

BILL

Better transaction volume & monetization signal improvement from here

Reiterate Rating: BUY | PO: 90.00 USD | Price: 75.75 USD

Balanced upside from core BILL and corporate card

BILL reported healthy Q2 results backed by solid revenue upside (+7%) and a moderate raise on FY24 outlook. Transaction revenue of \$212 million (+25% y/y) exceeded our \$194 million, from better core TPV / customer (+1% y/y versus our -9.6%). Guidance for FY24 total revenue of \$1.24 billion (+17.3% y/y) at the mid is slightly above our prior \$1.23 billion (+15.8% y/y), driven by the core BILL transaction business (+17.6% y/y versus 12.6% y/y prior). The outlook for FY24 EPS of \$2.2 at the mid, exceeds our \$1.81 from topline upside and better margin, resulting from the reduction announced in Dec 2023. Our FY24 operating margin improves to 12.6% from 9.9%, underscoring scale efficiencies inherent in BILL's hybrid transaction/subscription business.

New transaction services driving better monetization

Improving TPV per customer in the core business stands out to us (+1% y/y from -4% y/y in Q1), representing the first quarter of positive growth since Q4FY22. Commentary suggests that while the macro is still weighing on spend, volumes in the smaller customer segment improved (particularly advertising). More importantly, expanding share of wallet drove some of the upside in the quarter, suggesting that the more integrated platform is having a positive impact on cross sell of ad valorem services.

Virtual card & cross border present H2 upside potential

Better TPV monetization (-0.3 bps q/q in the core versus guide for -0.5bps) was driven by a collection of newer payment offerings such as real time payments, accounts receivable and working capital. However, an unchanged outlook for core take rate (returning to Q1 level by the end of the year (14.5 bps) is backed by a still cautious view on virtual card and cross border. We believe that the better integrated platform could enable more material upside from cross selling and monetization in H2 and into FY25.

Reset expectations in FI channel; Reiterate Buy, \$90 PO

The restructured BofA agreement introduces more uncertainty in the emerging financial institution channel. However, expectations are now reset in a business with already limited visibility. We view Q2 results as an indication that macro pressure is stabilizing, the model has already bottomed and a potential for improved monetization from here with revamped platform and go to market. Reiterate Buy rating and \$90 PO (6.3x C25e revenue, or 0.3x on growth). We revise our estimates to reflect guidance.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	(0.24)	1.65	2.20	2.43	3.06
GAAP EPS	(3.21)	(2.12)	(1.03)	(0.84)	(0.98)
EPS Change (YoY)	-60.0%	NM	33.3%	10.5%	25.9%
Consensus EPS (Bloomberg)			1.88	2.22	2.65
DPS	0	0	0	0	0
Valuation (Jun)					
P/E	NM	45.9x	34.4x	31.2x	24.8x
EV / EBITDA*	NM	41.4x	31.2x	23.1x	16.3x
Free Cash Flow Yield*	-0.4%	1.9%	1.9%	2.7%	3.5%

* For full definitions of *IQmethod*SM measures, see page 7.

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08 February 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	1,225.2	1,241.7
2025E Rev (m)	1,419.6	1,407.1
2026E Rev (m)	1,752.1	1,736.0
2024E EPS	1.81	2.20
2025E EPS	1.97	2.43
2026E EPS	2.55	3.06

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Stock Data

Price	75.75 USD
Price Objective	90.00 USD
Date Established	24-Jan-2024
Investment Opinion	C-1-9
52-Week Range	51.94 USD - 139.50 USD
Mkrt Val (mn) / Shares Out (mn)	8,087 USD / 106.8
Free Float	96.8%
Average Daily Value (mn)	124.39 USD
BofA Ticker / Exchange	BILL / NYS
Bloomberg / Reuters	BILL US / BILLN
ROE (2024E)	4.8%
Net Dbt to Eqty (Jun-2023A)	7.2%
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".

