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Software

Software 2026 Outlook: Opportunities Amid AI Uncertainties

Bottom Line:

After a tough year for application and vertical software stocks, we believe 2026 has the potential to show some recovery, catalyzed by clarity on the growth trajectory of AI as more use cases enter production. This could take time, and entering the year we prefer vertical software generally. Our top large cap idea is **Intuit** ahead of what we anticipate will be a second consecutive solid tax season. Our Tier 1 outperform ideas also include **Procore, ServiceTitan,** and **Samsara**. Our top idea in the HCM group is **Paylocity** and in the "Office of the CFO" group is **OneStream**. Stocks on our shopping list include **Autodesk, Bill,** and **Vertex**.

Key Points

AI / Application Debates to Persist Near-term — Software companies serving finance, HR, front office, and productivity/workflow use cases have seen some multiple compression over of the past few years as investors interrogate the durable growth opportunity with Generative AI and Agentic tools coming to market. We think the "death" of enterprise business applications is probably exaggerated, although the near-term catalyst path is murky towards a clearer bull-case for the stocks. We think 2026 shows progress deploying AI workloads in business applications and on the monetization playbook for many companies as their business models evolve.

Good Opportunities in Vertical Software — The intensity of the AI debate in the vertical group is less pronounced and greater focus is on execution against strategic drivers of growth and end market health. Exiting 2025 several companies in our coverage posted solid results which we think foreshadow upside potential to estimates next year, including **ServiceTitan** and **Samsara**. Construction workflow digitalization momentum in particular looks poised to progress in the coming year as vendors release new Agentic capabilities and reduce data silos.

HCM Group Waiting for Catalysts — We remain selective on the cluster as the bar to improving sentiment may take time to manifest reflecting mixed labor market data in 4Q and worries about job market implications from AI adoption on revenue models. Inside we refresh our recession analysis to show downside potential should labor market conditions moderately weaken next year. Multiples seem to already be pricing in some incremental labor market challenges in 2026, which if not manifest could create favorable conditions for the stocks. Our only outperform recommendation is **Paylocity**.

Navigating Complexities in the "Office of the CFO" - We see myriad catalyst paths for the group in 2026 reflecting: **1)** Differing positioning AI productization in a category that is expected to among the more impacted; **2)** The ramp of the cloud transformation journey in cloud ERP, in particular SAP; **3)** Potential impact from "AI Native" disruptors; **4)** The impact of activist investors which have positions in four stocks in the group. We think **OneStream** has strong product market fit and a reasonable estimate trajectory.

More Consolidation / PE Activity in "Back Office" Software Seems Likely in 2026 - More than 40% of our coverage this year had either a media report of potential interest in being acquired or investors publicly calling for strategic evaluations to be considered by the board. We think M&A remains active in the space as public-sector valuations - particularly application software - look less demanding than they have in some time. Inside we outline the most likely buyers (and sellers).

For disclosure statements, including the Analyst Certification, please refer to page(s) 59 to 62.

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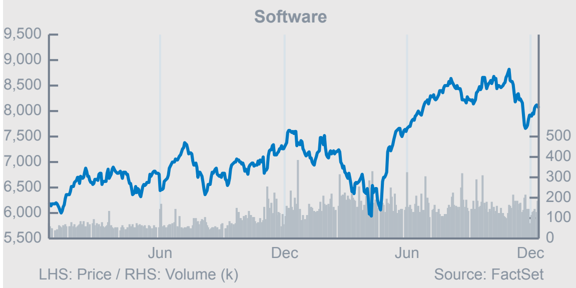

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Portfolio Manager Summary

Inside this report, we provide updates to our sector views and stock preferences entering 2026 across our two research focus areas - business applications and vertical software. After a tough year in which 70% + of our covered stocks are down YTD as investors gravitated strongly to a few winning themes in other parts of the software universe (infrastructure, data, and security), we believe 2026 has the potential to show a broadening out of share price recovery. Foremost would be evidence that helps provide clarity on the implications for growth from AI as more use cases enter production. Our top large cap idea is **Intuit** ahead of what we anticipate will be a second consecutive solid tax season after the business' challenges exiting the pandemic. Our Tier 1 outperform ideas also include **ServiceTitan, Procore,** and **Samsara**. Our top idea in the HCM group is **Paylocity** and in the "Office of the CFO" group is **OneStream**. Stocks on our shopping list include **Autodesk, Bill,** and **Vertex**. In the aggregate, stock valuations in software appear reasonably attractive entering 2026 (Chapter #7). In Exhibit 1, we show a summary of our investment recommendations with a Tier 1 and 2 for each category.

AI / Application Debates to Persist Near-term — Software companies serving finance, HR, front office, and productivity/workflow use cases have seen multiple compression over of the past few years as investors interrogate the durable growth opportunity with Generative AI and Agentic tools coming to market. Of the three major components of business applications (UI, "business context/logic," and data), the business context layer is where we think there is most debate regarding the power of incumbent applications and digital transformations. We think the "death" of enterprise business applications is probably exaggerated, although we do see a continuum of vulnerability by use case where evidence of impact could begin to emerge. As AI adoption ramps, business models are starting to evolve with companies introducing new pricing schemes (like **BlackLine**) and consumption models (**Workday**), but overall, we think companies are still calibrating AI monetization. Generally, we see vertical applications with greater insulation to potential risks from Generative AI disruption compared to horizontal applications, hence our continued bias for exposure to stocks in this group. Absent strong 4Q results for companies in the enterprise software cluster we think the debate regarding the growth impact from Agentic AI may persist. Disappointing up-take of AI may actually showcase the staying power of applications and result in some rotation back into this set of stocks.

Several Good Opportunities in Vertical Software — The intensity of the AI debate in the vertical group is less pronounced and greater focus is on execution against strategic drivers of growth and end market health. Exiting 2025 several companies in our coverage posted solid results which we think foreshadow upside potential to estimates next year, including **ServiceTitan** and **Samsara**. Construction workflow digitalization momentum in particular looks poised to progress in the coming year as vendors release new Agentic capabilities and further reduce data silos. However if the AI data center build-out trajectory cools it could fuel worries about **Autodesk** and **Procore,** especially if the broader commercial / industrial markets maintain their current trajectory.

HCM / Payroll Group Still Waiting for Catalysts — We remain selective on the HCM cluster as we think the bar to improving sentiment may still take time to manifest reflecting mixed labor market data in 4Q and worries about the job market implications from AI adoption on revenue models. Our baseline view is that the labor market continues to cool into 1H26 creating a headwind to revenue upside and the trajectory of bookings. In Chapter #4 we show a scenario testing the potential revenue trajectory for the group in mild labor market recession conditions. While acknowledging the tough trajectory in the near-term, multiples seem to already be pricing in material labor market weakness in 2026, which if not manifest could create more favorable conditions for the stocks. The backdrop ahead of the **Paycom's** FY26 initial guidance looks tough, and we believe upside to consensus growth of 10% ex float could be difficult in the near-term. Our only outperform recommendation is **Paylocity**, and we think management sounded good in recent comments on the trajectory of the business at year-end.

Stock Pickers Market in the "Office of the CFO" - In totality we see numerous and complex catalyst paths for the group in 2026 reflecting: **1)** Differing positioning on the adoption of Agentic AI where there are expectations of many applicable opportunities across the finance suite and products coming to market; **2)** The ramp of the cloud transformation journey in cloud ERP, in particular SAP, which is an important part of the bull cases for **Vertex** and **Blackline**; **3)** Potential impact from "AI Native" disruptors with areas like core accounting, accounts payable and tax all seeing intriguing innovation from emerging companies this year; **4)** The impact of activist investors which have positions in **Blackline**, **Bill**, **Workiva and Workday**. We think **OneStream** has strong product market fit and a reasonable estimate trajectory, and **Workiva** looks attractively valued if the new CFO can maintain the top-line trajectory while aggressively driving operating leverage to meet the companies 2027 margin targets. We update our valuation multiples for **Bill** and **BlackLine** to mostly in line with back-office financial related software peers and slightly increases our target prices to $60 and $63, respectively.

Consolidation / PE Activity in "Back Office" Software Seems Likely in 2026 - More than 40% of our coverage this year had either a report of potential interest in being acquired or investors calling for strategic evaluations to be considered by the board. We think a reasonable base case is that at least one of the stocks in this group is acquired over the coming year. More broadly, we think it's likely to be an active year in M&A as companies are racing to get the tools in place to innovate at the pace currently required. We think **ADP**, **Workday**, **Intuit**, **Autodesk** and **Procore** all are among the more likely to pursue tuck-in deals and expect PE acquisition of **Dayforce** to close by early 2026 (link).

Exhibit 1 - Jester Software Coverage Rank Order

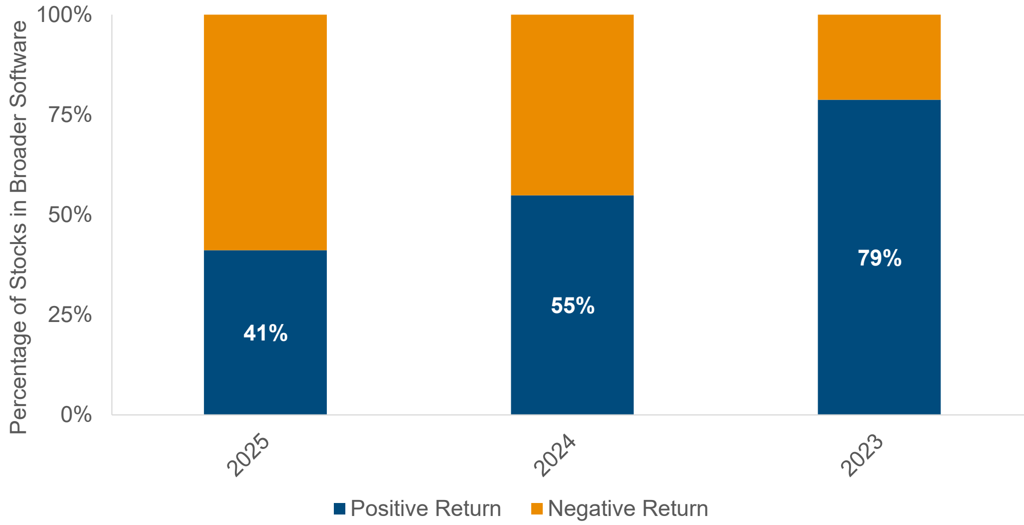
Company	Ticker	Rating	Rank Tier	12/15/2025 Price	Target Price	Return	Upside Price	Downside Price	Comments
Outperform: Tier 1									
Intuit	INTU	Outperform	1	$654.60	$810	24%	$910	$520	Intuit remains our top large-cap software pick for 2026, driven by strong tax season outlook, robust Credit Karma and QuickBooks growth, and mid-market momentum via IES. Shares have outperformed large cap software peers in 2025 although we still see an attractive entry point with the shares trading near 30x EV/FCF, a discount to large cap peers.
Procore	PCOR	Outperform	1	$72.35	$87	20%	$103	$55	Procore's installation of the new CEO has provided us with increased clarity on the company's path forward in driving durable, double-digit revenue growth. Go-to-market changes within the business are nearly complete, which should positively impact the cross-sell motion, and deeper enterprise relationships building on the data center opportunity could contribute to revenue upside.
Samsara	IOT	Outperform	1	$39.67	$50	26%	$60	$30	Samsara's most recent print showed the company's progress on multiple fronts, with strength in the business's international markets, success in selling new products, and good momentum in the upmarket. We believe there is room for upside to estimates on both top line and margin, and potential revisions may drive share prices higher, in our view.
ServiceTitan	TTAN	Outperform	1	$103.11	$125	21%	$140	$70	Despite ServiceTitan's core end market facing weaker conditions in recent periods, the business has provided more evidence of resilience against the greater macro. Moving forward, we believe opportunities exist for the company within commercial and in tailoring automated solutions, among others, which may allow the company to capture more of their customers' revenue.
Outperform: Tier 2									
PTC	PTC	Outperform	2	$175.07	$219	25%	$247	$163	Following the company's recent divestiture, we reasonably view PTC's set-up, with improved focus on key segments of the business and solid expected performance in these areas. Macro metrics have been mostly flat (and up in some cases) this year with a CY26 recovery being beneficial to the story, and it is important to be mindful of any potential changes with a new CFO in place.
Paylocity	PCTY	Outperform	2	$148.50	$185	25%	$210	$100	Paylocity has executed well despite a saturated HCM market, expanding into finance/IT workflows and strengthening ancillary solutions. New long-term targets aim for 25–30% FCF margin and EBITDA ~36%, supported by efficiency initiatives. Shares trade at historical lows, creating upside potential with Airbase integration and favorable margin trajectory.
Workday	WDAY	Outperform	2	$214.90	$285	33%	$320	$170	We expect Workiva to support mid-to-high double-digit subscription revenue growth despite Sustainability softness, leveraging its multi-product suite bolstered by GRC and Reporting, and for new CFO to more aggressively drive operating leverage to meet the company's 2027 margin targets. Tailwinds from capital markets and AI monetization on new pricing and packaging, and attractive valuation support our constructive outlook.
OneStream	OS	Outperform	2	$16.99	$25	47%	$36	$13	Despite tighter back-office spend, OneStream is positioned for 20%+ subscription growth in 2026 driven by financial consolidation strength, xP&A momentum, and AI/ML differentiation. Cloud migration tailwinds, solid retention, Sensible ML adoption, and CPM Express expansion should support durable growth in an uneven selling environment.
Workiva	WK	Outperform	2	$86.30	$103	19%	$118	$68	Workiva maintains ~20% subscription growth despite Sustainability softness, leveraging its multi-product suite bolstered by GRC and Reporting. Margin targets raised to 18% by FY27 under new CFO, with focus on efficiency and governance reforms. Tailwinds from capital markets and AI monetization on new pricing and packaging, and attractive valuation support our constructive outlook.
Market Perform: Tier 1									
Vertex	VERX	Market Perform	1	$19.46	$24	23%	$35	$12	Similar to peers, Vertex has faced elongated deal cycles and fear of slowing ERP migrations for most of 2025. Near-term outlook remains cautious, but upside exists if execution improves on e-invoicing, AI monetization, and SAP ecosystem. Shares trade at meaningful discount on a growth adjusted EV/Sales basis, offering potential if execution towards long-term targets materialize.
Bill	BILL	Market Perform	1	$54.17	$60	11%	$73	$42	Bill.com leads the U.S. SMB accounting market amid digitization but faces near-term macro and competitive pressures. AI-driven enhancements, mid-market progress, and new Embed partnerships support long-term as the company aims to restore growth and margin. Risk/reward remains balanced in the near term.
BlackLine	BL	Market Perform	1	$57.13	$63	10%	$77	$43	BlackLine's growth outlook remains mixed despite early signs of stabilized conditions. Near-term catalysts remain focused on re-accelerating forward-looking indicators and SAP ecosystem adoption. AI updates (Verity suite), pricing changes, and building out the Studio360 pipeline could aid upside in 2026.
Paycom	PAYC	Market Perform	1	$162.81	$190	17%	$245	$115	Paycom faces growth and margin uncertainty from a cooling US labor market and investments into AI, with shares underperforming peers in 2H25. FY26 guide looks challenging, while AI investment and capex impact remain debated. Success of IWant AI search engine and efficiency-driven margin expansion are key in 2025 amid a challenging macro backdrop.
Autodesk	ADSK	Market Perform	1	$294.31	$343	17%	$379	$240	Management has maintained a position of prudency for upcoming guidance, citing general uncertainty in the macro environment. Progress is being made on FY29's 41% EBIT margin target, and while we remain on the sidelines, we look to improved execution on the go-to-market optimization and macro tailwinds benefitting ACC to become more constructive on the name.
Market Perform: Tier 2									
Expensify	EXFY	Market Perform	2	$1.54	$2.00	30%	$3.50	$0.50	Expensify growth pressure has persisted in 2025 from macro headwinds and competitive dynamics, with revenue down ~1% y/y and card fee growth slowing sharply. Paid user declines and weak interchange trends weigh on momentum, while Travel and partnerships show only early traction. FCF outlook of $21M offers some support, but execution on growth levers remains critical.
Paychex	PAYX	Market Perform	2	$115.38	$121	5%	$150	$85	Paychex faces macro headwinds and integration of Paycor will take time, with meaningful improvement weighted toward 2H26. Revenue acceleration remains challenging despite expected cost synergies supporting EPS. Shares trade at five-year P/E lows, offering potential upside longer term, but patience is warranted as execution on up-market growth and synergy capture unfolds.
ADP	ADP	Market Perform	2	$264.95	$301	14%	$351	$201	ADP's strong diverse business lines, durable EPS growth, and solid balance sheet remain intact, but macro headwinds and weaker pays-per-control growth weigh on bookings outlook. Shares trade near five-year P/E lows and execution on Lyric, WFN Next Gen, and embedded initiatives will be key to reigniting growth into FY26.
Dayforce	DAY	Market Perform	2	$69.29	$70	1%	N/A	N/A	Dayforce has agreed to be acquired by Thoma Bravo and we expect the transaction to close in 1H26. For details on the expected transaction please see our report - link.

