



November 11, 2025

## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

### Checks in-line to better vs Q2/25; focus on 2H upside, AI winners and macros

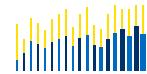
**Our view:** Our checks for October off-qtr earnings were better than prior quarters, most notably from select cybersecurity vendors as investors focus on ideas that can accelerate growth and benefit from AI trends. Off-qtr names where we particularly like the setup include **PANW** and **ZS** and there are several other names (see pages 5-6) where the risk/reward skews favorable. Additionally, we are increasing price targets for **CRWD**, **PANW**, **PATH**, **SNOW** & **ZS**.

Reflecting on Q3/25 on-qtr earnings, the mean revenue beat was 2.8% or slightly lower vs the Q2/25 on-qtr 3.1% beat and 3.0% off-qtr beat. That said, we believe the beats for the off-qtr cohort could be larger.

Software volatility remains elevated on the AI trade as there is a crowding effect with AI winners in our coverage, most notably **CRWD**, **DDOG**, **NET** and **SNOW**. As of the close on 11/10, the RBC All-SaaS index at 7.2x NTM EV/S is slightly above the midpoint of the 52-week high of 8.2x on 2/18, the low of 5.6x on 4/8 and just above 7.0x heading into Q3/25 on-qtr earnings. Overall we believe print volatility remains elevated as positioning/sentiment matters as we search for additional AI winners.

- **Cyber-security:** The group remains in focus given an elevated threat landscape and share consolidation opportunities as we continue to like several platform consolidation names.
  - **CRWD:** We see the short-term setup as neutral with favorable reseller checks that point to seasonal upside to estimates offset by elevated consensus expectations for Q4 and investor expectations that have increased following a positive Fal.Con 2025.
  - **NTSK:** We think the setup is slightly favorable as we assume a beat and raise following the company's recent IPO. The focus remains on what the company can grow following accelerated growth over 30% for the past two qtrs, with estimates pointing to ~25% ARR growth this year.
  - **OKTA:** We expect upside to Q3 results given positive checks, albeit more modest than previous quarters as guidance philosophy no longer contemplates conversation around a deteriorating macro. We are slightly positive heading into the quarter given the neutral/negative sentiment around the stock and an upward bias to estimates.
  - **PANW:** Based on strong checks that improved as the quarter progressed, we look for a beat and raise report. Checks pointed to strong Cortex and Access demand as we continue to believe the company is consolidating cyber-security spend in multiple categories.
  - **SAIL:** We think the setup is neutral as we assume a slight beat and raise given positive checks offset by low liquidity that remains a ST overhang. That said, we remain positive on the drivers given an increased industry focus on identity.
  - **ZS:** With positive checks and what we view as a conservative starting point for FY/26 guidance, we believe upside is likely heading into Q1 as the risk/reward skews positive. Checks noted ongoing strength in core ZIA and ZPA as well as Zero Trust Anywhere as we think Z-Flex is resonating with customers and partners.
- **Infrastructure and DevOps:** We favor ideas that have a product cycle or self-help element and a reasonable path for upward revisions.
  - **ESTC:** We expect solid Q2 results as we view the setup as somewhat favorable based on what seems like strong demand for logging workload. We also expect slight upside to FY/26 guidance.
  - **GTLB:** We see the setup as neutral as we expect slight upside to third quarter results as we believe 2H estimates were de-risked following Q2 results. We believe management will stay conservative

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with the FY/26 outlook given the lack of a full-time CFO and the ongoing go-to-market changes management discussed last quarter.

- **NTNX:** We see the setup as slightly negative as we expect Nutanix to deliver in-line first quarter results and for FY/26 guidance to remain largely unchanged. While the renewal trends were good last quarter, we believe uncertainty in the US Fed has likely persisted.
  - **PATH:** We are neutral into third quarter earnings as we watch for continued trends around stabilization and execution in FY/26 as we think the US fed remains a slight ST overhang.
  - **PD:** We see the setup as neutral following mixed second quarter results and what we see as de-risked guidance. We expect an in-line quarter and guide as we remain somewhat cautious on near-term seat-based headwinds.
  - **SNOW:** We think the setup is favorable given what we see as strong end market momentum that should produce a beat and raise quarter, though perhaps not at the same scale as last quarter.
- **Vertical software:** Trends are different on a name-by-name basis.
    - **ADSK:** We view the setup as slightly favorable as we see slight upside to Q3/26 estimates as likely given checks and commentary from on-quarter design-based peers that pointed to a relatively stable demand environment.
    - **IOT:** We are slightly positive heading into the quarter as we expect upside to Q3 estimates and for FY/26 revenue to move higher as we believe the large-deal pipeline remains robust.



## Summary of ratings and price targets

Company	Ticker	New Rating	Previous Rating	Curr.	Market Cap(MM)	Price	New Price Target	Previous Price Target	% Change	Implied All-in Return %
<b>Matthew Hedberg</b>										
Autodesk, Inc.	ADSK US	Outperform	Outperform	USD	65,926	301.86	380.00	380.00	--	26
CrowdStrike Holdings, Inc.	CRWD US	Outperform	Outperform	USD	145,418	556.73	621.00	540.00	15	12
Elastic N.V.	ESTC US	Outperform	Outperform	USD	10,760	94.47	125.00	125.00	--	32
GitLab Inc	GTLB US	Outperform	Outperform	USD	8,529	46.53	58.00	58.00	--	25
Netskope Inc	NTSK US	Outperform	Outperform	USD	11,038	21.91	26.00	26.00	--	19
Nutanix, Inc.	NTNX US	Outperform	Outperform	USD	20,270	68.55	95.00	95.00	--	39
Okta, Inc.	OKTA US	Outperform	Outperform	USD	15,764	85.58	115.00	115.00	--	34
PagerDuty, Inc.	PD US	Outperform	Outperform	USD	1,667	16.11	18.00	18.00	--	12
Palo Alto Networks, Inc.	PANW US	Outperform	Outperform	USD	159,010	218.27	250.00	232.00	8	15
SailPoint	SAIL US	Outperform	Outperform	USD	11,565	20.18	24.00	24.00	--	19
Samsara Inc.	IOT US	Outperform	Outperform	USD	23,850	39.83	46.00	46.00	--	15
Snowflake Inc.	SNOW US	Outperform	Outperform	USD	107,148	271.26	300.00	275.00	9	11
UiPath Inc	PATH US	Sector Perform	Sector Perform	USD	8,237	14.37	14.00	12.00	17	(3)
Zscaler Inc.	ZS US	Outperform	Outperform	USD	57,512	331.29	366.00	350.00	5	10

Source: Bloomberg and RBC Capital Markets estimates

Click [here](#) to access the individual company pages.



## Announced software earnings dates

Ticker	Quarter	Date	Time (ET)	Dial-in
PANW	Q1/26	Nov 19	4:30 PM	
INTU	Q1/26	Nov 20	4:30 PM	
ESTC	Q2/26	Nov 20	5:00 PM	
VEEV	Q3/26	Nov 20	5:00 PM	
ZM	Q3/26	Nov 24	5:00 PM	
NTNX	Q3/26	Nov 25	4:30 PM	
WDAY	Q3/26	Nov 25	4:30 PM	
ZS	Q1/26	Nov 25	4:30 PM	
ADSK	Q3/26	Nov 25	5:00 PM	
MDB	Q3/26	Dec 01	5:00 PM	
ASAN	Q3/26	Dec 02	4:30 PM	
BOX	Q3/26	Dec 02	5:00 PM	
CRWD	Q3/26	Dec 02	5:00 PM	
OKTA	Q3/26	Dec 02	5:00 PM	
CRM	Q3/26	Dec 03	5:00 PM	
PATH	Q3/26	Dec 03	5:00 PM	877.407.8309
SNOW	Q3/26	Dec 03	5:00 PM	833.470.1428
IOT	Q3/26	Dec 04	5:00 PM	
TTAN	Q3/26	Dec 04	5:00 PM	
SNPS	Q4/25	Dec 10	5:00 PM	
NTSK	Q3/26	Dec 11	5:00 PM	

Note: Bolded are covered companies. Source: Company reports



## Key thoughts into earnings

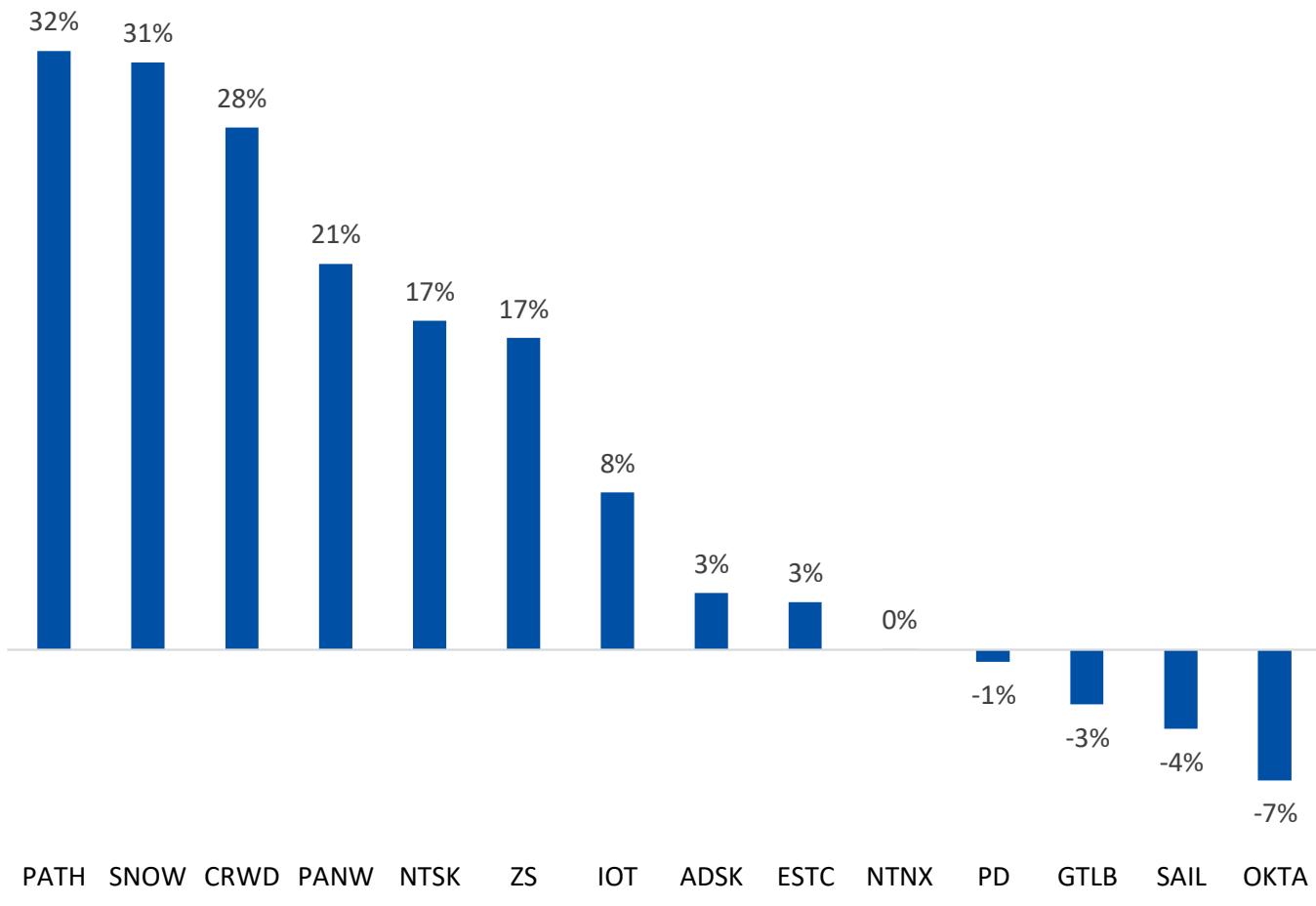
Ticker	RBC expectations	Recent investor sentiment	Stock movement since last print	Risk/reward on the print	Job posting data
<b>ADSK</b>	Overall we view the setup as slightly favorable as we see slight upside to Q3/26 estimates as likely given Autodesk's results over 1H/26 and commentary from on-quarter design-based peers that pointed to a relatively stable demand environment. We expect FY/26 guidance to move slightly higher and to reflect a better tone into year-end.	Neutral	3%	Estimates seem beatable as we think the risk/reward skews slightly positive. We note job postings are trending slightly lower.	-14% q/q -15% thus far in Nov
<b>CRWD</b>	Overall we see the short-term setup as neutral with favorable reseller checks that point to seasonal upside to Q3/26 estimates offset by elevated consensus expectations for Q4/26 and investor expectations that have increased following a positive Fal.Con 2025 that introduced a new \$20B ARR goal for FY/36. We continue to pick up on success around cross-selling efforts, Flex adoption and cross-sell efforts from the channel.	Positive	28%	Estimates seem beatable but with high investor expectations, the risk/reward seems balanced. We note bullish job posting data.	+44% q/q +8% thus far in Nov
<b>ESTC</b>	We expect solid Q2 results in what we see as a stable macro environment as we view the setup as somewhat favorable. Recall last quarter management noted strong consumption and commitment trends as macros played out better than initially anticipated. Furthermore, we expect slight upside to FY/26 estimates as checks indicated strength with logging in particular.	Neutral	3%	We see the setup as slightly favorable given what looks like beatable estimates and low investor sentiment. We also note positive November job posting data.	-9% q/q +29% thus far in Nov
<b>GTLB</b>	Overall we see the setup as neutral as we expect slight upside to results as we believe 2H estimates were de-risked following Q2 results. We believe management will stay conservative with the FY/26 outlook given the lack of a full time CFO and the ongoing go-to-market changes management discussed last quarter. We continue to think Ultimate is gaining traction with accounts and await more channel feedback on Duo Agent Platform.	Neutral to negative at times	-3%	The risk/reward seems neutral given 2H estimates appear derisked but we expect management to remain conservative with guidance given G2M changes and no full-time CFO. We note job posting trends look negative.	-31% q/q -23% thus far in Nov
<b>NTSK</b>	We think the setup is favorable as we expect a beat and raise following the company's recent IPO. That said, this will be their first public company report as investors will focus on the magnitude of upside. Additionally, while sell-side models are calibrated to pre-IPO numbers, we will get our first official look at FY guidance. In general, the focus of investors has been to see what Netskope's growth can be as the company accelerated growth over 30% for the past two qtrs, with estimates pointing to ~25% ARR growth for the year.	Neutral	17%	In the company's first public quarter earnings report, we believe the risk/reward is favorable given we believe upside to our Q3 and FY/26 estimates seems likely.	+9% q/q -3% thus far in Nov
<b>NTNX</b>	After a solid close to the year, we see the setup as slightly negative as we expect Nutanix to deliver in-line first quarter results and for FY/26 guidance to remain largely unchanged. Recall, last quarter management noted that demand trends were encouraging though Fed remains pressured which resulted in longer deal cycles. While the renewal trends were good last quarter, we believe uncertainty in the US Fed has likely persisted.	Neutral	0%	We see the risk/reward as slightly negative given our expectations for an in-line print and guide. Given the company's US Fed exposure, we believe that remains pressured. We note negative job posting trends.	-26% q/q -23% thus far in Nov
<b>OKTA</b>	We expect upside to Q3 results given positive checks, albeit more modest than previous quarters as guidance philosophy no longer contemplates conversation around a deteriorating macro. That said, we look for slight upside to FY guidance. We are slightly positive heading into the quarter given the neutral/negative sentiment around the stock since last quarter despite identity spend remaining a priority, seat-based headwinds are behind us, and macros appear stable. We also look for an early look into FY/27, something Okta has done for the prior two years on Q3 earnings.	Neutral to negative at times	-7%	We see the risk/reward as slightly favorable given what looks like a positive estimates setup and negative investor sentiment. That said, US Fed remains a bit of a question mark. We note positive November job posting data.	-1% q/q +17% thus far in Nov



Ticker	RBC expectations	Recent investor sentiment	Stock movement since last print	Risk/reward on the print	Job posting data
<b>PD</b>	Overall we see the setup as neutral following mixed second quarter results and what we see as de-risked guidance. As such, we expect an in-line quarter and guide as we remain somewhat cautious on near-term seat-based headwinds. That said, last quarter management noted they were more confident about 2H trends and pointed to improved execution, expansion momentum, increased platform usage, and a move to more usage-based pricing last quarter.	Negative	-1%	We see the risk/reward as neutral as we expect and in-line print and guide. That said, job posting data looks positive both for Q3 and November.	+45% q/q +24% thus far in Nov
<b>IOT</b>	We are slightly positive heading into the quarter following mixed sentiment around Q2 results given macro pressures and a reiterated flat NNARR outlook for the remaining quarters of the year. Overall we expect upside to Q3 estimates and for FY/26 revenue to move higher. Similar to prior quarters, we expect a conservative tone around NNARR but believe the pipeline for large deals is increasing and add on sales of newer products remains high.	Neutral to negative at times	8%	We think the risk/reward skews slightly positive given neutral investor sentiment and what we see as an upward bias to estimates. We note relatively positive job posting data that improved further in November.	+10% q/q +30% thus far in Nov
<b>PANW</b>	Based on strong checks that improved as the quarter progressed (most notably Cortex), we look for a beat and raise quarter. Overall, we continue to like the consolidation momentum and see Palo Alto as an AI beneficiary and insulated from broader risk around AI disruption in other software sleeves and think the company remains in a good position to consolidate cyber spending.	Positive	21%	We think the risk/reward skews positive based on strong partner checks that appeared to improve as the quarter progressed as well as what looks like positive job posting data.	+16% q/q +6% thus far in Nov
<b>PATH</b>	Although shares are up vs peers since their last print, we are neutral into third quarter earnings as we watch for continued trends around stabilization and execution in FY/26 as we think the US fed remains a slight ST overhang. Broadly, we believe the macro remains variable but consistent as we'll be watching for signs of growth from its agentic products.	Positive	32%	We are neutral into the print given the strong move in shares offset by what could be lumpy US Fed 2H spending. We note job postings have turned slightly negative in November.	+12% q/q -12% thus far in Nov
<b>SAIL</b>	We think the setup is neutral as we assume a slight beat and raise as checks were positive offset by low liquidity remaining an ST overhang on the stock. Recall, initial guidance called for +23% y/y ARR growth and NNARR growing +4%, which is now at +27%/20% y/y growth, respectively and still looks conservative to us. Specifically, we look for slight upside to ARR vs. \$1,029M, +26.5%. This implies NNARR of \$47.9M, +3.2% y/y. We remain positive on the company's position.	Neutral to negative at times	-4%	Overall we think the setup is neutral given positive checks and what we see as an upward bias to estimates offset by low liquidity. We note job posting data looks neutral to slightly positive.	+3% q/q +7% thus far in Nov
<b>SNOW</b>	Although shares have had a positive move post Q2 earnings, we think the setup is favorable given what we see as strong end market momentum. This should produce a beat and raise quarter, though perhaps not at the same scale as last quarter. To that point, we believe last quarter's acceleration creates a tricky ST setup and this will be the first guide of new CFO Brian Robbins. That said we believe Snowflake is one of the few software companies benefiting directly from AI-readiness as we remain positively biased on shares.	Positive	31%	We think the setup is slightly favorable given long-term positive tailwinds. That said, last quarter's acceleration and the new CFO makes this setup a bit trickier. We note job postings were down a bit, but that was the case last quarter as well.	-17% q/q -6% thus far in Nov
<b>ZS</b>	With positive checks and what we view as a conservative starting point for FY/26 guidance, we believe upside is likely heading into Q1 as the risk/reward skews positive, in our view. Checks noted ongoing strength in core ZIA and ZPA as well as Zero Trust Anywhere as we think Z-Flex is resonating with customers and partners. While the company has significant US Fed exposure, we think they had a strong month of September in US Fed, which de-risks quarterly performance, in our view. Recall, US Fed accounted for HSD of ACV in FY/24 and even less for revenue.	Positive	17%	Overall we think the risk/reward is favorable given positive checks as we think the company is benefiting from multiple drivers.	-2% q/q +16% thus far in Nov



## Stock movements since the last print





## Number setups

Exhibit 1 - Q3 revenue setup summary chart

Ticker	Numbers setup?	Last Q Beat	4-qtr average beat	Guidance implied net revenue dollars added	1-year ago guidance implied net revenue dollars added	Guidance implied sequential move	1-year ago guidance implied sequential move	1-year ago actual sequential move	3-year average guidance implied sequential move	3-year average actual sequential move
<b>ADSK</b>	=/+	2.2%	1.2%	42	58	2.4%	3.8%	4.3%	3.6%	4.3%
<b>CRWD</b>	=	1.6%	1.6%	44	18	3.8%	1.9%	4.8%	5.0%	6.9%
<b>ESTC</b>	=/+	4.6%	3.3%	1	7	0.2%	1.9%	5.2%	3.2%	5.5%
<b>GTLB</b>	=/+	4.0%	2.9%	3	5	1.1%	2.7%	7.4%	2.6%	8.8%
<b>IOT</b>	+	5.2%	4.1%	8	10	1.9%	3.3%	7.3%	2.1%	8.7%
<b>NTNX</b>	=	1.7%	2.3%	22	22	3.3%	4.0%	7.8%	4.1%	7.9%
<b>OKTA</b>	+	2.2%	1.9%	1	3	0.1%	0.5%	2.9%	1.2%	4.8%
<b>PANW</b>	=/-	1.4%	0.8%	-76	-75	-3.0%	-3.4%	-2.3%	-3.3%	-1.8%
<b>PATH</b>	=	4.1%	3.3%	31	31	8.5%	9.9%	12.1%	6.8%	11.4%
<b>PD</b>	=	-0.2%	0.9%	2	1	1.3%	0.5%	2.6%	1.1%	2.7%
<b>SAIL</b>	+	8.7%	N/A	6	N/A	2.1%	N/A	N/A	N/A	N/A
<b>SNOW</b>	=/+	4.8%	4.1%	37	23	3.4%	2.8%	8.6%	5.2%	9.9%
<b>ZS</b>	=	1.7%	2.3%	54	12	7.5%	2.0%	5.9%	4.3%	9.0%

SNOW using product revenue

Source: Factset, company reports, RBC Capital Markets

Exhibit 2 - Q3 ARR setup summary

Ticker	Last Q Beat	4-qtr average beat	Consensus implied net ARR dollars added	Last year actual net ARR dollars added	Consensus sequential ARR move	1-year ago actual sequential move	3-year average actual sequential move
<b>ADSK</b>	2.2%	3.0%	173	300	10.3%	24.2%	16.1%
<b>CRWD</b>	1.6%	0.4%	239	153	5.1%	4.0%	6.9%
<b>IOT</b>	5.2%	0.8%	85	85	5.2%	6.7%	7.9%
<b>NTNX</b>	1.7%	-1.3%	68	58	3.1%	3.0%	N/A
<b>OKTA</b>	2.8%	3.4%	-1	67	-0.1%	3.4%	4.0%
<b>PANW</b>	0.9%	1.5%	234	300	4.2%	7.1%	9.3%
<b>PATH</b>	0.3%	0.1%	45	56	2.6%	3.6%	5.1%
<b>SAIL</b>	1.7%	N/A	48	N/A	4.9%	N/A	N/A
<b>ZS</b>	-1.5%	2.1%	187	143	6.2%	5.9%	N/A

ADSK using billings; OKTA using crPO

Source: Factset, company reports, RBC Capital Markets



Exhibit 3 - Q4 revenue setup summary chart

Ticker	Consensus implied net revenue dollars added	1-year ago guidance implied net revenue dollars added	Consensus implied sequential move	1-year ago guidance implied sequential move	1-year ago actual sequential move	3-year average guidance implied sequential move	3-year average actual sequential move
<b>ADSK</b>	49	61	2.7%	3.9%	4.4%	2.4%	3.8%
<b>CRWD</b>	80	22	6.6%	2.2%	4.8%	5.4%	7.4%
<b>ESTC</b>	12	3	2.9%	0.7%	4.6%	2.3%	4.7%
<b>GTLB</b>	12	9	5.1%	4.8%	7.8%	5.3%	8.7%
<b>IOT</b>	20	13	5.0%	4.0%	7.5%	4.5%	11.2%
<b>NTNX</b>	73	49	10.8%	8.3%	10.8%	7.7%	11.2%
<b>OKTA</b>	8	3	1.0%	0.5%	2.6%	0.8%	4.1%
<b>PANW</b>	115	96	4.7%	4.5%	5.5%	4.9%	5.5%
<b>PATH</b>	71	70	18.1%	19.7%	19.5%	14.4%	20.4%
<b>PD</b>	2	1	1.8%	0.5%	2.1%	2.4%	3.8%
<b>SAIL</b>	20	N/A	7.5%	N/A	N/A	N/A	N/A
<b>SNOW</b>	53	8	4.7%	0.9%	4.8%	2.2%	5.6%
<b>ZS</b>	23	6	2.9%	1.0%	3.2%	1.8%	6.0%

SNOW using product revenue

Source: Factset, company reports, RBC Capital Markets

## Valuation/pricing summary

Ticker	Price move since last report	SP500 move since last report	IGV move since last report	EV/NTM S today	EV/NTM FCF low since last report	EV/NTM FCF high since last report	Short Interest
<b>ADSK</b>	3.0%	3.5%	0.4%	8.3x	26.7x	30.2x	1.5%
<b>CRWD</b>	27.7%	3.8%	1.9%	23.5x	66.9x	90.2x	2.7%
<b>ESTC</b>	2.5%	3.5%	0.4%	4.8x	24.2x	28.6x	4.7%
<b>GTLB</b>	(2.9%)	4.4%	2.0%	6.0x	34.2x	41.0x	11.5%
<b>IOT</b>	8.3%	3.5%	2.5%	11.9x	94.7x	111.8x	6.6%
<b>NTNX</b>	0.0%	3.8%	1.9%	6.0x	21.3x	26.2x	4.1%
<b>NTSK</b>	17.5%	1.9%	(3.3%)	12.6x	N/A	N/A	N/A
<b>OKTA</b>	(6.9%)	4.1%	2.7%	4.2x	16.1x	18.3x	3.9%
<b>PANW</b>	20.5%	4.3%	0.1%	12.9x	28.3x	35.8x	7.1%
<b>PATH</b>	31.8%	3.5%	2.5%	3.7x	10.4x	20.5x	11.5%
<b>PD</b>	(0.6%)	4.4%	2.0%	2.5x	10.7x	12.5x	9.7%
<b>SAIL</b>	(4.2%)	3.3%	(0.9%)	8.9x	70.8x	85.0x	12.4%
<b>SNOW</b>	31.2%	3.8%	1.9%	16.2x	47.7x	66.5x	3.5%
<b>ZS</b>	16.5%	4.9%	2.1%	14.2x	46.6x	59.0x	5.6%

Priced as of 11/7/25; NTSK movement from IPO price at \$19

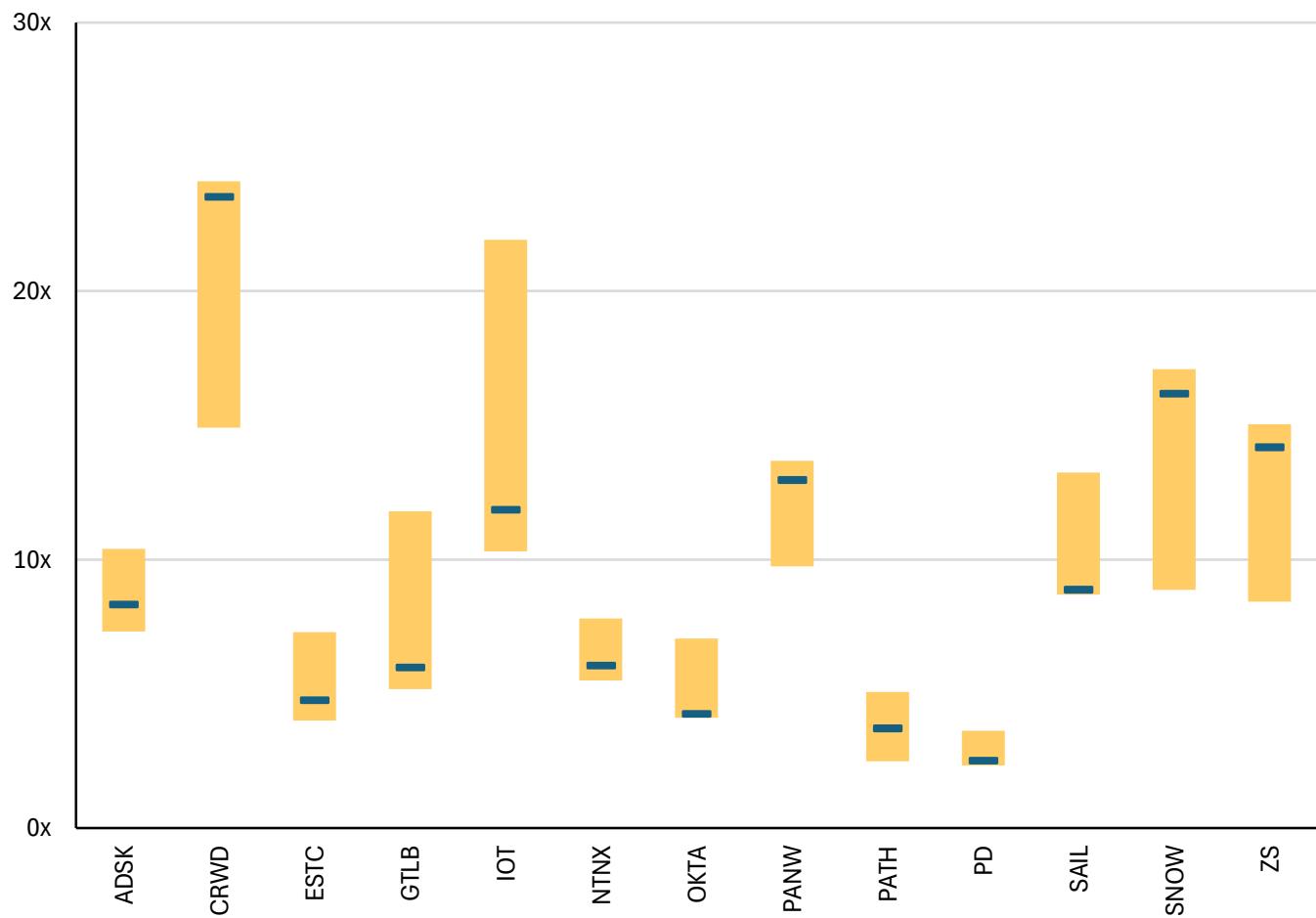


## Valuation trends

While there aren't as many names trading near 1- and 3-year valuation lows as there were last qtr post-Liberation Day, there are still multiple names across our coverage that look attractive based on historical valuation ranges.

Below we show EV/NTM EV/S vs the 1-year range and note names such as **ADSK, ESTC, GTLB, IOT, NTN, OKTA, PD** and **SAIL** are essentially at or near the bottom end of their ranges. On the other hand, names such as **CRWD, PANW, SNOW**, and **ZS** are near the high end of their ranges.

Exhibit 4 - EV/NTM revenue current multiple vs. 1-year range



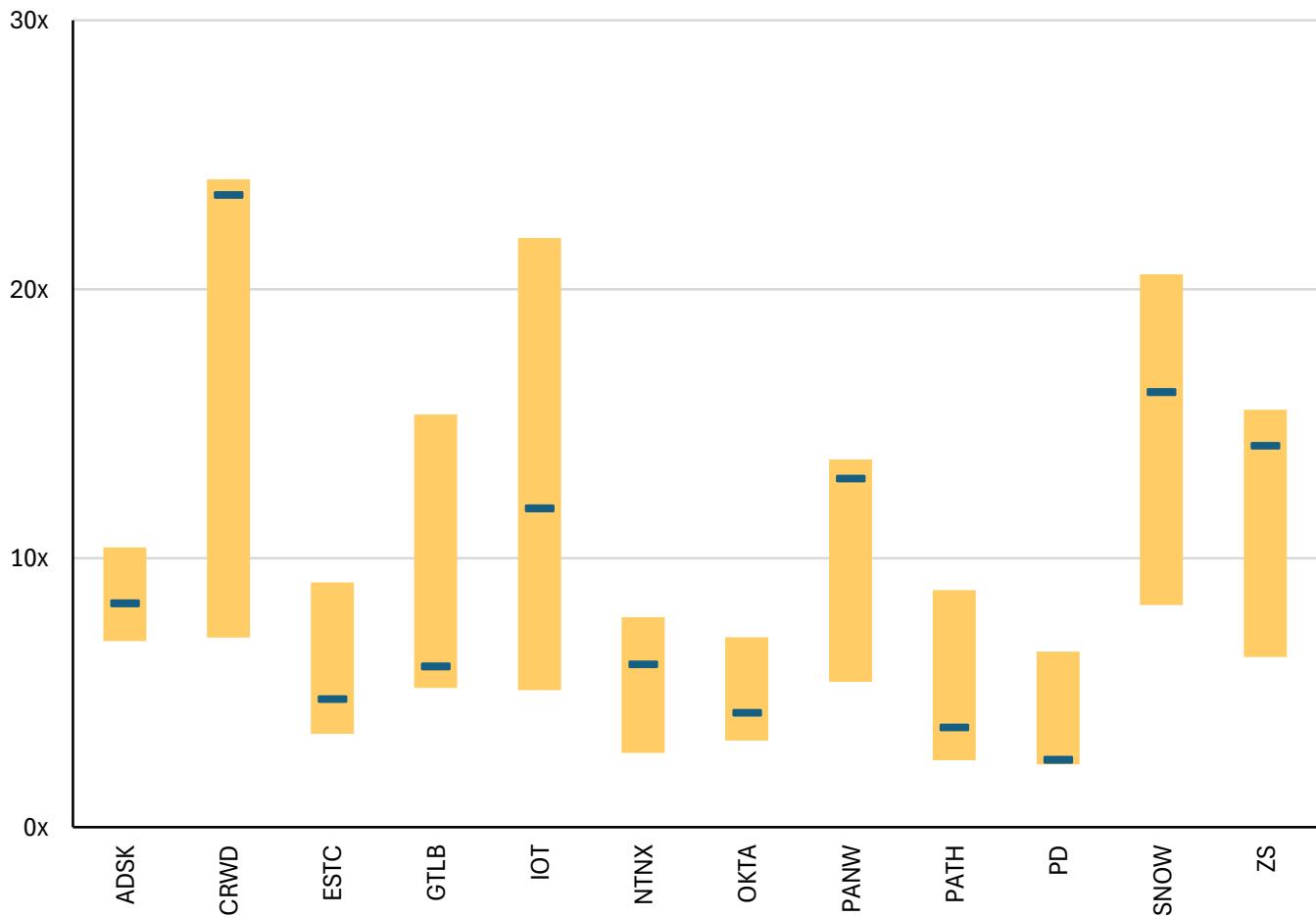
Priced as of 11/7/25

Source: Factset



Below we show EV/NTM EV/S vs the 3-year range and note names such as **ADSK**, **ESTC**, **GTLB**, **OKTA**, **PATH**, and **PD** are essentially at or near the bottom end of their ranges. On the other hand, names such as **CRWD**, **NTNX**, **PANW** and **ZS** are near the high end of their ranges.

Exhibit 5 - EV/NTM revenue current multiple vs. 3-year range



Priced as of 11/7/25

Source: Factset



## Autodesk (ADSK); Set to report earnings November 25

### Our high-level view

- Overall we view the setup as slightly favorable as we see slight upside to Q3/26 estimates as likely given Autodesk's results over 1H/26 and commentary from on-quarter design-based peers that pointed to a relatively stable demand environment. We expect FY/26 guidance to move slightly higher and to reflect a better tone into year-end.
- Beyond headline numbers, we think the focus will likely be on the macro environment, the outlook into FY/26 year-end, the trajectory of the transaction model transition and feedback around ongoing growth investment efforts around cloud, platform and AI. AI was a key topic at the [early October Investor Day](#), as was the GTM, key growth opportunities and the path for margin expansion.
- We believe the transaction model transition continues to track well, and we would look for another quarter of consistent execution around the initiative. We like that the transaction model is driving tighter customer relationships, increased automation and evolution of the channel while recent restructuring efforts and investment allocation are already showing through with better margins. Last quarter, the company pointed to renewals that were in-line with expectations for US customers that had their renewal on the new transaction model between June and August, and we would expect that to continue this quarter.
- From a numbers' perspective, the setup looks reasonable for revenue as guidance calls for a +2.4% sequential increase which compares to a +3.8% sequential guide y/y and +4.3% actual sequential increase y/y (+\$42M guidance implied sequential increase vs. +\$58M guide y/y) and the 3-year average of a +3.6%/+4.3% sequential guide/actual.
- Consensus revenue expectations for Q4/26 appear seasonally attractive as well and call for a +2.7% q/q increase, which compares to a +3.9% sequential guide y/y and +4.4% actual y/y and a +2.4% 3-year average guide and +3.8% 3-year average actual. As such, we expect slight upside to the Q4/26 guide.
- We'd keep in mind that when looking at billings growth over 2H/26, EBAs and product subscriptions are expected to be stronger in the fourth quarter as is the buildup of the transaction model effect. While the fourth quarter has a bigger base, its comps are harder from a billings and revenue perspective.
- Autodesk had previously noted that the lower end of billings/FCF assumes that new business growth through year-end deteriorates similarly to the pandemic and that EBA renewal uplift rates also deteriorate.
- Altogether, we would look for FY/26 guidance to move slightly higher post Q3 results. At the midpoint, previous revenue/EPS guidance reflected \$7,050M/\$9.89, +15% revenue growth vs. consensus at \$7,065M/\$9.94, +15% revenue growth and previous FCF guidance reflected \$2,250M vs. consensus at \$2,235M. We continue to view FCF as a good anchor point given the numerous moving parts around the transition and believe the move of the midpoint higher for the third quarter in a row, to \$2,250M from \$2,175M last quarter, was a sign of confidence from the company.
- From a derivative perspective, BSY noted stable macros with results and guidance in-line with expectations while PTC reported slightly better Q5/25 results and offered a conservative first look to their FY/16 revenue growth, which we see as company-specific given PTC's FY end.
- We introduced FY/28 estimates that reflect revenue/EPS of \$8,358M/\$12.16, or revenue growth of 8.5% and operating margin expansion of 100 bps to 38.3%, which puts the [recently introduced](#) FY/29 operating margin target of 41% within reach. This compares to consensus revenue/EPS of \$8,694M/\$13.17, or revenue growth of 10.6% and operating margin expansion of 155 bps as we take a slightly more conservative stance on out-year estimates.
- As a reminder, we don't expect progression to the 41% operating margin target (45% on an underlying basis that excludes the mechanical impact of the transaction model) to be linear, though we think it bodes well for FCF generation, which likely builds similarly to operating income over time. The company has projected confidence around the target due to completion of sales and marketing optimization and the presence of operating leverage inherent in the business model.
- Overall, we think underlying trends remain stable, like the continued success around the transaction model and believe the opportunity for margin/FCF improvement is becoming even more apparent. Ultimately we still think the model has the potential for 10%+ growth and with margins to approach the Rule of 50 or better.
- Q3/26 job postings were -14% q/q after being +20% in Q2/26. So far in November, postings are -15% vs. Q2/26 and -10% m/m. We note the current period correlation of ADSK's stock to postings is low.
- Since Q2/26, investor sentiment has been essentially in-line with the stock +3% since earnings vs. the S&P +4%.
- Maintain OP rating and \$380 PT.

