

8x8

3Q24 Wrap: Are we there yet? No

Reiterate Rating: BUY | PO: 6.00 USD | Price: 3.36 USD

Positive optionality for investors looking past noise

EGHT has made progress in right sizing its balance sheet through debt reduction, improving profitability, and expanding its product portfolio. The company's focus of delivering balanced growth with CFO/share as a defining metric is a strong predictor of value creation, in our view. Revenue growth however, remains elusive due to macro pressure (smaller deal sizes and down sell pressure), continued attrition of Fuze customers and the relatively small base of new product revenue contribution. 4Q guidance was disappointing as it implies deterioration relative to the earlier forecast. However, for investors willing to look past near term macro headwinds we believe there is value in EGHT's FCF generation potential with the stock trading at an 18% FCF yield with the potential for revenue reacceleration (albeit with uncertain timing) providing positive optionality.

Results beat on profitability, but rev guide lowered

Total rev of \$181.0mn (-1.8% YoY) was in line with our estimate and below consensus of \$183.3mn. Total ARR grew 1% YoY to \$707mn. Enterprise ARR was up \$9mn Y/Y and accounted for 58% of total ARR. Non-GAAP gross margin increased 10bps QoQ to 71.6% and operating margin was better than projected at 13.4% versus our 11.5%. Management lowered FY2Y total revenue guidance by 1.3% to \$727.8mn at the mid (below consensus of \$737mn). EGHT provided 4Q24 total revenue guidance of \$179mn (consensus \$185.4mn) and non-GAAP operating margin guidance of 10% (consensus 12.0%) at the mid. We update our estimates to reflect results and guidance.

Reiterate Buy and \$6 PO

We see EGHT's valuation as compelling at current levels, and expect the stock to re-rate higher as macro pressures ease and growth reaccelerates in CY24. We reiterate our Buy rating and our \$6 PO. Our \$6 PO implies a 1.4x EV/C24Rev, a discount to the Communications peer group at 2.6x. We believe a discount multiple to the peer group is justified based on lower growth profile, more SMB/mid-market exposure, and a need for turnaround efforts to accelerate growth.

Estimates (Mar) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.08	0.33	0.44	0.44	0.62
GAAP EPS	(1.36)	(0.62)	(0.48)	(0.23)	(0.02)
EPS Change (YoY)	NM	312.5%	33.3%	0%	40.9%
Consensus EPS (Bloomberg)			0.47	0.51	0.64
DPS	0	0	0	0	0
Valuation (Mar)					
P/E	42.0x	10.2x	7.6x	7.6x	5.4x
EV / EBITDA*	6.3x	6.3x	5.9x	5.6x	4.9x
Free Cash Flow Yield*	2.5%	8.2%	14.7%	22.6%	28.2%

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

31 January 2024

Equity

Key Changes

(US\$)	Previous	Current
2024E Rev (m)	732.9	729.0
2025E Rev (m)	753.7	735.3
2026E Rev (m)	807.3	768.5
2024E EPS	0.43	0.44
2025E EPS	0.47	0.44
2026E EPS	0.66	0.62

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Stock Data

Price	3.36 USD
Price Objective	6.00 USD
Date Established	27-Oct-2022
Investment Opinion	C-1-9
52-Week Range	2.15 USD - 6.49 USD
Mkt Val (mn) / Shares Out (mn)	412 USD / 122.6
Free Float	96.3%
Average Daily Value (mn)	4.85 USD
BofA Ticker / Exchange	EGHT / NYS
Bloomberg / Reuters	EGHT US / EGHT.OQ
ROE (2024E)	49.5%
Net Dbt to Eqty (Mar-2023A)	-111.5%
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"](#).

ARR: Annual recurring revenue

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Refer to important disclosures on page 12 to 14. Analyst Certification on page 9. Price Objective Basis/Risk on page 9.

