objective Basis/Risk on page 12.

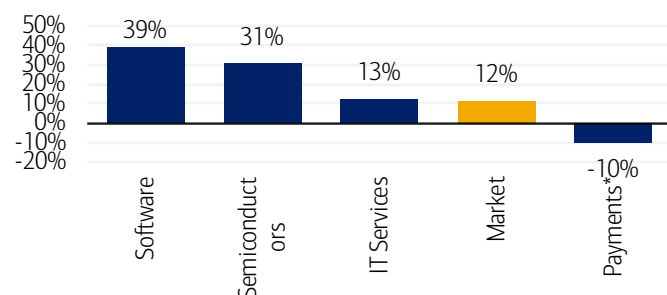
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6 Key charts

Exhibit 2: Share price performance 2023 (%)

Sector performance in 2023: Software / IT Services coverage outperformed the market



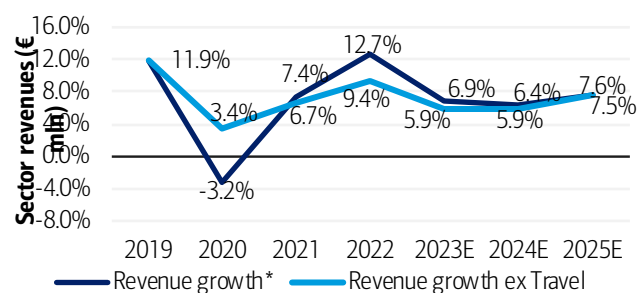
Source: Bloomberg

*Semiconductors based on MSCI Europe index, Software, IT Services and Payments based on average of our sector coverage, Market = STOXX Europe 600 Price Index

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Exhibit 4: Top-line profile – stable 2024

We expect top line growth to stabilize at c.6-7% per annum in 2024-2025 following 2021/2022 post-COVID catch-up



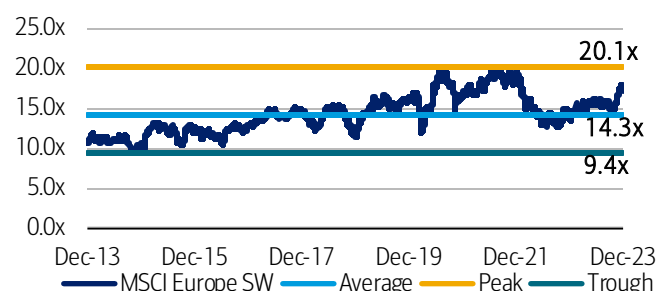
Source: BofA Global Research estimates

*Revenue growth on an organic ex-Fx basis

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Exhibit 6: MSCI Europe Software EV/EBITDA vs. average – 10 year – trading at 17.3x

MSCI Europe Software EV/ EBITDA: Trading 2.8x below peak, +3.0x / 21% vs. 10Y average

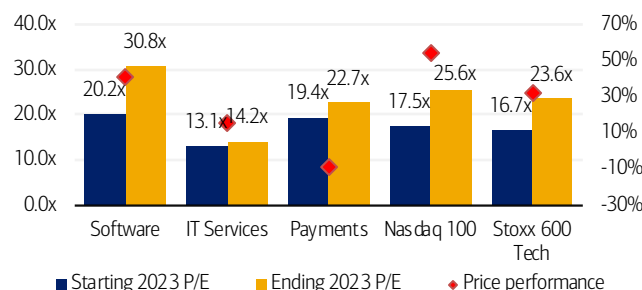


Source: BofA Global Research, Bloomberg

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Exhibit 3: Average P/E across the European tech subsectors

Software experience significant rerating in 2023

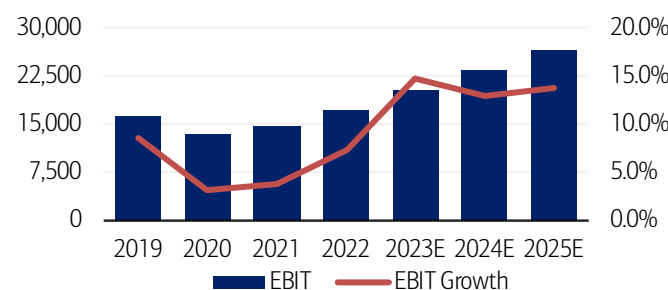


Source: BofA Global Research estimates, DataStream,

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Exhibit 5: EBIT and growth outlook

EBIT growth to rebound in conjunction with revenue

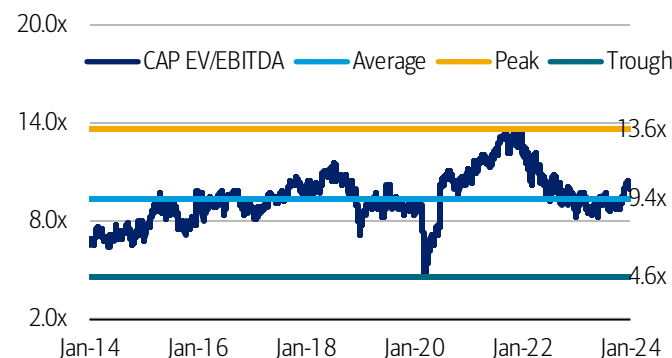


Source: BofA Global Research estimates

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Exhibit 7: Capgemini EV/EBITDA vs. average – 10 year – trading at 9.9x