TPV = Total Payment Volume

TAM = total addressable market

iQprofileSM BILL

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	-0.3%	3.0%	3.2%	3.1%	3.9%
Return on Equity	-0.7%	4.8%	4.8%	4.3%	5.6%
Operating Margin	-2.3%	11.1%	12.6%	15.2%	17.7%
Free Cash Flow	(32)	157	157	222	285

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	1.0x	0.7x	0.9x	0.9x
Asset Replacement Ratio	1.5x	2.8x	1.9x	2.5x	2.7x
Tax Rate	1.3%	NM	NM	NM	NM
Net Debt-to-Equity Ratio	6.4%	7.2%	-41.7%	-44.8%	-46.8%
Interest Cover	-1.5x	NA	NA	NA	NA

Income Statement Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	642	1,058	1,242	1,407	1,736
% Change	169.4%	64.9%	17.3%	13.3%	23.4%
Gross Profit	542	917	1,049	1,173	1,462
% Change	191.8%	69.1%	14.4%	11.8%	24.6%
EBITDA	(4)	128	170	230	326
% Change	57.2%	NM	32.7%	35.1%	41.5%
Net Interest & Other Income	(10)	80	107	84	84
Net Income (Adjusted)	(24)	193	257	291	382
% Change	-96.6%	NM	33.0%	13.2%	31.2%

Free Cash Flow Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(326)	(224)	(114)	(100)	(122)
Depreciation & Amortization	11	11	14	16	18
Change in Working Capital	(14)	(9)	(31)	75	71
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	313	409	316	271	367
Capital Expenditure	(16)	(31)	(28)	(40)	(50)
Free Cash Flow	-32	157	157	222	285
% Change	-94.8%	NM	0.4%	41.3%	28.5%
Share / Issue Repurchase	1,948	8	(213)	1	1
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(3)	60	4	34	46

Balance Sheet Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,597	1,617	4,729	4,985	5,318
Trade Receivables	24	28	33	35	47
Other Current Assets	4,659	5,028	5,262	5,185	5,383
Property, Plant & Equipment	57	82	87	87	87
Other Non-Current Assets	2,920	2,881	2,454	2,487	2,494
Total Assets	9,256	9,636	12,564	12,778	13,328
Short-Term Debt	75	135	139	173	219
Other Current Liabilities	3,334	3,618	3,877	4,029	4,227
Long-Term Debt	1,781	1,777	1,782	1,802	1,829
Other Non-Current Liabilities	23	19	36	49	66
Total Liabilities	5,212	5,550	5,835	6,053	6,341
Total Equity	4,044	4,086	6,730	6,725	6,987
Total Equity & Liabilities	9,256	9,636	12,564	12,778	13,328

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Server & Enterprise Software

Company Description

BILL, headquartered in San Jose, CA, is a cloud software provider of accounts payable, accounts receivable software integrated with payments processing service (ACH, check writing, cross border payments and virtual credit cards) to small and medium sized businesses. BILL software automates the payables cycle from purchase order to payment, as well as the accounts receivable process from shipping to payment.

Investment Rationale

We believe that BILL is well positioned to continue gaining share of the \$9 billion payables and payments market (US alone) given a number of compelling competitive advantages, including: 1) breadth of offering spanning accounts payable, receivable and payment, 2) multi channel go to market strategy across inbound sales, 4,000 accounting firm partners and large financial institutions, and 3) installed base of over 90,000 customers.

Stock Data

Average Daily Volume 1,859,439

Quarterly Earnings Estimates

	2023	2024
Q1	0.14A	0.54A
Q2	0.42A	0.63A
Q3	0.50A	0.53E
Q4	0.59A	0.50E

Earnings recap

Q2 total transaction revenue of \$212 million (+25% y/y) exceeded our \$194 million, from better core TPV / customer (+1% y/y versus our -9.6%). Standalone TPV (ex. Divvy) growth of +7% q/q exceeded our -3.1%, driven by better than expected spending, especially in smaller sized businesses. The core take rate declined 0.3bps q/q, though was better than feared (-0.5bps guided). Divvy TPV growth of +5% q/q exceeded the implied guidance of -2%, though flat penetration ramp q/q is likely impacted by the ongoing adjustments on credit policy. Subscription revenue of \$63 million (+2.9% y/y), is below our \$66 million, though core BILL net adds of 3,900 (excluding the 3,800 attrition related to the sunset of Intuit's Simple Bill Pay) was still within the historical range. Float revenue of \$43.5 million exceeded our/guided \$38mn from greater yield with an elevated FFR. Operating margin of 14% came in above our 7% from revenue upside (including high margin float) and prudent expense management.

Guidance for Q3 total revenue and core revenue of \$319 million (+12% y/y) and \$275 million (+13% y/y) at the mid are higher than our prior \$301 million/\$268 million. With guided EPS of \$0.53, we arrive at an implied operating margin of 12.8% for Q3 (versus 8.4% prior). Guidance for FY24 total revenue of \$1.24 billion (17% y/y) at the mid is above our prior \$1.23 billion. Given FY24 EPS of \$2.2 (versus \$1.81 prior), we arrive at an implied operating margin of 12.6% for the full year (versus 9.9% prior).

