

Smartsheet

That smarts; outlook disappoints on intensifying SMB pressures

Reiterate Rating: UNDERPERFORM | PO: 42.00 USD | Price: 40.30 USD

Guidance dings bull case, SMB pressures outlook

Smartsheet(SMAR) introduced FY25 revenue guidance that fell short of investor expectations (2% below the Street and 1% below BofA), citing weakness in SMB segment as the primary driver. Management commentary suggests SMB pressures worsened in 4Q (vs 3Q) and continued to deteriorate into 1Q25. With the mid-point of FY25 revenue guidance implying an 8.5pt growth deceleration from FY24, implied guidance for roughly 200bps of Adj OpM expansion during the year is likely to disappoint bulls. While the departure of Chief Revenue Officer Michael Arntz likely increased management conservatism regarding guidance, it also increases execution risk, in our view. More positively, SMAR added 500 new paying customers via the Free plan in January, and self-discovery drove improvements to Capabilities bookings.

Results solid, but FY25 Guide falls short

SMAR reported 4Q24 results that beat consensus on revenue (by 2%) and adjusted operating income (by \$22mn). Total revenue of \$256.9mn beat BofA/Street at \$256.2mn/\$252.8mn, and Adj OpM of 15.4% was well above BofA/Street at 8.8%/7.2%. Overall net revenue retention (NRR) of 116% declined 2% Q/Q from 118% in the prior quarter. SMAR introduced FY25 revenue and Adj Op Income guidance of \$1,115.5mn and \$140mn, versus BofA/Street at \$1,130mn/\$1,137mn and \$118mn/\$116mn.

Lowering revenue estimates, but FCF a bright spot

We are lowering our FY25 and FY26 revenue estimates 1.5% and 1.4% to reflect results and updated management guidance. The company expects a continued deterioration in SMB demand during FY25, and leadership changes in the sales org – paired with intensifying competition from peers – is likely to limit upside to estimates, in our view. However, we are marginally increasing our FY25 FCF estimate.

Reiterate Underperform, lowering PO to \$42

Our new \$42 PO (\$45 previously) is derived from a 4.4x (was 4.6x, on lower growth) 2025E EV/Revenue target multiple (0.23x growth adjusted). Our growth adjusted multiple of 0.23x is relatively in line with the collaboration software peer group. We believe an in line multiple to the collaboration software peer group on an EV/Revenue/Growth basis is warranted given Smartsheet's favorable margin profile and revenue exposure, offset by a lower long-term growth outlook.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	(0.22)	0.85	1.12	1.46	1.81
GAAP EPS	(1.66)	(0.78)	(0.54)	(0.05)	0.21
EPS Change (YoY)	21.4%	NM	31.8%	30.4%	24.0%
Consensus EPS (Bloomberg)			0.93	1.35	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	NM	47.4x	36.0x	27.6x	22.3x
GAAP P/E	NM	NM	NM	NM	191.9x
EV / EBITDA*	NM	43.8x	32.5x	23.5x	16.2x
Free Cash Flow Yield*	0.3%	2.8%	3.9%	5.3%	6.7%

* For full definitions of *IQmethod*SM measures, see page 9.

14 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	45.00	42.00
2025E Rev (m)	1,130.2	1,113.6
2026E Rev (m)	1,338.8	1,320.7
2027E Rev (m)	1,585.6	1,564.3
2025E EPS	0.90	1.12
2026E EPS	1.31	1.46
2027E EPS	1.73	1.81

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Stock Data

Price	40.30 USD
Price Objective	42.00 USD
Date Established	14-Mar-2024
Investment Opinion	C-3-9
52-Week Range	37.09 USD - 52.81 USD
Mrkt Val (mn) / Shares Out (mn)	5,629 USD / 139.7
Free Float	96.9%
Average Daily Value (mn)	49.74 USD
BofA Ticker / Exchange	SMAR / NYS
Bloomberg / Reuters	SMAR US / SMAR.N
ROE (2025E)	23.1%
Net Dbt to Eqty (Jan-2024A)	-46.6%
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 Smartsheet

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	-4.3%	19.2%	20.9%	21.7%	21.5%
Return on Equity	-5.9%	21.4%	23.1%	24.4%	24.3%
Operating Margin	-4.7%	10.5%	12.3%	14.4%	17.8%
Free Cash Flow	17	155	218	301	374

