

## HubSpot

# Solid Q4; see potential for better monetization of FY24 adds over time

Reiterate Rating: BUY | PO: 750.00 USD | Price: 629.64 USD

## Starter edition again drives billings upside; ASP headwind

Q4 billings growth of 21% cc (ex. Clearbit acquisition) nicely exceeded our 17%, driven by net adds strength. Net adds of 11,000 is a meaningful step up from the recent 7,000 to 10,000 level on starter edition strength. ASP decelerated to -1% cc from +3% (by our estimate) with lower ASP starter adds weighing on the metric. Excluding Clearbit and the price increase, guidance for FY24 revenue growth of 17% cc (roughly) is at the low end of investor expectations, backed by a still challenging SMB environment. The outlook for FY24 margin of 16% is in line with our estimate and represents an 80bps improvement.

## Solid billings execution in a tough SMB backdrop

4% points upside to cc revenue growth is a solid result in a still choppy SMB spending environment. The material step-up in net adds (11,000 versus 7,000 – 10,000 in each of the last several quarters) is impressive in a year with limited hiring. This demonstrates customer acquisition leverage inherent in the product led and partner channels. While a majority of these adds are low end starter edition customers, progress upselling more features coming in pro/enterprise editions is likely to drive reaccelerating ASP over time.

## A number of catalysts could drive reaccelerating growth

This is not likely to occur until H2 though, given guidance for FY24 ASP growth and net revenue retention to be consistent with depressed Q4 levels (down low single digits and 104%, respectively). However, a number of catalysts could provide a source of upside to these assumptions, as we move through FY24, including 1) improving SMB spending environment, 2) pro/enterprise mix shift on demand for more AI features, and 3) continued multi-hub deal momentum.

## Reiterate Buy on top pick; raising PO to \$750 from \$650

With 21% growth, easier comparisons as we move through FY24, and a number of potential catalysts, we see a path for billings to reaccelerate to solid mid 20s growth by the end of year (in an upside case). We reiterate our Buy rating, raising our PO to \$750 from \$650 for better billings. HubSpot is a top pick, given our view that the company is a key beneficiary of the key secular trends driving 2024 performance: AI, consolidation, and cloud. Our new PO of \$750 is based on EV/sales of 12x our CY25e revenue (increased from 10.8x given the above factors), representing 0.6x adjusted for 25% growth, in line with the large cap group (0.6x adjusted for 17% growth).

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	1.82	2.73	5.89	6.90	8.51
GAAP EPS	(1.66)	(2.35)	(3.46)	(2.21)	(4.07)
EPS Change (YoY)	31.9%	50.0%	115.8%	17.1%	23.3%
Consensus EPS (Bloomberg)			5.68	6.67	8.34
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	346.0x	230.6x	106.9x	91.3x	74.0x
EV / EBITDA*	279.5x	194.2x	99.4x	79.7x	59.6x
Free Cash Flow Yield*	0.5%	0.8%	1.0%	1.3%	1.8%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 11.

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## Equity

## Key Changes

(US\$)	Previous	Current
Price Obj.	650.00	750.00
2023E Rev (m)	2,146.2	2,170.2
2024E Rev (m)	2,516.9	2,555.5
2025E Rev (m)	3,071.9	3,113.5
2023E EPS	5.67	5.89
2024E EPS	6.83	6.90
2025E EPS	8.55	8.51

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## Stock Data

Price	629.64 USD
Price Objective	750.00 USD
Date Established	14-Feb-2024
Investment Opinion	C-1-9
52-Week Range	356.07 USD - 660.00 USD
Mrkt Val (mn) / Shares Out (mn)	32,425 USD / 51.5
Free Float	95.9%
Average Daily Value (mn)	256.94 USD
BofA Ticker / Exchange	HUBS / NYS
Bloomberg / Reuters	HUBS US / HUBS.N
ROE (2023E)	26.6%
Net Dbt to Eqty (Dec-2022A)	-1.5%
ESGMeter <sup>TM</sup>	High

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".

# iQprofile<sup>SM</sup> HubSpot

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	6.9%	9.9%	18.0%	18.7%	19.8%
Return on Equity	11.3%	15.0%	26.6%	24.0%	22.9%
Operating Margin	9.0%	9.8%	15.2%	16.1%	17.7%
Free Cash Flow	177	273	317	425	568

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

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	2.6x	2.0x	1.1x	1.3x	1.3x
Asset Replacement Ratio	1.4x	0x	0.5x	0.5x	0.5x
Tax Rate	NM	NM	NM	NM	NM
Net Debt-to-Equity Ratio	-10.7%	-1.5%	-6.9%	-25.9%	-41.1%
Interest Cover	13.5x	26.2x	NM	NM	NM

## Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,301	1,731	2,170	2,556	3,114
% Change	47.3%	33.1%	25.4%	17.8%	21.8%
Gross Profit	1,052	1,431	1,845	2,173	2,649
% Change	45.1%	36.0%	28.9%	17.8%	21.9%
EBITDA	117	169	330	412	551
% Change	56.8%	44.0%	95.3%	24.7%	33.7%
Net Interest & Other Income	3	2	52	56	38
<b>Net Income (Adjusted)</b>	<b>92</b>	<b>140</b>	<b>307</b>	<b>370</b>	<b>465</b>
<b>% Change</b>	<b>37.8%</b>	<b>51.0%</b>	<b>120.2%</b>	<b>20.3%</b>	<b>25.8%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(78)	(113)	(176)	(114)	(219)
Depreciation & Amortization	45	58	73	84	103
Change in Working Capital	110	58	(11)	(62)	(25)
Deferred Taxation Charge	(2)	(2)	0	0	0
Other Adjustments, Net	163	271	465	555	755
Capital Expenditure	(62)	0	(34)	(38)	(46)
<b>Free Cash Flow</b>	<b>177</b>	<b>273</b>	<b>317</b>	<b>425</b>	<b>568</b>
<b>% Change</b>	<b>488.8%</b>	<b>54.5%</b>	<b>16.1%</b>	<b>34.0%</b>	<b>33.6%</b>
Share / Issue Repurchase	47	0	48	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	377	331	388	753	1,243
Trade Receivables	157	227	295	422	513
Other Current Assets	919	1,197	1,188	1,328	1,484
Property, Plant & Equipment	96	105	103	91	76
Other Non-Current Assets	625	685	1,097	1,127	1,164
<b>Total Assets</b>	<b>2,175</b>	<b>2,545</b>	<b>3,071</b>	<b>3,721</b>	<b>4,480</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	598	762	956	1,159	1,380
Long-Term Debt	284	316	297	297	297
Other Non-Current Liabilities	400	475	498	500	502
<b>Total Liabilities</b>	<b>1,281</b>	<b>1,553</b>	<b>1,751</b>	<b>1,956</b>	<b>2,178</b>
<b>Total Equity</b>	<b>874</b>	<b>992</b>	<b>1,320</b>	<b>1,765</b>	<b>2,302</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,155</b>	<b>2,545</b>	<b>3,071</b>	<b>3,721</b>	<b>4,480</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 11.

## Company Sector

Server & Enterprise Software

## Company Description

HubSpot, Inc. is a cloud based provider of inbound marketing tools such as website content management, blogging tools, email campaign, search engine optimization, social media monitoring and management, CRM and others for small businesses and mid sized companies. The company's tools provide a single console for marketing professionals to generate new customer leads, convert leads to customers and customers to repeat customers.

## Investment Rationale

We believe HubSpot possesses a number of compelling competitive advantages likely to drive solid share gains in the \$86+ billion SMB sales/marketing/service automation market, including: 1) innovative inbound marketing approach, 2) breadth of offering (website, blogging, email, SEO and social media), and 3) large and growing channel of over 6,000 digital marketing partners. We estimate strong 20%+ revenue growth sustaining over the coming years driven by solid SMB adoption and share gains.

## Stock Data

Average Daily Volume 408,073

## Quarterly Earnings Estimates

	2022	2023
Q1	0.54A	1.20A
Q2	0.44A	1.34A
Q3	0.64A	1.59A
Q4	1.11A	1.76A

## Q4 earnings recap

HubSpot reported better than expected results in Q4 although FY24 revenue guidance of \$2.555 billion at the midpoint represents continued macro pressure. Revenue of \$581.9 million (+24% y/y, + 21% y/y cc) nicely exceeded our \$557.9 million, primarily from subscription revenue upside (+\$25mn our estimate) with billings at \$677.3 million (+25% y/y, +21% y/y cc) exceeding our \$646.4 million. Billings growth of +21% y/y cc (excluding Clearbit acquisition) represents an acceleration from +20% y/y cc in Q3 on a 5% point easier comparison, largely driven by strength in December and big deals.

Net customer adds in Q4 was 10,993, up from 9,174 in Q3. Average subscription revenue per customers (ASRPC) was \$11,365 which represented a 1% increase y/y, decelerating from 3% y/y in Q3. NRR remained flat at 104%. PF EPS of \$1.76 nicely exceeded our \$1.54 and PF operating margin of 16.9% also exceeded our 15.4% from top line strength and operating expense leverage.

The Q1 revenue outlook of \$597 million (+19% y/y, +19% y/y cc) at the midpoint was ahead of our prior \$587 million. Q1 EPS guidance of \$1.49 at the midpoint was largely in line with our \$1.50. Management set FY24 FCF outlook to \$365 million while maintaining capex at 4% of revenue. Lastly, the outlook for Q1 operating margin of 14% is slightly below our prior 14.5%.