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iQprofileSM 8x8

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	1.5%	8.4%	13.6%	14.3%	9.3%
Return on Equity	5.5%	27.3%	49.5%	33.3%	29.4%
Operating Margin	28.3%	37.6%	40.9%	42.0%	43.1%
Free Cash Flow	10	34	61	93	116

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	3.7x	1.3x	1.4x	1.9x	1.5x
Asset Replacement Ratio	0.2x	0.3x	0.6x	0.6x	0.6x
Tax Rate	0.2%	NM	NM	NM	126.1%
Net Debt-to-Equity Ratio	-50.0%	-111.5%	-140.5%	-81.3%	-45.8%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	638	744	729	735	769
% Change	19.9%	16.6%	-2.0%	0.9%	4.5%
Gross Profit	413	527	523	526	555
% Change	27.6%	27.7%	-0.7%	0.4%	5.6%
EBITDA	114	115	122	128	149
% Change	45.1%	0.3%	6.3%	5.5%	15.7%
Net Interest & Other Income	(2)	(21)	(34)	(32)	(18)
Net Income (Adjusted)	9	39	56	59	88
% Change	NM	306.9%	44.4%	6.2%	48.3%

Free Cash Flow Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(161)	(73)	(60)	(31)	(2)
Depreciation & Amortization	104	52	29	29	31
Change in Working Capital	(46)	(62)	(38)	(23)	(32)
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	138	132	148	136	139
Capital Expenditure	(25)	(15)	(18)	(18)	(19)
Free Cash Flow	10	34	61	93	116
% Change	NM	233.2%	79.2%	53.6%	24.8%
Share / Issue Repurchase	(29)	(56)	2	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Mar)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	91	111	176	187	168
Trade Receivables	57	62	65	65	66
Other Current Assets	127	100	72	82	86
Property, Plant & Equipment	79	58	54	48	42
Other Non-Current Assets	556	510	479	475	490
Total Assets	910	842	845	858	852
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	192	230	234	224	217
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	536	512	486	404	269
Total Liabilities	728	742	720	628	485
Total Equity	182	100	125	230	367
Total Equity & Liabilities	910	842	845	859	853

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

Company Sector

Server & Enterprise Software

Company Description

8x8 offers a cloud-based solution for business communications and collaboration on a unified platform spanning voice, video, contact center, and desktops, that replaces legacy and expensive on-premise systems. It is delivered as an application that follows the user regardless of device (office phone, smartphone, desktop, tablet). Features include voice, video, conferencing, integration with CRMs, and recent expansion into communications platform APIs (CPaaS).

Investment Rationale

We view 8x8 as a strong vendor in both UCaaS and CCaaS with a robust cloud platform, channel presence, and ability to bundle both products across its core SMB/mid-market customer base and an opportunity to capture more enterprise market share. 8x8 benefits from high growth across its addressable markets and bundling potentially increasing as a trend. 8x8 continues to demonstrate its ability to move up market and capture larger enterprise customers.

Stock Data

Average Daily Volume 1,444,096

Quarterly Earnings Estimates

	2023	2024
Q1	0.09A	0.13A
Q2	0.05A	0.14A
Q3	0.07A	0.12A
Q4	0.11A	0.07E

Results beat on profitability, but rev guide lowered

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Management lowered FY2Y total revenue guidance by 1.3% to \$727.8mn at the mid (below consensus of \$737mn). EGHT provided 4Q24 total revenue guidance of \$179mn (consensus \$185.4mn) and non-GAAP operating margin guidance of 10% (consensus 12.0%) at the mid. Management commentary suggests a topline reacceleration is likely at some point in FY25, though the specific timing remains in question.

