

E2open

## 3QF24 SaaS revenue in guidance range, FY24 outlook narrowed

Maintain Rating: NO RATING | PO: NA | Price: 3.84 USD

### 3QF24 subscription revenue was in guidance range

E2open, a provider of SaaS-based supply chain software, reported 3QF24 (Nov) Subscription revenue of \$132.8mn, down (2.2)% y/y on a constant currency basis. This was slightly above \$131.7mn consensus and towards the upper end of prior \$130-133mn guidance range. 4QF24 (Feb) subscription revenue guidance of \$131-134mn suggests a ~3% y/y decline. Management narrowed FY24 (Feb-end) Subscription revenue guidance to \$533-536mn from \$530-538mn prior. We maintain No Rating as we think ETWO is not trading on fundamentals, considering Elliott Investment Management's 10/16/23 approach around "strategic opportunities" which could potentially include Elliott acting as "an acquirer, investor and/or financing source." Management acknowledged Elliott's filing on the conference call but made no additional comments.

### Better 3Q bookings drive backlog up y/y

Remaining performance obligations, a GAAP measure of backlog, increased to \$806.0mn from \$755.8mn in 2Q and was up 1.4% y/y. Management noted 3Q bookings improved versus 2Q and included several larger (i.e., >\$1mn/year) wins. During the quarter, E2open hired two new senior vice presidents (Sales Operations and Channels & Growth Initiatives). E2open has invested in strengthen its systems integrator relationships since 2022. This has historically been a smaller part of the company's go-to-market strategy.

### Taking action to improve churn, but likely elevated in 4Q

Lowering churn remains interim CEO Appel's "first priority." CEO Appel has reviewed at-risk customers up for renewal and is addressing churn among smaller transportation customers. However, Chief Commercial Officer Randolph noted that renewal decisions are "often made a year or more in advance" and management expects churn to remain elevated in 4QF24.

### Cost discipline drives margin stability

While the turnaround in SaaS revenue is likely to take time, E2open has been controlling costs well. 3Q's adjusted EBITDA margin of 35.1% was up 100bp y/y. Margins benefited from cost actions in the professional services division and other areas. Management maintained FY24 adjusted EBITDA guidance of \$215-220mn, or 34-35% margin.

Estimates (Feb) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.24	0.25	0.18	0.20	0.26
GAAP EPS	(0.68)	(2.15)	(1.31)	(0.16)	(0.03)
EPS Change (YoY)	200.0%	4.2%	-28.0%	11.1%	30.0%
Consensus EPS (Bloomberg)			0.18	0.18	0.21
DPS	0	0	0	0	0
Valuation (Feb)					
P/E	16.0x	15.4x	21.3x	19.2x	14.8x
EV / EBITDA*	15.8x	11.8x	11.8x	11.1x	9.9x
Free Cash Flow Yield*	1.7%	1.7%	5.4%	7.5%	8.5%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 4.

10 January 2024

#### Equity

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#### Stock Data

Price	3.84 USD
Price Objective	NA
Date Established	NA
Investment Opinion	-6-
52-Week Range	2.15 USD - 7.21 USD
Mkt Val (mn) / Shares Out (mn)	1,165 USD / 303.3
Free Float	67.5%
Average Daily Value (mn)	8.09 USD
BofA Ticker / Exchange	ETWO / NYS
Bloomberg / Reuters	ETWO US / ETWO.N
ROE (2024E)	2.7%
Net Dbt to Eqty (Feb-2023A)	35.0%
ESGMeter™	Medium

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Timestamp: 10 January 2024 05:00AM EST

# iQprofile<sup>SM</sup> E2open

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	0.3%	0.1%	0.1%	1.0%	2.1%
Return on Equity	3.1%	3.0%	2.7%	3.2%	4.1%
Operating Margin	4.1%	0.6%	0.6%	7.4%	14.9%
Free Cash Flow	19	20	63	87	99