Source: BMO Capital Markets, FactSet

Chapter #1: A Lost Year for Many Stocks in Application and Vertical Software Markets

While not over yet, 2025 shaped up to be a tougher year for the parts of the software market where we focus, and for others too. Looking at data through early-December, ~40% of software stocks in the broader comparable universe (n=158) showed positive performance YTD, compared to 55% of the software market in 2024 and more than three-quarters in 2023 (Exhibit 2).

Exhibit 2 - Broader Software Share Performance

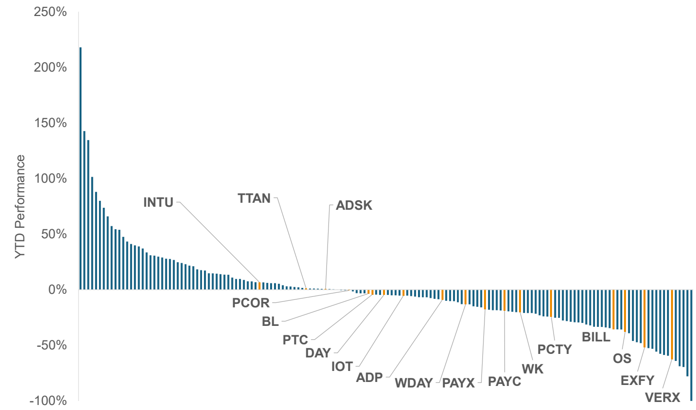


2025 data reflects prices as of 12/12 close; 2025 n=158, 2024 n=164, 2023 n=174

Source: BMO Capital Markets, FactSet

While the factors driving each stock vary, our coverage within application and vertical software mostly lagged this year, along with many other stocks in the industry. In the aggregate, the majority of the pressure driving underperformance this past year for most stocks was multiple de-rating, and we'll dig more into this later in the report. For the smaller set of outperformers this year, the vast majority of stocks on the top list were direct AI beneficiaries in infrastructure & databases and security vendors. Indeed, companies infrastructure & data and security were the only two clusters within the software market that had more stocks up this year than compared to 2024 (Exhibit 4).

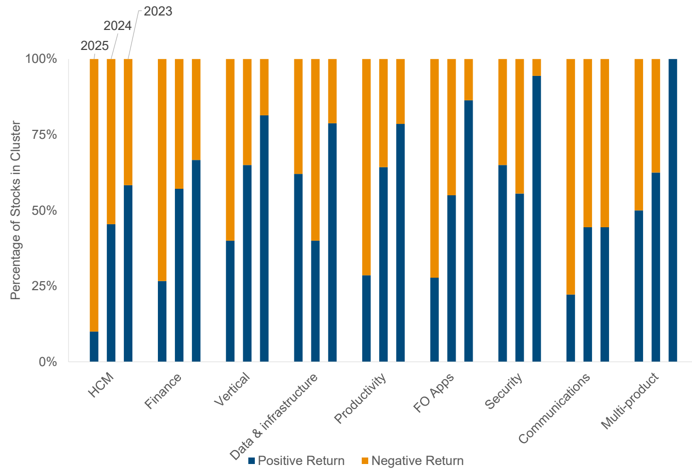
Exhibit 3 - Sofware Sector Stock Performance YTD



Take-privates priced on last trading day, all others priced as of 12/12

Source: BMO Capital Markets, FactSet

Exhibit 4 - Deterioration Apparent Across Many Clusters



2025 data reflects prices as of 12/12 close

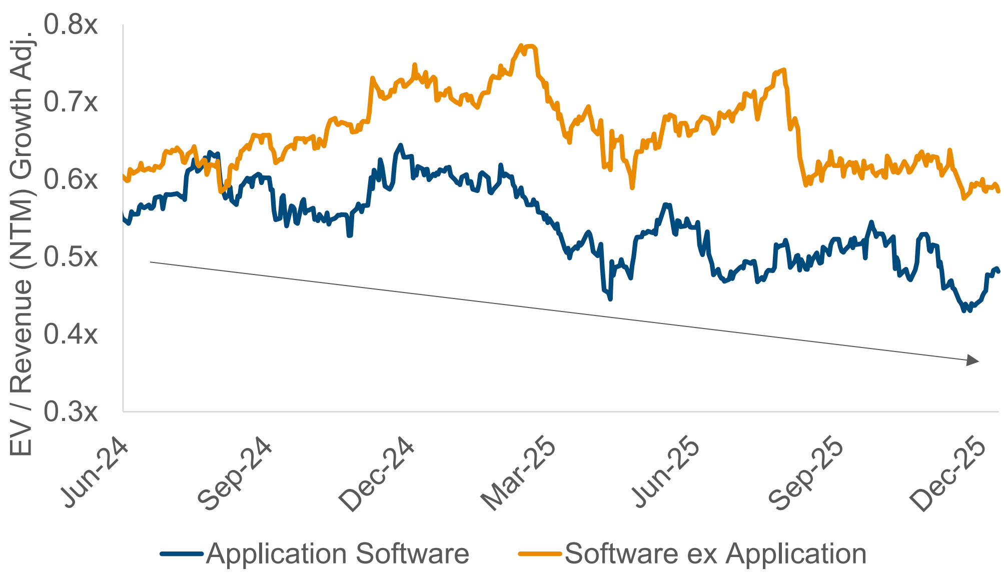
Source: BMO Capital Markets, FactSet

As shown above, few stocks in the HR (n=10) and Finance software (n=15) ecosystems saw positive returns this year, both posting significant drops from 2024. All 25 companies across HR and finance experienced multiple compression that more than outweighed any increase in estimates. For the former, slowing new bookings growth and worries about the strength of the labor market increased, while for the latter, slowing digital transformation in the finance suite and concerns about implications as Generative AI ramps impacted sentiment this year. As a group, Vertical software fared better, although still weakening compared to the past few years in the breadth of performance. About half of the stocks in that cohort posted positive returns this year. Similar to the HR and Finance software groups, multiple compression was a major driver for underperformers.

Chapter #2: Themes for Investing in the Application Layer in an Age of AI Disruption

Compared to mid-2024, growth-adjusted multiples have compressed within the "application" software sub-sector, driving a wider valuation gap between other companies in the sector (Exhibit 5). As shown in the nearby table, compared to growth expectations exiting 2025, in the aggregate the application software group is expected to roughly grow similarly over the next 12 months, yet what investors are willing to pay for that growth has moderated. This is in contrast with software excluding those we'd categorize as application vendors, where multiples have been volatile in aggregate, but appear to be exiting the year roughly similar as to late 2023 and late 2024. Collectively, this is evidence to us that investors are worried about the ability of application software companies to drive durable growth as Generative AI tools mature and scale in use.

Exhibit 5 - Application Software vs. Broader Software ex Application EV / Revenue (NTM) Growth Adj.



Application Software includes HCM, Communications, Finance, Front Office, and Productivity; Software ex Application includes Data & Infrastructure, Multi-product, Security & Vertical

Source: BMO Capital Markets, FactSet

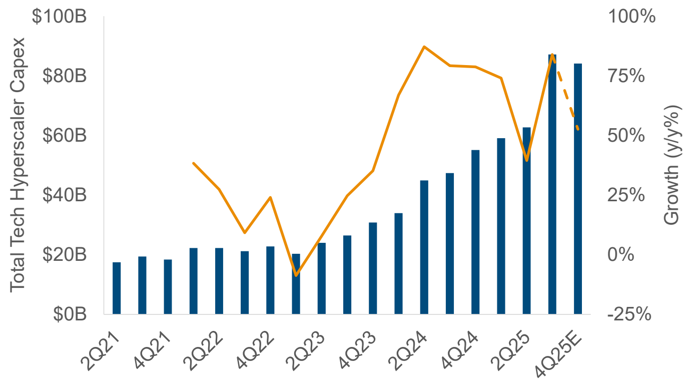
Exhibit 6 - 2025 vs. 2024 NTM Expectations

	NTM EV / Revenue		NTM Revenue Growth	
	2025	2024	2025	2024
Data & infrastructure	11.9x	7.1x	12.8%	10.4%
Security	9.1x	5.2x	14.7%	13.7%
Multi-product	7.6x	9.6x	15.3%	12.0%
Vertical	6.5x	12.1x	14.6%	10.8%
Finance	4.9x	2.3x	10.7%	11.3%
FO Apps	4.2x	6.4x	13.9%	11.4%
Productivity	4.1x	5.5x	11.8%	11.7%
HCM	3.8x	8.7x	7.2%	4.5%
Communications	1.8x	9.2x	6.2%	6.5%

NTM Revenue Growth is revenue weighted, EV / Revenue is average; CRWV & PLTR removed as distortionary; 2025 n=134, 2024 n=149

Source: BMO Capital Markets, FactSet

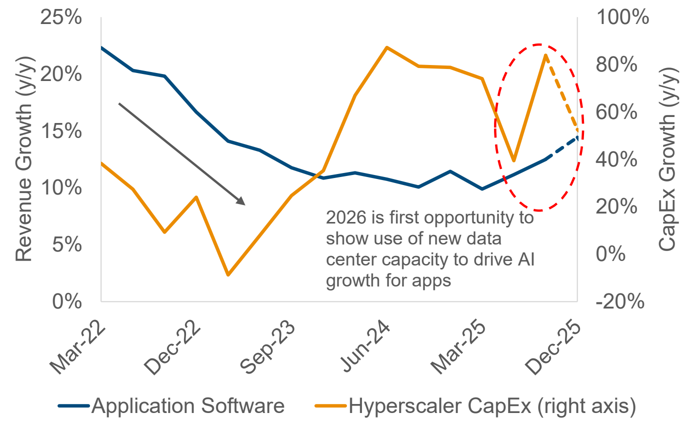
Exhibit 7 - Hyperscalers Still Spending



AMZN is AWS capex incl. finance leases, GOOGL is purchases of property and equipment & MSFT is capex incl. capital leases

Source: BMO Capital Markets, Visible Alpha

Exhibit 8 - Application Software Revenue Growth vs. Hyperscaler Capex Growth



Application Software consists of HCM, Productivity, Finance/SCM, and Front Office Apps; Final data points are FactSet & Visible Alpha estimates

Source: BMO Capital Markets, FactSet, Visible Alpha

We are sympathetic to these uncertainties because we are still relatively early in the introduction of this technology into business workflows, being roughly three years since the public release of Chat-GPT. Capex by the hyperscalers for AI infrastructure is still growing at a robust pace and ostensibly as capacity comes online and adoption of tools hits broader critical mass, greater clarity about the implications for growth and application and vertical vendors. Other factors are also impacting adoption, like Agentic AI security rising importance in the sector (link) and managing business model change for vendors as AI workloads disrupt the value of the seat-based model. Thus, in the near-term, we expect the debates regarding the future of application software in a Generative AI world to persist.

As our colleague Keith Bachman has outlined recently, application software can be roughly broken down into three "pieces": the user interface, the data, and business "context" layer which facilitates the ability of the user to interact with the data to do "work" (link).

