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## Spring 2024 Technology Outlook: CRM Software



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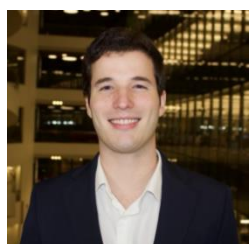
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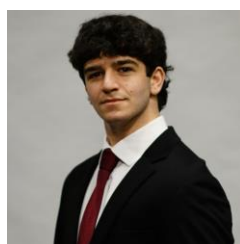
## Technology Team



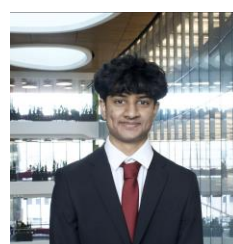
Felipe Machado  
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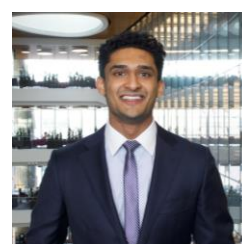
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# Software Overview





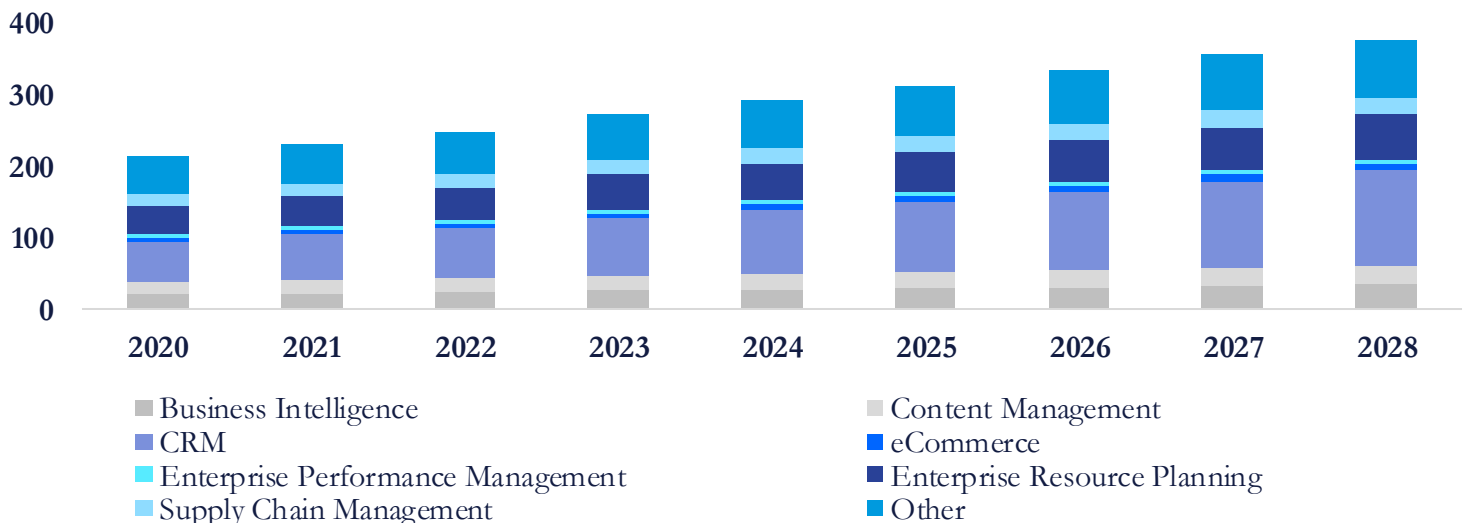
# Industry Overview

## Enterprise Software

The software industry, a pivotal component of the global economy, serves as the backbone for innovation and operational efficiency across a myriad of crucial technology sectors. Among industry segments, enterprise software stands out given its important role in empowering businesses to navigate the modern digital landscape's expected evolution as technological innovation continues to intensify. The global enterprise software market is projected to grow to \$450.68 billion by 2030, representing a CAGR of 8.6%. Growing as an industry primer, enterprise software is destined to meet the complex needs of businesses across all industries, providing complex products and services as strategic advantages to consumers. Moreover, the United States is forecasted to be the sector's largest revenue generator with the expectation to contribute \$147.8Bn by 2024, with a region-specific CAGR of 10.3% by 2030, higher than the global average. As businesses have continued to harness enterprise software in search of greater efficiency, productivity and a crucial competitive edge, it has become an indispensable tool for creative solutions in the global business realm.

The enterprise software industry is largely multifaceted, comprising of various key components that cater to different aspects of business operations. Customer Relationship Management (CRM) has been a major source of revenue in conjunction with Enterprise Resource Planning (ERP), Business Intelligence (BI) and Supply Chain Management (SCM), amongst others. Across these products, the sector has experienced growth drivers that have transformed the industry completely. The COVID-19 pandemic accelerated the shift towards cloud-based solutions, which offer cost-efficiency and unparalleled flexibility, a reality that has been exacerbated by many companies' shift to permanent hybrid working models. The integration of artificial intelligence (AI) and machine learning (ML) have also opened new avenues for innovation by transforming task automation and enhancing data analysis, making information more accurate and efficient. Enterprise software has also become central as companies have attributed significant investment to digital transformation to improve business processes ranging from security to client services on a global level. Government policies are also beginning to adapt in search of economic growth, with the Australian Government's recent initial investment of \$100M seeking to create tens of thousands of new jobs by 2040, with the global expectation of millions of new opportunities driven by exciting sector growth. Largely, the enterprise software industry stands at the forefront of the digital revolution amidst newfound yet unprecedented opportunities for growth and will continue to possess a critical role in shaping the future of businesses.

**Total Enterprise Software Market Revenue (in \$Billions)**



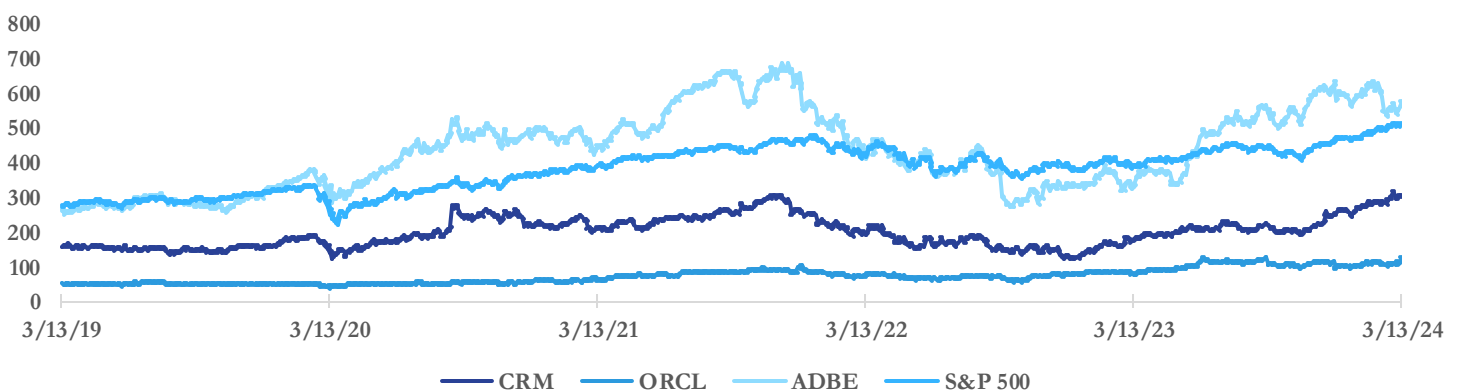
# CRM Industry Overview

## General Overview

Customer Relationship Management (CRM) software is one of countless verticals within the software industry, allowing businesses to analyze interactions with current and prospective clients within one comprehensive operating system. In 2023, the global CRM market was valued at \$65.59 billion with a compound annual growth rate (CAGR) of 13.9% from 2024 to 2030. By region, North America has consistently led the CRM market, supported by the fast-paced development of businesses and the extensive data forecasting capabilities of the growing 5G network. North American revenue in the CRM software market is projected to reach \$48.05 billion in 2024 as the US economy increases its capacity for spending towards business and technology solutions. Pre-pandemic CRM revenue in 2019 totaled \$54.13 billion, but the post pandemic shift to remote work forced businesses to engage with consumers digitally, boosting CRM revenue to \$79.4 billion in 2023. By 2025, 32.6 million Americans are projected to work from home only fueling demand for CRM offerings. CRM software product offerings span from large to small enterprises, where large enterprises are currently dominating the market as CRM software allows for larger companies to structure consumer data into integrated business processes. With that said, small to mid-sized businesses are still utilizing CRM software for contact management, automated email marketing, and consumer data analytics.