Capgemini Europe EV/ EBITDA: Trading 4x below peak, +0.5x / 6% vs. 10Y average



Source: BofA Global Research, Bloomberg

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Key themes for 2024

Theme #1: Resilient top line outlook

Sector revenue growth slowed to 6.9% in 2023 down from a recent record of 12.4% (+9.1% ex Travel) in 2022, in line with our early 2023 expectations. We expect a modest tick down with 6.4% growth in 2024. Per segment, we expect Software to accelerate to +8.8% in 2024 up from +6.8% in 2023, driven by strong momentum at SAP (+8.7% vs +6.6% in 2022), DSY (+9.5% vs 8.1%) or Sage (broadly stable at +9.4%). IT Service should continue to slow to 2.2% growth in 2024 from 3.2% in 2023. We expect Payments to slow from 13.7% in 2023 to 9.3% in 2024, with both WLN and Nexi slowing by c2pp vs 2023), while Travel IT should continue to normalise with 12% growth in 2024 vs 19% growth in 2023. We expect Generative AI to evolve from “pilot” to “production” phase, with more product launches or dedicated services paving the way for monetization in the medium term.

Theme #2: Operating leverage in full steam

2023 has seen a more stable inflationary environment, removing pressure on Tech opex, driving an increase in sector EBIT margins from 15% in 2022 to 17% in 2023. With labour cost representing the majority of group costs both in software and IT Services, the ability to pass increasing wage costs to customers has been key in 2022 and 2023, and we expect 2024 to show limited wage inflation, while pricing power remains on the top line – driving an additional 140bps increase in EBIT margins.

Theme #3: M&A appetite to remain high

The level of M&A activity remains high in the sector, with a mix of strategics (Deutsche Börse for Simcorp, Thales for Imperva) or Private Equity deals (SilverLake for Qualtrics, Software AG, Bain for SoftwareOne, GTCR for WorldPay, Brookfield for Network International, EQT for SUSE). Activists have been vocal in specific situations (Atos, Temenos). M&A should remain a feature in 2024 with Software specialist private equity funds holding high cash position after strong fund raisings and limited deployments in 2023 – the PE industry has entered 2024 with a record \$2.6tn in cash reserves available for buy-outs, according to S&P Global Market Intelligence.

Theme #4: Valuation: what's priced in?

2023 has seen a 32% multiple expansion across our coverage, leaving Software to trade at 20% premium to 10 year averages, and reversing the 27% multiple contraction the sector experienced in 2022. Both IT Services and Payments are trading c20% below long term averages. The 1pp 3 month increase in US and EU long term rates implies c 20% expansion in sector multiples. With sector multiples having rebounded, we expect only moderate potential multiple expansion as rate cuts expectations stabilise. We note Software stocks outperformed the market through the Global Financial Crisis, and started to re-rate soon after the first earnings cuts (and usually 6-12m pre EPS recovery). Technology continues to present one of the highest growth profile in the European market (c 8.4% top line growth, 19% EPS CAGR 2022-2025), but equally commands the highest valuation at 23x 2024 PE. However, a more benign rate environment should support existing multiples with earnings growth to drive sector performance.

Paysafe (Underperform, PO US\$13.4)

Turnaround in progress but execution risks remain; Underperform

Paysafe is a specialized merchant acquirer and digital wallet provider, positioned to capitalize on exposure to high growth verticals (iGaming, digital assets, online gaming). We forecast a c.7%/c.11% revenue/ Adj. EBITDA growth over 2023-26E, with management's turnaround plan showing early signs of progress as shown by recent merchant wins and stabilization in Digital Wallets user growth. However, we continue to see execution risks around the upsell/cross-sell strategy, increasing penetration within verticals as well as sustained growth acceleration in Digital Wallets. Leverage also remains elevated at 5.0x 2023E Net Debt/EBITDA. We therefore remain Underperform.

Paysafe's FY 2023 results date is to be determined.

Exhibit 8: Paysafe – BofA estimates for Q4'23

c.1% below on 4Q23 consensus revenues, c.2% below on Adj. EBITDA

			Q4'23E	Δ (%)	
\$mn (except per share values)	Q4 2022	Q4 2023E	YoY BofA	Cons.	BofA vs. cons.
Payment volume - Merchant Solutions	28,000	30,001	7%	29,973	0.1%
Payment volume - Digital Wallets	5,278	5,919	12%	5,764	2.7%
Payment volume - Intersegments	(161)	(187)	16%	(163)	15.0%
Total payment volume	33,117	35,733	7.9%	35,601	0.4%
% YoY growth reported	5.2%	7.9%	273 bps	7.5%	40 bps
Revenue - Merchant Solutions	208.6	219.5	5.2%	223.1	-1.6%
Revenue - Digital Wallets	177.1	191.7	8.3%	192.2	-0.3%
Revenue - Intersegments	(2.1)	(3.3)	56.8%	(2.5)	31.5%
Revenue	383.6	407.9	6.3%	412.8	-1.2%
% YoY growth reported	3.2%	6.3%	315 bps	7.6%	-129 bps
EBITDA - Operating	107.5	119.5	11.1%	121.8	-1.9%
% margin	28.0%	29.3%	126 bps	29.5%	-20 bps
Operating income/(loss)	(15.4)	44.4	-388.9%	44.9	-0.9%
% margin	-4.0%	10.9%	1491 bps	10.9%	3 bps
Net income/ (loss)	(60.9)	12.0	-119.7%	10.2	17.2%
EPS - Diluted - Operating	0.55	0.61	12.5%	0.63	-2.4%