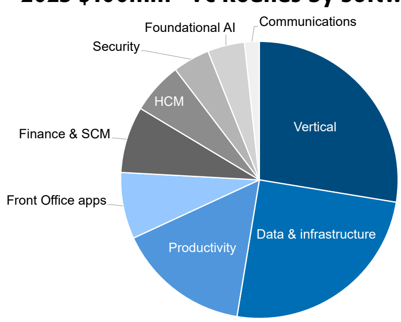
Evaluating each of these pieces against the AI innovation underway, we think there is high likelihood that Generative AI will drive evolution in the experience for business users. In our coverage, a few examples of this include Paycom's launch of IWant, which essentially can replace the majority of menus in the application with a text based prompt (link) and Workday's purchase of Sana, an AI-native platform that combines learning experience with enterprise search, workflow automation, and AI agents (link). Outside of our coverage, we have seen great strides incorporating voice across use cases like customer service and recruiting (link). And, more generally, AI Agents becoming more prevalent will facilitate even more evolution. We think many application companies are considering how this impacts their solutions, but we can give many examples of software products with average UI that were still market leaders, and thus while we are mindful of the implications of change over time, we do not think it is a major risk for now to spur changes in win-rates or customer defections.

While companies need to get their data houses in order to utilize AI, the functional methods to do so are understood and available in the market. Our colleague Keith Bachman discusses his thoughts on MongoDB's database management services and the uplift from AI in his recent initiation (link). Within our coverage, this trend probably is helpful for systems of record providers to further consolidate workflows through their platform for small and mid-sized customers. For additional details on databases and infrastructure please see the following reports - link and link.

Thus among these pieces, we think the greatest uncertainty lies in the "business context" functionality of the application. In our conversations with experts over the past year, we have encountered a diversity of views regarding the stickiness of "owning the domain" with these workflows where the application vendor has built use-case specific expertise, compared to being displaced by an AI-native solution fully replicating the capability in the future. This competition could include new AI-native entrants, but also scaled vendors in adjacent markets using the power of AI tools to accelerate innovation and develop new product or business models which incentivize customers to consolidate workloads on their platforms. We expect most tools from application vendors to fall along a spectrum of Generative AI "replaceability" (considering both Agentic and other forms of AI/ML), with some workflows extremely difficult to replicate/displace, and others less so. Putting aside factors such as security, regulatory, and compliance, which may ultimately influence the incumbency advantage, we believe software application vendors that have more revenue linked to applications with low "replaceability" risk will see their shares trade at a premium relative to their financial profile. We think horizontal applications that are not systems of record will have the most difficulty proving to investors that they have defensible positions in this framework.

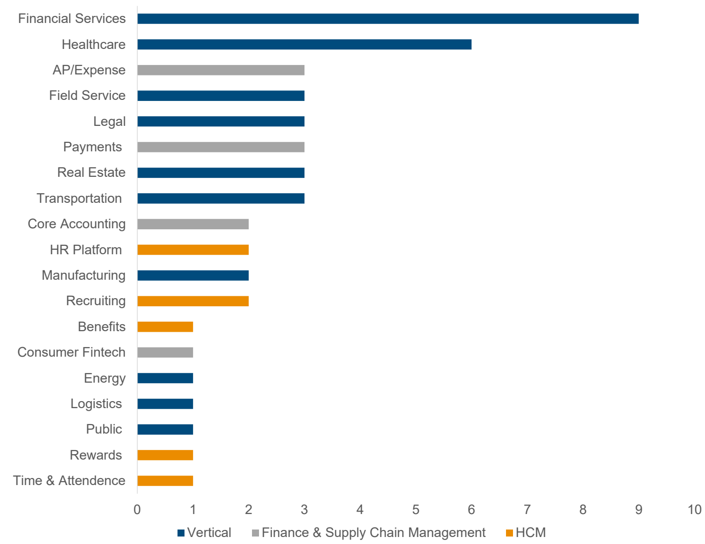
One way to test part of this risk potential is to see which use cases in applications and vertical markets have attracted the most capital in VC funding recently as a proxy for near-term disruptive growth opportunity. This perspective reflects our view that any investment in a software vendor today must consider the structural implications of Generative AI in the technology stack on their product and part of the industry which they serve.

Exhibit 9 - 2025 $100mm+ VC Rounds by Software Cluster



Source: BMO Capital Markets, Crunchbase

Exhibit 10 - Use Cases for 2025 $100mm+ VC Rounds Across Vertical, Finance & SCM, and HCM



Source: BMO Capital Markets, Crunchbase

To that end, we examined 2025 US-centric funding rounds that were at least $100mm (n=141 in AI and software). We show the breakdown of companies by cluster, with over a quarter classified as vertical. Within the vertical software subsection, Financial Services and Healthcare tools are most prevalent, and while our vertical stocks under coverage do not primarily compete in these areas, general overlap exists in Field Services (**ServiceTitan** and **Samsara**), Transportation/Logistics (**Samsara**), and Manufacturing (**Autodesk** and **PTC**). For HCM and Finance & SCM, the overlap is much broader in nature. Limiting the analysis to larger raises perhaps misses some of the next wave of smaller/newer companies trying to disrupt their markets (and we discuss a few of these in the "Office of the CFO" chapter), but we still find it contextually helpful.

Generally use cases were we see the greatest likelihood of impactful change driven by Generative AI in horizontal software include: 1) In HCM: recruiting, benefits, learning, time/attendance, workforce management, engagement; and 2) In Finance: technical accounting, planning, accounts payable, travel and expense and potentially parts of the compliance and reporting markets. Generally, we see vertical applications more insulated, but not immune. Design tools like **Autodesk** and **PTC** are likely to see more Generative AI tools and features over time but, we do not see them disrupted. For **ServiceTitan**, **Procore**, and to a lesser extent, **Samsara**, Generative AI will drive automations that harness of the power of the platforms and ecosystems and help cement the companies as market leaders.

Turning to more near-term considerations, in the application layer, we have seen three types of Generative AI innovations over the past year: 1) Embedding LLM functionality within application and workflows to boost the productivity of the end user; 2) Co-pilots with user-led information management and workflow enhancements; and 3) Agents which automate portions or more of workflows. For the first two product areas, we do not generally expect significant monetization beyond inflationary-type pricing levers given the pace of innovation and widespread deployment of these tools, directionally consistent with prior product updates, albeit with more consideration to the gross margin impact from usage. As shown below, essentially every company in our coverage has a co-pilot, and many have Agents live or forthcoming.

Exhibit 11 - AI Agent Buildout in Full Tilt

Company	AI Agents	Co-Pilots	Other AI
ADP	X	X	AI integrations through strategic partnership
Autodesk		X	Autodesk AI, Generative Design, Bernini
Bill	X	X	Documentation & reconciliation agents, BILL Assistant
BlackLine	X	X	Studio360 AI-powered Insights, Verity AI
Dayforce	X	X	Talent apps
Expensify	X		SmartScan & Auditing, Expense Management AI Agent
Intuit	X	X	Substantial investments embedding in product; GenOS
OneStream	X		SensibleAI
Paychex	X	X	Agentic AI and embedded AI Assist in client service
Paycom		X	IWant, ML baked in product suite
Paylocity		X	Multiple other areas in product suite
Procore	X	X	Multiple other areas in product suite
PTC	X	X	Generative Design, Document Vault AI agent
ServiceTitan	X	X	Voice agent, marketing & lead mgmt. automation
Samsara		X	AI Vision Intelligence
Vertex		X	AI Tax Capabilities
Workday	X	X	Sana acquisition, talent, other areas in product suite
Workiva	X	X	Intelligent AI, multiple other areas in product suite
Software Mega Caps			
Microsoft	X	X	Azure AI Agent Service and Copilot Agents
Salesforce	X	X	Agentforce Service Agent, Einstein Copilot
ServiceNow	X	X	ServiceNow AI Agents and Now Assist

Source: BMO Capital Markets, Company Reports

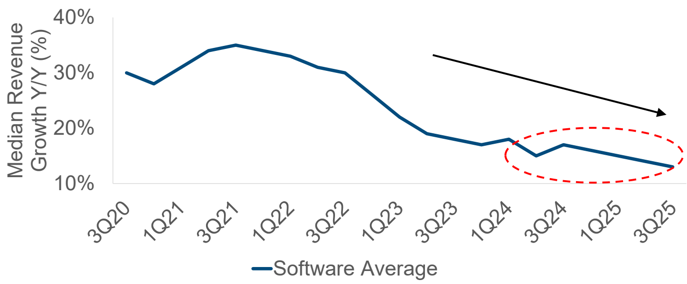
We expect 2026 Agentic AI will be a more material contributor to revenue growth, and supporting this view are several constructive comments made on AI momentum during recent earnings presentations and conferences. Within our coverage, this includes 3.6mm **Intuit** customers using Agents since July; AI-related bookings contributing 1.5pts of growth y/y to ARR to **Workday** (ex Paradox) in its latest fiscal quarter, greater than 75% of net new deals including an AI product, and 10 agents are now live; AI-related bookings growing 60% YTD at **OneStream** in its latest fiscal quarter; **Procore** seeing ~10% of its customers using AI Assist; and the broader software space including Salesforce Agentforce ARR up more than 300% y/y in its latest fiscal quarter, as just a handful of examples. However, we think its also possible that weaker than expected up-take over the next few quarters could also be potentially positive for the application group as it showcases the staying power of these solutions. Thus potentially the "worst" case scenario for the group is another year of uncertainty regarding the implication of AI for these business models.

The rapid investments in AI over the past two years has placed incremental focus on pricing and packaging across software. Seat-based pricing, known for predictive revenue streams and helping SaaS companies drive premium multiple valuations over the past generation, is coming under pressure as AI workloads alter the ROI calculus. Worries that AI will cannibalize seat-based models has led several of our coverage companies to make changes to their pricing models including **BlackLine, Workiva,** and **Workday** adding tokens and **Intuit** bundling Agents in standard SKUs and lifting prices. Please see inside our OoCFO section for more detail on company-specific pricing initiatives. HCM software generally still has high exposure to seat-related models, although we would note **ADP** and **Paychex** are slightly less exposed due to platform fees.

Chapter #3: Planning for Continued Macro Choppiness Near-term

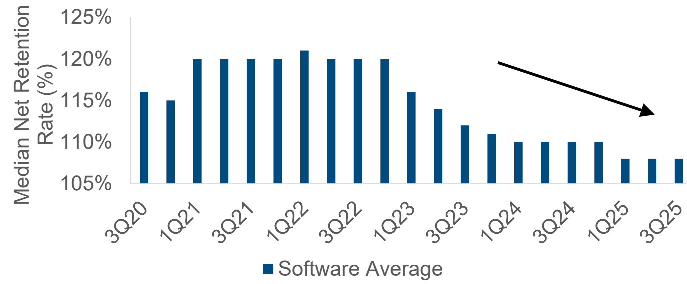
Across public software companies, growth has shown some level of stabilization in recent quarters with choppy net new ARR trends and similar NRR trends YTD (Exhibits 12 and 13). Zooming out, third-party estimates of IT spending shows that 2025 was mixed across categories. Enterprise applications, which encompass the majority of our coverage, is a ~$440B global market, likely growing around 11% in 2025, and is projected to reach $500B in 2026, growing 14% y/y.

Exhibit 12 - Public SaaS Median Revenue Growth Rate (LTM)



Source: BMO Capital Markets, Company Reports

Exhibit 13 - Public SaaS Median NRR



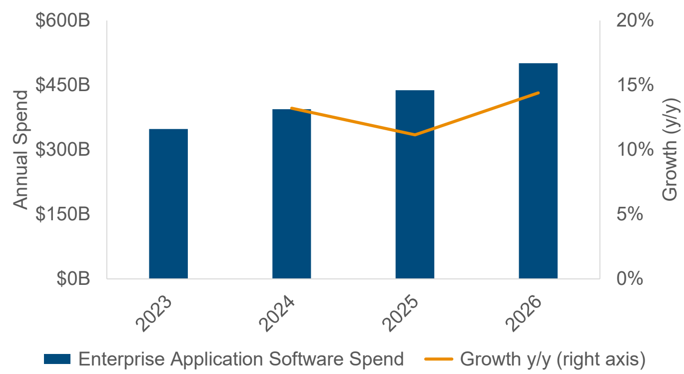
Source: BMO Capital Markets, Company Reports

Exhibit 14 - Forecasted Software Spend by Category

Category	2024	2025	2026
IaaS	23%	24%	27%
PaaS	20%	18%	22%
DBMS	20%	20%	26%
SaaS	18%	16%	18%
SCM	22%	22%	25%
CRM	15%	15%	18%
ERP	17%	15%	17%
Infrastructure Software	11%	10%	14%
Database Mgt Systems	14%	10%	18%
Security Software	16%	13%	15%
Application Software	13%	11%	14%
SCM	13%	13%	16%
CRM	14%	13%	16%
ERP	12%	10%	13%
Consulting	5%	5%	7%
BPO	3%	3%	4%
Application Implementation and Manged Services	3%	5%	7%
Infra Implementation and Manged Services	2%	4%	5%

Source: BMO Capital Markets, Gartner Market Databook

Exhibit 15 - Forecasted Enterprise Application Software Spend

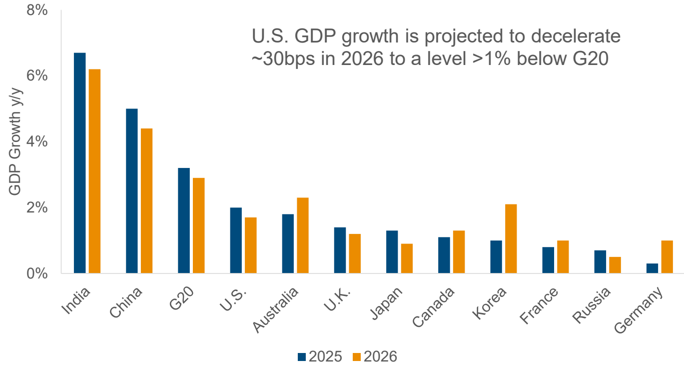


Forecast as of September 2025

Source: BMO Capital Markets, Gartner Market Databook

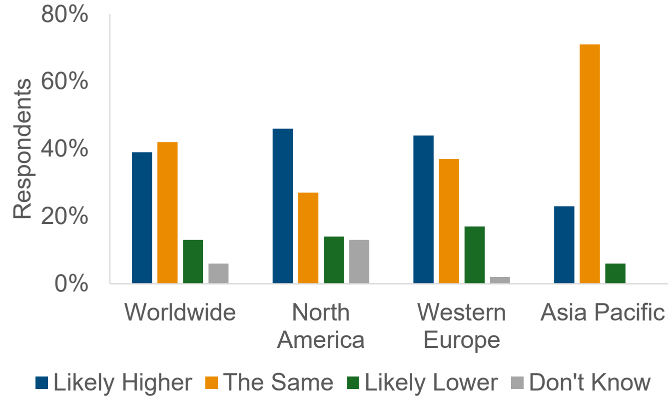
Looking ahead, top-down indicators for 2026 growth trends are mixed to positive. Global GDP growth is anticipated to be slightly higher in 2026 vs. 2025 but below the levels of 2022-2024. Third-party estimates of IT spending are generally more upbeat about recovery in growth in 2026, with more optimism of higher spend compared to 2025 in North America and Western Europe. The resolution of the tension regarding the exit rate of growth in 2025 and our expectation and deal cycles are still biased longer, compared to the more optimistic trajectory from these third party estimates for macro growth could be important catalysts for the stocks as 2026 progresses.