Exhibit 1: Variance analysis

EGTH reported 3Q24 revenues in line with our estimate

\$ in Thousands (except per share data)	BofA Estimates	3Q24 Actuals	Variance
Revenues			
Service revenue	173,548	175,069	1%
Product revenue	7,858	5,937	-24%
Total revenues	181,406	181,006	-0.2%
Cost of revenues:			
Cost of service revenue	\$45,122	44,727	-1%
Cost of product revenue	\$6,988	6,644	-5%
Total cost of revenues	\$52,110	51,371	-1%
Gross profit	\$129,296	129,635	0%
Operating expenses:			
Research and development	\$28,118	27,012	-4%
Sales and marketing	\$60,408	59,779	-1%
General and administrative	\$19,955	18,588	-7%
Total operating expenses	\$108,481	105,379	-3%
Income from operations	\$20,815	24,256	17%
Other income (loss), net	(\$8,787)	(8,976)	NA
Income before income taxes	\$12,028	15,280	27%
Provision (benefit) for income taxes	\$1,443	521	-64%
Net Income - Pro forma	\$10,584	14,759	39%
Proforma EPS - Diluted	\$0.08	\$0.12	40%
GAAP EPS - Diluted	(\$0.14)	(\$0.2)	NA
Shares outstanding - Diluted	124,657	124,253	0%
Growth Analysis Y-Y			
Service revenue	-1.3%	-0.4%	1%
Total Revenues	-1.6%	-1.8%	0%
Operating Income	13.6%	32.3%	19%
Net Income - Pro forma	28.0%	78.5%	50%
EPS (diluted) - Pro forma	16.7%	63.3%	47%
Margin Analysis			
Service revenue	26.0%	25.5%	-0.5%
Product revenue	88.9%	111.9%	23.0%
Total gross margin	71.3%	71.6%	0.3%
Research & Development	15.5%	14.9%	-0.6%
Sales & Marketing	33.3%	33.0%	-0.3%
General & Administration	11.0%	10.3%	-0.7%
Operating Margin	11.5%	13.4%	1.9%
Pre-Tax Margin	6.6%	8.4%	1.8%
Tax Rate - Pro forma	12.0%	3.4%	-8.6%
Net Margin	5.8%	8.2%	2.3%
Balance Sheet & Cash Flow Analysis			
Cash & Cash Equivalents	166,291	169,331	2%
Cash Flow from Operations	11,267	22,396	99%
Free Cash Flow	6,928	18,142	162%

Source: BofA Global Research estimates, company filings

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Exhibit 2: Estimate changes

We are slightly lowering our FY24 revenue estimate

	4Q24E					2024E					2025E				
	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	Previous Estimate	Previous Y/Y Growth	New Y/Y Growth
Service revenue	\$ 175,206	-0.8%	\$ 173,313	-1.8%	\$701,773	-1.2%	\$ 701,402	-1.22%	\$722,387	2.9%	\$ 709,051	1.1%			
Product revenue	\$ 7,967	0.0%	\$ 6,374	-20.0%	\$31,091	-8.3%	\$ 27,577	-18.64%	\$31,273	0.6%	\$ 26,296	-4.6%			
			\$		\$732,86		\$		\$753,66		\$				
Total revenue	\$ 183,173	-0.7%	179,687	-2.6%	4	-1.5%	728,979	-2.01%	0	2.8%	735,347	0.9%			
Pro forma EPS	\$0.09	-18.0%	\$0.07	-39.2%	\$0.43	30.6%	\$0.44	34.1%	\$0.47	10.0%	\$0.44	-0.1%			