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

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.6x	0.8x	1.4x	1.6x	1.3x
Asset Replacement Ratio	0.2x	0.2x	0.1x	0.2x	0.2x
Tax Rate	24.0%	24.0%	24.0%	24.0%	24.0%
Net Debt-to-Equity Ratio	20.4%	35.0%	34.2%	31.2%	27.3%
Interest Cover	0.6x	0.1x	0x	0.5x	1.2x

## Income Statement Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	479	652	633	661	715
% Change	41.8%	36.1%	-2.9%	4.4%	8.2%
Gross Profit	344	448	437	459	500
% Change	42.9%	30.3%	-2.4%	4.9%	9.0%
EBITDA	162	217	218	232	259
% Change	48.4%	33.7%	0.4%	6.4%	11.6%
Net Interest & Other Income	(34)	(77)	(98)	(95)	(92)
<b>Net Income (Adjusted)</b>	<b>81</b>	<b>85</b>	<b>66</b>	<b>77</b>	<b>100</b>
<b>% Change</b>	<b>281.6%</b>	<b>5.0%</b>	<b>-22.0%</b>	<b>16.5%</b>	<b>29.4%</b>

## Free Cash Flow Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	(11)	(53)	(69)	(35)	11
Depreciation & Amortization	143	213	214	183	152
Change in Working Capital	89	552	294	(33)	(34)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(170)	(644)	(344)	5	5
Capital Expenditure	(32)	(48)	(32)	(33)	(36)
<b>Free Cash Flow</b>	<b>19</b>	<b>20</b>	<b>63</b>	<b>87</b>	<b>99</b>
<b>% Change</b>	<b>NM</b>	<b>3.4%</b>	<b>215.3%</b>	<b>37.8%</b>	<b>13.6%</b>
Share / Issue Repurchase	0	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	447	97	(55)	(55)	(55)

## Balance Sheet Data (Feb)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	155	93	90	121	163
Trade Receivables	155	175	166	177	196
Other Current Assets	45	37	50	52	57
Property, Plant & Equipment	66	72	72	73	78
Other Non-Current Assets	4,983	4,023	3,840	3,691	3,574
<b>Total Assets</b>	<b>5,405</b>	<b>4,400</b>	<b>4,219</b>	<b>4,115</b>	<b>4,067</b>
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	433	324	283	273	271
Long-Term Debt	867	1,046	1,002	947	892
Other Non-Current Liabilities	622	303	269	250	231
<b>Total Liabilities</b>	<b>1,921</b>	<b>1,673</b>	<b>1,555</b>	<b>1,470</b>	<b>1,394</b>
<b>Total Equity</b>	<b>3,484</b>	<b>2,727</b>	<b>2,664</b>	<b>2,644</b>	<b>2,673</b>
<b>Total Equity &amp; Liabilities</b>	<b>5,405</b>	<b>4,400</b>	<b>4,219</b>	<b>4,115</b>	<b>4,067</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 4.

## Company Sector

Industrials/Multi-Industry

## Company Description

E2open offers SaaS-based supply chain management software. The company's B2B network supports over 270,000 suppliers & transport companies. Key offerings include transportation/logistics systems, global trade management, supply chain planning, channel management, and supplier management.

## Investment Rationale

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Stock Data

Average Daily Volume 2,106,224

## Quarterly Earnings Estimates

	2023	2024
Q1	0.06A	0.05A
Q2	0.05A	0.04A
Q3	0.06A	0.04E
Q4	0.07A	0.05E

## Price objective basis & risk

### E2open (ETWO)

We have removed the investment opinion on the company's stock. Investors should no longer rely on our previous opinion or price objective.