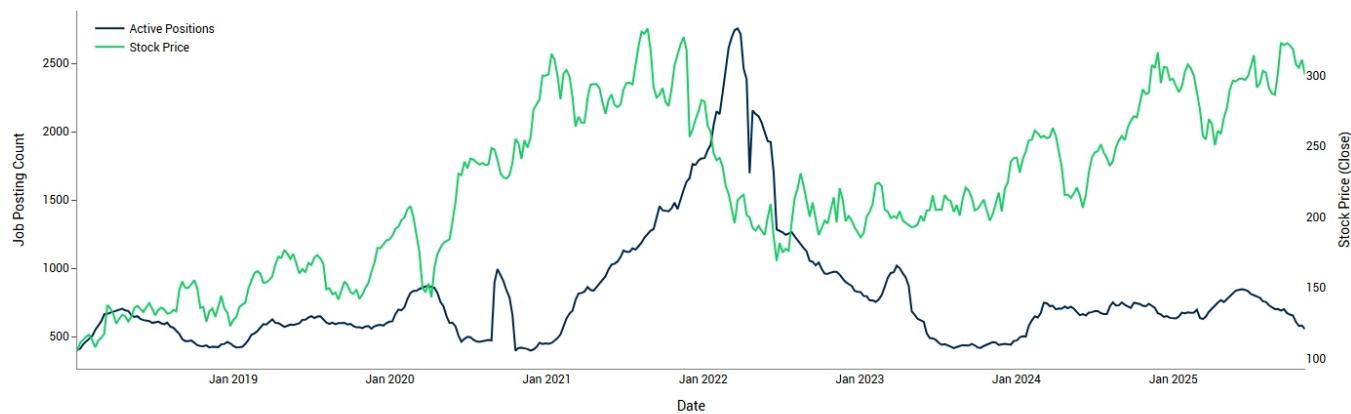
### Additional expectations

- Q3/26 revenue slightly higher vs. guidance of \$1,800-1,810M, consensus at \$1,807M, +15% y/y and +17% cc last quarter.

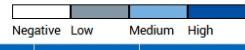


- Q3/26 billings slightly higher vs. consensus at \$1,851M, +20% y/y and +35% y/y cc last quarter.
- Q3/26 EPS slightly higher vs. guidance of \$2.48-2.51 and consensus at \$2.50.
- Q3/26 FCF similar to consensus at \$328M vs. \$199M last year.
- Q4/26 revenue/EPS guidance vs. consensus at \$1,857M/\$2.50, +13% revenue growth.
- FY/26 revenue/EPS guidance vs. previous midpoint guidance of \$7,050M/\$9.89, +15% revenue growth, consensus at \$7,065M/\$9.94, +15% revenue growth and +12% revenue growth in FY/25.
- FY/26 billings vs. previous midpoint guidance of \$7,400M, +23.5%, consensus at \$7,386M, +23% y/y and +16% in FY/25.
- FY/26 operating margin vs. previous midpoint guidance of 37%, consensus at 37.1% and 36.4% in FY/25.
- FY/26 free cash flow vs. previous midpoint guidance of \$2,250M and consensus at \$2,235M, or a 31.6% FCF margin.

#### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Autodesk													

Source: RBC Elements, RBC Capital Markets



## CrowdStrike (CRWD); Set to report earnings December 2

### Our high-level view

- Overall we see the short-term setup as neutral with favorable reseller checks that point to seasonal upside to Q3/26 estimates offset by elevated consensus expectations for Q4/26 and investor expectations that have increased following a positive Fal.Con 2025 that introduced a new \$20B ARR goal for FY/36. We continue to pick up on success around cross-selling efforts, Flex adoption and cross-sell efforts from the channel.
- We'll be watching for additional traction from Flex, with over 1K+ customers last quarter with an average Flex deal size of \$1M + in ending ARR and the addition of 220+ customers last quarter. We'd also note there are 100+ Re-Flex customers that average a 50% ARR uplift. Overall, Flex continues to drive larger deals and more platform adoption with over \$1B in ARR as enterprise are 61% and non-enterprise are 39% of Flex logos. We continue to believe Flex adoption and expansion is a long-term driver for the company.
- We'll also watch for additional color around the Federal vertical, which is likely in focus this quarter with the Federal fiscal year-end. The company has previously noted that due to the time it took for FedRAMP approval, it does not currently have a relatively large Federal business. The company has maintained a positive posture around the longer-term opportunity and has noted that Federal is starting to act more like an enterprise with concerns around cost and complexity, which is a playbook that CrowdStrike is used to running.
- From a number's perspective, the Q3/26 setup looks favorable for revenue as guidance calls for a +3.8% sequential increase which compares to a +1.9% sequential guide y/y and +4.8% actual sequential increase y/y (+\$44M guidance implied sequential increase vs. +\$18M guide y/y) and the 3-year average of a +5.0%/+6.9% sequential guide/actual. We'd note that there was a higher degree of conservatism in [last year's guidance philosophy](#) due to expected impacts from the outage lasting into 1H/26.
- Q3/26 consensus ARR is \$4,895M, +21.9% y/y which implies NNARR of \$239M, +56% y/y vs. \$153M, -31% last year and \$221M, +2% last quarter. This would reflect ~100 bps of q/q deceleration in ARR growth vs. an acceleration of ~150 bps last quarter. Consensus NNARR implies an 8% q/q increase, which compares to the four-year average of a 3% q/q decrease, though this includes last year at -30% q/q on the impact from the outage.
- As a reminder, the company beat Q2/26 ARR by 0.3% vs. the 0.1% outperformance in Q3/25. A similar level of outperformance would imply ARR closer to \$5,042M.
- The guidance range for Q3/26 was wider than normal, as it contemplated CCP and partner rebate programs as well as a wider range of outcomes for professional services revenue. For CCP, the company expects a \$10-15M impact per quarter through Q4 and while this should subside into FY/27, roll off will likely be slow and not immediately go to zero in Q1/27. CCP is also behind the recent divergence between ARR and subscription revenue.
- Consensus revenue expectations for Q4/26 appear more challenging and call for a 6.5% q/q increase, which compares to a +2.2% sequential guide y/y and +4.8% actual y/y and a +5.4% 3-year average guide and +7.4% 3-year average actual.
- We'd note the company has projected a confident posture around +40%+ 2H/26 NNARR growth and +20%+ NNAAR growth in FY/27 [last quarter](#), at [Fal.Con 2025](#) and on our [recent marketing trip with management](#).
- We are not anticipating any additional color around FY/27 beyond what was provided at [Fal.Con 2025](#) that called for NNARR growth of 20%+, operating margins of 24%+ and FCF margin of 30%+. Consensus currently reflects NNAAR growth of 18%, operating margins of 24.0% and FCF margin of 30.7%. We'd point out the company noted that FY/27 ARR would be guided to with Q4/26 results.
- We introduced FY/28 estimates that reflect revenue/EPS of \$7,095M/\$5.81, or revenue growth of 21.7% and operating margin expansion of 140 bps. This compares to consensus revenue/EPS of \$7,104M/\$6.15, or revenue growth of 21.8% and operating margin expansion of 217 bps.
- Q3/26 job postings were +44% q/q after being -16% in Q2/26. Thus far in November, postings are +8% vs. Q3/26 and +2% m/m. We'd note there is a low correlation between job postings and the stock price.
- Sentiment has been positive with the stock +28% vs. the S&P +4% since Q2/26.
- Maintain OP rating and increase our price target to \$621 (27x CY/26E EV/S) from \$540 (23.5x CY/26E EV/S) on higher confidence in our estimate and investment thesis coming out of [Fal.Con 2025](#) and our [recent marketing trip with management](#).

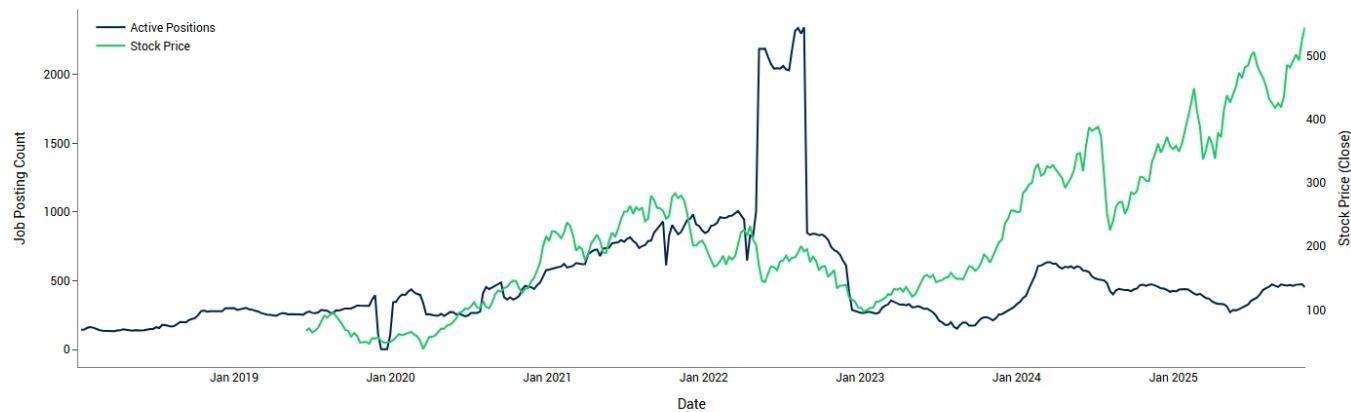
### Additional expectations

- Q3/26 ARR upside vs. consensus at \$4,895M, +21.9% y/y which implies net-new ARR of \$238.7M, +56% y/y vs. \$153M, -31.4% last year and \$221M, +1.6% last quarter.
- Q3/26 revenue upside vs. consensus at \$1,215M, +20.2%, vs +21.2% last quarter and guidance of \$1,208-1,218M.
- Q3/26 subscription revenue upside vs. consensus at \$1,157M, +20.2% y/y and +20.1% last quarter.



- Q3/26 FCF upside vs. consensus at \$277M, 22.9% margin.
- Q4/26 ARR guidance upside vs consensus of \$5,186M, +22.3% y/y.
- Q4/26 revenue guidance upside vs. consensus at \$1,293M, +22.2% y/y.
- Q4/26 operating income guidance upside vs. consensus at \$307M, 23.8% margin.
- FY/26 ARR upside vs. consensus at \$5,185M, +22.3% y/y which implies net-new ARR of \$945.0M, +17.4% y/y vs. FY/25 net-new ARR of \$806.7M, -8% y/y.
- FY/26 revenue guidance upside vs. previous guidance of \$4,749.5-4,805.5M, \$4,777.5M +20.8% midpoint and consensus at \$4,783M, +21% y/y.
- FY/26 operating income guidance upside vs. previous guidance of \$1,000.1-1,040.1M, \$1,020.1M midpoint and consensus at \$1,023M, 21.4% margin.
- FY/26 FCF margin vs. consensus at 24.9%.

#### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets

Negative Low Medium High

Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
CrowdStrike													

Source: RBC Elements, RBC Capital Markets



## Elastic (ESTC); Set to report earnings on November 20th

### Our high-level view

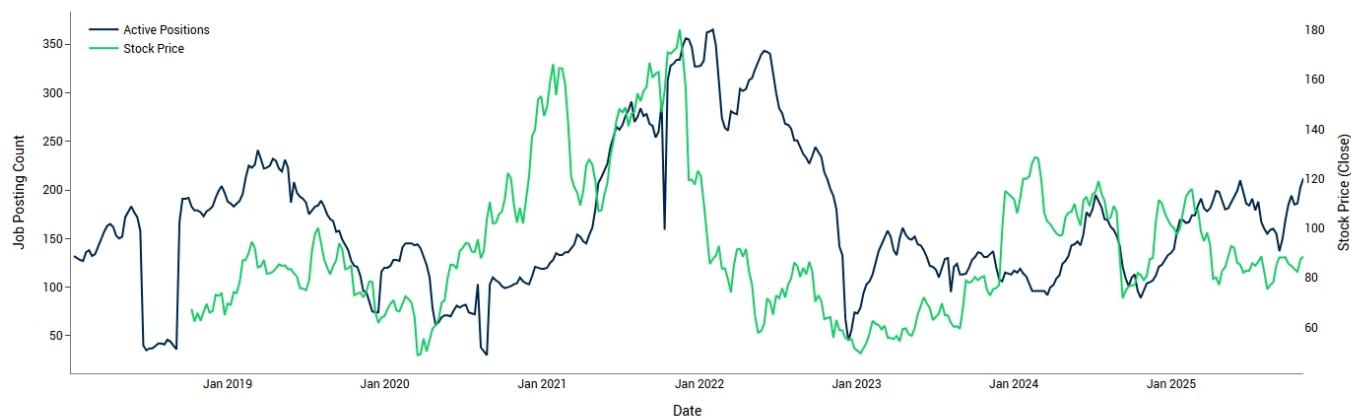
- We expect solid Q2 results in what we see as a stable macro environment as we continue to view the setup as somewhat favorable. Recall last quarter management noted strong consumption and commitment trends as macros played our better than initially anticipated. Furthermore, we expect slight upside to FY/26 estimates as checks indicated strength with logging in particular.
- With the selling environment was better than expected last quarter, guidance now factors in stabilization as FY/26 revenue midpoint guidance points to \$1,700M or 14.6% growth along with NG OM guidance of 16.3% which was provided at the investor day compared to revenue of \$1,684M and 16% margin previously.
- Medium term targets coming out of the company's analyst day point to 20%+ revenue growth in which 15% consists of base growth and 5% GenAI tailwinds, which was nice to see. That said, following analyst day, investors remain skeptical on medium-term growth expectations.
- In Q1 management highlighted good success in security with 1/3 security wins involving competitive displacements with an uptick in customer interest rolling off of Splunk as we feel this should continue to be a multi-year tailwind. The two main factors of these security displacements include: 1) helping customers do more with data a cheaper price; and 2) the value of innovative AI vs. peers.
- On the price increase, there was a benefit last quarter as management's overall messaging has been that the price increase was standard part of the ongoing business vs. a one-time change.
- There also continues to be solid traction around GenAI which has been driving customer adoption, though continues to be in the early innings as we watch for more commentary into earnings. Specifically, in Q1 2,200 customers were using Elastic for GenAI use cases with over 330 customers spending over \$100K annually. Also, Q1 had more \$1M ACV cloud customers using Elastic for GenAI use cases than the previous two quarters combined. There had also been early signs of AI-native platform being built on Elastic which should present a nice LT opportunity.
- Reflecting back on the company's recent [investor day](#), our key takeaways included:
  - An emerging theme centered on search where management sees an opportunity to become an important component of the GenAI/agentic tech stack, while gaining share in observability and security.
  - Management noted a \$296B TAM by 2029 with the proliferation of LLMs resulting in increased volumes of unstructured data, something we see as well suited for the platform.
  - We also got to hear from CRO Mark Dodds for the first time around GTM improvements as recent execution has been encouraging. To this point, prior to FY/25, sales segmentation was not optimized vs today where the sales motion has been refined to better target the market opportunity. Reps now cover fewer accounts and have aligned incentives, that has led to improved win rates. Enterprise remains a key focus with 50%+ of F500 as paid customers with room for new logos and expansion beyond the F500.
  - New product announcements included Agent Builder, Inference Service, Elastic Workflows, Streams and Significant Events, Cloud Connect and the acquisition of Jina AI.
  - Q2/26 midpoint revenue guidance was raised to \$418M vs. \$416M previously based on strong commitments and better visibility. In addition, FY/26 midpoint revenue/OM guidance was raised to \$1,700M/16.25% vs \$1,684M/16% previously.
  - Management raised FY/26 guidance and outlined MT targets of 20%+ revenue growth and 20%+ NG OM and adj. FCF. On MT targets, management noted 20%+ total revenue growth consisted of 15%+ base growth + 5% GenAI tailwinds.
- From a number's perspective, the setup looks favorable for revenue as guidance calls for a +0.2% sequential increase which compares to a +1.9% sequential guide y/y and +5.2% actual sequential increase y/y (+\$1M guidance implied sequential increase vs. +\$7M guide y/y).
- Consensus revenue expectations for Q3/26 call for a 2.9% q/q increase, which compares to a 0.7% sequential guide y/y and 4.6% actual y/y and a 2.3% 3-year average guide and 4.7% 3- year average actual.
- We introduced FY/28 estimates that reflect revenue/EPS of \$2,162M/\$2.92, or revenue growth of 13.0% and operating margin expansion of 100 bps. This compares to consensus revenue/EPS of \$2,204M/\$3.16, or revenue growth of 13.9% and operating margin expansion of 156 bps.
- Q2/26 job postings were -9.3% q/q after being +5% in Q1/26. As of November, postings are +29.3% q/q and +13.4% m/m. We note the correlation of the stock to job postings is low.
- Investor sentiment has been neutral with shares +2.5% since last quarter vs. S&P at +3.5%.
- Maintain OP rating and \$125 PT.



### Additional expectations

- Q2/26 revenue upside vs. consensus at \$418M or +14.5% y/y growth vs. +19.5% last quarter. We'd note revenue growth comps were 130 bps easier in Q2/25.
- Q2/26 Elastic Cloud revenue upside vs. consensus at \$203M, +20% vs +24.5% last quarter. This implies \$7M in q/q net-new cloud revenue vs \$14M in Q1/26.
- Q2/26 billings upside vs. consensus at \$426M, or +11% y/y growth, which implies a deceleration from +14% last quarter and compares to +21% in Q2/25.
- Q3/26 revenue/EPS guidance vs. consensus at \$430M/\$0.60, +13% y/y revenue growth.
- Q3/26 Elastic Cloud revenue vs. consensus at \$213M, +18.5%. Q3/26 implied net-new cloud revenue vs. consensus at \$10M.
- Q3/26 operating margin guidance vs. consensus at 16.9%.
- FY/26 revenue/EPS guidance vs. consensus at \$1,700M/\$2.35, +14.6% y/y revenue growth.
- FY/26 operating margin guidance vs. consensus at 16.3%.

### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Elastic													

Source: RBC Elements, RBC Capital Markets



## GitLab (GTLB); Expected to report in early December (reported December 5 last year)

### Our high-level view

- Overall we see the setup as neutral as we expect slight upside to third quarter results as we believe 2H estimates were de-risked following Q2 results. We believe management will stay conservative with the FY/26 outlook given the lack of a full time CFO and the ongoing go-to-market changes management discussed last quarter. We continue to think Ultimate is gaining traction with accounts and await more channel feedback on Duo Agent Platform.
- Recall last quarter management noted strong bookings linearity with higher self-managed vs. SaaS mix and accelerating double-digit paid seat growth rates. They also noted some SMB pressure (though it is only ~8% of the business) but also highlighted: 1) Q2 linearity outperformed with the strongest first month of bookings over the last two years along with higher self-managed vs. SaaS mix; 2) seat growth accounted for 70%+ of revenue growth with accelerating double-digit paid seat growth rates over the past year; 3) less than 10% of FY/26 revenue growth was derived from the Premium price increase; 4) DBNRR of 121% and +31% crPO growth.
- On products, we continue to watch traction around Duo, with weekly active usage increasing 6x this year, additional adoption of Dedicated as well as a continued mix-shift to Ultimate.
- We believe the company's AI opportunity remains key as management plans to incorporate a usage component with Duo Agent Platform (expected to be GA by year-end). We note the company now includes Duo Code Suggestion and Chat within Premium and Enterprise for free which can drive more Duo usage while the rest of the AI capabilities are in Duo Enterprise.
- Recall, last quarter the company announced that CFO Brian Robins was leaving to Snowflake and named James Shen, VP of Finance, as Interim CFO. The company also appointed Manav Khurana as Chief Product and Marketing Officer and Manu Narayan as CIO. While this creates some noise in the ST, management expects a smooth transition with acceleration of customer lands to better capture the opportunity in the LT.
- Following Q2/26 results, we had the opportunity to [host GitLab CFO Brian Robins on the road](#) and came away with a better understanding of the company's guidance philosophy, recent management changes, GTM tweaks, new products, packaging/ pricing, the competitive landscape and drivers for growth. We see room for upside throughout the 2H and remain optimistic about management's goal to reach \$2B+ in revenue.
- The company made strategic GTM changes in Q2 to better scale the business, including establishing a global business team focused on first orders and post-sales motion, evolving their enterprise sales motion to increase pipeline coverage, improving the sales playbook, and adjusting sales capacity. These are expected to ramp in 2H with early benefits in FY/27 as management aims to reach \$2B+ in revenue.
- Last quarter management maintained FY/26 revenue guidance after the beat to account for SMB pressures and GTM changes. We see guidance as conservative as the 1H/26 assumes 48% of the FY revenue mix vs 46% the past two years. We think underlying business trends remain durable and de-risked 2H estimates create a reasonable near-term setup for upside to estimates.
- Although we no longer consider this to be topical, according to an unsubstantiated Street Insider article a few months ago, Datadog could be exploring a [takeover bid for GitLab](#). This comes after an unsubstantiated report GitLab was exploring a sale in July 2024, where Datadog was named as a potential suitor.
- From a number's perspective, the setup looks slightly favorable for revenue as guidance calls for a +1.1% sequential increase which compares to a +2.7% sequential guide y/y and +7.4% actual sequential increase y/y (+\$3M guidance implied sequential increase vs. +\$5M guide y/y).
- Consensus revenue expectations for Q4/26 call for a 5.1% q/q increase, which compares to a 4.8% sequential guide y/y and 7.8% actual y/y and a 5.3% 3-year average guide and 8.7% 3- year average actual.
- We introduced FY/28 estimates that reflect revenue/EPS of \$1,334M/\$1.20, or revenue growth of 18.2% and operating margin expansion of 150 bps. This compares to consensus revenue/EPS of \$1,340M/\$1.26, or revenue growth of 18.6% and operating margin expansion of 195 bps.
- Job postings saw a decrease with postings -31.2% q/q in Q3/26 after being +3% in Q2/26. Thus far in November, postings are -22.6% and +8.1% m/m. That said, we note low to negative correlation between postings and stock price.
- Investor sentiment has been negative with the stock -2.9% since last quarter vs. the S&P 500 +4.4%.
- Maintain OP rating and \$58 PT.

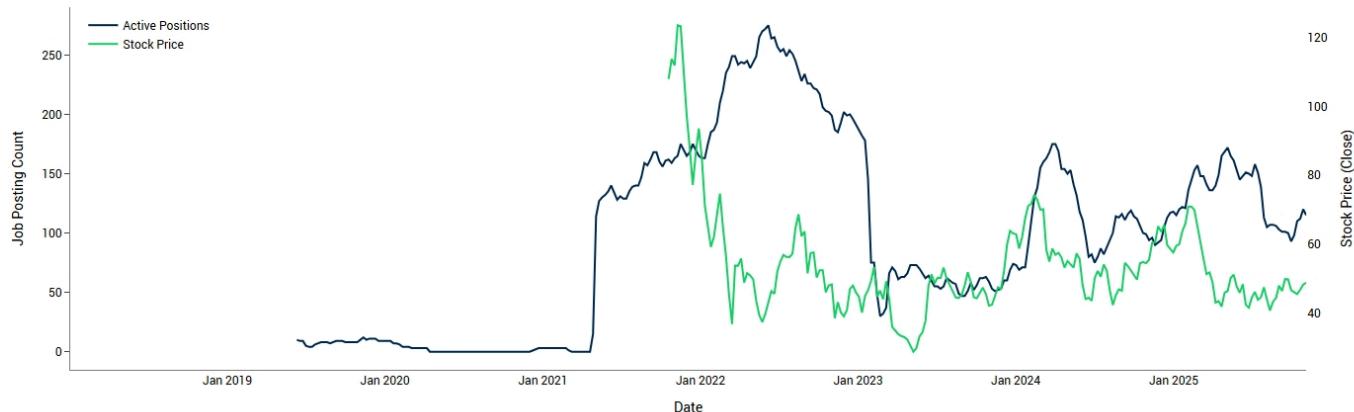
### Additional expectations

- Q3/26 revenue/OM upside vs consensus at \$239M/13%, +22% revenue growth vs. +29% in Q2/26 which had a 4.0% beat vs. a 0.7% beat in Q1/26.
- Q3/26 EPS upside vs. consensus of \$0.20.



- Q4/26 revenue guidance with a slight upside bias vs. consensus of \$251M, +19%.
- Q4/26 OM guidance in line vs. consensus of 15.1%.
- Q4/26 EPS guidance in line vs. consensus of \$0.22.
- FY/26 revenue guidance vs. previous guidance of \$936M-\$942M and consensus of \$941M or 23.9% y/y.
- FY/26 OM guidance vs. previous guidance of \$133-\$136M which points to 14.3% margin.
- FY/26 EPS guidance vs. previous guidance of \$0.82-\$0.83 and consensus at \$0.83.

### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
GitLab													

Source: RBC Elements, RBC Capital Markets



## Netskope (NTSK); Set to report earnings December 11

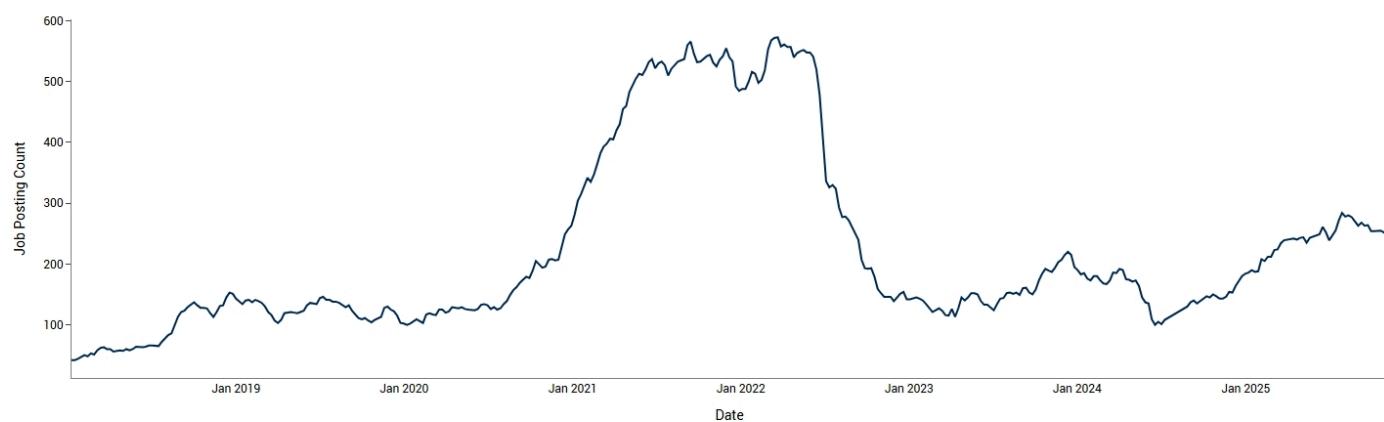
### Our high-level view

- We think the setup is favorable as we assume a beat and raise following the company's recent IPO. That said, this will be their first public company report as investors will focus on the magnitude of upside. Additionally, while sell-side models are calibrated to pre-IPO numbers, we will get our first official look at FY guidance. In general, the focus of investors has been to see what Netskope's growth can be as the company accelerated growth over 30% for the past two qtrs, with estimates pointing to ~25% ARR growth for the year. See [here](#) for our recent initiation.
- Specifically, we look for upside to ARR (unguided) vs. consensus at \$728.4M, +31.8%. This implied NNARR of \$21.2M, (-1.3% y/y).
- As previously noted, a focus of the quarter will be a first glimpse into the beat and raise cadence and how to think about it moving forward along with the first set of FY guidance being announced, which investors are focused on to better understand the company's medium-term growth prospects.
- Other focus areas of the print will be commentary around competition and win rates, continued traction with ramping the US GTM organization, and traction in emerging areas like data security and AI security.
- While US Fed has been a worry across our coverage universe, we believe Netskope is generally unaffected by any Fed uncertainty as this is more of a growth opportunity for the company as they have minimal exposure. With that, we feel the US Fed is a growth driver for the company as they Netskope has recently built out a separate Fed network and achieved FedRAMP Authorization.
- Consensus revenue expectations for Q4/26 call for a 5.0% q/q increase, which compares to a 7.2% actual y/y and a 7.2% 2-year average actual.
- Q3/26 job postings were +9% q/q after being +11% q/q in Q2/26. Thus far in November, postings are -3% vs. Q3/26 and -1% m/m. Given its recent IPO, we do not have enough data to note a correlation between postings and share price.
- Investor sentiment has been positive with the stock +17% from IPO pricing at \$19.
- Maintain our OP rating and \$26 PT.

### Additional expectations

- Slight upside to Q3/26 ARR vs. consensus at \$728.4M, +31.8%. This implies NNARR of \$21.2M, (-1.3%) y/y.
- Slight upside to Q3/26 revenue/operating income vs. consensus at \$176M/(-\$31.8M).
- Slight upside to Q4/26 revenue/operating income guidance vs. consensus at \$185.6M/(\$24.2M). This implies revenue growth of +25%.
- FY/26 revenue/operating income guidance with slight upside vs. consensus at \$775.1M/(-\$118.4M), which reflects +25% growth.
- FY/26 gross margin guidance in-line vs. consensus at 74.4%
- FY/26 FCF guidance with slight upside vs. consensus at \$4.6M.

### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



## Nutanix (NTNX); Set to report earnings on November 25

### Our high-level view

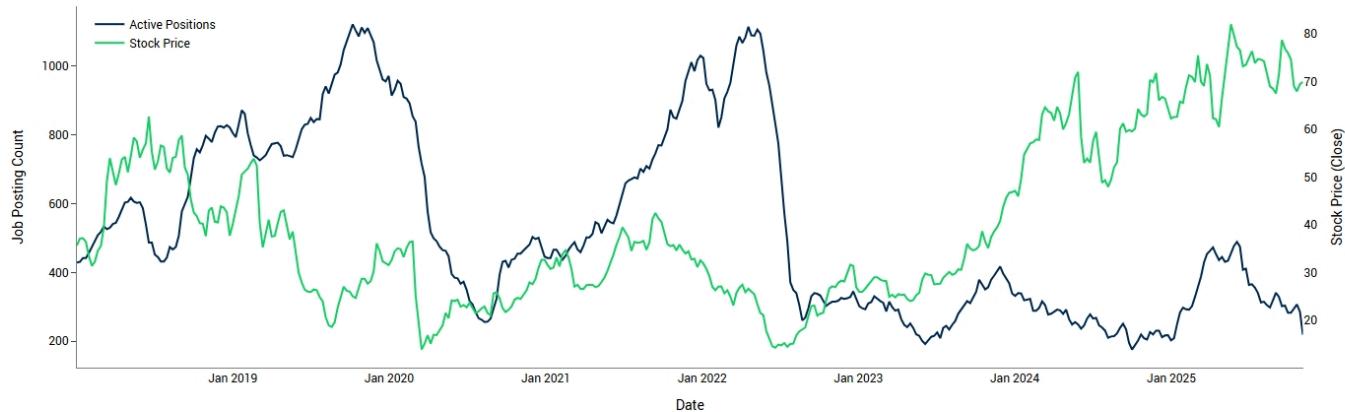
- After a solid close to the year, we see the setup as slightly negative as we expect Nutanix to deliver in-line first quarter results and for FY/26 guidance to remain largely unchanged. Recall, last quarter management noted that demand trends were encouraging though Fed remains pressured which resulted in longer deal cycles. While the renewal trends were good last quarter, we believe uncertainty in the US Fed has likely persisted.
- As we think about the VMware opportunity, we feel this continues to be long-term secular tailwinds though it will likely continue to take some time to unfold. Last quarter, management noted early signs of success include 2,700 customers adds in FY/25, which was the highest in four years. At the same time, they noted high competition at the high-end of the market with more variability, while there is greater certainty at the mid and bottom-end. Management noted that they are aware of Broadcom's pricing agility and aim to selectively respond to that.
- Partnerships continue to be a focus with the first few Dell PowerFlex related wins in Q4 along with the ramp in partnerships with AWS, Pure Storage, NVIDIA, and Google through FY/25. This will be an ongoing area of interest for investors.
- Additional key drivers remain around the HCI transitions from legacy architecture, the move to hybrid/multi-cloud, the move to containerized applications and GTM evolution.
- On leveraging AI internally, management earlier noted that there are early gains from the support aspects along with R&D has seen benefits like productivity increases. There continue to be benefits in the area of software development and on the sales front in regard to GTM.
- From a number's perspective, the setup looks slightly favorable for revenue as guidance calls for a +3.3% sequential increase which compares to a +4.0% sequential guide y/y and +7.8% actual sequential increase y/y (+\$22M guidance implied sequential increase vs. +\$22M guide y/y).
- Consensus revenue expectations for Q2/26 look less favorable and call for a 10.8% q/q increase, which compares to an 8.3% sequential guide y/y and 10.8% actual y/y and a 7.7% 3-year average guide and 11.2% 3- year average actual.
- Current FY/26 revenue consensus point to \$2,922M or 15% y/y growth along with OM of 21.7% and FCF of \$811M. FY/26 consensus ARR points to +15.5% y/y growth, or NNARR of \$345M, +10% y/y.
- We introduced FY/28 estimates that reflect revenue/EPS of \$3,697M/\$2.58, or revenue growth of 12.0% and operating margin expansion of 100 bps. This compares to consensus revenue/EPS of \$3,858M/\$2.74.
- Quarterly job postings were -25.5% q/q in Q1/26 after being +6% q/q in Q4/25. Thus far in November, postings are -22.9% q/q and -22% m/m. We note no real correlation between postings and stock price.
- Investor sentiment has been neutral with the stock flat since last quarter's results vs. S&P +3.8%.
- Maintain OP rating and \$95 PT.

### Additional expectations

- Q1/26 ACV billings upside vs. consensus at \$503M, +47% y/y.
- Q1/26 revenue upside vs. guidance of \$670-680M and consensus at \$677M, 14.5% y/y.
- Q1/26 gross profit upside vs. consensus at \$595M, implying gross margin of 88%.
- Q2/26 revenue guidance vs. consensus at \$750M, +14.6% y/y.
- Q2/26 OM guidance vs. consensus at 24.7%.
- FY/26 ACV billings vs. consensus at \$2,066M.
- FY/26 revenue vs. consensus at \$2,922M,+15.1% y/y.
- FY/26 OM vs. consensus at 21.7%.
- FY/26 FCF vs. consensus at \$811M.



RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets

Negative Low Medium High

Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Nutanix													

Source: RBC Elements, RBC Capital Markets



## Okta (OKTA); Set to report earnings December 2

### Our high-level view

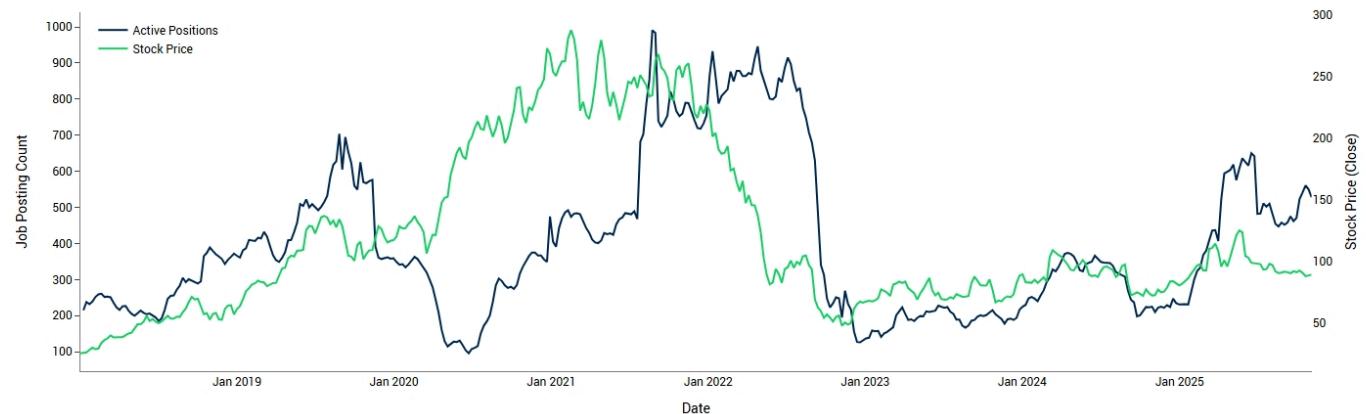
- We expect upside to Q3 results given positive checks, albeit more modest than previous quarters as guidance philosophy no longer contemplates conversation around a deteriorating macro. That said, we look for slight upside to FY guidance. We are slightly positive heading into the quarter given the neutral/negative sentiment around the stock since last quarter despite identity spend remaining a priority, seat-based headwinds are behind us, and macros appear stable. We also look for an early look into FY/27, something Okta has done for the prior two years on Q3 earnings.
- Recall, the early look into FY/25 called for +9.8% midpoint growth, which ended up growing +15.3% y/y, and last year's early look called for +6.9% y/y growth, with guidance now calling for +10.3% y/y growth for FY/26. We note however, we believe the guidance philosophy has changed and no longer contemplates the same amount of conservatism around macro factors, though there is some conservatism baked in for GTM changes.
- When thinking through potential upside to full-year guidance, we believe potential catalysts include stabilization in overall macro, stabilizing trends in CIAM, an uptick in workforce identity via legacy share-shift, PAM and Governance cross-sell, further penetration into international markets, expanded US federal opportunities, and margin expansion.
- While there was some caution around Fed heading into Q2, Okta posted a solid Fed quarter. With that, we look for any impact shutdown may have on Q3 results. In terms of Fed exposure, PubSec is less than 10% of ACV with Fed being the largest piece of that.
- Additionally, we remain focused on commentary around Okta for AI Agents, though the product is not planned for early release until Q1/27 and GA some time in FY/27. With that, actual upside from the argentic opportunity is likely a 2H/27 or later event, as we wrote in [our Oktane recap](#).
- We look for commentary on GTM change progress as Q2 saw improved productivity and record pipeline generation.
- From a number's perspective, the setup looks positive for revenue as guidance calls for a +0.1% sequential increase which compares to a +0.5% sequential guide y/y and +2.9% actual sequential increase y/y (+\$1M guidance implied sequential increase vs. +\$3M guide y/y) and the 3-year average of a +1.2%/+4.8% sequential guide/actual. We note, however, that there was a higher degree of conservatism in last year's guidance philosophy given potential security incident impacts at the time.
- For cRPO, the setup looks positive for cRPO as guidance calls for a -0.1% sequential decline which compares to a -0.4% sequential decline guide y/y and +3.4% actual sequential increase y/y (-\$3M guidance implied sequential decline vs. -\$8M guide y/y) and the 3-year average of a +1.1%/+4.0% sequential guide/actual.
- In terms of Q4/26 cRPO guidance, we note the past two years, Q4 cRPO guidance came in at a 78% coverage ratio of our out-year subscription revenue estimates (the higher the ratio, the more conservative the guide/estimate). If Okta guides to cRPO in-line with consensus for Q4 at \$2,453M, this could point to +11% y/y FY/27 subscription revenue growth based on current consensus FY/26 subscription revenue estimates and a 78% coverage ratio.
- Consensus revenue expectations for Q4/26 call for a 1.0% q/q increase, which compares to a 0.5% sequential guide y/y and 2.6% actual y/y and a 0.8% 3-year average guide and 4.1% 3- year average actual. As such, the Q3 guide appears to be relatively in line with expectations.
- We are also introducing FY/28 estimates that reflect growth of +9.4% y/y and operating margins of 27.0% vs. +9.8%/26.0%, respectively in FY/27.
- Q3/26 job postings were -1% q/q after being +32% q/q in Q2/26. So far in November, postings are +17% q/q and +3.5% m/m. We note a medium to low correlation between postings and stock price.
- Investor sentiment has been negative the stock -7% since the Q2/26 print vs. the S&P 500 +4%.
- Maintain OP rating and \$115 PT.

### Additional expectations

- Q3/26 subscription revenue upside vs. consensus of \$714M, +9.7% y/y.
- Q3/26 cRPO upside vs. consensus of \$2,263.6M, +9.8% y/y vs. guidance of \$2,260-2,265M.
- TTM NRR vs. 106% q/q due to a macro related shift to upsell/cross-sell vs. new business.
- Q4/26 revenue/OI guidance in line vs. consensus at \$738M/\$188M, +8.2% revenue growth and 25.5% OM.
- Q4/26 cRPO in line vs. consensus at \$2,453M or +9.1% y/y as we see slightly upside as likely.
- FY/26 revenue/OI guidance upside vs. consensus of \$2,884M/\$736M, +10.5% revenue growth, and previous midpoint guidance of \$2,880M/\$735M.
- FY/26 FCF margin guidance in line vs. consensus of 28.0% and previous guidance of at ~28%.



RBC Elements: Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Okta													

Source: RBC Elements, RBC Capital Markets



## PagerDuty (PD); Expected to report earnings late November (reported November 27 last year)

### Our high-level view

- Overall we see the setup as neutral following mixed second quarter results and what we see as de-risked guidance. As such, we expect an in-line quarter and guide as we remain cautious on near-term seat-based headwinds. That said, last quarter management noted they were more confident about 2H trends and pointed to improved execution, expansion momentum, increased platform usage, and a move to more usage-based pricing last quarter.
- Management noted that while downgrades stabilized into the back half of last year, they picked up in Q1 and Q2 of this year due to changes in GTM including reps changing accounts. However, management remains confident in their efforts to reorganize and move reps between accounts to ensure that customer decisions can be supported by the business over the long term.
- Recall, some positives from last quarter include new and expansion bookings growing 15%+ q/q, strong net new customer additions, platform usage up 25% y/y, and strong profitability with the company witnessing its first GAAP profitable quarter.
- On AI, management highlighted seeing significant traction with native AI companies, which contribute 2% of total ARR as of Q2 and are growing rapidly.
- We also note that last quarter the company announced a series of GTM organization changes, following GTM disruption from Q1. Key GTM changes for the company include: 1) the replacement of the North American sales leader, 2) acceleration of enterprise transformation through consistency in the sales team's performance, 3) greater sales team maturity with over 60% of the company's enterprise sales reps now tenured at least one year, 4) organizational changes to increase agility, 5) progress in international performance and the replication of that in the North American market; and 6) a transition to usage-based pricing models allowing customers to access products through flexible licensing.
- We look for updates on the appointment of Todd McNabb as CRO last quarter which we expect will bring stability to the GTM over the medium term. Management sounded confident about the appointment of Mr. McNabb last quarter, given his experience in the domain, belief in the core product of the company, prior experiences, and good visibility into the recent changes in the business.
- Looking ahead, we look for DBNRR stabilization which has been coming down at 102% last quarter vs 104% q/q and was impacted by pressure on gross retention from seat-based downgrades. The company expects DBNRR to remain at this level through the year.
- We'd also like to see signs of ARR acceleration as CY/26 ARR consensus expectations are +6% y/y. This points to consensus NNARR of \$32M in FY/26, -26% y/y.
- From a number's perspective, the setup looks in line for revenue as guidance calls for a +1.3% sequential increase which compares to a +0.5% sequential guide y/y and +2.6% actual sequential increase y/y (+\$2M guidance implied sequential increase vs. +\$1M guide y/y).
- Consensus revenue expectations for Q4/26 call for a 1.8% q/q increase, which compares to a 0.5% sequential guide y/y and 2.1% actual y/y and a 2.4% 3-year average guide and a 3.8% 3-year average actual.
- We are also introducing FY/28 estimates that reflect growth of +6% y/y and operating margins of 22.8% vs. +6.8%/22.3%, respectively in FY/27.
- Q3/26 job postings were +45% after being -39% in Q2/26. So far in November, postings are +24% q/q. That said, we note a medium to low correlation between postings and stock price.
- Investor sentiment has been somewhat negative with the stock -0.6% since the Q4/25 print vs. the S&P 500 +4.4%.
- Maintain OP rating and \$18 PT.

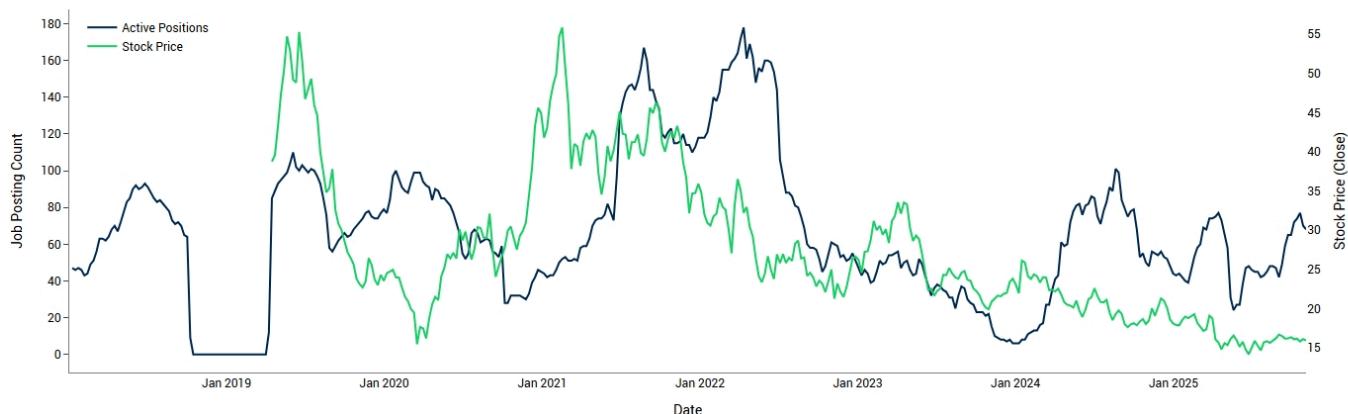
### Additional expectations

- Q3/26 billings essentially in line vs. consensus of \$130M or +10% y/y.
- Q3/26 ARR essentially in line vs. consensus of \$511M, +6% y/y.
- Q3/26 revenue/EPS essentially in line vs. consensus of \$125M/\$0.25 which implies flat growth compared to +7% last quarter.
- DBNRR vs. +102% last quarter as we look for stabilization.
- Q4/26 revenue guidance vs. consensus of \$127M or +5% growth.
- Q4/26 billings vs. consensus of \$162M or +8% growth.
- Q4/26 OM/EPS guidance vs. consensus of 20.5%/0.24.
- FY/26 revenue guidance vs. previous midpoint guidance and consensus of \$495M, +6% y/y.
- FY/26 OM/EPS guidance vs. previous midpoint guidance of 21.5%/\$0.975 and consensus of 22%/\$1.04.
- FY/26 FCF vs consensus of \$118M.



- FY/26 billings vs. consensus of \$519M.

#### RBC Elements: Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
PagerDuty													

Source: RBC Elements, RBC Capital Markets



## Palo Alto Networks (PANW); Set to report earnings November 19

### Our high-level view

- Based on strong checks that improved as the quarter progressed (most notably Cortex), we look for a beat and raise quarter following a **strong close to the year**. We continue to like the consolidation momentum and see Palo Alto as an AI beneficiary with the ability to consolidate cyber spending.
- We believe FY/26 should benefit from 1) the increasing mix of software firewalls driving durability of double-digit product revenue growth; 2) continued SASE momentum with +35% ARR growth in Q4; 3) increasing contribution from Prisma AIRS and Secure Browser; 4) XSIAM delivering growth at scale with average ARR/customer \$1M+; and 5) the shift to runtime security with Cortex Cloud.
- Beyond the fundamentals, investors will likely remain focused around the recent acquisition of CyberArk (see [here](#), [here](#) and [here](#)). Our view has been that while not without risk given the size of the deal, we like the strategic rationale for Palo Alto to further consolidate the cyber landscape, in this case with best-in-class identity solutions from CyberArk. We've long thought identity security is a logical gap in the portfolio as there should be virtually no product overlap. Overall, we think the acquisition makes sense, should further the platform effort and add a call option on agentic security. We'd note that a FY/28 FCF margin target of 40% was introduced for the combined company last quarter, though we'd expect minimal additional color until the deal closes.
- We'll again be most focused on continued progress in platformization, which continues to gain momentum as there were a record 150 net-new platformizations last quarter, bringing the total to 1,400 platformization customers. This compares to 90 platformization customers in Q3/25 and 100 in Q1/25. Encouragingly, platformized customers have an NRR of 120% with LSD churn, which we believe proves out the thesis around these customers expanding upon renewal. As a reminder, ~64 platformizations/quarter should track to the \$15B NGS ARR, though we do expect some variability around the number of deals quarter-to-quarter. We'd note our checks again pointed to continued channel engagement around the strategy.
- NGS ARR and RPO should be the focal metrics following the pivot away from billings, which should better align with the underlying trends and the RPO should better reflect the focus on TCV vs. ACV.
- We are looking for slight upside to our Q1/26 NGS ARR estimate of \$5,830M, +29% y/y which implies NNARR of \$250M, -17% y/y and for Q1/26 RPO of \$15,450M, +23% y/y. Expectations around Q1/26 NGS NNARR appear reasonable to us vs. \$490M, +14% last quarter and \$300M, +10% last year. We would expect essentially in-line FY/26 NGS ARR guidance at this stage of the fiscal year, though we expect some upside as the year progresses.
- From a number's perspective, the setup looks reasonable for revenue as guidance calls for a 3.0% sequential decrease which compares to a -3.4% sequential guide y/y and 2.3% actual sequential decrease y/y (\$76M guidance implied sequential decrease vs. -\$76M guide y/y) and the 3-year average of a -3.3%/-1.8% sequential guide/actual.
- Consensus revenue expectations for Q2/26 appear reasonable as well and call for a +4.7% q/q increase, which compares to a +4.5% sequential guide y/y and +5.5% actual y/y and a +4.9% 3-year average guide and +5.5% 3-year average actual.
- We introduced FY/28 estimates that reflect revenue/EPS of \$13,361M/\$4.81, or revenue growth of 12.0% and operating margin expansion of 50 bps. This compares to consensus revenue/EPS of \$13,411M/\$4.88, or revenue growth of 12.3% and operating margin expansion of 38 bps.
- Job postings were +16% in Q1/26 after being +15% in Q4/25. Thus far in November job postings are +6% vs. Q1/26 and -2% m/m. We note a medium-to-high correlation between postings and stock price.
- Investor sentiment has been positive with the stock +24% since last quarter's print vs. the S&P +4%.
- Maintain OP rating as we increase our PT to \$250 (41.5x CY/26E EV/S) from \$232 (38x CY/26E EV/FCF) on higher confidence in our estimate and investment thesis and peer group multiple expansion.

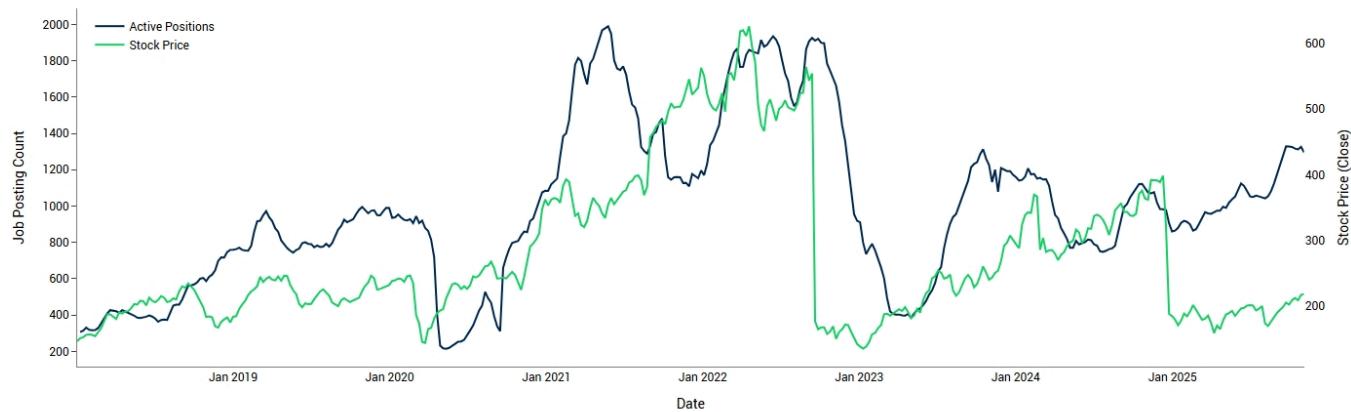
### Additional expectations

- Q1/26 NGS ARR growth upside vs. consensus at +29.1% y/y and +32.7% last quarter. Consensus assumes NNARR of \$254M, -15% y/y vs. \$490M, +14% y/y last quarter and \$300M, +10% y/y last year, while we look for NGS ARR growth of +29% y/y that implies \$250M in NNARR, -17% y/y.
- Q1/26 RPO upside vs. consensus at \$15,427M, +22% y/y and \$15,800M, +24% last quarter.
- While no longer a focus metric, we look for Q1/26 billings upside vs. consensus at \$2,180M, +24.4% y/y vs. +6.1 last quarter off a -13.5% comp and RBC at \$2,170M, +23.9% y/y.
- Q1/26 product revenue vs. consensus at \$422M, +19% y/y vs. +19% last quarter off a +4% comp. Our estimate is slightly higher at \$425M, +20% y/y.
- Q1/26 revenue vs. consensus at \$2,462M, +15% y/y vs. +16% last quarter off a +14% comp and RBC at \$2,460M, +15% y/y.



- Q1/26 OM/FCF margin vs. consensus at 29.1%/64.9% and RBC at 29.2%/67.3%.
- Q2/26 NGS ARR guidance in line vs. consensus at \$6,124M, +28% y/y off a +37% comp.
- Q2/26 RPO guidance in line vs. consensus at \$15,772M, +21% y/y off a +20% comp.
- Q2/26 revenue/EPS guidance in line vs. consensus at \$2,577M/\$0.93, +14% y/y revenue growth off a +14% comp.
- FY/26 NGS ARR guidance in line vs. previous guidance of \$7,050M, +26% y/y and consensus at \$7,055M, +26% y/y. This would imply \$1,470M in NNARR, +8% y/y vs. consensus at \$1,475M, +8% y/y.
- FY/26 RPO guidance in line vs. previous guidance of \$18,650M, +18% y/y and consensus at \$18,618M, +18%.
- FY/26 revenue/EPS guidance in line vs. previous guidance at \$10,500M/\$3.80, +14% y/y revenue growth and consensus at \$10,516M/\$3.81, +14% y/y revenue growth.
- FY/26 OM/FCF margin guidance in line vs. previous guidance at 29.45%/38.5% and consensus at 29.5%/38.4%.

#### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Palo Alto Networks													

Source: RBC Elements, RBC Capital Markets



## SailPoint (SAIL); Set to report earnings in early December

### Our high-level view

- We think the setup is neutral as we assume a slight beat and raise as checks were positive offset by low liquidity remaining an ST overhang on the stock. Recall, initial guidance called for +23% y/y ARR growth and NNARR growing +4%, which is now at +27%/20% y/y growth, respectively and still looks conservative to us. Specifically, we look for slight upside to ARR vs. \$1,029M, +26.5%. This implies NNARR of \$47.9M, +3.2% y/y. We remain positive on the company's position.
- While US Fed has been a worry by investors all year, the company has not seen an impact YTD and in fact saw \$7M of outperformacne from 100% of Fed deals renewing on time in Q2. Management noted that Q3 was off to a good start with some Fed new logos already closing in September, though we remain cautious given the government shutdown. As a reminder, SailPoint's PubSec exposure is roughly 12-14% and US Fed is less than half that, though we believe it is just under half of that mix.
- During the quarter we attended [SailPoint Navigate](#) where we heard more on Agent Identity Security, including pricing, along with other new products across the portfolio. We look for color around early feedback to AIS and any changes to pricing methodology.
- We were also introduced to SailPoint Navigator, SailPoint's new flex program, which we look forward to more updates around and remain bullish on the vehicle driving broader product adoption for customers.
- We look for continued traction with newer products including Machine Identity Security, which had low millions ARR contribution in its first quarter of selling along with Non-employee Risk Management, which was the leading cross-sell product in FY/25. In terms of attach rates, emerging products saw a 40% attach rate in Q2 vs. 25% y/y.
- On that, we look for more commentary around the non-human identity opportunity as adjacent identity peers are increasingly looking to address NHIs.
- We also look for the split between SaaS/non-SaaS ARR as we believe this will be an ongoing concern/dynamic that investors will pay close attention to. Specifically, we believe there might be negative reaction in any given quarter if total ARR beats, but the beat is primarily driven by non-SaaS ARR. In a similar vein, we look for the beat/raise cadence as this is only SailPoint's third quarter as a public company and investors will be focused on guidance posture.
- From a number's perspective, the setup looks positive for revenue as guidance calls for a +2.1% sequential increase which compares to a +18.5% actual sequential increase y/y (+\$6M guidance implied sequential increase vs. +\$36M actual y/y) and the 3-year average of a +9.0% sequential actual. We note, however, that given the company's subscription/SaaS transition the prior comps could be impacted by the lumpiness of term deal recognition.
- For ARR, the setup looks positive for ARR as guidance calls for a +2.1% sequential increase which compares to a +6.1% actual sequential increase y/y (\$47M guidance implied NNARR vs. +\$46M actual NNARR y/y) and the 3-year average of a +6.7% sequential actual.
- Consensus revenue expectations for Q4/26 call for a 7.5% q/q increase, which compares to an 2.1% actual y/y and a 13.2% 3-year average actual. As such, the Q4 guide appears to be relatively in line with expectations.
- Q3/26 job postings were +3% q/q after being +20% q/q in Q2/26. Thus far in November, postings are +7% vs. Q2/26 and -3% m/m. Given its recent IPO, we do not have enough data to note a correlation between postings and share price.
- Investor sentiment has been somewhat negative with the stock -4% since Q2/26 vs. the S&P +3%.
- Maintain OP rating and \$24 PT.

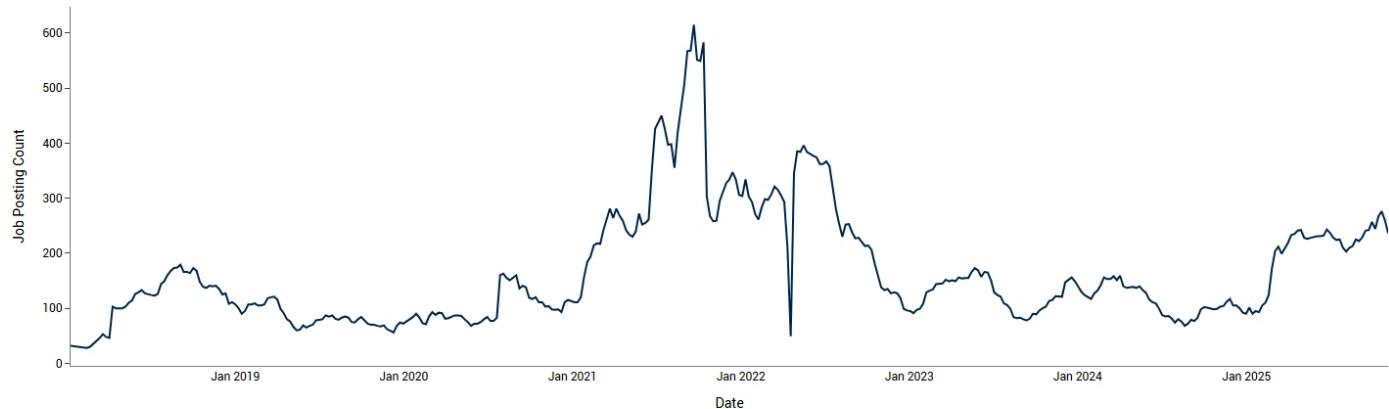
### Additional expectations

- Slight upside to Q3/26 ARR vs. guidance midpoint at \$1,029M, +26.5% and consensus at \$1,029.9M, +26.7%. This implies NNARR of \$47.9M, +3.2% y/y.
- Slight upside to Q3/26 revenue/operating income/EPS vs. the midpoint of guidance at \$270M/\$43M/\$0.055 and consensus at \$254M/\$43.3M/\$0.06.
- DBNRR vs. 114% in Q2/26 and 114% in Q3/25.
- In-line Q4/26 ARR/revenue/operating income/EPS guidance vs. consensus at \$1,111.9M/\$290.7M/\$59.4M/\$0.08. This implies ARR/revenue growth of +26.8%/+20.4%.
- In-line to slightly raised FY/26 ARR guidance vs. previous midpoint of guidance at \$1,110M and consensus at \$1,112M, which reflects +27% growth. Consensus NNARR of \$234.9M points to +20% growth y/y.
- In-line to slightly raised FY/26 revenue/operating income/EPS guidance vs. previous guidance midpoint at \$1,055M/\$179.0M/\$0.21 consensus at \$1,056M/\$180M/\$0.21, which reflects +22.5% growth.



Capital  
Markets

Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI  
Winners



Source: RBC Elements, RBC Capital Markets



## Samsara (IOT); Set to report earnings December 4

### Our high-level view

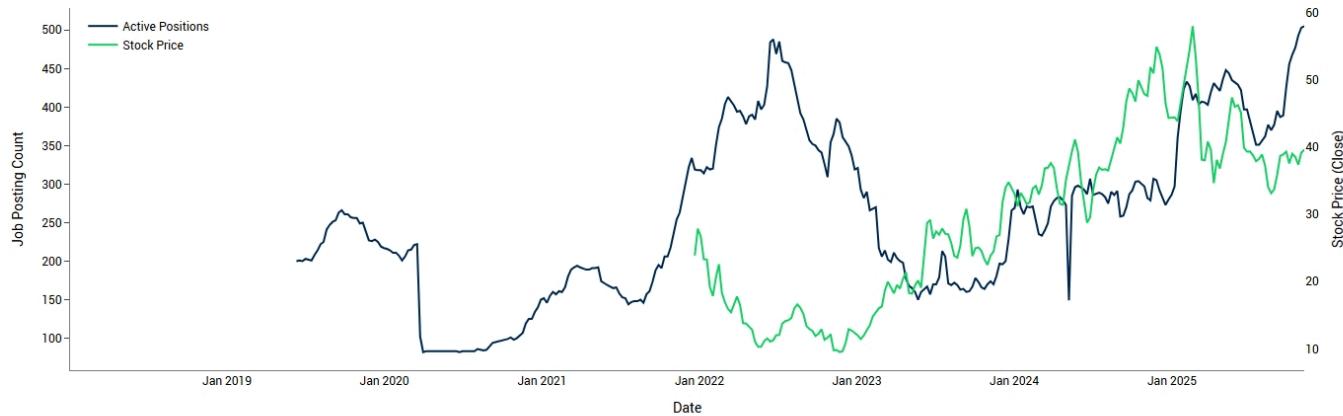
- We are slightly positive heading into the quarter following mixed sentiment around Q2 results given macro pressures and a reiterated flat NNARR outlook for the remaining quarters of the year. Overall we expect upside to Q3 estimates and for FY/26 revenue to move higher. Similar to prior quarters, we expect a conservative tone around NNARR but believe the pipeline for large deals is increasing and add on sales of newer products remains high.
- During the quarter we received multiple investor inbounds on the **negative move of IOT** following what we viewed as a strong Q2/26 print and believe this was driven by an a16z distribution of 16.3M shares (~\$650M). We believe the completion of a16z distributions would remove an overhang on the stock and remain optimistic on the 2H setup given continued momentum in the business and what we believe is a relatively prudent setup for estimates.
- On FY/26 ARR, we note management reaffirmed its thoughts around flat NNARR for the rest of the year, which made more sense last quarter given the macro pressures Samsara saw. However, we continue to view this as a conservative starting point for FY/26 with key catalysts including continued customer momentum, international momentum (with 15% of NNACV from international markets), and emerging product momentum with offerings such as Asset Tags (the company signed their largest Asset Tags deal with Bonnie Plants last quarter).
- From a number's perspective, the setup looks positive for revenue as guidance calls for a +1.9% sequential increase which compares to a +3.3% sequential guide y/y and +7.3% actual sequential increase y/y (+\$8M guidance implied sequential increase vs. +\$10M guide y/y) and the 3-year average of a +2.1%/+8.7% sequential guide/actual.
- For ARR, the setup looks favorable as consensus calls for a +5.2% sequential increase which compares to a +6.7% actual sequential increase y/y (+\$85M consensus implied sequential add vs. \$85M actual y/y) and the 3-year average of a +7.9% sequential increase. We note qualitative guidance calls for Q3/26 and Q4/26 NNARR to be at least in-line with the same period last year, which we see as conservative following +13% NNARR growth in 1H/26.
- Consensus revenue expectations for Q4/26 call for a 5.0% q/q increase, which compares to an 7.5% actual y/y and an 11.2% 3-year average actual. As such, the Q4 guide appears to be relatively in line with expectations.
- Given that, we look for upside to Q3/26 ARR vs. consensus of \$1,725.23M, which reflects +28% growth or NNARR of \$85M, +0.5% y/y. This compares to last quarter's ARR of \$1,640M +30% y/y or NNARR of \$105M, +19% y/y. Adjusted ARR in Q2/26 (adjusted for currency) also grew +30% y/y but cc NNARR grew +16.5% y/y. Looking ahead, Q3/26 and Q4/26 NNARR is expected to be at least in-line with Q3/25 and Q4/25 and management highlighted that this adequately derisks the potential impact of a worsening macro on the business.
- We are also introducing FY/28 estimates that reflect growth of +20.0% y/y and operating margins of 17.0% vs. +20.1%/16.0%, respectively in FY/27.
- Job postings rose this quarter at +10% q/q in Q3/26 after being -7% in Q2/26. So far in November, postings are +30% q/q and +8.7% m/m. We note there is low to negative correlation between postings and stock price.
- Investor sentiment has been positive with the stock +8.3% since last quarter's print vs. S&P +3.5%.
- Maintain OP rating and \$46 PT.

### Additional expectations

- Q3/26 ARR upside vs. consensus at \$1,725.2M or +27.9% growth or NNARR of \$85.4M or +0.5% y/y. We note in Q3/25, NNARR grew +17% y/y.
- Q3/26 revenue/EPS upside vs. consensus at \$399.2M/\$0.12, or +24.0% revenue growth vs prior midpoint guidance of \$399M / \$0.115.
- OM upside vs. consensus at 15% and prior midpoint guidance of 15%.
- \$100K+ ARR customers vs. 2,771 q/q that implied net-adds of +133 q/q or +31% y/y growth as the mix of \$100K+ customers continues to expand.
- Q3/26 DBNRR stable vs. overall at +115% last quarter as we note the company did not disclose \$100K+ DBNRR.
- Q4/26 revenue/EPS guidance upside vs. consensus at \$419M/\$0.12, or +21% y/y revenue growth.
- Q4/26 ARR upside vs. consensus at \$1,834.6M, or +25.5% y/y implying \$109.3M of NNARR, +0.4% y/y.
- FY/26 revenue/EPS guidance upside vs. prior guidance midpoint of \$1,576M/\$0.46 and consensus at \$1,577M/\$0.47 or +26% revenue growth.
- FY/26 ARR upside vs. consensus of \$1,834.8M, +25.5% y/y growth and guidance of NNARR expected to be flat y/y for the remainder of the year.



RBC Elements: Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets

Negative Low Medium High

Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Samsara													

Source: RBC Elements, RBC Capital Markets



## Snowflake (SNOW); Set to report earnings December 3

### Our high-level view

- Although shares have had a positive move post Q2 earnings, we think the setup is favorable given what we see as strong end market momentum. This should produce a beat and raise quarter, though perhaps not at the same scale as last quarter. To that point, we believe last quarter's acceleration creates a tricky ST setup and this will be the first guide of [new CFO Brian Robbins](#). That said we believe Snowflake is one of the few software companies benefiting directly from AI-readiness as we remain positively biased on shares.
- Regarding the new CFO, we are familiar with Mr. Robins from his tenure at GitLab and believe his experience with data and AI as well as his operational focus should position him well for his new role at Snowflake. We feel that he's a strong cultural fit for the growth phase of Snowflake but also likely brings a focus on increasing profitability over time. Additionally, we note former head of IR Jimmy Sexton moved onto a new role as CFO of ClickHouse.
- Based on checks, we expect positive momentum in the core as well as new product adoption including Snowpark and Cortex. We continue to believe Iceberg adoption is a tailwind to increased usage and recently announced enhanced support for its products across Iceberg is a positive. Partner checks at the GSI level were also positive as was commentary regarding the company's recently tightened relationship with Microsoft.
- Additionally, in late October guidance was reiterated in an 8-K as a result of an Instagram interview with Snowflake's CRO saying the company would do +\$4.5B in revenue this year (current consensus is \$4.6B) and \$10B in a "couple of years". In the 8K, management highlighted that "Under the Company's Corporate Disclosure Policy, this officer is not a designated spokesperson authorized to disclose financial information on behalf of the Company. As a result, investors should not rely upon such statements." As we wrote previously, the re-iterated guidance from management and the comment in the interview of + \$4.5B in revenue for FY/26 are both in line with investor expectations. The commentary around \$10B in revenue in a couple of years garnered the most attention with current FY/28 and FY/29 consensus revenue estimates of \$7.1B and \$8.5B, respectively.
- As we wrote in our [recent AI paper](#), we continue to believe Snowflake is one of the few software companies seeing tangible AI benefits today and is being treated as such by the market. We believe customers are embarking on data modernization journeys to either leverage AI or be prepared to do so, and we believe Snowflake is in a good position to enable AI transformation by offering both data management/analytic capabilities, but can also bring AI capabilities to the data. As the company is now embracing both OLTP and OLAP capabilities, we increasingly see Snowflake as well positioned to help customers with their data and AI journey and see momentum building from here. We think continued traction of newer AI capabilities will be key to the company's ongoing success.
- From a number's perspective, the setup looks neutral to positive for revenue as guidance calls for a +3.4% sequential increase which compares to a +2.8% sequential guide y/y and +8.6% actual sequential increase y/y (+\$37M guidance implied sequential increase vs. +\$23M guide y/y) and the 3-year average of a +5.2%/+9.9% sequential guide/actual. We note, however, that there was a higher degree of conservatism in last year's guidance philosophy.
- We expect to see reasonable product revenue upside relative to consensus at \$1,130.2M, +25.6% y/y. For context, the company beat expectations by 4.9% in Q2/26, 3.6% in Q1/26, 3.1% in Q4/25 and 6.1% in Q3/25 and 4.4% over the last four quarters.
- Consensus revenue expectations for Q4/26 call for a 4.7% q/q increase, which compares to an 4.8% actual y/y and a 5.6% 3-year average actual. As such, the Q3 guide appears to be relatively in line with expectations, though we note it will be CFO Brian Robbins' first quarter guiding, which may prove to be conservative.
- We are also introducing FY/28 estimates that reflect growth of +22.2% y/y and operating margins of 11.2% vs. +21.5%/10.0%, respectively in FY/27.
- Q3/26 job postings were -17% q/q after being -22% q/q in Q2/26. Thus far in November, postings are -6% vs. Q2/26 and -1% m/m. We note there is no real correlation between postings and share price.
- Investor sentiment has been positive with the stock +31% since Q2/26 vs. the S&P +4%.
- Maintain OP rating and raise PT to \$300 from \$275 on peer multiple expansion (20.5x CY/26E EV/S vs. 18.5x, previously).

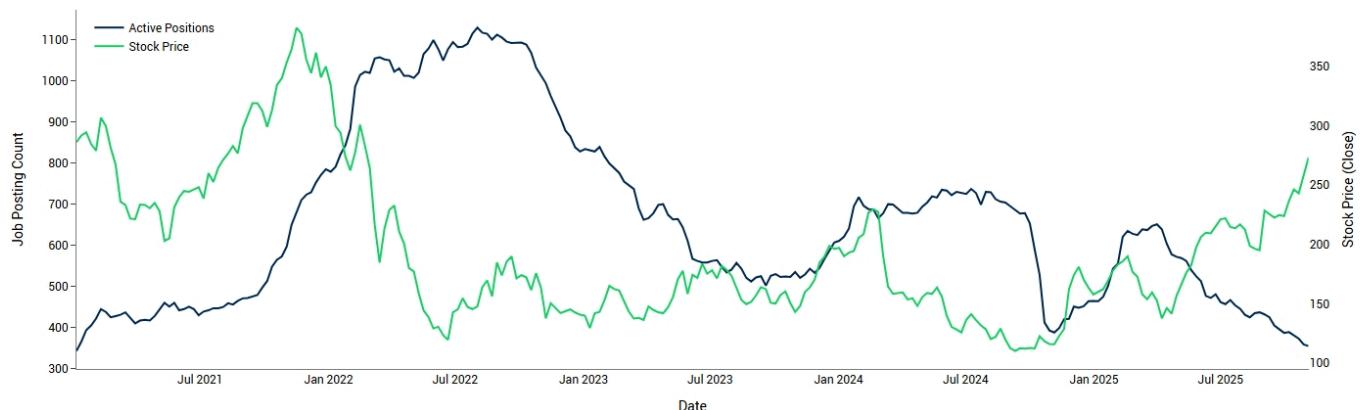
### Additional expectations

- Upside to Q3/26 revenue/product revenue vs. consensus at \$1,183.3M/\$1,130.2M, +25.5%/+25.6% y/y growth vs. +31.8%/+31.5% last quarter. We expect to see typical 2-3% upside to results.
- Slight upside to Q2/25 non-GAAP operating margin vs. consensus at 9.3%.
- Q4/26 product revenue guidance in line vs. consensus at \$1,183.3M, +25.4% y/y growth.
- Q4/26 operating margin guidance in line vs. consensus at 8.4%.
- FY/26 product revenue guidance slightly higher vs. prior guidance of \$4,395M, +27% y/y, consensus at \$4,405.4M, +27.2% y/



- y growth and vs. \$3,462.4M, +29.8% in FY/25.
- FY/26 operating margin guidance vs. prior guidance of 9%, consensus at 9.4% and 6.4% in FY/25.
  - FY/26 FCF margin guidance vs. prior guidance of 25%, consensus at 24.4% and 26.0% in FY/25.

#### RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets

Negative Low Medium High

Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
Snowflake													

Source: RBC Elements, RBC Capital Markets



## UiPath (PATH); Set to report earnings December 3

### Our high-level view

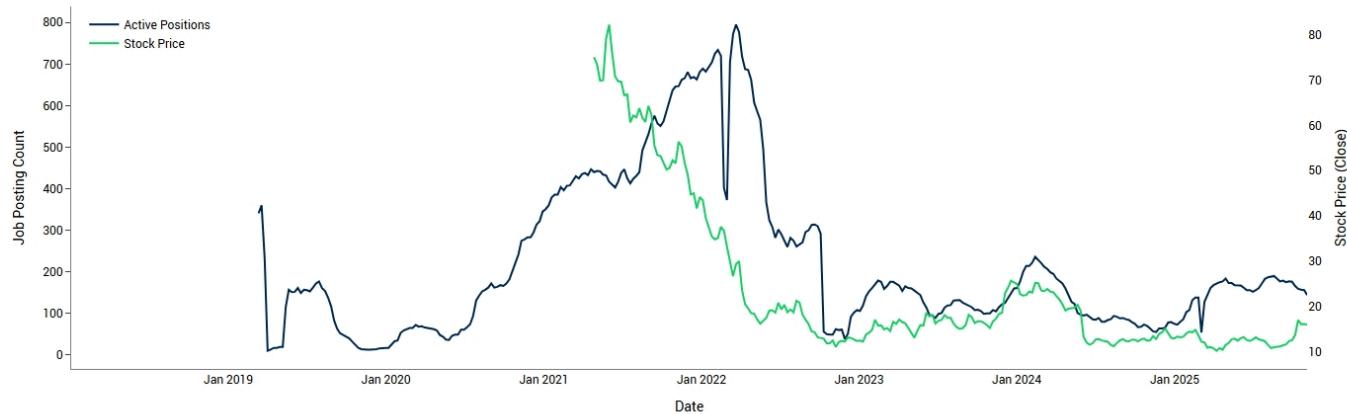
- Although shares are up vs peers since their last print, we are neutral into third quarter earnings as we watch for continued trends around stabilization and execution in FY/26 as we think the US fed remains a slight ST overhang. Broadly, we believe the macro remains variable but consistent as we'll be watching for signs of growth from its agentic products.
- As a reminder, the company recently made [a number of announcements](#) in conjunction with its UiPath Fusion conference, which focused on its opportunity in agentic orchestration. In addition, management noted that in Q2, the company's agentic opportunity was resulting in larger deal sizes as customers looked for both core RPA and agentic outcomes to drive automation solutions. Management expected to see momentum build for its agentic opportunity into Q3.
- US federal performance was good last quarter and management noted that it was in a "normalized" state, which was a key concern coming into the year. While FY/26 guidance went up across the board, management noted they remained prudent in guidance assumptions. We'll be watching for management commentary around Federal FY year-end and any potential impact of the shutdown on 2H results/guidance.
- Recall that on pricing, management noted last quarter that the consumption-based pricing for agentic offerings has been well-received thus far. Management noted that it is challenging to enact outcome-based pricing and expects the pricing for agentic offerings to involve some mix of traditional RPA and consumption-based pricing.
- We also watch for more NRR stabilization which remained flat last quarter at 108% and 113% last year. We expect to see more stabilization in NRR in 2H/26 and into next year as the first quarter anniversaried the restructuring impact while the second quarter anniversaried the federal impact.
- FY/26 midpoint ARR guidance was \$1,836.5M which implies NNARR of \$170.4M or -15.8% y/y compared to \$156.5M in FY/25. We watch for continued strength into 2H as execution remains key for acceleration.
- On profitability, the increased FY operating income guidance last quarter is due to FCF being deal timing related. Given deals are multi-year billed up front, there is more variation with timing, especially in a more variable macro. In addition, the hybrid mix along with work to reduce cloud spend has resulted in leverage for gross margin.
- From a number's perspective, the setup looks in line for revenue as guidance calls for an 8.5% sequential increase, which compares to a 9.9% sequential guide y/y and 12.1% actual sequential increase y/y (+\$31M guidance implied sequential increase vs. +\$31M guide y/y).
- Consensus revenue expectations for Q3/26 call for an 18.1% q/q increase, which compares to a 19.7% sequential guide y/y and 19.5% actual y/y and a 14.4% 3-year average guide and 20.4% 3- year average actual.
- We lowered our FY/27 revenue estimates to \$1,708M, reflecting 8.6% y/y growth compared to consensus of \$1,711M. We are also introducing FY/28 estimates that reflect growth of +7.8% y/y and operating margins of 23% vs. +8.6%/22%, respectively in FY/27.
- Job postings were +12.2% q/q in Q3/26 after being +8% q/q in Q2/26. Thus far in November, postings are -12.3% and -6.9% m/m. We note a medium to high to medium correlation between postings and share price.
- Investor sentiment has been positive with the stock +31.8% since last quarter vs. the S&P 500 +3.5%.
- Maintain SP rating and increase our PT to \$14 from \$12 on peer multiple expansion (4x CY/26E EV/S vs. 3x CY/26E EV/S, previously).

### Additional expectations

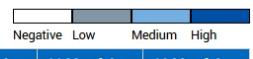
- Q3/26 ARR/revenue vs the midpoint of guidance at \$1,773.5M/\$392.5M and consensus at \$1,767.6M/\$392.0M, +10%/10%.
- Q3/26 license revenue vs. consensus at \$140M, 2% y/y and maintenance and support revenue vs. consensus at \$241M, +16% y/y.
- Q3/26 customers with >100K/>\$1M in ARR vs. 2,491/327 or 126/11 adds vs. 73/-1 adds last quarter.
- Q3/26 cRPO vs consensus at \$816M, +14% y/y and vs +15% y/y last quarter.
- Q3/26 DBNRR vs. 108% in Q2/26 and 113% in Q3/25.
- Q4/26 ARR/revenue guidance vs. consensus at \$1,829M/\$463M, +10%/+9% y/y, respectively.
- Q4/26 operating income guidance vs. consensus at \$138M, or 30% operating margin.
- FY/26 ARR/revenue guidance vs. consensus at \$1,818M/\$1,573M, +9%/+10% y/y, respectively.
- FY/26 OM guidance vs. consensus at 22%.



RBC Elements: Software Job Posting Dashboard



Source: RBC Elements, RBC Capital Markets



Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
UiPath													

Source: RBC Elements, RBC Capital Markets



## Zscaler (ZS); Set to report earnings November 25

### Our high-level view

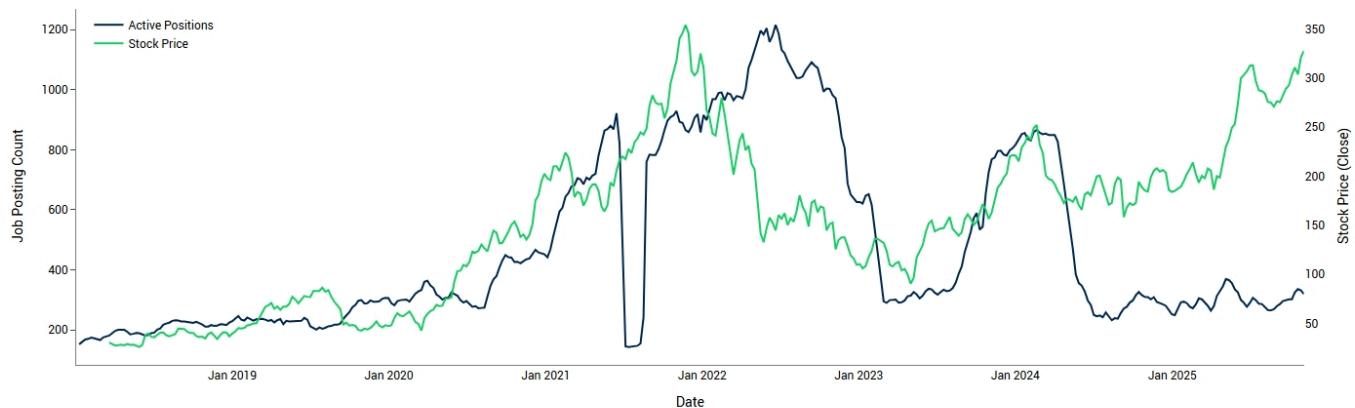
- With positive checks and what we view as a conservative starting point for FY/26 guidance, we believe upside is likely heading into Q1 as the risk/reward skews positive, in our view. Checks noted ongoing strength in core ZIA and ZPA as well as Zero Trust Anywhere as we think Z-Flex is resonating with customers and partners. While the company has significant US Fed exposure, we think they had a strong month of September in US Fed, which de-risks quarterly performance, in our view. Recall, US Fed accounted for HSD of ACV in FY/24 and even less for revenue.
- We believe Z-Flex can continue to be a key driver beyond GTM productivity improvements for acceleration in the model as it enables broader platform adoption and saw TCV bookings of \$100M+, +50% q/q in Q4.
- Another focus of the quarter will be any updated commentary around Red Canary along with the recently announced acquisition of SPLX and what that brings into Zscaler's product portfolio/what the cross-sell opportunity.
- Recall we had management on the road in October where we heard about fundamental drivers including 1) increased customer focus on Zero Trust Everywhere, 2) the ability to protect agent communication, 3) increased customer interest in security operations and 4) data security, and we came away feeling like FY/26 guidance upside is likely.
- From a number's perspective, the setup looks neutral for revenue but not the comps are incomparable with Red Canary. Guidance calls for a +7.5% sequential increase which compares to a +2.0% sequential guide y/y and +5.9% actual sequential increase y/y (+\$54M guidance implied sequential increase vs. +\$12M guide y/y) and the 3-year average of a +4.3%/+9.0% sequential guide/actual.
- For ARR, the setup looks neutral as consensus calls for a +6.2% sequential increase which compares to a +5.9% actual sequential increase y/y (\$187M consensus implied sequential add vs. +\$143M actual y/y). We note this is the company's first quarter providing ARR as a key metric (post the initial disclosure last quarter).
- Consensus revenue expectations for Q2/26 call for a 2.9% q/q increase, which compares to an 3.2% actual y/y and a 6.0% 3-year average actual. As such, the Q1 guide appears to be relatively in line with expectations.
- We are also introducing FY/28 estimates that reflect growth of +19.1% y/y and operating margins of 24.1% vs. +20.5%/22.9%, respectively in FY/27.
- Job postings were negative with postings -2% in Q1/26 after being +12% in Q4/26. So far in Q2/26, postings have been +16% and +5% m/m in November. We'd note a medium to low correlation with postings and stock price for ZS.
- Investor sentiment has been positive since last quarter with the stock +16.5% vs. the S&P +5%.
- Maintain OP rating and raise PT to \$366 from \$350 on peer multiple expansion (17x CY/26E EV/S vs. 16.5x, previously).

### Additional expectations

- Q1/26 revenue upside vs. guidance of \$772-774M and consensus at \$773M, +23% vs. +21% last quarter and +26% in Q1/25.
- Q1/26 ARR upside vs. consensus at \$3,187M, +25% vs. +22% last quarter and +23% in Q1/25.
- Q1/26 billings (not a focus metric) upside vs. consensus at \$634.1M, +23% vs. +32% last quarter and +13% in Q1/25.
- Q1/26 operating margin upside vs. implied guidance of 21.4-21.8% and consensus at 21.7%.
- Q1/26 FCF vs. consensus at \$345M.
- Q2/26 revenue guidance upside vs consensus of \$796M, +23%.
- Q2/26 operating income guidance upside vs consensus of \$176M.
- FY/26 revenue upside vs. previous guidance of \$3,265-3,284M, +22.5% vs. consensus at \$3,275M, +22.5%
- FY/26 ARR upside vs. previous guidance of \$3,676-3,698M, +22% vs. consensus at \$3,686M, +22%
- FY/26 operating income upside vs. previous guidance of \$728-736M, 22.4% margin vs. consensus at \$731M, 22.3% margin.



RBC Elements: Software Job Posting Dashboard

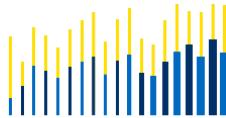


Source: RBC Elements, RBC Capital Markets

Negative	Low	Medium	High
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Company	Current Period	1 Month Lag	2 Month Lag	3 Month Lag	4 Month Lag	5 Month Lag	6 Month Lag	7 Month Lag	8 Month Lag	9 Month Lag	10 Month Lag	11 Month Lag	12 Month Lag
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Source: RBC Elements, RBC Capital Markets



## RBC Elements™

Driving insights through data

### Description

RBC Elements™ is a primary research and data science team embedded within RBC's Global Research division. The main focus of RBC Elements™ is to use scientific methods, algorithms and systems to analyze vast amounts of structured and unstructured data, to obtain insights that are inputs into RBC's Fundamental Global Research teams.

### Objective

The team is involved in creating various machine learning and predictive modeling tools and processes, helping RBC Research discover the information hidden in big data, and allowing the Research division to make smarter decisions and deliver differentiated products to our clients. RBC Elements™ strives to augment the already available industry data with different alternative data sources, and enhance data collection procedures to include information that is relevant.

### Methods

The team is implementing different machine learning and data mining algorithms using state-of-the-art methods. Examples include:

- Machine learning techniques and algorithms, such as k-NN, Naive Bayes, SVM, Decision Forests, Clustering, Artificial Neural Networks, and Natural Language Processing to find patterns in the past, and to predict the future.
- Feature selection techniques to find what matters most in the data.
- Statistical modeling and analysis, and statistical tests such as distributions, and regression/GLM.
- Developing hypotheses and making inferences using large amounts of data.



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## Company Profiles

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## Autodesk, Inc.

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: ADSK US; USD 301.86

**Price Target USD 380.00**

#### Key Statistics

Shares O/S (MM):	218.4	Market Cap (MM):	65,926
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,242,957

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
Revenue	6,131.0	7,058.0	7,700.0	8,357.6
EPS, Ops Diluted	8.49	9.92	10.91	12.16
P/E	35.6x	30.4x	27.7x	24.8x
Revenue	Q1	Q2	Q3	Q4
2025	1,417.0A	1,505.0A	1,570.0A	1,639.0A
2026	1,633.0A	1,763.0A	1,805.0E	1,857.0E
2027	1,774.0E	1,896.0E	1,980.0E	2,050.0E
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2025	1.87A	2.15A	2.17A	2.29A
2026	2.29A	2.62A	2.50E	2.52E
2027	2.41E	2.62E	2.87E	3.00E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

To derive our price target of \$380 we look to our CY/26E EPS of \$10.91 and apply a 35x multiple, in line with infrastructure peers. Our price target and multiple weigh the potential for long-term margin expansion, opportunity for more significant FCF generation in CY/24 and beyond, and our expectation that the momentum in the change to a largely recurring model should accelerate, against the potential for uncertainty in the nearer term. Our price target supports our Outperform rating.

#### Investment summary

- Continued strong renewals and an expanding customer base.
- Potential for rapid adoption of SaaS-based products in underserved growth verticals such as construction and manufacturing as CIOs likely ramp cloud technology spending.
- Some early/anecdotal positive trends overseas.
- Monetizing non-compliant users (~15M).
- Converting legacy customers not paying maintenance to subscriptions.
- Mix-shift to higher-priced Collections.
- Long-term DR as a percentage of total DR getting to the mid-20% range.
- An increasing direct-sales mix.

#### Risks to rating and price target

- Expected short-term pockets of construction weakness (~7% of revenue).
- Short-term new volume business headwinds.
- VSB exposure (10–15% of revenue).
- Some extended payment terms.
- Lower contract duration on a short-term mix-shift from multi-year to annual deal.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: ADSK (\$M) unless noted	Jan-25A				Jan-26E				Jan-27E				Jan-28E				FY25A CY24A	FY26E CY25E	FY27E CY26E	FY28E CY27E	
	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E					
<b>INCOME STATEMENT</b>																					
Subscription revenue	1,330.0	1,408.0	1,457.0	1,522.0	1,532.0	1,658.0	1,695.0	1,737.0	1,686.0	1,790.0	1,870.0	1,930.0	1,829.3	1,960.1	2,029.0	2,094.1	5,717.0	6,622.0	7,276.0	7,912.4	
Maintenance revenue	11.0	11.0	9.0	10.0	8.0	9.0	10.0	10.0	10.0	10.0	10.0	10.0	10.5	10.5	10.5	10.5	41.0	37.0	40.0	42.0	
Licenses and other revenue	76.0	86.0	104.0	107.0	93.0	96.0	100.0	110.0	78.0	96.0	100.0	110.0	81.9	100.8	105.0	115.5	373.0	399.0	384.0	403.2	
Total revenue	1,417.0	1,505.0	1,570.0	1,639.0	1,633.0	1,763.0	1,805.0	1,857.0	1,774.0	1,896.0	1,980.0	2,050.0	1,921.7	2,071.4	2,144.5	2,220.1	6,131.0	7,058.0	7,700.0	8,357.6	
Total Cost of Revenue	108.0	106.0	112.0	119.0	122.0	123.0	130.8	135.6	125.8	136.2	142.2	148.1	136.0	148.2	153.6	159.9	445.0	511.4	552.3	597.7	
Gross income	1,308.0	1,399.0	1,457.0	1,520.0	1,511.0	1,640.0	1,674.2	1,721.4	1,648.2	1,759.8	1,837.8	1,901.9	1,785.7	1,923.1	1,990.9	2,060.2	5,686.0	6,546.6	7,147.7	7,759.9	
Sales and marketing	416.0	419.0	460.0	460.0	469.0	493.0	521.6	531.1	523.3	553.6	556.4	557.6	551.5	588.3	585.4	586.1	1,755.0	2,014.7	2,190.9	2,311.3	
Research and development	279.0	290.0	295.0	308.0	304.0	327.0	343.0	358.4	344.2	360.2	366.3	379.3	370.9	391.5	394.6	408.5	1,172.0	1,332.4	1,449.9	1,565.4	
General and administrative	123.0	129.0	129.0	144.0	129.0	138.0	149.8	169.0	147.2	155.5	158.4	174.3	157.6	167.8	169.4	186.5	525.0	585.8	635.4	681.3	
Operating expenses	818.0	838.0	884.0	912.0	903.0	959.0	1,014.4	1,058.5	1,014.7	1,069.3	1,081.1	1,111.1	1,080.0	1,147.5	1,149.4	1,181.1	3,452.0	3,934.9	4,276.3	4,558.0	
Operating income	490.0	560.0	573.0	608.0	681.0	659.8	663.0	633.4	690.5	756.7	790.8	705.7	775.6	841.5	879.1	2,234.0	2,611.7	2,871.4	3,201.9		
Other income	10.0	15.0	8.0	7.0	2.0	13.0	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	40.0	20.0	10.0	10.0	
Pretax income	500.0	575.0	581.0	615.0	610.0	694.0	662.3	665.5	635.9	693.0	759.2	793.3	708.2	778.1	844.0	881.6	2,274.0	2,631.7	2,881.4	3,211.9	
Taxes	95.0	109.0	111.0	117.0	116.0	131.0	125.8	126.4	120.8	131.7	144.3	150.7	134.6	147.8	160.4	167.5	432.0	499.3	547.5	610.3	
Net income	405.0	466.0	470.0	498.0	494.0	563.0	536.4	539.0	515.1	561.3	615.0	642.6	573.7	630.2	683.6	714.1	1,842.0	2,132.5	2,333.9	2,601.6	
Earnings per share	\$1.87	\$2.15	\$2.17	\$2.29	\$2.29	\$2.62	\$2.50	\$2.52	\$2.41	\$2.62	\$2.87	\$3.00	\$2.68	\$2.95	\$3.19	\$3.34	\$8.49	\$9.92	\$10.91	\$12.16	
Diluted shares outstanding	217.0	217.0	217.0	217.0	216.0	215.0	214.5	214.0	214.0	214.0	214.0	214.0	214.0	214.0	214.0	214.0	217.0	214.9	214.0	214.0	
<b>KEY METRICS</b>																					
DSO	22	24	40	55	27	27	47	60	40	40	47	60	40	40	47	60	2,153.0	2,991.5	3,975.6	4,878.3	
Cash	2,227.0	2,109.0	1,977.0	2,153.0	2,301.0	2,518.0	2,444.3	2,991.5	3,251.3	3,284.1	3,112.9	3,975.6	4,225.5	4,202.3	4,008.0	4,878.3	2,153.0	2,991.5	3,975.6	4,878.3	
Cash per share	\$10.26	\$9.72	\$9.11	\$9.92	\$10.65	\$11.71	\$11.40	\$13.98	\$15.19	\$15.35	\$14.55	\$18.58	\$19.75	\$19.64	\$18.73	\$22.80	\$9.92	\$13.92	\$18.58	\$22.80	
Net cash	(58.0)	123.0	(9.0)	166.0	313.0	37.0	(36.7)	510.5	770.3	803.1	631.9	1,494.6	1,744.5	1,721.3	1,527.0	2,397.3	166.0	510.5	1,494.6	2,397.3	
Net cash per share	(\$0.27)	\$0.57	(\$0.04)	\$0.76	\$1.45	\$0.17	(\$0.17)	\$2.39	\$3.60	\$3.75	\$2.95	\$6.98	\$8.15	\$8.04	\$7.14	\$11.20	\$0.76	\$2.38	\$6.98	\$11.20	
Deferred revenue	3,962.0	3,692.0	3,658.0	4,128.0	3,929.0	3,844.0	3,820.7	4,470.0	4,261.1	4,189.9	4,206.5	5,025.7	4,800.0	4,723.7	4,741.8	5,636.8	4,128.0	4,470.0	5,025.7	5,636.8	
Billing	1,115.0	1,235.0	1,536.0	2,109.0	1,434.0	1,678.0	1,781.7	2,506.3	1,565.1	1,824.8	1,996.6	2,869.2	1,696.0	1,995.1	2,162.6	3,115.0	5,995.0	7,400.0	8,257.5	8,967.8	
Cash flow from operations	494.0	212.0	209.0	692.0	564.0	460.0	315.3	948.2	569.5	449.6	238.5	1,254.4	659.7	493.5	315.5	1,362.1	1,607.0	2,287.5	2,512.1	2,830.8	
Cash flow per share	\$2.28	\$0.98	\$0.96	\$3.19	\$2.61	\$2.14	\$1.47	\$4.43	\$2.66	\$2.10	\$1.11	\$5.86	\$3.08	\$2.31	\$1.47	\$6.36	\$7.41	\$10.65	\$11.74	\$13.23	
Cash margin	34.9%	14.1%	13.3%	42.2%	34.5%	26.1%	17.5%	51.1%	32.1%	23.7%	12.0%	61.2%	34.3%	23.8%	14.7%	61.4%	26.2%	32.4%	32.6%	33.9%	
Capital expenditures	(7.0)	(9.0)	(10.0)	(36.0)	(7.0)	(7.0)	(18.0)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(62.0)	(50.0)	(35.0)	(27.7)	
Free cash flow	487.0	203.0	199.0	656.0	557.0	453.0	297.3	930.2	560.8	440.9	229.8	1,245.6	650.9	484.8	306.7	1,353.3	1,545.0	2,237.5	2,477.1	2,795.8	
Free cash flow per share	\$2.24	\$0.94	\$0.92	\$3.02	\$2.58	\$2.11	\$1.39	\$4.35	\$2.62	\$2.06	\$1.07	\$5.82	\$3.04	\$2.27	\$1.43	\$6.32	\$7.12	\$10.42	\$11.58	\$13.06	
<b>PERCENT OF REVENUE</b>																					
Subscription revenue	93.9%	93.6%	92.8%	92.9%	93.8%	94.0%	93.9%	93.5%	95.0%	94.4%	94.4%	94.1%	95.2%	94.6%	94.6%	94.3%	93.2%	93.8%	94.5%	94.7%	
Maintenance revenue	0.8%	0.7%	0.6%	0.6%	0.5%	0.5%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
Licenses and other revenue	5.4%	5.7%	6.6%	6.5%	5.7%	5.4%	5.5%	5.9%	4.4%	5.1%	5.1%	5.4%	4.3%	4.9%	5.2%	6.1%	5.7%	5.0%	4.8%	5.0%	
Gross income	92.3%	93.0%	92.8%	92.7%	92.5%	93.0%	92.8%	92.7%	92.9%	92.8%	92.8%	92.8%	92.9%	92.8%	92.8%	92.8%	92.8%	92.8%	92.8%	92.8%	
Research and development	19.7%	19.3%	18.8%	18.8%	18.5%	19.0%	19.3%	19.0%	19.4%	19.0%	18.5%	18.5%	19.3%	18.9%	18.4%	18.4%	19.1%	18.9%	18.8%	18.7%	
Sales and marketing	29.4%	27.8%	29.3%	28.1%	28.7%	28.0%	28.9%	28.6%	29.5%	29.2%	28.1%	27.2%	28.7%	28.4%	27.3%	26.4%	28.5%	27.7%	28.5%	27.7%	
General and administrative	8.7%	8.6%	8.2%	8.8%	7.9%	8.3%	9.1%	8.3%	8.3%	8.2%	8.0%	8.5%	8.2%	8.1%	7.9%	8.4%	8.6%	8.3%	8.3%	8.2%	
Operating income	34.6%	37.2%	36.5%	37.1%	37.2%	38.6%	36.6%	35.7%	35.7%	36.4%	38.2%	38.6%	36.7%	37.4%	39.2%	39.6%	36.4%	37.0%	37.3%	38.3%	
Taxes	19.0%	19.0%	19.1%	19.0%	19.0%	18.9%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	19.0%	
Net income	28.6%	31.0%	29.9%	30.4%	30.3%	31.9%	29.7%	29.0%	29.0%	29.6%	31.1%	31.3%	29.9%	30.4%	31.9%	32.2%	30.0%	30.2%	30.3%	31.1%	
<b>GROWTH Y/Y</b>																					
Subscription revenue	11.5%	10.9%	10.9%	13.7%	15.2%	17.8%	16.3%	14.1%	10.1%	8.0%	10.3%	11.1%	8.5%	9.5%	8.5%	8.5%	11.7%	15.8%	9.9%	8.7%	
Maintenance revenue	-21.4%	-21.4%	-25.0%	-28.6%	-27.3%	-18.2%	-11.1%	0.0%	25.0%	11.1%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	-24.1%	-9.8%	8.1%	5.0%	
Licenses and other revenue	22.6%	41.0%	18.2%	-7.8%	22.4%	11.6%	-3.8%	2.8%	-16.1%	0.0%	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	14.1%	7.0%	-3.8%	5.0%	
Total revenue	11.7%	11.9%	11.0%	11.6%	15.2%	17.1%	15.0%	13.3%	8.6%	7.5%	9.7%	10.4%	8.3%	9.2%	8.3%	8.3%	11.5%	15.1%	9.1%	8.5%	
Gross income	12.5%	12.6%	11.1%	11.5%	15.5%	17.2%	14.9%	13.3%	9.1%	7.3%	9.8%	10.5%	8.3%	9.3%	8.3%	8.3%	11.8%	15.1%	9.2%	8.6%	
Operating income	21.3%	14.5%	4.8%	16.5%	24.1%	21.6%	15.1%	9.0%	4.2%	1.4%	14.7%	19.3%	11.4%	12.3%	11.2%	11.2%	13.5%	16.9%	9.9%	11.5%	
Net income	21.3%	13.7%	5.1%	10.4%	22.0%	20.8%	14.1%	8.2%	4.3%	-0.3%	14.6%	19.2%	11.4%	12.3%	11						



## CrowdStrike Holdings, Inc.

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: CRWD US; USD 556.73

**Price Target USD 621.00 ↑ 540.00**

#### Key Statistics

Shares O/S (MM):	261.2	Market Cap (MM):	145,418
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	2,346,234

#### RBC Estimates

	2025A	2026E	2027E	2028E
FY Jan EPS, Adj Diluted	3.24	3.66	4.76	5.81
Revenue	3,953.6	4,777.5	5,828.9	7,095.0
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2025	0.79A	0.88A	0.76A	0.81A
2026	0.73A	0.93A	0.94E	1.07E
2027	1.09E	1.18E	1.16E	1.33E
Revenue				
2025	921.0A	963.9A	1,010.2A	1,058.5A
2026	1,103.4A	1,169.0A	1,213.0E	1,292.1E
2027	1,350.4E	1,416.6E	1,482.2E	1,579.6E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our \$621 price target based on 27x CY/26E EV/S which is a premium to leading growth security peers and appears reasonable given our LT view of growth and profitability. Additionally, our target equates to 89x CY/26E FCF. Our price target supports an Outperform rating.

#### Investment summary

##### High-level thesis on CrowdStrike

- CrowdStrike was founded in 2011 with a mission of reinventing security for the cloud era. Co-founder George Kurtz previously worked at a gen-1 AV endpoint vendor and was motivated to build CrowdStrike after realizing that legacy security technology was incapable of protecting customers against modern attacks within a hybrid-cloud architecture.
- The company developed a differentiated cloud-native security platform that leverages its lightweight intelligent agent and Threat Graph database across a multi-module portfolio of solutions. The company and its customers benefit from the network effect, as each additional endpoint added to the platform expands the crowd-sourced database, which in turn improves the quality of the algorithms.
- We view CrowdStrike as a prime land-and-expand model benefiting from SaaS delivery and ability to rapidly add more modules with no extra configuration or consulting needed. The long-term power of the install base should lead to strong net expansion rates as the company cross-sells additional seats (endpoints) and modules.

#### Potential catalysts

- Ability to maintain net expansion rates by selling additional products into its growing customer base and maintaining low churn rates.
- New product introduction and/or traction from recently introduced modules; specifically Cloud Workload protection, next-gen SIEM, Identity and VM.
- Accelerated customer additions leveraging its multi-pronged, go-to-market approach.
- Accelerated share-shift from legacy vendors.
- Faster-than-expected progression toward profitability driven by top-line success.

#### Risks to rating and price target

- Following the outage, there is increased concerns that discounting and free modules could slow organic ARR growth.
- CrowdStrike operates in competition with larger legacy competitors, like Symantec, as well as newer entrants.
- Potential pricing pressure given the crowded market.
- CrowdStrike operates a land-and-expand model; failure to retain existing customers could be a detriment.
- CrowdStrike has experienced rapid growth; failure to manage growth/expectations could cause operational challenges.

Ticker: CRWD (\$M) unless noted	Jan-25A				Jan-26E				Jan-27E				Jan-28E				FY/25A	FY/26E	FY/27E	FY/28E
INCOME STATEMENT	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E				
Subscription	872.2	918.3	962.7	1,008.3	1,050.8	1,102.9	1,158.5	1,235.6	1,292.4	1,356.6	1,419.2	1,513.6	1,569.7	1,638.6	1,728.5	1,874.2	3,761.5	4,547.8	5,581.9	6,811.0
Services	48.9	45.6	47.4	50.2	52.7	66.0	54.5	56.5	58.0	60.0	63.0	66.0	68.0	70.0	72.0	74.0	192.1	229.7	247.0	284.0
Total revenue	921.0	963.9	1,010.2	1,058.5	1,103.4	1,169.0	1,213.0	1,292.1	1,350.4	1,416.6	1,482.2	1,579.6	1,637.7	1,708.6	1,800.5	1,948.2	3,953.6	4,777.5	5,828.9	7,095.0
Total cost of revenue	197.9	205.7	222.5	232.3	246.3	261.5	267.7	284.4	296.8	310.9	325.4	346.3	358.8	373.9	393.2	423.7	858.3	1,059.9	1,279.4	1,549.6
Gross income	723.2	758.2	787.7	826.3	857.1	907.4	945.3	1,007.7	1,053.7	1,105.7	1,156.8	1,233.3	1,278.9	1,334.7	1,407.3	1,524.5	3,095.3	3,717.6	4,549.5	5,545.4
Sales and marketing	293.6	289.3	334.6	333.1	368.5	364.3	385.5	392.5	411.9	420.7	456.5	461.3	483.1	490.4	536.5	549.4	1,250.7	1,510.7	1,750.4	2,059.4
Research and development	162.0	169.9	188.5	197.2	218.2	217.3	225.6	234.0	243.1	255.0	266.8	276.4	291.5	304.1	320.3	337.0	717.6	895.1	1,041.3	1,253.2
General and administrative	54.2	57.9	63.9	71.2	69.3	70.9	75.2	76.2	83.7	85.0	91.9	93.2	99.9	100.8	109.8	113.0	247.2	291.7	353.8	423.5
Operating expenses	509.9	517.2	586.9	601.5	656.0	652.5	686.3	702.7	738.7	760.7	815.2	830.9	874.5	895.3	966.9	999.4	2,215.5	2,697.5	3,145.5	3,736.1
Operating income	213.3	241.1	200.7	224.8	201.1	255.0	259.0	305.0	315.0	345.0	341.6	402.5	404.4	439.4	440.4	525.1	879.9	1,020.0	1,404.0	1,809.2
Other income	40.6	44.9	45.6	40.1	37.2	41.0	45.4	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	43.9	171.2	167.5	175.8	175.8
Pretax income	253.9	286.0	246.3	264.9	238.3	295.9	304.4	348.9	358.9	388.9	385.5	446.4	448.3	483.3	484.3	569.0	1,051.1	1,187.6	1,579.7	1,985.0
Taxes	57.1	64.3	55.4	59.6	53.6	58.6	63.9	73.3	75.4	81.7	81.0	93.7	94.1	101.5	119.5	236.5	249.4	331.7	416.9	
Net income	196.8	221.6	190.9	205.3	184.7	237.4	240.5	275.6	283.6	307.2	304.5	352.7	354.2	381.8	382.6	449.5	814.6	938.2	1,248.0	1,568.2
Earnings per share	\$0.79	\$0.88	\$0.76	\$0.81	\$0.73	\$0.93	\$0.94	\$1.07	\$1.09	\$1.18	\$1.16	\$1.33	\$1.42	\$1.41	\$1.65	\$3.24	\$3.66	\$4.76	\$5.81	
Diluted shares outstanding	250.2	251.3	250.8	253.3	254.6	256.3	256.8	257.1	259.1	261.1	263.1	265.1	267.1	271.1	273.1	251.4	256.2	262.1	270.1	
KEY METRICS																				
DSO	69	62	73	96	66	68	73	96	66	68	73	96	66	68	73	96	66	68	73	96
Cash	3,702.4	4,038.5	4,260.3	4,323.3	4,614.2	4,972.4	5,284.2	5,633.1	6,049.5	6,437.2	7,410.3	7,905.5	8,325.9	8,829.8	9,683.0	9,683.0	5,633.1	7,410.3	9,683.0	9,683.0
Deferred revenue	3,069.4	3,093.2	3,196.5	3,728.7	3,771.4	3,834.9	3,959.0	4,529.7	4,552.4	4,604.6	4,650.6	5,449.3	5,476.5	5,539.5	5,594.9	6,581.0	3,728.7	4,529.7	5,449.3	6,581.0
Billings	936.1	987.7	1,113.5	1,585.6	1,146.2	1,232.4	1,337.1	1,862.9	1,373.1	1,468.8	1,528.2	2,378.3	1,665.0	1,771.6	1,855.9	2,934.3	4,622.9	5,578.6	6,748.4	8,226.8
Subscription billings	910.7	957.4	977.5	1,378.1	1,064.9	1,137.0	1,214.1	1,604.4	1,308.5	1,388.8	1,451.7	2,039.4	1,588.8	1,677.0	1,767.0	2,523.0	4,223.7	5,020.4	6,188.5	7,555.9
ARR	3,646.9	3,846.5	4,017.5	4,241.8	4,435.6	4,656.7	4,895.4	5,184.8	5,173.7	5,675.9	5,974.3	6,304.2	6,563.4	6,859.6	7,186.4	7,570.6	4,241.8	5,184.8	6,304.2	7,570.6
Cash flow from operations	383.2	326.6	326.1	345.7	384.1	332.8	395.8	437.3	514.7	490.0	546.1	645.4	610.7	540.1	629.3	987.3	1,381.7	1,550.0	2,196.1	2,767.5
Cash flow per share	\$1.53	\$1.30	\$1.30	\$1.36	\$1.51	\$1.30	\$1.54	\$1.70	\$1.99	\$1.88	\$2.08	\$2.43	\$2.43	\$2.01	\$2.32	\$3.61	\$5.50	\$6.05	\$8.38	\$10.25
Capital expenditures	(49.7)	(39.3)	(78.7)	(87.2)	(85.8)	(305.5)	(66.7)	(71.1)	(81.0)	(85.0)	(88.9)	(94.8)	(98.3)	(102.5)	(108.0)	(116.9)	(254.9)	(254.9)	(349.7)	(425.7)
Free cash flow	322.5	272.3	230.6	240.0	279.5	283.9	311.8	348.9	416.4	387.7	439.9	533.3	495.2	420.3	504.0	853.1	1,067.9	1,226.7	1,777.2	2,272.6
Free cash flow per share	\$1.29	\$1.08	\$0.92	\$0.95	\$1.10	\$1.11	\$1.21	\$1.36	\$1.48	\$1.67	\$2.01	\$1.85	\$1.56	\$1.86	\$3.12	\$4.25	\$4.79	\$6.78	\$8.41	
PERCENT OF REVENUE																				
Subscription	94.7%	95.3%	95.3%	95.2%	94.4%	95.5%	95.5%	95.6%	95.7%	95.8%	95.8%	95.9%	96.0%	96.0%	96.2%	95.1%	95.2%	95.8%	96.0%	
Services	5.3%	4.7%	4.7%	4.7%	4.8%	5.6%	4.5%	4.4%	4.3%	4.2%	4.3%	4.2%	4.2%	4.1%	4.1%	4.0%	4.9%	4.8%	4.2%	4.0%
Subscription gross margin	80.6%	80.8%	80.1%	80.3%	80.0%	80.2%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.5%	80.1%	80.0%	80.0%
Services gross margin	41.7%	35.2%	34.6%	32.2%	31.1%	34.4%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%	35.9%	33.4%	34.0%	34.0%
Gross margin	78.5%	78.7%	78.0%	78.1%	77.7%	77.6%	77.9%	78.0%	78.0%	78.1%	78.0%	78.1%	78.1%	78.1%	78.1%	78.1%	78.3%	78.3%	78.3%	78.2%
Sales and marketing	31.9%	30.0%	33.1%	31.5%	33.4%	31.2%	31.8%	30.4%	29.7%	30.8%	29.2%	29.5%	28.7%	28.7%	28.2%	31.6%	30.0%	29.0%	30.0%	
Research and development	17.6%	17.6%	18.7%	18.6%	18.6%	18.6%	18.6%	18.1%	18.0%	18.0%	17.5%	17.8%	17.8%	17.8%	17.8%	17.3%	18.1%	18.7%	17.7%	
General and administrative	5.9%	6.0%	6.3%	6.7%	6.3%	6.1%	6.2%	5.9%	6.2%	6.0%	6.2%	6.0%	5.9%	6.1%	5.9%	5.8%	6.3%	6.1%	6.0%	
Operating income	23.2%	25.0%	19.9%	21.2%	21.8%	21.4%	23.6%	23.3%	24.4%	23.0%	25.5%	24.7%	24.7%	25.7%	24.5%	27.0%	22.3%	21.4%	24.1%	25.5%
Taxes	22.5%	22.5%	22.5%	22.5%	22.5%	19.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	22.5%	21.0%	21.0%	21.0%
Net income	21.4%	23.0%	18.9%	19.4%	16.7%	20.3%	19.8%	21.3%	21.7%	20.5%	22.3%	21.6%	22.3%	21.3%	21.3%	20.6%	19.6%	21.4%	22.1%	
Free cash flow margin	35.0%	28.3%	22.8%	22.7%	25.3%	24.3%	25.7%	27.0%	30.8%	29.7%	33.8%	30.2%	24.6%	28.0%	27.0%	25.7%	30.5%	32.0%	32.0%	
GROWTH Y/Y																				
Subscription	33.9%	33.1%	31.3%	26.7%	20.5%	20.1%	20.3%	22.5%	23.0%	22.5%	22.5%	21.5%	20.8%	21.8%	23.8%	31.0%	20.9%	22.7%	22.0%	
Services	18.0%	9.5%	-9.7%	1.7%	7.8%	44.7%	14.9%	12.5%	10.1%	-9.1%	15.6%	16.8%	17.2%	16.7%	14.3%	12.1%	3.9%	19.5%	7.5%	15.0%
Total revenue	33.0%	31.7%	28.5%	25.2%	19.8%	21.3%	20.1%	22.1%	22.4%	22.2%	22.3%	21.3%	20.6%	21.5%	23.3%	29.4%	20.8%	22.0%	21.7%	
Gross income	33.6%	33.3%	28.6%	24.8%	18.5%	19.7%	20.0%	22.0%	22.9%	21.9%	22.4%	22.4%	21.4%	20.7%	21.7%	23.6%	29.8%	20.1%	22.4%	21.9%
Operating income	76.3%	50.1%	12.0%	2.8%	-5.7%	5.8%	29.0%	35.6%	56.6%	35.3%	31.9%	32.0%	28.4%	27.4%	28.9%	30.5%	29.5%	15.9%	37.6%	28.9%
Net income	74.0%	50.9%	15.7%	3.7%	-6.1%	7.1%	26.0%	34.3%	53.5%	29.4%	26.6%	27.9%	24.9%	24.3%	25.6%	27.5%	30.8%	15.2%	33.0%	25.7%
Deferred revenue	27.7%	23.4%	25.7%	22.1%	22.9%	24.0%	23.9%	21.5%	20.7%	21.7%	20.1%	19.6%	21.4%	20.7%	21.7%	23.7%	18.9%	23.3%	22.1%	
Subscription billings	27.9%	20.3%	25.0%	22.6%	16.9%	18.8%	24.2%	16.4%	22.9%	22.1%	19.6%	21.9%	21.4%	20.7%	21.7%	23.7%	18.9%	23.3%	22.1%	
ARR	33.4%	31.9%	27.4%	23.5%	21.6%	20.5%	21.9%	22.2%	21.9%	21.9%	22.0%	21.6%	21.2%	20.9%	20.3%	20.1%	23.5%	21.6%	21.6%	20.1%
Subscription	9.6%	5.3%	4.8%	4.7%	4.2%	5.0%	5.0%	6.7%	4.6%	5.0%	4.6%	6.7%	3.7%	4.4%	5.5%	8.4%				
Services	-1.1%	-6.6%	4.0%	5.9%	4.9%	25.3%	-17.4%	3.7%	2.7%	3.4%	5.0%	4.8%	3.0%	2.9%						



