

UiPath

Best of breed RPA vendor benefitting from increasing AI awareness; reiterate Buy

Reiterate Rating: BUY | PO: 30.00 USD | Price: 24.43 USD

Large beat on revenue, driven by strong deal activity

UiPath reported strong Q4 results, with revenue and ARR (annual recurring revenue) both exceeding our estimates. ARR of \$1.464 billion (+22% y/y) was ahead of our \$1.457 billion estimate, driven by strong new deals and existing customer expansion activity. We believe some of the strength observed in FY24 stems from the increasing prioritization of AI initiatives from customers having a halo effect on UiPath's business, driving awareness and more strategic engagement with customers.

Gaining traction in new verticals and use cases

Our view is that UiPath use cases have historically been more tied to finance, such as accounts payable and receivables automation. Commentary on large deals in the quarter centered around key use cases spanning quality assurance testing, compliance and toll management solutions for trucking fleets, and form-based workflow automation across insurance, healthcare, and public sector verticals was encouraging. Many of these wins were in the mid-market and enterprise segments. Weakness in the small business segment, however, has weighed on growth over the past four quarters, prompting elevated churn in the total customer base. UiPath now has 10,830 customers, down from 10,865 in Q3.

Initial FY25E guide for 18% y/y ARR growth

Expansion remains the primary growth driver for UiPath. This is apparent in the results with FY24 ARR growth of +22% y/y and net retention at 119%. The +18% y/y ARR growth guide for FY25E assumes a more backend-loaded growth trajectory for the year, which places some risk to the company not meeting its guidance. However, the dynamic is largely explained by an increasing mix of large enterprise and Federal deals.

Reiterate Buy and raise PO to \$30

We believe UiPath has a leading RPA (robotic process automation) platform. We think UiPath can continue to consolidate share of the \$38 billion RPA market given a best-of-breed platform with breadth across low-code/no-code, testing, document processing, and more. With shares trading at a reasonable 7.2x C25E revenue (0.4x adjusted for +20% y/y growth), consistent execution, and growth above the 20% watermark, we believe shares can compound at a rate consistent with top line growth. We raise our PO to \$30 (8.8x C25E revenue) from \$26 (was 7.0x C25E) to reflect revenue upside and continued momentum with new go-to-market initiatives.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	0.14	0.55	0.51	0.61	0.73
EPS Change (YoY)	75.0%	292.9%	-7.3%	19.6%	19.7%
Consensus EPS (Bloomberg)			0.53	0.69	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	174.5x	44.4x	47.9x	40.0x	33.5x
EV / EBITDA*	126.6x	40.2x	35.1x	27.4x	21.5x
Free Cash Flow Yield*	-0.3%	2.5%	2.9%	3.8%	5.1%

* For full definitions of *IQmethod*SM measures, see page 8.

13 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	26.00	30.00
2025E Rev (m)	1,587.4	1,557.1
2026E Rev (m)	1,953.0	1,874.2
2027E Rev (m)	NA	2,270.4
2025E EPS	0.50	0.51
2026E EPS	0.60	0.61
2027E EPS	NA	0.73

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Stock Data

Price	24.43 USD
Price Objective	30.00 USD
Date Established	13-Mar-2024
Investment Opinion	C-1-9
52-Week Range	12.38 USD - 27.87 USD
Mrkt Val (mn) / Shares Out (mn)	11,815 USD / 483.6
Free Float	78.8%
Average Daily Value (mn)	247.99 USD
BofA Ticker / Exchange	PATH / NYS
Bloomberg / Reuters	PATH US / PATH.N
ROE (2025E)	13.7%
Net Dbt to Eqty (Jan-2024A)	-52.7%
ESGMeterTM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "[BofA ESGMeter Methodology](#)".

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iQprofileSM UiPath

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	3.8%	12.3%	11.7%	12.3%	12.6%
Return on Equity	4.2%	16.2%	13.7%	14.2%	14.7%
Operating Margin	6.2%	18.5%	18.9%	20.2%	21.3%
Free Cash Flow	(34)	292	344	451	599

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	-0.1x	0.9x	1.2x	1.3x	1.4x
Asset Replacement Ratio	1.3x	0.3x	1.1x	1.1x	1.1x
Tax Rate	16.1%	3.4%	21.0%	21.0%	21.0%
Net Debt-to-Equity Ratio	-73.0%	-52.7%	-59.5%	-66.4%	-73.6%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	1,059	1,308	1,557	1,874	2,270
% Change	18.6%	23.6%	19.0%	20.4%	21.1%
Gross Profit	908	1,145	1,335	1,627	1,974
% Change	17.2%	26.1%	16.6%	21.8%	21.3%
EBITDA	84	264	302	388	495
% Change	-5.3%	214.8%	14.5%	28.2%	27.6%
Net Interest & Other Income	31	89	86	86	86
Net Income (Adjusted)	80	319	301	367	450
% Change	78.4%	296.7%	-5.7%	22.0%	22.6%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	80	319	301	367	450
Depreciation & Amortization	19	23	7	9	11
Change in Working Capital	(147)	(67)	6	29	72
Deferred Taxation Charge	1	1	1	1	1
Other Adjustments, Net	37	24	37	54	76
Capital Expenditure	(24)	(7)	(8)	(9)	(11)
Free Cash Flow	-34	292	344	451	599
% Change	46.8%	NM	17.8%	31.3%	32.7%
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	1,402	1,062	1,406	1,857	2,455
Trade Receivables	374	436	567	818	1,152
Other Current Assets	568	1,082	1,154	1,239	1,351
Property, Plant & Equipment	29	24	33	42	51
Other Non-Current Assets	362	350	406	467	542
Total Assets	2,735	2,955	3,566	4,423	5,550
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	626	712	993	1,338	1,813
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	189	227	208	289	402
Total Liabilities	815	939	1,201	1,626	2,216
Total Equity	1,920	2,016	2,364	2,797	3,335
Total Equity & Liabilities	2,735	2,955	3,566	4,423	5,550

