

## AvidXchange, Inc.

# Monetization Trending Nicely; Outlook Suggests Unabated Macro Pressure

Reiterate Rating: UNDERPERFORM | PO: 12.00 USD | Price: 12.69 USD

## Balanced growth and margin upside

AvidXchange reported Q4 revenue upside (+6%) to conservative estimates and better FY24 outlook (+\$6 million to our estimate) on better TPV monetization with digital payments. Operating margin of 15% significantly exceeded our 7.6% from ongoing expense management and float revenue contribution (+\$13.7 million). The initial FY24 outlook for revenue growth or 17% y/y compares to our prior 14%, largely from better political revenue (\$9 million versus \$0 in FY23).

## Solid execution converting customers to ePay

Monetization is trending in the right direction. The take rate of 30.4 basis points (excluding float) is up a solid 0.9 basis points from Q3 on solid execution converting customers to digital payment modalities, such as ACH and virtual card. A new payment platform (to be launched in H2) has potential for Avid to launch new custom payment services (modalities) for incremental digital attach. Also, guidance for 20% margin in FY25 implies limited operating expense growth (8% in our model), which suggesting the potential for further operating leverage, exiting the tougher macro.

## Flattish q/q TPV growth and outlook reflect tough macro

On the other hand, flattish TPV growth (1.5% q/q) suggests the macro is still weighing on spend volumes in Avid's targeted mid-market customer base. Guidance for FY25 revenue growth of 17% reflects no change on macro. Excluding political revenue of \$9 million included in the outlook (mostly in H2), the outlook assumes a deceleration to an estimated 10% to 11% from the current 21%. One-time political revenue creates a tough comparison and risk to achieving the rule of 40 target by FY25.

## Raise PO to \$12; Reiterate U/P pending visibility to R40

In summary, Q4 results suggest improving execution on monetization. Also, new platform capabilities and partnerships could provide an added tailwind to growth. However, this is likely a FY25 catalyst and unlikely to move the needle on weaker FY24 growth (ex. political). We are raising our PO to \$12 from \$10 on better monetization trends, though reiterate our Underperform rating, pending better visibility for accelerating growth and line of sight to rule of 40. Our new \$12 PO represents 4.4x CY25e rev (3.7x prior), or 0.3x growth adjusted, in line with the small cap software group.

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.24)	0.06	0.21	0.34	0.45
EPS Change (YoY)	29.4%	NM	250.0%	61.9%	32.4%
Consensus EPS (Bloomberg)			0.13	0.34	0.56
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	211.5x	60.4x	37.3x	28.2x
EV / EBITDA*	NM	49.7x	26.9x	19.2x	15.1x
Free Cash Flow Yield*	-1.3%	0.2%	1.7%	2.4%	3.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

28 February 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	10.00	12.00
2024E Rev (m)	428.6	444.4
2025E Rev (m)	497.5	510.3
2026E Rev (m)	NA	581.1
2024E EPS	0.07	0.21
2025E EPS	0.23	0.34
2026E EPS	NA	0.45

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### Stock Data

Price	12.69 USD
Price Objective	12.00 USD
Date Established	28-Feb-2024
Investment Opinion	C-3-9
52-Week Range	6.88 USD - 12.75 USD
Mkt Val (mn) / Shares Out (mn)	2,578 USD / 203.1
Free Float	81.4%
Average Daily Value (mn)	20.45 USD
BofA Ticker / Exchange	AVDX / NAS
Bloomberg / Reuters	AVDX US / AVDX.OQ
ROE (2024E)	6.3%
Net Dbt to Eqty (Dec-2023A)	-61.0%
ESGMeter™	NLA

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"](#).