Source: BofA Global Research estimates, Visible Alpha consensus, Company report

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Exhibit 9: Paysafe – BofA estimates for FY'24

c.0.5% below on FY'24 consensus revenues, c.1% ahead on Adj. EBITDA

\$mn (except per share values)	FY'24E		Δ (%)
	BofA	VA	BofA vs. cons.
Payment volume - Merchant Solutions	130,300	127,617	2.1%
Payment volume - Digital Wallets	23,969	23,482	2.1%
Payment volume - Intersegments	(748)	(698)	7.2%
Total payment volume	153,520	150,518	2.0%
% YoY growth reported	9.6%	7.5%	204 bps
Revenue - Merchant Solutions	940.1	940.3	0.0%
Revenue - Digital Wallets	774.0	776.0	-0.3%
Revenue - Intersegments	(13.2)	(9.1)	44.0%
Revenue	1,701.0	1,707.2	-0.4%
% YoY growth reported	6.7%	6.7%	-6 bps
EBITDA - Operating	507.9	503.6	0.8%
% margin	29.9%	29.5%	36 bps
Operating income/(loss)	193.7	195.3	-0.8%
% margin	11.4%	11.4%	-5 bps
Net income/ (loss)	5.3	66.2	-92.0%
EPS - Diluted - Operating	2.25	2.59	-13.5%

Source: BofA Global Research estimates, Visible Alpha consensus, Company report

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PROS (Buy, PO US\$43)

Powerful secular themes on steep sector discount, Buy

The C-19 crisis underscores the value PROS offers in both of its end markets. For B2B, its tools to enable a more automated sales process fit well with the trend towards the rising tide of online commerce in complex B2B industries. And in travel, its tools for dynamic demand forecasting are more critical than ever in volatile times.

We continue to see PROS as a unique asset in the enterprise software industry – it has been investing in machine learning for decades, which we think is not easy for competition to replicate. While short-term growth rates will be impacted, this seems understood by the market and we think things will recover more rapidly than consensus projects – we are 3-5% above the Street for FY24/25e revenue (source: VA consensus). In our view, PRO remains on a steep sector discount even though it continues to be at the nexus of powerful secular themes, enhanced by the accelerated adoption of NDC. PO to \$43 (from \$44) as we now value PRO on FY24e Sales multiple of 7x (previously 8x FY23 Sales).

PROS' FY2023 results date is to be determined.

Exhibit 10: PROS – BofA estimates for Q4'23

BofAe c.1% ahead of consensus on Q4 revenue

In US\$m (except per share values)	Q4'23E					Δ (%)		
	Act. Q4 2022	BofA Q4 2023E	YoY	Cons. Q4 2023E	Guidance Q4 2023E	BofA vs. Cons.	BofA vs. Guidance	Cons. vs. Guidance
Revenue	70.9	77.6	9.4%	76.9	76.5	0.9%	1.4%	0.5%
% YoY growth	9.2%	9.4%	19 bps	8.4%	7.8%	94 bps	152 bps	58 bps
Adjusted EBITDA	2.4	3.6	52.9%	5.9	3.5	-38.1%	4.1%	68.1%
% Adj. operating profit margin	3.4%	4.7%	134 bps	7.6%	4.6%	-295 bps	12 bps	307 bps
Adjusted Operating profit	1.2	2.0	59.0%	4.9		-60.2%		
% Adj. operating profit margin	1.7%	2.5%	79 bps	6.4%		-387 bps		
Reported Operating profit	-14.9	-13.7	-7.9%	-7.6	-9.9	N.M.	N.M.	N.M.
Adjusted EPS	0.02	0.13	451.8%	0.09	0.04	50.0%	223.8%	115.9%
Reported EPS	-0.38	-0.28	-26.0%	-0.20		N.M.		
Equity FCF	-2.0	17.3	-969.2%	11.4		50.9%		
Net Debt	86.2	79.5	-7.8%	-22.6		N.M.		