## Elastic N.V.

Matthew Hedberg (Analyst)

### Outperform

NYSE: ESTC US; USD 94.47

**Price Target USD 125.00**

#### Key Statistics

Shares O/S (MM):	113.9	Market Cap (MM):	10,760
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,659,411

#### RBC Estimates

FY Apr	2025A	2026E	2027E	2028E
Revenue	1,483.3	1,700.0	1,913.3	2,162.6
EPS, Adj Diluted	2.03	2.32	2.67	2.92
Revenue	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	347.4A	365.4A	382.1A	388.4A
2026	415.3A	418.0E	430.0E	436.8E
2027	448.5E	476.8E	491.0E	497.0E
EPS, Adj Diluted				
2025	0.35A	0.59A	0.63A	0.47A
2026	0.60A	0.57E	0.57E	0.59E
2027	0.59E	0.69E	0.73E	0.69E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$125 by applying a 6.5x multiple to our CY/26 revenue estimate. Our target multiple is in line with peers, in our view warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports an Outperform rating.

#### Investment summary

##### High-level overview of Elastic

Elastic is a search company and everything it does revolves around search being at the heart of the experience. At its core, Elastic provides solutions to enable customers to produce fast and relevant search results at scale, focusing on collecting, managing, and analyzing data from any source, in any format. The company was founded in 2012, and since the initial open source release of Elasticsearch, it has released proprietary elements for things like security, machine learning, monitoring, and alerts that appeal to enterprise-grade customers. The Elastic Stack Platform (formerly referred to as the ELK Stack) consists of core features of the "Stack" including Elasticsearch, Logstash, Kibana, and Beats that can be delivered as either a SaaS-based or self-managed offering with a variety of solutions such as Application Search, Site Search, Enterprise Search, Logging, APM, Analytics, etc. that sit above the Stack. Over time, we expect additional features to both the Stack and Solutions to be added, through organic product development as well as strategic M&A; all of this should further expand the market opportunity, in our opinion. Overall, we like the opportunity to consolidate search/observability spend, with a focus on cloud mix shift that is likely to accelerate over time.

#### Potential catalysts

- 1) Acquiring new customers more quickly than expected, which could be aided by a rapidly growing cloud-based SaaS business;
- 2) up-selling its base, which would show up as higher/maintained net-expansion rate;
- 3) new solution introduction that expands the TAM, as we are increasingly bullish on the company's opportunity in Security and Enterprise Search;
- 4) leveraging both direct and indirect channel investments; and
- 5) additional global expansion.

#### Risks to rating and price target

Risks to our price target and rating could include changes in the macro environment, moderating IT spending, a slowdown in revenue growth, changes in renewal rates, or should acceptance of the company's products change relative to new entrants and established competitors.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: Elastic (\$M) unless noted	Apr-25A				Apr-26E				Apr-27E				Apr-28E				FY25A	FY26E	FY27E	FY28E	CY24A	CY25E	CY26E	CY27E	
	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	Apr-28E									
<b>INCOME STATEMENT</b>																									
Subscription Revenue	323.8	340.8	358.2	361.7	388.6	392.0	406.0	412.0	422.0	450.3	466.0	470.0	485.3	507.0	525.2	530.2	1,384.5	1,598.6	1,808.3	2,047.7	1,333.8	1,548.3	1,750.3	1,987.5	
Service Revenue	23.6	24.6	23.9	26.7	26.7	26.0	24.0	24.8	26.5	26.5	25.0	27.0	28.8	28.0	29.8	28.5	98.8	101.5	105.0	114.9	96.1	103.4	102.8	113.5	
Total Revenue	347.4	365.4	362.1	388.4	415.3	418.0	430.0	436.8	448.5	476.8	491.0	497.0	514.1	535.0	554.9	558.6	1,483.3	1,700.0	1,913.3	2,162.6	1,429.9	1,651.7	1,853.0	2,101.0	
Total Cost of Revenue	82.2	84.4	88.9	89.3	88.3	97.8	96.8	98.6	106.1	110.4	111.4	111.4	120.6	122.8	126.8	124.1	344.8	381.5	439.4	494.3	333.9	372.2	426.5	481.7	
Gross Profit	265.2	280.9	293.2	299.1	327.0	320.2	333.2	338.2	342.4	366.4	379.6	385.6	393.4	412.2	428.1	434.6	1,138.5	1,318.6	1,473.9	1,668.3	1,095.9	1,279.5	1,426.5	1,619.3	
Sales and marketing	134.9	122.8	130.8	137.7	150.0	148.0	150.5	152.0	157.9	162.6	165.5	172.0	177.9	179.2	183.7	189.9	526.2	600.4	657.9	730.7	517.7	586.1	637.9	712.7	
Research and development	63.6	63.4	67.7	68.9	81.3	77.8	79.1	81.6	83.0	85.4	86.5	92.5	92.0	95.4	96.1	263.5	314.3	336.5	376.1	262.1	304.1	329.1	366.5		
General and administrative	29.6	30.4	30.7	33.0	30.5	29.3	34.4	34.9	36.8	37.7	39.3	40.8	41.1	41.7	44.4	45.8	123.6	129.1	154.5	173.1	121.8	127.1	148.7	168.0	
Operating expenses	228.1	216.6	229.1	239.5	261.8	253.3	262.7	266.0	276.3	283.2	290.2	299.2	311.5	313.0	323.5	331.8	913.4	1,043.9	1,148.9	1,279.8	901.7	1,017.4	1,115.7	1,247.2	
Operating income	37.2	64.3	64.0	59.6	65.1	66.9	70.5	72.2	66.1	83.1	89.4	86.4	81.9	99.2	104.6	102.7	225.1	274.7	325.1	388.4	194.3	262.1	310.9	372.1	
Other income	4.7	2.6	8.7	7.3	9.4	4.0	1.0	12.0	8.0	5.0	5.0	15.0	5.0	4.0	4.0	4.0	23.4	26.4	33.0	17.0	17.7	21.7	30.0	28.0	
Pretax income	41.9	66.9	72.7	66.9	74.6	70.9	71.5	84.2	74.1	88.1	94.4	101.4	86.9	103.2	108.6	106.7	248.5	301.1	358.1	405.4	212.0	283.9	340.9	400.1	
Taxes	4.8	4.0	5.5	16.3	9.7	8.5	8.6	18.5	8.9	10.6	11.3	22.3	10.4	12.4	13.0	23.5	30.6	45.3	53.1	59.3	22.4	43.1	49.3	58.1	
Net income	37.1	62.9	67.2	50.6	64.9	62.4	62.9	65.7	65.2	77.6	83.1	79.1	76.5	90.8	95.6	83.2	217.8	255.8	304.9	346.1	189.6	240.8	291.6	341.9	
Earnings per share	\$0.35	\$0.59	\$0.63	\$0.47	\$0.60	\$0.57	\$0.59	\$0.59	\$0.69	\$0.73	\$0.69	\$0.66	\$0.78	\$0.81	\$0.70	\$0.23	\$2.67	\$2.92	\$1.85	\$2.25	\$2.60	\$2.95			
Diluted shares outstanding	102.3	103.2	104.1	105.1	106.0	108.5	109.5	110.5	111.5	112.5	113.5	114.5	115.5	116.5	117.5	118.5	105.1	114.5	118.5	102.7	112.0	116.0			
<b>KEY METRICS</b>																									
DSO	51	63	64	87	48	68	69	92	53	73	74	97	58	78	79	102	1,515.0	1,806.2	2,178.7	2,621.5	1,391.8	1,714.9	2,062.6	2,485.3	
Cash	1,254.8	1,303.7	1,391.8	1,515.0	1,609.2	1,636.3	1,714.9	1,806.2	1,904.7	1,953.3	2,062.6	2,178.7	2,243.7	2,354.3	2,485.3	2,621.5	1,515.0	1,806.2	2,178.7	2,621.5	1,391.8	1,714.9	2,062.6	2,485.3	
Cash per share	\$12.27	\$12.63	\$13.37	\$14.42	\$15.19	\$15.67	\$16.35	\$17.09	\$17.37	\$18.18	\$19.03	\$19.43	\$20.22	\$21.16	\$22.13	\$13.55	\$15.99	\$19.03	\$22.13	\$13.55	\$15.99	\$18.42	\$21.43		
Deferred revenue	627.0	645.7	706.9	852.5	754.7	762.2	828.6	986.8	890.0	955.2	1,120.0	1,009.5	1,083.6	1,269.5	852.5	986.8	1,120.0	1,269.5	706.9	828.6	955.2	1,083.6			
Billing	278.1	383.2	450.7	518.4	317.4	425.5	496.3	595.0	351.8	476.8	556.2	661.8	403.5	535.0	629.0	744.5	1,630.4	1,834.3	2,046.5	2,312.1	1,558.4	1,757.7	1,979.7	2,229.4	
Cash flow from operations	52.8	38.4	88.1	87.0	104.8	24.4	79.6	92.3	99.5	49.5	110.3	117.2	70.0	115.6	136.0	141.2	266.2	301.2	376.6	462.7	240.1	295.8	351.7	438.7	
Cash flow per share	\$0.52	\$0.37	\$0.85	\$0.83	\$0.99	\$0.23	\$0.73	\$0.84	\$0.89	\$0.44	\$0.97	\$1.02	\$0.61	\$0.99	\$1.16	\$1.19	\$2.56	\$3.33	\$3.95	\$2.34	\$2.77	\$3.14	\$3.78		
Cash margin	15.2%	10.5%	23.0%	22.4%	25.2%	5.8%	18.5%	21.1%	22.2%	10.4%	22.5%	23.6%	13.6%	21.6%	24.5%	25.3%	17.9%	19.7%	21.4%	21.6%	16.8%	17.9%	19.0%	20.9%	
Capital expenditures	(0.7)	(0.7)	(0.8)	(2.1)	(0.7)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)	(5.0)	(5.0)	(5.0)	(4.3)	(4.0)	(20.0)	(3.1)	(4.0)	
Free cash flow	52.0	37.7	87.3	84.9	104.2	23.4	78.6	91.3	98.5	48.5	109.3	116.2	65.0	110.6	131.0	136.2	261.8	297.5	372.6	442.7	237.1	291.0	347.7	422.7	
Free cash flow per share	\$0.51	\$0.36	\$0.84	\$0.81	\$0.98	\$0.22	\$0.72	\$0.83	\$0.88	\$0.43	\$0.96	\$1.01	\$0.56	\$0.95	\$1.12	\$1.15	\$2.52	\$2.74	\$3.29	\$3.78	\$2.31	\$2.72	\$3.11	\$3.64	
<b>PERCENT OF REVENUE</b>																									
Subscription Revenue	93.2%	93.3%	93.7%	93.1%	93.6%	93.8%	94.4%	94.3%	94.1%	94.4%	94.9%	94.6%	94.4%	94.8%	94.9%	94.9%	93.3%	94.0%	94.5%	94.7%	93.3%	93.7%	94.5%	94.6%	
Service Revenue	6.8%	6.7%	6.3%	6.9%	6.4%	6.2%	5.6%	5.7%	5.9%	5.6%	5.1%	5.4%	5.6%	5.2%	5.4%	5.1%	6.7%	6.0%	5.5%	5.3%	6.7%	6.3%	5.5%	5.4%	
Gross margin	76.5%	76.9%	76.7%	77.0%	78.7%	76.6%	77.5%	77.4%	76.3%	76.8%	77.3%	76.5%	77.0%	77.1%	77.8%	76.8%	77.6%	77.0%	77.1%	76.6%	77.5%	77.0%	77.1%		
Sales and marketing	38.8%	33.6%	34.2%	35.4%	36.1%	35.9%	34.8%	35.2%	34.1%	33.7%	34.6%	33.5%	33.1%	33.4%	34.0%	34.6%	35.5%	34.4%	33.8%	36.2%	35.5%	34.4%	33.9%		
Research and development	18.3%	17.3%	17.7%	17.7%	19.6%	18.2%	18.1%	18.1%	18.2%	17.4%	17.4%	18.0%	17.2%	17.2%	17.2%	17.8%	18.5%	17.6%	17.4%	18.3%	18.4%	17.8%	17.4%		
General and administrative	8.5%	8.3%	8.0%	8.5%	7.3%	7.0%	8.0%	8.0%	8.2%	7.9%	8.0%	8.2%	7.8%	8.0%	8.2%	8.3%	7.6%	8.1%	8.0%	8.5%	7.7%	8.0%	8.0%		
Operating margin	10.7%	17.6%	16.8%	15.3%	15.7%	16.0%	16.4%	16.5%	14.7%	17.4%	18.2%	17.4%	15.9%	18.5%	18.8%	18.4%	15.2%	17.0%	18.0%	13.6%	15.9%	16.8%	17.7%		
Net income	10.7%	17.2%	17.6%	13.0%	15.6%	14.9%	14.5%	15.0%	14.5%	16.3%	16.9%	15.9%	17.0%	17.2%	14.9%	14.7%	15.9%	16.0%	13.3%	14.6%	15.7%	16.3%			
<b>GROWTH Y/Y</b>																									
Subscription Revenue	19.8%	18.4%	16.4%	16.3%	20.0%	15.0%	13.3%	13.9%	8.6%	14.9%	14.8%	14.1%	15.0%	12.6%	12.7%	12.8%	17.7%	15.5%	13.1%	13.2%	-34.9%	16.1%	13.0%	13.6%	
Service Revenue	0.6%	7.4%	17.5%	11.1%	12.9%	5.9%	0.5%	-7.3%	-0.8%	1.9%	4.2%	9.1%	8.5%	5.5%	19.0%	5.5%	8.9%	2.7%	3.5%	9.5%	-16.4%	7.6%	-0.6%	10.4%	
Total revenue	18.3%	17.6%	16.5%	16.0%	19.5%	14.4%	12.5%	12.4%	8.0%	14.1%	14.2%	13.8%	14.6%	12.2%	13.0%	12.4%	17.0%	14.6%	12.5%	13.0%	-33.9%	15.5%	12.2%	13.4%	
Gross income	18.1%	17.7%	16.1%	16.6%	23.3%	14.0%	13.7%	13.1%	4.7%	14.4%	13.9%	14.0%	14.9%	12.5%	12.8%	12.7%	17.1%	15.8%	11.8%	13.2%	-34.3%	16.8%	11.5%	13.5%	
Operating income	27.9%	55.8%	47.8%	107.2%	75.1%	4.1%	10.0%	21.1%	1.5%	24.2%	27.0%	19.6%	23.9%	19.3%	16.9%	18.9%	58.1%	22.0%	18.3%	19.5%	-50.0%	34.9%	18.6%	19.7%	
EPS	39.7%	59.5%	74.7%	122.0%	71.6%	-3.6%	-8.6%	26.2%	-2.6%	20.4%	27.5%	16.2%	13.2%	13.1%	11.1%	1.7%	70.6%	14.3%	15.0%	9.7%	-36.9%	21.7%	16.0%	13.2%	
Deferred revenue	17.4%	20.5%	20.8%	16.1%	14.1%	11.0%	10.1%	14.8%	10.8%	12.0%	11.2%	11.2%	14.7%	12.2%	13.1%	12.5%	16.3%	11.6%	13.0%	12.8%	32.6%	17.2%	15.3%	13.4%	



## GitLab Inc

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: GTLB US; USD 46.53

**Price Target USD 58.00**

#### Key Statistics

Shares O/S (MM):	183.3	Market Cap (MM):	8,529
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	4,265,380

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
<b>Revenue</b>	759.2	939.0	1,128.5	1,333.5
Prev.			1,141.0	
<b>EPS, Adj Diluted</b>	0.73	0.82	0.99	1.20
Prev.			1.00	
<b>P/AEPS</b>	63.7x	56.7x	47.0x	38.8x
<b>Revenue</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	169.2A	182.6A	196.0A	211.4A
2026	214.5A	236.0A	238.5E	250.0E
2027	252.7E	276.0E	295.0E	304.8E
Prev.	260.0E		293.0E	312.0E
<b>EPS, Adj Diluted</b>				
2025	0.03A	0.15A	0.23A	0.33A
2026	0.17A	0.24A	0.19E	0.22E
2027	0.21E	0.24E	0.26E	0.28E
Prev.				0.29E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$58 by applying a 8.3x multiple to our CY/26 revenue estimate. This implies a premium to high-growth peers, in our view, warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

#### Investment summary

We believe GitLab is well positioned to become the center of the DevSecOps ecosystem helping to consolidate spending in a large and growing market.

We believe GitLab's addressable market opportunity for its DevSecOps platform is ~\$40 billion, which should grow over time. In our view, GitLab is well positioned to drive spending away from legacy DIY DevOps approach leveraging point tools manually integrated together, as companies realize the power of a single application for the entire DevSecOps lifecycle. With that said, there is an opportunity to grow by adding and maturing features in more stages of the DevSecOps lifecycle as well as making the features open-source to encourage contributions and further improve the platform. Additionally, we believe there are opportunities to grow within the existing customer base through higher tiered plans and more users, increased adoption of its SaaS offering, and international expansion. Finally, we believe that GitLab is differentiated in having been an all-remote company since its inception, which has enabled broader access to talent across the globe with diverse, specialized and highly in-demand skills that employers with physical locations may not have access to.

#### Potential catalysts

- Ultimate upsell and the Premium price increase.
- GitLab Dedicated and Duo adoption.
- A new consumption element with Duo Agent Platform.
- International expansion.
- Advancing feature maturity across more stages of the DevSecOps lifecycle.
- Driving growth through increased S&M with a focus on replacing DIY DevOps within larger organizations and driving customer growth.
- Expansion within existing customer base through more users or move to higher tiered plans.
- Increased adoption of the faster growing SaaS offering.

#### Risks to rating and price target

- Intense competition with competition across one to all ten stages of the SLDC, with limited barriers to entry.
- Executive turnover and an evolving G2M strategy.
- Competition with well-established providers such as Atlassian and Microsoft and larger and better-resourced competitors.
- Reliance on independent open source contributors beyond the company's direct control.

Ticker: GTLB (\$M) unless noted	Jan-25A				Jan-26E				Jan-27E				Jan-28E				FY/25A	FY/26E	FY/27E	FY/28E	
	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E					
<b>INCOME STATEMENT</b>																					
Subscription - Self-managed and SaaS	151.179	163.181	175.257	185.562	194.481	212.684	215.500	223.000	230.460	252.000	269.000	274.000	277.704	298.000	316.000	328.000	675.179	845.665	1,025.460	1,219.704	
License - Self-managed and other	18.008	19.403	20.790	25.869	20.028	23.276	23.000	27.000	22.220	24.000	26.000	30.780	23.998	27.120	28.080	34.628	84.070	93.304	103.000	113.825	
Total revenue	169.187	182.584	196.047	211.431	214.509	235.960	238.500	250.000	252.680	276.000	295.000	304.780	301.702	325.120	344.080	362.628	759.249	938.969	1,128.460	1,333.529	
Total cost of revenue	15.834	16.961	17.621	18.676	21.086	24.229	21.465	22.500	21.478	23.460	25.075	25.906	30.170	32.512	36.128	38.076	69.092	89.280	95.919	136.886	
Gross income	153.353	165.623	178.426	192.755	193.423	211.731	217.035	227.500	231.202	252.540	269.925	278.874	271.532	292.608	307.952	324.552	690.157	849.689	1,032.541	1,196.643	
Sales and marketing	74.297	77.631	78.198	80.089	85.496	89.633	95.138	96.325	99.809	108.468	115.050	117.370	116.155	121.270	128.342	134.172	310.215	366.592	440.691	499.939	
Research and development	41.804	44.766	46.970	47.407	51.138	52.291	54.617	57.500	58.116	61.824	65.490	67.661	67.883	71.526	75.699	79.778	180.947	215.546	253.092	294.885	
General and administrative	41.066	25.054	27.349	27.880	30.667	30.235	35.775	36.366	37.464	39.744	40.710	40.841	41.635	42.266	41.634	43.515	121.349	133.043	158.759	169.049	
Operating expenses	157.167	147.451	152.517	155.376	167.301	172.159	185.529	190.191	195.389	210.036	221.250	225.871	225.673	235.062	245.673	257.466	612.511	715.180	852.547	963.873	
Operating income	(3.814)	18.172	25.909	37.379	26.122	39.572	31.506	37.309	35.813	42.504	48.675	53.002	45.859	57.546	62.278	67.086	77.646	134.509	179.994	232.769	
Other expense	(12.100)	(12.992)	(12.482)	(11.199)	(11.398)	(12.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(10.677)	(48.773)	(45.429)	(42.708)	(42.708)	
Pretax income	8.286	31.164	38.391	48.578	37.520	52.249	42.183	47.986	46.490	53.181	59.352	63.679	56.536	68.223	72.955	77.763	126.419	179.938	222.702	275.477	
Taxes	4.055	7.317	0.544	(8.122)	8.170	11.322	9.280	10.557	10.228	11.700	13.057	13.997	12.438	15.009	16.050	17.108	3.794	39.329	48.982	60.605	
Net income	4.474	24.522	39.145	56.700	29.350	40.927	32.903	37.429	36.262	41.481	46.295	49.683	44.098	53.214	56.905	60.655	122.625	140.609	173.721	214.872	
Earnings per share	\$0.03	\$0.15	\$0.23	\$0.33	\$0.17	\$0.24	\$0.19	\$0.22	\$0.21	\$0.24	\$0.26	\$0.28	\$0.25	\$0.30	\$0.32	\$0.34	\$0.73	\$0.82	\$0.99	\$1.20	
Diluted shares outstanding	166.924	166.346	167.436	170.094	170.160	170.488	170.988	172.488	173.488	174.488	175.488	176.488	177.488	178.488	179.488	180.488	167.700	171.031	174.988	178.988	
<b>KEY METRICS</b>																					
DSO	72	81	91	113	85	75	75	95	75	75	75	95	75	75	75	95	992.377	1,234.435	1,477.303	1,784.214	
Cash	#####	#####	#####	916.972	992.377	1,104.832	1,165.177	1,186.054	1,234.435	1,325.857	1,356.149	1,397.936	1,477.303	1,591.490	1,635.907	1,691.005	1,784.214	1,784.214	1,784.214	1,784.214	
Billing	164.142	202.567	216.288	283.078	222.190	244.519	252.760	334.062	258.615	293.984	313.523	417.407	309.188	346.290	365.843	497.662	866.075	1,063.532	1,283.529	1,518.983	
Cash flow from operations	38.138	11.697	(177.028)	63.222	106.302	49.369	22.877	50.381	93.422	32.292	43.787	81.367	116.187	46.417	57.098	95.209	(63.971)	228.929	250.869	314.911	
Cash flow per share	\$0.23	\$0.07	(\$1.06)	\$0.37	\$0.62	\$0.29	\$0.13	\$0.29	\$0.54	\$0.19	\$0.25	\$0.46	\$0.65	\$0.26	\$0.32	\$0.53	(\$0.39)	\$1.34	\$1.43	\$1.76	
Capital expenditures	(0.700)	(0.851)	(1.057)	(1.157)	(0.912)	(2.904)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(3.765)	(7.816)	(8.000)	(8.000)	
Free cash flow	17.228	10.846	9.650	62.065	105.390	46.465	20.877	48.381	91.422	30.292	41.787	79.367	114.187	44.417	55.098	93.209	(67.736)	221.113	242.869	306.911	
Free cash flow per share	\$0.10	\$0.07	\$0.06	\$0.36	\$0.62	\$0.27	\$0.12	\$0.28	\$0.53	\$0.17	\$0.24	\$0.45	\$0.64	\$0.25	\$0.31	\$0.52	(\$0.40)	\$1.39	\$1.39	\$1.71	
<b>PERCENT OF REVENUE</b>																					
Subscription - Self-managed and SaaS	89.4%	89.4%	89.4%	87.8%	90.7%	90.1%	90.4%	89.2%	91.2%	91.3%	91.2%	89.9%	92.0%	91.7%	91.8%	90.5%	88.9%	90.1%	90.9%	91.5%	
License - Self-managed and other	10.6%	10.6%	10.6%	12.2%	9.3%	9.9%	9.6%	10.8%	8.8%	8.7%	8.8%	10.1%	8.0%	8.3%	9.5%	11.1%	9.9%	9.1%	8.5%		
Gross margin	90.6%	90.7%	91.0%	91.2%	90.2%	89.7%	91.0%	91.5%	91.5%	91.5%	91.5%	91.5%	90.0%	89.5%	89.5%	90.9%	90.5%	91.5%	89.7%		
Sales and marketing	43.9%	42.5%	39.9%	37.9%	39.9%	38.0%	39.9%	38.5%	39.5%	39.3%	39.0%	38.5%	38.5%	38.5%	38.5%	37.3%	37.3%	37.3%	39.1%	37.5%	
Research and development	24.7%	24.5%	24.0%	22.4%	23.8%	22.2%	22.9%	23.0%	23.0%	22.4%	22.2%	22.2%	22.5%	22.2%	22.0%	22.0%	22.0%	22.0%	23.8%	23.0%	
General and administrative	24.3%	13.7%	14.0%	13.2%	14.3%	12.8%	15.0%	14.5%	14.8%	14.4%	13.8%	13.4%	13.8%	13.0%	12.1%	12.0%	16.0%	14.2%	14.1%	12.7%	
Operating margin	-2.3%	10.0%	13.2%	17.7%	12.2%	16.8%	13.2%	14.9%	14.2%	15.4%	16.5%	17.4%	15.2%	17.7%	18.1%	18.5%	10.2%	14.3%	16.0%	17.5%	
Free cash flow margin	10.2%	5.9%	4.9%	29.4%	49.1%	19.7%	8.8%	19.4%	36.2%	11.0%	14.2%	26.0%	37.8%	13.7%	16.0%	25.7%	23.5%	21.5%	23.0%		
<b>GROWTH Q/Q</b>																					
Subscription - Self-managed and SaaS	36.0%	33.6%	33.8%	30.7%	28.6%	30.3%	23.0%	20.2%	18.5%	18.5%	24.8%	22.9%	20.5%	18.3%	17.5%	19.7%	33.4%	25.3%	21.3%	18.9%	
License - Self-managed and other	14.8%	11.0%	11.3%	18.9%	11.2%	20.0%	10.6%	4.4%	10.9%	3.1%	13.0%	14.0%	8.0%	13.0%	8.0%	12.5%	14.2%	11.0%	10.4%	10.5%	
Total revenue	33.3%	30.8%	31.0%	29.1%	26.8%	29.2%	21.7%	18.2%	17.8%	17.0%	23.7%	21.9%	19.4%	17.8%	16.6%	19.0%	30.9%	23.7%	20.2%	18.2%	
Gross income	2.3%	8.0%	7.7%	8.0%	0.3%	9.5%	2.5%	4.8%	1.6%	9.2%	6.9%	3.3%	-2.6%	7.8%	5.2%	5.4%					
Operating income	-	-	-	42.6%	44.3%	-30.1%	51.5%	-20.4%	18.4%	-4.0%	18.7%	14.5%	8.9%	-13.5%	25.5%	8.2%	7.7%				

Source: Company Reports and RBC Capital Markets estimates

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## Netskope Inc

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: NTSK US; USD 21.91

**Price Target USD 26.00**

#### Key Statistics

Shares O/S (MM):	503.8	Market Cap (MM):	11,038
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,700,777

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
<b>Revenue</b>	538.3	690.5	849.9	1,043.7
<b>EPS, Adj Diluted</b>	(2.90)	(1.21)	(0.47)	(0.25)
<b>P/AEPS</b>	NM	NM	NM	NM
<b>Revenue</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	121.0A	130.3A	138.5A	148.5A
2026	157.7A	170.8A	176.0E	186.0E
2027	193.7E	209.4E	216.8E	230.0E
<b>EPS, Adj Diluted</b>				
2025	(0.81)A	(0.97)A	(0.56)A	(0.57)A
2026	(0.60)A	(0.72)A	(0.25)E	(0.14)E
2027	(0.13)E	(0.12)E	(0.11)E	(0.11)E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base case price target of \$26 by applying an 11.5x multiple to our CY/27 EV/sales estimate. This is a slight discount to leading security and +25%+ growth peers, in our view warranted by the potential for durable 20%+ growth and significant margin expansion as a leader in SSE and SASE. Our price target supports our Outperform rating.

#### Investment summary

- Netskope is a market leader in the SSE/SASE space, and we believe there is ample room to grow between legacy replacement, a growing greenfield opportunity and overall cyber consolidation. As the company continues to gain share in core SASE, we think there is also room for expansion in DLP and an emerging AI security opportunity. We also see a big opportunity for Netskope to leverage its unique architecture and data to roll out new and innovative products.
- The company sizes a large TAM at ~\$149B in 2028 comprised of ~\$75B of greenfield and expansion TAM, ~\$58B in legacy appliance-based solution replacement TAM and ~\$16B in first-gen SASE replacement TAM. We believe future TAM is likely from growth in GenAI/agentic AI usage, which results in more network traffic and complexity.
- The company has a differentiated network through its NewEdge data centers that are available to all customers and can run all products. Netskope has over 120 data centers, 200+ localization zones, and 10K+ network adjacencies across over 75 regions. With all this, Netskope guarantees 99.999% uptime for all inline services. We note this is significantly different than peers who often utilize a combination of co-location data centers and public cloud infrastructure. We also note the company has front-end loaded infrastructure costs which should allow for more efficient product development which could benefit both growth and margins.
- Growth strategy: 1) add new customers; 2) up-sell/cross-sell the customer base; 3) increase focus on the public sector; 4) grow the international business; 5) further drive the domestic business; 6) leverage the partner network; and 7) look to strategic M&A.
- Experienced management team led by co-founders Sanjay Beri, CEO and Krishna Narayanaswamy, CTO with prior experience at Juniper Networks, while Andrew Del Matto, CFO was previously CFO at Citrix Systems, Fortinet and Acting CFO at Symantec.

#### Risks to rating and price target

- Significant competition and alternatives could soften demand or market share gains.
- Growth may decelerate from historical elevated levels and investor expectations.
- Sales cycles can be unpredictable and impact timing/amount of revenue.
- Targeting of large enterprises often includes longer, more complex sales cycles.
- Will need to continue to attract and retain customers.
- History of operating losses with increases in operating expense over the near term.
- AI/ML are integrated across products and may introduce business, compliance and regulatory risks.



- Reliance on partner ecosystem.
- There remains a risk around potential breaches or perceived breaches of the network, systems or data.



## Nutanix, Inc.

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: NTNX US; USD 68.55

**Price Target USD 95.00**

#### Key Statistics

Shares O/S (MM):	295.7	Market Cap (MM):	20,270
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	2,359,512

#### RBC Estimates

FY Jul	2025A	2026E	2027E	2028E
Revenue	2,537.9	2,920.0	3,299.0	3,696.5
EPS, Adj Diluted	1.77	1.91	2.27	2.58
P/AEPS	38.7x	35.9x	30.2x	26.6x
Revenue	Q1	Q2	Q3	Q4
2025	591.0A	654.7A	639.0A	653.3A
2026	675.0E	746.0E	740.0E	759.0E
2027	772.0E	848.0E	830.0E	849.0E
EPS, Adj Diluted	0.42A	0.56A	0.42A	0.37A
2025	0.42E	0.55E	0.48E	0.46E
2027	0.54E	0.65E	0.54E	0.53E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$95 by applying an 8.8x multiple to our CY/26 revenue estimate. Our target multiple is a discount to large cap software peers, which we believe is reasonable as the company exits the subscription transition. Our price target supports an Outperform rating.

#### Investment summary

Nutanix is a market leader in the expanding hyper-converged infrastructure market. The Nutanix platform leverages web-scale engineering and consumer-grade design to converge compute, virtualization, and storage natively into a software-defined solution built on commodity hardware. The result is a lower cost of ownership, cloud-like infrastructure consumption, and the ability to migrate applications from a private cloud to a public cloud or from public cloud to public cloud for a broad range of enterprise applications.