ACH = automated clearing house

R40 = rule of 40

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Timestamp: 28 February 2024 02:27PM EST

# iQprofile<sup>SM</sup> AvidXchange, Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-2.7%	2.5%	7.2%	9.5%	10.7%
Return on Equity	-6.9%	1.7%	6.3%	9.1%	10.9%
Operating Margin	-10.6%	2.4%	9.3%	13.4%	16.0%
Free Cash Flow	(33)	6	43	61	89

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	0.8x	1.1x	1.0x	1.0x
Asset Replacement Ratio	0.1x	0x	0.1x	0.1x	0.1x
Tax Rate	NM	31.8%	NM	NM	NM
Net Debt-to-Equity Ratio	-52.3%	-61.0%	-59.5%	-60.3%	-62.1%
Interest Cover	-1.6x	0.7x	1.9x	3.1x	4.2x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	316	381	444	510	581
% Change	27.4%	20.3%	16.7%	14.8%	13.9%
Gross Profit	203	264	321	375	433
% Change	34.1%	30.4%	21.5%	16.9%	15.4%
EBITDA	(1)	45	83	116	148
% Change	94.6%	NM	85.0%	39.8%	27.0%
Net Interest & Other Income	(14)	7	2	2	2
<b>Net Income (Adjusted)</b>	<b>(47)</b>	<b>11</b>	<b>44</b>	<b>70</b>	<b>95</b>
<b>% Change</b>	<b>19.4%</b>	<b>NM</b>	<b>289.0%</b>	<b>61.8%</b>	<b>35.1%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(47)	11	44	70	95
Depreciation & Amortization	33	36	42	48	55
Change in Working Capital	10	0	0	0	0
Deferred Taxation Charge	0	1	0	0	0
Other Adjustments, Net	(24)	(39)	(37)	(52)	(54)
Capital Expenditure	(4)	(2)	(5)	(6)	(7)
<b>Free Cash Flow</b>	<b>-33</b>	<b>6</b>	<b>43</b>	<b>61</b>	<b>89</b>
<b>% Change</b>	<b>61.2%</b>	<b>NM</b>	<b>596.4%</b>	<b>40.9%</b>	<b>46.6%</b>
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(40)	(2)	4	4	4

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	351	407	441	496	583
Trade Receivables	40	47	51	59	68
Other Current Assets	1,417	1,645	1,600	1,600	1,600
Property, Plant & Equipment	104	101	116	133	151
Other Non-Current Assets	300	284	300	321	346
<b>Total Assets</b>	<b>2,212</b>	<b>2,484</b>	<b>2,509</b>	<b>2,609</b>	<b>2,750</b>
Short-Term Debt	6	6	6	6	6
Other Current Liabilities	1,385	1,666	1,681	1,689	1,702
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	163	154	91	102	113
<b>Total Liabilities</b>	<b>1,555</b>	<b>1,827</b>	<b>1,779</b>	<b>1,797</b>	<b>1,821</b>
<b>Total Equity</b>	<b>657</b>	<b>656</b>	<b>730</b>	<b>812</b>	<b>928</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,212</b>	<b>2,484</b>	<b>2,509</b>	<b>2,609</b>	<b>2,750</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Server & Enterprise Software

## Company Description

AvidXchange (NASDAQ: AVDX) is a cloud-based Software-as-a-Service (SaaS) provider of integrated accounts payable, payments, and accounts receivable platforms with a focus on middle market businesses and suppliers. The company was founded in 2000 by Michael Praeger (who currently serves as the CEO) and David Miller. AvidXchange is headquartered in Charlotte, North Carolina.

## Investment Rationale

AvidXchange is disproportionately impacted by macro environment given larger exposures to real estate construction verticals. We believe cyclical business and rule of 15 will likely to weigh on sentiment. Long term, we believe the company can grow 20%+ as the co. consolidates the \$30bn+ AP automation and payments markets with a leading platform. Competitive advantages: 1) large referenceable base of 7,000 customers, 2) large supplier base of 700,000, 3) end-to-end payables and payments offering

## Stock Data

Average Daily Volume 1,611,527

## Quarterly Earnings Estimates

	2023	2024
Q1	-0.02A	0.04E
Q2	0A	0.04E
Q3	0.03A	0.06E
Q4	0.05A	0.07E

## Earnings recap

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Total revenue of \$1.04 billion (+20.8% y/y) exceeded our \$98.4 million. Payments revenue of \$74.2 million (+26% y/y,) exceeded our \$67.7 million, with three quarters of the growth driven by increase in transaction processing volume (TPV) and transaction yield and the rest driven by interest revenue contribution (\$13.7 million versus \$10.6 million in 3Q23). TPV of \$19.9 billion represented 8.7% growth, accelerating from 7.7% in Q3 though on a 9% easier comp. Net take rate of 37 bps (+2.4bps q/q vs. +1.1bps in Q3) exceeded our 34bps. Excluding interest revenue, net take rate of 30.4bps is up 0.9bps from 3Q23. Software revenue of \$29 million (+10.1% y/y) is below our \$29.6 million from ongoing macro pressure on total transactions processed. Operating margin of 15% significantly exceeded our 7.6% from ongoing expense management and float revenue contribution.