CRM software market growth is primarily driven by an increased emphasis on customer-centric business strategies where companies are striving to deliver more personalized experiences regarding sales approach, marketing campaigns, and various B2C interactions. Salesforce, leading CRM software provider, stated that 90% of sales reps on high-performing teams say their leadership encourages the prioritization of long-term customer relationships over short-term wins. This indicates how the aggregation of consumer data into one CRM system has shifted the primary goal of consumer offerings to retaining customer loyalty, and as this consumer-centricity in sales approach translates into increased revenue, enterprises will only rely more heavily on CRM software and the insights it provides. Alongside consumer tailored offerings, CRM software coupled with emerging technologies like artificial intelligence (AI) and machine learning will allow for a deeper understanding of consumer buying patterns and other psychographic indicators. With that said, only 12% of CRM users in 2024 are using AI-powered CRM tools, indicating how AI-integrated CRM software is still a relatively untapped market within its growth phase. 90% of the data gathered within CRM software is unstructured, and it is through the large-scale analytic capabilities of AI that data can be restructured, and then deciphered by machine learning algorithms to be incorporated into customer services.

**Close Price of S&P 500 VS Salesforce, INC (CRM) Oracle Corporation (ORCL) and Adobe Inc. (ADBE) from 2019 – 2024**



# AI in CRM

## Increasing Efficiencies

In the realm of Customer Relationship Management (CRM) software, Artificial Intelligence (AI) is having disruptive impact. AI in CRM plays a pivotal role in elevating employee productivity through the automation of labor-intensive tasks, allowing for a strategic focus on more complex workstreams. On the customer side, AI facilitates the creation of personalized customer experiences by analyzing vast datasets to discern patterns and preferences. The value creation of this trend is apparent through businesses transitioning from the experimentation stage to deploying high-impact use cases at scale, as evidenced by the mere 26% of surveyed businesses currently doing so. Over the past year AI has been a way for CRM platforms to provide differentiated features. In essence, AI in CRM emerges as a catalyst for efficiency, personalization, and strategic decision-making, positioning itself as an indispensable element for organizations aiming to stay competitive in the modern business landscape.



### *The Dawn of AI: A Technological Revolution*

**“The world is experiencing one of the most profound technological shifts with the rise of real-time technologies and generative AI.”** - Marc Benioff, CEO Salesforce

## How AI Is Being Utilized

CRM's AI usage offers improvement to diverse use cases and can enhance various aspects of customer relationship management. The rapid data analysis capability of AI facilitates the generation of predictions, aiding in lead scoring, sales forecasting, and enabling aspects of decision-making. AI is predicted to improve highly-skilled workers' performance by up to 40% compared to workers who don't use it. Sales and marketing have been pinpointed as areas that stand to benefit the most economically from AI, along with software engineering and customer operations at 75% of the total annual impact. Generative AI can be utilized for tasks that were previously considered labor-intensive including content creation, presentations, and marketing materials. One specific example is how AI in CRMs streamlines the writing process, allowing for quicker and more effective email outreach. This is improving efficiency in all the way through CRM processes, such as moving leads through sales pipelines. Additionally, segmentation benefits from AI's natural language processing (NLP) capabilities, enable precise categorization of leads based on interactions. AI can analyze historical customer data in the CRM, offering insights into the customer's relationship with the company. Nutshell's timeline summarization feature, for instance, presents a chronological record, empowering teams with actionable summaries to guide decisions and propel customers towards successful sales outcomes. The estimated increase in value relative to current global spending on sales & marketing is estimated between 5-15% and 3-5% respectively, without accounting for the additional revenue AI could bring in. AI will vastly increase this figure.

## New Offerings From Major CRMs

Major players in the CRM space have availed AI features and solutions to their existing platforms. Last year, Salesforce unveiled its Einstein GPT, a generative AI CRM tool which integrates real-time data from the Salesforce Data Cloud and incorporates Salesforce's proprietary AI algorithms to enable natural-language prompts within the software. Another key company in the space, HubSpot, released content assistance tool that aids marketing and sales teams in ideating, creating, and sharing content. It also offers generative AI capabilities such as suggesting blog titles and creating diverse types of content. Lastly, One AI introduced lead conversion features like topics and action item extraction. HubSpot, Salesforce, and One AI underscore their ongoing investments in AI, aligning with industry trends to optimize conversation intelligence, data quality, predictive AI, and content optimization.

# Industry Projections

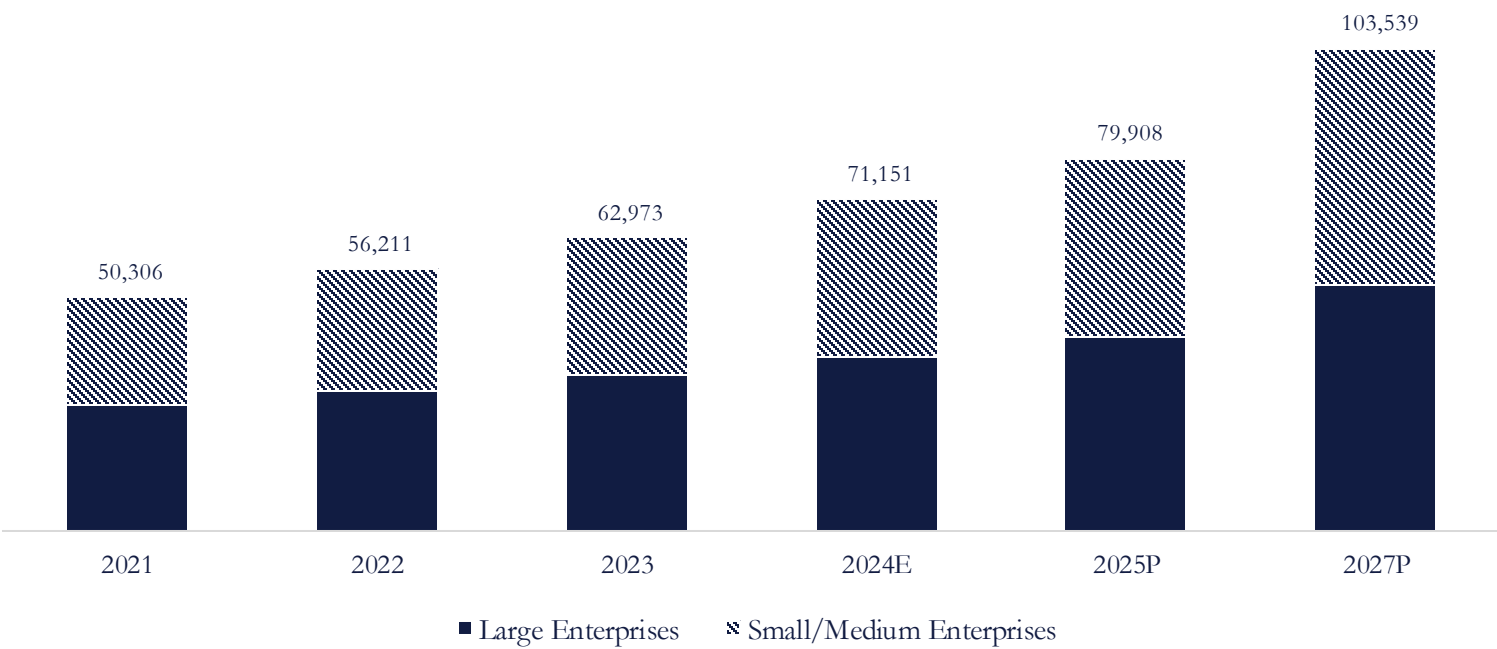
## Short Term Projections

Customer relationship management software, as previously mentioned, is a highly dynamic sub-vertical of the software industry. As such, the same world events that affect the overall software industry affect CRM companies. Interest rates are currently at 5.25-5.5% range, the highest since the great financial crisis, and that may mean that smaller companies find it harder to find funding, along with negatively impacting their valuations. Larger CRM providers might find themselves in an interesting scenario, where higher interest rates may have impacted their fixed income portfolios but boost interest income for the instruments in these portfolios. The current market consensus is that inflation is being tamed, and thus, interest rates should be cut as the year goes by (*ceteris paribus*).

## Long-Term Projections

The CRM software industry is poised for significant growth long-term based on a variety of trends, which are discussed more in a later segment of this report. All these trends lead to increasing adoption of CRM as a business solution. As businesses increasingly become more customer centric, CRM is becoming a necessity even for smaller companies. The global market for CRM, as seen in the graph below, can be split up by the organization type it serves. According to BCC Research, the CAGR stands at 12% for large enterprises, however, smaller and medium sized enterprises are growing at a CAGR of 14.1%, highlighting the increased adoption of CRM even by smaller companies.

Global Market for CRM Software by Organization Type (\$M)



Cloud-based CRM software, may see the largest growth rate. Cloud-based software offer superior cost-effectiveness, scalability and flexibility for clients, making it the preferred choice and accounting for 56.1% of revenue in 2022. Main players in this field include Salesforce, SAP, Oracle, and Microsoft, who have made significant investments in the technology over the last decade.