Source: BofA Global Research estimates

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Exhibit 3: Income statement

EGHT reported 3Q24 total revenue of \$181mn

\$ Thousands, except EPS	YEAR FY23A	Jun 1Q24A	Sep 2Q24A	Dec 3Q24A	Mar 4Q24E	YEAR FY24E	Jun 1Q25E	Sep 2Q25E	Dec 3Q25E	Mar 4Q25E	YEAR FY25E	YEAR FY26E
Revenues - post reclassification												
Service revenue	710,044	175,238	177,782	175,069	173,313	701,402	173,829	176,945	178,958	179,318	709,051	739,927
Other revenue	33,894	8,049	7,217	5,937	6,374	27,577	7,244	6,856	5,759	6,437	26,296	28,604
Total revenue	743,938	183,287	184,999	181,006	179,687	728,979	181,073	183,801	184,717	185,755	735,347	768,531
Y/Y rev growth	16.6%	-2.3%	-1.3%	-1.8%	-2.6%	-2.0%	-1.2%	-0.6%	2.1%	3.4%	0.9%	4.5%
Cost of revenues - post reclassification												
Cost of service revenue	179,912	41,728	45,201	44,727	45,061	176,717	44,326	44,767	45,634	45,547	180,275	181,208
Cost of other revenue	37,301	7,725	7,462	6,644	7,133	28,964	8,107	7,673	6,445	7,204	29,428	32,011
Cost of revenues	217,213	49,453	52,663	51,371	52,194	205,681	52,433	52,440	52,079	52,751	209,703	213,219
Gross profit (total)	526,725	133,834	132,336	129,635	127,493	523,298	128,647	131,362	132,638	133,004	525,644	555,313
Operating expenses:												
Research and development	109,932	27,330	28,075	27,012	27,492	109,909	27,161	27,203	26,784	26,935	108,082	113,377
Sales and marketing	268,264	60,100	61,295	59,779	61,094	242,268	59,754	60,655	60,957	61,485	242,850	245,930
General and administrative	86,172	19,974	19,202	18,588	20,664	78,428	18,832	18,932	18,841	18,947	75,551	78,007
	-					-					-	-
Total operating expenses	464,368	107,404	108,572	105,379	109,255	430,605	105,746	106,789	106,582	107,366	426,484	437,314
Income from operations	62,357	26,430	23,764	24,256	18,243	92,693	22,893	24,573	26,056	25,638	99,161	117,999
Margin	8%					13%					13%	15%
EBITDA	114,638	33,838	30,507	30,657	25,970	120,972	30,103	31,845	27,374	26,706	116,029	142,828
Other income (loss), net	(20,968)	(9,466)	(7,024)	(8,976)	(8,813)	(34,279)	(8,734)	(8,734)	(7,735)	(6,724)	(31,927)	(18,300)
Income on change in value of warrant												
Income before income taxes	41,389	16,964	16,740	15,280	9,431	58,415	14,159	15,839	18,322	18,914	67,234	99,699
Provision (benefit) for income taxes	2,807	1,444	(389)	521	1,132	2,708	1,699	1,901	2,199	2,270	8,068	11,964
Proforma NI from cont'd ops	38,582	15,520	17,129	14,759	8,299	55,707	12,460	13,939	16,123	16,644	59,166	87,735
Proforma net income	38,582	15,520	17,129	14,759	8,299	55,707	12,460	13,939	16,123	16,644	59,166	87,735
Non-GAAP EPS - Basic	\$0.34	\$0.13	\$0.14	\$0.12	\$0.07	\$0.45	\$0.10	\$0.11	\$0.12	\$0.13	\$0.45	\$0.64
Non-GAAP EPS - Diluted	\$0.33	\$0.13	\$0.14	\$0.12	\$0.07	\$0.44	\$0.10	\$0.11	\$0.12	\$0.12	\$0.44	\$0.62
Shares outstanding - Basic	114,924	116,777	120,757	122,556	124,856	124,856	126,856	128,856	130,856	132,856	132,856	140,856
Shares outstanding - Diluted	117,442	118,445	122,624	124,253	126,456	126,456	128,456	130,456	132,456	134,456	134,456	142,456