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	NM	1.4x	1.4x	1.4x	1.3x
Asset Replacement Ratio	0.2x	0.1x	0.1x	0.1x	0.1x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-45.9%	-46.6%	-64.3%	-78.9%	-89.0%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	767	958	1,114	1,321	1,564
% Change	39.2%	25.0%	16.2%	18.6%	18.4%
Gross Profit	626	800	920	1,099	1,308
% Change	39.1%	27.8%	15.0%	19.4%	19.1%
EBITDA	(21)	117	158	219	316
% Change	4.8%	NM	34.8%	38.5%	44.7%
Net Interest & Other Income	10	24	29	29	0
Net Income (Adjusted)	(29)	117	160	218	282
% Change	17.2%	NM	36.9%	36.5%	29.0%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	(216)	(105)	(75)	(8)	33
Depreciation & Amortization	25	27	31	37	44
Change in Working Capital	(25)	(30)	(24)	(11)	(9)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	240	265	290	286	310
Capital Expenditure	(6)	(3)	(3)	(3)	(4)
Free Cash Flow	17	155	218	301	374
% Change	NM	790.0%	40.6%	37.8%	24.4%
Share / Issue Repurchase	NA	NA	NA	NA	NA
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	223	282	500	796	1,164
Trade Receivables	199	239	300	369	459
Other Current Assets	288	411	423	436	453
Property, Plant & Equipment	39	42	37	27	10
Other Non-Current Assets	361	363	375	400	434
Total Assets	1,110	1,337	1,635	2,028	2,520
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	575	696	837	1,011	1,211
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	2	2	2	2	2
Total Liabilities	625	732	859	1,019	1,213
Total Equity	486	606	776	1,009	1,307
Total Equity & Liabilities	1,110	1,337	1,635	2,028	2,520

* For full definitions of iQmethodSM measures, see page 9.

Company Sector

Server & Enterprise Software

Company Description

Smartsheet is a leading cloud-based platform that enables teams and organizations to plan, capture, manage, automate, and report on work at scale.

Investment Rationale

Our Underperform rating is based on our view that 1) competitive intensity is increasing in Smartsheet's core enterprise market, 2) less room for revenue acceleration relative to peers, and 3) our preference for accelerating share capture and self-help equity stories in the category.

Stock Data

Average Daily Volume 1,234,222

Quarterly Earnings Estimates

	2024	2025
Q1	0.18A	0.28E
Q2	0.16A	0.25E
Q3	0.16A	0.29E
Q4	0.34A	0.29E

Results solid, but FY25 Guide falls short

SMAR reported 4Q24 results that beat consensus on revenue (by 2%) and adjusted operating income (by \$22mn). Total revenue of \$256.9mn beat BofA/Street at \$256.2mn/\$252.8mn, and Adj OpM of 15.4% was well above BofA/Street at 8.8%/7.2%. Overall net revenue retention (NRR) of 116% declined 2% Q/Q from 118% in the prior quarter. Total \$5K+ customer count increased 9.5% Y/Y and 2.2% Q/Q to 19.8K (up from 1.9% Q/Q growth at 3Q), while \$100K+ customer count increased 28% Y/Y and 5.8% Q/Q to 1,904 (down from 8.0% Q/Q growth at 3Q). SMAR introduced FY25 revenue and Adj Op Income guidance of \$1,115.5mn and \$140mn, versus BofA/Street at \$1,130mn/\$1,137mn and \$118mn/\$116mn.

Exhibit 1: SMAR's 4Q revenues were in line with our estimate

Variance analysis

\$M (except per share data)	BofA Estimates	4Q24 Actuals	Variance
Revenue	\$256.2	\$256.9	0.3%
Gross profit	\$212	\$217.5	2.7%
R&D	\$43	\$42	-2.0%
S&M	\$118	\$109	-7.9%
G&A	\$28	\$27	-3.7%
Total opex (non-GAAP)	\$189	\$178	-5.9%
Non-GAAP operating income	\$23	\$40	74.6%
Interest expense & other, net	\$5	\$7	45.8%
Income (loss) before taxes	\$28	\$47	69.3%
Income taxes	\$3	(\$0)	-104.1%
Non-GAAP net income (loss)	\$25	\$47	88.5%
Non-GAAP earnings per share (diluted)	\$0.18	\$0.34	88.8%
Basic weighted avg shares outstanding	137	136	-0.2%
Diluted weighted avg shares outstanding	140	140	-0.1%
Margin Analysis			
Gross margin	82.6%	84.6%	2.0%
R&D	16.8%	16.4%	-0.4%
S&M	46.0%	42.3%	-3.7%
G&A	11.0%	10.6%	-0.4%
Operating margin	8.8%	15.4%	6.6%
Net margin	9.8%	18.3%	8.6%
Balance sheet & cash flow data			
Cash & equivalents	\$618	\$629	1.8%
Deferred revenue	\$576	\$570	-1.0%
Billings	\$347	\$342	-1.5%
Cash flow from operations	\$48	\$60	23.2%
Free cash flow	\$45	\$56	26.2%