Sources: Nasdaq, BCC



# Industry Structure

## Types of Players

There are three main types of companies in the CRM industry:

1. **Operational CRM:** Large part of supporting sales, marketing, and consumer services for businesses. They support these services through automation software specifically designed for each service. Sales automation serves to create a standardized sales cycle, including things like Product Configuration and Contract Management. Marketing automation allows for the creation of modules based on customer data, which can inform a marketer about market segmentation and also provide crucial insights to evaluate the effectiveness of targeted customer offers. Service automation primarily is used to solve product issues through automated services, such as a chatbot.
2. **Analytical CRM:** Collects a wide variety of customer-related data as well as internal data and creates correlations between the two. Drives detailed analytical reports for the business to improve or retool their current model to be more efficient.
3. **Collaborative CRM:** Crucial in the process of acquiring and maintaining a customer, serving as a B2B solution with effective communication facilities.

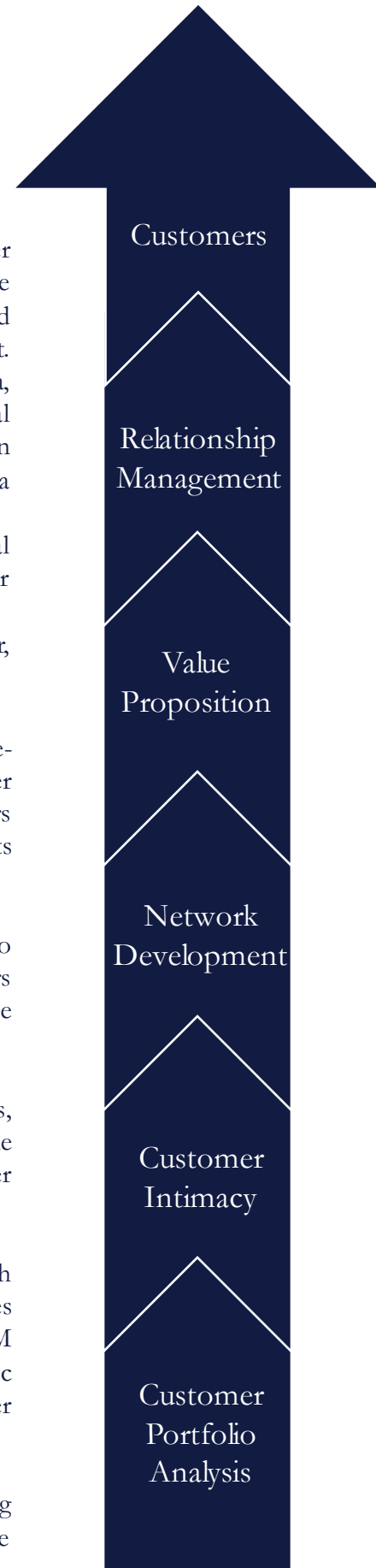
**Customer Portfolio Analysis** divides customers into four categories: sack, invest, re-engineer, and nurture. Sack involves unprofitable customers to the company, re-engineer consists of unprofitable customers with future potential, nurture consists of customers who are currently profitable, but have little growth potential, and invest consists of customers who have high value currently and in the future.

**Customer Intimacy** involves researching chosen customers and developing a database to be used by anyone who influences customer actions. This crucial stage locates customers and companies who are able to mine data intelligently possessing a competitive advantage over companies that have an abundance of information.

**Network Development** relates to the business building a strong network of suppliers, employees, investors and partners who know what the chosen customers want. The network connects the business with other parties who help deliver value to the customer and gives the business a big edge.

**Value Proposition** involves developing Network Compliance, delivering value for both the customer and the company. Companies tend to find competitive advantages through people, processes, and services as products become commoditized. CRM companies differentiate themselves by taking advantage of this, offering specific customizations within their software or specializing on specific values that the customer desires.

**Relationship Management**, organizations change their systems and ways of connecting to do please key customers. In this step, organizations use three plans instead of one marketing strategy: CAC, CRR, and Share-Of-Customer.



## Spring 2024 Technology Report

# Industry Headwinds

## High Implementation Cost and High Risk

Companies who are willing to invest in CRM solutions quickly realize how expensive it is to implement them. The average CRM software pricing varies from \$12 to \$200 per user per month, with factors such as size and platform affecting the overall total cost. Indirect costs can also be a significant unidentified cost center, as expenditures on staff training, technical support and system improvements often catch companies off-guard. Due to the complexity of making/adopting such a solution, companies who decide to build their own software sometimes pay a software development agency to do it for them. Of course, if properly implemented, CRM provides enormous benefits to the organization by giving them the tool to manage several aspects of the company in one platform. However, if implementation fails, organizations will need to pay out-of-pocket, which affect their margins.

Firm	Cheapest Plan	Priciest Plan
Salesforce	\$25	\$330
Thryv	\$20	\$349
Oracle	\$65	\$300
HubSpot	\$15/month	\$4,000/month
Pegasystems	\$35	N/A

\*Prices are per user per month, unless otherwise stated

## Data Security Concerns

Due to its nature, CRM software stores a massive amount of information on a businesses' clients, ranging from credit card, financial, health, buying patterns and more. With all of this personally identifiable information (PII) stored within a singular system, it is obvious that it becomes a main target of a cyberattack. To that end, governments are adding additional rules, such as the General Data Protection Regulation, to protect consumers. Even with that, security issues remain a large problem for CRM providers, as a data breach could devastate organizations and result in lawsuits that can irrevocably damage the company's reputation. Finally, data theft trends from internal users add an extra layer of complexity to this problem, as employees who work on intellectual property projects believe they are entitled to take it, which is very hard to detect.

## Integration with Existing IT Infrastructure

As large companies grow their CRM infrastructure, they are typically challenged with data-integration issues. The intent to create a centralized CRM is to provide consistent customer service across all touch points. However, what ends up happening is one CRM silo is created, and then each team has to extract and transform their data into that central system. This extra time spent creating workarounds can cost businesses precious time and money. Additionally, most small to middle sized firms with limited resources would encounter severe complications with the integration of existing IT infrastructure with new software due to companies potentially not having a clear understanding of the quality and consistency of their data. This leads to data inconsistencies and errors in the integration process, which can impact the overall efficiency of the system and potentially lead to the failure of CRM implementation.

# Industry Tailwinds

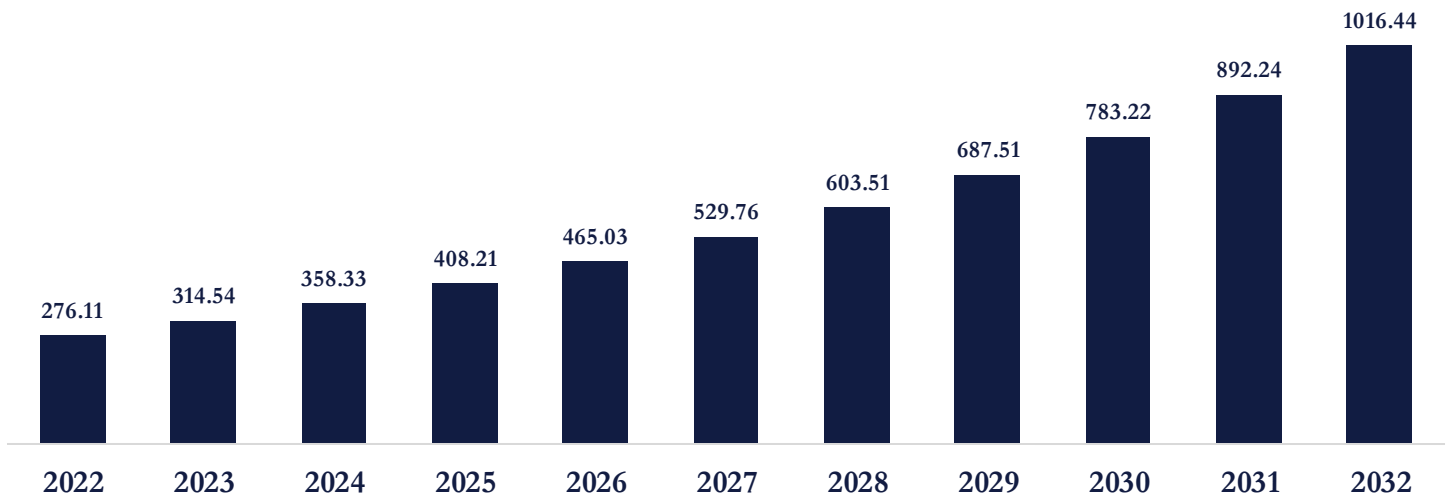
## Increased demand for Cloud-Based CRM

Within CRM, there are 2 different types of servers the CRM software can run on: Cloud-Based servers or On-Premise servers. With the transition towards a remote working environment as well as the digitization of nearly everything, there is a large tailwind of demand for Cloud-Based CRM, which runs on remote servers and can be accessed anywhere from any device. On-Premise servers require a location within the organization, and carries additional installation charges, while Cloud-Based CRM is hosted on remote servers and typically only charges a subscription fee. Additionally, a Cloud-Based CRM offers businesses a centralized consumer database, tighter integration with business applications, and real-time insights.