Exhibits

Exhibit 1: Comp

The mid-cap software group is trading at 4.5x C25e sales, or 0.3x on a growth adjusted basis

Company name		Last 11/02/23	Mkt Cap (\$mn)	Ent. Value (\$mn)	2023 Sales	2024 Sales	2025 Sales	2023 Rev Growth	2024 Rev Growth	2025 Rev Growth	EV/2023 Sales	EV/2024 Sales	EV/2025 Sales	2023 EV/Rev/ Growth	2024 EV/Rev/ Growth	2025 EV/Rev/ Growth
Mid Cap																
BILL	BILL HOLDINGS INC	\$89.74	9,549	8,801	1,180	1,442	1,835	38%	22%	27%	7.5x	6.1x	4.8x	0.2x	0.3x	0.2x
CCCS	CCC INTELLIGENT SOLUTIONS HO	\$10.77	6,688	7,125	855	932	1,016	9%	9%	9%	8.3x	7.6x	7.0x	0.9x	0.8x	0.8x
CFLT	CONFLUENT INC-CLASS A	\$15.52	5,056	4,299	768	936	1,177	31%	22%	26%	5.6x	4.6x	3.7x	0.2x	0.2x	0.1x
DBX	DROPBOX INC-CLASS A	\$26.44	9,090	10,130	2,497	2,602	2,715	7%	4%	4%	4.1x	3.9x	3.7x	0.5x	0.9x	0.9x
DOCU	DOCUSIGN INC	\$39.70	8,265	7,700	2,729	2,899	3,136	8%	6%	8%	2.8x	2.7x	2.5x	0.3x	0.4x	0.3x
DT	DYNATRACE INC	\$45.52	13,556	12,933	1,414	1,675	1,986	22%	18%	19%	9.1x	7.7x	6.5x	0.4x	0.4x	0.4x
ESTC	ELASTIC NV	\$71.58	7,163	6,423	1,192	1,389	1,612	16%	17%	16%	5.4x	4.6x	4.0x	0.3x	0.3x	0.2x
FRSH	FRESHWORKS INC-CL A	\$18.04	5,825	4,691	595	702	828	19%	18%	18%	7.9x	6.7x	5.7x	0.4x	0.4x	0.3x
GLBE	GLOBAL-E ONLINE LTD	\$36.20	6,351	6,150	583	794	1,071	43%	36%	35%	10.5x	7.7x	5.7x	0.2x	0.2x	0.2x
GTLB	GITLAB INC-CL A	\$42.40	6,992	6,005	556	700	910	31%	26%	30%	10.8x	8.6x	6.6x	0.3x	0.3x	0.2x
GWRE	GUIDEWIRE SOFTWARE INC	\$89.66	7,364	7,014	934	1,041	1,177	7%	11%	13%	7.5x	6.7x	6.0x	1.0x	0.6x	0.5x
INFA	INFORMATICA	\$22.84	6,527	7,549	1,581	1,705	1,849	5%	8%	8%	4.8x	4.4x	4.1x	1.0x	0.6x	0.5x
NICE	NICE LTD - SPON ADR	\$158.61	10,603	9,725	2,364	2,637	3,025	8%	12%	15%	4.1x	3.7x	3.2x	0.5x	0.3x	0.2x
PATH	UIPATH INC - CLASS A	\$16.55	9,316	7,549	1,275	1,576	1,957	20%	24%	24%	5.9x	4.8x	3.9x	0.3x	0.2x	0.2x
TWLO	TWILIO INC - A	\$52.31	9,792	6,624	4,069	4,337	4,759	6%	7%	10%	1.6x	1.5x	1.4x	0.3x	0.2x	0.1x
U	UNITY SOFTWARE INC	\$26.22	8,597	9,828	2,165	2,675	3,298	56%	24%	23%	4.5x	3.7x	3.0x	0.1x	0.2x	0.1x
ZI	ZOOMINFO TECHNOLOGIES INC	\$12.50	5,035	5,841	1,234	1,253	1,333	12%	2%	6%	4.7x	4.7x	4.4x	0.4x	2.9x	0.7x
Mid Cap																
Average					1,529	1,723	1,982	20%	16%	17%	6.2x	5.3x	4.5x	0.4x	0.5x	0.3x
Median					1,234	1,442	1,835	16%	17%	16%	5.6x	4.7x	4.1x	0.3x	0.3x	0.2x