Source: BofA Global Research estimates, company filings

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Exhibit 4: Balance sheet

EGHT ended 3Q24 with \$170mn in cash and equivalents

\$ Thousands, except EPS	YEAR FY22A	YEAR FY23A	Jun 1Q24A	Sep 2Q24A	Dec 3Q24A	Mar 4Q24E	YEAR FY24E	YEAR FY25E	YEAR FY26E
Current assets:									
Cash and cash equivalents	91,205	111,400	122,229	144,030	168,513	176,169	176,169	187,389	168,184
Restricted cash	8,691	511	165	521	356	356	356	356	356
Short-term investments	44,845	26,228	15,946	4,744	1,035	1,035	1,035	1,035	1,035
Accounts receivable, net	57,400	62,307	64,951	61,063	63,042	64,687	64,687	65,015	66,027
Deferred sales commission costs	35,482	38,048	38,247	37,610	36,996	37,050	37,050	38,301	40,041
Other current assets	37,999	34,630	32,930	33,967	32,528	33,721	33,721	42,724	44,665
Non-cash interest expense									
Total current assets	275,622	273,124	274,468	281,935	302,470	313,018	313,018	334,819	320,308
Property and equipment, net	79,016	57,871	54,538	53,508	55,661	53,613	53,613	47,981	42,090
Intangible assets, net	128,213	107,112	102,013	96,914	91,816	90,710	90,710	85,353	79,794
Goodwill	266,867	266,863	266,386	265,732	267,453	267,453	267,453	267,453	267,453
Restricted cash, non-current		818	818	462	462	462	462	462	462
Deferred sales commission costs, noncurrent	75,668	67,644	64,699	60,440	56,317	65,869	65,869	68,094	87,388
Operating lease, right of use	-	52,444	50,438	50,396	38,546	38,546	38,546	38,546	38,546
Other assets	82,211	15,934	15,103	14,336	13,993	15,516	15,516	16,040	16,769
Total assets	910,268	841,810	828,463	823,723	826,718	845,186	845,186	858,748	852,810
Current liabilities:									
Accounts payable	49,721	46,802	42,537	49,391	49,493	48,515	48,515	42,724	38,839
Accrued compensation	36,319	29,614	26,406	21,793	20,573	23,359	23,359	18,576	13,594
Accrued warranty	-	-	-	-	-	-	-	-	-
Accrued taxes	32,573	29,570	34,102	35,854	37,781	37,781	37,781	37,781	37,781
Deferred revenue	34,262	34,909	40,410	33,223	32,778	33,993	33,993	35,141	36,738
Other accrued liabilities	38,652	26,060	29,823	25,676	26,641	26,641	26,641	26,641	26,641
Accrued Int Exp	-	-	-	-	-	-	-	-	-
Convertible debt, current		62,932	63,039	63,153	63,260	63,260	63,260	63,260	63,260
Total current liabilities	191,527	229,887	236,317	229,090	230,526	233,550	233,550	224,122	216,853
Non-current liabilities	88,923	83,203	80,695	76,617	77,867	77,867	77,867	77,867	77,867
Convert	447,452	196,821	197,048	197,303	197,561	197,303	197,303	197,303	197,303
Term loan	-	231,993	209,534	210,303	211,092	211,092	211,092	129,034	(6,543)
Total liabilities	727,902	741,904	723,594	713,313	717,046	719,812	719,812	628,327	485,479
Stockholders' Equity									
Issued and outstanding shares	123	115	119	122	123	123	123	123	123
Additional paid-in capital	956,594	905,635	924,190	941,493	956,005	988,180	988,180	1,124,189	1,263,572
Accumulated other comprehensive loss	(7,913)	(12,927)	(11,196)	(15,509)	(9,538)	(9,538)	(9,538)	(9,538)	(9,538)
Accumulated deficit	(766,438)	(792,917)	(808,244)	(815,696)	(836,918)	(853,390)	(853,390)	(884,353)	(886,827)
Treasury stock		-						-	-
Total stockholders' equity	182,366	99,906	104,869	110,410	109,672	125,375	125,375	230,421	367,330
Total liabilities and stockholders' equity	910,268	841,810	828,463	823,723	826,718	845,186	845,186	858,748	852,810

Source: BofA Global Research estimates, company filings

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Exhibit 5: Cash flow statement

