

Workday Inc.

Positive Channel Tone across HCM and FINS; Durable Growth and Margin Intact

Reiterate Rating: BUY | PO: 350.00 USD | Price: 302.67 USD

Partners cite better/in line results; FINS ramping

We recently completed discussions with a dozen Workday SI partners to gauge Q4 deal activity and pipelines. Feedback was consistent with Q3, with most partners suggesting better or solidly in line results vs plan (*commentary on pg 4*). Key trends include: 1) a continuation of vendor consolidation initiatives driving activity, especially within HCM; 2) strength in the healthcare, state/local govt, higher ed and financial services verticals; and 3) improving traction of FINS products, especially in the medium enterprise segment.

Expect solid 21% cRPO growth in upside case (19% base)

Given commentary for solid Q4 activity, we expect current bookings/cRPO of \$2.5bn (+16% y/y)/\$6.7bn (+21% y/y) vs our base case for \$2.4bn (+10% y/y)/\$6.6bn (+19% y/y) (see exhibit 3). With commentary for accelerating 2024 pipeline growth, we believe guidance for Q1 cRPO growth of 19% y/y is achievable (2pt decel from expected upside case for 21% growth in Q4). See our base and upside bookings/cRPO models in exhibits 2 and 3. We do not expect a material raise to FY24 subscription rev growth guidance (17.5% at the midpt), given continued challenging (though improving) macro backdrop.

Visibility for accelerating growth, led by FINS

Our conviction for Workday to sustain high teens growth in the core HCM business is growing, given sustained execution cross selling more HCM modules into the installed base of 5,000+ customers, and 8 modules with <20% penetration (see exhibits 5 and 6 for bottoms up build). Renewed effort to build vertical features in key industries such as manufacturing, retail and financials is promising and has potential to drive accelerating growth in the FINS business (from +22% y/y estimated in FY24).

Trading at 7.4x EV/Sales, see room for multiple expansion

A ramping FINS cycle could drive accelerating total subscription and cRPO growth from the current high teens and low 20s, respectively. The stock has had nice run, +21% since Q3 earnings in late Nov. However, at 7.4x EV/sales and potential for accelerating subscription/cRPO growth, we see room for multiple expansion. We reiterate our Buy rating and raise our PO to \$350 (from \$300). Our \$350 PO represents 37x C25E FCF (was 32x), or 1.9x adjusted for 3 year CAGR of 20%, a premium to the software GARP growth (1.3x 23% growth) on potential upside to a conservative margin target.

Estimates (Jan) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	3.97	3.63	5.76	6.56	7.48
GAAP EPS	0.12	(1.44)	1.01	1.83	2.71
EPS Change (YoY)	37.8%	-8.6%	58.7%	13.9%	14.0%
Consensus EPS (Bloomberg)			5.73	6.59	7.82
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	76.2x	83.4x	52.5x	46.1x	40.5x
GAAP P/E	2,522.3x	NM	299.7x	165.4x	111.7x
EV / EBITDA*	51.7x	49.1x	38.5x	33.2x	28.3x
Free Cash Flow Yield*	1.8%	1.7%	2.3%	2.7%	3.2%

* For full definitions of *IQmethod*SM measures, see page 15.

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20 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	300.00	350.00

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Stock Data

Price	302.67 USD
Price Objective	350.00 USD
Date Established	20-Feb-2024
Investment Opinion	B-1-9
52-Week Range	174.06 USD - 308.95 USD
Mrkt Val (mn) / Shares Out (mn)	76,303 USD / 252.1
Free Float	98.0%
Average Daily Value (mn)	385.18 USD
BoFA Ticker / Exchange	WDAY / NAS
Bloomberg / Reuters	WDAY US / WDAY.OQ
ROE (2024E)	24.0%
Net Dbt to Eqty (Jan-2023A)	19.5%
ESGMeter TM	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](#)".

SI = Systems integrator

HCM = Human capital management

NRR = Net revenue retention

cRPO = Current remaining performance obligation

FINS = financials

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iQprofileSM Workday Inc.

iQmethodSM – Bus Performance*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	21.1%	13.7%	17.2%	17.2%	16.6%
Return on Equity	26.6%	18.8%	24.0%	21.6%	19.5%
Operating Margin	22.4%	19.5%	23.8%	24.2%	24.6%
Free Cash Flow	1,386	1,298	1,726	2,078	2,406

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	1.6x	1.7x	1.3x	1.3x	1.3x
Asset Replacement Ratio	0.8x	1.0x	0.9x	1.1x	1.2x
Tax Rate	19.0%	19.0%	11.8%	NM	NM
Net Debt-to-Equity Ratio	-20.2%	19.5%	9.3%	-14.9%	-31.2%
Interest Cover	NA	32.0x	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,139	6,216	7,257	8,478	9,938
% Change	19.0%	21.0%	16.7%	16.8%	17.2%
Gross Profit	3,976	4,783	5,788	6,798	8,016
% Change	19.5%	20.3%	21.0%	17.4%	17.9%
EBITDA	1,493	1,574	2,008	2,324	2,733
% Change	28.6%	5.4%	27.6%	15.8%	17.6%
Net Interest & Other Income	133	(38)	155	166	166
Net Income (Adjusted)	1,039	949	1,527	1,796	2,116
% Change	43.4%	-8.6%	60.8%	17.6%	17.8%

Free Cash Flow Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	29	(367)	265	494	754
Depreciation & Amortization	344	364	278	272	286
Change in Working Capital	108	48	(190)	(251)	(318)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	1,170	1,611	1,623	1,855	2,027
Capital Expenditure	(264)	(360)	(250)	(292)	(343)
Free Cash Flow	1,386	1,298	1,726	2,078	2,406
% Change	36.6%	-6.4%	33.0%	20.4%	15.8%
Share / Issue Repurchase	148	77	(201)	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(28)	(1,150)	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	1,534	1,886	2,317	4,395	6,801
Trade Receivables	1,243	1,570	1,870	2,645	3,578
Other Current Assets	2,437	4,652	5,866	5,972	6,088
Property, Plant & Equipment	1,123	1,201	1,208	1,228	1,284
Other Non-Current Assets	4,161	4,177	4,195	4,280	4,365
Total Assets	10,499	13,486	15,456	18,520	22,117
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	5,068	4,628	5,027	5,731	6,535
Long-Term Debt	617	2,976	2,979	2,979	2,979
Other Non-Current Liabilities	278	297	315	326	339
Total Liabilities	5,963	7,901	8,321	9,036	9,853
Total Equity	4,535	5,586	7,135	9,484	12,264
Total Equity & Liabilities	10,499	13,486	15,456	18,520	22,117

* For full definitions of iQmethodSM measures, see page 15.