Source: BofA Global Research, Bloomberg

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Exhibit 2: Variance

Total revenue came in 7% ahead of our estimate

\$ in Thousands (except per share data)	BofA Estimates	2Q24 Actuals	Variance
Revenue			
Core subscription revenue	\$56,548	\$53,300	-6%
Invoice2Go subscription revenue	\$9,300	\$10,000	8%
Core transaction revenue	\$89,244	\$99,900	12%
Divvy	\$103,920	\$110,600	6%
Invoice2Go transaction revenue	\$1,100	\$1,192	8%
Total core revenue (subs + txn)	\$260,112	\$274,992	6%
Interest on funds held for customers	\$38,000	\$43,503	14%
Total revenue	\$298,112	\$318,495	7%
Cost of revenues	\$51,609	\$44,793	-13%
Gross Profit	\$246,503	\$273,702	11%
Operating Income and Net Income			
Research & Development	\$61,547	\$59,939	-3%
Sales & Marketing	\$104,893	\$105,296	0%
General & Administration	\$58,219	\$64,164	10%
Total Operating Expenses	\$224,659	\$229,399	2%
Operating Income (loss)	\$21,844	\$44,303	103%
Interest and other income (expense), net	\$26,000	\$30,681	18%
Income (loss) before provision for income taxes	\$47,844	\$74,984	57%
Provision for income taxes	\$419	\$1,760	
Net Income - Pro forma	\$47,425	\$73,224	54%
EPS (diluted) - Pro forma	\$0.40	\$0.63	57%
Growth Analysis - Y-Y			
Total core revenue (subs + txn)	0%	0%	0.0%
Interest on funds held for customers	31%	50%	19.0%
Total Revenues	15%	22%	7.8%
Gross profit	9.4%	21.4%	12.1%
Non-GAAP net income	-4.0%	48.3%	52.2%
Margin Analysis			
Gross margin	82.7%	85.9%	3.2%
Research & Development	20.6%	18.8%	-1.8%
Sales & Marketing	35.2%	33.1%	-2.1%
General & Administration	19.5%	20.1%	0.6%
Operating Margin	7.3%	13.9%	6.6%
Pre-tax margin	16.0%	23.5%	7.5%
Tax rate - pro forma	0.9%	2.3%	1.5%
Net Margin	15.9%	23.0%	7.1%
Key metrics			
Bill standalone TPV (\$mn)	\$63,789	\$70,400	10.4%
Bill standalone take rate	14.0bps	14.2bps	0.2bps
Divvy TPV (\$mn)	\$3,918	\$4,200	7.2%
Balance Sheet & Cash Flow Data			
Cash & equivalents	\$4,308,187	\$1,579,633	-63.3%
Short-term investments	\$1,119,456	\$972,621	-13.1%
Total cash & ST investments	\$5,427,643	\$2,552,254	-53.0%
Cash flow from operations	(\$16,223)	\$79,682	-591.2%
Free cash flow	(\$25,166)	\$74,213	394.9%

Source: BofA Global Research, company filing

BofA GLOBAL RESEARCH

Exhibit 3: Estimate revision

We lowered our FY24 revenue to \$1.24 billion from \$1.23 billion

	F3Q24E				F2024E				F2025E			
	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
Core subscription revenue	\$61,806	7.3%	\$58,176	1.0%	\$233,275	7.3%	\$223,043	2.6%	\$282,407	21.1%	\$267,343	19.9%
Invoice2Go subscription revenue	\$9,300	2.2%	\$10,000	9.9%	\$37,400	4.5%	\$39,500	10.3%	\$39,200	4.8%	\$42,000	6.3%
Core transaction revenue	\$90,688	9.0%	\$95,680	15.0%	\$373,237	12.6%	\$389,800	17.6%	\$438,777	17.6%	\$458,166	17.5%
Divvy	\$104,991	18.5%	\$104,991	18.5%	\$431,894	22.3%	\$433,579	22.8%	\$533,890	23.6%	\$513,967	18.5%
Invoice2Go transaction revenue	\$1,100	10.0%	\$1,192	19.2%	\$4,542	-35.2%	\$4,818	-31.3%	\$5,326	17.3%	\$5,657	17.4%
Total core revenue (subs + txn)	\$267,885	11.9%	\$270,039	12.8%	\$1,080,348	14.4%	\$1,090,740	15.5%	\$1,299,601	20.3%	\$1,287,134	18.0%
Interest on funds held for customers	\$33,500	1.3%	\$36,000	8.9%	\$144,843	27.3%	\$151,000	32.7%	\$120,000	-17.2%	\$120,000	-20.5%
Total revenue	\$301,385	10.6%	\$306,039	12.3%	\$1,225,191	15.8%	\$1,241,740	17.3%	\$1,419,601	15.9%	\$1,407,134	13.3%
Operating Income (loss)	\$25,265	-27.5%	\$39,121	12.3%	\$120,916	3.3%	\$155,849	33.1%	\$166,650	37.8%	\$214,138	37.4%
Bill standalone TPV (\$mn)	\$64,846	6.1%	\$67,220	10.0%	\$264,172	5.0%	\$270,837	7.7%	\$284,173	7.6%	\$292,792	8.1%
Bill standalone take rate	14.0bps	n/a	14.2bps	n/a	14.1bps	n/a	14.4bps	n/a	15.4bps	n/a	15.6bps	n/a
Divvy TPV (\$mn)	\$3,958	16.4%	\$3,987	17.3%	\$16,283	20.6%	\$16,436	21.7%	\$20,128	23.6%	\$19,518	18.8%