Source: BofA Global Research, company filings

BofA GLOBAL RESEARCH



Exhibit 2: We are lowering our FY25 and FY26 revenue estimates

Estimate changes

	1Q25E				2025E				2026E			
	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
Revenue	\$264,15	7	\$259,13	9	\$1,130,23	5	\$1,113,62	7	\$1,338,78	1	\$1,320,66	9
Operating income		20.1%		17.9%		18.0%		16.2%		18.5%		18.6%
Operating margin	\$29,928	31.3%	\$33,239	45.8%	\$117,708	40.1%	\$137,497	36.2%	\$177,136	50.5%	\$189,698	38.0%
	11.3%		12.8%		10.4%		12.3%		13.2%		14.4%	
Diluted EPS	\$0.23	27.1%	\$0.28	50.5%	\$0.90	31.6%	\$1.12	31.8%	\$1.31	45.1%	\$1.46	31.1%

Source: BofA Global Research Estimates

BofA GLOBAL RESEARCH

Exhibit 3: SMAR generated \$958mn in FY24 revenues

Income statement

	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
(\$, thousands)	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
Subscription revenues	507,375	713,735	206,001	221,522	232,470	244,038	904,031	244,282	255,275	271,868	283,286	1,054,710	1,257,628	1,499,538
Professional services revenue	43,457	53,180	13,885	14,063	13,448	12,911	54,307	14,857	15,329	14,658	14,073	58,917	63,041	64,762
Revenue	550,832	766,915	219,88	235,58	245,91	256,94	958,33	259,13	270,60	286,52	297,35	1,113,62	1,320,66	1,564,30
% Y/Y	42.9%	39.2%	30.6%	26.2%	23.2%	21.0%	25.0%	17.9%	14.9%	16.5%	15.7%	16.2%	18.6%	18.4%
% Q/Q			3.6%	7.1%	4.4%	4.5%		0.9%	4.4%	5.9%	3.8%			
Subscription cost of revenue	65,392	96,300	27,884	28,298	29,124	28,521	113,827	33,467	34,973	37,246	38,810	144,495	169,780	202,438
Professional services cost of revenue	35,225	44,262	10,803	11,539	10,992	10,975	44,309	12,331	12,723	12,166	11,681	48,901	52,324	53,753
Cost of revenue	100,617	140,562	38,687	39,837	40,116	39,496	158,136	45,798	47,695	49,412	50,491	193,396	222,104	256,190
% Revs	18.3%	18.3%	17.6%	16.9%	16.3%	15.4%	16.5%	17.7%	17.6%	17.2%	17.0%	17.4%	16.8%	16.4%
Gross profit	450,215	626,353	181,19	195,74	205,80	217,45	800,20	213,34	222,90	237,11	246,86	920,231	1,098,56	1,308,11