Company Sector

Server & Enterprise Software

Company Description

Workday provides SaaS-based human capital management and financial solutions for global enterprises. The company also offers a variety of additional modules like planning, learning and analytics. It currently serves approximately 5,000+ core customers across the world.

Investment Rationale

Workday has a differentiated SaaS platform that leads in Human Capital Management (HCM) and is emerging as a leader in Financials. The company is likely to generate significant operating leverage through FY26E (CY25) (with 20%+ Operating Margin, 25%+ FCF margin) while continuing to grow 15%+. Strong renewal business will likely be a tailwind for margins as well. We expect add on modules to outgrow the core products as well and help the company near \$2.0bn+ in FCF by C25.

Stock Data

Average Daily Volume 1,272,611

Quarterly Earnings Estimates

	2023	2024
Q1	0.83A	1.31A
Q2	0.83A	1.43A
Q3	0.99A	1.53A
Q4	0.99A	1.48E

Earnings preview summary

Exhibit 1: 4Q24E, 1Q25E, and FY25E earnings preview summary

We look for +21% y/y cRPO growth for 4Q24E in our upside case

	4Q24E					1Q24E					2025E				
	Consensus Estimate	BofA (Base) Estimate Y/Y Growth		BofA (Upside) Estimate Y/Y Growth		Consensus Estimate	BofA (Base) Estimate Y/Y Growth		BofA (Upside) Estimate Y/Y Growth		Consensus Estimate	BofA (Base) Estimate Y/Y Growth		BofA (Upside) Estimate Y/Y Growth	
Total revenue	\$1,913,308	\$1,919,958	16.6%	\$1,939,506	17.8%	\$1,960,219	\$1,958,133	16.3%	\$2,004,918	19.0%	\$8,444,579	\$8,477,903	16.8%	\$8,737,023	20.1%
Subscription revenue	\$1,769,442	\$1,764,574	18.0%			\$1,800,342	\$1,787,654	17.0%			\$7,768,333	\$7,765,377	17.5%	\$8,002,720	20.8%
cRPO (12mo)	N/A	\$6,556,900	19.0%	\$6,658,690	20.8%	N/A	\$6,664,000	19.0%	\$6,825,614	21.9%	N/A	\$7,802,711	19.0%	\$8,246,213	23.8%
Current Bookings	N/A	\$2,426,858	10.5%	\$2,548,195	16.0%	N/A	\$2,065,233	16.4%	\$2,171,842	22.4%	N/A	\$2,856,331	17.7%	\$10,324,547	22.5%
RPO	\$20,472,576	\$21,047,950	28.0%			\$20,551,163	\$21,137,352	27.0%			\$24,744,597	\$26,089,158	24.0%		
PF Operating margin	23.6%	23.5%	—			23.8%	23.7%	—			24.5%	24.2%	—		
PF EPS	\$1.47	\$1.48	50%			\$1.50	\$1.51	16%			\$6.59	\$6.56	13.9%		
FCF	\$754,172	\$753,355	21%			\$328,509	\$711,716	226%			\$2,081,870	\$2,078,184	20.4%		
FCF margin	39.4%	39.2%	—			16.8%	36.3%	—			24.7%	24.5%	—		

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Partner Commentary

“Overall Workday is in line with our expectations. Demand and curiosity for Workday remains strong - more and more clients are interested in new business. This is growing even faster than expansion activity for us. We are still seeing strong demand for new HR deployments. There are a lot of old highly manual, bespoke HR legacy systems that we are converting onto Workday. On the FINS side, however, Workday is competing with some of the supply management tools like Ariba or Zycus, and frankly I feel like they still offer better capabilities compared to what Workday’s platform can do on that end. FINS is improving though. Stepping back, overall our 2024 has been challenging so far compared to last year. We are certainly still growing but our outlook remains challenging. This could partially be consulting dynamics as opposed to Workday’s growth. We are seeing more integrations of Workday with ServiceNow. We are also driving these initiatives internally.” – **Global SI partner, Americas**

“We continued to see strong growth in Q4. HCM was on the rise and now we are seeing FINS on the rise more as well. Adaptive is also picking up. Higher education and Healthcare are the two primary verticals I would call out. FINS is seeing good traction in the US I believe. They are at the breaking point where companies and government entities are taking a better looking at it within the mid and larger market. It is getting more competitive against the big players like SAP or Oracle. In Canada, however, that is not the case, FINS remains more popular with commercial customers. I believe Canada’s government is sitting on SAP, so it may take some time to move, if at all.” – **Global SI partner, Americas**

“Our Workday practice has been trending slightly below plan. We are seeing a lot of headwinds. This is mostly taking the form of clients tightening their budgets in anticipation of further headwinds they may see. There are lots of competing priorities at all times within enterprise technology and people are being prudent with their spending. We are seeing a lot of deferrals going on right now, with some customers pushing back their implementation plans to 2024 and beyond. Workday has effectively won the HCM category in my view. It is cloud, scales, and is the latest and greatest. That is not quite the same for FINS however. FINS is still in the discovery phase. Clients are looking at it and seeing how they can benefit from marrying FINS with their Workday HCM system. There certainly are advantages in connecting the two, but these are heavy lift projects so they are not top priorities currently. I would say one change we’ve seen is companies leaning into ServiceNow for embedding more enterprise workflows for HCM. For example, execute based on HR processing and kick off an onboarding workflow – provisioning and mailing a laptop for example. On verticals, we are seeing healthcare, biotech, transportation, airlines doing very well. Middle market banks and real estate have been more challenging.” – **Global SI partner, Americas**