Exhibit 16 - GDP Growth is Projected to Slightly Decelerate in 2026



Source: BMO Capital Markets, OECD Economic Outlook

Exhibit 17 - IT Spending in 2026 vs. 2025



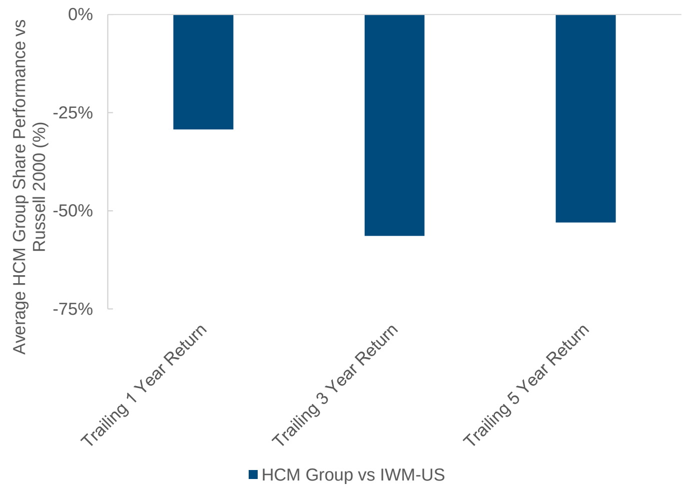
Survey published September 2025; NA=374, WE=220, AP=300

Source: BMO Capital Markets, IDC

Chapter #4: Still Searching for Catalysts in HCM / Payroll; Stay Selective

The past three years have been difficult for the HCM / Payroll group, which has struggled collectively to stabilize recurring revenue growth trends in a market which grew low-double-digits globally and in the US over the past year. Third-party survey data (link), takeaways from the fall conference circuit, insights from CY3Q25 earnings, and labor market data all suggest a level of caution on the demand environment into 2026. In this section of the report, we will outline: **1)** Where companies in the group are focused on driving growth; **2)** Potential revenue risk in a slower labor market environment; **3)** Downside risk to multiples; and **4)** Inorganic opportunities and our take on some interesting trends among private peers. While we are only recommending **Paylocity**, with valuations seemingly already pricing in a tough 2026, and if labor market conditions do not worsen, there could be upside pressure in the names.

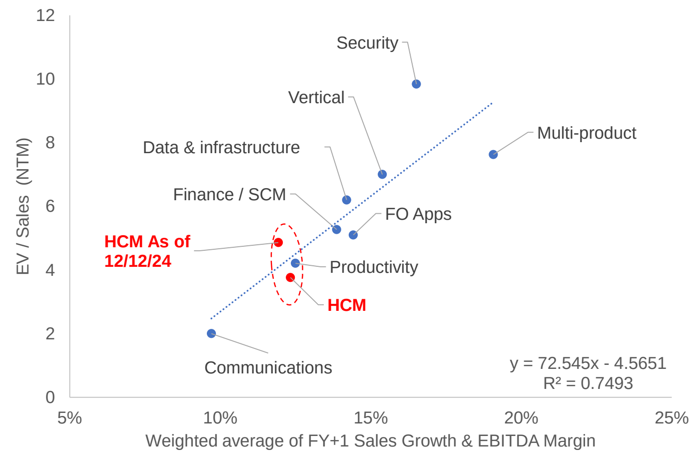
Exhibit 18 - HCM Group Shares have Lagged the Broader Market Consistently Since the Pandemic



HCM Group average includes ADP, PAYC, PAYX, PCTY, WDAY and DAY & PYCR pre acquisition news.

Source: BMO Capital Markets, FactSet

Exhibit 19 - HCM Software Cluster Valuation Trend

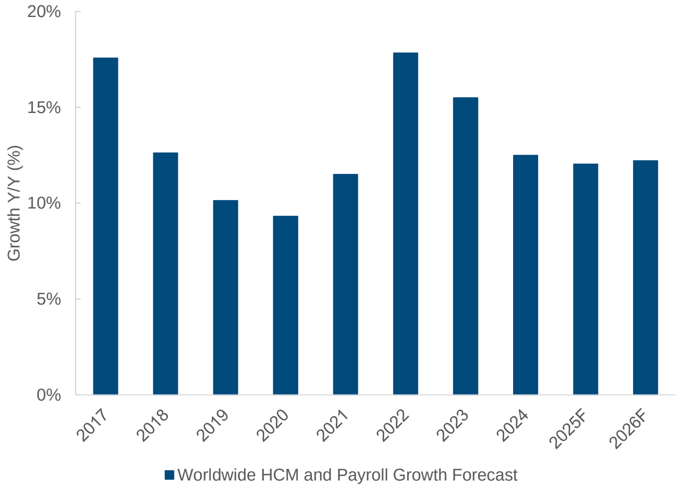


Source: BMO Capital Markets, FactSet

Macro Baseline Assumes "Flattish" Labor Market Trends; Risks Tilted to Downside

Underpinning our subsector view on the HCM/payroll group is our expectation that US job market growth remains lackluster in 2026. After entering the year seeing US private sector growth trending above 1% y/y, gains have moderated consistently with growth exiting CY3Q around 0.8%. Private-sector data in recent weeks has suggested trends may have decelerated further later into 4Q. Direct impact on slower growth in employment levels influences all the companies' revenue trajectory, although **Paycom** and **Paylocity** revenue models would see relatively larger direct impacts, all else equal. However, neither company has recently put upside from this into their guidance, and we wonder if **Paycom** may include some incremental conservativism in their 2026 guidance if this trajectory is maintained through January.

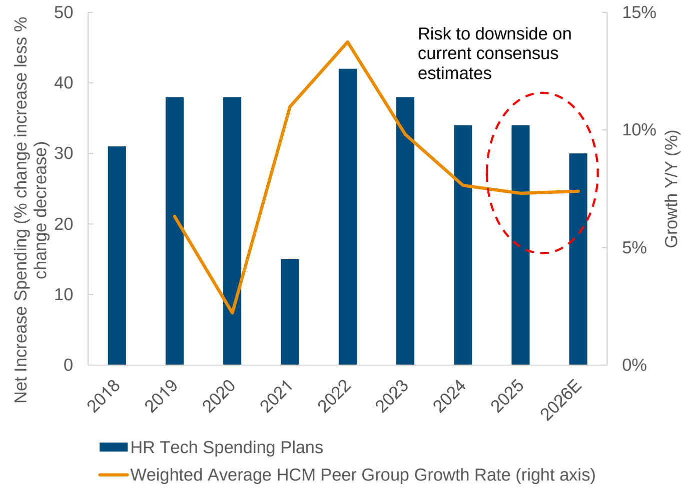
Exhibit 20 - Worldwide HCM and Payroll Market Growth



Includes both cloud and on-prem software

Source: BMO Capital Markets, IDC

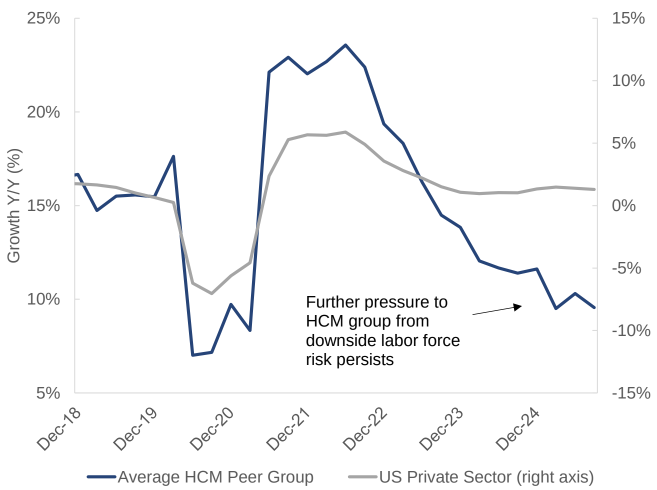
Exhibit 21 - Net Change in HCM Software Intentions For the Forward Year vs HCM Peer Group Growth



HCM Peer group includes ADP ES segment, DAY per acquisition news, PAYC, PAYX, and PCTY

Source: BMO Capital Markets, Sapient Insights Group, Company Reports

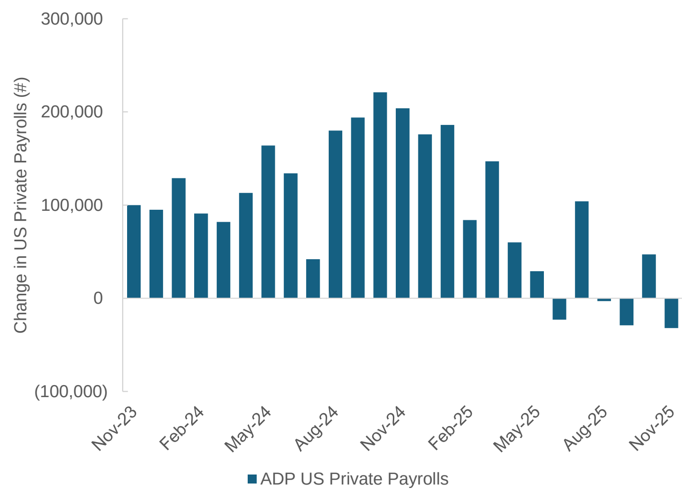
Exhibit 22 - HCM Group vs. US Private Labor Sector Growth



HCM Peer Group includes organic reccurring ex float revenue for ADP, DAY, PAYC, PAYX, PCTY, and PYCR (pre-acquisition).

Source: BMO Capital Markets, Company Reports, BLS

Exhibit 23 - ADP Change in US Private Payrolls Trend

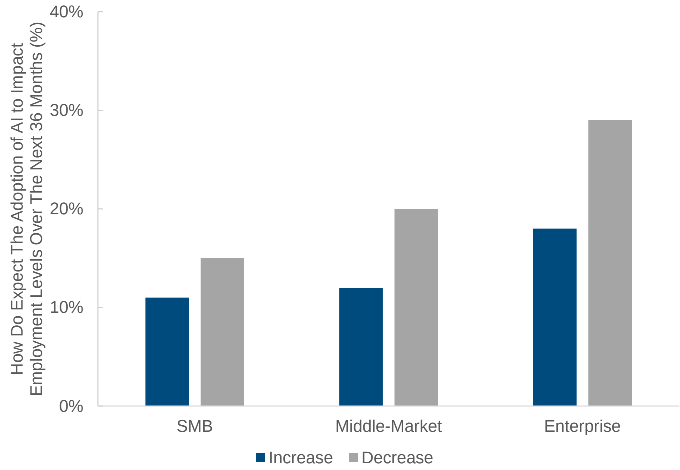


Latest data point uses preliminary estimates provided by ADP

Source: BMO Capital Markets, ADP

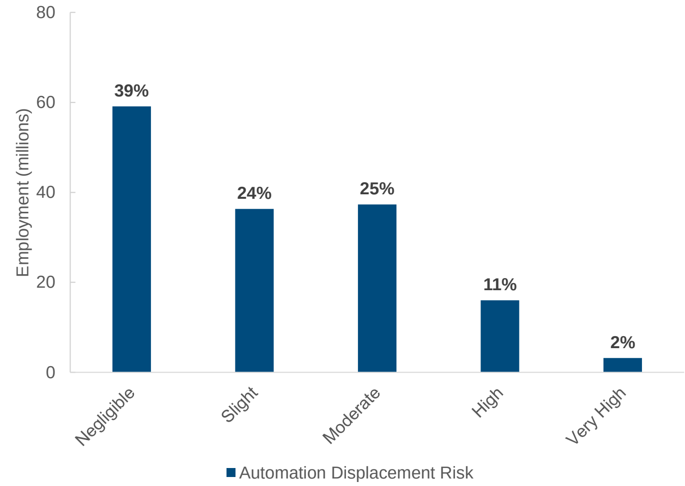
Regardless of the broader macro trends, AI is expected to be a headwind to overall labor market trends in 2026 as adoption increases. Exhibit 24 from a large survey of HR professionals suggests that the negative impact from AI on hiring is likely to affect businesses of all sizes. SHRM's jobs at risk reports suggests that about 12.5% of US jobs or roughly 20 million positions, are at high or very high risk of displacement from AI with business/finance operations and office support among the most vulnerable roles (Exhibit 25). Anthropic Economic AI Index also highlights business/finance operations and office support as among the highest share of Claude conversations (Exhibit 46), while Microsoft's study finds customer services and sales representatives roles with the highest scores tended to include tasks activities where AI performs well.