The initial FY24 outlook of \$444 million at the mid (+17% y/y) is ahead of our \$429 million, assuming \$44 million contribution from interest revenue and \$9 million contribution from political spending, balanced with the expectation for continued pressure on TPV. Implied guidance for FY25 EBITDA margin of 16% exceeded our 10.2%, reflecting interest revenue upside and ongoing expense control.



# Exhibits

## Exhibit 1: Variance

Total revenue came in 5.8% ahead of our estimates

\$ in Thousands (except per share data)	BofA Estimates	3Q23 Actuals	Variance
Payments	\$67,724	\$74,218	9.6%
Software	\$29,557	\$29,049	-1.7%
Services	\$1,096	\$797	-27.3%
Total revenue	\$98,377	\$104,064	5.8%
<b>Total cost of revenue</b>	\$29,434	\$29,711	0.9%
<b>Gross Profit</b>	\$68,943	\$74,353	7.8%
<b>Operating expenses:</b>			
Sales & Marketing	\$19,547	\$17,487	-10.5%
Research & Development	\$22,063	\$22,094	0.1%
General & Administrative	\$19,853	\$19,174	-3.4%
<b>Total operating expenses</b>	\$61,462	\$58,755	-4.4%
<b>Loss from operations</b>	\$7,481	\$15,598	108.5%
Total other income	(\$7,452)	(\$3,117)	-58.2%
Loss before provision for (benefit from) income taxes	\$29	\$12,481	42604.2%
Provision for (benefit from) income taxes	\$0	\$3,108	NM
<b>Net Income (Pro Forma)</b>	\$29	\$15,589	53238.4%
EPS (Pro Forma)	\$0.00	\$0.05	31814.0%
Net Income (GAAP)	(\$25,935)	(\$4,473)	-82.8%
Shares outstanding	202,527	203,517	0.5%
<b>Growth Analysis Y-Y</b>			
Payments	14.5%	25.5%	11.0%
Software	12.0%	10.1%	-1.9%
Services	72.0%	25.1%	-46.9%
Total Revenues	14.2%	20.8%	6.6%
<b>Margin Analysis</b>			
Gross Margin	70.1%	71.4%	1.4%
Sales & Marketing	19.9%	16.8%	-3.1%
Research & Development	22.4%	21.2%	-1.2%
General & Administrative	20.2%	18.4%	-1.8%
Operating Margin	7.6%	15.0%	7.4%
Pretax margin	0.0%	12.0%	12.0%
Pro forma tax rate	0.0%	24.9%	24.9%
Net Margin	0.0%	9.0%	9.0%
<b>Key Metrics</b>			
Total payment volume	\$19,903,692	\$19,900,000	0.0%
Net take rate	34bps	37bps	3bps
<b>BS &amp; CFS Analysis</b>			
Billings	\$98,550	\$103,758	5.3%
Cash & equivalents	\$361,572	\$406,974	12.6%
Cash Flow from Operations	25,555	19,442	-23.9%
Free Cash Flow	\$20,929	14,037	-32.9%
Payments	\$67,724	\$74,218	9.6%

Source: BofA Global Research, company filing

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## Exhibit 2: Estimates revision

We revised our estimates to reflect guidance

	1Q24E	2024E	2025E
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**Exhibit 2: Estimates revision**