Gross margin	81.7%	81.7%	82.4%	83.1%	83.7%	84.6%	83.5%	82.3%	82.4%	82.8%	83.0%	82.6%	83.2%	83.6%
R&D	124,222	152,229	38,756	40,745	40,934	42,186	162,621	42,758	46,003	47,277	49,956	185,994	240,795	285,211
% Revs	22.6%	19.8%	17.6%	17.3%	16.6%	16.4%	17.0%	16.5%	17.0%	16.5%	16.8%	16.7%	18.2%	18.2%
S&M	284,077	409,221	94,603	109,529	118,972	108,564	431,668	110,134	113,653	118,908	124,891	467,587	528,119	594,257
% Revs	51.6%	53.4%	43.0%	46.5%	48.4%	42.3%	45.0%	42.5%	42.0%	41.5%	42.0%	42.0%	40.0%	38.0%
G&A	76,162	100,897	25,040	26,255	26,540	27,149	104,984	27,210	32,472	34,383	35,088	129,153	139,953	150,129
% Revs	13.8%	13.2%	11.4%	11.1%	10.8%	10.6%	11.0%	10.5%	12.0%	12.0%	11.8%	11.6%	10.6%	9.6%
Total opex (non-GAAP)	484,461	662,347	158,399	176,529	186,446	177,899	699,273	180,102	192,128	200,568	209,935	782,734	908,867	1,029,598
Non-GAAP operating income	(34,246)	(35,994)	22,800	19,219	19,356	39,554	9	33,239	30,780	36,546	36,933	137,497	189,698	278,512
% Op. Margin	-6.2%	-4.7%	10.4%	8.2%	7.9%	15.4%	10.5%	12.8%	11.4%	12.8%	12.4%	12.3%	14.4%	17.8%
Interest expense & other, net	(765)	9,601	4,681	5,792	6,393	7,481	24,347	7,316	7,316	7,316	7,316	29,265	29,265	0
Income (loss) before taxes	(35,011)	(26,393)	27,481	25,011	25,749	47,035	6	40,556	38,096	43,862	44,249	166,762	218,963	278,512
Income taxes	296	2,849	2,436	3,002	3,164	(113)	8,489	1,656	1,872	1,814	1,495	6,838	683	(3,032)
Tax rate	0.8%	10.8%	-8.9%	-12.0%	-12.3%	0.2%	-6.8%	-4.1%	-4.9%	-4.1%	-3.4%	-4.1%	-0.3%	1.1%
Non-GAAP net income (loss)	(35,307)	(29,242)	25,045	22,009	22,585	47,148	7	38,899	36,223	42,047	42,754	159,924	218,279	281,544
Non-GAAP earnings per share (diluted)	(\$0.28)	(\$0.22)	\$0.18	\$0.16	\$0.16	\$0.34	\$0.85	\$0.28	\$0.25	\$0.29	\$0.29	\$1.12	\$1.46	\$1.81
Basic shares	125,632	130,071	132,542	133,829	135,189	136,389	134,507	137,860	139,323	140,871	142,398	140,113	145,994	152,287
Diluted shares	125,632	130,071	136,728	137,370	138,421	139,671	138,067	141,142	142,605	144,153	145,680	143,395	149,276	155,569