“We are a services based partner firm and Q4 was in line. HR is still chugging along and finance is slowing working its way up. Quite frankly, we still don’t see anyone saying finance is the ‘greatest thing’ they’ve ever seen. There’s definitely an advantage to having both. Also, we’re seeing many clients trying to consolidate vendors to get better leverage, customer support, and data cross over synergies. Lower TCO (total cost of ownership) is really a theme across all vendors. Last year especially, and we’re already seeing a continuation of that into this year. We’re seeing positive impact from Carl. For a long time they weren’t working as closely with partners, but now they are and we can see that change. HCM remains their core franchise without a doubt. Workday FINS to us feels more like it is direct competition with NetSuite, but not versus something like SAP, PeopleSoft, or Fusion generally. I think it took some time for them to learn that just because they have a seat at the big boy table for HCM it doesn’t necessarily mean they will reproduce those win rates for FINS. That said, seeing them go down market more and accepting it, I am seeing more traction in the market place for Workday FINS products. Financial Services and Healthcare are gaining steam. Publishing, Education,

and Government are where they have a leg up against SAP or Oracle in my view.” – **SI partner, Americas**

“Q4 was pretty on par with my expectations – I’ve spoke with other peers and they said this was pretty in line with what they were seeing as well. Q4 actually for us tends to be pretty slow in general. We’re a pretty even mix of HCM and FINS. Healthcare is picking up a bit and is the strongest. 2023 in general was a little slower for us – it is hard to know exactly what was driving that. Nothing concerning though, we still did a fair amount of deals. This are relatively slow so far for 2024. It has picked up into the new year compared to what we saw in November and December, but compared to the normal January/February it is pretty slow. I don’t think many of the reasons have to do directly with Workday and rather a general slowdown or hesitancy in the economy.” – **SI partner, Americas**

“Q4 had a bit of a slowdown, but it is hot right now and we are back. January implementations are big. Workday does a fabulous job with their software. Right now Workday is the hot ticket without a doubt. The cloud integration of Workday and having the whole platform within one platform is great. You don’t have to go ‘here’ for this and ‘there’ for that...it is not one big puzzle if you deploy HCM across the full stack. You see many enterprises who have 10+ different HCM vendors and it feels like a big puzzle. 2023 was a weird year for us with all the uncertainty. When we look out into the world, 2024 is looking very good and there’s stuff going on out there. Workday’s functionality, in payroll specifically, where I focus, is good. The features are very good. I will say, it is a hard system to implement, so if you don’t do the right implementation it won’t be good. But when it comes to the quality once implemented, it is number one.” – **SI partner, EMEA**

“The past 3 months were above my expectations. Growth was actually flat, and we were expecting negative growth. Our Workday instance is stable. At this time we have modules purchased but not implemented and therefore our business has remained the same as we are in the process of implementing additional purchases. HCM is pretty stable and large. In our market area Workday tends to be the leading application. I have not seen many companies in the area use FINS, but am aware of a few that are currently or recently implemented. HCM Core/Automations and Workday Help are the standout SKUs. AI is currently gaining steam. There is some relevancy, however I have not seen a use case to how this truly impacts the end user experience, so for managers or employees.” – **SI partner, Americas**

“Q4 was ahead of expectations. We grew +80% y/y. Workday’s core differentiation is still on the HCM side – it is a category leader there. It receives enhancements frequently and is user friendly. HCM still is the bulk of the work we do and we are hoping in the future more we can get into FINS deals. Recruiting and Absence Management are the two SKUs that surprised us the most positively this quarter.” – **SI partner, EMEA**

“We saw growth of +30% y/y, which was above our expectations in Q4. We had numerous Phase X projects, M&A, and global employee rollouts that drove the Q4 strength for us. We are certainly seeing more FINS as well, particularly in the professional services and financial services verticals. Workday Extend and Prism are the two products I would call out in the quarter as well. As for AI, it is definitely coming up in conversations but typically AI discussions up to now are more about looking to solve for broader business challenges outside of Workday.” – **SI partner, Americas**

“Q4 was above expectations for us, with growth of +51% y/y to cap off the year. We are seeing more exposure to larger clients and our marketing strategy is driving more interest. All verticals seem to be growing and we’re seeing more Workday adoption across the board, which calls for more services. HCM, FINS, Adaptive Planning, Prism, and Extend were all notable for the quarter. Workday appears to be all-in on the AI game.” – **SI partner, Americas**



“2023 as a whole was rough for us, it was slow on a new client basis. This was below expectations. We still grew however. We got some new clients, but nowhere we wanted to be. We’re a month into 2024 though and I’m up to my ears with how busy I am. It is awesome. It seems like there is a lot more confidence in the economy and a lot more trust being put back into Workday. I know 2022 had some failed implementations that started happening post-COVID, so maybe that had some impact too. That could have been driven by bigger system integrators having layoffs and therefore not having the capacity for more quality implementations. Workday in higher education is the strongest vertical in my view. They are able to sell full platform deals here with HCM and Finance, and they tie it all together with Workday Student. People don’t need another cloud solution – they’re able to get everything they need with just Workday. I’m seeing this more with healthcare now with them getting the supply chain piece too. Workday really does not have too much competition in higher education. On the new CEO, I’m super excited to see how Carl does things – how things change. I’m very excited to see what he does with the company, and he plans to scale farther than where they have, big name for themselves ever since 2016 when the real big push was happening, really seeing it happen again. It’s interesting to see what more they can do with the products.” – **SI partner, Americas**