Source: BofA Global Research estimates, Visible Alpha consensus, Company guidance (mid-point of range), Company report

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Exhibit 11: PROS – BofA estimates for FY'24

BofAe c.2% ahead of consensus on FY'24 revenue

In US\$m (except per share values)	2024E		Δ (%)
	BofA	Cons.	BofA vs. Cons.
Revenue	343.0	337.0	1.8%
% YoY growth	12.9%	11.2%	169 bps
Adjusted EBITDA	19.6	18.0	9.2%
% Adj. operating profit margin	5.7%	5.3%	39 bps
Adjusted Operating profit	13.9	13.2	4.9%
% Adj. operating profit margin	4.0%	3.9%	12 bps
Reported Operating profit	-35.2	-36.9	N.M.
Adjusted EPS	0.26	0.20	26.9%
Reported EPS	-0.87	-0.94	N.M.
Equity FCF	22.4	17.6	27.2%
Net Debt	61.6	83.3	-26.1%

Source: BofA Global Research estimates, Visible Alpha consensus, Company report

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Sabre (Neutral, PO US\$5.0)

More balanced risk reward, upgrade to Neutral, PO to \$5 (from \$3.5)

We upgrade Sabre to Neutral from Underperform as we believe near-term risks have somewhat eased: 1/ on air bookings, management is no longer assuming 1.5pp recovery per quarter, a target which investors have been increasingly questioning in the last few months. 2/ Sabre has largely been successful in realising the \$200m annualised cost savings laid out in Q1'23 and is now more likely to de-lever the balance sheet sooner than previously expected. 3/ Near term liquidity and refinancing concerns have subsided as interest rates have likely peaked while Sabre has also managed to extend most of the FY25 debt beyond FY27.

However, in our view, long term risks continue to persist. 1/ We question Sabre's ability to invest adequately to remain competitive long term across all segments amid deeper cost cuts and on-going migration away from mainframe. 2/ We believe adequate investment is more important than any prior years at a time when airlines are going through a generational technological change in both air distribution and airline IT. 3/ We believe Sabre continues to lag behind leading NDC players (Amadeus included) on NDC adoption. With a number of Tier 1 airlines now pushing faster on NDC adoption, Sabre faces a higher risk of disintermediation vs peers.

Overall, we view risk/reward as more balanced from here. We continue to use a DCF approach to better reflect the multi-year recovery and growth profile. PO to \$5 (from \$3.5) as we model marginally higher growth in outer years along with a lower WACC of 10.3% (prev. 11%).

Sabre's FY 2023 results date is to be determined.

Exhibit 12: Sabre – BofA estimates for Q4'23

c.4% below on consensus revenue in Q4'23, c.7% below Q4 guidance on revenue

In US\$mn (except per share values)	Act. Q4 2022	BofA Q4 2023E	YoY	Cons. Q4 2023E	Guidance	Q4'23E		Δ (%)
						BofA vs. Cons.	BofA vs. Guidance	
Travel Solutions	574	603	5.0%	641		-5.9%		
Hospitality Solutions	65	79	21.7%	75		5.9%		
Revenue	631	682	8.0%	707	729	-3.5%	-6.5%	-3.1%
% YoY growth	26%	8%	-1809 bps	12%	16%	-396 bps	-756 bps	-360 bps
Adjusted EBITDA	1	68	4547.5%	96	104	-29.4%	-34.8%	-7.7%
Adj. EBITDA margin	0.2%	9.9%	969 bps	13.6%	14.2%	-363 bps	-430 bps	-67 bps
Adjusted EBIT	-30	16	-153.7%	77		-78.9%		
Adj. EBIT margin	-4.8%	2.4%	719 bps	10.9%		-852 bps		
Adjusted net income	-117	-79	-32.7%	-33		N.M.		
Adjusted diluted EPS	-0.36	-0.25	-30.3%	-0.09		N.M.		
GAAP Net Income	-159	59	-137.3%	-51		N.M.		
GAAP diluted EPS	-0.51	0.21	-140.8%	-0.14		N.M.		
Reported FCF	22	134	501.7%	91		46.9%		

Source: BofA Global Research estimates, Visible Alpha consensus, Company guidance (mid-point of range), Company report

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Exhibit 13: Sabre – BofA estimates for FY'24

Mostly in line with consensus on revenue in FY'24; c.2% below on Adj. EBITDA

	2024E		Δ (%)
In US\$mn (except per share values)	BofA	Cons.	BofA vs. Cons.
Travel Solutions	2,903	2,900	0.1%
Hospitality Solutions	345	350	-1.5%
Revenue	3,219	3,213	0.2%
% YoY growth	11%	10.0%	93 bps
Adjusted EBITDA	618	631	-2.1%
Adj. EBITDA margin	19.2%	19.6%	-45 bps
Adjusted EBIT	484	520	-6.9%
Adj. EBIT margin	15.0%	16.2%	-114 bps
Adjusted net income	49	65	-24.8%
Adjusted diluted EPS	0.15	0.17	-14.2%
GAAP Net Income	-98	-45	N.M.
GAAP diluted EPS	-0.30	-0.13	N.M.
Reported FCF	59	159	-63.1%

Source: BofA Global Research estimates, Visible Alpha consensus, Company report

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SAP (Buy, PO €173)

Surfing the cloud momentum, Buy

SAP has outperformed our coverage in 2023 with shares up 43% (12m) vs SX8P +30%. We see SAP's service proposition and business model as well suited to an uncertain economic environment, with a product offering critical to deliver efficiencies for companies, while the transition to a cloud based subscription model is largely under way, leaving licences at only 5% of sales in 2023.