# Exhibits/Model

## Exhibit 1: BofA estimates vs. 4Q23 actuals

Revenue landed 4% above our estimate

\$ in Thousands (except per share data)	BofA Estimates	4Q23 Actuals	Variance
<b>Revenues</b>	<b>\$557,857</b>	<b>\$581,914</b>	<b>4.3%</b>
Total Cost of Revenues	\$89,393	\$82,972	-7.2%
<b>Gross Profit</b>	<b>\$468,465</b>	<b>\$498,942</b>	<b>6.5%</b>
<b>Operating Expenses</b>			
Research & Development	\$106,436	\$126,105	18.5%
Sales & Marketing	\$236,885	\$225,123	-5.0%
General & Administrative	\$39,497	\$49,577	25.5%
<b>Total Operating Expenses</b>	<b>\$382,818</b>	<b>\$400,805</b>	<b>4.7%</b>
Operating Income	\$85,646	\$98,137	14.6%
Other income (loss)	\$15,534	\$17,330	11.6%
Earnings Before Taxes	\$101,180	\$115,467	14.1%
Income taxes	\$20,236	\$23,093	14.1%
<b>Net Income - Pro forma</b>	<b>\$80,944</b>	<b>\$92,374</b>	<b>\$11,430</b>
<b>EPS (diluted) - Pro forma</b>	<b>\$1.54</b>	<b>\$1.76</b>	<b>\$0.22</b>
<b>Net Income - GAAP</b>	<b>(\$13,804)</b>	<b>(\$13,608)</b>	<b>\$196</b>
<b>EPS (diluted) - GAAP</b>	<b>(\$0.27)</b>	<b>(\$0.27)</b>	<b>\$0.00</b>
Shares Outstanding - Pro forma	52,705	52,621	-0.2%
<b>Growth Analysis YoY</b>			
<b>Total Revenues</b>	<b>18.8%</b>	<b>23.9%</b>	<b>5.1%</b>
Operating Income	33.8%	53.3%	19.5%
<b>Net Income - Pro forma</b>	<b>42.4%</b>	<b>62.5%</b>	<b>20.1%</b>
EPS (diluted) - Pro forma	38.0%	57.8%	19.7%
<b>Margin Analysis</b>			
<b>Total gross margin</b>	<b>84.0%</b>	<b>85.7%</b>	<b>1.8%</b>
Research & Development	19.1%	21.7%	2.6%
Sales & Marketing	42.5%	38.7%	-3.8%
General & Administrative	7.1%	8.5%	1.4%
<b>Operating Margin</b>	<b>15.4%</b>	<b>16.9%</b>	<b>1.5%</b>
Pre-tax margin	18.1%	19.8%	1.7%
Tax rate - pro forma	20.0%	20.0%	0.0%
<b>Net Margin</b>	<b>14.5%</b>	<b>15.9%</b>	<b>1.4%</b>
<b>Cash/other</b>			
Cash & equivalents	\$641,551	\$387,987	-39.5%
<b>Billings</b>	<b>\$646,455</b>	<b>\$677,373</b>	<b>4.8%</b>
Cash Flow from Operations	\$131,404	\$104,313	-20.6%
<b>Free Cash Flow</b>	<b>\$102,853</b>	<b>\$78,542</b>	<b>-23.6%</b>

Source: BofA Global Research estimates, company report

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**Exhibit 2: Estimate Changes**  
We revised our model post Q4 earnings

	1Q24E				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
Total revenue	\$586,895	17.0%	\$596,928	19.0%	\$2,516,888	17.3%	\$2,555,547	17.8%	\$3,071,873	22.1%	\$3,113,541	21.8%
Billings	\$625,614	17.4%	\$636,043	19.3%	\$2,670,971	17.6%	\$2,719,729	18.1%	\$3,261,334	22.1%	\$3,317,483	22.0%
Net Income - Pro forma	\$79,440	28.9%	\$79,189	28.5%	\$364,487	23.2%	\$369,882	20.3%	\$465,713	27.8%	\$465,170	25.8%
Pro forma EPS	\$1.50	25.3%	\$1.49	24.5%	\$6.83	20.5%	\$6.90	17.2%	\$8.55	25.2%	\$8.51	23.2%
FCF	\$101,272	61.7%	\$71,520	14.2%	\$446,928	62.4%	\$361,164	44.0%	\$564,974	26.4%	\$490,008	35.7%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



**Exhibit 3: Income Statement**

We are modeling to \$2.56 billion of total revenue in FY24E.