Exhibits

Exhibit 2: BofA bookings base case

We model to +19% y/y cRPO growth for 4Q24E

\$ Thousands	YEAR FY23A	Apr 1Q24A	Jul 2Q24A	Oct 3Q24A	Jan 4Q24E	YEAR FY24E	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E	Apr 1Q26E	Jul 2Q26E	Oct 3Q26E	Jan 4Q26E	YEAR FY26E	YEAR FY27E
Detailed bookings model																	
Customer count - beginning	4,180	4,750	4,880	5,020	5,160	4,750	5,280	5,400	5,520	5,640	5,280	5,760	5,880	6,000	6,120	5,760	6,240
Customer count - attrition	(79)	(22)	(22)	(23)	(24)	(91)	(24)	(25)	(26)	(26)	(102)	(27)	(28)	(28)	(29)	(112)	(121)
Gross customer adds	649	152	162	163	144	621	144	145	146	146	582	147	148	148	149	592	601
y/y growth	-3.1%	2%	2%	2%	-21%	-4.3%	-5%	-11%	-11%	2%	-6.3%	2%	2%	2%	2%	1.7%	1.6%
Net customer adds	570	130	140	140	120	530	120	120	120	120	480	120	120	120	120	480	480
Customer count - ending	4,750	4,880	5,020	5,160	5,280	5,280	5,400	5,520	5,640	5,760	5,760	5,880	6,000	6,120	6,240	6,240	6,720
Gross retention	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
Net revenue retention	108%	107%	107%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%	108%
Ratio of upsell to attrition	5.0x	4.5x	4.5x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x	5.0x
Renewal bookings			1,703,842	1,724,392	2,196,260		1,774,312	2,036,766	2,065,675	2,426,858	8,303,611	2,065,233	2,376,618	2,425,532	2,856,331	9,723,714	11,420,608
Less: attrition			(8,519)	(8,622)	(10,981)		(8,872)	(10,184)	(10,328)	(12,134)	(41,518)	(10,326)	(11,883)	(12,128)	(14,282)	(48,619)	(57,103)
Net renewals			1,695,323	1,715,770	2,185,279		1,765,440	2,026,582	2,055,347	2,414,724	8,262,093	2,054,907	2,364,735	2,413,404	2,842,049	9,675,095	11,363,505
New bookings from installed base			38,336	43,110	54,907		44,358	50,919	51,642	60,671	207,590	51,631	59,415	60,638	71,408	243,093	285,515
y/y growth								32.8%	19.8%	10.5%		16.4%	16.7%	17.4%	17.7%	17.1%	17.5%
Renewing customer count			349	360	372		382	393	404	414	1,593	423	432	442	451	1,748	1,899
Upsell bookings per customer			110	120	148		116	129	128	147	520	122	137	137	158	555	600
y/y growth								17.7%	6.6%	-0.6%		5.2%	6.1%	7.4%	7.9%	6.7%	8.2%
New customer bookings			303,107	306,795	186,673		255,435	299,117	318,543	380,936	1,254,030	314,460	367,114	373,184	447,662	1,502,420	1,669,934
y/y growth								-1.3%	3.8%	104.1%		23.1%	22.7%	17.2%	17.5%	19.8%	11.1%
New customer bookings per customer			1,868	1,883	1,299		1,769	2,061	2,185	2,602	8,617	2,139	2,487	2,518	3,008	10,153	11,102
y/y growth								10.3%	16.0%	100.4%		20.9%	20.7%	15.3%	15.6%	17.8%	9.3%
New customer bookings mix			14.9%	14.9%	7.7%		12.4%	12.6%	13.1%	13.3%		13.0%	13.2%	13.1%	13.3%	13.2%	12.5%
New bookings - total			341,443	349,905	241,579		299,792	350,036	370,185	441,607	1,461,621	366,091	426,530	433,822	519,070	1,745,513	1,955,449
y/y growth								2.5%	5.8%	82.8%		22.1%	21.9%	17.2%	17.5%	19.4%	12.0%
Total current bookings		1,774,312	2,036,766	2,065,675	2,426,858	8,303,611	2,065,233	2,376,618	2,425,532	2,856,331	9,723,714	2,420,998	2,791,265	2,847,226	3,361,120	11,420,608	13,318,955
y/y growth			19.5%	19.8%	10.5%		16.4%	16.7%	17.4%	17.7%	17.1%	17.2%	17.4%	17.4%	17.7%	17.5%	16.6%
% Bookings from rev		94.9%	87.7%	90.3%	79.1%		94.8%	87.5%	90.2%	78.9%		94.7%	87.3%	90.1%	78.6%	87.0%	87.5%
% Bookings from change in next 24 month RPO		5.1%	12.3%	9.7%	20.9%		5.2%	12.5%	9.8%	21.1%		5.3%	12.7%	9.9%	21.4%	13.0%	12.5%
Calculated change in backlog					506,900		107,100	297,500	238,000	603,211		127,449	354,025	283,220	717,821		
cRPO	5,510,000	5,600,000	5,850,000	6,050,000	6,556,900	6,556,900	6,664,000	6,961,500	7,199,500	7,802,711	7,802,711	7,930,160	8,284,185	8,567,405	9,285,226	9,285,226	10,956,567
y/y growth		20.0%	21.0%	22.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	18.0%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 3: BofA bookings upside case