With SAP RISE's launch, we expect Cloud momentum to accelerate, with AI providing an additional mid-term route to revenue expansion. With Cloud now accounting for over 50% of Software revenues (2023) and growing close to 25% (last cloud backlog +25% YoY), we expect group revenue growth to accelerate to 8.7% c.c. in 2024 and 10.5% c.c. in 2025. Alongside this, SAP should reap the benefits of its migration to a single cloud delivery platform and extract operating leverage, driving margins to expand c 130bps per annum in the coming three years.

We expect shares to continue to outperform as (1) Cloud momentum continues remains solid in an uncertain macro backdrop, with the current cloud backlog to continue to grow >20% in 2024, driven by new wins and modules upsell, (2) EBIT accelerates to double digit in 2024-2026, supporting multiple expansion., and (3) an unlevered balance sheet allows for enhanced shareholder returns – absent M&A, SAP could return €6.8bn or 4% of its market cap by YE 2025 on top of the existing dividend and €5bn buy back while staying debt free.

SAP will report FY 2023 results on 24 Jan. Key points to watch out for:

- For Q4, we forecast an improvement in Cloud revenue growth to +24% (vs +23% in Q3), leading to 22.5% cloud growth for the year, at the low-end of its +23-24% guidance range. In addition, SAP has cautioned for a soft Q4 EBIT, implied by its FY guidance. In particular, Q4 will be impacted by the Litmus sale gain in Q4 2022 (€100mIn headwind) and incremental sales commission amortisation (€61mIn headwind), altogether a 6pp drag on Q4 EBIT growth, while Cloud Gross margins should slightly contract QoQ; we therefore forecast a 2.7% EBIT decline YoY, ex FX.
- For 2024 we forecast 8.7% top line revenue growth (including 24% cloud growth), 15% EBIT growth, and a FCF of €5.8bn, impacted by the reversal of factoring policy announced in Dec 2023. Although our revenue and EBIT forecasts are broadly aligned with consensus, our FCF is 6% below, not reflecting yet the factoring unwind.

Exhibit 14: BofA vs. 4Q23 consensus for SAP

BofAe c.2% below consensus on Q4'23 revenues, c.5% below on operating profit

In €mn (except per share values)	Q4'23E				Δ (%)		
	Act. Q4 2022	BofA Q4 2023E	YoY	Cons. Q4 2023E	Guidance	BofA vs. Cons.	Cons. vs. Guidance
Current Cloud Backlog	24%	25%	100 bps				
Licences	907	649	-28.5%	620		4.7%	
Maintenance	2,993	2,855	-4.6%	2,866		-0.4%	
Cloud Subscription	2,970	3,555	19.7%	3,753		-5.3%	
Cloud and software revenue	6,870	7,058	2.7%	7,239	6,896	-2.5%	2.3%
Software % YoY growth constant currency		6.8%	680 bps	6.5%		28 bps	680 bps
Services revenue	1,042	1,083	3.9%	1,101		-1.7%	
Total Revenue	7,912	8,141	2.9%	8,342		-2.4%	
Adjusted Operating profit	2,560	2,388	-6.7%	2,520	2,269	-5.3%	5.3%
Adj. EBIT margin	32.4%	29.3%	-302 bps	30.2%		-88 bps	
YoY ex FX growth		11.1%	1111 bps	2.7%		839 bps	
Reported Operating profit	-100	3,621	-3719.7%	1,903		90.2%	
% margins	-1.3%	44.5%	4574 bps	22.8%		2166 bps	
Adjusted EPS		1.87		1.59		17.5%	
Reported EPS	-0.96	2.82	-394.0%	1.18		138.9%	
FCF	1,806	1,447	-19.9%	1,379	1,397	4.9%	3.6%
						-1.3%	

Source: BofA Global Research estimates, Visible Alpha consensus, Company guidance (mid-point of range), Company report

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Exhibit 15: BofA vs. FY'24 consensus for SAP

BofAe c.1% below consensus on FY'24 revenues, c.1% ahead on operating profit

In €mn (except per share values)	2024E		Δ (%)
	BofA	Cons.	BofA vs. Cons.
Current Cloud Backlog			
Licences	1,088	1,140	-4.5%
Maintenance	11,108	11,104	0.0%
Cloud Subscription	16,702	17,102	-2.3%
Cloud and software revenue	28,898	29,346	-1.5%
Software % YoY growth constant currency	9.4%	9.3%	11 bps
Services revenue	4,457	4,461	-0.1%
Total Revenue	33,354	33,804	-1.3%
Adjusted Operating profit	9,861	9,775	0.9%
Adj. EBIT margin	29.6%	28.9%	65 bps
YoY ex FX growth	18.0%	14.2%	386 bps
Reported Operating profit	7,189	7,133	0.8%
% margins	21.6%	21.1%	45 bps
Adjusted EPS	4.60	6.08	-24.4%
Reported EPS	4.12	4.32	-4.8%
FCF	5,784	6,135	-5.7%

Source: BofA Global Research estimates, Visible Alpha consensus, Company report

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Exhibit 16: Stocks mentioned

Prices and ratings for stocks mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
PSFE	PSFE US	Paysafe	US\$ 12.50	C-3-9
PRO	PRO US	PROS	US\$ 32.87	C-1-9
SABR	SABR US	Sabre	US\$ 4.35	C-2-9
SAP	SAP US	SAP	US\$ 149.85	B-1-7
SAPGF	SAP GY	SAP	EUR 137.08	B-1-7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk**Paysafe (PSFE)**

We value shares of PSFE using a sum-of-the-parts methodology given the company's business mix. Our \$13.4 PO is based on a blended multiple of 6.2x our 2024E adjusted EBITDA. We apply a 50% discount to the merchant acquiring comp group EV/EBITDA multiple and a 55% discount to the digital wallet comps given PSFE's vertical concentration.