#### Potential catalysts

(1) Secular tailwinds around hybrid multi-cloud and generative AI. (2) A refined go-to-market framework, partnerships with Cisco and cloud providers like AWS and Azure. (3) A displacement opportunity from VMware.

#### Risks to rating and price target

(1) The company has a history of operating losses and may fail to become profitable in the future. (2) Changes in the OEM relationship with Dell. That said, we believe the relationship remains strong, as they recently signed a five-year extension, the purchasing decisions are largely customer-driven, and we believe Nutanix has leading-edge technology. (3) Increased competition from both large legacy infrastructure vendors and emerging pure-play hyper-converged vendors. (4) The pivot to a software-focused model. (5) Hardware supply chain issues could continue to impact results or guidance.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: NTNX (\$M) unless noted	Jul-25A				Jul-26E				Jul-27E				Jul-28E												
	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	Apr-28E	Jul-28E	FY25A	FY26E	FY27E	FY28E	CY24A	CY25E	CY26E	CY27E	
<b>INCOME STATEMENT</b>																									
Product	301.9	354.2	345.5	339.8	350.0	408.0	400.0	403.0	410.0	473.0	448.0	457.0	473.6	544.0	499.5	514.1	1,341.4	1,561.0	1,788.0	2,031.1	1,177.5	1,443.3	1,686.0	1,922.5	
Support and Services	389.0	300.5	292.5	313.5	325.0	338.0	340.0	356.0	362.0	375.0	382.0	392.0	400.0	414.0	422.1	429.2	1,196.6	1,359.0	1,511.0	1,665.4	1,140.7	1,270.0	1,423.0	1,588.0	
Total revenue	591.0	654.7	639.0	653.3	675.0	746.0	740.0	759.0	772.0	848.0	830.0	849.0	873.6	958.0	921.6	943.4	2,537.9	2,920.0	3,299.0	3,696.5	2,318.2	2,713.3	3,119.0	3,510.5	
Total Cost of Revenue	73.9	76.4	75.4	76.5	85.0	89.3	89.6	91.5	95.1	99.5	100.6	105.5	110.2	111.3	113.3	302.2	355.4	396.1	440.3	293.1	326.2	375.6	417.3		
Gross income	517.1	578.3	563.6	576.8	590.0	656.7	650.4	667.5	676.9	748.5	729.4	748.1	768.1	847.7	810.3	830.1	2,235.7	2,564.6	2,902.9	3,256.2	2,025.1	2,387.0	2,743.4	3,093.2	
Sales and marketing	232.7	239.9	240.8	261.8	258.5	272.3	283.4	299.8	281.8	301.0	313.7	329.4	313.6	334.3	344.7	359.4	975.2	1,114.0	1,226.0	1,352.0	939.6	1,033.4	1,166.0	1,291.1	
Research and development	130.4	136.0	144.3	150.8	151.9	156.7	159.8	167.0	163.7	170.4	177.6	180.0	183.4	190.6	195.4	198.1	561.5	635.4	691.7	767.6	515.2	603.6	660.9	731.7	
General and administrative	35.8	41.1	41.4	44.6	44.6	45.1	47.4	49.3	50.2	50.5	52.3	55.2	55.9	56.5	57.1	60.4	163.0	186.4	208.2	229.9	147.0	175.7	197.4	219.9	
Operating expenses	398.9	417.0	426.5	457.2	455.0	474.1	490.6	516.1	495.6	522.0	543.7	564.6	553.0	581.5	597.2	617.9	1,699.6	1,935.8	2,125.9	2,349.6	1,601.8	1,812.7	2,024.4	2,242.7	
Operating income	118.2	161.3	137.1	119.5	135.1	182.6	159.8	151.4	181.3	226.5	185.7	183.5	215.1	266.2	213.1	212.2	535.1	627.9	776.0	905.6	423.3	574.3	719.0	850.5	
Other income	10.4	12.6	18.8	16.8	21.8	21.8	21.8	21.8	23.8	23.8	23.8	25.8	25.8	25.8	25.8	25.8	58.8	87.4	95.4	103.4	53.5	79.4	91.4	99.4	
Pretax income	128.7	173.9	155.9	136.4	156.9	204.5	181.6	173.2	205.1	250.4	209.6	207.3	241.0	292.1	239.0	238.0	594.9	716.2	872.4	1,010.0	476.8	653.6	810.4	949.9	
Taxes	6.9	8.8	31.2	27.3	31.4	40.9	36.3	34.6	41.0	50.1	41.9	41.5	48.2	58.4	47.8	47.6	74.2	143.2	174.5	202.0	28.9	130.7	162.1	190.0	
Net income	121.8	165.1	124.7	109.1	125.5	163.6	145.3	138.6	164.1	200.3	167.6	165.9	192.8	233.7	191.2	190.4	520.7	573.0	697.9	808.0	447.9	522.9	648.3	759.9	
Earnings per share	\$0.42	\$0.56	\$0.42	\$0.37	\$0.42	\$0.55	\$0.48	\$0.46	\$0.54	\$0.65	\$0.54	\$0.62	\$0.75	\$0.61	\$1.77	\$1.91	\$2.27	\$2.58	\$1.53	\$1.76	\$2.14	\$2.45			
Diluted shares outstanding	288.8	293.4	296.8	297.5	296.5	298.5	300.5	302.5	304.5	306.5	308.5	310.5	311.5	312.5	313.5	314.5	294.1	299.5	307.5	313.0	292.2	297.3	303.5	310.7	
<b>KEY METRICS</b>																									
DSO	30	45	38	47	40	55	48	57	50	65	58	67	60	75	68	77	77	1,992.7	2,802.7	3,736.8	4,810.3	1,742.8	2,406.9	3,278.0	4,248.6
Cash	1,075.5	1,742.8	1,882.5	1,992.7	2,202.5	2,406.9	2,582.1	2,802.7	3,016.7	3,278.0	3,471.0	3,736.8	3,977.0	4,248.6	4,491.2	4,810.3	1,992.7	2,802.7	3,736.8	4,810.3	1,742.8	2,406.9	3,278.0	4,248.6	
Cash per share	\$3.72	\$5.94	\$6.34	\$6.70	\$7.43	\$8.06	\$8.59	\$9.27	\$9.91	\$10.70	\$11.25	\$12.04	\$12.77	\$13.60	\$14.33	\$15.30	\$16.78	\$19.36	\$12.15	\$15.37	\$5.96	\$8.10	\$10.80	\$13.67	
Net cash	505.0	401.5	539.9	648.9	858.7	1,063.1	1,238.3	1,458.9	1,672.9	1,934.2	2,127.1	2,393.0	2,633.2	2,904.8	3,147.4	3,466.4	648.9	1,458.9	2,393.0	3,466.4	401.5	1,063.1	1,934.2	2,904.8	
Net cash per share	\$1.75	\$1.37	\$1.82	\$2.18	\$2.90	\$3.56	\$4.12	\$4.82	\$5.49	\$6.31	\$6.90	\$7.71	\$8.45	\$9.30	\$10.04	\$11.02	\$12.21	\$14.87	\$17.78	\$11.08	\$13.37	\$3.58	\$6.37	\$9.35	
Deferred revenue	1,894.4	2,019.5	2,029.2	2,112.8	2,155.0	2,215.3	2,237.5	2,327.0	2,350.3	2,416.1	2,464.4	2,563.0	2,588.6	2,661.1	2,714.3	2,822.9	2,922.0	2,932.0	3,015.1	3,105.5	3,223.5	3,270.0	3,278.0	4,248.6	
Billing	612.6	779.9	648.6	736.8	717.3	806.3	762.3	848.5	795.3	913.8	878.3	947.6	892.0	1,030.4	974.9	1,051.9	2,778.0	3,134.2	3,535.0	3,956.4	2,897.5	3,319.7	3,755.5	4,248.6	
ARR	1,966.1	2,059.5	2,143.0	2,223.2	2,285.4	2,370.0	2,453.0	2,544.9	2,606.0	2,679.0	2,759.4	2,864.2	2,932.0	3,015.1	3,105.5	3,223.5	3,223.2	3,244.9	3,284.2	3,232.5	3,270.0	3,278.0	4,248.6		
Cash flow from operations	161.8	221.7	218.5	219.5	227.8	222.4	193.2	238.6	232.0	238.6	230.9	210.9	238.8	258.2	289.7	260.5	337.1	821.5	882.0	1,006.1	1,145.5	724.5	888.2	943.1	1,042.6
Cash flow per share	\$0.56	\$0.76	\$0.74	\$0.77	\$0.77	\$0.75	\$0.64	\$0.79	\$0.79	\$0.76	\$0.68	\$0.91	\$0.60	\$0.83	\$0.93	\$0.83	\$1.07	\$2.79	\$2.95	\$3.27	\$3.66	\$3.11	\$3.36		
Capital expenditures	(9.8)	(34.6)	(15.1)	(11.8)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)	(18.0)		
Free cash flow	151.9	187.1	203.4	207.8	209.8	204.4	175.2	220.6	214.0	261.3	192.9	265.8	240.2	271.7	242.5	319.1	750.2	810.0	934.1	1,073.5	641.6	825.3	871.1	970.6	
Free cash flow per share	\$0.53	\$0.64	\$0.69	\$0.70	\$0.71	\$0.68	\$0.58	\$0.73	\$0.70	\$0.85	\$0.63	\$0.86	\$0.77	\$0.87	\$0.77	\$1.01	\$2.55	\$2.70	\$3.04	\$3.43	\$2.20	\$2.78	\$2.87		
<b>PERCENT OF REVENUE</b>																									
Product	51.1%	54.1%	54.1%	52.0%	51.9%	54.7%	48.1%	45.3%	45.9%	46.9%	46.9%	46.9%	46.9%	46.9%	46.9%	46.9%	54.2%	54.5%	54.5%	54.5%	54.5%	54.5%	54.5%	54.8%	
Support and Services	48.9%	45.9%	45.9%	48.0%	48.1%	45.3%	45.9%	45.9%	45.9%	46.9%	46.9%	46.9%	46.9%	46.9%	46.9%	46.9%	46.9%	45.8%	45.8%	45.8%	45.8%	45.8%	45.8%	45.8%	
Gross income	87.5%	88.3%	88.2%	87.4%	88.0%	87.9%	87.9%	87.7%	87.7%	88.3%	88.3%	88.3%	88.3%	88.3%	88.3%	88.3%	88.3%	88.1%	88.1%	88.0%	88.0%	88.0%	88.0%	88.0%	
Research and development	22.1%	20.8%	22.6%	23.1%	22.5%	21.0%	21.6%	22.0%	21.2%	20.1%	21.4%	21.2%	21.0%	21.0%	21.0%	21.0%	21.0%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	22.2%	
Sales and marketing	39.4%	36.6%	37.7%	40.1%	38.3%	36.5%	38.3%	39.5%	36.5%	35.5%	37.8%	38.8%	35.9%	34.9%	37.4%	38.4%	38.4%	37.2%	37.2%	36.6%	38.1%	37.4%	36.8%		
General and administrative	6.1%	6.3%	6.5%	6.8%	6.6%	6.1%	6.4%	6.5%	6.5%	6.0%	6.3%	6.5%	6.4%	6.4%	6.4%	6.4%	6.4%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	
Operating income	20.0%	24.6%	21.5%	18.3%	20.0%	24.5%	21.6%	19.9%	23.5%	26.7%	24.0%	26.7%	24.7%	27.8%	23.1%	22.5%	22.5%	21.1%	21.1%	23.5%	24.5%	18.3%	21.2%	24.2%	
Taxes	5.4%	5.1%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	12.5%	20.0%	20.0%	20.0%	6.1%	20.0%	20.0%	
Net income	20.6%	25.2%	19.5%	16.7%	18.6%	19.6%	18.3%	21.3%	23.6%	20.2%	22.1%	24.4%	19.5%	21.2%	21.3%	21.6%	21.6%	21.2%	21.2%	21.9%	19.3%	19.3%	20.8%		
<b>GROWTH Y/Y</b>																									
Product	22.3%	18.2%	35.2%	27.8%	15.9%	15.2%	15.8%	18.6%	17.1%	15.9%	12.0%	13.4%	15.5%	15.0%	11.5%	12.5%	25.6%	16.4%	14.5%	13.6%	17.8%	22.6%	16.8%	14.0%	
Support and Services	9.4%	13.2%	9.1%	11.1%	12.4%	12.5%	13.6%	11.4%	10.9%	12.4%	10.1%	10.5%	10.4%	10.5%	10.7%	13.6%	11.2%	10.2%	11.9%	11.3%	12.8%	10.8%	10.8%		
Total revenue	15.6%</																								



## Okta, Inc.

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: OKTA US; USD 85.58

**Price Target USD 115.00**

#### Key Statistics

Shares O/S (MM):	184.2	Market Cap (MM):	15,764
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	2,019,476

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
EPS, Adj Diluted	2.81	3.35	3.62	3.98
P/AEPS	30.5x	25.5x	23.6x	21.5x
Revenue	2,610.0	2,880.0	3,161.6	3,458.7
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2025	0.65A	0.72A	0.67A	0.78A
2026	0.86A	0.91A	0.75E	0.83E
2027	0.90E	0.94E	0.84E	0.95E
Revenue	2025	617.0A	646.0A	665.0A
2025	617.0A	646.0A	665.0A	682.0A
2026	688.0A	728.0A	729.0E	735.0E
2027	746.0E	784.0E	805.1E	826.5E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$115 by applying a 6x multiple to our CY/26 revenue estimate. Our target multiple is in line with similarly growing SaaS peers, in our view warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

#### Investment summary

We believe Okta is well positioned to capitalize on cloud-based trends in identity.

We believe Okta is well positioned to disrupt an Identity market that could be \$80B with a cloud-based model, as we think identity as a category is well positioned for future growth. While the company started as an SMB provider of single-sign-on (SSO) for the Workforce, it has subsequently moved up-market (vast majority of revenue comes from the enterprise), added the underpenetrated Customer use-case (which could be \$25B of the total TAM), and added significant functionality to further penetrate the Workforce use-case. It also entered the PAM market in CY22 and entered the IGA market in CY23. As such, we believe the company has potential to expand the TAM beyond what legacy vendors could access and further consolidate cloud-based Identity spend, all while continuing to expand profitability.

#### Potential growth catalysts

- Continued cross-sell of products into its SSO base including MFA, IGA, PAM, and others.
- While macro trends could limit the amount of upside in the near term, long-term trends such as cloud adoption, digital transformation, and zero-trust security could become catalysts.
- International expansion remains an underpenetrated opportunity.
- Continued penetration of Customer Identity (CIAM), which can double customer spend when added to Workforce Identity. Auth0 could further accelerate this trend.

#### Risks to rating and price target

- The prior security incident creates a potential reputational risk.
- Operates in a market with competition from larger legacy competitors and new entrants.
- Business is dependent on ability to land new customers and retain and expand within the base.
- Will need to manage growth effectively to maintain customer satisfaction.
- Macros could impact company operations or customer demand, particularly given its small but meaningful exposure to SMB customers.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: OKTA (\$M) unless noted	Jan-25A				Jan-25E			Jan-27E			Jan-28E			FY/25A	FY/26E	FY/27E	FY/28E				
INCOME STATEMENT	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	FY/25A	FY/26E	FY/27E	FY/28E	
Subscription	603.0	632.0	651.0	670.0	673.0	711.0	714.0	721.0	732.0	770.0	791.1	812.5	816.2	847.0	862.3	881.6	2,556.0	2,819.0	3,105.6	3,407.1	
Services	14.0	14.0	14.0	12.0	15.0	17.0	15.0	14.0	14.0	14.0	14.0	13.1	11.5	13.1	14.0	14.0	54.0	61.0	56.0	51.7	
Total revenue	617.0	646.0	665.0	682.0	688.0	728.0	729.0	735.0	746.0	784.0	805.1	826.5	829.2	858.5	875.4	895.6	2,610.0	2,880.0	3,161.6	3,458.7	
Total cost of revenue	113.0	118.0	124.0	124.0	125.0	134.0	136.4	130.8	134.7	141.8	149.2	148.8	147.6	151.9	160.3	160.2	479.0	526.2	574.5	619.9	
Gross income	503.0	528.0	541.0	558.0	563.0	594.0	592.6	604.2	611.3	642.3	655.9	677.7	681.7	706.7	715.1	735.4	2,131.0	2,353.8	2,587.2	2,838.8	
Sales and marketing	199.0	196.0	215.0	196.0	198.0	205.0	233.3	218.4	211.9	219.5	254.4	244.6	230.8	235.6	271.1	259.8	806.0	854.7	930.4	997.2	
Research and development	100.0	108.0	109.0	108.0	107.0	109.0	116.6	115.4	117.1	120.0	125.6	126.5	128.9	130.0	130.2	135.7	425.0	448.0	489.1	529.8	
General and administrative	71.0	76.0	79.0	86.0	74.0	78.0	81.6	82.3	83.6	87.8	87.8	85.1	92.9	96.2	95.4	92.2	312.0	316.0	344.2	376.7	
Operating expenses	370.0	380.0	403.0	390.0	379.0	392.0	431.6	416.2	412.5	427.3	467.8	456.2	452.6	461.8	501.7	487.7	1,543.0	1,618.7	1,763.8	1,903.7	
Operating income	133.0	148.0	138.0	168.0	184.0	202.0	161.0	188.1	198.7	215.0	188.2	221.5	229.1	244.9	213.4	247.7	588.0	735.1	823.3	935.1	
Other income	25.0	29.0	26.0	23.0	30.0	26.0	25.5	22.0	30.0	26.0	25.5	22.0	30.0	26.0	25.5	22.0	103.0	103.5	103.5	103.5	
Pretax income	158.0	177.0	164.0	191.0	214.0	228.0	186.5	210.1	228.7	241.0	213.7	243.5	259.1	270.9	238.9	269.7	691.0	838.6	926.8	1,038.6	
Taxes	41.0	46.0	43.0	50.0	56.0	59.0	48.5	54.6	59.5	62.7	55.5	63.3	67.4	70.4	62.1	70.1	180.0	218.1	241.0	270.0	
Net income	117.0	131.0	121.0	141.0	158.0	169.0	138.0	155.4	169.2	178.3	158.1	180.2	191.7	190.5	176.8	199.6	511.0	620.5	685.9	768.6	
Earnings per share	\$0.65	\$0.72	\$0.67	\$0.78	\$0.86	\$0.91	\$0.75	\$0.83	\$0.90	\$0.94	\$0.84	\$0.95	\$1.00	\$1.04	\$0.91	\$1.03	\$2.81	\$3.35	\$3.62	\$3.98	
Diluted shares outstanding	180.4	181.4	181.6	181.6	185.2	185.2	186.2	188.2	189.2	190.2	192.2	193.2	194.2	191.6	185.0	189.2	193.2	180.0	189.2	193.2	193.2
KEY METRICS																					
DSO	45	53	63	82	45	52	67	91	47	54	69	93	49	55	71	95	3,264.3	3,532.4	4,491.3	5,491.3	
Cash	2,320.0	2,358.0	2,248.0	2,523.0	2,725.0	2,858.0	3,011.2	3,264.3	3,532.4	3,716.6	3,897.1	4,164.4	4,491.3	4,676.7	4,870.9	5,148.8	2,523.0	3,264.3	3,532.4	4,491.3	
Debt	1,155.0	1,113.0	858.0	858.0	858.0	858.0	849.0	830.0	829.0	819.0	809.0	799.0	789.0	779.0	769.0	759.0	858.0	830.0	829.0	789.0	
cRPO	1,949.0	1,995.0	2,062.0	2,248.0	2,227.0	2,265.0	2,262.5	2,439.9	2,429.4	2,475.0	2,510.0	2,717.5	2,696.5	2,739.8	2,776.6	2,973.7	2,248.0	2,439.9	2,717.5	2,973.7	
Deferred revenue	1,410.0	1,415.0	1,440.0	1,718.0	1,582.0	1,574.0	1,608.6	1,914.0	1,798.7	1,819.4	1,852.2	2,164.7	2,034.2	2,057.7	2,094.7	2,406.6	1,718.0	1,914.0	1,798.7	2,034.2	
Calculated billings	516.7	651.8	690.8	960.9	552.8	720.8	764.4	1,041.3	631.5	805.5	838.7	1,139.8	699.6	882.8	913.2	1,208.3	2,820.2	3,079.3	3,415.5	3,704.0	
Cash flow from operations	219.0	86.0	159.0	286.0	241.0	167.0	157.5	257.5	272.6	188.9	185.0	271.9	331.5	190.2	198.9	282.7	750.0	823.0	918.4	1,003.2	
Cash flow per share	\$1.21	\$0.47	\$0.87	\$1.58	\$1.32	\$0.90	\$0.85	\$1.38	\$1.45	\$1.00	\$0.98	\$1.43	\$1.72	\$0.98	\$1.03	\$1.46	\$4.13	\$4.45	\$4.85	\$5.19	
Capital expenditures	(1.0)	(5.0)	(1.0)	(1.0)	(1.0)	(2.0)	(1.3)	(1.4)	(1.5)	(1.6)	(1.6)	(1.6)	(1.7)	(1.7)	(1.7)	(1.8)	(8.0)	(5.7)	(6.3)	(6.9)	
Free cash flow	214.0	78.0	154.0	284.0	238.0	162.0	153.2	253.1	268.1	184.2	180.5	267.3	326.8	185.4	194.1	277.9	730.0	806.3	900.1	984.4	
Free cash flow per share	\$1.19	\$0.43	\$0.85	\$1.56	\$1.30	\$0.87	\$0.83	\$1.36	\$1.42	\$0.97	\$0.95	\$1.41	\$1.70	\$0.96	\$1.00	\$1.43	\$4.02	\$4.36	\$4.76	\$5.09	
PERCENT OF REVENUE																					
Subscription	97.7%	97.8%	99.2%	97.8%	97.7%	97.9%	98.1%	98.1%	98.2%	98.3%	98.3%	98.4%	98.4%	98.7%	98.5%	98.4%	97.9%	97.9%	98.2%	98.5%	
Services	2.3%	2.2%	2.1%	1.8%	2.2%	2.3%	2.1%	1.9%	1.9%	1.8%	1.7%	1.7%	1.6%	1.6%	1.3%	1.3%	1.6%	2.1%	1.8%	1.5%	1.5%
Subscription gross margin	83.6%	83.7%	83.1%	83.4%	83.8%	83.8%	83.8%	83.1%	83.9%	83.6%	83.5%	83.5%	83.5%	83.6%	83.5%	83.5%	83.5%	83.5%	83.7%	83.4%	83.4%
Services gross margin	0.0%	-7.1%	0.0%	-8.3%	-6.7%	-11.8%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-5.0%	-3.7%	-7.3%	-5.0%	-5.0%
Gross margin	81.5%	81.7%	81.4%	81.8%	81.8%	81.6%	81.6%	82.2%	81.9%	81.9%	81.5%	82.0%	82.2%	81.7%	82.1%	81.7%	81.7%	81.7%	81.7%	81.7%	81.7%
Sales and marketing	32.3%	30.3%	32.3%	28.7%	28.8%	28.2%	32.0%	29.7%	28.4%	28.0%	31.6%	29.6%	27.8%	27.4%	31.0%	29.0%	30.9%	29.7%	29.4%	28.8%	28.8%
Research and development	16.2%	16.7%	16.4%	15.8%	15.6%	15.0%	16.0%	15.7%	15.3%	15.6%	15.3%	15.3%	15.4%	15.4%	15.1%	15.1%	15.3%	15.6%	15.5%	15.3%	15.3%
General and administrative	11.5%	11.8%	11.9%	12.6%	10.8%	10.7%	11.2%	11.2%	11.2%	10.9%	10.3%	10.3%	11.2%	11.2%	10.9%	10.3%	12.0%	11.0%	10.9%	10.9%	10.9%
Operating income	21.6%	22.9%	20.8%	24.6%	26.7%	27.7%	22.1%	25.6%	26.6%	27.4%	23.4%	26.8%	27.6%	24.4%	27.7%	27.7%	22.5%	25.5%	26.0%	27.0%	27.0%
Taxes	25.9%	26.0%	26.2%	26.2%	26.5%	25.9%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Net income	19.0%	20.3%	18.2%	20.7%	23.0%	23.2%	18.9%	21.1%	22.7%	19.6%	21.8%	23.1%	23.3%	20.2%	19.6%	21.7%	21.5%	21.7%	22.2%	22.2%	22.2%
Free cash flow	34.7%	12.1%	23.2%	41.6%	34.6%	22.3%	21.0%	34.4%	35.9%	23.5%	22.4%	32.3%	39.4%	21.6%	22.2%	31.0%	28.0%	28.5%	28.5%	28.5%	28.5%
GROWTH Y/Y																					
Subscription	19.9%	16.6%	14.4%	13.4%	11.6%	12.5%	9.7%	7.6%	8.8%	8.3%	10.8%	12.7%	11.5%	10.0%	9.0%	8.5%	292.6%	10.3%	10.2%	9.7%	
Services	-6.7%	0.0%	-6.7%	-14.3%	25.0%	13.3%	-11.8%	-6.7%	0.0%	0.0%	0.0%	0.0%	-6.7%	-17.6%	-6.7%	-6.7%	285.7%	13.0%	-8.2%	-7.7%	
Total revenue	19.1%	16.2%	13.9%	12.7%	11.5%	12.7%	9.6%	7.8%	8.4%	7.7%	10.4%	12.5%	11.2%	9.5%	8.7%	8.4%	292.5%	10.3%	9.8%	9.4%	
Gross income	23.6%	18.9%	14.4%	13.0%	11.9%	12.5%	9.5%	8.3%	8.6%	8.1%	10.7%	12.2%	11.5%	10.0%	9.5%	8.5%	293.9%	10.5%	9.9%	9.7%	
Operating income	-	150.8%	-	30.2%	38.3%	36.5%	16.7%	11.9%	8.0%	6.4%	16.9%	17.8%	15.3%	13.9%	13.4%	11.8%	326.1%	25.0%	12.0%	13.6%	
Net income	216.2%	133.9%	53.2%	24.8%	35.0%	29.0%	14.1%	10.2%	7.1%	5.5%	14.5%	15.9%	13.3%	12.4%	11.8%	10.8%	322.3%	21.4%	10.5%	12.1%	
cRPO	14.6%	12.6%	12.9%	15.2%	14.3%	13.5%	9.7%	8.5%	9.1%	9.3%	10.9%	11.4%	11.0%	10.7%	10.6%	9.4%	15.2%	8.5%	11.4%	9.4%	
Deferred revenue	18.8%	13.9%	13.0%	13.7%	12.2%	11.2%	11.7%	11.4%	13.7%	15.6%	15.1%	13.1%	13.1%	13.1%	11.2%	11.2%	19.3%	11.4%	-6.0%	13.1%	
Calculated billings	16.0%	6.6%	12.0%	14.0%	7.0%	10.6%	10.7%	8.4%	14.2%	11.8%	9.7%	9.5%	10.8%	9.6%	8.9%	6.0%	308.2%	9.2%	10.9%	8.4%	
Subscription	2.0%	4.8%	3.0%	2.9%	0.4%	5.6%	0.4%	1.0%	1.5%</												



## PagerDuty, Inc.

Matthew Hedberg (Analyst)

### Outperform

NYSE: PD US; USD 16.11

Price Target USD 18.00

#### Key Statistics

Shares O/S (MM):	103.5	Market Cap (MM):	1,667
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,893,315

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
Revenue	467.5	495.0	528.5	560.2
EPS, Adj Diluted	0.85	1.02	1.14	1.20
P/AEPS	19.0x	15.8x	14.1x	13.4x
Revenue	Q1	Q2	Q3	Q4
2025	111.2A	115.9A	118.9A	121.4A
2026	119.8A	123.4A	125.0E	126.8E
2027	126.5E	130.0E	133.0E	139.0E
EPS, Adj Diluted				
2025	0.17A	0.21A	0.25A	0.22A
2026	0.24A	0.30A	0.25E	0.23E
2027	0.26E	0.30E	0.29E	0.28E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

To derive our \$18 price target, we apply a 3x EV/S multiple to CY/26E revenue, in line with SaaS peers. Our price target supports our Outperform rating.

#### Investment summary

##### High-level thesis of PagerDuty

PagerDuty was founded in 2009 by three former Amazon developers who experienced first hand the challenges of providing on-call support for their applications. The inefficiencies of existing solutions and lack of formalized solutions negatively impacted their work/life balance. Although a majority of their revenue comes from on-call management, the platform has been extended with more than 300 ecosystem partners with deep integrations allowing customers to see faster time to value with complete visibility into virtually any software-enabled system or device. The integrations have allowed PagerDuty to see billions of digital signals per day with 10 years of operating history. Machine learning platforms are only as strong as their data set, which we view as a competitive differentiation combined with human response data to enable intelligent real-time responses for customers. Based on these capabilities, we believe the company has the opportunity to move into other areas of an organization beyond IT on-call management such as customer service, security, business operations, and industrial operations. Overall we like the company and opportunity.

#### Potential catalysts

- 1) Acquiring new customers more quickly than expected; 2) up-selling its base with solutions beyond on-call management, which would show up as higher/maintained net-retention rate; 3) new solution introduction that expands the TAM; 4) leveraging both direct and indirect channel investments; and 5) additional global expansion.

#### Risks to rating and price target

- 1) Revenue growth is tied to net-retention rates and assumes growth in existing customers; 2) the company is +99% subscription, increasing the importance of managing renewals; 3) this is a rapidly growing and attractive market with an evolving competitive environment; 4) macros could impact company operations or customer demand.

Ticker: PD (\$M) unless noted	Jan-25A				Jan-25E			Jan-27E				Jan-28E				FY/25A	FY/26E	FY/27E	FY/28E	
INCOME STATEMENT	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	FY/25A	FY/26E	FY/27E	FY/28E
Total revenue	111.2	115.9	118.9	121.4	119.8	123.4	125.0	126.8	126.5	130.0	133.0	139.0	134.1	137.8	141.0	147.3	467.5	495.0	528.5	560.2
Total cost of revenue	15.1	16.3	16.6	16.4	16.8	17.2	17.5	17.7	17.7	18.2	18.6	19.5	18.8	19.3	19.7	20.6	64.4	69.2	74.0	78.4
Gross income	96.0	99.7	102.3	105.0	103.0	106.3	107.5	109.0	108.8	111.8	114.4	119.5	115.3	118.5	121.2	126.7	403.1	425.8	454.5	481.8
Sales and marketing	39.7	42.1	40.9	44.5	40.8	38.4	43.0	45.4	43.0	41.6	45.0	48.4	45.2	43.7	47.2	50.8	167.2	167.6	177.9	186.9
Research and development	25.6	22.8	22.3	23.5	22.3	21.1	22.5	23.5	23.5	22.8	22.9	25.0	24.8	24.0	24.1	26.4	94.2	89.4	94.2	99.3
General and administrative	15.3	14.7	14.2	14.7	15.6	15.3	15.7	15.7	16.1	15.7	16.0	17.0	16.9	16.5	16.8	17.8	59.0	62.3	64.7	68.0
Operating expenses	80.7	79.6	77.3	82.7	78.7	74.8	81.2	84.5	82.6	80.1	83.8	90.4	86.9	84.2	88.1	95.0	320.4	319.3	336.8	354.2
Operating income	15.3	20.1	25.0	22.3	24.4	31.4	26.3	24.5	26.2	31.7	30.6	29.2	28.4	34.3	33.1	31.7	82.7	106.6	117.7	127.5
Other income	5.4	6.2	5.8	3.2	4.7	4.8	4.0	2.5	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	20.6	16.0	20.0	20.0
Pretax income	20.7	26.3	30.7	25.5	29.0	36.2	30.3	27.0	31.2	36.7	35.6	34.2	33.4	39.3	38.1	36.7	103.3	122.5	137.7	147.5
Taxes	4.7	6.0	7.0	5.1	6.3	7.9	6.7	5.9	6.9	8.1	7.8	7.5	7.4	8.6	8.4	8.1	22.9	26.9	30.3	32.5
Net income	16.0	20.3	23.7	20.3	22.7	28.3	23.6	21.1	24.3	28.6	27.8	26.7	26.1	30.7	29.7	28.6	80.4	95.6	107.4	115.1
Earnings per share	\$0.17	\$0.21	\$0.25	\$0.22	\$0.24	\$0.30	\$0.25	\$0.23	\$0.26	\$0.30	\$0.29	\$0.28	\$0.27	\$0.32	\$0.31	\$0.30	\$0.85	\$1.02	\$1.14	\$1.20
Diluted shares outstanding	96.1	96.2	94.0	93.0	93.7	94.2	94.0	93.5	93.9	94.3	94.7	95.1	95.5	95.9	96.3	96.7	94.8	93.8	94.5	96.1
KEY METRICS																				
DSO	63	52	57	80	60	51	74	79	65	80	74	79	65	80	74	79	120.2	132.1	144.0	
EBITDA	20.6	25.3	30.1	27.3	28.3	34.5	29.5	27.8	29.6	35.3	34.3	33.0	32.3	38.4	37.3	36.0	103.3	121.2	133.1	144.0
EBITDA margin	18.5%	21.8%	25.3%	22.5%	23.6%	28.0%	23.6%	21.9%	23.4%	27.1%	25.8%	23.7%	24.1%	27.8%	26.5%	24.4%	22.1%	24.3%	25.0%	25.7%
Cash	593.8	599.3	542.2	570.8	597.1	567.9	588.3	633.7	664.9	701.4	728.7	779.2	814.1	852.8	882.5	938.9	570.8	633.7	779.2	938.9
Deferred revenue	223.6	217.9	216.7	245.8	239.7	229.9	236.869	271.2	266.3	260.9	303.9	298.4	292.4	293.8	294.2	338.3	245.8	271.2	303.9	338.3
Billing	106.7	110.0	117.9	150.5	113.4	113.9	132.0	161.1	121.6	124.7	133.0	182.0	128.6	131.8	141.0	193.3	485.2	520.3	561.2	594.7
Cash flow from operations	28.6	35.8	22.1	31.4	30.7	34.0	22.3	47.3	33.1	38.5	29.3	52.6	36.9	40.8	31.8	58.6	117.9	134.2	153.5	168.1
Cash flow per share	\$0.30	\$0.37	\$0.23	\$0.34	\$0.33	\$0.36	\$0.24	\$0.51	\$0.35	\$0.41	\$0.31	\$0.55	\$0.39	\$0.43	\$0.33	\$0.61	\$1.24	\$1.43	\$1.62	\$1.75
Capital expenditures	(0.5)	(0.6)	(0.6)	(1.1)	(0.4)	(0.9)	(1.9)	(1.9)	(1.9)	(2.0)	(2.0)	(2.0)	(2.0)	(2.1)	(2.1)	(2.2)	(2.8)	(5.1)	(7.9)	(8.4)
Free cash flow	27.1	33.3	19.4	28.6	29.0	30.2	20.5	45.4	31.2	36.5	27.3	50.5	34.9	38.7	29.7	56.4	108.4	125.0	145.5	159.7
Free cash flow per share	\$0.28	\$0.35	\$0.21	\$0.31	\$0.31	\$0.32	\$0.22	\$0.49	\$0.33	\$0.39	\$0.29	\$0.53	\$0.37	\$0.40	\$0.31	\$0.58	\$1.14	\$1.33	\$1.54	\$1.66
PERCENT OF REVENUE																				
Gross margin	86.4%	86.0%	86.0%	86.5%	86.0%	86.1%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.0%	86.2%	86.0%	86.0%	86.0%
Sales and marketing	35.7%	36.3%	34.4%	36.6%	34.1%	31.1%	34.4%	35.8%	34.0%	32.0%	33.8%	34.8%	33.7%	31.7%	33.5%	34.5%	35.8%	33.9%	33.7%	33.4%
Research and development	23.1%	19.6%	18.7%	19.3%	18.6%	17.1%	18.0%	18.5%	18.6%	17.5%	17.2%	18.0%	18.5%	17.4%	17.1%	17.9%	20.1%	18.1%	17.8%	17.7%
General and administrative	13.8%	12.7%	11.9%	12.1%	13.0%	12.4%	12.6%	12.4%	12.4%	12.7%	12.1%	12.0%	12.2%	12.6%	12.0%	11.9%	12.1%	12.6%	12.2%	12.1%
Operating income	13.8%	17.3%	21.0%	18.3%	20.3%	25.4%	21.0%	19.3%	20.7%	24.4%	23.0%	21.0%	21.2%	24.9%	23.5%	21.5%	21.7%	21.5%	22.3%	22.8%
Taxes	22.8%	22.8%	22.8%	20.2%	21.8%	21.9%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.2%	21.9%	22.0%
Net income	14.4%	17.5%	19.9%	16.7%	18.9%	22.9%	18.9%	16.6%	19.2%	22.0%	20.9%	19.2%	19.4%	22.3%	21.1%	19.4%	17.2%	19.3%	20.3%	20.5%
Free cash flow	24.4%	28.7%	16.3%	23.5%	24.2%	24.5%	16.4%	35.8%	24.7%	28.1%	20.5%	36.3%	26.0%	28.1%	21.1%	38.3%	23.2%	27.5%	28.5%	
GROWTH Y/Y																				
Total revenue	7.7%	7.7%	9.4%	9.3%	7.8%	6.4%	5.1%	4.4%	5.6%	5.3%	6.4%	9.6%	6.0%	6.0%	6.0%	8.5%	5.9%	6.8%	6.0%	
Gross income	7.3%	8.2%	10.1%	10.7%	7.3%	6.6%	5.0%	3.8%	5.6%	5.2%	6.4%	9.6%	6.0%	6.0%	6.0%	9.1%	5.6%	6.7%	6.0%	
Operating income	-4.5%	40.7%	66.3%	102.2%	-	56.2%	-	10.0%	7.5%	1.0%	16.3%	19.2%	8.6%	8.2%	8.3%	8.5%	46.7%	28.8%	10.4%	8.4%
Net income	-17.1%	11.5%	23.6%	28.3%	41.7%	39.1%	-0.4%	3.6%	7.3%	1.3%	17.5%	26.6%	7.2%	7.1%	7.3%	11.7%	19.0%	12.3%	7.2%	
Deferred revenue	10.8%	10.8%	10.3%	-	7.2%	5.5%	9.3%	10.3%	11.1%	13.5%	10.2%	12.1%	12.1%	12.1%	11.3%	7.7%	10.3%	12.1%	11.3%	
Billing	11.2%	7.4%	8.5%	6.2%	6.2%	3.5%	11.9%	7.0%	7.2%	9.5%	0.8%	13.0%	5.8%	5.7%	6.0%	6.2%	8.1%	7.2%	7.9%	6.0%
TTM billings	NA	NA	NA	NA	7.0%	6.1%	7.0%	7.2%	7.5%	8.8%	6.0%	7.9%	7.5%	6.7%	8.0%	6.0%	8.1%	7.2%	7.9%	6.0%
GROWTH Q/Q																				
Total revenue	0.0%	4.3%	2.6%	2.1%	-1.4%	3.0%	1.3%	1.4%	-0.2%	2.8%	2.3%	4.5%	-3.5%	2.8%	2.3%	4.5%				
Gross income	1.2%	3.8%	2.7%	2.6%	-1.9%	3.1%	1.2%	1.4%	-0.2%	2.8%	2.3%	4.5%	-3.5%	2.8%	2.3%	4.5%				
Operating income	39.2%	31.2%	24.3%	-10.9%	9.4%	28.9%	-16.3%	-6.8%	6.9%	21.1%	-3.6%	-4.6%	-2.6%	20.7%	-3.4%	-4.4%				
Net income	1.1%	27.0%	16.7%	-14.3%	11.6%	24.7%	-16.4%	-10.9%	15.5%	17.7%	-3.1%	-3.9%	-2.2%	17.6%	-3.0%	-3.8%				
Deferred revenue	-	-2.6%	-0.5%	13.4%	-2.5%	3.0%	14.5%	-1.8%	-2.0%	0.0%	16.5%	-1.8%	-2.0%	0.0%	15.7%					
Billing	-24.7%	3.1%	7.1%	27.7%	-24.7%	0.4%	15.9%	22.1%	-24.5%	2.5%	6.7%	36.8%	-29.3%	2.5%	7.0%	37.1%				

Source: Company Reports and RBC Capital Markets estimates

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## Palo Alto Networks, Inc.