We look for to +21% y/y cRPO growth for 4Q24E

\$ Thousands	YEAR FY23E	Apr 1Q24A	Jul 2Q24A	Oct 3Q24A	Jan 4Q24E	YEAR FY24E	Apr 1Q25E	Jul 2Q25E	Oct 3Q25E	Jan 4Q25E	YEAR FY25E	Apr 1Q26E	Jul 2Q26E	Oct 3Q26E	Jan 4Q26E	YEAR FY26E	YEAR FY27E
Detailed bookings model																	
Customer count - beginning	4,180	4,750	4,880	5,020	5,160	4,750	5,280	5,400	5,520	5,640	5,280	5,760	5,880	6,000	6,120	5,760	6,240
Customer count - attrition	(79)	-22	-22	-23	-24	(91)	-24	-25	-26	-26	(102)	-27	-28	-28	-29	(112)	(121)
Gross customer adds	649	152	162	163	144	621	144	145	146	146	582	147	148	148	149	592	601
y/y growth	-3.1%	2%	2%	2%	-21%	-4.3%	-5%	-11%	-11%	2%	-6.3%	2%	2%	2%	2%	1.7%	1.6%
Net customer adds	570	130	140	140	120	530	120	120	120	120	480	120	120	120	120	480	480
Customer count - ending	4,750	4,880	5,020	5,160	5,280	5,280	5,400	5,520	5,640	5,760	5,760	5,880	6,000	6,120	6,240	6,240	6,720
Gross retention	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
Net revenue retention	108%	107%	107%	108%	108%	108%	109%	109%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Ratio of upsell to attrition	5.0x	4.5x	4.5x	5.0x	5.0x	5.0x	5.5x	5.5x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x	6.0x
Renewal bookings			1,703,842	1,724,392	2,196,260	5,624,494	1,774,312	2,036,766	2,065,675	2,548,195	8,424,948	2,171,842	2,501,357	2,563,277	3,088,070	10,324,547	12,633,311
Less: attrition			(8,519)	(8,622)	(10,981)	(28,122)	(8,872)	(10,184)	(10,328)	(12,741)	(42,125)	(10,859)	(12,507)	(12,816)	(15,440)	(51,623)	(63,167)
Net renewals			1,695,323	1,715,770	2,185,279	5,596,372	1,765,440	2,026,582	2,055,347	2,535,455	8,382,824	2,160,983	2,488,850	2,550,461	3,072,630	10,272,924	12,570,144
New bookings from installed base			38,336	43,110	54,907	136,353	48,794	56,011	61,970	76,446	243,221	65,155	75,041	76,898	92,642	309,736	378,999
y/y growth								46.1%	43.7%	39.2%		33.5%	34.0%	24.1%	21.2%		
Renewing customer count			349	360	372	1,080	382	393	404	414	1,593	423	432	442	451	1,748	1,899
Upsell bookings per customer			110	120	148	377	128	142	153	185	608	154	174	174	205	707	797
y/y growth								29.5%	27.9%	25.3%	61.1%	20.7%	21.8%	13.5%	11.1%	16.2%	12.7%
New customer bookings			303,107	306,795	308,010	917,912	357,608	418,764	445,961	476,169	1,698,502	424,521	495,604	503,798	626,727	2,050,650	2,504,901
y/y growth								38.2%	45.4%	54.6%	85.0%	18.7%	18.3%	13.0%	31.6%	20.7%	22.2%
New customer bookings per customer			1,868	1,883	2,143	5,894	2,477	2,886	3,059	3,253	11,674	2,888	3,358	3,399	4,212	13,857	16,652
y/y growth								54.5%	62.5%	51.8%	98.1%	16.6%	16.3%	11.1%	29.5%	18.7%	20.2%
New customer bookings mix			14.9%	14.9%	12.1%		16.5%	16.7%	17.4%	15.4%	16.5%	16.0%	16.2%	16.1%	16.5%	16.2%	16.2%
New bookings - total			341,443	349,905	362,917	1,054,265	406,402	474,775	507,931	552,615	1,941,723	489,677	570,645	580,696	719,369	2,360,387	2,883,901
y/y growth								39.0%	45.2%	52.3%	84.2%	20.5%	20.2%	14.3%	30.2%	21.6%	22.2%
Total current bookings		1,774,312	2,036,766	2,065,675	2,548,195	8,424,948	2,171,842	2,501,357	2,563,277	3,088,070	10,324,547	2,650,660	3,059,495	3,131,157	3,791,998	12,633,311	15,454,045
y/y growth			19.5%	19.8%	16.0%		22.4%	22.8%	24.1%	21.2%	22.5%	17.2%	17.4%	17.4%	17.7%	22.4%	22.3%
% Bookings from rev		94.9%	87.7%	90.3%	76.1%		92.3%	85.0%	87.7%	76.4%		91.7%	84.3%	87.1%	75.6%		
% Bookings from change in next 24 month RPO		5.1%	12.3%	9.7%	23.9%		7.7%	15.0%	12.3%	23.6%		8.3%	15.7%	12.9%	24.4%		
Calculated change in backlog					608,690		166,925	375,648	315,598	729,352		219,059	479,830	405,398	923,602		
cRPO	5,510,000	5,600,000	5,850,000	6,050,000	6,658,690	6,658,690	6,825,614	7,201,263	7,516,861	8,246,213	8,246,213	8,465,272	8,945,102	9,350,500	10,274,103	10,274,103	12,689,833
y/y growth		20.0%	21.0%	22.0%	20.8%	20.8%	21.9%	23.1%	24.2%	23.8%	23.8%	24.0%	24.2%	24.4%	24.6%	24.6%	23.5%
Revenue	6,215,818	1,684,312	1,786,766	1,865,675	1,939,506	7,276,259	2,004,918	2,125,709	2,247,680	2,358,718	8,737,023	2,431,601	2,579,665	2,725,759	2,868,396	10,605,421	13,038,315
y/y growth		17.4%	16.3%	16.7%	17.8%	17.1%	19.0%	19.0%	20.5%	21.6%	20.1%	21.3%	21.4%	21.3%	21.6%	21.4%	22.9%

Source: BofA Global Research estimates, company report

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Exhibit 4: Base case for subscription revenue growth