Upside/downside risks are: iGaming concentration (abating/increasing), (increased/less intensive) gaming regulation, (improved/higher) leverage and (less/more) competition.

PROS (PRO)

We value PROS based on an EV/Sales multiple for 2024e of 6x, resulting in a price objective (PO) of \$43. This multiple is based on an equal weighing of SaaS peers and airline IT competitors to broadly reflect PROS' revenue composition.

Downside risks to our price objective are 1) further volatility in the sales process as customers struggle to deploy PROS' complex offerings. 2) Regulation which further curtails PROS' customers ability to use data to price effectively. 3) Competition from platform vendors like Salesforce and SAP, which use their strength in CRM (Customer Relationship Management) and ERP (Enterprise Resource Planning) to cross-sell pricing solutions, 4) a more prolonged negative impact to travel from the COVID-19 pandemic.

Sabre (SABR)

We value Sabre at a PO of \$5 per share using a DCF approach. Key assumptions in our DCF model are 1) WACC of 10.3%, 2) long-term revenue growth of 1% and 3) 25% in terminal EBITDA margin.

Upside risks are (1) better macro/faster recovery from COVID-19 that drives up bookings volumes, and (2) further potential new wins with hospitality groups and/or airlines for the reservations IT platform.

Downside risks are (1) weak demand for corporate travel due to a secular shift to video calls, (2) market share loss in distribution and IT solutions.

SAP SE (SAPGF / SAP)

Our price objective is based on Sum of the Parts model, valuing Cloud, on-prem and services separately. We use a 25x 2024E EV/EBITDA for the Cloud business, in line with US peers. We value the on-prem business using a DCF (~8% revenue growth to 2031, terminal growth 0%, 40% terminal EBIT margins, WACC 6.7%), while we value the services business at a 14x EV/EBITDA multiple, in line with IT Services peers. This results in a €173 (US\$186) price objective.

Upside risks to our price objective are (1) a faster multiple re-rating as the market prices in a successful cloud transition, and (2) slower erosion in the core licence business.

Downside risk include increased competition esp from Cloud native peers, and execution challenges leading to a weaker than expected growth or margin profile.

Analyst Certification

We, Frederic Boulan, CFA, Aditya Buddhavarapu, CFA and Victor Cheng, CFA, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

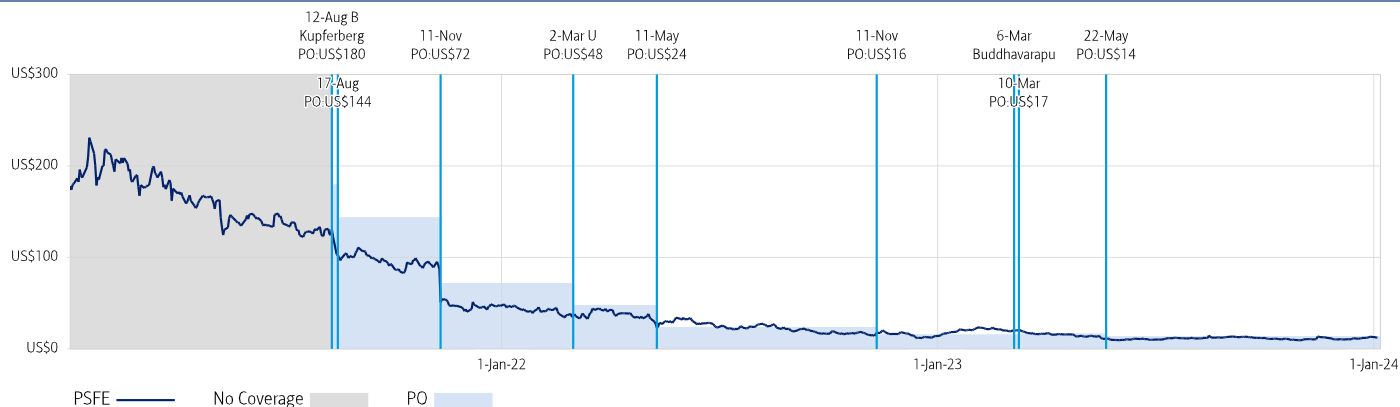
EMEA - Technology Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Adyen	ADYEY	ADYEY US	Frederic Boulan, CFA
	Adyen N.V.	ADYYF	ADYEN NA	Frederic Boulan, CFA
	Alten	ABLGF	ATE FP	Aditya Buddhavarapu, CFA
	Amadeus	AMADF	AMS SQ	Victor Cheng, CFA
	Amadeus	AMADY	AMADY US	Victor Cheng, CFA
	Capgemini	CAPMF	CAP FP	Frederic Boulan, CFA
	Capgemini	CGEMY	CGEMY US	Frederic Boulan, CFA
	Nexi SpA	NEXPF	NEXI IM	Aditya Buddhavarapu, CFA
	PROS	PRO	PRO US	Victor Cheng, CFA
	Sage	SGGEF	SGE LN	Frederic Boulan, CFA
	SAP SE	SAPGF	SAP GY	Frederic Boulan, CFA
	SAP SE	SAP	SAP US	Frederic Boulan, CFA
	Sopra Steria	SPSAF	SOP FP	Aditya Buddhavarapu, CFA
	Temenos AG	TMNSF	TEMN SW	Frederic Boulan, CFA
	Temenos AG	TMSNY	TMSNY US	Frederic Boulan, CFA
	Wise	WPLCF	WISE LN	Aditya Buddhavarapu, CFA
	Worldline	WWLNF	WLN FP	Frederic Boulan, CFA
	Worldline	WRDLY	WRDLY US	Frederic Boulan, CFA
NEUTRAL				
	Dassault Systemes	DASTF	DSY FP	Frederic Boulan, CFA
	Dassault Systemes	DASTY	DASTY US	Frederic Boulan, CFA
	Netcompany	NTCYF	NETC DC	Aditya Buddhavarapu, CFA
	Sabre	SABR	SABR US	Victor Cheng, CFA
	TietoEVRY	TCYBF	TIETO FH	Aditya Buddhavarapu, CFA
UNDERPERFORM				
	Atos	AEXAF	ATO FP	Frederic Boulan, CFA
	Bechtle Ag	BHTLF	BC8 GY	Aditya Buddhavarapu, CFA
	Darktrace	DRKTF	DARK LN	Victor Cheng, CFA
	Kainos	KNNNF	KNOS LN	Aditya Buddhavarapu, CFA
	Nemetschek	NEMTF	NEM GY	Victor Cheng, CFA
	Paysafe	PSFE	PSFE US	Aditya Buddhavarapu, CFA
	Sinch	CLCMF	SINCH SS	James Pavey, CFA
	TeamViewer	TMWWF	TMV GY	Victor Cheng, CFA