Exhibit 24 - The Adoption of AI Impact To Employment Levels Over The Next 36 Months



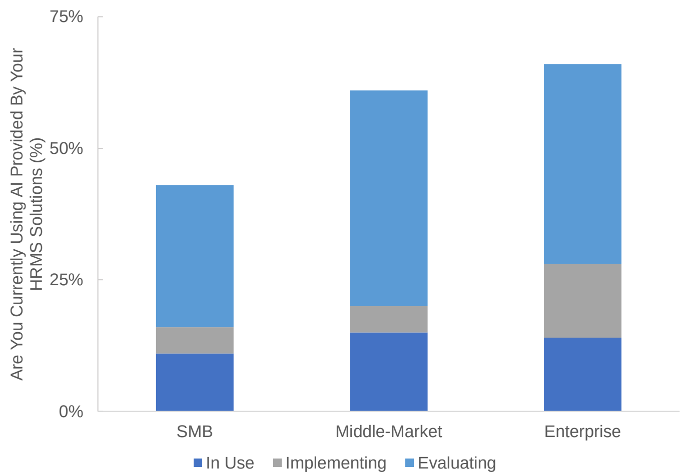
Source: BMO Capital Markets, Sapient Insights Group

Exhibit 25 - Distribution of Current US Employment Across Levels of Automation Displacement Risk



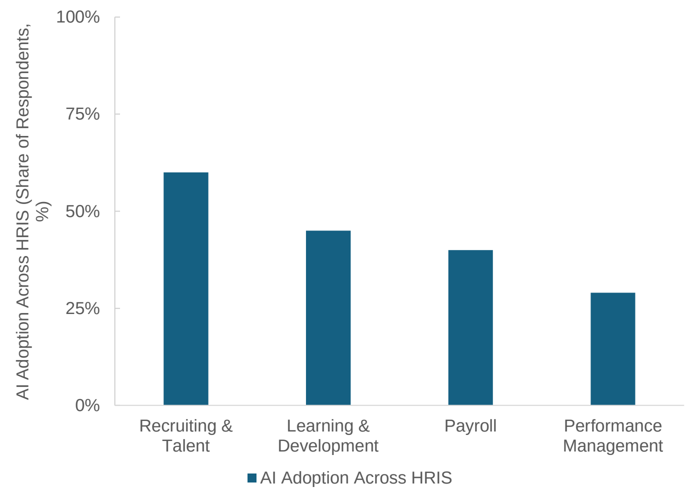
Source: BMO Capital Markets, SHRM

Exhibit 26 - Adoption Of AI Provided BY HRMS Solutions



Source: BMO Capital Markets, Sapient Insights Group

Exhibit 27 - HRIS AI Adoption Trends



Source: BMO Capital Markets, SHRM, Deel

Perspective on Key Trends: AI, Platform Expansion, Competition, and Distribution

Like the rest of software, most vendors in the HCM group have significant AI product roadmap to progress on in 2026. Despite outlined headwinds impacting the cluster including AI adoption that may dampen hiring over the coming year, AI remains a central theme in HR technology. Public and Private vendors are showcasing more mature tools across recruiting, workforce management, compliance, and service delivery. Larger players like **Workday** are expanding AI agents into production, pushing platform strategies, and opening ecosystems through innovations such as Credits (tokens). **Paylocity** is broadening beyond HR into finance and IT automation. **Paycom's** new IWant AI interface emphasizes direct, voice/text-driven engagement with its database, reflecting a broader trend toward conversational UX.

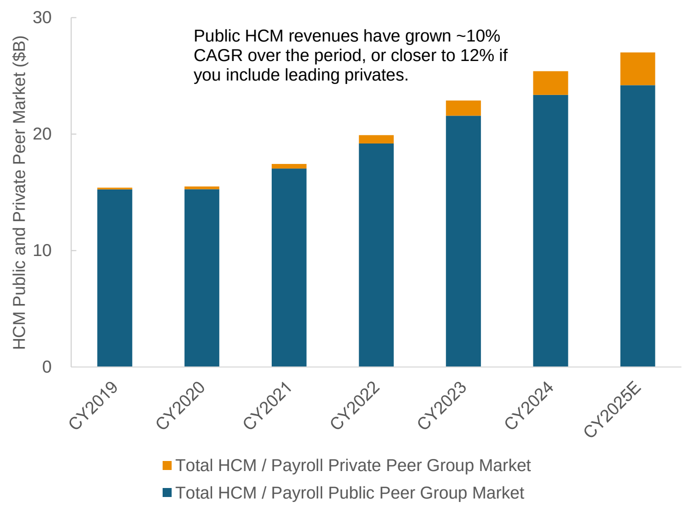
For vendors selling AI solutions, recruiting is a category with high adoption rate of AI tools and **Workday** leaned into this trend with the recent acquisitions (link). With the launch of IWant from **Paycom** and Assistants at **ADP**, **Paychex**, and **Paylocity**, adoption levels of at least one AI product should increase significantly into 1H26. This should help provide some clarity on ROI for customers and the ability to productize to help application improve the durable growth opportunity, particularly the white space from legacy workflows and systems of record is shrinking at a relatively brisk pace (link).

Related is the push into other back office function like finance and IT (link & link), **Paylocity** did this with Airbase and fast-growing privates like Rippling, Deel, and smaller companies like HiBob have functionality across multiple functional areas across HR, IT operations and Finance. Companies hope strengthening single source of truth / platform capabilities will drive defensive growth and retention and we see a broader trend to consolidation workloads as vendors navigate the changes Generative AI is likely to bring to the industry.

Greater focus is being placed on distribution as companies widen the opportunity efficiently. A few areas of focus include the CPA channel where both HR and financial software accounting firms have devoted incremental resources to in the US, like **Intuit's** newly refreshed Accountant Suite providing consolidated client management, better access control, and AI intelligence embedded into suite, more concentration on the broker channel at **Paychex** with new Partner Plus program for brokers is gaining traction as enrollment nearly doubling since June, and focused on delivering enhanced client services, and our view that **Paylocity** has increased focus in an area that already is a source of 25% of bookings. Embedded payroll remains an opportunity with still relatively low penetration despite advancements from both public companies like Paycor which continues to take live new embedded customers, Toast (for restaurants), and private companies like Gusto and Check. Other companies have some plans around this market, like **ADP** with its partnership with Clover, we think may take time to emerge.

Against this backdrop we continue to see a competitive landscape in which every segment of the market is seeing greater competition from newer entrants or providers moving into new areas. Just to name a few of the largest based on public reporting include Rippling growing ARR 30%+[1] (ARR estimated above $550mm), Gusto, and Deel achieving >$1B ARR in mid-2025[2]. As shown in Exhibit 28 over the past few years they have taken significant market share equating to ~2pts of growth CAGR over the past five years.

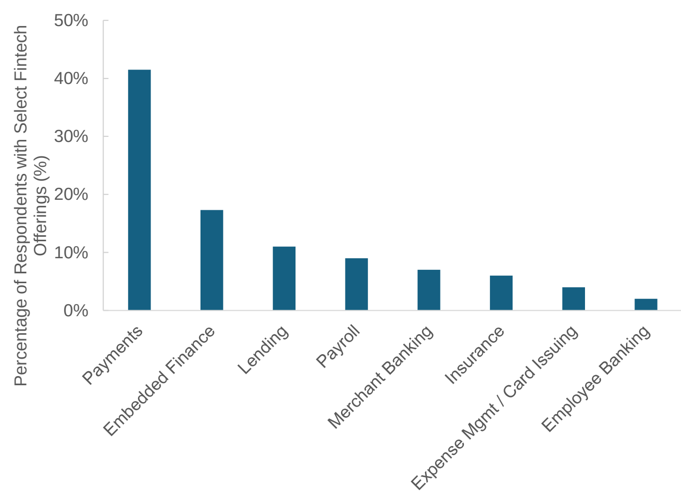
Exhibit 28 - US HCM Public and Private Sector Growth Trend



HCM Peer Group includes organic revenue for ADP ES, DAY, PAYC, PAYX, PCTY, and PYCR (pre-acquisition). HCM Private Group includes Rippling, Deel, and Gusto.

Source: BMO Capital Markets, Company Reports

Exhibit 29 - Embedded Finance and Payroll Penetration vs. Other Fintech Products



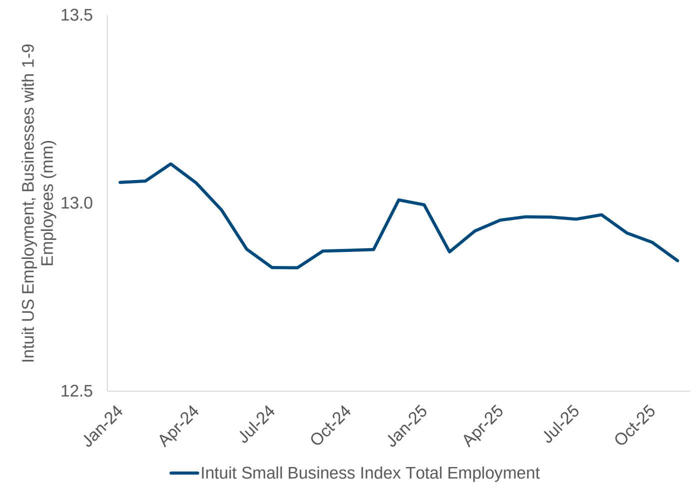
Source: BMO Capital Markets, BCG, Tidemark

1. https://www.cnbc.com/2025/05/09/rippling-valued-at-16point8-billion-in-450-million-funding-round.html
2. https://www.deel.com/blog/deel-celebrates-one-billion-revenue-run-rate/

Reflections on Downside Risk to Estimates and Multiples from Slowing US Labor Market

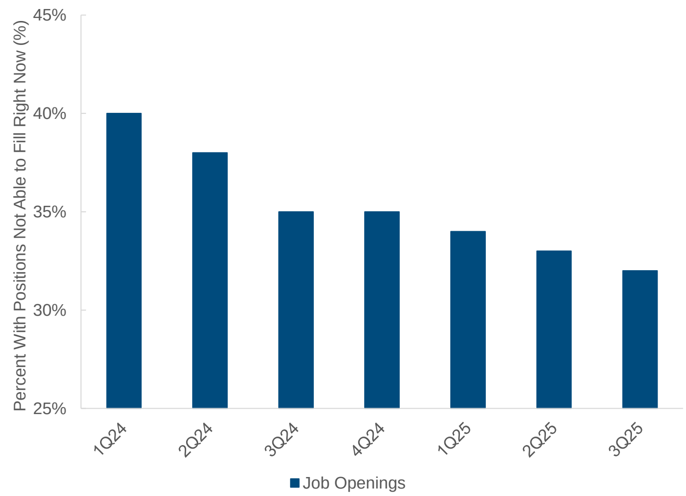
While our financial models for **ADP**, **Paychex**, **Paycom**, and **Paylocity** are "tuned" for minimal growth in "pays-per-control" over the upcoming quarters, examining a broad set of labor-market related indicators suggests that conditions are cooling exiting 2025 and could be incremental headwinds to revenue growth to various degrees for the companies in the group (Exhibits 30-33 below).

Exhibit 30 - Intuit Small Business Index



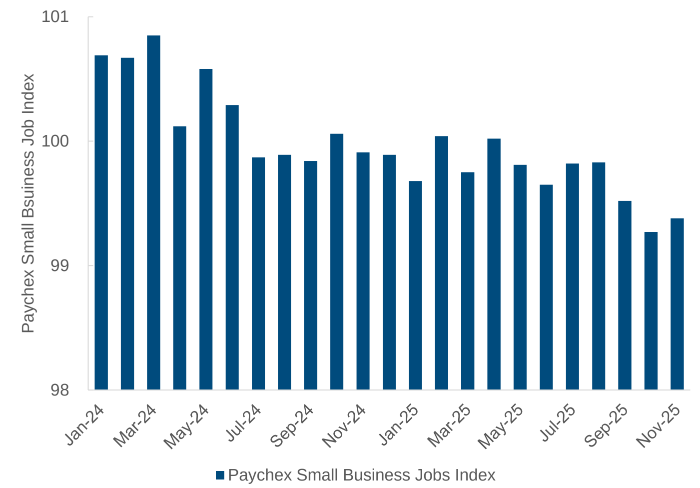
Source: BMO Capital Markets, Company Reports

Exhibit 31 - Job Openings – NFIB Survey



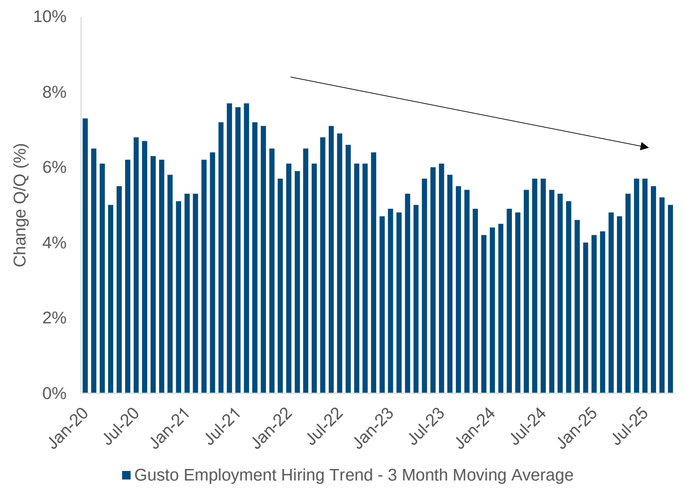
Source: BMO Capital Markets, NFIB

Exhibit 32 - Paychex Small Business Job Index



Source: BMO Capital Markets, Company Reports

Exhibit 33 - Gusto Employment Hiring Trend



Source: BMO Capital Markets, Gusto

In light of evolving macro conditions we refresh some of our thinking regarding downside risk to estimates in a scenario of mild labor market recession over the coming year. Exhibit 34 below shows labor market impacts across all the pre-war U.S. recessions.