We model to +17% y/y revenue growth through to FY27E in our base case

	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Subscription revenues (from IS)	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,607,538	7,765,377	9,163,145	10,812,511
y/y	40%	39%	33%	30%	22%	20%	22%	19%	18%	18%	18%
Professional services revenues (from IS)	283,707	355,217	436,411	530,817	529,544	592,485	648,612	649,173	712,526	774,949	835,103
y/y	20%	25%	23%	22%	0%	12%	9%	0%	10%	9%	8%
Total revenues (from IS)	1,574,440	2,143,050	2,822,180	3,627,206	4,317,996	5,138,798	6,215,818	7,256,711	8,477,903	9,938,093	11,647,614
y/y	36%	36%	32%	29%	19%	19%	21%	17%	17%	17%	17%
Subscription revenues	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,607,538	7,765,377	9,163,145	10,812,511
y/y	40%	39%	33%	30%	22%	20%	22%	19%	18%	18%	18%
Total Customers	1,528	2,100	2,650	3,200	3,630	4,180	4,750	5,153	5,660	6,060	6,160
Total HCM revenues	1,135,845	1,519,658	1,980,188	2,484,833	2,936,050	3,442,208	4,197,497	4,933,918	5,746,379	6,689,096	7,893,133
y/y	34%	34%	30%	25%	18%	17%	22%	18%	16%	16%	18%
HCM OM	12.5%	21.5%	25.0%	28.0%	31.0%	30.0%	30.0%	32.0%	33.0%	33.5%	33.8%
Total Financial revenues	154,888	268,175	405,581	611,556	852,402	1,104,105	1,369,709	1,673,620	2,018,998	2,474,049	2,919,378
y/y	110%	73%	51%	51%	39%	30%	24%	22%	21%	23%	18%
Financials OM	-20.0%	-17.0%	-15.0%	-15.0%	3.8%	7.0%	3.0%	8.0%	8.0%	8.5%	8.8%
Professional services revenues	283,707	355,217	436,411	530,817	529,544	592,485	648,612	649,173	712,526	774,949	835,103
y/y	20%	25%	23%	22%	0%	12%	9%	0%	10%	9%	8%
Prof services OM	-23.5%	-23.3%	-22.9%	-21.9%	-13.9%	6.1%	-14.0%	2.0%	-1.0%	-1.0%	-1.0%
Operating margin	2.8%	9.3%	11.8%	13.4%	20.1%	22.3%	19.5%	23.8%	24.2%	24.6%	25.0%
Total Subscription revenue (from IS)	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,607,538	7,765,377	9,163,145	10,812,511
y/y	40%	39%	33%	30%	22%	20%	22%	19%	18%	18%	18%
# of total customers	1,528	2,100	2,650	3,200	3,630	4,180	4,750	5,260	5,660	6,160	6,660
y/y	347	572	550	550	430	550	570	510	400	500	500
average # employees per customer	11,864	11,344	11,442	11,772	12,199	12,147	11,715	11,374	12,284	12,176	11,993
y/y	-5.6%	-4.4%	0.9%	2.9%	3.6%	-0.4%	-3.6%	-2.9%	8.0%	-0.9%	-1.5%
# total employees (mn)	18.1	23.8	30.3	37.7	44.3	50.8	55.6	59.8	69.5	75.0	79.9
average ACV per employee	\$ 71.2	\$ 75.1	\$ 78.7	\$ 82.2	\$ 85.6	\$ 89.5	\$ 100.0	\$ 110.4	\$ 111.7	\$ 122.2	\$ 135.4
Monthly ACV per employee	\$ 5.9	\$ 6.3	\$ 6.6	\$ 6.8	\$ 7.1	\$ 7.5	\$ 8.3	\$ 9.2	\$ 9.3	\$ 10.2	\$ 11.3
y/y	14.8%	5.4%	4.8%	4.5%	4.1%	4.7%	11.7%	10.4%	1.1%	9.4%	10.8%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 5: Bull case for subscription revenue growth

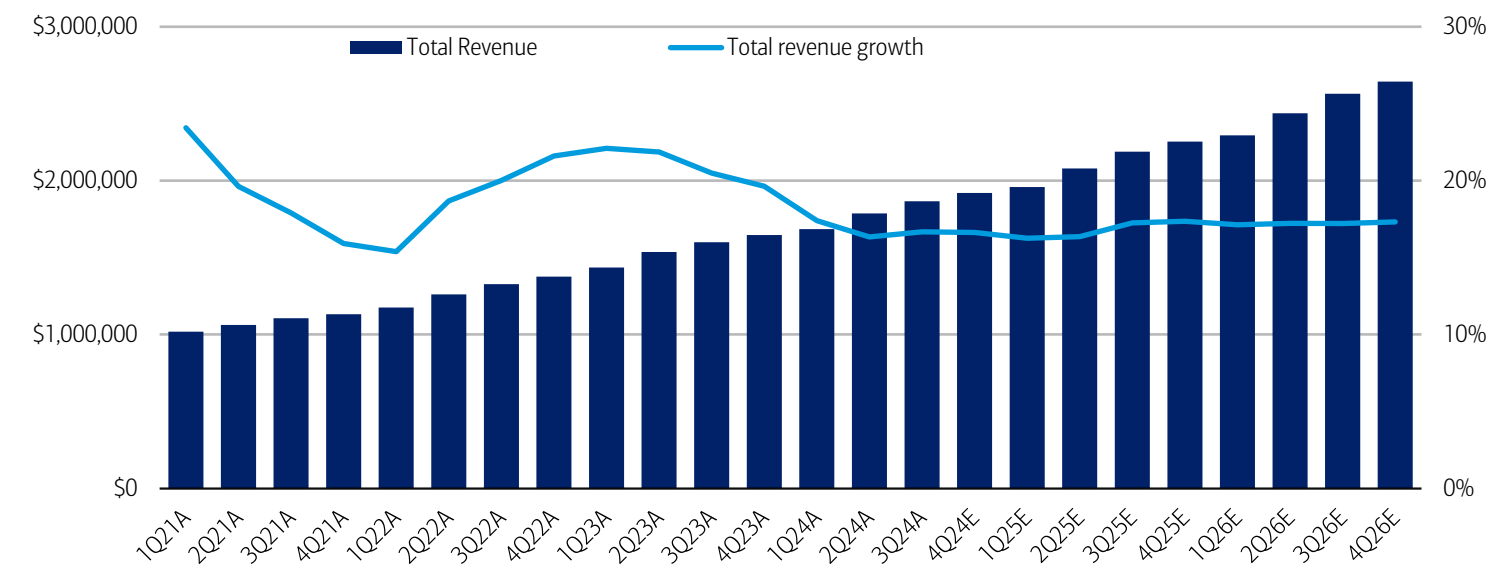
We model +17% to +23% y/y revenue growth through to FY27E in our bull case