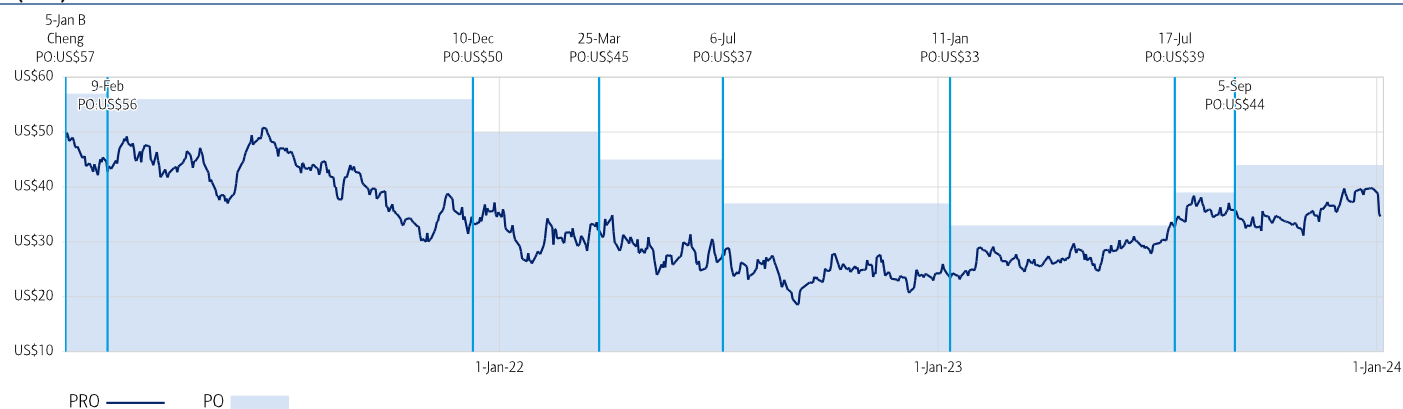
Disclosures

Important Disclosures

Paysafe (PSFE) Price Chart

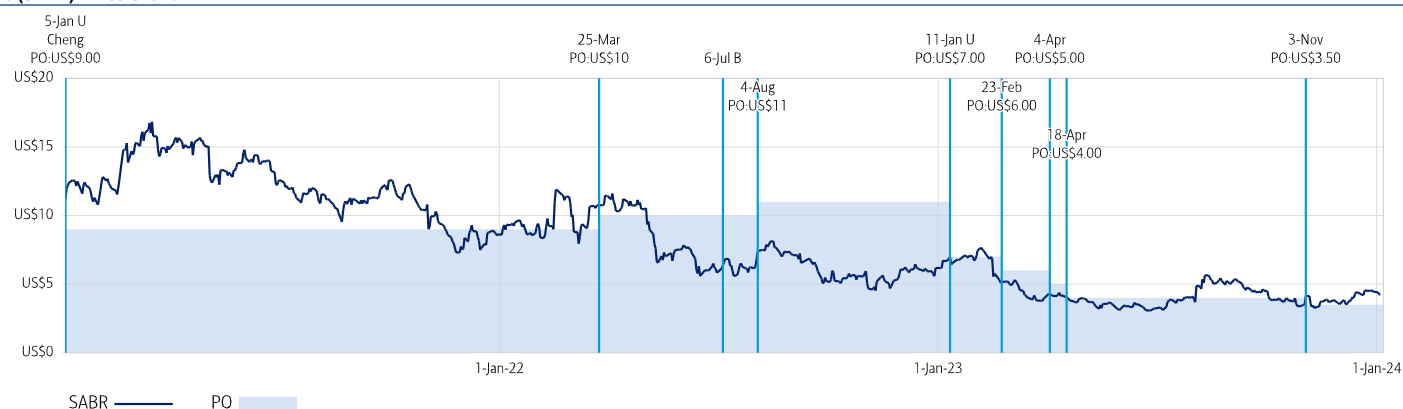


The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey 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.

PROS (PRO) Price Chart

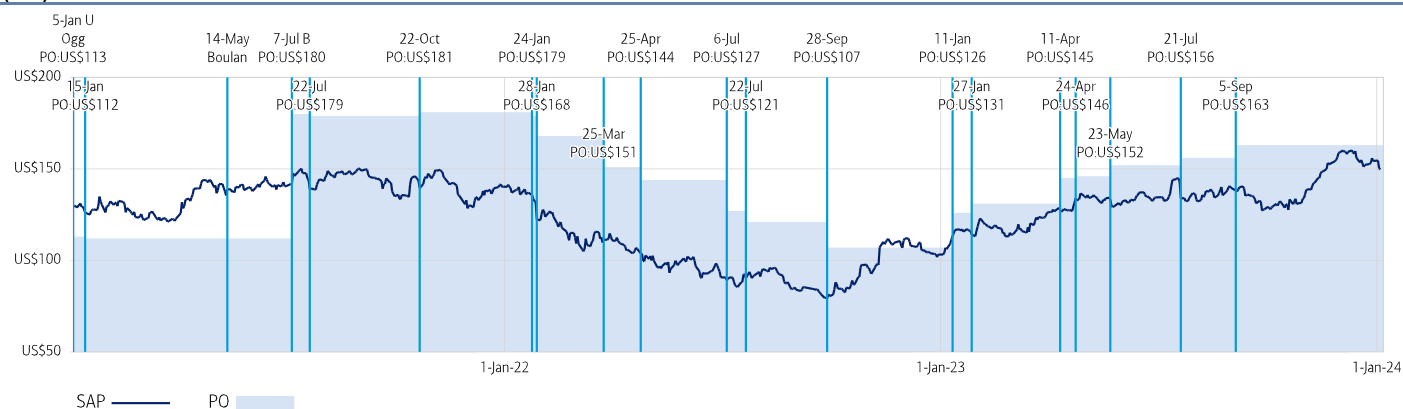
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Sabre (SABR) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

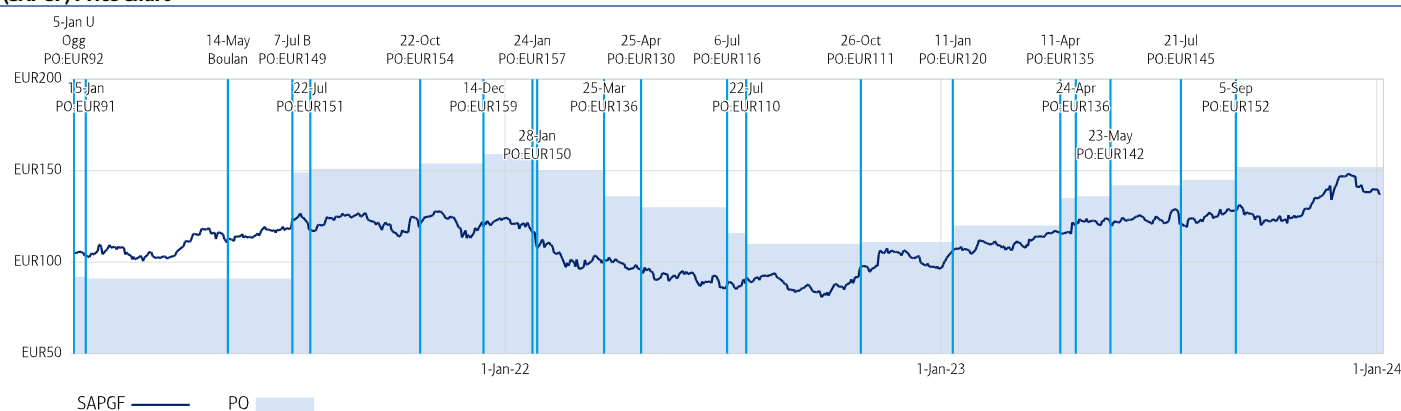
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SAP (SAP) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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SAP (SAPGF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Business Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	26	55.32%	Buy	17	65.38%
Hold	8	17.02%	Hold	3	37.50%
Sell	13	27.66%	Sell	11	84.62%

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}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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

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