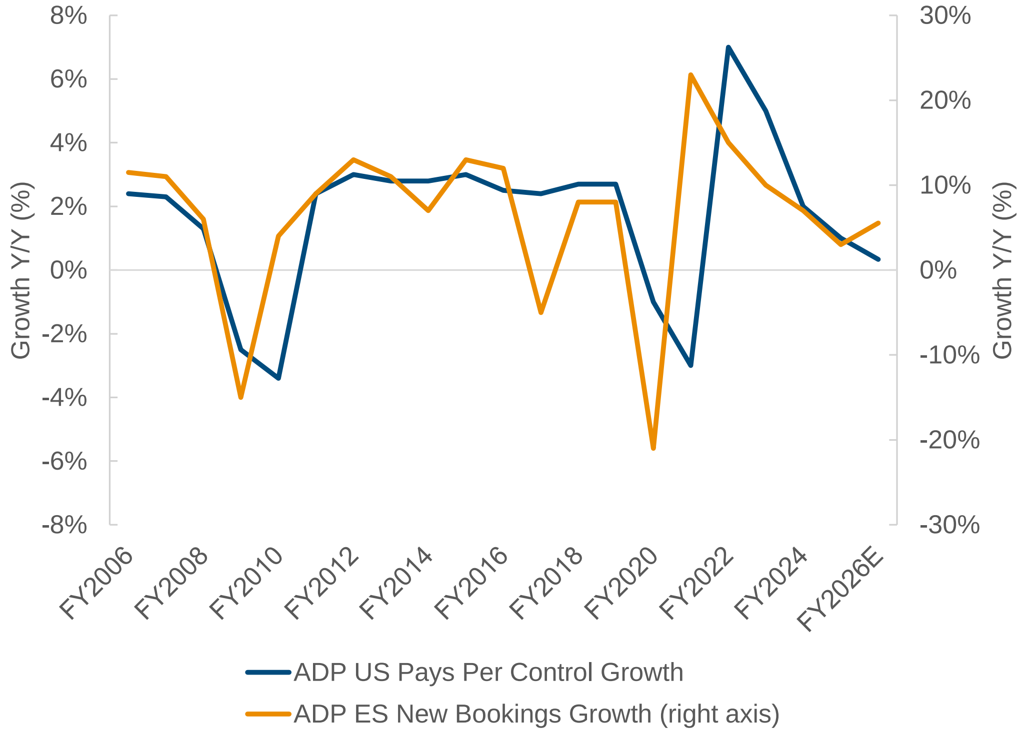
Exhibit 34 - US Recession Indicative Statistics – Average Employment Decline is ~5% and Lasts Four to Six Quarters

Recession Start Date	Recession End Date	Employment Decline	Recovery Months	Average Inflation During Recession
1945-02-01	1945-10-01	-7.0%	7.0	2.3%
1948-11-01	1949-10-01	-5.7%	10.0	0.0%
1953-07-01	1954-05-01	-4.6%	13.0	0.9%
1957-08-01	1958-04-01	-7.1%	14.0	3.3%
1960-04-01	1961-02-01	-4.2%	4.0	1.5%
1969-12-01	1970-11-01	-2.3%	13.0	5.9%
1973-11-01	1975-03-01	-5.7%	15.0	10.7%
1980-01-01	1980-07-01	0.5%	0.0	14.2%
1981-07-01	1982-11-01	-3.4%	10.0	7.7%
1990-07-01	1991-03-01	-3.5%	27.0	5.7%
2001-03-01	2001-11-01	-0.2%	31.0	2.8%
2007-12-01	2009-06-01	-6.2%	60.0	2.5%
2020-02-01	2020-04-01	-15.5%	20.0	1.4%
Average		-5.0%	17.2	
Median		-4.6%	13.0	
Minimum (decline) / increase		0.5%		
Max decline ex. pandemic		-7.1%		

Source: BMO Capital Markets, NBER, BLS

To stress our models, we assume a mild recession to peak impact in mid-2026, in which employment levels reach a peak decline of ~3% y/y with a recovery into 2027 consistent with short average duration. Across **ADP**, **Paychex**, **Paycom**, and **Paylocity** we reflected these changes in the scenario in Exhibit 36. For **Paycom**, **Paylocity**, Paycor and the PEO business of **ADP** and **Paychex** their revenue models have tighter correlation to employees on the platform, while **Paychex** (MS ex Paycor) and **ADP** (ES) have a greater share of revenue from fees not linked directly to employees. For the scenarios to stressed each business against our estimate of PPC sensitivity.

Exhibit 35 - ADP Long Term Pays Per Control Growth vs New Bookings Growth Trend



Source: BMO Capital Markets, Company Reports

Additionally, there is correlation between labor market strength and net new bookings growth, thus our downside scenarios assumes a lower growth in the range of ~20% decline in net new revenue growth from new customers and expansion bookings. This is roughly near the pace shown by **ADP** in the pandemic and less of a slowdown than high-growth vendors saw during the 2020 slowing. Since most companies in the group already have rate cuts factored into guidance our scenarios do not assume any further reductions, which would otherwise incrementally pressure growth and margins. For EBIT margin we assume incremental margins across the forecast in this scenario show ~15% reduction compared to the average over the past few years. The table below shows the calendar year 2026 impact of these scenario assumptions.

Exhibit 36 - HCM / Payroll Downside Analysis

HCM / Payroll Peer Group	LTM	BMO NTM Estimate	BMO 2026 Downside Scenario
Revenue Growth Ex Float			
ADP	6.3%	5.4%	3.7%
Paychex	10.2%	16.9%	10.9%
Paychex Organic	3.8%	5.7%	3.8%
Paycom	11.0%	10.5%	5.1%
Paylocity	14.7%	8.9%	6.7%
Total Revenue Growth			
ADP	7.1%	5.4%	3.4%
Paychex	9.1%	14.5%	9.0%
Paychex Organic	3.5%	5.3%	3.6%
Paycom	9.7%	9.1%	4.3%
Paylocity	13.3%	6.8%	6.1%
EBIT Margin			
ADP	26.0%	26.7%	26.2%
Paychex	42.3%	43.4%	42.7%
Paycom*	26.7%	25.4%	24.5%
Paylocity*	21.7%	19.0%	18.0%

*Paycom & Paylocity is EBIT ex SBC

Source: BMO Capital Markets, Company Reports

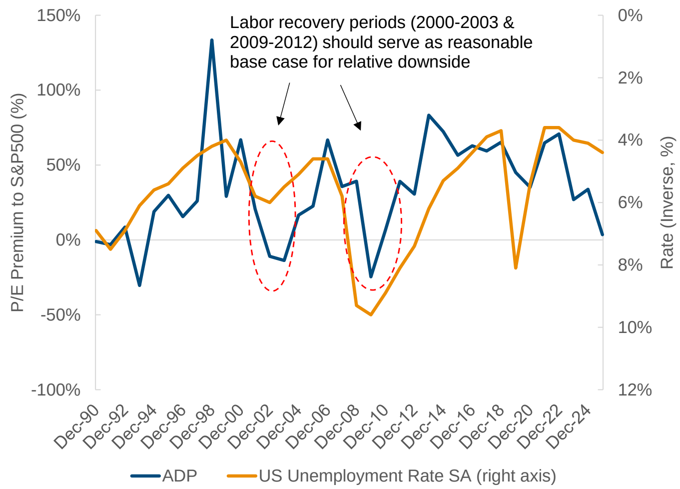
The corollary to considering the downside for earnings is consideration of multiples on both relative and absolute basis. In evaluating this framework we think its prudent to consider a broad set of factors, including: **1)** Cyclical worries around slowing indicators for labor-related investments; **2)** Somewhat related are risks about exposures to "white-collar" businesses where there are the most worries about AI-related job pressure which stocks already seem to be pricing in some impact given the de-rating across the application software universe; **3)** Medium-term considerations such as the pathway for share gains at scale and implications for durable growth; and **4)** The magnitude of the incumbency advantage as one of the core system of records in organizations.

Observing cyclical pressures on multiples is more straightforward for **ADP** and **Paychex** where shares have navigated multiple business cycles. As shown in the Exhibits 37 and 38 below, the premium the shares trade at relative to the S&P 500 tends to compress in periods of higher unemployment, which we have seen in the weak labor market recovery coming about dot-com bubble, the financial crisis and the pandemic. From this perspective relative multiples for the two businesses now suggest the shares are pricing in significantly unemployment in the near-term.

Historically, **ADP** has traded at a 15-25% discount to S&P500 P/E during labor recovery periods (2000-03 and 2009-12), and using the low end of this range feels like a reasonable case for modeling a mild labor market recession next year. For **ADP** and **Paychex** combining the lower multiple with lower earnings estimates scenario suggests a downside stock price of ~$210 and ~$90, respectively, in a bear market downside scenario.

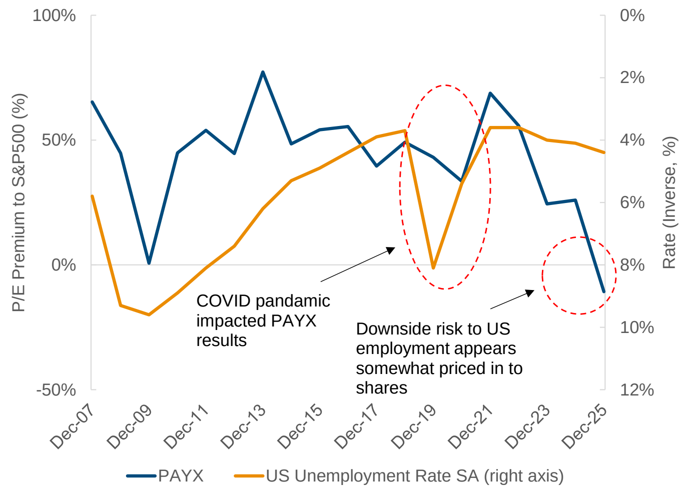
For **Paycom** and **Paylocity**, the moderation in growth and maturing financial profiles over the past few years has resulted in the shares transitioning from trading on revenue multiples to FCF and EPS multiples, in our view. Because the business were not public during the labor market recessions pre-pandemic, its tougher to gauge the downside multiple compression. Thus our downside scenario assumes both companies perform at the level outlined in Exhibit 41, we find the implied trading multiple using our regression-based analysis, and then trim that multiple by an addition 15% to factor consistent with **ADP** and **Paychex** above. This results in downside bearish stock price of ~$120 for **Paycom** and ~$105 for **Paylocity**. If this fails to materialize the re-rating should be significant.

Exhibit 37 - ADP Long-Term P/E Premium vs US Unemployment Rate



Source: BMO Capital Markets, Bloomberg, BLS

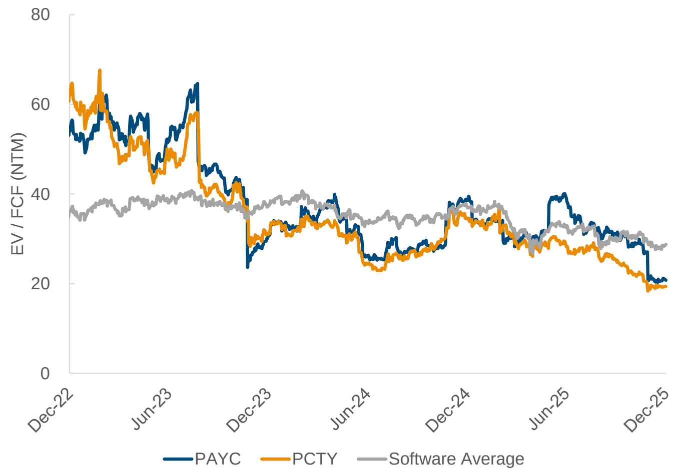
Exhibit 38 - Paychex Long-Term P/E Premium vs US Unemployment Rate



September unemployment used as latest data point

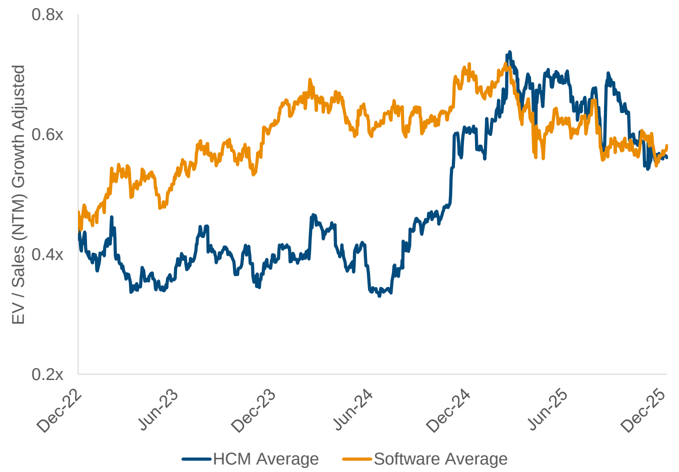
Source: BMO Capital Markets, Bloomberg, BLS

Exhibit 39 - Paycom EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 40 - HCM Average EV/Sales/Growth Valuation Trend



HCM average includes ADP, PAYC, PAYX, PCTY, and DAY & PYCR pre acquisition announcements

Source: BMO Capital Markets, FactSet

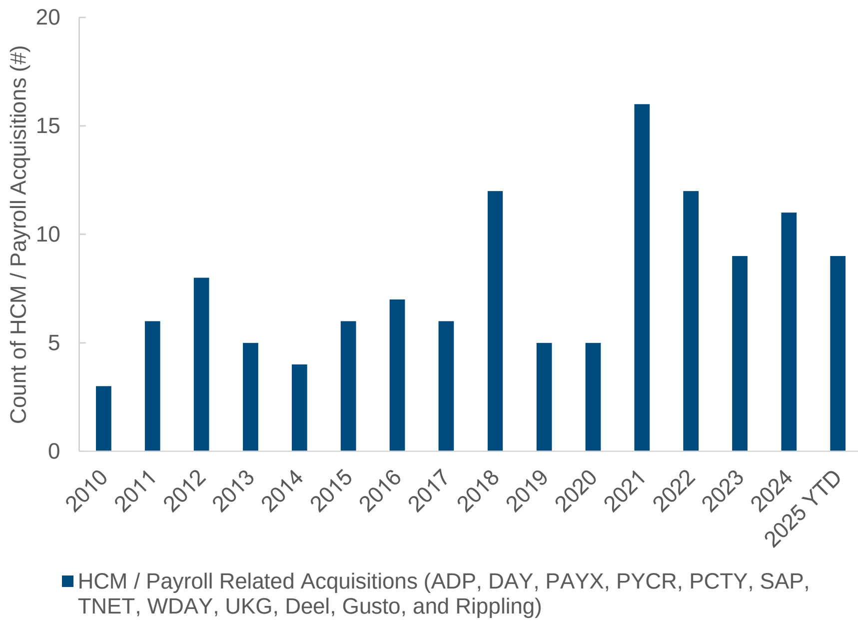
The Desire to Acquire (Part 1)

As we foreshadowed a year ago in our outlook, during 2025 strategic activity in the HCM group picked up. While the total number of deals YTD for the companies in the sample is smaller compared to 2024, there were a number of large transactions during the year including **Paychex's** acquisition of Paycor ($4.1B), Thoma Bravo's pending acquisition of **Dayforce** ($12.3B), SAP's acquisition of SmartRecruiters (HSD hundreds of millions), **Workday's** acquisition of Paradox (~$1B) and Sana ($1.1B) and many smaller deals outside of this group as well.