Source: BofA Global Research, company filing

BofA GLOBAL RESEARCH



Price objective basis & risk

BILL (BILL)

Our PO of \$90 is based on an EV/revenue multiple of 6.3x our CY25 revenue estimate. This represents an EV/Rev/Growth multiple of 0.3x based on our C25e core revenue growth rate of 23%, discount to the mid cap peer group trading at 0.4x for macro and SMB exposure.

Downside risks are: 1) Higher degree of cyclical exposure, given the focus on SMB and variable transaction and float revenue, which, in a recessionary environment, could see declined transaction volume and lower interest rates, 2) Premium valuation presents risk of pullback in the event of changes to market sentiment stemming from global macro uncertainty, or potentially disappointing quarterly revenue, 3) Need to drive brand/product awareness to drive growth - there is relatively low awareness of the BILL brand and BILL is most often competing with status quo (manual/human efforts). Execution on demand generation, with both customers and partners, is critical for BILL to continue growing at its recent growth trend (revenue growth of 67% in FY19).

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
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
	BILL	BILL	BILL US	Brad Sills
	CCC Intelligent Solutions	CCCS	CCCS US	Michael J. Funk
	Dropbox	DBX	DBX 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
	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

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
RSTR	Vertex, Inc.	VERX	VERX US	Brad Sills
	Splunk	SPLK	SPLK US	Brad Sills

IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

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

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

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

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization



Valuation Toolkit

Numerator

Denominator

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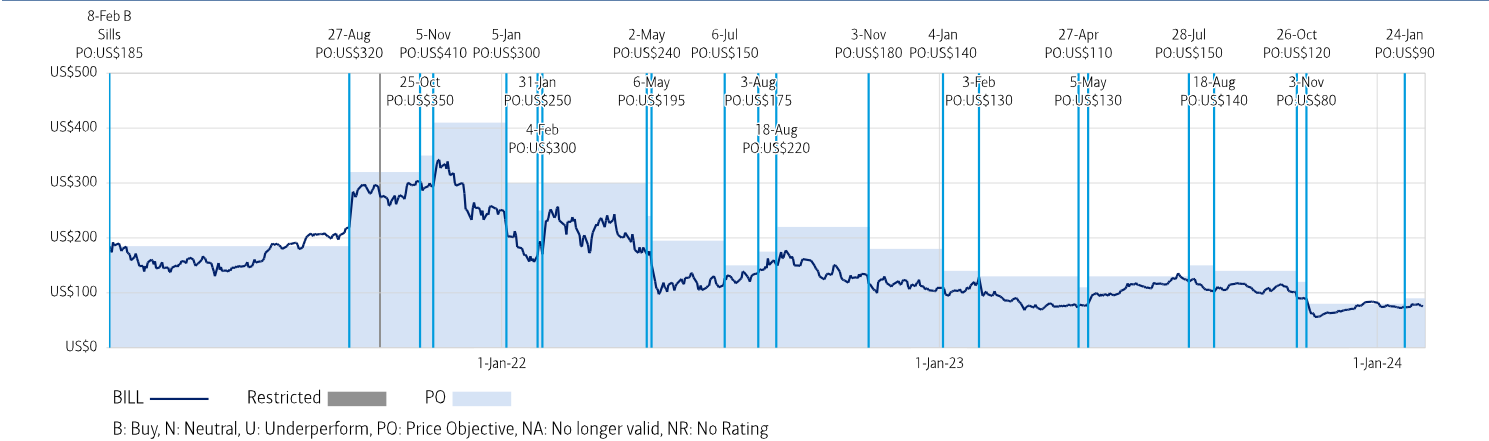
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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

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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