## Prioritization of Customer Retention

Businesses continue to prioritize customer retention more and more, as being able to retain a customer and have customer stickiness is a large competitive advantage for any business.. CRM platforms serve to be able to help a business boost their customer retention, as the platform has the ability to analyze data from the customer, whether that be transactions or general buying behavior. After the data analytics, the platform is able to provide feedback to a user when prompted and can help drive retention of customers. Additionally, CRM platforms have begun to integrate AI into their service, which allows the platform to create retention strategy for a business as well as perform tasks within the retention strategy, as opposed to the business having to develop a strategy from the data.

## Cloud-Based CRM Market Size (in \$Billions)



## Integration of Social Media and CRM

With the growing presence of social media in the day-to-day lives of the world, being able to integrate CRM into social media and derive data for businesses serves to be massively appealing. For sales and marketing teams, the data a CRM software collects would allow them to understand the effectiveness of their advertisements and adjust their marketing campaigns if need be. Furthermore, CRM can yield data to businesses to allow for personalized advertising, which can target customers as opposed to having broader advertisements. Additionally, a CRM software allows for efficient lead generation, as from user interaction on social media, a business has an opportunity to analyze that data and generate highly potent leads for customers. All of these put together allow for a higher conversion rate as well as information on a businesses ROI, allowing for modification while minimizing losses due to increased costs.



## Spring 2024 Technology Report

## M&amp;A Activity

## Deal Flow Commentary

In conjunction with the aggressive growth and integration of CRM technologies within the global business markets, M&A deal flow within the CRM sector has seen a transformation in volume and deal size, echoing the growing importance of CRM software to companies' everyday operations on a global scale.

\$27.7 Billion



Acquisition of



March 2021

Advisors



Salesforce's strategic acquisition of Slack serves as a major highlight amongst recent acquisitions that capitalized on the global shift to remote work, providing a significant edge against competitors in the market. Through a combination of cash and stock, this historic acquisition became the firm's most bullish and expensive deal to date. CEO Marc Benioff emphasized his excitement in leveraging Slack's capabilities, stating "this is a match made in heaven - together, we will shape the future of enterprise software and transform the way everyone works in the all-digital, work-from-anywhere world."

\$1.1 Billion



Acquisition of



April 2021

Advisors



KIRKLAND &amp; ELLIS

Leading private equity powerhouse Thoma Bravo purchased customer experience intelligence firm Calabrio, constituting yet another deal capitalizing upon the growing work-from-home environment. Calabrio grew tremendously during COVID-19, with its ONE software suite enabling organizations to protect their brand through consumer-agent interactions. Thoma Bravo joins the broader industry trend of the workforce engagement management industry's transition to the cloud, with a statement investment of over \$1 Billion USD. Calabrio was acquired from KKR, with committed financing from Golub Capital.

\$75 Million



Acquisition of



December 2022

Advisors

Robinson+Cole



Keywords Studios' recent purchase looks to take advantage of HelpShift's market-leading SaaS customer automation tool that solves customer support requests instantly, leveraging the firm's technology and 2,000-agent support team to deliver high-value interactions unrivaled by industry competitors. Integration with Keywords' Kantan AI Studio will moreover grow the software's language capacities, enhancing the platform's global reach. Electronic Arts, Microsoft and Netflix are amongst Helpshift's notable client base whose user experiences will benefit from this acquisition's resulting combined expertise.

## Spring 2024 Technology Report

## IPO Activity

## Deal Flow Commentary

IPOs in the CRM software have been minimal over the past few years. This is in line with the larger slump in the IPO market as a whole. With CRM specifically, large players such as the ones discussed at length are so acquisitive that new players are often acquired before perusing their own IPO.

\$0.94 Billion



Innovatus

\$0.61 / Share

August 2023

Lead  
Underwriter

Innovatus is a technology company that offers all types of marketing solutions, starting from marketing, CRM, B2B, B2C, Activations and Exhibitions. The company is a creative platform. It creates creative concepts, development, and execution on the field. The proceeds from the capital raise are intended for “augmentation of working capital, procurement of exhibition-related material, and general corporate purposes.” Inventure is based out of Mumbai, focusing exclusively on enterprise technologies and business services. They were the lead underwriter of the IPO.

\$5.87 Billion



All E Technologies

\$1.10 / Share

December 2022

Lead  
Underwriter

Alletec is a Microsoft Business Applications & Digital Transformation company. Alletec helps clients stay ahead with Intelligent Business Applications. The company provides consulting services for solution assessments, provide product licenses, carry out solution implementation, provide solution enhancements and on-going support. It also offers offshore technology services to some large Microsoft Business Applications partners from the USA and Europe. The lead underwriter, Unistone specializes in Lead Management, Fund Raising and Corporate Advisory services.

\$27.34 Billion



Xuanwu Technology

\$0.80 / Share

July 2022

Lead  
Underwriter

Xuanwu Technology is an enterprise mobile information service provider in the Asia-Pacific region. The company's CRM services aids enterprises in managing their entire business cycle efficiently. Xuanwu's diverse service matrix assists clients in customer acquisition and improving customer connections. The company's Platform as a Service (PaaS) focuses on providing communication capabilities by integrating messaging services from major telecommunication network operators. Lead Underwriter, Ogier, covers everything from legal to corporate advisory.

# Notable Deal Activity

## Salesforce Enters Definitive Agreement to Acquire Spiff

On February 1st, 2024, Salesforce announced their entrance into a definitive agreement to acquire Spiff, a Salesforce Ventures portfolio company providing the leading incentive compensation management (ICM) software. Ketan Karkhanis, EVP & GM of Sales Cloud, captures Spiff's capabilities writing, "Spiff connects what sellers want – transparent compensation – with what sales leaders want – compensation planning built into CRM that aligns behaviors to strategic outcomes." This acquisition will enable Salesforce to automate intricate ICM's transforming their Sales Performance Management solutions to offer trusted visibility and consolidated insights. The acquisition is expected to close in the first quarter of Salesforce's fiscal year 2025.

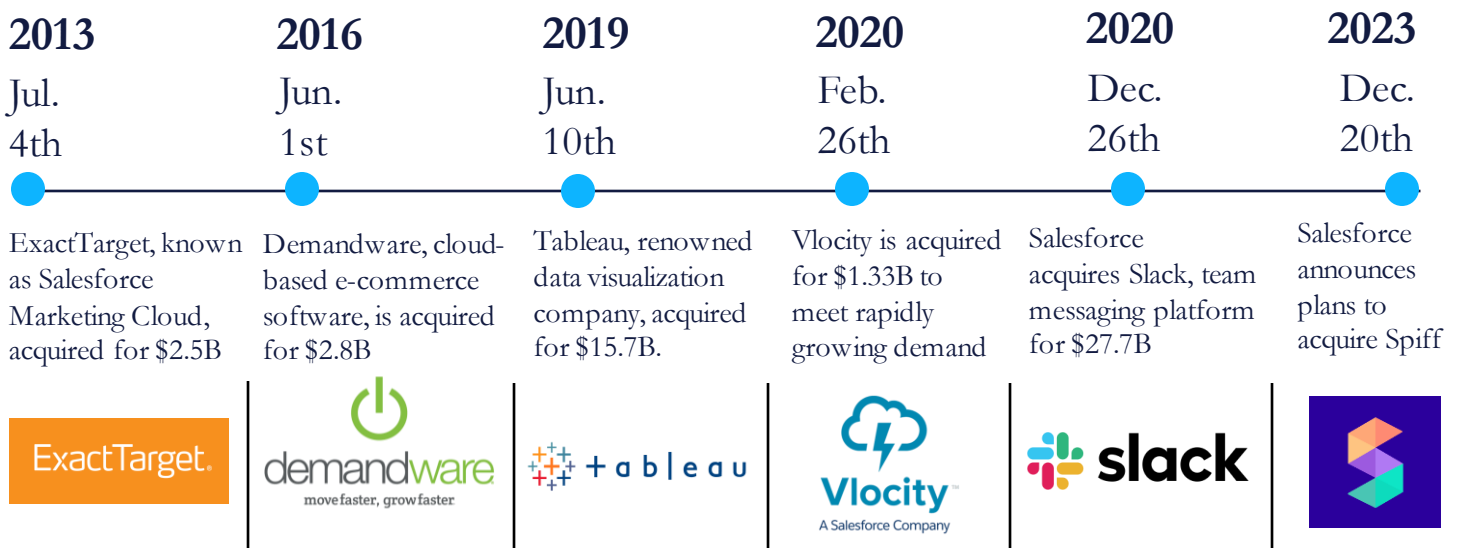
## Adobe Terminates \$20 Billion Acquisition of Figma

After announcing plans to acquire Figma in September 2022, regulators from the UK and EU feared that the merger would enable Adobe to monopolize the software market. Bloomberg, the European Commission, and the UK's Competition and Markets Authority (CMA) all scrutinized the merger for threatening innovation that could occur if Figma was left an independent entity. As regulatory pressure mounted, Adobe was forced to terminate the \$20 Billion acquisition in December of 2023 as Figma CEO remarked, "But despite thousands of hours spent with regulators around the world detailing differences between our businesses, our products, and the markets we serve, we no longer see a path toward regulatory approval of the deal."