We expect this trend to persist in 2026 at a high level but with mixed trends by companies. **Workday's** acceleration in deal-making recently underscores the urgency to deliver AI innovation across wide portions of its portfolio. We expect the company to continue to execute on at least several tuck-ins next year to this end. We think **ADP** could be more active in acquisitions in the coming year as we believe much of work incorporating Workforce Software has progressed. We think the company remains targeted within its core focus areas around payroll, compliance, and global capability. At a narrower scale, we anticipate **Paylocity** drive a similar strategy to Workday over the medium-term (functionality build-out to support a platform strategy), but following the Airbase transaction we think the likelihood that the company embarks on medium or large M&A as low in CY26. However, among the remaining public companies in the space we think **Paylocity** could be a potential acquisition target if further consolidation or private equity activity ensues. We anticipate small tuck-ins for **Paychex** with the focus still on optimizing the Paycor acquisition, while we do not anticipate any change in **Paycom's** organic-focused strategy.

In our conversations with industry participants, potential areas of interest include vertical-specific payroll functionality, international hiring (as companies navigate changing H-1B visa backdrop), and functionality in support of front-line workers. We also think some vendors may look to further consolidate their PEO businesses. All the vendors outside of **Paycom** are likely also evaluating technical acquisitions to support their AI and data strategies. UKG also recently acquired on of its resellers, and rolling up independent providers has been a tool we have seen parts of the industry utilize in the past.

Exhibit 41 - HCM / Payroll Select Acquisition Trend



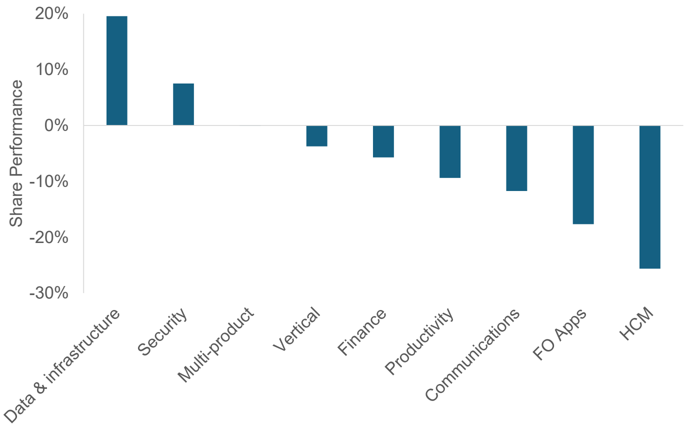
Investors should contact their BMO salesperson for our comprehensive list of HCM / Payroll acquisition history.

Source: BMO Capital Markets, Company Reports

Chapter #5: Watching for Green Shoots in the "Office of the CFO"

Across the nine clusters we track, stocks in the financial software category performed near the middle of the pack across software in 2025 finishing down ~7%. At a high level, we believe companies in the group were negatively impacted by: **1)** De-prioritized finance software spending as companies focused elsewhere, including on higher impact AI-related digital transformations; **2)** Greater complexity in deployment of new finance AI solutions relative to other parts of the enterprise, which impacted sales cycles; **3)** Slower progress on cloud migrations, which have broad implications for new deployments in the ecosystems of related finance software; and **4)** For some companies in the group, a tougher competitive landscape. As shown in Exhibit 43, growth in spending for enterprise applications - a broad category but with financial software a large portion of spending - is expected to show ~1.5pts of deceleration in 2025 and trend towards 10% growth in the forecast compared to closer to mid-teens earlier in the decade.

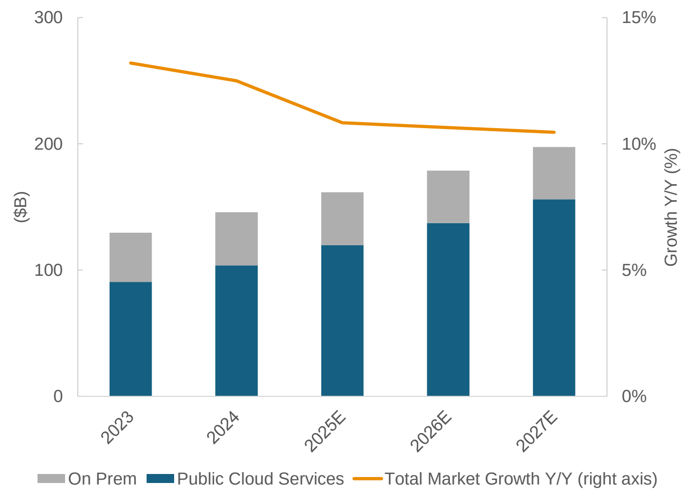
Exhibit 42 - YTD Performance by Cluster



Prices as of 12/12 close

Source: BMO Capital Markets, FactSet

Exhibit 43 - Worldwide Enterprise Resource Management Application Market Forecast



Source: BMO Capital Markets, IDC

Narrowing the focus more closely towards the companies and businesses directly within the areas of our research focus in the "Office of the CFO" shows that 70% of the businesses are still reporting decelerating growth exiting CY3Q25 compared to the end of 2024 with broad platform companies **Intuit** (Quickbooks) and Microsoft (Dynamics) among the few that have been able to hold growth steady. In the enterprise space vendors have navigated slowing sales cycles and pockets of uneven demand including in the public sector. For companies focused on SMBs we have seen consumption and transaction revenue trends remain at moderated levels which we expect to continue into 1H26.

Exhibit 44 - Select Back-Office Financial Application Software Growth Rate Comps

Revenue Growth	CY4Q22	CY4Q23	CY4Q24	CY3Q25	Notes
Bill	49%	19%	16%	14%	Core revenue ex float
BlackLine	20%	12%	9%	7%	Subscription revenue ex PS
Intuit*	24%	21%	21%	21%	QBO Subscription + Services revenue
Microsoft	29%	19%	15%	16%	Dynamics (includes cloud services)
OneStream	NA	52%	35%	27%	Subscription revenue
Oracle**	26%	19%	18%	16%	Back-office SaaS revenue (CC)
Sage***	24%	25%	16%	12%	Organic Business Cloud (CC)
SAP	42%	28%	35%	31%	Cloud ERP Suite Revenue (CC)
Thomson Reuters	8%	10%	7%	10%	Organic Tax & Accounting Business (CC)
Vertex	19%	18%	17%	13%	Subscription revenue
Workiva	20%	18%	22%	22%	Organic Subscription revenue (CC)
Workday*	22%	18%	16%	14%	Subscription revenue
Xero***	25%	23%	19%	16%	Organic Subscription revenue
Average	**26%**	**22%**	**19%**	**17%**	

*January period end, **November period end, ***International reporting - Sage provides quarterly updates, Xero is Visible Alpha estimates

Source: BMO Capital Markets, Company Reports, Visible Alpha, FactSet

Heightened Focus on the Agentic AI Ramp

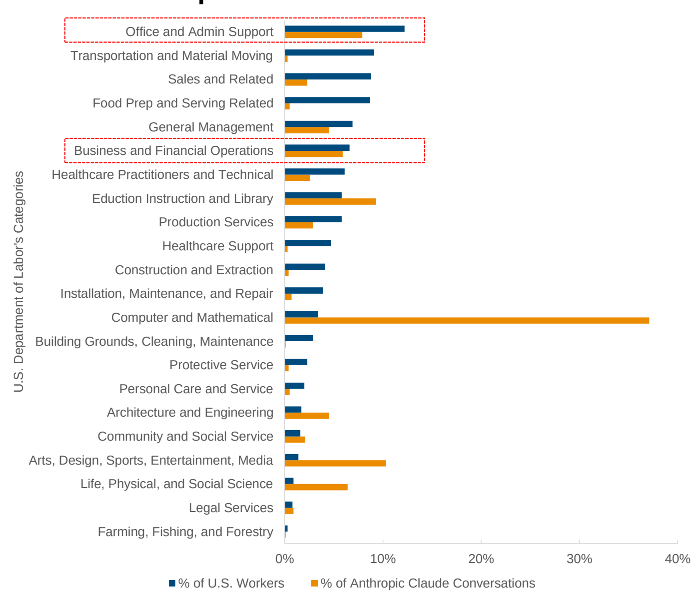
Having just passed the third anniversary of the public launch of Chat-GPT, companies that serve of the office of the CFO have overall made substantial progress productizing some of the Generative AI innovation and 2026 should see material progress on monetization. Across multiple sources including surveys and academic research the finance functional area inside business are seen as attractive areas to deploy AI tools.

Exhibit 45 - Most Likely Business Functions to Deploy Agentic AI Solutions in the Next Year

n = 570, respondents allowed three answer choices.

Source: BMO Capital Markets, IDC

Exhibit 46 - Anthropic Economic AI Index



Source: BMO Capital Markets, Anthropic Feb 2025

Across the public back-office financial application cluster, companies are announcing new agentic AI capabilities with increasing velocity. 2025 was much a testing and development period for both AI-based strategies and capabilities and believe 2026 will see more urgency in monetization efforts.

In large cap stocks within our coverage **Intuit** appears well positioned to penetrate and monetize AI within its large customer base, specifically in the company's Global Business Solutions segment that include QuickBooks and services such as payments and payroll. The opportunity for Intuit to consolidate customer spend on the platform is significant, with the average customer using 7-25 apps and Intuit, benefiting from AI, can offer solutions to support ~80% of these needs. The company deploys several agents in production today include Accounting, Payments, Sales Tax, Customer, and Finance Agents. **Workday** has also been among our coverage leaders in Agentic AI including several acquisitions namely Paradox and Sana to drive more modern UI and AI efforts across the platform. Recent commentary on AI-related bookings remained supportive with AI (excluding Paradox) contributing 1.5pts of growth to ARR in the quarter with the vast majority of new customers attaching an AI product (link), although we assume the majority this incremental growth is HR related. The company has 10 AI Agents in production today including Contract Intelligence and Negotiation Agents.

Within our SMID and Mid-cap financial software coverage we view **OneStream** and to a lesser degree **BlackLine** and **Workiva** as more advanced in their respective AI journeys compared to the remaining peer group. **OneStream** has for several years now provided AI/ML value to customers. Its Sensible AI product provides businesses forecast with accuracy improvements vastly accelerating ROI and momentum has remained strong with the company's most recent earnings result advising that AI bookings has grown 60% YTD (link). **BlackLine** has made progress with its Studio360 suite that brings together financial close, intercompany, and expense management, and is only penetrated around 2-3% into its customer base. With Studio360 suite and recently unveiled Verity, AI-driven insights capable of agentic process automation embedded across all **BlackLine** products, the company is positioned to move from a seat-based pricing model to a platform fee plus consumption model. **Workiva** has for some time moved away from a seat-based pricing model, but it too is refining pricing and packaging in consideration of future AI tools. Announcements of Intelligent Finance, GRC, and Sustainability agents provide positive steps in advancing the company's strategy, in our view, as AI at the company is used more as a "co-pilot" currently, while new Agents could vastly broaden the opportunity to boost customer efficiency (link). We expect **Bill** to introduce more Agents in the new year and has been making progress around form filing and data entry/reconciliation agents over the past several quarters. **Vertex's** AI-driven Smart Categorization is still early innings and designed to automate the labor-intensive process of tax categorization, specifically targeting the retail industry, with plans to expand to other sectors. The offering is in limited availability but has generating supporting internally as the company is investing $10-12mm over the upcoming year to productize Smart Categorization product and adopt AI technologies in other areas of the business.

As mentioned above, vendors have made progress on the pricing front to address the how AI will change on customers engage with their products. **Workday** is launching tokens next year, **BlackLine** and **Workiva** have moved away from seat based pricing, and in the SMB part of the market, **Intuit** is directly bundling Agents in standard SKUs and lifting prices by roughly mid-teens percentage. We think between the greater availability of tools and greater clarity on pricing models will help AI move forward.

Flex Credits is **Workday's** new consumption-based pricing model that uses credits (tokens) to provide flexible access to AI, APIs, and storage across the platform.Tokens are included in base SKUs and fungible across services to ensure transparency and immediate access to new features. While recently launched at **Workday's** annual user conference in September and set to go live in February 2026, the new pricing strategy could be a lever for upside in CY2026 if AI adoption trends persist at the company. Analyst day note

Over the past year **BlackLine** has been transitioning customers from a seat-based pricing model to a platform-plus-usage structure which recently rolled out internationally. Execution in the US transitioning customers has trended above expectation in the recent quarters and has slightly additive to growth this year. The strategy aims to provide greater accessibility of AI to customer and better ability to monetize.

Moreover, the company hopes to unlock greater value of the Studio360 platform with usage-based pricing. Analyst day note

Workiva is expanding more value-based structuring in its pricing, where solutions are priced based customer size, complexity and features packaged into good/better/best mappings, and includes unlimited users per solution. This approach aims to streamline adoption and potentially monetize AI innovations, with recent updates indicating higher revenue per customer, which is growing ~17% as of the company's last earnings result. The value-based model facilitates solution expansion, aligning growth with customer usage, while also incorporating core AI capabilities and reserving premium AI for advanced tiers, providing potential upside to future growth. Analyst day note

Intuit's scale and presence in SMB financial software has allowed the company to embed AI agents directly into standard QuickBooks offerings, a strategy well-suited for SMBs that are most focused on accomplishing tasks vs. testing new software tools, in our view. In production today include Accounting, Payments, Finance, and Customer agents. These agents supported recent ~14% price increases and deliver significant value, saving customers 10–12 hours monthly ($500–$900 of value). With good early adoption, there is opportunity for further price lifts tied to agent usage and expansion. Analyst day note

As mentioned above **OneStream** has for several years now provided AI value to customers with predictive forecasting and analysis. AI offerings like SensibleAI use consumption-oriented pricing, while other products employs a hybrid pricing strategy that combines seat-based, consumption-based, and platform-tiered options to better align with customer preferences. Analyst day note

Risks regarding AI progression in 2026 across application software we see largely centered around data quality, compliance, security, and regulation. Further workflow automation and autonomy naturally increases the need for data quality and Agents that aren't reliably grounded in enterprise sources can produce plausible but false outputs posing. Enhancing compliance standards and observability/monitoring software at enterprises will be important to combat AI related business risk as tackling autonomy vs. auditability likely remains a key debate. AI related regulation uncertainty continues to come up during our investor conversations, although more for the HCM group that is quickly embedding agents across recruiting and talent modules.

A November 2025 IDC survey indicated that deploying AI Agents was the most important enterprise IT program objective for 2026 in any spending environment, underscoring the importance of vendors to ramp these solutions into their customer bases quickly. Finance software do include use cases which we do not think are defensible from disruption by an AI native solution, such as parts of core accounting. Elsewhere, we think tax software could be one of the bigger areas of debate as to the implications of Generative AI, given the vast complexity of tax engines and rigors to compliance.