Source: BofA Global Research estimates, company filings

Exhibit 4: SMAR ended Y24 with \$629mn in cash and equivalents

Balance sheet

Balance sheet (\$, thousands)	FY22A	FY23A	1Q24A	2Q24A	3Q24A	4Q24A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
	Jan-22	Jan-23	Apr-23	Jul-23	Oct-23	Jan-24	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
Cash and cash equivalents	449,074	223,156	294,946	237,278	233,247	282,094	282,094	337,193	404,979	447,660	499,554	499,554	796,317	1,163,561
Short-term investments	-	233,225	194,593	311,707	335,492	346,701	346,701	346,701	346,701	346,701	346,701	346,701	346,701	346,701
Accounts receivable, net	151,138	198,643	152,104	156,492	179,475	238,708	238,708	185,739	197,222	225,024	300,183	300,183	369,073	458,936
Prepaid expenses and other	34,390	55,063	68,025	54,904	53,625	64,366	64,366	75,502	58,533	56,501	75,800	75,800	89,163	106,196
Total current assets	634,602	710,087	709,668	760,381	801,839	931,869	931,869	945,136	1,007,435	1,075,886	1,222,238	1,222,238	1,601,254	2,075,393
Restricted cash	17	197	189	193	184	19	19	19	19	19	19	19	19	19
Deferred commissions	91,312	121,785	129,058	136,248	142,051	148,867	148,867	148,195	151,571	160,347	171,783	171,783	203,540	241,831
PP&E	36,835	39,395	39,162	40,262	41,701	42,362	42,362	41,358	40,195	38,944	37,450	37,450	26,753	10,473
Operating lease right-of-use assets	67,171	54,278	51,123	46,922	42,060	39,480	39,480	39,480	39,480	39,480	39,480	39,480	39,480	39,480
Intangible assets	44,096	39,069	36,097	33,442	30,531	27,960	27,960	25,260	22,560	19,860	17,160	17,160	9,275	3,556
Goodwill	125,605	142,415	141,518	141,723	140,928	141,477	141,477	141,477	141,477	141,477	141,477	141,477	141,477	141,477
Other long-term assets	3,194	2,983	3,135	3,595	3,939	5,445	5,445	5,072	5,011	5,318	5,504	5,504	6,322	8,036
Total assets	1,002,832	1,110,209	1,109,950	1,162,766	1,203,233	1,337,479	1,337,479	1,345,996	1,407,748	1,481,332	1,635,112	1,635,112	2,028,120	2,520,265
Liabilities and SE														
Accounts payable	1,506	2,125	1,727	1,502	1,005	2,937	2,937	2,010	1,965	2,200	2,248	2,248	2,552	2,955
Accrued compensation	66,744	68,347	53,106	66,181	75,155	77,453	77,453	56,286	66,881	73,317	88,572	88,572	103,296	116,193
Other accrued liabilities	18,901	27,437	28,783	35,135	31,258	30,534	30,534	26,695	33,280	34,879	32,701	32,701	39,470	44,734
Operating lease liabilities, current	18,003	19,220	19,299	17,597	16,263	16,040	16,040	16,040	16,040	16,040	16,040	16,040	16,040	16,040
Finance lease liabilities, current	-	-	-	-	194	216	216	216	216	216	216	216	216	216
Deferred revenue	332,285	457,534	453,831	461,239	482,898	568,670	568,670	564,306	572,815	598,051	697,312	697,312	849,774	1,030,513
Total current liabilities	437,439	574,663	556,746	581,654	606,773	695,850	695,850	665,553	691,197	724,702	837,088	837,088	1,011,348	1,210,651
Operating lease liabilities, non-current	58,237	47,564	43,372	40,068	36,174	33,100	33,100	29,484	26,012	22,498	19,079	19,079	5,147	-
Finance lease liabilities, non-current	-	-	-	-	505	455	455	455	455	455	455	455	455	455
Deferred revenue, non-current	2,377	2,195	1,530	1,679	2,572	1,785	1,785	1,285	1,207	1,879	1,597	1,597	1,374	1,208
Other long-term liabilities	-	129	337	343	404	434	434	391	434	453	479	479	545	617
Total liabilities	498,053	624,551	601,985	623,744	646,428	731,624	731,624	697,168	719,305	749,987	858,698	858,698	1,018,869	1,212,931
Stockholders' equity														
Preferred stock	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common stock (class A and B)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional paid-in capital	1,047,313	1,243,730	1,296,364	1,360,851	1,411,594	1,468,805	1,468,805	1,529,998	1,590,210	1,653,070	1,714,583	1,714,583	1,954,938	2,219,668
Accumulated OCI	-	101	(356)	(429)	(961)	(146)	(146)	(146)	(146)	(146)	(146)	(146)	(146)	(146)
Accumulated deficit	(542,534)	(758,173)	(788,043)	(821,400)	(853,828)	(862,804)	(862,804)	(881,024)	(901,621)	(921,579)	(938,023)	(938,023)	(945,541)	(912,188)
Total SE	504,779	485,658	507,965	539,022	556,805	605,855	605,855	648,828	688,443	731,344	776,413	776,413	1,009,251	1,307,334
Total liabilities and SE	1,002,832	1,110,209	1,109,950	1,162,766	1,203,233	1,337,479	1,337,479	1,345,996	1,407,748	1,481,332	1,635,112	1,635,112	2,028,120	2,520,265