\$ Thousands	YEAR	YEAR	YEAR	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	Mar	Jun	Sep	Dec	YEAR	YEAR
	FY19A	FY20A	FY21A	FY22A	1Q23A	2Q23A	3Q23A	4Q23A	FY23A	1Q24E	2Q24E	3Q24E	4Q24E	FY24E	1Q25E	2Q25E	3Q25E	4Q25E	FY25E	FY26E
Revenues																				
Subscription	646,266	853,025	1,258,318	1,690,539	489,743	517,678	545,832	570,225	2,123,478	582,794	600,506	638,623	678,568	2,500,492	0	0	0	0	3,046,510	3,808,138
Professional services and other	28,594	30,001	42,339	40,431	11,877	11,460	11,725	11,689	46,751	14,134	13,294	13,718	13,910	55,055	16,960	16,085	16,736	17,248	67,030	83,788
Total Revenue	674,860	883,026	1,300,657	1,730,970	501,620	529,138	557,557	581,914	2,170,229	596,928	613,800	652,342	692,478	2,555,547	716,313	742,698	795,857	858,672	3,113,541	3,891,926
Subscription	32.6%	32.0%	47.5%	34.3%	27.2%	25.5%	25.5%	24.5%	25.6%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
Professional services and other	12.0%	4.9%	41.1%	-4.5%	11.6%	22.5%	31.3%	1.6%	15.6%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
Total revenue y/y	31.6%	30.8%	47.3%	33.1%	26.8%	25.5%	25.6%	23.9%	25.4%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
Total revenue y/y CC	34.0%	30.0%	45.0%	39.0%	29.8%	26.0%	24.0%	21.0%	24.9%	0.0%	0.0%	0.0%	0.0%	17.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subscription	93,719	123,917	203,807	247,235	65,195	69,903	70,216	70,405	275,719	77,582	81,087	82,153	83,782	324,604	93,098	98,116	100,226	103,890	395,330	503,683
Professional services and other	28,618	33,738	44,491	52,381	12,620	12,003	12,544	12,567	49,734	15,019	13,960	14,234	14,259	57,472	17,344	16,751	17,073	17,919	69,087	86,389
Cost of Revenues	122,337	157,655	248,298	299,616	77,815	81,906	82,760	82,972	325,453	92,601	95,047	96,387	98,041	382,076	110,442	114,867	117,299	121,809	464,417	590,072
Gross Profit	552,523	725,371	1,052,359	1,431,354	423,805	447,232	474,797	498,942	1,844,776	504,327	518,753	555,955	594,436	2,173,471	605,871	627,831	678,558	736,864	2,649,123	3,301,854
Operating Expenses																				
Research & Development	122,597	164,945	238,515	334,805	94,359	105,895	107,411	126,105	433,770	131,324	135,650	138,296	159,270	564,540	161,171	165,993	168,722	171,734	667,620	778,829
Sales & Marketing	304,087	401,466	580,566	777,062	220,514	226,223	235,106	225,123	906,966	238,771	245,539	247,890	252,754	984,954	279,362	289,675	294,467	313,415	1,176,920	1,439,735
General & Administrative	70,905	84,049	115,824	150,392	41,247	40,879	42,059	49,577	173,762	50,875	51,559	52,187	57,476	212,097	61,050	62,387	63,669	66,976	254,081	310,804
Total Operating Expenses	497,589	650,460	934,905	1,262,259	356,120	372,997	384,576	400,805	1,514,498	420,970	432,748	438,374	469,500	1,761,592	501,582	518,055	526,857	552,126	2,098,621	2,529,368
Income from operations	54,934	74,911	117,454	169,095	67,685	74,235	90,221	98,137	330,278	83,357	86,005	117,581	124,937	411,880	104,289	109,776	151,700	184,737	550,502	772,486
Other Income										0	0	0	0		0	0	0	0		
Interest income	19,429	7,773	1,172	15,000	10,472	13,542	16,181	18,633	58,828	18,633	18,633	18,633	17,633	73,532	17,663	17,693	17,723	17,753	70,832	71,312
Interest expense	(1,028)	(1,403)	(8,674)	(6,444)	(324)	(629)	(453)	(475)	(1,881)	(475)	(475)	(475)	(475)	(1,900)	(475)	(475)	(475)	(475)	(1,900)	(1,900)
Other expense	(393)	(709)	(10,091)	(6,828)	(794)	330	(1,694)	(2,551)	(4,709)	(1,276)	(2,551)	(3,827)	(7,653)	(15,306)	(7,653)	(7,653)	(7,653)	(7,653)	(30,612)	(30,612)
Total other income	18,008	5,661	(5,929)	(1,056)	9,354	13,243	14,034	17,330	53,961	16,883	15,607	14,332	9,505	56,326	9,535	9,565	9,595	9,625	38,320	38,800
Pretax income	72,942	80,572	111,525	168,039	77,039	87,478	104,255	115,467	384,239	100,240	101,612	131,913	134,442	468,206	113,824	119,341	161,295	194,362	588,822	811,286
Income taxes	3,168	13,465	19,064	28,445	15,408	17,496	20,851	23,093	76,848	21,050	21,338	27,702	28,233	98,323	23,903	25,062	33,872	40,816	123,653	170,370
Net Income (Pro Forma)	69,774	67,107	92,461	139,594	61,631	69,982	83,404	92,374	307,391	79,189	80,273	104,211	106,209	369,882	89,921	94,279	127,423	153,546	465,170	640,916
EPS (Pro Forma)	1.49	1.38	1.82	2.73	1.20	1.34	1.59	1.76	5.89	1.49	1.50	1.94	1.97	6.90	1.66	1.73	2.32	2.79	8.51	11.49
Net Income (GAAP)	(53,746)	(85,031)	(77,836)	(112,751)	(38,282)	(118,946)	(5,463)	(13,608)	(176,299)	(26,322)	(35,064)	(21,738)	(31,201)	(114,325)	(59,867)	(68,876)	(50,170)	(39,640)	(218,553)	(314,246)
Diluted EPS (GAAP)	(1.28)	(1.90)	(1.66)	(2.35)	(0.74)	(2.28)	(0.11)	(0.27)	(3.46)	(0.52)	(0.68)	(0.42)	(0.60)	(2.21)	(1.13)	(1.29)	(0.93)	(0.73)	(4.07)	(5.62)
Shares outstanding (Pro Forma)	46,963	48,741	50,691	51,096	51,497	52,100	52,521	52,621	52,185	53,147	53,466	53,733	54,002	53,587	54,272	54,543	54,816	55,090	54,681	55,782

Source: BofA Global Research estimates, company report

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**Exhibit 4: Income Statement Analysis**

We are modeling to a 16% operating margin for FY24E.