## SAP Acquires LeanIX

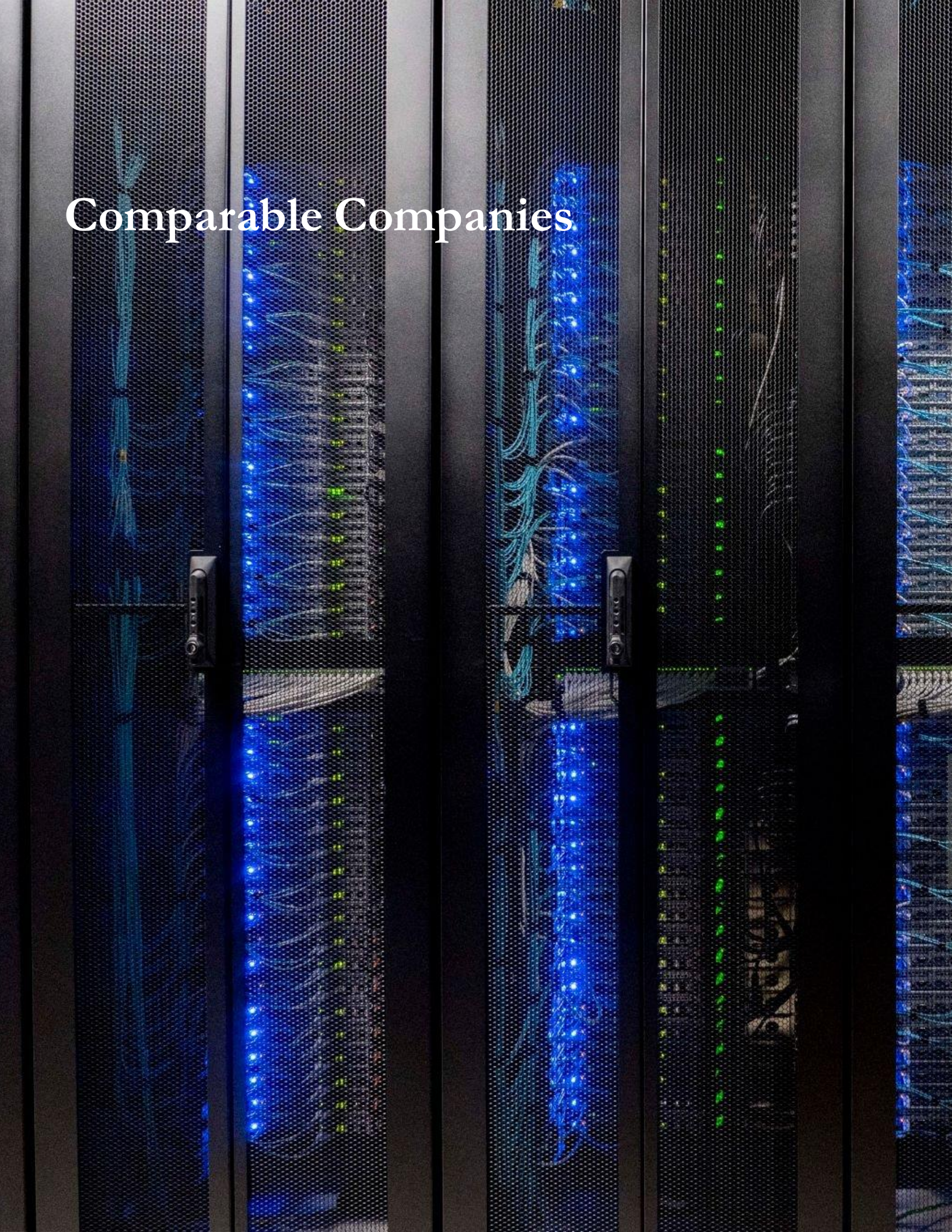
On November 8th, 2023, SAP announced its completion in acquiring LeanIX. LeanIX provides a leading enterprise architecture management (EAM) software revolutionizing the IT landscape through software-as-a-service solutions. The LeanIX acquisition is intended to complement a \$1.2 Billion dollar deal where SAP purchased a Berlin business process automation startup, Signavio. SAP plans to consolidate target IT architecture data into an all-encompassing transformation suite that will allow customers to drastically improve their business processes.

## Notable Salesforce Acquisitions from 2013-2023





# Comparable Companies















## Spring 2024 Technology Report

## Peer Universe

## Rationale

The companies below were specifically chosen to capture the largest market share of the CRM software vertical. These 10 companies represent a diverse group of leading providers that meet the needs of large and small enterprises creating unique product offerings that add efficiency to complex business processes. The set is comprised of software giants like Adobe Inc. (ADBE) and Oracle (ORCL) alongside CRM software leaders like Salesforce (CRM) and SAP SE (SAP). While the remaining 6 companies are smaller in size, they are vital to the growing market for CRM software services.

Logo	Company	Ticker	Description	LTM Revenue (in \$Millions)
	Salesforce	CRM	Leading American cloud-based CRM software allowing businesses to manage customer data and sales operations.	\$34,857
	Oracle	ORCL	Multinational computer technology company with a CRM offering specialized in sales data analytics	\$52,511
	SAP SE	SAP	Enterprise application software leader providing ERP solutions to both small and large businesses.	\$31,210
	Adobe Inc.	ADBE	American multinational software company specializing in digital marketing and creative software.	\$19,936
	Snowflake Inc.	SNOW	American cloud-computing software provider specializing in cloud-based data storage and analytics service.	\$2,807
	HubSpot	HUBS	American software developer with CRM tailored towards inbound marketing and customer centric sales approach	\$2,170
	Thryv Inc.	THRY	American Software as a service company specializing in online reputation management and CRM software.	\$917
	Intuit	INTU	American multinational company specially designing financial software	\$15,094
	ServiceNow	NOW	American software company developing cloud computing software to manage digital workflows for enterprises.	\$8,971
	Pegasystems Inc.	PEGA	CRM software provider and leading enterprise AI workflow automation platform	\$1,433

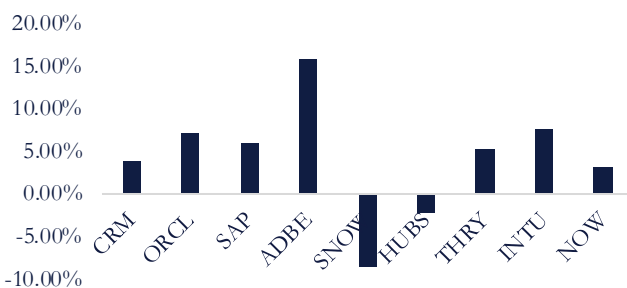
## Spring 2024 Technology Report

## Profitability and Growth

(in \$Millions)

Company	Revenue	EBITDA	Net Income	Total Assets	Total SH Equity	Profitability Ratios			Growth		
						EBITDA / Revenue	ROA	ROE	1 Year Revenue	3 Year Revenue	5 Year Revenue
CRM	34,857	9,958	4,136	99,823	59,646	0.29	3.8%	7.0%	10%	39%	62%
ORCL	52,510	20,830	10,642	134,384	1,556	0.40	7.1%	498.5%	15%	22%	21%
SAP	31,207	8,027	6,139	68,335	43,406	0.26	5.8%	8.3%	1%	12%	21%
ADBE	19,409	7,784	5,428	29,779	16,518	0.40	15.7%	32.4%	9%	34%	53%
SNOW	2,621	-954	-873	7,722	5,469	-0.36	-8.6%	-15.7%	0%	71%	95%
HUBS	2,170	-81	-176	3,071	1,320	-0.04	-2.4%	-15.2%	20%	59%	76%
THRY	917	-135	-259	783	152	-0.15	5.2%	-96.9%	-31%	-21%	-95%
INTU	15,094	4,372	2,770	27,780	17,269	0.29	7.6%	16.9%	11%	47%	58%
NOW	8,971	1,594	1,731	17,387	7,628	0.18	3.1%	27.3%	19%	50%	71%
Lower	2395.5	-108	-217.5	5396.5	1438	-0.09	-8.6%	-96.9%	1%	17%	21%
Median	15,094	4,372	2,770	27,780	7,628	0.26	5.2%	8.3%	10%	39%	58%
Mean	18,640	5,711	3,282	43,229	16,996	0.14	4.1%	8.71%	6%	35%	40%
Upper	33032	8992.5	5783.5	84079	30337.5	0.34	15.7%	498.5%	17%	54%	74%

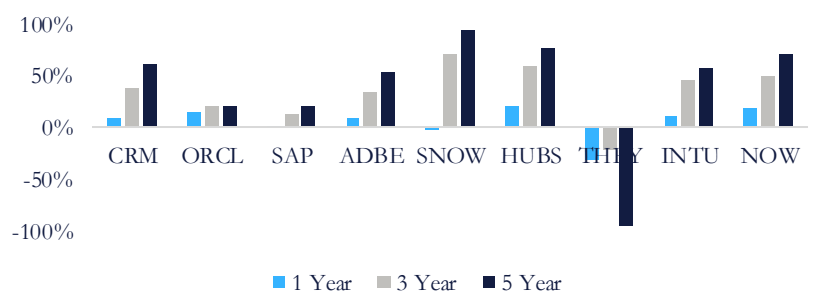
## Return On Assets



While CRM and SAP hover within the same range of revenue, their yearly growth rates differentiate CRM as a fierce competitor. CRM's 5-year growth rate nearly triples both SAP and ORCL. ORCL stands out as they deliver the largest share of revenue and EBITDA, but drastically outsize the other comparable companies in total assets (\$134 billion) as companies like SNOW and HUBS are only nearing their growth phases and have not reached their peak size. This is shown in their comparably low Total SH Equity with SNOW showing \$5.4 billion and HUBS at \$1.3 billion.