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Server & Enterprise Software

Company Description

UiPath, headquartered in NY, is a robotic process automation (RPA) vendor providing an end-to-end set of automation capabilities, from discovering automation opportunities to building, managing, running, engaging, measuring, and governing automations across an organization. The platform uses a patented computer vision technology and AI/ML capabilities to enable robots to emulate processes, such as extracting information from documents, filling forms, and updating databases.

Investment Rationale

We believe that UiPath is well positioned to continue capturing share of the \$38bn+ RPA market given its key advantages, such as 1) patented computer vision technology, enabling rapid development and deployment of bots, 2) breadth of technology spanning the entire bot lifecycle from process mining to deployment, 3) integration with over 300+ apps, and 4) large installed base of 10,500+ customers, we believe that UiPath is well positioned to continue gaining share in the growing RPA market.

Stock Data

Average Daily Volume 10,151,063

Quarterly Earnings Estimates

	2024	2025
Q1	0.11A	0.10E
Q2	0.09A	0.09E
Q3	0.12A	0.12E
Q4	0.24A	0.19E

Exhibits

Exhibit 1: Reported results versus BofA estimates

Total revenue was 6% ahead of our estimate

\$ in Thousands (except per share data)	BofA Estimates	4Q24 Actuals	Variance
Revenues			
License	\$193,932	\$219,985	13.4%
Maintenance and support	\$182,838	\$176,038	-3.7%
Services	\$6,755	\$9,230	36.6%
Total revenue	\$383,526	\$405,253	5.7%
ARR	\$1,456,840	\$1,464,000	0.5%
COGS - License	\$2,547	\$1,285	-49.6%
COGS - Maintenance and support	\$35,154	\$28,610	-18.6%
COGS - Services & Other	\$10,264	\$14,849	44.7%
Total cost of revenue	\$47,965	\$44,744	-6.7%
Gross Profit	\$335,561	\$360,509	7.4%
Operating expenses:			
Sales & Marketing	\$153,410	\$145,991	-4.8%
Research & Development	\$61,364	\$54,216	-11.6%
General & Administrative	\$42,188	\$40,911	-3.0%
Total operating expenses	\$256,962	\$241,118	-6.2%
Loss from operations	\$78,599	\$119,391	51.9%
Total other income	\$28,208	\$21,501	-23.8%
Loss before provision for (benefit from) income taxes	\$106,807	\$140,892	31.9%
Provision for (benefit from) income taxes	\$32,042	\$3,510	-89.0%
Net Income (Pro Forma)	\$74,765	\$137,382	83.8%
EPS (Pro Forma)	\$0.13	\$0.24	82.8%
Net Income (GAAP)	(\$24,288)	\$33,916	-239.6%
Diluted EPS (GAAP)	(\$0.04)	\$0.06	-240.2%
Shares outstanding	580,202	583,191	0.5%
Growth Analysis Y-Y			
License y/y	22.0%	38.4%	16.4%
Maintenance and support y/y	32.0%	27.1%	-4.9%
Services y/y	-39.0%	-16.7%	22.3%
Total Revenues	24.3%	31.3%	7.0%
ARR y/y	21.0%	21.6%	0.6%
Margin Analysis			
Cost of License	98.7%	99.4%	0.7%
Cost of Maintenance and support	80.8%	83.7%	3.0%
Cost of Services	-51.9%	-60.9%	-8.9%
Gross Margin	87.5%	89.0%	1.5%
Sales & Marketing	40.0%	36.0%	-4.0%
Research & Development	16.0%	13.4%	-2.6%
General & Administrative	11.0%	10.1%	-0.9%
Operating Margin	20.5%	29.5%	9.0%
Pro forma tax rate	30.0%	2.5%	-27.5%
Net Margin	19.5%	33.9%	14.4%
BS & CFS Analysis			
Billings	\$494,962	\$514,648	4.0%
Billings y/y	14%	19%	4.6%
Bookings	\$489,236	\$500,756	2.4%
Bookings y/y	15%	0%	-14.8%
Cash & equivalents	\$1,109,618	\$1,061,678	-4.3%
Cash Flow from Operations	108,455	145,602	34.3%
Free Cash Flow	\$106,538	\$141,818	33.1%