	FY17A	FY18A	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E
Subscription revenues	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,625,337	8,002,720	9,778,436	12,103,502
y/y	40%	39%	33%	30%	22%	20%	22%	19%	21%	22%	24%
Professional services revenues	283,707	355,217	436,411	530,817	529,544	592,485	648,612	650,921	734,304	826,985	934,813
y/y	20%	25%	23%	22%	0%	12%	9%	0%	13%	13%	13%
Total revenues	1,574,440	2,143,050	2,822,180	3,627,206	4,317,996	5,138,798	6,215,818	7,276,259	8,737,023	10,605,421	13,038,315
y/y	36%	36%	32%	29%	19%	19%	21%	17%	20%	21%	23%
Subscription revenues	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,625,337	8,002,720	9,778,436	12,103,502
y/y	40%	39%	33%	30%	22%	20%	22%	19%	21%	22%	24%
Total Customers	1,528	2,100	2,650	3,200	3,630	4,180	4,750	5,153	5,660	6,060	6,160
Total HCM revenues	1,135,845	1,519,658	1,980,188	2,484,833	2,936,050	3,442,208	4,197,497	4,947,209	5,922,013	7,138,258	8,835,556
y/y	34%	34%	30%	25%	18%	17%	22%	18%	20%	21%	24%
HCM OM	12.5%	21.5%	25.0%	28.0%	31.0%	30.0%	30.0%	33.0%	34.0%	34.5%	34.8%
Total Financial revenues	154,888	268,175	405,581	611,556	852,402	1,104,105	1,369,709	1,678,128	2,080,707	2,640,178	3,267,945
y/y	110%	73%	51%	51%	39%	30%	24%	23%	24%	27%	24%
Financials OM	-20.0%	-17.0%	-15.0%	-15.0%	5.0%	6.0%	3.0%	9.0%	9.0%	9.5%	9.8%
Professional services revenues	283,707	355,217	436,411	530,817	529,544	592,485	648,612	650,921	734,304	826,985	934,813
y/y	20%	25%	23%	22%	0%	12%	9%	0%	13%	13%	13%
Prof services OM	-23.5%	-23.3%	-22.9%	-21.9%	-13.9%	6.1%	-14.0%	3.0%	0.0%	0.0%	0.0%
Operating Income	44,332	198,371	334,272	487,771	879,189	1,135,050	1,209,535	1,803,138	2,200,748	2,713,516	3,388,980
Operating margin	2.8%	9.3%	11.8%	13.4%	20.4%	22.1%	19.5%	24.8%	25.2%	25.6%	26.0%
Total Subscription revenue (from IS)	1,290,733	1,787,833	2,385,769	3,096,389	3,788,452	4,546,313	5,567,206	6,625,337	8,002,720	9,778,436	12,103,502
y/y	40%	39%	33%	30%	22%	20%	22%	19%	21%	22%	24%
# of total customers	1,528	2,100	2,650	3,200	3,630	4,180	4,750	5,280	5,760	6,240	6,720
y/y	347	572	550	550	430	550	570	530	480	480	480
average # employees per customer	11,864	11,344	11,442	11,772	12,199	12,147	11,715	11,362	12,440	12,455	12,390
y/y	-5.6%	-4.4%	0.9%	2.9%	3.6%	-0.4%	-3.6%	-3.0%	9.5%	0.1%	-0.5%
# total employees (mn)	18.1	23.8	30.3	37.7	44.3	50.8	55.6	60.0	71.7	77.7	83.3
average ACV per employee	\$ 71.2	\$ 75.1	\$ 78.7	\$ 82.2	\$ 85.6	\$ 89.5	\$ 100.0	\$ 110.4	\$ 111.7	\$ 125.8	\$ 145.4
Monthly ACV per employee	\$ 5.9	\$ 6.3	\$ 6.6	\$ 6.8	\$ 7.1	\$ 7.5	\$ 8.3	\$ 9.2	\$ 9.3	\$ 10.5	\$ 12.1
y/y	14.8%	5.4%	4.8%	4.5%	4.1%	4.7%	11.7%	10.4%	1.1%	12.7%	15.5%

Source: BofA Global Research estimates, company report

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Exhibit 6: Total revenue from 1Q21-4Q26E
Workday has consistently grown its total revenue base over the years

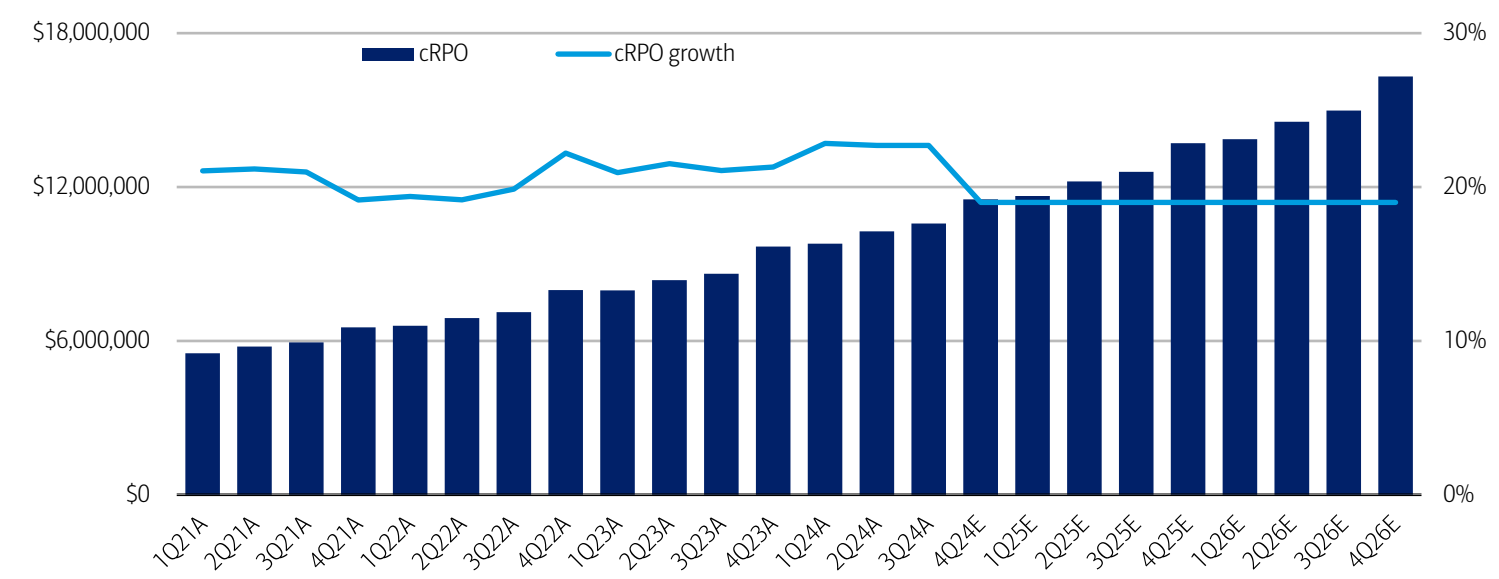


Source: BofA Global Research estimates, company report

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Exhibit 7: Workday 24-month cRPO
cRPO is a leading indicator for Workday’s growth