Source: BofA Global Research estimates, company filings

Exhibit 5: SMAR generated \$156mn in CFO during FY24

Cash flow statement

	FY22A	FY23A	FY24A	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E	FY27E
(\$, thousands)	Jan-22	Jan-23	Jan-24	Apr-24	Jul-24	Oct-24	Jan-25	Jan-25	Jan-26	Jan-27
Net loss	(171,097)	(215,639)	(104,631)	(18,220)	(20,597)	(19,958)	(16,444)	(75,219)	(7,518)	33,353
Share-based compensation	114,900	176,555	206,206	54,419	54,121	57,305	56,498	222,343	217,912	242,472
Remeasurement of convertible pref stock warrant liability	-	-	-	-	-	-	-	-	-	-
D&A	21,765	24,856	27,012	7,315	7,576	7,966	8,273	31,130	36,850	43,633
Net amortization (accretion) of premium (discount) on investments	-	(2,768)	(12,546)	-	-	-	-	-	-	-
Amortization of deferred commission costs	43,680	47,093	53,587	13,397	13,889	14,124	14,139	55,548	55,956	56,028
Unrealized foreign currency (gain) loss	1,048	(1,198)	670	-	-	-	-	-	-	-
Loss on disposal of assets	-	779	-	-	-	-	-	-	-	-
Amortization of intangible assets	-	-	-	-	-	-	-	-	-	-
Non-cash operating lease costs	14,905	18,914	12,012	3,003	2,965	2,915	2,861	11,744	11,669	11,652
Impairment	-	1,544	1,448	-	-	-	-	-	-	-
Other, net	-	(1,208)	4,042	-	-	-	-	-	-	-
Changes in NWC:										
Accounts receivable	(48,575)	(47,597)	(43,910)	52,969	(11,483)	(27,802)	(75,159)	(61,475)	(68,890)	(89,863)
Prepaid expenses and other current assets	(19,884)	(21,437)	(9,548)	(11,136)	16,969	2,033	(19,299)	(11,434)	(13,364)	(17,032)
Operating lease ROU assets	-	-	-	-	-	-	-	-	-	-
Other long-term assets	467	(590)	(3,049)	373	61	(308)	(186)	(59)	(817)	(1,714)
Accounts payable	(1,331)	154	828	(927)	(45)	235	48	(689)	304	403
Other accrued liabilities	1,950	8,432	3,481	(3,839)	6,585	1,599	(2,178)	2,167	6,770	5,264
Accrued compensation and related benefits	19,906	3,739	7,894	(21,167)	10,595	6,436	15,255	11,119	14,724	12,897
Deferred commissions	(74,463)	(77,566)	(80,668)	(12,724)	(17,265)	(22,900)	(25,576)	(78,464)	(87,712)	(94,320)
Deferred revenue	110,664	123,853	110,781	(4,864)	8,431	25,907	98,980	128,454	152,239	180,573
Other long-term liabilities	(3,904)	89	308	(43)	43	19	26	45	66	72
Operating lease liabilities	(13,543)	(14,417)	(16,039)	(3,616)	(3,472)	(3,514)	(3,419)	(14,021)	(13,932)	(5,147)
Net cash from operating activities	(3,512)	23,588	157,878	54,939	68,373	44,057	53,819	221,188	304,256	378,271
Cash from investing:										
Purchases of short-term investments	-	(456,649)	(513,490)	-	-	-	-	-	-	-
Maturities of short-term investments	-	226,048	413,100	-	-	-	-	-	-	-
Proceeds from early termination of short-term investments	-	-	-	-	-	-	-	-	-	-
Purchases of long-term investments	(1,000)	-	-	-	-	-	-	-	-	-
Purchases of PP&E	(10,563)	(6,137)	(2,563)	(703)	(655)	(702)	(698)	(2,758)	(3,220)	(3,803)
Sales of PP&E	-	217	42	-	-	-	-	-	-	-
Proceeds from liquidation of LT investments	-	622	-	-	-	-	-	-	-	-
Capitalized internal-use software costs	(6,706)	(7,660)	(10,775)	(2,908)	(3,059)	(3,313)	(3,380)	(12,660)	(15,048)	(17,831)
Purchases of intangible assets	(31)	-	-	-	-	-	-	-	-	-
Payments for business acquisitions	-	(20,342)	-	-	-	-	-	-	-	-
Net cash used in investing activities	(18,300)	(263,901)	(113,686)	(3,611)	(3,714)	(4,015)	(4,079)	(15,418)	(18,268)	(21,634)
Cash from financing:										
Proceeds from IPO/follow-on offering	-	-	-	-	-	-	-	-	-	-
Payments on finance leases	-	-	(34)	-	-	-	-	-	-	-
Payments on deferred offering costs	-	-	-	-	-	-	-	-	-	-
Proceeds from exercise of stock options	19,132	5,633	1,653	413	384	345	366	1,508	1,478	1,473
Taxes paid related to net share settlement of RSUs	(6,171)	(4,177)	(7,100)	(1,775)	(2,064)	(2,447)	(2,935)	(9,221)	(9,827)	(9,963)
Proceeds from contributions to ESPP	17,380	12,600	20,006	5,002	4,806	4,742	4,723	19,272	19,123	19,097
Net cash from financing activities	30,341	14,056	14,525	3,640	3,126	2,640	2,154	11,559	10,774	10,606
Effect of FX	(1,197)	334	(32)	-	-	-	-	-	-	-
Net change in cash	7,332	(225,923)	58,685	54,968	67,785	42,682	51,894	217,329	296,762	367,244
Cash - beginning of period	442,348	449,680	223,757	282,442	337,410	405,196	447,877	282,442	499,771	796,534
Cash - end of period	449,680	223,757	282,442	337,410	405,196	447,877	499,771	499,771	796,534	1,163,778