CRM, ORCL, SAP, and ADBE differentiate themselves within the peer universe as large and stable enterprises where their CRM software providing is not their only source of revenue. As for the smaller firms, THRY has not performed strongly showing all negative profitability ratios and a -95% 5-year growth rate. While SNOW and HUBS also show weakness in their negative EBITDA / Rev, ROA, and ROE, their positive growth rates symbolize growing stability. With INTU and NOW, the stability of their growth over time and the strength in their relative strength in Total Assets proves that there is potential for growth. As for the smaller companies within the set, INTU and NOW show strong percentages and sure upwards possibility.

## Growth Rates





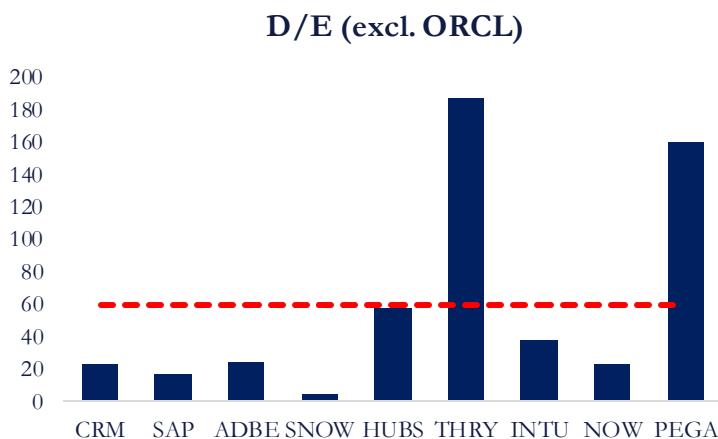
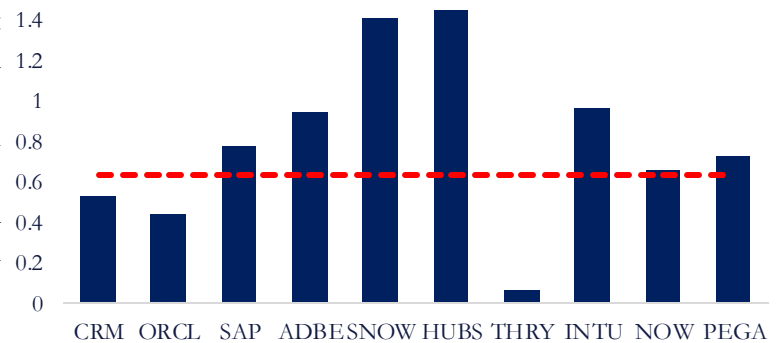
## Spring 2024 Technology Report

## Liquidity and Leverage

(in \$Millions)

Company	Operating Cash Flow	Current Assets	Total Assets	Current Liabilities	Total Liabilities	Liquidity			Leverage		
						Current Ratio	Quick Ratio	Cash Ratio	Debt / Equity	Debt / Assets	Debt / Inv. Capital
CRM	10,230	29,074	99,823	26,631	40,177	1.09	0.96	0.53	22.74x	13.59x	0.19x
ORCL	18,239	21,004	134,348	23,090	132,828	0.85	0.69	0.44	6,127x	70.95x	0.98x
SAP	6,332	20,531	68,291	14,642	24,929	1.40	1.17	0.78	17.03x	10.82x	0.14x
ADBE	7,302	10,008	29,779	9,538	13,291	1.34	1.22	0.95	24.26x	13.46x	0.20x
SNOW	721	5,026	8,223	2,731	3,033	1.85	1.75	1.41	4.89x	3.09x	0.04x
HUBS	351	1,975	3,071	839	1,629	1.96	1.76	1.45	57.02x	24.51x	0.37x
THRY	148	267	783	263	630	1.01	0.29	0.07	186.46x	36.36x	0.70x
INTU	4,950	5,557	27,780	3,790	10,511	1.47	1.25	0.97	38.22x	23.76x	0.28x
NOW	3,398	7,777	17,387	7,365	9,759	1.06	0.94	0.66	22.78x	12.62x	0.23x
PEGA	218	738	1,511	473	1,055	1.78	1.25	0.73	160.04x	37.48x	0.62x
Lower	148	267	783	263	630	0.85	0.29	0.07	4.89x	3.09x	0.19x
Median	4,174	6,667	22,584	5,578	10,135	1.37	1.20	0.76	31,24x	18.68x	0.26x
Mean	2,029	5,041	14,437	3,382	7,542	1.33	1.02	0.64	57.81x	18.36x	0.38x
Upper	18,239	29,074	134,348	26,631	132,828	1.96	1.78	1.45	6,127x	70.95x	0.56x

ORCL's innate strength amongst its peers is underlined by its sheer volume of assets, furthered by sector-high cash generation depicted by its OCF, nearly double that of CRM. Still, the firm's liabilities sit at exorbitantly high values, with current assets surpassing current liabilities, a depiction of cash shortages for day-to-day financing and potentially long-term solvency issues. By the same token, ORCL's D/E ratio of 6,127 emits heavy imbalance in company structure, driven by an aggressive acquisition strategy in recent years starting with their 2022 purchase of Cerner, a deal funded by a \$7 billion bond sale.

**Cash Ratio**

Most companies in this peer universe stand at a relatively healthy cash ratio range of 0.5-1, with an average of 0.64 for the group. The clear outlier is THRY, with a cash ratio of 0.07, indicating that the cash balance is very low relative to the amount of common liabilities. THRY is a relatively smaller and newer company, serving primarily SMEs and thus has a harder time scaling since a lot of SME opt to either not use CRM systems, or if they do, they end up choosing larger better firms, that offer better services for the same time. That is one of the reasons, their financials lag in comparison to the peer universe.

## Spring 2024 Technology Report

# Valuation Ratios

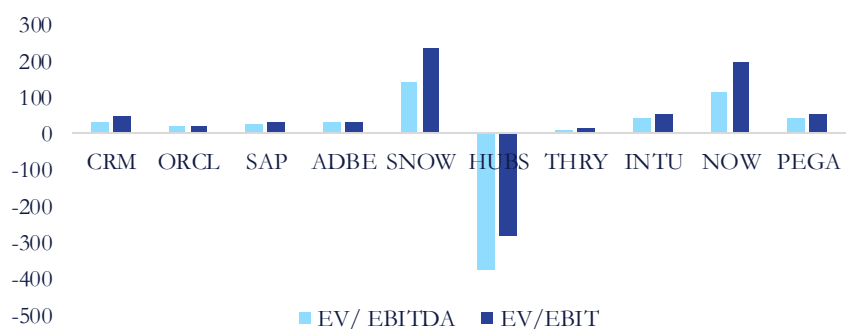
(in \$Millions)

Company	Market Cap	Enterprise Value	Financial Data (LTM)				Valuation			
			Sales	EBITDA	EBIT	EPS	EV/Sales	EV/EBITDA	EV/EBIT	P/E (GAAP)
CRM	297,257	290,800	34,857	9,221	5,999	\$4.19	8.37x	31.64x	48.64x	72.28x
ORCL	354,888	433,160	52,510	20,801	15,308	\$3.79	8.26x	20.85x	18.86x	34.16x
SAP	220,420	216,950	34,454	8,087	7,177	\$3.36	6.28x	26.77x	30.16x	53.52x
ADBE	235,102	232,100	19,936	7,589	6,971	\$11.83	11.69x	30.72x	33.44x	49.74x
SNOW	53,610	50,050	2,806	-954.4	-1,059	-\$2.54	17.54x	145.37x	238.41x	168.08x
HUBS	31,695	30,450	2,170	-80.9	-107.8	-\$3.55	14.03x	-376.20x	-282.47x	104.03x
THRY	789	1,120	917	115.4	82.2	\$0.75	1.23x	9.80x	13.76x	15.31x
INTU	179,038	182,680	15,094	4,087	3,471	\$9.77	12.10x	44.70x	52.63x	64.88x
NOW	157,099	152,580	8,971	1,324	762	\$8.40	16.65x	112.82x	196.03x	89.90x
PEGA	5,420	5,580	1,433	121.1	102.3	\$0.73	3.89x	45.88x	54.26x	87.98x
Lower	789	1,120	917	-954.4	-1,059	-\$3.55	1.23x	-376.20x	-282.47x	15.31x
Median	168,069	167,630	12,033	2,706	2,117	\$3.58	9.99x	31.18x	41.04x	68.58x
Mean	63,797	66,471	17,315	5,031	3,871	\$4.38	8.09x	9.24x	40.37x	62.45x
Upper	354,888	433,160	52,510	20,801	15,308	\$11.83	17.54x	145.37x	238.41x	168.08x