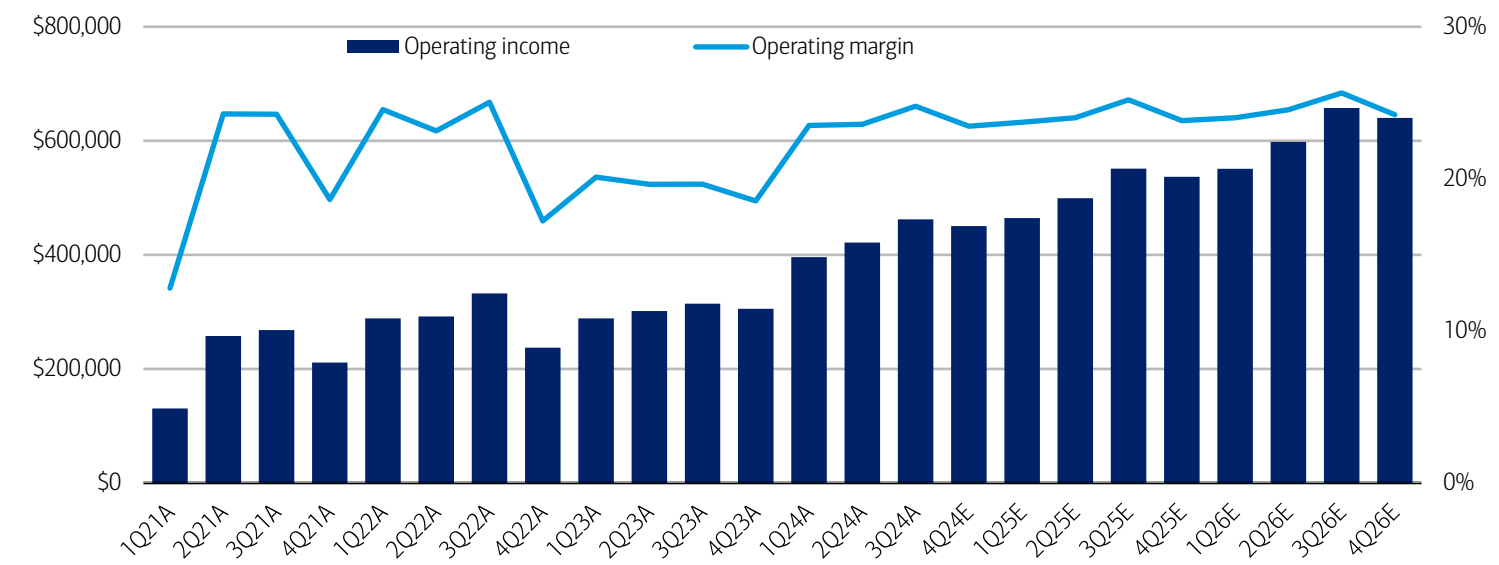


Source: BofA Global Research estimates, company report

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Exhibit 8: Workday operating income and margin
Workday operating income has grown consistently over time



Source: BofA Global Research estimates, company report

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Price objective basis & risk

Workday Inc. (WDAY)

Our PO of \$350 is based on a C25E EV/FCF multiple of 37x. On a growth-adjusted basis, this is 1.9x our estimated our estimated 3-yr FCF CAGR of 20%. Our 1.3x multiple is in line with the large cap software GARP group at 1.3x (growing +23% y/y).

Downside risks are as follows: 1) Large deal size could be impacted by a worsening macro environment (deal delays). 2) Workday has been gaining share in the HCM market since the company's founding in 2005. There is risk that overall growth slows faster than expected from slowing sales in the HCM market, absent increased progress selling Financials and add-on products. 3) Enterprise application spending has proven to be highly cyclical, given the more discretionary nature of applications projects. We believe that this profile presents a higher degree of risk for a billings deceleration for Workday and other application vendors, in the event of an economic slowdown.

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
	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
	ZoomInfo	ZI	ZI US	Koji Ikeda, CFA
NEUTRAL				
	Autodesk	ADSK	ADSK US	Michael J. Funk

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	Dropbox	DBX	DBX US	Michael J. Funk
	Enfusion, Inc.	ENFN	ENFN US	Koji Ikeda, CFA
	Five9	FIVN	FIVN US	Michael J. Funk
	Guidewire Software, Inc.	GWRE	GWRE US	Michael J. Funk
	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

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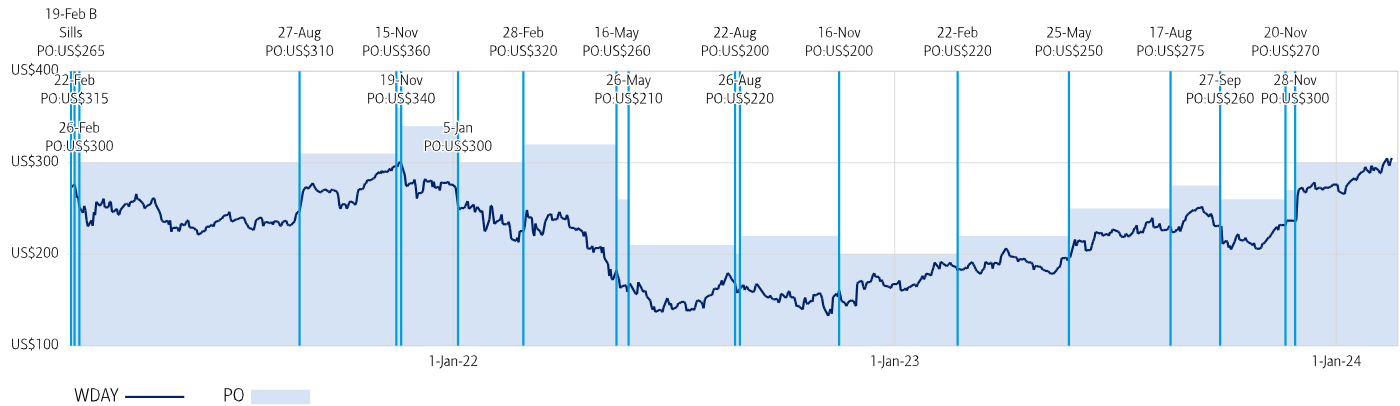
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B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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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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