Matthew Hedberg (Analyst)

### Outperform

NYSE: PANW US; USD 218.27

Price Target USD 250.00 ↑ 232.00

#### Key Statistics

Shares O/S (MM):	728.5	Market Cap (MM):	159,010
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	4,761,514

#### RBC Estimates

FY Jul	2025A	2026E	2027E	2028E
Revenue	9,221.5	10,500.7	11,930.0	13,360.7
EPS, Ops Diluted	3.34	3.80	4.33	4.81
P/E	65.4x	57.4x	50.4x	45.4x
Revenue	Q1	Q2	Q3	Q4
2025	2,138.8A	2,257.4A	2,289.0A	2,536.3A
2026	2,460.0E	2,576.4E	2,602.6E	2,861.7E
2027	2,789.1E	2,912.5E	2,965.1E	3,263.3E
EPS, Ops Diluted				
2025	0.78A	0.81A	0.80A	0.95A
2026	0.89E	0.93E	0.92E	1.06E
2027	1.01E	1.04E	1.05E	1.23E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

Our \$250 price target assumes that shares trade at an EV/FCF multiple of 41.5x our CY/26 estimate, a slight premium to LC peers. Our price target and multiple reflect our confidence in the momentum of next-gen billings and durability of network security given improved consistency as well as new visibility provided for the strategic outlook. The implied return to our price target supports our Outperform rating.

#### Investment summary

Palo Alto Networks is a provider of next-generation network and endpoint security. The company should be able to grow into a growing network and endpoint security market by expanding within its customer base while increasing its reach to new customers through a larger portfolio, geographical expansion, and share shift. We view Palo Alto as well positioned to benefit from an increasingly complex security and threat landscape and as an industry leader in security.

#### Growth drivers

- Above-market growth opportunity by taking share from legacy security vendors, which could be aided by platformization deals.
- Land, expand, and retain strategy for maximizing value from existing install base.
- Potential market gains from a disruptive subscription business.
- International growth opportunities.
- Opportunity for margin expansion through economies of scale.
- Benefits from the increased focus on data security due to ongoing breaches and increased regulation.

#### Risks to rating and price target

- Improvements around the product line and impact from sales incentives to drive product growth are taking longer than expected.
- The macro environment remains uncertain; although the security market remains robust, a slowdown in global activity could hinder results.
- Dependency on channel partners is significant and concentrated among several large global distributors.
- Palo Alto could face increased competition as it continues to take share either from legacy providers or new entrants to the security market.
- The company could encounter operational difficulties as it attempts to continue to rapidly increase in scale.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: PANW (\$M) unless noted	Jul-25A				Jul-26E			Jul-27E				Jul-28E				FY25A	FY26E	FY27E	FY28E	CY24A	CY25E	CY26E	CY27E		
	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	Apr-28E	Jul-28E									
<b>INCOME STATEMENT</b>																									
Product	353.8	421.5	452.7	573.9	424.6	488.9	513.8	625.6	458.5	518.3	542.1	669.3	486.0	544.2	569.2	709.5	1,801.9	2,052.9	2,188.2	2,308.9	1,646.8	1,940.1	2,116.2	2,241.6	
Subscription and Support	1,785.0	1,835.9	1,836.3	1,962.4	2,035.4	2,087.4	2,088.8	2,236.2	2,330.6	2,394.3	2,423.0	2,593.9	2,633.6	2,717.5	2,750.1	2,950.6	7,419.6	8,447.8	9,741.8	11,051.8	6,923.7	7,921.6	9,049.8	10,368.0	
Total revenue	2,138.8	2,257.4	2,289.0	2,536.3	2,460.0	2,576.4	2,602.6	2,861.7	2,789.1	2,912.5	2,965.1	3,263.3	3,119.6	3,261.7	3,319.3	3,660.1	9,221.5	10,500.7	11,930.0	13,360.7	8,570.5	9,861.7	11,166.0	12,609.6	
Cost of product	71.8	98.2	97.6	133.0	84.9	97.8	102.8	125.1	91.7	103.7	108.4	133.9	97.2	108.8	113.8	141.9	400.6	410.6	437.6	461.8	346.2	413.3	423.2	448.3	
Cost of services	413.3	430.5	450.9	480.9	488.5	501.0	501.3	536.7	547.7	562.7	569.4	609.6	618.9	638.6	646.3	693.4	1,775.6	2,027.5	2,289.3	2,597.2	1,619.0	1,921.3	2,148.3	2,436.5	
Total cost of revenue	485.1	528.7	548.5	613.9	573.4	598.8	604.1	661.8	639.4	666.3	677.8	743.4	716.1	747.4	760.1	835.3	2,176.2	2,438.0	2,727.0	3,058.9	1,965.2	2,334.6	2,571.6	2,884.8	
Gross profit	1,653.7	1,728.7	1,740.5	1,922.4	1,886.6	1,977.6	1,998.5	2,199.9	2,149.7	2,246.2	2,287.3	2,519.8	2,403.5	2,514.2	2,559.2	2,824.8	7,045.3	8,062.6	9,203.0	10,301.7	6,605.3	7,527.1	8,594.4	9,724.8	
Research and development	338.0	356.5	352.9	358.7	386.3	404.3	406.0	440.7	432.3	451.4	444.8	456.9	477.3	499.0	491.3	505.1	1,406.1	1,637.3	1,785.4	1,972.7	1,365.1	1,502.2	1,730.5	1,878.0	
Sales and marketing	626.0	648.9	679.3	709.0	699.9	727.8	757.4	789.8	794.9	833.0	868.8	913.7	881.9	923.5	964.9	1,016.4	2,663.2	2,974.9	3,410.4	3,788.6	2,566.8	2,816.0	3,175.1	3,589.7	
General and administrative	73.5	82.9	81.2	86.5	83.3	93.3	85.9	94.4	93.1	101.9	97.8	104.4	101.0	110.9	106.2	113.5	324.1	357.0	397.3	431.5	320.6	344.3	375.3	414.1	
Operating expenses	1,037.5	1,088.3	1,113.4	1,154.2	1,169.5	1,225.4	1,249.3	1,325.0	1,320.3	1,386.4	1,411.4	1,475.0	1,460.2	1,535.3	1,562.4	1,635.0	4,393.4	4,969.1	5,593.0	6,192.8	4,252.5	4,662.5	5,280.9	5,881.8	
Operating income	616.2	640.4	627.1	768.2	717.1	752.1	749.3	874.9	829.4	859.9	875.9	1,044.8	943.3	979.0	996.8	1,189.8	2,650.9	3,092.5	3,609.0	4,107.9	2,352.8	2,864.6	3,313.5	3,843.0	
Other income	83.3	85.3	92.4	94.8	97.0	96.0	96.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	355.8	385.0	400.0	400.0	326.3	380.2	392.0	400.0	
Pretax income	698.8	725.1	719.0	862.9	814.0	847.6	844.8	970.4	928.9	959.4	975.4	1,144.3	1,042.8	1,078.5	1,096.3	1,289.3	3,005.8	3,476.9	4,008.0	4,506.9	2,676.6	3,243.6	3,703.5	4,241.0	
Taxes	153.9	159.4	158.1	189.9	179.1	186.5	185.9	213.5	204.4	211.1	214.6	251.8	229.4	237.3	241.2	283.7	661.3	764.9	881.8	991.5	588.9	713.6	814.8	933.0	
Net income	544.9	565.7	560.9	673.0	634.9	661.2	658.9	756.9	724.6	748.3	760.8	892.6	813.4	842.1	855.1	1,005.7	2,344.5	2,712.0	3,126.3	3,515.4	2,087.7	2,530.0	2,888.8	3,308.0	
Earnings per share	\$0.78	\$0.81	\$0.80	\$0.95	\$0.89	\$0.93	\$0.92	\$1.06	\$1.01	\$1.04	\$1.05	\$1.23	\$1.12	\$1.17	\$1.37	\$3.34	\$3.80	\$4.33	\$4.81	\$3.00	\$3.57	\$4.03	\$4.56		
Diluted shares outstanding	697.2	700.3	700.8	706.9	710.5	713.5	715.5	719.1	722.1	722.1	724.1	730.1	736.1	701.3	713.3	721.9	731.6	695.2	707.9	717.6	725.9				
<b>KEY METRICS</b>																									
DSO	48	60	77	105	55	65	75	108	57	68	78	110	57	68	78	110	57	68	14,184.4	17,969.8	7,792.7	10,018.8	12,924.2	16,703.0	
Cash	7,510.7	7,792.7	8,452.5	8,458.8	9,752.5	10,018.8	10,330.8	11,020.8	12,555.8	12,924.2	13,358.5	14,184.4	16,204.0	16,703.0	17,286.9	17,969.8	8,458.8	11,020.8	14,184.4	17,969.8	7,792.7	10,018.8	12,924.2	16,703.0	
Deferred revenue	11,093.6	11,262.4	11,573.6	12,751.9	12,461.7	12,648.6	12,990.2	14,223.5	14,081.3	14,221.4	14,506.5	15,884.1	15,725.2	15,882.5	16,200.1	17,747.0	12,751.9	14,223.5	15,884.1	17,747.0	11,262.4	12,648.6	14,221.1	15,882.5	
Current billings	2,105.4	2,349.6	2,445.9	3,081.7	2,460.0	2,670.9	2,781.7	3,453.5	2,717.4	2,983.5	3,108.4	3,921.2	3,039.9	3,340.6	3,478.6	4,399.6	9,982.6	11,366.1	12,730.5	14,258.7	9,252.3	10,658.5	11,932.2	13,410.1	
Billings	1,751.9	2,426.2	2,600.2	3,714.6	2,169.8	2,763.3	2,944.3	4,095.0	2,646.9	3,035.4	3,249.5	4,640.8	2,960.7	3,418.9	3,636.9	5,207.0	10,492.9	11,972.3	13,590.6	15,223.6	10,014.5	11,247.8	12,739.5	14,270.0	
NGS ARR	4,520.0	4,780.0	5,090.0	5,580.0	5,830.0	6,126.4	6,491.4	7,050.0	7,275.0	7,608.5	8,038.2	8,661.6	9,239.2	9,745.2	10,440.8	5,580.0	7,050.0	8,661.6	10,440.8	4,780.0	6,126.4	7,608.5	9,239.2		
RPO (\$B)	12.6	13.0	13.5	15.8	15.5	15.9	16.1	18.7	18.2	18.6	19.8	21.9	21.6	21.9	25.1	15.8	21.9	25.1	31.3	13.0	15.9	18.6	21.6		
cRPO (\$B)	5.9	6.1	6.2	7.0	7.0	7.1	7.3	8.4	8.2	8.4	8.5	9.8	9.5	9.7	9.8	11.3	9.8	11.3	6.1	7.1	8.4	9.7	9.7		
Cash flow from operations	1,509.6	556.9	628.7	1,020.8	1,716.5	669.6	715.4	1,093.5	1,938.3	771.8	837.7	1,229.2	2,423.0	902.4	987.3	1,086.3	3,716.0	4,195.0	4,777.1	5,399.0	3,108.1	4,035.7	4,519.0	5,392.4	
Cash flow per share	\$2.17	\$0.80	\$0.89	\$1.44	\$2.56	\$1.00	\$1.06	\$1.62	\$2.87	\$1.14	\$1.24	\$1.81	\$3.57	\$1.33	\$1.45	\$1.59	\$5.30	\$5.88	\$6.62	\$7.38	\$4.47	\$5.70	\$6.30	\$7.43	
Capital expenditures	44.1	47.5	68.3	86.3	60.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	246.2	150.0	120.0	120.0	176.4	244.6	120.0	120.0	
Free cash flow	1,465.5	509.4	560.4	934.5	1,665.6	639.6	685.4	1,063.5	1,908.3	741.8	807.7	1,199.2	2,393.0	872.4	957.3	1,056.3	3,469.8	4,045.0	4,657.1	5,279.0	2,931.7	3,791.1	4,399.0	5,272.4	
Free cash flow per share	\$2.10	\$0.73	\$0.79	\$1.32	\$2.47	\$0.95	\$1.02	\$1.58	\$2.83	\$1.10	\$1.19	\$1.72	\$6.48	\$2.55	\$2.72	\$2.88	\$3.90	\$3.55	\$4.65	\$7.22	\$4.22	\$5.36	\$6.13	\$7.26	
<b>GROWTH Y/Y</b>																									
Product	3.7%	7.9%	15.8%	19.4%	20.0%	16.0%	13.5%	9.0%	8.0%	6.0%	5.5%	7.0%	6.0%	5.0%	5.0%	6.0%	12.4%	13.9%	15.3%	13.4%	17.3%	14.4%	14.2%	14.6%	
Subscription and Support	16.1%	15.9%	15.2%	14.8%	14.0%	13.7%	13.8%	14.0%	14.5%	14.7%	16.0%	16.0%	13.0%	13.5%	13.5%	13.8%	14.5%	15.5%	13.9%	15.3%	13.4%	17.3%	14.4%	17.3%	
Total revenue	13.9%	14.3%	15.3%	15.8%	15.0%	14.1%	13.7%	12.8%	13.4%	13.0%	13.9%	14.0%	11.8%	12.0%	11.9%	12.2%	14.9%	13.9%	13.6%	12.0%	13.9%	15.1%	13.2%	12.9%	
EPS	13.4%	-44.7%	21.4%	26.3%	14.3%	14.7%	15.4%	11.1%	12.8%	11.8%	14.1%	16.5%	11.0%	11.2%	10.7%	10.8%	17.9%	13.7%	13.9%	10.9%	11.3%	19.0%	12.6%	13.2%	
Deferred revenue	17.5%	14.7%	13.8%	11.1%	12.3%	12.3%	12.2%	11.5%	13.0%	12.4%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	14.7%	12.3%	11.7%	
Billings	-13.5%	3.2%	11.4%	6.1%	23.9%	13.9%	13.2%	10.2%	22.0%	10.5%	10.4%	13.3%	11.9%	12.0%	12.2%	12.2%	13.9%	13.5%	13.5%	14.1%	13.5%	12.0%	12.3		



## SailPoint

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: SAIL US; USD 20.18

**Price Target USD 24.00**

#### Key Statistics

Shares O/S (MM):	573.1	Market Cap (MM):	11,565
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,868,080

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
<b>Revenue</b>	861.6	1,056.9	1,236.7	1,484.5
<b>EPS, Adj Diluted</b>	(0.08)	0.21	0.25	0.33
<b>Revenue</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	187.7A	198.6A	235.3A	240.1A
2026	230.5A	264.0A	270.0E	292.5E
2027	278.3E	286.0E	322.4E	350.0E
<b>EPS, Adj Diluted</b>				
2025	(0.04)A	(0.04)A	0.00A	0.00A
2026	0.01A	0.07A	0.06E	0.08E
2027	0.04E	0.04E	0.07E	0.09E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$24 by applying an 11x multiple to our CY/26 EV/sales estimate. This is a premium to the 20-25%+ growth and security peers, in our view warranted by potential for durable 20%+ growth as a best-in-class leader of IGA and identity security as well as ability for significant margin expansion. Our price target supports our Outperform rating.

#### Investment summary

- **The Identity Security Cloud:** The company helped pioneer the Identity Governance and Administration (IGA) market to help organizations understand identities in terms of what resources they have access to, should they have access to these resources, and how is the access being used. SailPoint helps organizations implement controls and automate policies around governing identities to both maintain compliance with regulations and improve overall security posture. SailPoint has continued to evolve its offering by expanding the types of identities and resources covered while also moving into other categories like data access.
- **Large and expanding market opportunity:** Management believes that the opportunity is growing rapidly as identity-related attacks continue to proliferate all while IT environments continue to grow in complexity. As such, they estimate their market opportunity to be ~ \$55 billion in 2024. Technology trends driving this include 1) cyberattacks becoming more identity-centric; 2) the importance in identity security for overall security posture; 3) IT environment complexity; 4) identity sprawl including machines and AI agents; 5) data sprawl; 6) lack of resources in organizations for cybersecurity; 7) heightened regulations.
- **Core capabilities: included in both IdentityIQ (legacy) and Identity Security Cloud (new focus):** 1) Lifecycle Management to enable organizations to manage access to applications and data for employees, contractors, business partners, or other business users across their lifecycle within the organization; 2) Compliance Management to assist organizations in compliance processes through access certifications and automated policy management controls along with audit reporting and analytics; 3) Access Modeling to allow organizations to build, maintain and implement roles to enforce least privilege across the organization as well as enabling access on an as-needed basis; and 4) Analytics using AI to provide actionable insights based on identity data to improve the overall identity security program.
- **Growth strategy:** 1) add new customers; 2) up-sell/cross-sell both via migrations to SaaS and upgrades/add-ons to business suites; 3) new product releases; 4) new identities; 5) expanded partnerships and integration; and 6) international expansion.
- **Experienced management team:** SailPoint was founded in 2005 and has been led by co-founder and CEO Mark McClain since inception. The CFO was formerly at Commvault (CVLT) where he served as CFO for over 9 years.

#### Risks to rating and price target

- Increasing competition as the pillars of identity security begin to blend across disciplines.
- The SaaS model transition introduces risks as the mix



between cloud and term can vary from quartet-to-quarter.

- The ability to migrate customers from maintenance and term to SaaS introduces risk.
- The company's ability to attract new customers and expand with existing customers.
- The ability to improve profitability.
- Potential security incidents having reputational impact.
- Failure to invest adequately and keep pace with innovation.
- Ability to expand internationally.
- The PE overhang represents a risk to liquidity.



## Samsara Inc.

Matthew Hedberg (Analyst)

### Outperform

NYSE: IOT US; USD 39.83

**Price Target USD 46.00**

#### Key Statistics

Shares O/S (MM):	598.8	Market Cap (MM):	23,850
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	4,139,044

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
<b>Revenue</b>	1,249.2	1,576.4	1,894.0	2,273.1
Prev.			1,909.4	
<b>EPS, Adj Diluted</b>	0.26	0.46	0.56	0.68
P/AEPS	NM	NM	71.1x	58.6x
<b>Revenue</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	280.7A	300.2A	322.0A	346.3A
2026	366.9A	391.5A	399.0E	419.0E
2027	443.0E	464.0E	481.0E	506.0E
Prev.	445.0E	457.9E	483.4E	523.1E
<b>EPS, Adj Diluted</b>				
2025	0.03A	0.05A	0.07A	0.11A
2026	0.11A	0.12A	0.11E	0.12E
2027	0.12E	0.13E	0.14E	0.17E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base case price target of \$46 by applying a 14x multiple to our CY/26 revenue estimate. Our target multiple is a premium to 30–40% growing SaaS peers, in our view warranted due to a large and expanding TAM on account of tailwinds from digital transformation that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

#### Investment summary

Samsara is pioneering the Connected Operations Cloud, which we believe is a large and expanding opportunity.

The company began by helping with connecting fleets, which are the backbone of physical operations. Since then, it has evolved its mission to also help with connected equipment and connected sites. In the future, the company aims to create an IoT development platform that can also help with manufacturing, agriculture, and smart cities, among other vertical opportunities. As such, its mission is to increase the safety, efficiency, and sustainability of the operations that help power the global economy. We believe this is fundamentally different from gen-one telematics solutions. Looking at the TAM, management estimates the current opportunity at \$137B in Connected Operations and \$51B in Connected Fleet. Ultimately, we believe the company should benefit from bullish technology trends around increasing digitization across industries that depend on physical operations, an increased focus on efficiency and sustainability through technology, growing volume of data, and more IoT assets connected to the internet, among other prominent trends.

#### Potential growth catalysts

- Continued investment in S&M to attract new customers.
- An attractive up-sell/cross-sell opportunity.
- New applications and data types added to the Connected Operations Cloud and leveraging the data along with customer feedback to design more innovative, customer-centric products.
- Expanding partnerships and integrations.
- International expansion, which is currently only ~10% of the revenue.

#### Risks to rating and price target

- Increased competition and better alternatives could lead to weakened demand for Samsara's solution, resulting in the company's inability to gain/retain market share.
- The company may not be able to grow revenue enough to offset expenses.
- Inability to onboard, integrate and retain the sales team could lead to lower productivity.
- The company is dependent on a limited number of joint design manufacturers and suppliers for its products which can lead to delays in production. Additionally, if the suppliers increase costs, this would negatively impact Samsara's margins.

Ticker: IOT (\$M) unless noted	Jan-25A				Jan-26E				Jan-27E				Jan-28E				FY/25A CY/24A	FY/26E CY/25E	FY/27E CY/26E	FY/28E CY/27E	
	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E					
<b>INCOME STATEMENT</b>																					
Total revenue	280.726	300.202	321.981	346.290	366.884	391.480	399.000	419.000	443.000	464.000	481.000	506.000	534.221	564.752	569.633	604.458	1,249.199	1,576.364	1,894.000	2,273.064	
Total cost of revenue	64.859	69.426	72.148	76.539	78.808	85.788	91.770	96.370	99.675	104.400	108.225	113.850	120.200	127.069	128.167	136.003	282.972	352.736	426.150	511.439	
Gross income	215.867	230.776	249.833	269.751	288.076	305.692	307.230	322.630	343.325	359.600	372.775	392.150	414.022	437.683	441.466	468.455	966.227	1,223.628	1,467.850	1,761.625	
Sales and marketing	126.755	128.773	126.624	129.025	139.820	148.738	147.630	154.150	166.125	173.072	178.451	183.172	196.593	206.699	207.916	219.418	511.177	590.338	700.820	830.627	
Research and development	46.709	49.238	48.416	48.103	53.686	54.266	55.860	57.319	62.906	65.424	65.416	63.756	73.723	76.806	74.622	77.371	192.466	221.131	257.502	302.521	
General and administrative	36.244	35.213	40.877	36.698	43.499	42.990	43.890	46.090	50.502	51.504	51.948	53.130	59.299	61.558	60.381	61.050	149.032	176.469	207.084	242.288	
Operating expenses	209.708	213.224	215.917	213.826	237.005	245.994	247.380	257.559	279.533	290.000	295.815	300.058	329.615	345.063	342.919	357.839	852.675	987.938	1,165.406	1,375.436	
Operating income	6.159	17.552	33.916	55.925	51.071	59.698	59.850	65.071	63.792	69.600	76.960	92.092	84.407	92.619	98.547	110.616	113.552	235.690	302.444	386.189	
Other expense	(10,084)	(9,626)	(10,057)	(9,792)	(12,723)	(11,426)	(12,426)	(13,426)	(14,426)	(15,426)	(16,426)	(17,426)	(17,426)	(17,426)	(17,426)	(17,426)	(39,559)	(50,001)	(63,704)	(69,704)	
Pretax income	16.243	27.178	43.973	65.717	63.794	71.124	72.276	78.497	78.218	85.026	93.386	109.518	101.833	110.045	115.973	128.042	153.111	285.691	366.148	455.893	
Taxes	0.376	1.042	0.493	2.582	1.589	1.607	7.228	7.850	7.822	8.503	9.339	10.952	10.183	11.005	11.597	12.804	4.493	18.273	36.615	45.589	
Net income	15.867	26.136	43.480	63.135	62.205	69.517	65.048	70.647	70.396	76.523	84.047	98.566	91.650	99.041	104.375	115.238	148.618	267.417	329.533	410.303	
Earnings per share	\$0.03	\$0.05	\$0.07	\$0.11	\$0.11	\$0.12	\$0.11	\$0.12	\$0.12	\$0.13	\$0.14	\$0.17	\$0.15	\$0.17	\$0.19	\$0.26	\$0.46	\$0.56	\$0.68		
Diluted shares outstanding	573.155	575.968	580.923	583.103	582.805	585.391	585.000	587.500	589.500	591.500	593.500	595.500	597.500	599.500	601.500	603.500	578.287	585.174	592.500	600.500	
<b>KEY METRICS</b>																					
DSO	46	54	50	61	53	57	55	56	55	56	56	56	56	56	56	56	56	56	56	56	
Cash	594.328	672.633	671.912	694.798	698.117	701.799	744.613	800.381	854.514	907.177	962.302	1,045.717	1,100.584	1,179.338	1,266.532	1,363.397	694.798	800.381	1,045.717	1,363.397	
Billings	303.257	334.907	338.981	392.338	387.226	425.880	420.160	475.364	467.541	505.591	506.824	573.513	563.547	614.936	600.745	684.979	1,369.483	1,708.629	2,053.470	2,464.207	
ARR	#####	#####	1,349.000	1,457.900	1,535.400	1,640.100	1,725.350	1,834.350	1,912.341	2,017.323	2,103.202	2,212.226	2,323.494	2,436.926	2,530.152	2,648.035	1,457.900	1,834.350	2,212.226	2,648.035	
Cash flow from operations	23.670	18.117	36.013	53.859	52.612	50.161	45.814	58.768	57.132	55.663	58.125	86.415	88.867	82.753	91.195	100.865	131.659	207.355	257.336	333.680	
Cash flow per share	0.041	0.031	0.062	\$0.09	\$0.09	\$0.08	\$0.10	\$0.10	\$0.09	\$0.10	\$0.15	\$0.10	\$0.10	\$0.17	\$0.23	\$0.23	\$0.35	\$0.43	\$0.56		
Capital expenditures	(5,062)	(4,992)	(4,776)	(5,347)	(6,920)	(5,969)	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)	(4,000)	(4,000)	(4,000)	(4,000)	(20,177)	(18,889)	(12,000)	(16,000)		
Free cash flow	18.608	13.125	31.237	48.512	45.692	44.192	42.814	55.768	54.132	52.663	55.125	83.415	84.867	78.753	87.195	96.865	111.482	188.466	245.336	317.680	
Free cash margin	6.6%	4.4%	9.7%	14.0%	12.5%	11.3%	10.7%	13.3%	12.2%	11.3%	11.5%	16.5%	10.3%	13.9%	15.3%	16.0%	8.9%	12.0%	13.0%	14.0%	
Adjusted free cash flow	18.608	13.125	31.237	48.512	45.692	44.192	42.814	55.768	54.132	52.663	55.125	83.415	84.867	78.753	87.195	96.865	111.482	188.466	245.336	317.680	
Adjusted free cash margin	6.6%	4.4%	9.7%	14.0%	12.5%	11.3%	10.7%	13.3%	12.2%	11.3%	11.5%	16.5%	10.3%	13.9%	15.3%	16.0%	8.9%	12.0%	13.0%	14.0%	
<b>PERCENT OF REVENUE</b>																					
Gross margin	76.9%	76.9%	77.6%	77.9%	78.1%	77.0%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.5%	77.6%	77.5%	77.5%	77.5%	
Sales and marketing	45.2%	42.9%	39.3%	37.3%	38.1%	38.0%	37.0%	36.8%	37.5%	37.3%	37.1%	36.2%	36.8%	36.6%	36.3%	36.3%	40.9%	37.4%	37.0%	36.5%	
Research and development	16.6%	16.4%	15.0%	13.9%	14.6%	13.9%	14.0%	13.7%	14.2%	14.1%	13.6%	12.6%	13.8%	13.6%	13.1%	12.8%	15.4%	14.0%	13.6%	13.3%	
General and administrative	12.9%	11.7%	12.7%	10.6%	11.9%	11.0%	11.0%	11.4%	11.1%	11.1%	10.8%	10.5%	11.1%	10.9%	10.6%	10.1%	11.9%	11.2%	10.9%	10.7%	
Operating margin	2.2%	5.8%	10.5%	16.1%	13.9%	15.2%	15.0%	15.5%	14.4%	15.0%	16.0%	18.2%	15.8%	16.4%	17.3%	18.3%	9.1%	15.0%	16.0%	17.0%	
Taxes	2.3%	3.8%	1.1%	3.9%	2.5%	2.3%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	2.9%	6.4%	10.0%	10.0%	
<b>GROWTH Y/Y</b>																					
ARR	-	-	-	-	30.6%	29.8%	27.9%	25.8%	24.6%	23.0%	21.9%	20.6%	21.5%	20.8%	20.3%	19.7%	32.3%	25.8%	20.6%	19.7%	
Total revenue	37.4%	36.9%	35.6%	25.3%	30.7%	30.4%	29.3%	21.0%	20.7%	18.5%	20.6%	20.8%	20.6%	21.7%	18.4%	19.5%	33.3%	26.2%	20.1%	20.0%	
Gross income	44.2%	41.0%	39.5%	28.0%	33.5%	32.5%	23.0%	19.6%	19.2%	17.6%	21.3%	21.5%	20.6%	21.7%	18.4%	19.5%	37.4%	26.6%	20.0%	20.0%	
Operating income	-	-	-	314.3%	729.2%	240.1%	76.5%	16.4%	24.9%	16.6%	28.6%	41.5%	32.3%	33.1%	28.0%	20.1%	8841.1%	107.6%	28.3%	27.7%	
ARR	-	-	-	-	5.3%	6.8%	5.2%	6.3%	4.3%	5.5%	4.3%	5.2%	5.0%	4.9%	3.8%	4.7%	-	-	-	-	
Total revenue	1.6%	6.9%	7.3%	7.5%	5.9%	6.7%	1.9%	5.0%	5.7%	3.7%	5.2%	5.6%	5.7%	0.9%	6.1%	-	-	-	-	-	
Gross income	2.5%	6.9%	8.3%	8.0%	6.8%	6.1%	0.5%	5.0%	6.4%	3.7%	5.2%	5.6%	5.7%	0.9%	6.1%	-	-	-	-	-	
Operating income	-54.4%	185.0%	93.2%	64.9%	-8.7%	16.9%	0.3%	8.7%	-2.0%	9.1%	10.6%	19.7%	-8.3%	9.7%	6.4%	12.2%	-	-	-	-	

Source: Company Reports and RBC Capital Markets estimates

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## Snowflake Inc.

Matthew Hedberg (Analyst)

### Outperform

NYSE: SNOW US; USD 271.26

Price Target USD 300.00 ↑ 275.00

#### Key Statistics

Shares O/S (MM):	395.0	Market Cap (MM):	107,148
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	4,444,193

#### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
EPS, Adj Diluted	0.82	1.23	1.54	1.87
P/AEPS	NM	NM	NM	NM
Revenue	3,626.4	4,588.7	5,550.0	6,752.9
EPS, Adj Diluted	Q1	Q2	Q3	Q4
2025	0.14A	0.18A	0.20A	0.30A
2026	0.24A	0.35A	0.34E	0.30E
2027	0.32E	0.35E	0.41E	0.46E
Revenue				
2025	828.7A	868.8A	942.1A	986.8A
2026	1,042.1A	1,145.0A	1,173.5E	1,228.2E
2027	1,275.5E	1,331.5E	1,433.0E	1,510.0E

All market data in USD; all financial data in USD; dividends paid in CAD.  
Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$300 by applying a 20.5x multiple to our CY/26 revenue estimate. This is a premium to the 30%+ growth peers, in our view warranted by the best-in-class growth, TAM expansion opportunities, and scaling FCF margins. Our price target supports our Outperform rating.

#### Investment summary

**Cloud remains the center of gravity for data:** We believe 2025 will increasingly show stability and ultimately improvement in cloud spend, partially benefiting from easier compares. We believe this bodes well for Snowflake, as consumption trends are likely to improve in 2025 as macros stabilize/improve.

**A more competitive Data Cloud:** Historically, Snowflake was a Cloud Data Warehousing platform, but it has evolved into a Data Cloud platform, which supports use cases across data warehousing, data lakes, and beyond. We believe its move into the data lake market through Snowpark should enable cross-sell into BI use cases and increasingly GenAI.

**GenAI should drive higher consumption:** We believe that a modern data strategy is a precursor to a GenAI strategy and that Snowflake is well positioned given the large amount of data on its platform, as new GenAI offerings should help drive incremental workload utilization. We think a more material impact on results is likely in 2025 and beyond as new products go into GA. Ultimately, we believe GenAI remains a key tailwind to support the company's long-term growth and margin targets.

**SNOW is not inexpensive but deserves a premium valuation, in our view:** We believe the premium valuation is warranted based on Snowflake's best-in-class growth, TAM expansion opportunities, management team, and scaling FCF margins.

#### Risks to rating and price target

- Consumption trends could fluctuate, particularly in difficult economic times.
- High level of competition in the market from large established public cloud providers as well as emerging cloud native vendors.
- The company's ability to attract new customers or expansion within existing customers and its ability to maintain high retention rates.
- Failure to invest adequately and continue to innovate can create risk of losing share to competitors.