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH

Exhibit 2: BofA estimate change summary

We revise our estimates following today's earnings call

									1Q25E				2025E	2026E
	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		
License	\$193,932	22.0%	\$140,741	38.4%	\$675,267	13.4%	\$686,492	10.5%	\$765,940	13.4%	\$771,731	12.4%		
Maintenance and support	\$182,838	32.0%	\$184,404	27.1%	\$869,290	32.4%	\$841,196	29.4%	\$1,133,469	30.4%	\$1,078,925	28.3%		
Services	\$6,755	-39.0%	\$9,230	-16.7%	\$42,859	25.0%	\$29,410	-20.0%	\$53,574	25.0%	\$23,528	-20.0%		
Total revenue	\$383,526	24.3%	\$405,253	31.3%	\$1,587,416	23.4%	\$1,557,097	19.0%	\$1,952,982	23.0%	\$1,874,184	20.4%		
ARR	\$1,435,770	19.3%	\$1,464,000	21.6%	\$1,777,345	22.0%	\$1,727,520	18.0%	\$2,168,361	22.0%	\$2,055,749	19.0%		
Operating Margin	20.4%	NA	29.5%	NA	\$0	NA	18.9%	NA	\$0	NA	20.2%	NA		
PF EPS	\$0.12	-18.5%	\$0.24	60.3%	\$0.50	11.6%	\$0.51	-8.0%	\$0.60	21.1%	\$0.61	19.4%		
FCF	\$85,020	-7.3%	\$141,818	54.6%	\$287,043	11.9%	\$343,610	17.8%	\$393,675	37.1%	\$451,044	31.3%		

Source: BofA Global Research estimates, company report

BofA GLOBAL RESEARCH



Price objective basis & risk

UiPath (PATH)

Our \$30 PO is based on 8.8x C25E revenue (0.4x growth-adjusted on our C25E ARR growth rate of 20%), a premium to the midcap peer group trading at 5.6x C25E revenue (0.4x growth-adjusted on a 15% growth rate). We believe this premium is justified given a higher growth rate as well as margin profile.

Downside risks are: 1) Premium valuation presents risk of pullback in the event of changes to market sentiment stemming from global macro uncertainty, or potentially disappointing quarterly revenue given UiPath shares trade at a significant premium to the software group, 2) Application spending is highly cyclical, thus during an economic slowdown, when firms are faced with shrinking IT budgets, projects involving application upgrades, migrations or new installations are often deferred which could present a higher degree of risk for a bookings deceleration for UiPath and other application vendors, and 3) UiPath faces competition from point solutions and platform vendors - the absence of ongoing feature enhancements and new module development could present the risk of slowing share gains or even share losses to application platform vendors investing in machine learning and automated workflow offerings and/or other RPA vendors.

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
	Asana	ASAN	ASAN US	Michael J. Funk
	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
	Monday.com	MNDY	MNDY US	Michael J. Funk
	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

US - Enterprise Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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
	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
	Vertex, Inc.	VERX	VERX 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
	Smartsheet	SMAR	SMAR US	Michael J. Funk
	Twilio	TWLO	TWLO US	Michael J. Funk
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

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and validations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

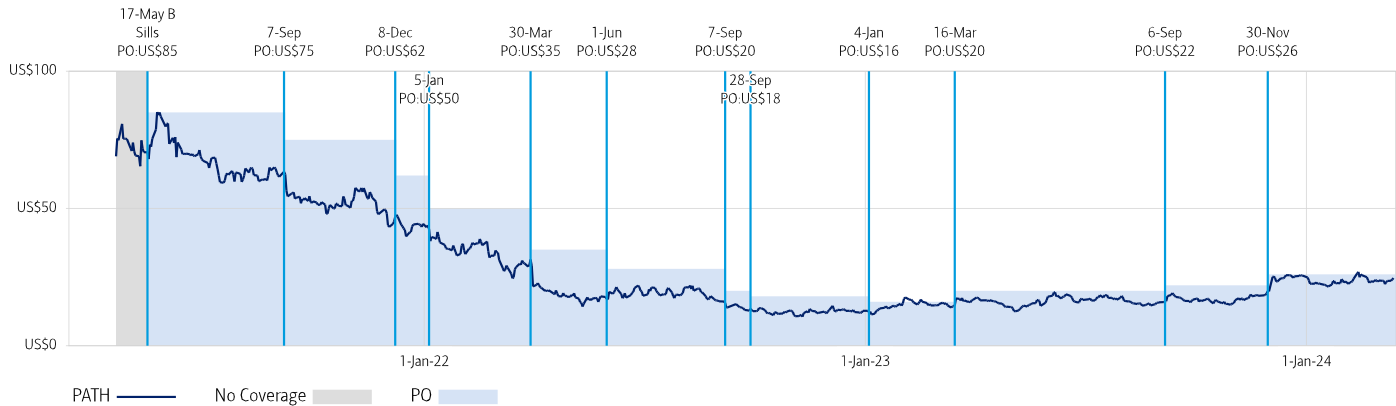
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Disclosures

Important Disclosures

UiPath (PATH) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

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The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: UiPath.

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