## Analyst Certification

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### US - Multi-Industrials/Engineering and Construction Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	APi Group	APG	APG US	Andrew Obin
	AspenTech	AZPN	AZPN US	Andrew Obin
	Atmus Filtration	ATMU	ATMU US	Andrew Obin
	Dover Corp	DOV	DOV US	Andrew Obin
	Eaton Corp PLC	ETN	ETN US	Andrew Obin
	Emerson Electric Co	EMR	EMR US	Andrew Obin
	Flowserve	FLS	FLS US	Andrew Obin
	General Electric Company	GE	GE US	Andrew Obin
	Honeywell International Inc.	HON	HON US	Andrew Obin
	ITT Inc.	ITT	ITT US	Andrew Obin
	Montrose Environmental Group, Inc.	MEG	MEG US	Andrew Obin
	Parker Hannifin Corporation	PH	PH US	Andrew Obin
	PTC Inc.	PTC	PTC US	Andrew Obin
	Rush	RUSHA	RUSHA US	Andrew Obin
	Vertiv	VRT	VRT US	Andrew Obin
<b>NEUTRAL</b>				
	3M Company	MMM	MMM US	Andrew Obin
	AMETEK Inc	AME	AME US	Andrew Obin
	Fortive Corporation	FTV	FTV US	Andrew Obin
	Illinois Tool Works	ITW	ITW US	Andrew Obin
	Johnson Controls International PLC	JCI	JCI US	Andrew Obin
	Rockwell	ROK	ROK US	Andrew Obin
	Trane Technologies PLC	TT	TT US	Andrew Obin
	Vontier	VNT	VNT US	Andrew Obin
<b>UNDERPERFORM</b>				
	Allegion	ALLE	ALLE US	Andrew Obin
	Ansys, Inc.	ANSS	ANSS US	Andrew Obin
	Carrier Global Corp.	CARR	CARR US	Andrew Obin
	Core & Main	CNM	CNM US	Andrew Obin
	John Bean Technologies	JBT	JBT US	Andrew Obin
	Keysight	KEYS	KEYS US	David Ridley-Lane, CFA
	Pentair plc	PNR	PNR US	Andrew Obin



## **IQmethod<sup>SM</sup> Measures Definitions**

### **Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

### **Quality of Earnings**

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

### **Valuation Toolkit**

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

EV / EBITDA

### **Numerator**

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

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

### **Numerator**

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

### **Numerator**

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

### **Denominator**

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

### **Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

### **Denominator**

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

Basic EBIT + Depreciation + Amortization

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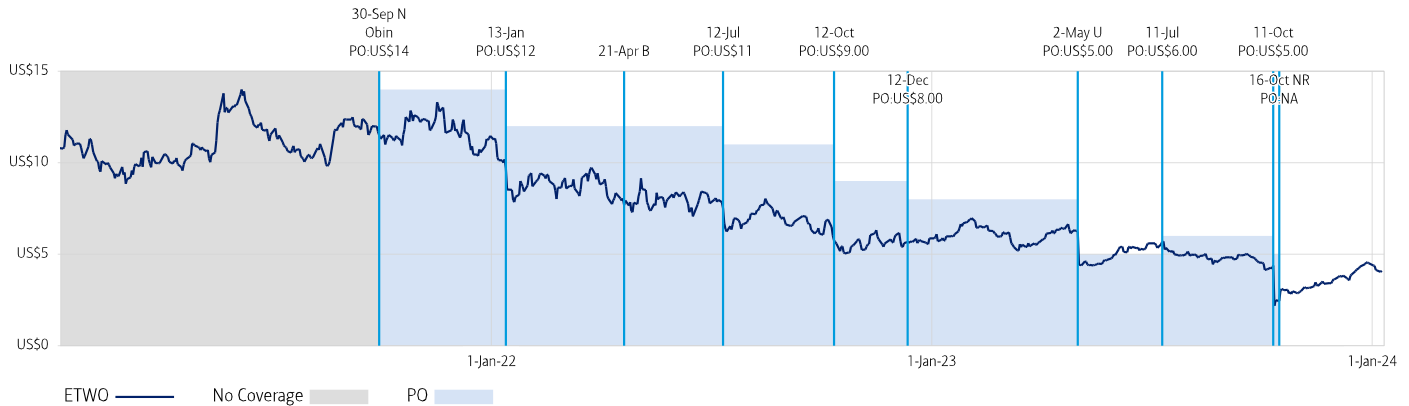
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### E2open (ETWO) Price Chart



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### Equity Investment Rating Distribution: Industrials/Multi-Industry Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	45	50.56%	Buy	25	55.56%
Hold	26	29.21%	Hold	13	50.00%
Sell	18	20.22%	Sell	7	38.89%

### 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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