Ticker: SNOW (\$M) unless noted	Jan-25A				Jan-26E				Jan-27E				Jan-28E				FY/25A CY/24A	FY/26E CY/25E	FY/27E CY/26E	FY/28E CY/27E		
	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E						
<b>INCOME STATEMENT</b>																						
Product revenue	789.6	829.3	900.3	943.3	996.8	1,090.5	1,127.5	1,180.2	1,225.0	1,280.0	1,380.0	1,455.0	1,508.0	1,568.0	1,669.8	1,778.0	3,462.4	4,395.0	5,340.0	6,523.8		
Professional services and other	39.1	39.6	41.8	43.5	45.3	54.5	46.0	48.0	50.5	51.5	53.0	55.0	56.3	48.7	61.1	63.0	164.0	193.7	210.0	229.1		
Total revenue	828.7	868.8	942.1	986.8	1,042.1	1,145.0	1,173.5	1,228.2	1,275.5	1,331.5	1,433.0	1,510.0	1,564.3	1,616.7	1,730.9	1,841.0	3,626.4	4,588.7	5,550.0	6,752.9		
Total cost of revenue	219.6	232.6	254.9	270.6	290.0	309.7	325.6	340.6	342.0	356.1	381.6	401.5	415.4	422.6	458.8	486.6	977.7	1,265.9	1,481.1	1,783.4		
Product gross income	607.3	633.8	686.9	715.3	754.1	833.6	845.6	885.1	931.0	972.8	1,048.8	1,105.8	1,146.1	1,191.7	1,269.0	1,351.3	2,643.3	3,318.5	4,058.4	4,958.1		
Total gross income	609.1	636.2	687.2	716.2	752.1	835.3	847.9	887.5	933.5	975.4	1,051.5	1,108.6	1,148.9	1,194.1	1,272.1	1,354.4	2,648.7	3,322.9	4,068.9	4,969.5		
Sales and marketing	312.6	309.1	340.6	328.9	357.9	392.1	396.6	422.5	437.6	444.4	480.1	492.8	525.9	528.8	568.2	588.8	1,291.2	1,569.1	1,854.8	2,211.7		
Research and development	203.2	224.2	224.8	230.8	238.8	247.1	269.9	297.2	306.1	319.6	330.4	347.3	371.7	384.1	395.1	419.2	883.0	1,053.1	1,303.4	1,570.1		
General and administrative	57.1	59.1	62.9	63.6	63.8	68.5	76.0	79.8	84.1	86.6	91.4	92.8	103.2	110.4	113.2	124.8	288.1	355.0	431.9			
Operating expenses	572.9	592.5	628.3	623.4	660.5	707.7	742.6	799.6	827.8	850.6	901.9	932.9	1,000.8	1,018.1	1,073.8	1,121.2	2,417.0	2,910.3	3,513.2	4,213.8		
Operating income	36.2	43.7	58.9	92.8	91.7	127.6	105.3	88.0	105.7	124.8	149.6	175.7	148.1	176.0	198.3	233.3	231.7	412.6	555.7	755.7		
Other income	(33.5)	(41.3)	(40.2)	(56.6)	(25.1)	(44.5)	(64.5)	(64.5)	(54.5)	(54.5)	(60.5)	(50.5)	(50.5)	(56.5)	(56.5)	(198.6)	(229.9)	(213.9)				
Pretax income	69.7	85.1	99.1	149.5	116.8	172.1	169.8	152.5	160.2	179.3	210.1	236.1	198.6	226.5	254.8	289.8	403.3	611.1	785.7	969.7		
Taxes	18.3	22.0	25.8	39.4	29.2	43.1	42.5	38.2	40.1	44.9	52.6	59.1	49.7	56.7	63.8	72.5	105.4	152.9	196.7	242.7		
Proforma Net income	52.2	63.9	73.2	110.0	87.3	129.3	127.3	120.1	134.4	157.5	177.0	148.9	169.8	191.0	217.2	299.3	458.2	589.0	727.0			
Earnings per share	\$0.14	\$0.18	\$0.20	\$0.30	\$0.24	\$0.35	\$0.34	\$0.30	\$0.32	\$0.35	\$0.41	\$0.46	\$0.39	\$0.44	\$0.49	\$0.55	\$0.82	\$1.23	\$1.54	\$1.87		
Diluted shares outstanding	363.3	359.3	362.2	370.7	370.9	372.4	374.4	376.4	378.4	380.4	382.4	384.4	386.4	388.4	390.4	392.4	363.9	373.5	381.4	389.4		
<b>KEY METRICS</b>																						
DSO	38	45	57	84	46	51	60	100	45	50	60	100	45	50	60	100	-	-	-	-		
Cash	4,459.3	3,927.9	5,049.8	5,294.1	4,866.8	4,599.6	4,783.7	5,381.0	5,633.6	5,758.3	5,955.0	6,700.0	7,093.7	7,262.1	7,496.8	8,335.5	5,294.1	5,381.0	6,700.0	8,335.5		
Deferred revenue	1,950.3	1,860.7	1,986.9	2,595.5	2,323.5	2,279.9	2,439.5	3,244.6	2,920.1	2,890.9	3,092.6	4,086.9	3,596.5	3,524.8	3,736.2	4,784.2	2,595.5	3,244.6	4,086.9	4,784.2		
Billing	565.9	779.1	1,068.3	1,595.4	770.1	1,101.4	1,333.1	2,032.3	951.0	1,302.3	1,638.3	2,500.8	1,073.9	1,544.9	1,942.4	2,887.2	4,008.8	5,237.8	6,392.4	7,448.4		
Cash flow from operations	355.5	69.9	101.7	432.7	228.4	74.9	206.8	620.0	275.3	147.3	219.3	767.7	416.4	191.0	257.3	861.4	959.8	1,130.0	1,409.7	1,726.1		
Cash flow per share	\$0.98	\$0.19	\$0.28	\$1.17	\$0.62	\$0.20	\$0.55	\$1.65	\$0.73	\$0.39	\$0.57	\$2.00	\$1.08	\$0.49	\$0.66	\$2.20	\$2.62	\$3.02	\$3.69	\$4.42		
Capital expenditures	(16.5)	(5.0)	(13.4)	(11.3)	(45.0)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(16.7)	(46.3)	(95.0)	(66.7)	(66.7)		
Free cash flow	331.5	58.8	78.2	415.4	183.4	58.2	184.1	597.3	252.6	124.7	196.7	745.1	393.7	168.4	234.7	838.7	884.1	1,023.0	1,319.0	1,635.4		
Free cash flow per share	\$0.91	\$0.16	\$0.22	\$1.12	\$0.49	\$0.16	\$1.59	\$0.67	\$0.33	\$0.51	\$1.94	\$1.02	\$0.43	\$2.14	\$2.43	\$2.74	\$3.46	\$4.20				
Adjusted free cash flow	365.7	66.0	86.8	423.1	206.3	67.8	229.1	642.3	283.6	155.7	227.7	776.1	424.7	199.4	265.7	869.7	941.5	1,145.4	1,443.0	1,759.4		
Adjusted free cash flow per share	\$1.01	\$0.18	\$0.24	\$1.14	\$0.56	\$0.18	\$0.61	\$1.71	\$0.75	\$0.41	\$0.60	\$2.02	\$1.10	\$0.51	\$0.68	\$2.22	\$2.59	\$3.07	\$3.78	\$4.52		
<b>PERCENT OF REVENUE</b>																						
Product gross margin	76.9%	76.4%	76.3%	75.8%	75.7%	76.4%	75.0%	75.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.0%	76.3%	75.5%	76.0%	76.0%		
Total gross margin	73.5%	73.2%	72.9%	72.6%	72.2%	73.0%	72.3%	72.3%	72.3%	73.3%	73.4%	73.4%	73.4%	73.4%	73.4%	73.4%	73.0%	72.4%	73.3%	73.6%		
Sales and marketing	37.7%	35.6%	36.2%	33.3%	34.3%	34.2%	33.8%	34.4%	33.4%	33.4%	33.5%	32.6%	33.6%	32.7%	32.8%	32.0%	35.6%	34.2%	33.4%	32.8%		
Research and development	24.5%	25.8%	23.9%	23.4%	22.9%	21.6%	23.0%	24.2%	24.0%	24.0%	23.1%	23.0%	23.8%	22.8%	22.8%	22.8%	24.3%	22.9%	23.5%	23.3%		
General and administrative	6.9%	6.8%	6.7%	6.4%	6.1%	6.0%	6.5%	6.5%	6.5%	6.5%	6.4%	6.1%	6.6%	6.5%	6.4%	6.1%	6.7%	6.3%	6.4%	6.4%		
Operating income	4.4%	5.0%	6.3%	9.4%	8.8%	11.1%	9.0%	7.2%	8.3%	9.4%	10.4%	11.6%	9.5%	10.9%	11.5%	12.7%	6.4%	9.0%	10.0%	11.2%		
Taxes	26.2%	25.8%	26.0%	26.4%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	26.1%	25.0%	25.0%	25.0%		
Net income	6.3%	7.3%	7.8%	11.2%	8.4%	11.3%	10.8%	9.3%	10.1%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	11.7%	8.3%	10.0%	10.6%	10.8%		
Adjusted free cash flow	44.1%	7.6%	9.2%	42.9%	19.8%	5.9%	19.5%	52.3%	22.2%	11.7%	15.9%	51.4%	27.1%	12.3%	15.3%	47.2%	26.0%	25.0%	26.0%	26.1%		
<b>GROWTH Y/Y</b>																						
Product revenue	33.8%	29.5%	28.9%	27.8%	26.2%	31.5%	25.2%	25.1%	22.9%	17.4%	22.4%	23.3%	23.1%	22.5%	21.0%	22.2%	29.8%	26.9%	21.5%	22.2%		
Professional services and other	16.7%	17.0%	17.1%	18.7%	15.7%	37.7%	10.0%	10.4%	11.6%	-5.5%	15.2%	14.6%	11.6%	-5.5%	15.2%	14.6%	17.4%	18.1%	8.4%	9.1%		
Total revenue	32.9%	28.9%	28.3%	27.4%	25.7%	31.8%	24.6%	24.5%	22.4%	22.4%	22.9%	22.6%	21.4%	20.8%	21.9%	29.2%	26.5%	20.9%	21.7%			
Product gross income	33.7%	27.1%	25.6%	24.2%	24.2%	31.5%	23.1%	23.7%	23.5%	23.5%	24.0%	24.9%	23.1%	22.5%	22.0%	22.7%	23.5%	22.3%	22.2%	22.1%		
Total gross income	34.2%	27.1%	25.0%	23.8%	23.5%	31.3%	23.4%	23.9%	23.9%	24.1%	16.8%	24.0%	23.1%	22.4%	21.0%	22.2%	22.7%	25.5%	22.3%	22.5%		
Operating income	11.2%	-19.3%	-18.1%	30.8%	152.9%	191.6%	78.9%	-5.2%	15.3%	-2.2%	42.0%	99.6%	40.1%	41.0%	32.6%	32.8%	0.9%	78.0%	34.7%	36.0%		
Net income	-4.3%	-20.9%	-18.7%	-14.0%	67.3%	102.5%	73.9%	3.9%	37.6%	4.0%	23.7%	54.9%	24.0%	26.3%	21.3%	22.7%	-15.3%	53.1%	28.5%	23.4%		
EPS	-5.1%	-20.1%	-18.9%	-15.6%	63.9%	95.4%	68.2%	2.3%	34.9%	1.8%	21.1%	51.6%	21.4%	23.7%	18.8%	20.2%	-15.7%	49.1%	25.9%	20.9%		
Deferred revenue	23.9%	21.2%	22.8%	17.3%	19.1%	22.5%	22.8%	25.0%	25.7%	26.8%	26.9%	26.0%	23.2%	21.9%	20.7%	17.0%	17.3%	25.0%	26.0%	17.0%		
Billing	10.3%	2																				



## UiPath Inc

Matthew Hedberg (Analyst)

### Sector Perform

NYSE: PATH US; USD 14.37

**Price Target USD 14.00 ↑ 12.00**

### Key Statistics

Shares O/S (MM):	573.2	Market Cap (MM):	8,237
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	32,666,632

### RBC Estimates

FY Jan	2025A	2026E	2027E	2028E
<b>Revenue</b>	1,429.7	1,573.5	1,708.4	1,841.0
Prev.			1,729.0	
<b>EPS, Adj Diluted</b>	0.53	0.62	0.68	0.81
Prev.			0.69	
<b>P/AEPS</b>	27.1x	23.2x	21.1x	17.7x
<b>Revenue</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
2025	335.1A	316.3A	354.7A	423.6A
2026	356.6A	361.7A	392.5E	462.6E
2027	391.0E	393.0E	427.2E	497.2E
Prev.	396.0E	397.0E	430.0E	506.0E
<b>EPS, Adj Diluted</b>				
2025	0.13A	0.04A	0.11A	0.26A
2026	0.11A	0.15A	0.13E	0.23E
2027	0.14E	0.12E	0.15E	0.27E
Prev.			0.16E	

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

### Valuation

We calculate our base-case price target of \$14 by applying a 4x EV/S multiple to our CY/26 revenue estimate. Our target multiple is essentially in line with similar growing software peers, in our view warranted due to the potential for better profitability and a large and expanding TAM. Our price target supports our Sector Perform rating.

### Investment summary

**Automation matters...more:** UiPath's mission is to empower workers through automation by leveraging the company's software robots to emulate human behavior. Within the US, non-farm real output per hour grew 31% during the decade that ended in 2009, but only 13% in the subsequent decade. Despite digital transformations and the subsequent growth in applications, these capabilities are not able to be harnessed without automation to free up human capital to work on higher-value tasks. Automation goes beyond cost reduction by freeing up human capital to focus on high-value tasks to enable companies to say "yes" to new applications and business processes without worrying about stretching the capacity of limited IT resources. Additionally, the supply and demand equation around IT talent is extremely challenging, with scarce resources creating increased turnover and elevated wages. Automation enhances the value of employees to make sure tasks are better aligned with specialized skill sets, leading to improved productivity.

**A large and growing opportunity:** The company believes it addresses a \$50B+ market in core automation that with platform adjacencies could push the total TAM to over \$90B.

**Fragmented competitive landscape, but UiPath appears to be leading the pack:** Based on customer conversations, what stood out to us: 1) UiPath isn't the cheapest solution, but it is the easiest to use; 2) customers like UiPath's ability to orchestrate work; 3) UiPath doesn't require significant IT involvement and is easy to expand from IT to citizen developers; and 4) significant ROI – one customer noted spending \$400K annually with annual savings of \$20–30M.

### Risks to rating and price target

- UiPath's ability to fully automate enterprises is reliant on integrations into technology partners to automate operations associated with partner products. Failure to extend these partnerships and attract and retain partners could create challenges to further expansion within existing customers and maintain competitive differentiation.
- UiPath operates in an evolving and competitive landscape with both pure-play vendors and larger enterprise platform vendors that will require continued investment and innovation to maintain competitive differentiation.
- UiPath generates a substantial portion of ARR and revenue from the top 10% of customers. Failure to manage growth and renewals within these customers could disproportionately impact its business.



## Hedberg's Q3/25 Off-Qtr Software Earnings Preview; Scanning for AI Winners

Ticker: PATH (\$M) unless noted	Jan-25A				Jan-25E				Jan-27E				Jan-28E				FY/25A	FY/26E	FY/27E	FY/28E	
	Apr-24A	Jul-24A	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E					
<b>INCOME STATEMENT</b>																					
License	140.128	112.251	137.174	197.609	128.286	112.161	140.000	204.000	128.000	114.000	141.000	207.556	129.200	117.420	140.295	211.707	587.162	584.447	590.556	598.622	
Subscription services	185.131	194.673	206.922	215.221	217.303	238.363	242.500	248.648	252.000	268.000	275.500	278.983	279.720	301.000	306.800	311.400	801.947	946.814	1,074.483	1,198.920	
Professional services	9.853	9.329	10.557	10.816	11.035	11.204	10.000	10.969	10.969	10.700	10.700	10.859	10.475	10.968	11.128	10.555	42.239	43.338	43.430		
Total revenue	335.112	316.253	354.653	423.646	356.624	361.728	392.500	462.648	390.969	392.969	427.200	497.239	419.779	428.895	458.063	534.235	1,429.664	1,573.500	1,708.376	1,840.972	
License cost of revenue	1.757	1.574	1.518	0.969	1.028	0.949	1.400	2.040	2.560	1.140	1.410	2.076	2.584	2.348	2.806	4.234	5.818	5.417	7.186	11.972	
Maintenance & Support cost of revenue	31.708	37.264	37.791	35.891	33.385	33.424	38.800	39.784	40.320	42.880	44.080	44.637	44.755	48.160	49.088	49.824	142.654	145.393	171.917	191.827	
Services cost of revenue	13.434	14.230	14.988	16.424	21.366	22.541	19.000	19.000	19.445	19.445	18.968	18.968	19.250	18.570	19.442	19.727	59.068	81.907	76.826	76.989	
Total cost of revenue	46.899	53.068	54.289	53.284	55.779	56.914	59.200	60.824	62.325	63.465	64.458	65.681	66.589	69.078	71.336	73.785	207.540	232.717	255.928	280.789	
License gross income	138.371	110.677	135.656	196.640	127.258	111.212	138.600	201.960	125.440	112.860	139.590	205.480	126.616	115.072	137.489	207.473	581.344	579.030	583.370	586.650	
Maintenance & Support gross income	153.423	157.409	169.131	179.330	183.918	204.939	203.700	208.864	211.680	225.120	231.420	234.346	234.965	252.840	257.712	261.576	659.293	801.421	902.566	1,007.093	
Services gross income	(3.581)	(4.901)	(4.423)	(5.608)	(10.331)	(11.337)	(9.000)	(8.476)	(8.476)	(8.268)	(8.268)	(8.391)	(8.094)	(8.475)	(8.599)	(18.513)	(39.668)	(33.488)	(33.559)		
Gross income	288.213	263.185	300.364	370.362	300.845	304.814	333.300	401.824	328.644	329.504	362.742	431.558	353.190	359.817	386.726	460.450	1,222.124	1,340.783	1,452.448	1,560.183	
Sales and marketing	142.148	148.011	151.881	141.858	133.191	140.907	157.216	161.325	145.831	155.616	168.089	164.089	153.219	160.836	170.399	173.626	583.898	592.639	633.625	658.081	
Research and development	55.831	63.810	62.341	60.697	60.185	61.525	66.826	65.402	70.910	68.770	73.730	63.647	75.140	75.057	75.122	73.724	242.679	253.938	277.056	299.044	
General and administrative	39.869	44.910	36.421	33.765	37.853	40.089	39.250	37.012	40.661	43.227	40.934	40.594	43.657	47.178	44.890	43.807	154.965	154.204	165.415	179.533	
Operating expenses	237.848	256.731	250.643	236.320	231.229	242.521	263.292	267.402	267.612	282.753	268.329	272.017	283.071	290.412	291.158	291.542	1,000.781	1,076.095	1,136.657		
Operating income	50.365	6.454	49.721	134.042	69.616	62.293	70.008	138.085	71.242	61.892	79.989	163.229	81.173	76.746	96.315	169.292	240.582	340.002	376.353	423.526	
Other income	24.509	21.080	17.865	21.015	(3.316)	23.512	20.000	20.000	20.000	20.000	20.000	20.000	27.000	27.000	27.000	27.000	84.469	60.196	80.000	108.000	
Pretax income	74.874	27.534	67.586	155.057	66.300	85.805	90.008	158.085	91.242	81.892	99.889	183.229	108.173	103.746	123.315	196.292	325.051	400.198	456.353	531.526	
Taxes	(1.656)	(3.770)	(7.780)	(10.484)	(6.126)	(5.474)	(18.002)	(31.617)	(18.248)	(16.378)	(19.998)	(36.646)	(21.635)	(20.749)	(24.663)	(39.258)	(23.690)	(61.219)	(106.305)		
Net income	73.218	23.764	59.808	144.573	60.174	72.006	126.468	72.994	65.514	79.991	146.583	86.538	82.997	98.652	157.033	301.361	338.979	365.082	425.221		
Earnings per share	\$0.13	\$0.04	\$0.11	\$0.26	\$0.11	\$0.15	\$0.13	\$0.23	\$0.14	\$0.12	\$0.15	\$0.16	\$0.19	\$0.30	\$0.53	\$0.62	\$0.68	\$0.81			
Diluted shares outstanding	584.314	573.007	553.942	555.373	552.525	542.865	538.865	533.865	530.865	530.865	525.865	522.865	525.865	516.659	544.030	534.365	526.365				
<b>KEY METRICS</b>																					
ARR	1,507.730	1,550.605	1,606.561	1,666.136	1,692.683	1,723.401	1,773.500	1,836.500	1,845.024	1,876.414	1,924.857	1,982.369	2,029.527	1,997.763	1,998.945	2,156.267	1,666.136	1,836.500	1,982.369	2,156.267	
ARR growth	21%	19%	17%	14%	12%	11%	10%	9%	9%	9%	9%	8%	10%	6%	4%	9%	14%	10%	8%	9%	
DSO	73	76	85	96	67	67	100	100	75	70	85	100	75	70	85	100	100	100	100	100	
Cash	1,935.976	1,743.812	1,603.876	1,724.069	1,591.938	1,523.076	1,486.412	670.208	1,763.545	1,810.656	1,862.659	2,082.013	2,226.604	2,276.630	2,330.576	2,545.512	1,724.069	1,670.208	2,082.013	2,545.512	
Deferred revenue	616.150	612.855	643.731	705.307	672.026	611.261	692.957	819.031	769.889	766.040	812.002	898.900	859.694	854.084	895.348	984.882	705.307	819.031	898.900	984.882	
Billings	303.430	312.958	385.529	485.222	323.343	300.963	474.196	588.722	341.827	389.119	473.162	584.137	380.573	423.285	499.327	623.770	1,487.139	1,687.224	1,788.245	1,926.954	
Cash flow from operations	100.037	46.376	28.070	146.082	119.002	41.587	40.487	185.706	95.337	49.111	54.003	221.355	146.590	52.026	55.946	216.936	320.565	386.872	419.805	471.499	
Cash flow per share	\$0.17	\$0.08	\$0.05	\$0.26	\$0.22	\$0.08	\$0.08	\$0.34	\$0.18	\$0.09	\$0.10	\$0.41	\$0.28	\$0.10	\$0.11	\$0.41	\$0.57	\$0.71	\$0.79	\$0.89	
Capital expenditures	(1.238)	(1.418)	(4.875)	(7.392)	(12.832)	-	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(2.000)	(14.923)	(16.832)	(8.000)	(8.000)	
Free cash flow	98.799	44.958	23.195	138.690	106.170	41.587	38.487	183.796	93.337	47.111	52.003	219.355	144.590	50.026	53.946	214.936	305.642	370.040	411.805	463.499	
Free cash flow per share	\$0.17	\$0.08	\$0.04	\$0.25	\$0.19	\$0.08	\$0.07	\$0.34	\$0.17	\$0.09	\$0.10	\$0.41	\$0.27	\$0.10	\$0.10	\$0.41	\$0.57	\$0.68	\$0.77	\$0.88	
<b>PERCENT OF REVENUE</b>																					
License	41.8%	35.5%	38.7%	46.6%	36.0%	31.0%	35.7%	44.1%	32.7%	29.0%	33.0%	41.7%	30.8%	27.4%	30.6%	39.6%	41.1%	37.1%	34.6%	32.5%	
Subscription services	55.2%	61.6%	58.3%	50.8%	60.9%	65.9%	61.8%	53.7%	64.5%	68.2%	64.5%	56.1%	66.6%	70.2%	67.0%	58.3%	56.1%	60.2%	62.9%	65.1%	
Professional services	2.9%	2.9%	3.0%	2.6%	3.1%	3.1%	2.5%	2.2%	2.8%	2.8%	2.5%	2.2%	2.6%	2.4%	2.4%	2.1%	2.8%	2.7%	2.5%	2.4%	
Gross margin	86.0%	83.2%	84.7%	87.4%	84.4%	84.3%	84.9%	86.9%	84.1%	83.8%	84.9%	86.8%	84.1%	83.9%	84.4%	86.2%	85.5%	85.2%	85.0%	84.7%	
Sales and marketing	42.4%	46.8%	42.8%	33.5%	37.3%	39.0%	40.1%	34.9%	37.3%	39.6%	39.3%	33.0%	36.5%	37.5%	37.2%	32.5%	37.7%	37.1%	35.7%		
Research and development	16.7%	20.2%	17.6%	14.3%	16.9%	17.0%	17.0%	14.1%	18.1%	17.5%	17.3%	17.9%	17.9%	17.5%	17.5%	16.4%	13.8%	17.0%	16.1%	16.2%	
General and administrative	11.9%	14.2%	10.3%	8.0%	10.6%	11.1%	10.0%	8.0%	10.4%	11.0%	11.0%	9.6%	8.2%	10.4%	11.0%	9.8%	8.2%	8.2%	9.8%	9.8%	
Operating margin	15.0%	2.0%	14.0%	31.6%	19.5%	17.2%	17.8%	29.8%	18.2%	15.7%	18.7%	32.8%	19.3%	17.9%	21.0%	31.7%	16.8%	21.6%	22.0%	23.0%	
Taxes	-2.2%	-13.7%	-14.1%	-23.3%	-18.8%	-1.3%	9.3%	20.6%	-18.2%	0.3%	10.1%	19.0%	-18.2%	1.9%	7.5%	19.1%	-7.3%	-15.3%	-20.0%	-20.0%	
Net margin	21.8%	7.5%	16.9%	34.1%	6.6%	-3.8%	23.0%	21.3%	5.7%	29.3%	-0.2%	11.3%	8.8%	5.5%	6.8%	-	13.5%	6.0%	7.8%		
<b>GROWTH Y/Y</b>																					



## Zscaler Inc.

Matthew Hedberg (Analyst)

### Outperform

NASDAQ: ZS US; USD 331.29

**Price Target USD 366.00 ↑ 350.00**

#### Key Statistics

Shares O/S (MM):	173.6	Market Cap (MM):	57,512
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	1,263,592

#### RBC Estimates

FY Jul	2025A	2026E	2027E	2028E
Revenue	2,673.1	3,274.5	3,944.3	4,697.4
EPS, Ops Diluted	3.28	3.67	4.32	5.20
P/E	NM	NM	76.7x	63.7x
Revenue	Q1	Q2	Q3	Q4
2025	628.0A	647.9A	678.0A	719.2A
2026	773.0E	793.0E	835.6E	872.9E
2027	912.8E	954.7E	1,013.8E	1,063.1E
EPS, Ops Diluted	Q1	Q2	Q3	Q4
2025	0.77A	0.78A	0.84A	0.89A
2026	0.85E	0.88E	0.95E	1.00E
2027	0.98E	1.03E	1.12E	1.18E

All values in USD unless otherwise noted.

Priced as of prior trading day's market close, EST (unless otherwise noted).

#### Valuation

We calculate our base-case price target of \$366 by applying a 17x multiple to our CY/26 revenue estimate. Our target EV/S multiple is a slight premium to +20-30% growing peers based on CY/26 estimates, in our view warranted due to a large and expanding TAM that leads to an attractive growth profile as well as the opportunity for upside to growth expectations. Our price target supports our Outperform rating.

#### Investment summary

We believe Zscaler is well positioned to disrupt legacy security spending.

We believe Zscaler's cloud security platform is well positioned to disrupt \$20B of legacy security spend today that could imply a TAM of \$72B+. While mega-trends such as cloud adoption, digital transformation, and zero trust security are well established, we believe these trends could accelerate, which could point to continued upside to estimates. Relative to legacy on-premises network security vendors, Zscaler fundamentally changes the security paradigm through a cloud-based model. Acting as a digital/intelligent switchboard, Zscaler allows employees to securely connect to any application from any device and any location, all at a significant cost saving vs. on-premises hardware. We believe Zscaler and the broad categories of Zero Trust and SASE are well positioned to cannibalize legacy network, application, and data security spend.

#### Potential growth catalysts

- Continued adoption of cloud-based applications could drive increased usage of ZIA and ZPA.
- Increased adoption of Office 365, the most popular cloud-based app has been a driver, but could accelerate further.
- Improved sales execution due to recent hires and added capacity.
- Adoption of newer products such as ZDX and ZB2B.

#### Risks to rating and price target

- Operates in a market with competition from larger legacy competitors and new entrants.
- Business is dependent on ability to land new customers and retain and expand within the base.
- Will need to manage growth effectively to maintain customer satisfaction.
- Macros could impact company operations or customer demand.



Ticker: ZS (\$M) unless noted	Jul-25A				Jul-26E			Jul-27E			Jul-28E			FY24A	FY25A	FY26E	FY27E	FY28E			
	Oct-24A	Jan-25A	Apr-25A	Jul-25A	Oct-25E	Jan-26E	Apr-26E	Jul-26E	Oct-26E	Jan-27E	Apr-27E	Jul-27E	Oct-27E	Jan-28E	Apr-28E	Jul-28E	FY24A	FY25A	FY26E	FY27E	FY28E
<b>INCOME STATEMENT</b>																					
Total revenue	628.0	647.9	678.0	719.2	773.0	793.0	835.6	872.9	912.8	954.7	1,013.8	1,063.1	1,100.8	1,140.8	1,201.3	1,254.4	2,167.8	2,673.1	3,274.5	3,944.3	4,697.4
Total cost of goods sold	122.0	127.1	133.9	149.1	151.5	155.4	163.8	171.1	176.2	184.3	195.7	205.2	214.7	222.5	234.3	244.6	411.5	532.1	641.8	761.3	916.0
Gross income	506.0	520.8	544.1	570.1	621.5	637.6	671.9	701.8	736.6	770.4	818.1	857.9	886.1	918.4	967.1	1,009.8	1,756.3	2,141.0	2,632.7	3,183.1	3,781.4
Research and development	95.2	105.0	106.0	103.7	120.1	123.6	124.1	128.8	141.2	148.1	149.8	156.0	166.0	172.5	173.1	179.5	313.2	409.9	496.6	595.1	691.1
Sales and marketing	240.8	237.5	250.2	269.4	287.0	293.2	308.0	319.8	337.6	351.6	372.2	387.9	396.9	409.7	430.0	446.3	868.4	997.9	1,208.0	1,449.3	1,682.9
General and administrative	35.8	37.9	41.2	38.2	47.3	47.5	49.7	51.5	56.6	57.2	60.3	62.7	66.5	66.6	69.7	72.2	132.4	153.1	196.1	236.8	275.0
Operating expenses	371.8	380.4	397.5	411.2	454.5	464.3	481.8	500.0	535.3	556.9	582.3	606.7	629.4	648.8	672.8	698.0	1,314.0	1,560.9	1,900.7	2,281.1	2,649.0
Operating income	134.1	140.5	146.7	158.9	167.0	173.2	190.0	201.7	201.3	213.6	235.8	251.2	256.7	269.6	294.3	311.9	442.2	580.1	732.0	901.9	1,132.4
Other income	27.2	24.6	31.0	31.7	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	96.2	114.5	72.0	72.0	72.0
Pretax income	161.4	165.0	177.6	190.6	185.0	191.2	208.0	219.7	219.3	231.6	253.8	269.2	274.7	287.6	312.3	329.9	538.4	694.6	804.0	973.9	1,204.4
Taxes	37.1	38.0	40.8	43.8	42.6	44.0	47.8	50.5	50.4	53.3	58.4	61.9	63.2	66.1	71.8	75.9	30.3	159.8	184.9	224.0	277.0
Net income	124.3	127.1	136.8	146.7	142.5	147.2	160.2	169.2	168.9	178.3	195.4	207.3	211.5	221.4	240.5	254.0	508.1	534.8	619.1	749.9	927.4
Earnings per share	\$0.77	\$0.78	\$0.84	\$0.89	\$0.85	\$0.88	\$0.95	\$1.00	\$0.98	\$1.03	\$1.12	\$1.18	\$1.20	\$1.24	\$1.34	\$1.41	\$3.19	\$3.28	\$3.67	\$4.32	\$5.20
Diluted shares outstanding	161.3	162.5	163.4	165.6	167.0	168.0	169.0	170.0	172.0	173.0	174.0	175.0	177.0	178.0	179.0	180.0	159.5	163.2	168.5	173.5	178.5
<b>KEY METRICS</b>																					
DSO	61	71	82	124	70	85	85	100	70	85	85	100	70	85	85	100	2,409.7	3,572.4	4,430.9	5,495.0	6,819.1
Cash	2,707.9	2,880.2	3,005.6	3,572.4	3,891.9	4,028.6	4,183.8	4,430.9	4,752.0	4,885.6	5,027.3	5,495.0	5,878.6	6,063.9	6,290.5	6,819.1	2,409.7	3,572.4	4,430.9	5,495.0	6,819.1
Debt	1,145.8	1,147.5	1,148.9	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,700.7	1,142.3	1,700.7	1,700.7	1,700.7	1,700.7
Deferred revenue	1,783.7	1,878.5	1,985.0	2,468.0	2,346.8	2,466.6	2,598.6	3,189.8	3,049.2	3,204.4	3,364.6	4,088.0	3,907.7	4,106.7	4,312.0	5,088.2	1,895.0	2,468.0	3,189.8	4,088.0	5,088.2
Billing	516.7	742.7	784.5	1,202.3	651.7	912.8	967.7	1,464.1	772.1	1,109.9	1,174.0	1,786.5	920.5	1,339.8	1,406.7	2,030.6	2,623.1	3,246.2	3,996.3	4,842.5	5,697.6
ARR	2,553.0	2,683.0	2,817.0	3,015.0	3,185.0	3,328.7	3,474.0	3,687.0	3,774.0	3,924.8	4,077.5	4,303.2	4,377.2	4,535.5	4,695.8	4,935.1	2,474.0	3,015.0	3,687.0	4,303.2	4,935.1
Cash flow from operations	331.3	179.4	211.1	250.6	397.1	216.2	239.0	334.7	412.7	229.3	243.4	574.3	494.0	299.6	347.0	654.3	779.8	972.5	1,187.0	1,459.6	1,794.9
Cash flow per share	\$2.05	\$1.10	\$1.29	\$1.51	\$2.38	\$1.29	\$1.41	\$1.97	\$2.40	\$1.33	\$1.40	\$3.28	\$2.79	\$1.68	\$1.94	\$3.63	\$4.89	\$5.96	\$7.05	\$8.40	\$10.05
Capital expenditures	(17.0)	(15.0)	(72.2)	(60.0)	(69.6)	(71.4)	(75.2)	(78.6)	(82.1)	(85.9)	(91.2)	(95.7)	(99.1)	(102.7)	(108.1)	(112.9)	(144.6)	(164.3)	(294.7)	(355.0)	(422.8)
Free cash flow	291.9	143.4	119.5	171.9	319.8	136.9	155.4	247.4	321.4	133.8	142.0	468.0	383.9	185.5	226.9	528.8	585.0	726.7	859.6	1,065.2	1,325.2
Free cash flow per share	\$1.81	\$0.88	\$0.73	\$1.04	\$1.92	\$0.81	\$0.92	\$1.46	\$1.87	\$0.77	\$0.82	\$2.67	\$2.17	\$1.04	\$1.27	\$2.94	\$3.67	\$4.45	\$5.10	\$6.14	\$7.42
<b>PERCENT OF REVENUE</b>																					
Gross income	80.6%	80.4%	80.3%	79.3%	80.4%	80.4%	80.4%	80.4%	80.7%	80.7%	80.7%	80.7%	80.5%	80.5%	80.5%	80.5%	81.0%	80.1%	80.4%	80.7%	80.5%
Research and development	15.2%	16.2%	15.6%	14.4%	15.5%	15.6%	14.9%	14.8%	15.5%	15.5%	14.8%	14.7%	15.1%	15.1%	14.4%	14.4%	14.3%	15.3%	15.2%	15.1%	14.7%
Sales and marketing	38.3%	36.7%	36.9%	37.5%	37.1%	37.0%	36.9%	36.6%	37.0%	36.8%	36.7%	36.5%	36.1%	35.9%	35.8%	35.6%	40.1%	37.3%	36.9%	36.7%	35.8%
General and administrative	5.7%	5.9%	6.1%	5.3%	6.1%	6.0%	6.0%	5.9%	6.2%	6.0%	6.0%	5.9%	6.0%	5.8%	5.8%	5.8%	6.1%	5.7%	6.0%	5.9%	5.9%
Operating income	21.4%	21.7%	21.6%	22.1%	21.6%	21.8%	22.7%	23.1%	22.1%	22.4%	23.3%	23.6%	23.3%	23.6%	23.0%	23.0%	24.5%	24.9%	20.4%	21.7%	22.4%
Taxes	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Net income	19.8%	19.6%	20.2%	20.4%	18.4%	18.6%	19.2%	19.4%	18.5%	18.7%	19.3%	19.5%	19.2%	19.4%	20.0%	20.2%	23.4%	20.0%	18.9%	19.0%	19.7%
Cash margin	52.8%	27.7%	31.1%	34.8%	51.4%	27.3%	28.6%	38.3%	45.2%	24.0%	24.0%	54.0%	44.9%	26.3%	28.9%	52.2%	36.0%	36.4%	36.2%	37.0%	38.2%
<b>GROWTH Y/Y</b>																					
Total revenue	26.4%	23.4%	22.6%	21.3%	23.1%	22.4%	23.2%	21.4%	18.1%	20.4%	21.3%	21.8%	20.6%	19.5%	18.5%	18.0%	34.1%	23.3%	22.5%	20.5%	19.1%
Gross income	26.2%	22.9%	20.8%	18.5%	22.8%	22.4%	23.5%	23.1%	18.5%	20.8%	21.8%	22.2%	20.3%	19.2%	18.2%	17.7%	34.7%	21.9%	23.0%	20.9%	18.8%
Operating income	49.5%	36.2%	20.4%	24.6%	24.5%	23.3%	29.6%	27.0%	20.5%	23.3%	24.1%	24.5%	27.5%	26.2%	24.8%	24.1%	83.6%	31.2%	26.2%	23.2%	25.6%
Net income	16.7%	4.9%	-2.2%	4.4%	14.6%	15.9%	17.1%	15.3%	18.5%	21.1%	22.0%	22.5%	25.3%	24.2%	23.0%	22.5%	82.9%	5.3%	15.8%	21.1%	23.7%
EPS	14.6%	2.7%	-4.4%	1.2%	10.7%	12.1%	13.2%	12.3%	15.1%	17.6%	18.5%	19.0%	21.7%	20.7%	19.6%	19.1%	78.3%	2.9%	12.1%	17.6%	20.2%
Deferred revenue	27.5%	25.1%	25.9%	30.2%	31.6%	31.3%	30.9%	29.2%	29.9%	29.5%	28.2%	28.2%	28.2%	28.2%	28.2%	28.2%	31.6%	30.2%	29.2%	28.2%	24.5%
Billing	13.2%	18.3%	24.9%	32.0%	26.1%	22.9%	23.4%	21.8%	18.5%	21.6%	21.3%	22.0%	19.2%	20.7%	19.8%	13.7%	28.9%	23.8%	23.1%	21.2%	17.7%
Cash flow per share	24.8%	23.7%	18.9%	19.3%	15.8%	16.6%	9.5%	30.1%	0.9%	3.0%	-1.1%	66.7%	16.3%	27.0%	38.6%	10.8%	64.6%	21.9%	18.2%	19.3%	19.5%
Free cash flow per share	27.6%	39.4%	-5.2%	22.2%	5.8%	-7.7%	25.8%	40.2%	-2.4%	-5.1%	-11.3%	83.8%	16.1%	34.8%	55.3%	9.9%	70.9%	21.4%	20.3%	20.9%	20.9%
<b>GROWTH Q/Q</b>																					
Total revenue	5.9%	3.2%	4.7%	6.1%	7.5%	2.6%	5.4%	4.5%	4.6%	4.6%	6.2%	4.9%	3.5%	3.6%	5.3%	4.4%					
Gross income	5.2%	2.9%	4.5%	4.8%	9.0%	2.6%	5.4%	4.5%	5.0%	4.6%	6.2%	4.9%	3.3%	3.6%	5.3%	4.4%					
Operating income																					



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