\$ Thousands	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	Mar 1Q25E	Jun 2Q25E	Sep 3Q25E	Dec 4Q25E	YEAR FY25E	YEAR FY26E
Margin Analysis																				
Subscription	85.5%	85.5%	83.8%	85.4%	86.7%	86.5%	87.1%	87.7%	87.0%	86.7%	86.5%	87.1%	87.7%	87.0%	86.7%	86.5%	87.1%	87.7%	87.0%	86.8%
Professional services and other	-0.1%	-12.5%	-5.1%	-29.6%	-6.3%	-4.7%	-7.0%	-7.5%	-6.4%	-6.3%	-5.0%	-3.8%	-2.5%	-4.4%	-2.3%	-4.1%	-2.0%	-3.9%	-3.1%	-3.1%
Gross Margin	81.9%	82.1%	80.9%	82.7%	84.5%	84.5%	85.2%	85.7%	85.0%	84.5%	84.5%	85.2%	85.8%	85.0%	84.6%	84.5%	85.3%	85.8%	85.1%	84.8%
Operating Expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Research & Development	18.2%	18.7%	18.3%	19.3%	18.8%	20.0%	19.3%	21.7%	20.0%	22.0%	22.1%	21.2%	23.0%	22.1%	22.5%	22.4%	21.2%	20.0%	21.4%	20.0%
Sales & Marketing	45.1%	45.5%	44.6%	44.9%	44.0%	42.8%	42.2%	38.7%	41.8%	40.0%	40.0%	38.0%	36.5%	38.5%	39.0%	39.0%	37.0%	36.5%	37.8%	37.0%
General & Administrative	10.5%	9.5%	8.9%	8.7%	8.2%	7.7%	7.5%	8.5%	8.0%	8.5%	8.4%	8.0%	8.3%	8.3%	8.5%	8.4%	8.0%	7.8%	8.2%	8.0%
Total Operating Expenses	73.7%	73.7%	71.9%	72.9%	71.0%	70.5%	69.0%	68.9%	69.8%	70.5%	70.5%	67.2%	67.8%	68.9%	70.0%	69.8%	66.2%	64.3%	67.4%	65.0%
SMIR	1.9x	1.9x	1.4x	1.8x					2.1x	0.0%	0.0%	0.0%	0.0%	2.6x	0.0%	0.0%	0.0%	0.0%	2.1x	1.8x
Operating Margin	8.1%	8.5%	9.0%	9.8%	13.5%	14.0%	16.2%	16.9%	15.2%	14.0%	14.0%	18.0%	18.0%	16.1%	14.6%	14.8%	19.1%	21.5%	17.7%	19.8%
Pretax margin	10.8%	9.1%	8.6%	9.7%	15.4%	16.5%	18.7%	19.8%	17.7%	16.8%	16.6%	20.2%	19.4%	18.3%	15.9%	16.1%	20.3%	22.6%	18.9%	20.8%
Pro forma tax rate	4.3%	16.7%	17.1%	16.9%	20.0%	20.0%	20.0%	20.0%	20.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Net Margin	10.3%	7.6%	7.1%	8.1%	12.3%	13.2%	15.0%	15.9%	14.2%	13.3%	13.1%	16.0%	15.3%	14.5%	12.6%	12.7%	16.0%	17.9%	14.9%	16.5%
<b>Growth Rates</b>															0	0	0	0		
<u>Quarter-to-Quarter</u>																				
Subscription					6.9%	5.7%	5.4%	4.5%		2.2%	3.0%	6.3%	6.3%		3.1%	3.9%	7.2%	8.0%		
Professional services and other					3.2%	-3.5%	2.3%	-0.3%		20.9%	-5.9%	3.2%	1.4%		21.9%	-5.2%	4.0%	3.1%		
Total Revenue					6.8%	5.5%	5.4%	4.4%		2.6%	2.8%	6.3%	6.2%		3.4%	3.7%	7.2%	7.9%		
Gross profit					7.7%	5.5%	6.2%	5.1%		1.1%	2.9%	7.2%	6.9%		1.9%	3.6%	8.1%	8.6%		
Operating Income					5.7%	9.7%	21.5%	8.8%		-15.1%	3.2%	36.7%	6.3%		-16.5%	5.3%	38.2%	21.8%		
Net Income					8.4%	13.5%	19.2%	10.8%		-14.3%	1.4%	29.8%	1.9%		-15.3%	4.8%	35.2%	20.5%		
EPS - Pro Forma					7.6%	12.2%	18.2%	10.5%		-15.1%	0.8%	29.2%	1.4%		-15.8%	4.3%	34.5%	19.9%		
<u>Year-over-Year</u>																				
Subscription	32.6%	32.0%	47.5%	34.3%	27.2%	25.5%	25.5%	24.5%	25.6%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
Professional services and other	12.0%	4.9%	41.1%	-4.5%	11.6%	22.5%	31.3%	1.6%	15.6%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
Total Revenue	31.6%	30.8%	47.3%	33.1%	26.8%	25.5%	25.6%	23.9%	25.4%	19.0%	16.0%	17.0%	19.0%	17.8%	20.0%	21.0%	22.0%	24.0%	21.8%	25.0%
COGS	29.4%	28.9%	57.5%	20.7%	11.2%	9.2%	5.6%	8.7%	8.6%	19.0%	16.0%	16.5%	18.2%	17.4%	19.3%	20.9%	21.7%	24.2%	21.6%	27.1%
Gross profit	32.1%	31.3%	45.1%	36.0%	30.1%	29.0%	29.9%	26.8%	28.9%	19.0%	16.0%	17.1%	19.1%	17.8%	20.1%	21.0%	22.1%	24.0%	21.9%	24.6%
Operating Income	71.2%	36.4%	56.8%	44.0%	93.6%	152.6%	121.5%	53.3%	95.3%	23.2%	15.9%	30.3%	27.3%	24.7%	25.1%	27.6%	29.0%	47.9%	33.7%	40.3%
Net Income	89.3%	-3.8%	37.8%	51.0%	124.0%	212.1%	154.2%	62.5%	120.2%	28.5%	14.7%	24.9%	15.0%	20.3%	13.6%	17.4%	22.3%	44.6%	25.8%	37.8%
EPS - Pro Forma	70.3%	-7.3%	32.5%	49.8%	122.7%	205.9%	147.0%	57.8%	115.6%	24.5%	11.8%	22.1%	12.0%	17.2%	11.2%	15.1%	19.9%	41.7%	23.2%	35.1%

Source: BofA Global Research estimates, company report

**Exhibit 5: Balance Sheet**

We estimate &gt;\$1.7 billion of cash and ST investments in FY24E.