Encompassing a combined 38.2% market share in the market, CRM showcases dominance alongside ORCL with industry-leading market capitalizations and EVs, with SAP and ADBE trailing closely behind. Concentrated dominance in conjunction with MSFT Dynamics 365 (not pictured) is underlined by THRY and PEGA's miniscule global market presence, in comparison. The extent of the CRM-market's unsaturated nature is emphasized by SNOW's 238.41x EV/EBIT ratio, a densely overvalued security within our peer universe. ORCL's financial strength is further emulated by their EBITDA of 20,801 – a value over double that of CRM, a world-class industry dominator – and an EBIT of triple in comparison, highlighting its operational efficiency. Still, ADBE and SAP exhibit solid market positions with similar financial indicators, and though not leading, as does INTU across the board. Importantly, ADBE is trading at \$11.83 EPS, a substantial premium that reflects its elevated market valuation. Interestingly, HUBS and SNOW are displaying negative EPS values at -\$3.55 and -\$2.54, illustrating a lack of profitability. Even so, their astronomically steep P/E ratios of 104.03x and 168.08x lend to the market's hopefulness for incredibly high growth amidst strong industry and macroeconomic catalysts, respectively. Our peer universe is thematically riddled with potential overvaluation, with THRY boasting the lowest P/E ratio at 15.31x. Defiantly, the average P/E statistic is seated at slightly under 74x, a high industry average that affirms investors' strong predictions for companies in the CRM software sector. Indeed, CRM-

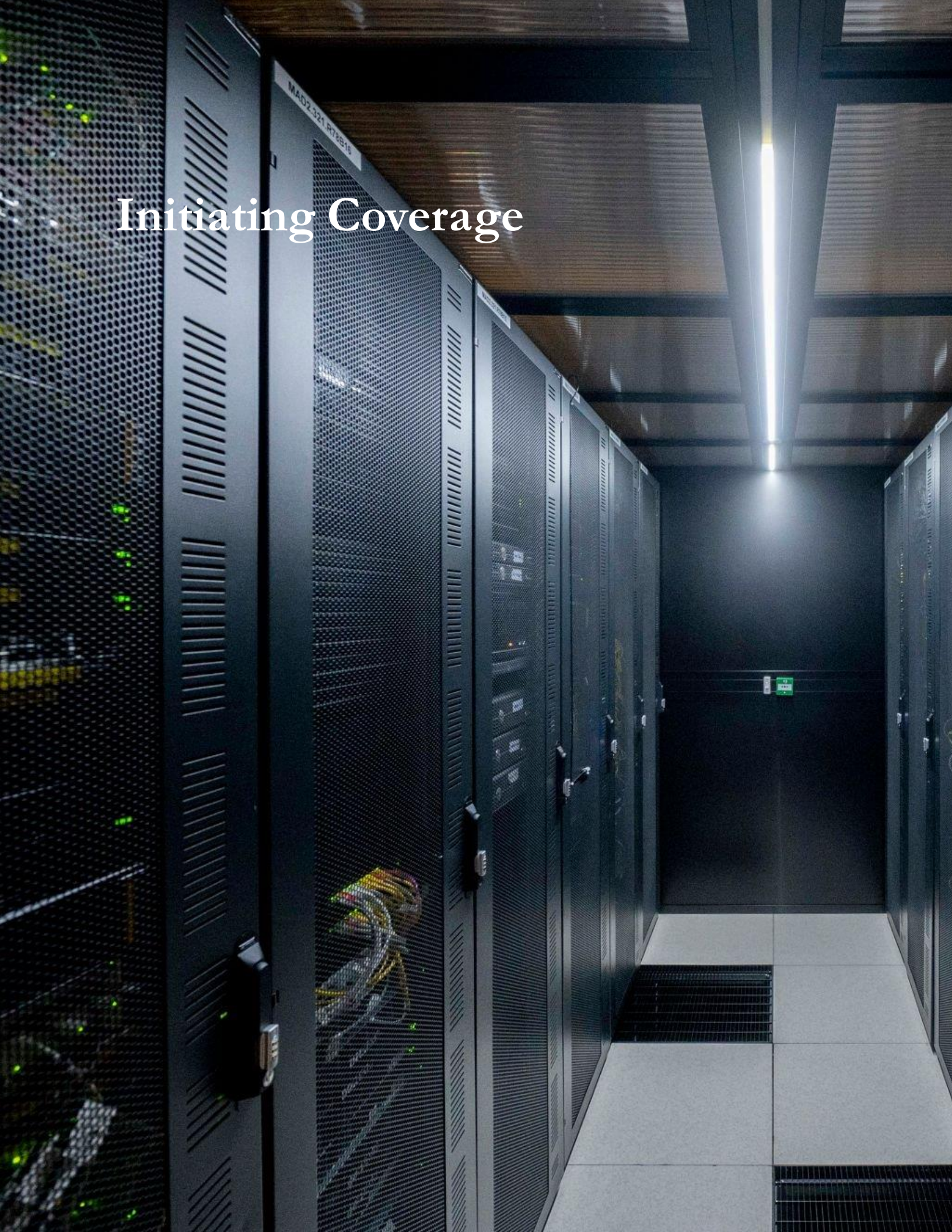
software securities have exhibited high valuation ratios – even the industry's most successful players have indicated inflation, despite some stagnations in THRY and HUBS. However, the TTM have experienced immense growth predictions compared to other technology sectors, indicating market optimism for upsurge as companies innovatively incorporate CRM software, a reality that underscores the exorbitant predictions of our peer universe.

### Valuation Ratios, Comparative Analysis





Initiating Coverage





# HubSpot, Inc.

## Company Overview

HubSpot, Inc. is a leading global provider of cloud-based marketing, sales and customer service services within the software technology ecosystem based in Boston. Founded in 2006, HubSpot provides companies with growth tools through initiatives that strengthen customer relationships and services, with their hub technology providing user-friendly interfaces and pricing packages in their clients’ pursuits of revenue generation and customer base optimization. HubSpot spotlights three core revenue segments: subscription services (85%), professional services and training (10%), and application marketplace (5%), with operations in range of global markets and key geographical regions: North America (65%), Greater Europe (25%) and Asia (10%).

## Latest News

- Strategic acquisition of Clearbit elevates HUBS’ customer platform to an unparalleled level through seamless CRM and MAP integration and data enrichment for clients.
- HUBS Q4 earnings report blow past consensus expectations as shares jump 6%.
- Hubspot ranks #1 in Sales and Marketing in G2’s 2024 Best Software Awards
- Hubspot joined Dow Jones Sustainability Index in North America

## Market View

### Market Bulls View

- Institutional buyers have recently been increasing their positions. Exchange Traded Concepts LLC increased its position in shares of HubSpot by 59.7% in Q423. Wellington Management also increased its position by 26.0% in the same period.
- HubSpot has demonstrated strong growth in its suite of products and solutions with new offerings, establishing itself as a leading player in the CRM space.
- Successful firm strategy of cross-selling multiple products to its customers with over 30% of institutional consumers using 3+ HubSpot products.
- Rumors have surfaced recently that an acquisition bid by Alphabet Inc., the parent company of Google, is on the cards amidst recent meetings with Morgan Stanley.

### Market Bears View

- Net dollar retention is low relative to both SaaS peers, and the general industry.
- HubSpot will most likely face increasing competition for market share from CRM and ADBE as it attempts to foster a strategy of acquiring larger customers.
- Goals of portfolio expansion, rapid hiring and the acquisition/integration of PieSync in simultaneous fashion can pose challenges with operational efficiency of resources.
- Inflation rates remaining above the Federal Reserve’s 2.2% target amidst an unclear rate cut timeline can continue to pressurize SMBs, hindering growth prospects.

## Thesis

HubSpot's impressive customer base growth potential suggests revenue could surpass projected figures if strategies to enhance customer spending yield results. Our technology coverage is modeling a cashflow margin of 12% to continue. Strong topline growth from cross selling synergies, monetization of new AI products such as “ChatSpot”, and acquisition of larger customers through offering more customization and governance capabilities within at enterprise accounts.

Stock Rating: **BUY**

Price Target: \$700.31

Price: \$621.75

Upside: 12.64%

Ticker: HUBS

### Research Team

Felipe Machado

Neil Shea

Raahil Gunaratne

Ben Rosenberg

Sanjit Kosaraju

EV \$33.4B

Market Cap \$33.9B

EV/Revenue 15.37x

EV/EBITDA 85.44x

P/E 137.55

P/BV 25.61

### HUBS 52wk Range



## Spring 2024 Technology Report

## Alternative Valuations

HubSpot, Inc.