We revised our estimates to reflect guidance

	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
Payments	\$68,058	15.0%	\$74,272	25.5%	\$298,088	15.3%	\$315,047	18.8%	\$348,764	17.0%	\$365,454	16.0%
Software	\$30,204	12.0%	\$30,204	12.0%	\$126,510	12.3%	\$125,646	12.0%	\$144,222	14.0%	\$140,724	12.0%
Services	\$707	5.0%	\$707	5.0%	\$4,009	7.7%	\$3,680	7.5%	\$4,490	12.0%	\$4,122	12.0%
<b>Total revenue</b>	<b>\$98,969</b>	<b>14.0%</b>	<b>\$105,183</b>	<b>21.1%</b>	<b>\$428,608</b>	<b>14.3%</b>	<b>\$444,373</b>	<b>16.7%</b>	<b>\$497,475</b>	<b>16.1%</b>	<b>\$510,299</b>	<b>14.8%</b>
Total payment volume (\$mn)	\$19,649	11.0%	\$19,646	11.0%	\$85,912	13.2%	\$85,892	13.2%	\$100,093	16.5%	\$100,051	16.5%
Net take rate	\$35	1.2bps	38bps	4.4bps	35bps	0.6bps	37bps	1.8bps	35bps	0.1bps	37bps	-0.2bps
EBITDA margin	\$0	NM	13.4%	NM	10.2%	NM	15.5%	NM	16.8%	NM	20.0%	NM
Pro forma EPS	(\$0.00)	NM	\$0.04	NM	\$0.07	NM	\$0.21	NM	\$0.23	NM	\$0.34	NM

Source: BofA Global Research, company filing

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**Exhibit 3: Small cap software comp**

The small cap software group is trading at 4.1x C25e revenue or 0.4x on a growth adjusted basis

Company		Price	Mkt Cap (\$mn)	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth
AI	C3.AI INC-A	\$29.68	3,521	9.5x	8.2x	7.2x	0.9x	0.5x	0.5x
ALRM	ALARM.COM HOLDINGS INC	\$75.08	4,108	4.5x	4.3x	4.0x	1.0x	0.9x	0.6x
AMPL	AMPLITUDE INC-CLASS A	\$11.60	1,693	5.0x	4.7x	4.4x	0.3x	0.8x	0.7x
ASAN	ASANA INC - CL A	\$18.92	4,196	6.1x	5.4x	4.4x	0.3x	0.4x	0.2x
AVDX	AVIDXCHANGE	\$12.90	2,581	6.1x	5.3x	4.6x	0.3x	0.4x	0.3x
AYX	ALTERYX INC - CLASS A	\$48.07	3,695	4.5x	4.0x	3.6x	0.4x	0.4x	0.3x
BIGC	BIGCOMMERCE HOLDINGS-SER 1	\$7.80	593	2.2x	2.0x	1.9x	0.2x	0.3x	0.3x
BL	BLACKLINE INC	\$56.59	4,219	7.1x	6.5x	6.0x	0.6x	0.7x	0.7x
BLKB	BLACKBAUD INC	\$67.49	3,589	4.0x	3.7x	3.5x	0.9x	0.5x	0.5x
EGHT	8X8 INC	\$2.70	331	1.0x	1.0x	0.9x	...	...	0.2x
ENFN	ENFUSION	\$8.71	1,113	6.3x	5.5x	4.7x	0.4x	0.3x	0.3x
EVBG	EVERBRIDGE INC	\$28.24	1,243	3.3x	3.1x	3.0x	0.9x	0.6x	0.5x
FROG	JFROG LTD	\$44.77	4,933	12.6x	10.3x	8.5x	0.5x	0.5x	0.4x
HCP	HASHICORP INC-CL A	\$26.87	5,229	6.9x	6.1x	5.0x	0.3x	0.4x	0.2x
INTA	INTAPP INC	\$38.85	3,091	7.5x	6.4x	5.6x	0.3x	0.4x	0.4x
JAMF	JAMF HOLDING CORP	\$17.89	2,432	4.6x	4.2x	3.8x	0.3x	0.4x	0.4x
LAW	CS DISCO INC	\$6.70	435	2.1x	1.9x	1.7x	1.0x	0.3x	0.2x
LSPD	LIGHTSPEED COMMERCE INC	\$13.52	2,075	1.6x	1.3x	1.1x	0.1x	0.1x	0.1x
MLNK	MERIDIANLINK INC	\$18.94	1,536	6.1x	5.8x	5.4x	1.1x	1.0x	0.8x
NCNO	NCINO INC	\$29.96	3,384	7.0x	6.1x	5.3x	0.4x	0.4x	0.4x
PD	PAGERDUTY INC	\$23.61	2,272	5.0x	4.5x	4.0x	0.3x	0.4x	0.3x
PWSC	POWERSCHOOL HOLDINGS INC-A	\$20.64	4,197	7.2x	6.3x	5.8x	0.7x	0.5x	0.6x
RNG	RINGCENTRAL INC-CLASS A	\$33.14	3,116	2.0x	1.9x	1.7x	0.2x	0.2x	0.2x
VERX	VERTEX INC - CLASS A	\$25.04	3,808	6.8x	6.0x	5.4x	0.5x	0.5x	0.4x
WEAV	WEAVE COMMUNICATIONS INC	\$12.45	804	4.4x	3.8x	3.3x	0.2x	0.2x	0.2x
ZETA	ZETA GLOBAL HOLDINGS CORP-A	\$10.59	2,291	3.2x	2.7x	2.3x	0.1x	0.1x	0.2x
<b>Average</b>				<b>5.2x</b>	<b>4.7x</b>	<b>4.1x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>0.4x</b>
<b>Median</b>				<b>5.0x</b>	<b>4.6x</b>	<b>4.2x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>0.3x</b>