\$ Thousands	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	Mar 1Q25E	Jun 2Q25E	Sep 3Q25E	Dec 4Q25E	YEAR FY25E	YEAR FY26E
<b>Current Assets</b>																				
Cash & cash equivalents	269,670	378,123	377,013	331,022	325,159	457,218	535,545	387,987	387,987	463,560	537,282	641,967	753,204	753,204	843,126	939,399	1,076,904	1,243,211	1,243,211	1,939,451
Short-term investment	691,834	873,073	820,962	1,081,662	1,159,554	1,071,927	1,061,526	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245	1,000,245
Accounts receivable, net	92,517	126,433	157,362	226,849	197,516	206,697	212,409	295,303	295,303	235,044	282,348	326,171	422,411	422,411	299,961	360,209	405,887	513,057	513,057	662,788
Deferred commissions	32,078	44,576	59,849	70,992	76,365	82,158	86,913	99,326	99,326	228,168	211,925	186,493	194,370	194,370	345,433	323,272	291,190	318,300	318,300	446,175
Pre-paid expenses and other current assets	17,809	34,716	38,388	44,074	63,480	89,845	78,542	88,679	88,679	75,541	104,220	91,894	133,227	133,227	126,465	148,387	128,028	165,202	165,202	206,502
<b>Total Current Assets</b>	1,109,724	1,456,921	1,453,574	1,754,599	1,822,074	1,907,845	1,974,935	1,871,540	1,871,540	2,002,558	2,136,021	2,246,770	2,503,458	2,503,458	2,615,230	2,771,513	2,902,254	3,240,014	3,240,014	4,255,161
Long-term investments	53,776	30,697	174,895	112,791	121,814	146,245	150,861	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703	325,703
Property & equipment, net	83,649	101,123	96,134	105,227	107,060	104,227	104,949	103,331	103,331	100,446	97,480	94,328	90,982	90,982	87,520	83,931	80,085	75,936	75,936	57,129
Capitalized software development costs, net	16,793	24,943	39,858	63,790	73,068	86,548	96,569	106,229	106,229	113,288	120,547	128,262	136,451	136,451	144,923	153,706	163,118	173,273	173,273	219,300
Other assets	244,214	289,786	310,072	378,099	376,145	328,635	325,414	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318	326,318
Intangible Asset	11,752	10,282	10,565	17,446	16,702	15,854	13,382	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316	42,316
Goodwill	30,250	31,318	47,075	46,227	46,454	46,464	46,050	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761	173,761
Deferred Commission Expense, net of current portion	19,110	28,296	42,681	66,559	80,476	93,277	103,488	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194	122,194
<b>Total Assets</b>	1,569,268	1,973,366	2,174,854	2,544,738	2,643,793	2,729,095	2,815,648	3,071,392	3,071,392	3,206,585	3,344,341	3,459,652	3,721,183	3,721,183	3,837,965	3,999,442	4,135,749	4,479,516	4,479,516	5,521,881
<b>Current Liabilities</b>																				
Accounts payable	12,842	13,540	2,773	20,883	2,958	3,133	16,808	9,106	9,106	3,520	3,634	19,665	10,836	10,836	4,224	4,397	23,992	13,437	13,437	16,796
Accrued compensation costs	26,318	44,054	63,836	62,846	70,605	69,758	79,450	131,631	131,631	84,020	80,919	92,957	149,716	149,716	100,824	97,912	113,407	185,648	185,648	232,060
Other accrued expenses	28,686	37,184	74,457	102,122	131,492	157,485	134,908	108,265	108,265	156,475	182,683	157,842	128,835	128,835	144,792	176,484	144,816	108,235	108,235	135,294
Capital lease obligations	23,613	30,020	26,364	35,928	33,580	31,145	29,756	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095	35,095
Deferred rent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred revenue	231,030	312,866	430,414	539,874	571,793	585,934	578,280	672,150	672,150	710,266	727,832	718,324	834,927	834,927	882,274	904,093	892,283	1,037,124	1,037,124	1,288,288
Convertible Senior Notes	0	7,837	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Current Liabilities</b>	322,489	445,501	597,844	761,653	810,428	847,455	839,202	956,247	956,247	989,377	1,030,163	1,023,883	1,159,410	1,159,410	1,167,209	1,217,982	1,209,593	1,379,539	1,379,539	1,707,534
Capital lease obligations, net of current portion	244,216	279,664	283,873	316,184	309,037	313,632	301,661	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561	296,561
Deferred rent, net of current portion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred revenue, net of current portion	3,058	3,636	4,473	5,904	5,474	4,568	4,212	5,801	5,801	6,800	5,674	5,232	7,206	7,206	8,446	7,048	6,499	8,951	8,951	11,119
Other liabilities	8,983	10,811	12,134	14,546	17,763	25,768	28,535	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459	36,459
Convertible senior notes	340,564	478,936	383,101	454,227	454,712	455,207	455,699	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206	456,206
<b>Total Liabilities</b>	919,310	1,218,548	1,281,425	1,552,514	1,597,414	1,646,630	1,629,309	1,751,274	1,751,274	1,785,402	1,825,063	1,818,341	1,955,841	1,955,841	1,964,881	2,014,257	2,005,318	2,177,716	2,177,716	2,507,878
Commitments and contingencies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Redeemable convertible preferred stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Stockholders' Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Common stock	44	46	47	49	49	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50
Additional paid-in capital	1,048,380	1,241,167	1,436,089	1,647,446	1,734,749	1,890,409	2,000,739	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908	2,136,908
Accumulated other comprehensive (loss) income	(336)	4,603	(1,339)	(12,890)	(7,756)	(8,385)	(9,378)	1,827	1,827	98,329	195,916	317,440	440,961	440,961	548,195	659,788	804,524	975,383	975,383	1,685,551
Retained earnings	(398,130)	(483,161)	(560,998)	(642,381)	(680,663)	(799,609)	(805,072)	(818,676)	(818,676)	(814,105)	(813,596)	(813,087)	(812,578)	(812,578)	(812,069)	(811,560)	(811,051)	(810,542)	(810,542)	(808,506)
Total stockholders' equity	649,958	762,655	873,799	992,224	1,046,379	1,082,465	1,186,339	1,320,109	1,320,109	1,421,182	1,519,278	1,641,311	1,765,341	1,765,341	1,873,084	1,985,186	2,130,431	2,301,799	2,301,799	3,014,003
<b>Total Liabilities &amp; Equity</b>	1,569,268	1,981,203	2,155,224	2,544,738	2,643,793	2,729,095	2,815,648	3,071,383	3,071,383	3,206,585	3,344,341	3,459,652	3,721,183	3,721,183	3,837,965	3,999,442	4,135,749	4,479,516	4,479,516	5,521,881