## Consensus Rating

Buy 83.3% Hold 13.3% Sell 3.3%

12M Target Price \$699.19  
High +19.38%  
Low -22.41%

## Price Analysis (3Y, USD)



Firm	Broker	Date	Analyst Rating	Price Target	Comparative Analysis
BBR	Tech Coverage	03/25/2024	Buy	\$700.31	
Jefferies	Samad Samana	04/07/2024	Buy	\$725.00	
STIFEL	J Parker Lane	04/05/2024	Buy	\$750.00	
WELLS FARGO	Michael Turrin	04/05/2024	Overweight	\$725.00	
citi	Tyler Radke	04/04/2024	Buy	\$767.00	
RAYMOND JAMES	Brian Peterson	04/04/2024	Outperform	\$800.50	
EVERCORE	Stewart Materne III	04/04/2024	Hold	\$650.00	
PIPER   SANDLER	Brent Bracelin	04/04/2024	Overweight	\$675.00	
BARCLAYS	Ryan Macwilliams	04/03/2024	Equalweight	\$600.00	

## Select Commentary

## Needham Securities

Price Target: \$730.00 Rating: Buy

- 4Q23 revenue/EPS of \$581.9mm/\$1.76 well above our estimates of \$557.1mm/\$1.54.
- Clearbit adds \$22mm in revenue to 2024 as product becomes fully integrated.
- Expectation of Clearbit's combined offering launches in 2H24.
- Quality of management team shining through in market share gains.

## Research Team

Joshua Reilly, CFA  
Scott Berg  
Michael Rackers  
Robert Morelli, CFA

## Barclays

Price Target: \$600.00 Rating: Equal Weight

- Cautious price target based on EV/Sales of ~12x applied to CY24E revenue of \$2,556mm.
- Product CMS Hub rebranded to 'Content Hub' with a 25% price increase despite new features.
  - Research team notes HUBS' growing upmarket potential as it builds out the capacity of its CRM suite, which could increase revenue estimates moving forward in 2024.

## Research Team

Ryan Macwilliams, CFA  
Eamon Coughlin  
Pete Newton

# Salesforce

## Company Overview

Salesforce is the leading American cloud-based CRM software provider headquartered in San Francisco, California. Through an aggressive acquisition strategy, Salesforce has developed a key CRM software encompassing the needs of small and large enterprises in e-commerce, consumer data analytics, and process automation. Salesforce’s revenue streams can be segmented into two main areas: Subscription & Support, and Professional Services/Other. In 2023, Salesforce generated about \$29 billion in revenue from their Subscription & Support business, while their Professional & Other Service offerings contributed approximately \$2.3 billion. Prominent regions using Salesforce include: The United States (61.8%), the United Kingdom (13.6%) and France (4.9%).

## Latest News

- Salesforce unveils the beta-version of Einstein Copilot for Tableau. The new AI assistant will not only streamline analytical workflows but generate stimulating insights within entire enterprises.
- Powered by Einstein 1, agents and supervisors will now have access to AI-powered insights within Service Cloud that will both automate and generate workflows to enhance customer experience and grow long-term consumer loyalty.
- Salesforce expands their global presence by opening a new office in Auckland, New Zealand. This expansion is meant to deepen the companies roots within the Australian region after the opening of Salesforce Sydney Tower in 2022.

## Market View

### Market Bull View:

- Salesforce not only shows steady marginal growth, but a steady increase in their free cash flow (FCF) margin. Projected operating margin is 30% for 2024 compared to 23% in 2023 and 19% in 2022. FCF margins have shown similar stability as analysts estimate 7.3% for Q2 2024 outperforming a 1.6% margin just one year before.

### Market Bear View:

- Salesforce demonstrates slowed revenue growth from last years performance and compete in an increasingly saturated market. Revenue is expected to increase just 11% in 2024, displaying a significant slow down from the 18% revenue growth in 2023. With Microsoft, SAP, and Oracle now competing for market share, Salesforce may face challenges to maintain their dominance in the CRM market.

## Thesis

Despite Salesforce growing 54.48% within the last year, we still believe there is room for further upside. Salesforce currently has an EV/Revenue ratio under the industry average, and Salesforces' forward P/E trades at a reasonable 31.15x. Furthermore, Salesforce’s Einstein AI is a key driver of growth with 84% of professionals using Einstein GPT claiming it helped increase sales at their organization. Additionally, CEO Marc Benioff highlighted AI innovations as a key driver for the Q2 revenue spike and has raised its full-year FY24 revenue guidance, operating margin guidance, and operating cash flow growth guidance.

Sources: Bloomberg, Pitchbook, Salesforce

Stock Rating: **BUY**

Price Target: \$350.94

Price (04/07/24): \$301.91

Upside: 16.24%

Ticker: CRM

### Research Team

Felipe Machado

Neil Shea

Raahil Gunaratne

Ben Rosenberg

Sanjit Kosaraju

EV 291.59B

Market Cap 293.19B

EV/Revenue 8.37x

EV/EBITDA 29.28x

P/E 72.18x

P/BV 4.92x

### CRM 52wk Range



## Spring 2024 Technology Report

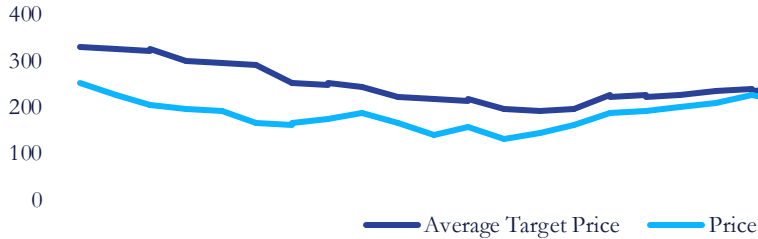
## Alternative Valuations

Salesforce, Inc.

## Consensus Rating

Buy	Hold	Sell
74.5%	23.6%	1.8%
12M Target Price		\$350.94
High		+29.25%
Low		-23.44%

## Price Analysis (3Y, USD)



Firm	Broker	Date	Analyst Rating	Price Target	Comparative Analysis
BBR	Tech Coverage	03/25/2024	Buy	\$350.94	
citi	Tyler Radke	03/11/2024	Hold	\$339.00	
BARCLAYS	Raimo Lenschow	03/08/2024	Overweight	\$355.00	
Jefferies	Brent Thill	03/07/2024	Buy	\$350.00	
BANK OF AMERICA	Brad Sills	02/29/2024	Buy	\$360.00	
Morgan Stanley	Keith Weiss	02/29/2024	Overweight	\$350.00	
J.P.Morgan	Mark Murphy	02/29/2024	Overweight	\$310.00	
EVERCORE	Stewart Materne	02/29/2024	Outperform	\$330.00	
OPPENHEIMER	Brian Schwartz	02/29/2024	Outperform	\$325.00	

## Select Commentary

## CFRA Research

Price Target: \$330.00 Rating: Buy

- Forecasts that operating margin will expand to 32.5% in FY25, which is up 200bps from FY24.
- Project \$11.5B of FCF in FY25, up 23% from FY24, caused by operating margin growth, allowing for larger share buybacks and the rolling out of dividends.
- 3-year projected CAGR for EPS comes out to 15%, with FY26 expecting to have an EPS of 11.14.

## Research Team

Angelo Zino, CFA

## Argus Research

Price Target: \$354.00 Rating: Buy

- Belief that Salesforce is doing well in its promotion of the Integration and Analytics segment of revenue, which is the foundation for its CRM AI approach.
- Continual improvements by management in regard to cost leverage and profitability despite the slow operating environment, leading Argus to raise EPS estimates to \$10.91 by FY26.

## Research Team

Joseph Bonner, CFA



# Team Outlook

The CRM software industry is set for substantial growth along the following years. As business needs become increasingly more complex and customer-centric, enterprises of all sizes will likely lean towards software such as CRM to assist with the gathering and analyzing of customer data to draw key insights allowing for sustained revenue growth. This effect is further exacerbated given the current trend of Artificial Intelligence and machine learning capabilities, which dramatically increase data processing capabilities and significantly increases efficiencies in many key operations a business might have.

That is not to say that CRM providers do not carry significant challenges, both short and long-term. Short-term, macroeconomic factors such as high-interest rates and a risk of recession affect CRM companies much like any other SaaS company. In the long-run, issues previously mentioned such as adoption/implementation challenges, costs and particularly data securities issues are of extreme importance in this field and should always be looked out for.

While deal activity in the field has been particularly slow the past year or so, there have been no shortage of big deals occurring throughout the past decade, highlighted by the aforementioned Salesforce acquisition timeline. Once current macroeconomic conditions ease, deals may begin to pick back up back to pre/early pandemic levels.

Out of all CRM providers, North-American businesses stand out as references in the field-- in particular, Salesforce and HubSpot. Salesforce is an established giant in the market, with no close competitors and no signs of stopping, boasting an impressive 27% market share, which absolutely dominates all other large CRM companies, who tend to stay in the 5% market share range. Boston-based, Hubspot, while not as powerful as Salesforce, is also a key player in the industry, showing promising growth potential.

Overall, CRM remains a fast-paced, dynamic, and growing sub-vertical of the technology sector. Our team highly recommends any and all people interested in technology to remain up to date and invested in the field.

# Let's Talk



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