EGHT generated \$22.4mn in CFO during 3Q24

\$ Thousands, except EPS	YEAR FY22A	YEAR FY23A	Jun 1Q24A	Sep 2Q24A	Dec 3Q24A	Mar 4Q24E	YEAR FY24E	Jun 1Q25E	Sep 2Q25E	Dec 3Q25E	Mar 4Q25E	YEAR FY25E	YEAR FY26E
Cash flows from operating activities:													
Net income	(175,384)	(73,143)	(15,327)	(7,452)	(21,222)	(16,472)	(60,473)	(9,510)	(8,481)	(6,649)	(6,323)	(30,963)	(2,473)
Adjustments to reconcile NI:													
Depreciation	11,374	10,464	2,126	1,964	2,043	2,695	8,828	2,173	2,206	2,217	2,229	8,824	9,222
Amortization	92,285	41,817	5,099	5,099	5,098	5,031	20,327	5,037	5,066	5,203	5,201	20,507	21,433
Amortization of debt discount and issuance cost		4,254	1,109	1,131	12,178	3,884	18,302	4,576	5,442	6,520	5,105	21,643	22,144
Amortization of deferred sales commission cost		38,195	10,019	10,080	10,051	9,953	40,103	10,026	10,027	10,014	10,005	40,073	40,061
Allowance for credit loss		1,892	490	503	670	393	2,056	514	520	524	488	2,046	2,035
Operating lease expense, net of accretion		12,030	2,507	2,602	2,948	2,855	10,912	2,728	2,783	2,829	2,799	11,139	11,182
Stock-based compensation expense	133,332	89,536	18,195	14,522	14,118	15,090	61,925	14,940	15,190	15,390	15,590	61,110	63,960
Deferred interest expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	19,182	(12,481)	7,114	2,234	5,045	-	14,393	-	-	-	-	-	-
				(13,220)		(11,201)	(37,813)				(15,508)	(22,757)	
Changes in assets and liabilities:	(46,109)	(61,957)	(4,859)	-	(8,533)	-	-	(920)	(1,690)	(4,638)	-	-	(31,987)
Accounts receivable	6,867	(8,450)	(3,397)	3,696	(2,487)	(1,645)	(3,833)	2,332	3,526	(3,658)	(2,527)	(327)	(1,012)
Other current and noncurrent assets	(4,022)	3,078	2,327	(3,633)	720	(2,716)	(3,302)	(1,898)	(3,544)	(2,085)	(1,999)	(9,527)	(2,670)
							(26,701)						
Deferred sales commission costs	(44,224)	(31,086)	(7,209)	(4,859)	(5,027)	(9,606)	-	1,216	4,287	2,189	(11,169)	(3,476)	(21,035)
Deferred cost of goods sold	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounts payable and accruals	(8,740)	(25,331)	(2,084)	(850)	(1,537)	(978)	(5,449)	(6,869)	628	211	239	(5,792)	(3,885)
Accrued compensation	-	-	-	-	-	2,786	2,786	(1,631)	327	(1,737)	(1,743)	(4,784)	(4,982)
Accrued int exp	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued warranty	-	-	-	-	-	-	-	-	-	-	-	-	-
Accrued taxes	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred revenue	4,010	(168)	5,504	(7,574)	(202)	1,215	(1,057)	5,929	(6,914)	442	1,691	1,148	1,597
Other current and noncurrent liabilities	-	-	-	-	-	(258)	(258)	-	-	-	-	-	-
Net cash provided by operating activities	34,680	48,786	26,473	17,463	22,396	12,228	78,560	29,563	31,063	31,409	19,586	111,621	135,578
EBITDA	114,247	114,638	33,838	30,507	30,657	25,970	120,972	30,103	31,845	27,374	26,706	116,029	142,828
Cash flows from investing activities:													
Acquisitions of property and equipment	(4,137)	(2,991)	(186)	(1,372)	(783)	(648)	(2,989)	(741)	(893)	(779)	(779)	(3,192)	(3,331)
							(14,838)					(15,151)	
Cost of capitalized software	(20,370)	(11,896)	(3,488)	(3,954)	(3,471)	(3,925)	-	(3,686)	(3,802)	(3,789)	(3,873)	-	(15,874)
Restricted cash decrease	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of investments	(83,383)	(53,308)	(3,093)	(3,081)	-	-	(6,174)	-	-	-	-	-	-
Purchase of strategic investment	-	-	-	-	-	-	-	-	-	-	-	-	-
	(125,410)												
Acquisition of businesses, net of cash acquired	-	(1,250)	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the sale of PP&E	13,299	1,000	-	-	-	-	-	-	-	-	-	-	-
Maturities and sales of short-term investments	60,023	74,495	13,559	14,350	3,750	-	31,659	-	-	-	-	-	-
Net cash used in investing activities	(159,978)	6,050	6,792	5,943	(504)	(4,572)	7,659	(4,426)	(4,695)	(4,569)	(4,652)	(18,343)	(19,205)
Cash flows from financing activities:													
Net proceeds from issuance of convertible debt	134,619	228,343	-	-	-	-	-	-	-	-	-	-	-
							(25,000)					(82,058)	(135,578)
Payment of convertible debt/ term loan		(210,836)	(25,000)	-	-	-	-	(31,063)	(31,409)	(19,586)	-	-	-
Proceeds/(payment) of term loan							-					-	-
Payment for note exchange							-					-	-
Capital lease payments	(15)						-					-	-
Payment of contingent consideration							-					-	-
Repurchase of common stock	(45,286)	(60,214)					-					-	-
Tax benefit from stock-based compensation	-						-					-	-
Proceeds from issuance of common stock, net							-					-	-
Proceeds from issuance of stock compensation	16,107	4,679		2,365	-	-	2,365					-	-
Other	244						-					-	-
Net cash provided by financing activities	105,425	(37,784)	(25,000)	2,365	-	-	(22,635)	-	(31,063)	(31,409)	(19,586)	(82,058)	(135,578)
FX change	(585)	(5,037)	2,218	(3,970)	2,426	-	674	-	-	-	-	-	-