Source: BofA Global Research estimates, company report

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**Exhibit 6: Cash Flow Statement**

We are modeling to \$463 million in OCF for FY24E.

\$ Thousands	YEAR FY19A	YEAR FY20A	YEAR FY21A	YEAR FY22A	Mar 1Q23A	Jun 2Q23A	Sep 3Q23A	Dec 4Q23A	YEAR FY23A	Mar 1Q24E	Jun 2Q24E	Sep 3Q24E	Dec 4Q24E	YEAR FY24E	Mar 1Q25E	Jun 2Q25E	Sep 3Q25E	Dec 4Q25E	YEAR FY25E	YEAR FY26E
Net Income (GAAP)	(53,746)	(85,031)	(77,836)	(112,751)	(38,282)	(118,946)	(5,463)	(13,608)	(176,299)	(26,322)	(35,064)	(21,738)	(31,201)	(114,325)	(59,867)	(68,876)	(50,170)	(39,640)	(218,553)	(314,246)
Depreciation and amortization	28,794	37,060	45,158	58,150	16,570	16,429	20,509	19,165	72,673	19,659	20,215	21,484	22,806	84,165	23,591	24,460	26,211	28,280	102,543	128,178
Stock-based compensation	97,753	121,489	166,757	275,850	83,037	128,003	107,506	113,726	432,272	122,824	132,650	143,262	154,723	553,459	167,101	180,469	194,906	210,499	752,975	1,024,414
Provision for deferred income taxes	(799)	(2,185)																		
Provision for doubtful accounts	0																			
Amortization of debt discount and issuance cost	21,790	24,890	23,508	1,521	484	496	497	509	1,986	509	509	509	509	2,036	509	509	509	509	2,036	2,036
Amortization of bond premium discount	(14,160)	(3,657)																		
Noncash rent expense	0																			
Unrealized Currency Translation	(156)	(952)	1,304																	
Other	0	(38,541)	(31,891)																	
Changes in Assets and Liabilities	39,497	35,840	109,516	58,482	25,299	(6,318)	(21,450)	(8,118)	(10,587)	(21,317)	(20,080)	(12,786)	(7,951)	(62,134)	(12,810)	(10,634)	(2,174)	944	(24,674)	11,255
Accounts receivable	(15,428)	(29,973)	(34,104)	(73,984)	30,615	(8,991)	(8,448)	(70,791)	(57,615)	60,259	(47,304)	(43,823)	(96,241)	(127,108)	122,451	(60,248)	(45,678)	(107,170)	(90,645)	(149,731)
Prepaid expenses and other assets	10,556	14,380	15,517	934	(20,417)	(27,028)	11,423	(11,025)	(47,047)	13,138	(28,679)	12,326	(41,333)	(44,548)	6,762	(21,922)	20,359	(37,174)	(31,975)	(41,300)
Deferred commission expense	(9,666)	(19,288)	(32,560)	(37,583)	(18,539)	(18,495)	(17,301)	(26,843)	(81,178)	(128,842)	16,242	25,433	(7,878)	(95,044)	(151,062)	22,160	32,083	(27,110)	(123,929)	(127,875)
Accounts payable	4,471	3,697	(10,608)	18,277	(17,873)	59	12,649	(8,866)	(14,031)	(5,586)	114	16,031	(8,829)	1,730	(6,612)	173	19,594	(10,555)	2,601	3,359
Accrued expenses	7,275	26,020	58,209	32,375	24,221	31,011	(10,365)	42,207	87,074	599	23,106	(12,803)	27,753	38,655	(32,936)	28,781	(16,173)	35,660	15,332	73,471
Restricted cash	0																			
Deferred rent	0																			
Deferred revenue	49,265	72,625	127,716	116,969	28,638	12,793	(732)	69,227	109,926	39,115	16,440	(9,950)	118,577	164,182	48,587	20,422	(12,359)	147,293	203,942	253,332
Other	(6,976)	(31,621)	(14,654)																	
Cash Flow from Operations	118,973	88,913	238,728	273,177	81,070	76,543	89,046	104,313	350,972	95,354	98,231	130,732	138,886	463,202	118,524	125,927	169,282	200,593	614,326	851,637
Purchases of investments	(1,304,847)	(1,517,357)	(1,484,762)																	
Maturities of investments	1,066,366	0																		
Purchases of property and equipment	(40,372)	(37,274)	(28,726)	(37,426)	(3,310)	(10,879)	(10,842)	(8,687)	(33,718)	(8,911)	(9,163)	(9,738)	(10,338)	(38,150)	(10,693)	(11,087)	(11,881)	(12,819)	(46,480)	(58,100)
Capitalization of software development costs	(13,474)	(21,599)	(33,139)	(44,345)	(15,122)	(16,473)	(17,693)	(17,084)	(66,372)	(14,923)	(15,345)	(16,309)	(17,312)	(63,889)	(17,908)	(18,567)	(19,896)	(21,467)	(77,839)	(97,298)
Net cash acquired from acquisition	0																			
Acquired technology or business	23,314		18,660																	
Purchase of strategic investments	553																			
Restricted cash	0																			
Cash Flow from Investments	(316,194)	(215,567)	(179,508)	(319,658)	(98,711)	45,398	(15,005)	(266,448)	(334,766)	(23,834)	(24,508)	(26,047)	(27,649)	(102,039)	(28,601)	(29,655)	(31,777)	(34,285)	(124,318)	(155,398)
Proceeds from issuance of redeemable conv pref/common stock	342,739		723																	
Proceeds from employee stock purchase plan	23,578	30,371	46,510																	
Proceeds from issuance of long-term debt	0	200,106																		
Payment of long-term debt	(333)																			
Proceeds from issuance of convertible notes	0																			
Repayment of capital lease obligations	(284)	(28)																		
Cash Flow from Financing	359,342	222,460	(51,469)																	
Effect of exchange rate changes on cash	(720)	6,831	(8,861)																	
Other	0	0	0																	
Net Change in cash and cash equivalents	161,401	102,637	(1,110)	(45,867)	(5,863)	132,059	78,327	(146,658)	57,865	71,520	73,723	104,685	111,236	361,164	89,923	96,273	137,505	166,307	490,008	696,239
Cash and cash equivalents at beginning of period	117,114	278,515	381,152	380,042	334,175	328,312	460,371	538,698	334,175	392,040	463,560	537,282	641,967	392,040	753,204	843,126	939,399	1,076,904	753,204	1,243,211
Cash and cash equivalents at end of period	278,515	381,152	380,042	334,175	328,312	460,371	538,698	392,040	392,040	463,560	537,282	641,967	753,204	753,204	843,126	939,399	1,076,904	1,243,211	1,243,211	1,939,451