Source: BofA Global Research

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## Price objective basis & risk

### AvidXchange, Inc. (AVDX)

Our PO of \$12 is based on an EV/rev multiple of 4.1x our C25 revenue estimate, which represents an EV/rev/growth multiple of 0.3x our C25e revenue growth of 15% y/y, in line with the small cap group, trading at 0.3x, given similar growth trajectories.

Risks to our PO are as follows: 1) AvidXchange operates in a highly cyclical business given exposure to small and mid-sized businesses, 2) AvidXchange needs to drive awareness of the new AP automation software category as it currently competes with manual check writing and legacy ERP providers, and 3) AvidXchange competes with established platform vendors and point solutions.

## 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
<b>BUY</b>				
	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
<b>NEUTRAL</b>				
	Autodesk	ADSK	ADSK US	Michael J. Funk
	Bentley Systems	BSY	BSY US	Michael J. Funk
	BigCommerce Holdings, Inc.	BIGC	BIGC US	Koji Ikeda, CFA

## US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Coveo	YCOV	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
<b>UNDERPERFORM</b>				
	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
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
	Vertex, Inc.	VERX	VERX US	Brad Sills
<b>RSTR</b>				
	Splunk	SPLK	SPLK US	Brad Sills

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +  
Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales

Basic EBIT + Depreciation + Amortization

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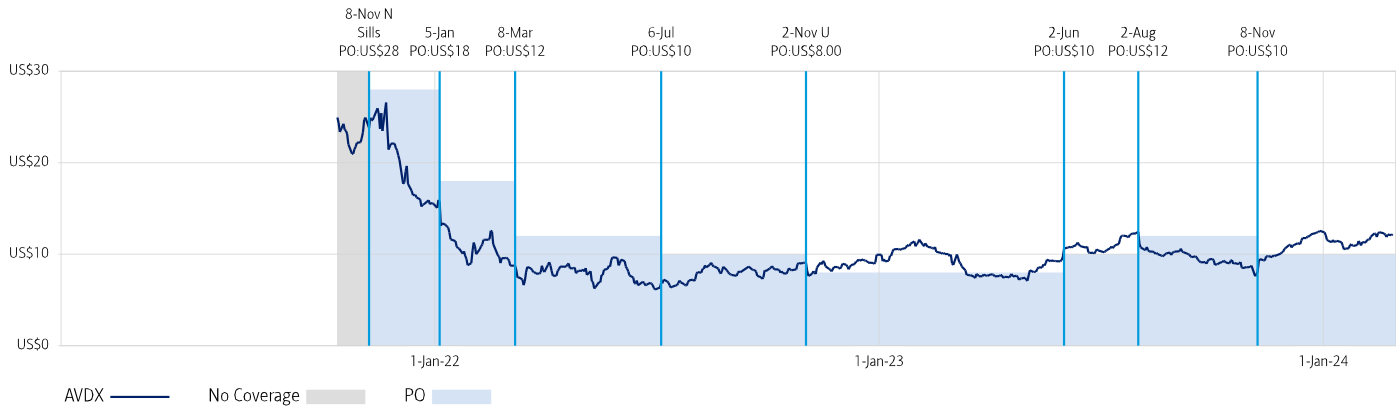
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### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	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 <sup>R1</sup>	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%

<sup>R1</sup> 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 <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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