Exhibit 5: Cash flow statement

EGHT generated \$22.4mn in CFO during 3Q24

\$ Thousands, except EPS	YEAR	YEAR	Jun	Sep	Dec	Mar	YEAR	Jun	Sep	Dec	Mar	YEAR	YEAR
Net increase (decrease) in cash	(20,458)	12,015	10,483	21,801	24,318	7,656	64,258	25,136	(4,695)	(4,569)	(4,652)	11,220	(19,205)
Cash, beginning of the period	121,172	100,714	112,729	123,212	145,013	169,331	112,729	7	202,123	197,427	192,858	176,987	188,207
Cash, end of the period	100,714	112,729	123,212	145,013	169,331	176,987	176,987	202,123	197,427	192,858	188,207	188,207	169,002

Source: BofA Global Research estimates, company filings

Price objective basis & risk

8x8 (EGHT)

Our price objective is based on our discounted cash flow (DCF) analysis. We assume a WACC of 11% and terminal cash flow multiple of 15x, which implies our \$6 PO. Our \$6 PO implies a C24 EV/Revenue multiple of 1.4x, which is a discount to EGHT's historic average, a discount to pre pandemic multiple and a discount to the communication peer group multiple of 2.6x. We believe a discount multiple to the peer group is justified based on lower growth profile, more SMB/mid-market exposure, and a need for turnaround efforts to accelerate growth and improve sales efficiency.

Downside risks to our price objective are failure to scale up market, lower-than-expected operational efficiencies as the company moves up market, higher-than-expected competitive pressure from larger vendors, and slower UCaaS migration at larger enterprises.

Upside risks to our price objective are faster acceleration in revenue, overall better execution, and improved sales efficiency.

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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
	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
	Everbridge	EVBG	EVBG 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
	Vertex, Inc.	VERX	VERX US	Brad Sills
RSTR	Splunk	SPLK	SPLK US	Brad Sills

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

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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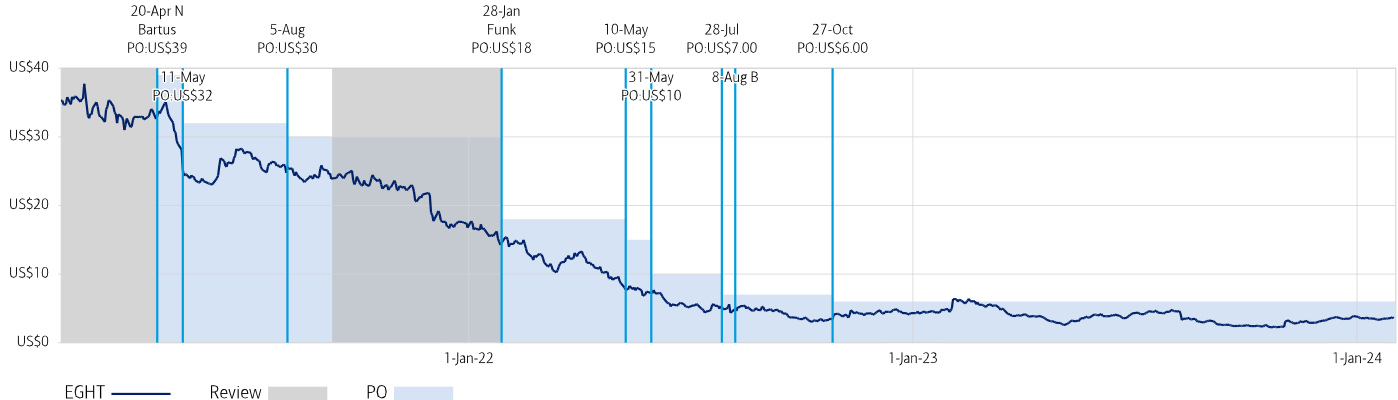
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8x8 (EGHT) Price Chart



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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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