**Source:** BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

## Price objective basis & risk

### HubSpot (HUBS)

Our PO of \$750 is based on an EV/revenue multiple of 12x our CY25 revenue estimate. The 12x multiple represents an EV/Rev/Growth multiple of 0.6x based on our C25E revenue growth rate of +25% y/y, in line with the large cap group on a growth-adjusted basis, at 0.6x EV/Rev/G (+17% y/y growth).

Risks to our PO are: 1) higher customer attrition rate (low teens) may limit future growth, particularly as the company grows and the dollar attrition amount grows, 2) HubSpot shares trade at a premium to where the software stocks have historically traded, presenting the risk of a pullback, which could occur in the event of changes to market sentiment stemming from the global macro uncertainty, or potentially disappointing quarterly revenue growth, 3) we believe that HubSpot's business has a high degree of exposure to the macro economic cycle, given the company's focus on selling applications into the SMB market segment. Applications projects are discretionary and can be delayed in the event of a shrinking IT budget, unlike projects involving more mission critical infrastructure or security technologies. Also, SMB mortality increases during cyclical downturns, which could affect HubSpot's renewal rate.

## 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
	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

**US - Enterprise Software Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
<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
	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
	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



Valuation Toolkit

Numerator

Denominator

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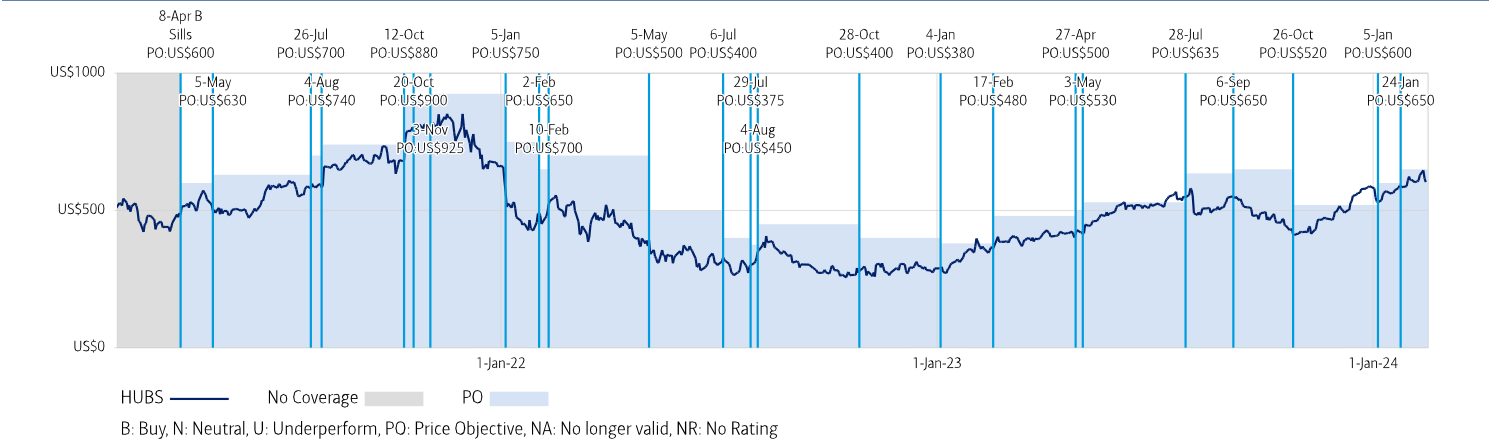
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HubSpot (HUBS) Price Chart



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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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