Source: BofA Global Research estimates, company filings

Price objective basis & risk

Smartsheet (SMAR)

Our \$42 PO is derived from a 4.4x 2025E EV/Revenue target multiple (0.23x growth adjusted). Our growth adjusted multiple of 0.23x is a discount to the high growth software group but relatively in line with the collaboration software peer group. We believe an in line multiple to the collaboration software peer group on an EV/Revenue/Growth basis is warranted given Smartsheet's favorable margin profile and revenue exposure, offset by a lower long-term growth outlook.

Upside risks to our PO are: 1) greater-than-expected new customer additions, 2) faster-than-expected improvements in gross user retention and net revenue retention, 3) more rapid adoption than expected of AI-enabled products, and 4) FCF margin expansion ahead of consensus estimates.

Downside risks to our PO are: 1) higher-than-expected user churn, 2) slower-than-expected incremental enterprise penetration, and 3) intensifying competition leading to pricing 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



US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Zeta Global	ZETA	ZETA US	Koji Ikeda, CFA
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
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
	Vertex, Inc.	VERX	VERX US	Brad Sills
	Zoom Video Communications	ZM	ZM US	Michael J. Funk
UNDERPERFORM				
	AvidXchange, Inc.	AVDX	AVDX US	Brad Sills
	Blackbaud, Inc.	BLKB	BLKB US	Koji Ikeda, CFA
	BlackLine, Inc.	BL	BL US	Koji Ikeda, CFA
	C3.ai	AI	AI US	Brad Sills
	Confluent	CFLT	CFLT US	Brad Sills
	CS Disco, Inc.	LAW	LAW US	Koji Ikeda, CFA
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
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

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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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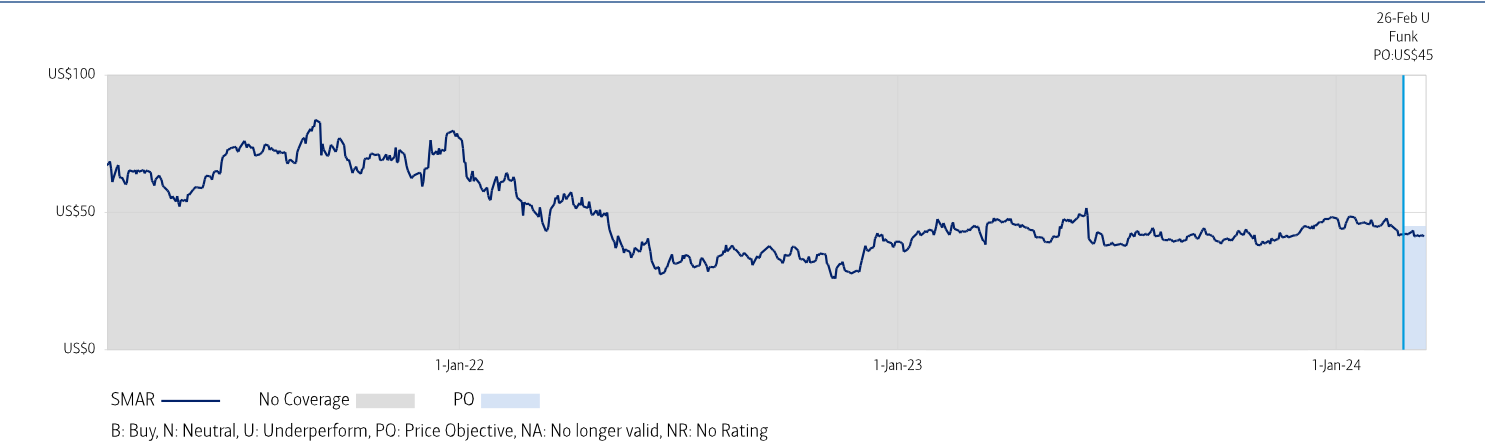
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Important Disclosures

Smartsheet (SMAR) 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}
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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