Large software companies such as Microsoft, Salesforce, and OpenAI are leading efforts in agent development tools that allow partners and customers to customize AI agents for their data and workflows. Development can be complex or simplified by vendors with capabilities such as no-code customization and prompt templates. **Workday** Extend Professional provides its users a low-code environment, integrated directly into the platform, to built out or upon workflows, data models, and UX standards. Other back-office financial software peers such as **BlackLine**, **OneStream**, and **Workiva** deploy open platforms supporting development efforts. We expect increment more announcements to roll out in 2026 around application development tools.

Stepping back, if AI Agents and customization platforms under development achieve the objectives laid out by management teams, agentic AI could be a market in which winners consolidate more quickly instead of the diversity of the SaaS backdrop when companies can have hundreds of application partners. Year-end bookings and any potential "budget flush" may help glean some insight to the pace of adoption, but we think more material implications for the financial model may not emerge until 2H26.

Extending Platforms Brings Competitors Old and New

Since our launch on the "Office of the CFO" software sector in 2022, a continuing theme in our work has been the broadening expansion of use case functionality into new areas as solution providers look to drive growth at scale in a market. Some recent examples include **OneStream's** push into ESG reporting, **Intuit's** purchase of GoCo to get HR tools, Anaplan expanding into financial consolidation, **Vertex's** purchase of Ecosio to build out e-invoicing capabilities, **Expensify's** expansion into travel management, and companies like Ramp and Brex tightening accounting and payments. The drive to be seen as the platform for operationalizing finance is accelerating many companies to address a broader set of interconnected use cases "on top" of the ERP system, including AI. To this end we are hearing from partners a bit more overlap from financial software vendors in the enterprise space as they seek to "land and expand" into adjacencies.

In addition to new Generative AI tools improving the efficiency of product developers to increase innovative velocity, its spurring the creation of a host of AI native companies started in the past few years. A few newer entrants which appear to scaling product market fit including Campfire (raised $100mm across two funding rounds in 2025 to build AI native ERP targeting larger SMBs), Rillet (raised $105mm across two funding rounds in 2025 targeting more complex ERP replacements), Anrok (raised $55mm for tax compliance infrastructure), Numeric (raised $51mm for financial close), and Xelix (raised $150mm for accounts payable). These are some examples of companies that we anticipate will scale from AI driven productivity and we will be looking for insights in 2026 if they are gaining traction relative to today's leading vendors.

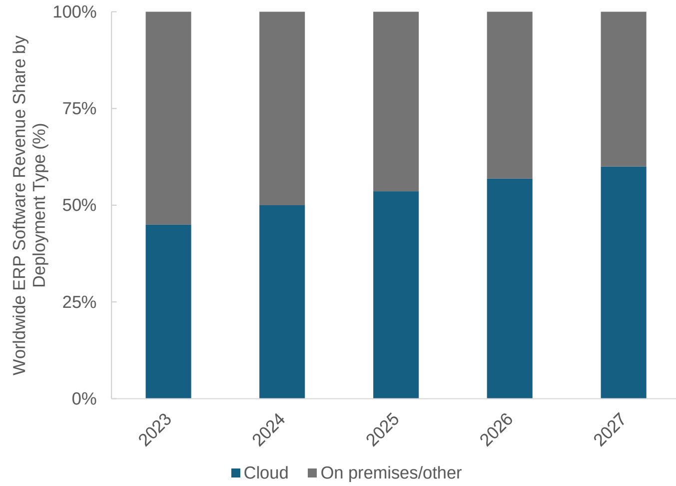
Reaccelerating Cloud Transformation a Potential Constructive Catalyst

Given the valuation multiples financial applications are trading relative to their financial profiles, its clear the stocks are looking for catalysts to re-ignite the bull cases. While we think each of these could take some time to progress on in the year ahead, a re-acceleration of the shift to the cloud for ERP and related back office applications, traction in key AI use case areas like FP&A and operational planning which can help validate the broader opportunity.

Outside of AI the most important trend impacting financial applications is re-accelerating progress on the shift to the cloud. Entering 2026 the industry should have past roughly the half-way point shifting workloads to the cloud for the broad set of enterprise applications. This year shifts to the cloud in the SAP ecosystem were slightly slower than expected impacting the ecosystem of companies that sell into that market.

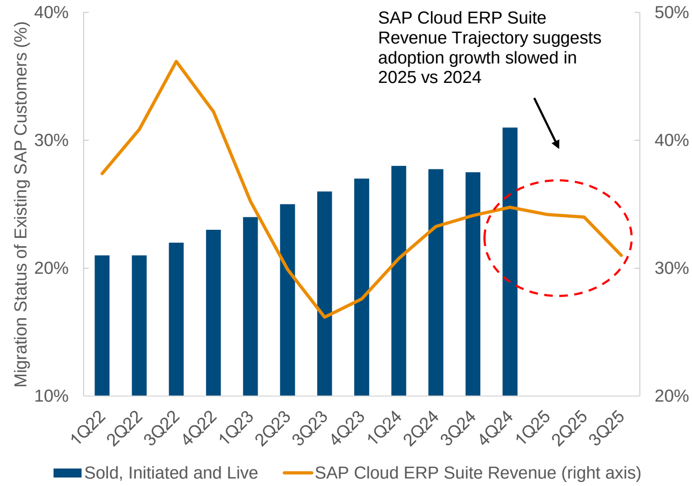
Our colleague Keith Bachman has outlined recently reasonably solid bookings trends at SAP (link) and earlier in the year dove into key S4/HANA trends (link). While migration momentum appears relatively stable, recent research from ASUG suggests that over 30% of SAP migration projects are delayed and/or over budget. Drivers indicated leading to delays were headlined by changing business processes, handling customization, and overcoming organizational resistance to change (link). In our coverage **BlackLine** and **Vertex** have the most exposure to the SAP ecosystem and to a less degree **Onestream** and **Workiva**. Recent strategic partnership optimization at **BlackLine** helped enhance the company's position on SAP's bill of sale. We believe if the US macro environment were to incrementally slow into 2026 financial digital transformation efforts would experience further delays and negatively impact back-office peers.

Exhibit 47 - Worldwide ERP Revenue Share by Deployment Type



Source: BMO Capital Markets, IDC

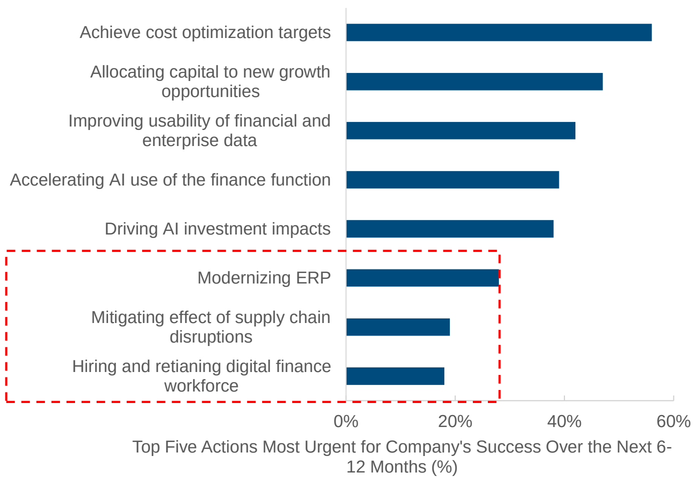
Exhibit 48 - SAP S4/HANA Adoption Rates vs Cloud ERP Revenue Growth Trend



Migration status data is Gartner estimates

Source: BMO Capital Markets, Gartner, Company Reports

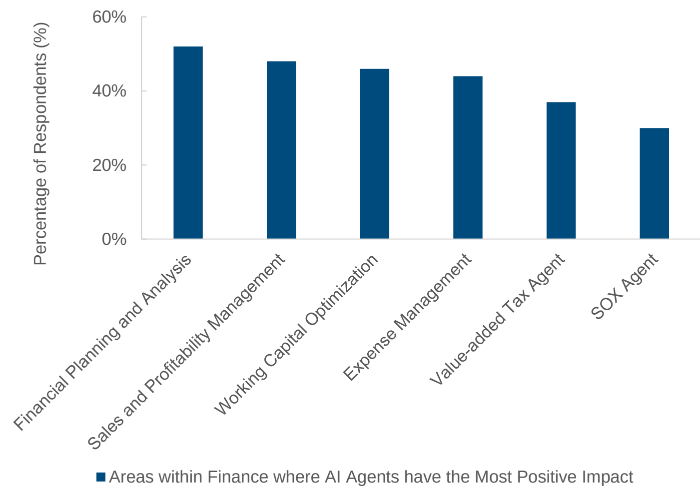
Exhibit 49 - Most Urgent CFO Actions for Success Over the Next 6-12 Months Indicate Less Focus on Back-Office Applications



n = 203, respondents allowed five answer choices.

Source: BMO Capital Markets, Gartner

Exhibit 50 - Areas Finance Leaders See Most Positive Impact from AI Agents



Source: BMO Capital Markets, Deloitte

Desire to Acquire (Part 2)

We think the urgency to acquire technology is generally somewhat less in our financial software coverage, although technology tuck-ins are to be expected from time to time especially in support of AI innovation acceleration. Within our coverage **Intuit** emerges most frequently as a potential acquirer of scale. With the success of the bill pay ramp (within two years of launch now adding ~11pts to payments revenue growth) the power of the **Intuit** QuickBooks platform to scale quickly organic investment is clear and we think the company can launch products around many uses cases in SMB, as we have suggested in the past something like a corporate card / expense management. But **Intuit** could accelerate the road map in the middle market with more vertical-specific tools or service functionality.

But for many companies in this group, evaluating their own strategic alternatives might become a further priority in 2026. This past year, various press reports indicated **Bill** (link), **BlackLine** (link), **OneStream** (link), and **Workiva** (link) were all considered in potential transactions or have investors that have advocated for strategic action. Over the years this category of stocks has been a fertile ground for private equity ownership with Avalara (tax) (link), Anaplan (planning) (link), AvidXchange (B2B payments), and Coupa (procurement) (link) are just a few examples. Below we highlight some of the back office and payments software acquisitions recently.

Exhibit 51 - Select Back-Office Finance M&A

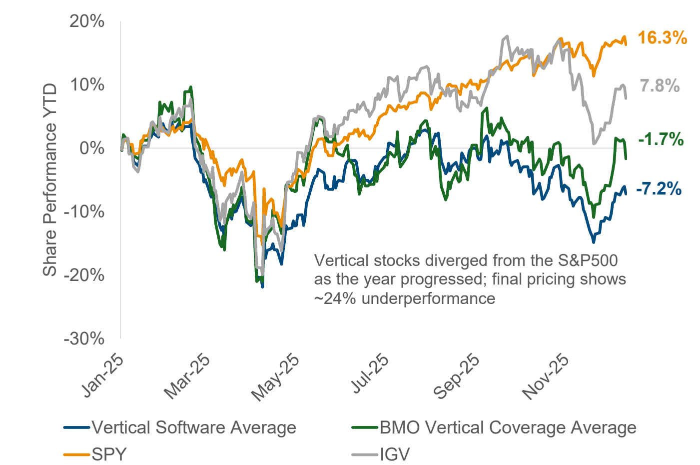
Company	Acquisition Announcement Date	Acquirer Type	Premium (%)	EV Sales (LTM)	NTM Revenue Growth (%)	LTM FCF Margin (%)
Anaplan	03/20/22	PE	31%	12.1	26%	NM
Avalara	08/08/22	PE	27%	10.1	21%	-2%
Billtrust	09/18/22	PE	64%	6.6	29%	N/A
Coupa	12/12/22	PE	77%	7.4	16%	23%
WalkMe	06/05/24	Strategic	45%	2.3	7%	13%
Zuora	10/17/24	PE	18%	2.8	7%	3%
AvidXchange	05/06/25	PE	22%	3.2	4%	11%
Melio	06/25/25	Strategic	N/A	13.9	N/A	N/A
Olo	07/03/25	PE	15%	4.2	18%	7%
Wolters Kluwer Finance, Risk and Regulatory Reporting business	07/21/25	Strategic	N/A	4.1	N/A	N/A
Average PE Acquisitions			**36%**	**6.6**	**17%**	**9%**
Average Strategic Acquisitions			**45%**	**6.8**	**7%**	**13%**

Source: BMO Captial Markets, Company Reports, FactSet

Chapter #6: Keeping Constructive on Verticals

Over the course of 2025, the mix of our outperform recommendations was biased toward our vertical software coverage, and entering 2026, we maintain that posture. Our vertical software coverage area focuses primarily on design, construction, logistics/transportation, and field service end markets where end users still have ample progress to make on digital transformation, unlocking data silos to build more interconnected workflows and incorporate modern tools to optimize the utilization of physical assets. While share performance in 2025 was "less good" than seen over the past few years, we think that sets up an attractive opportunity for the year ahead if macro conditions remain stable.

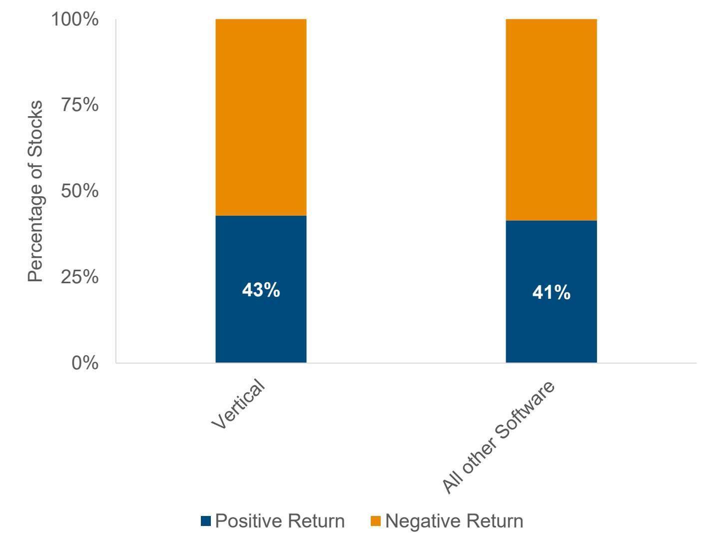
Vertical Software Divergence Leaves Shares Underperforming on the Year



Priced as of 12/12 close

Source: BMO Capital Markets, Company Reports, FactSet

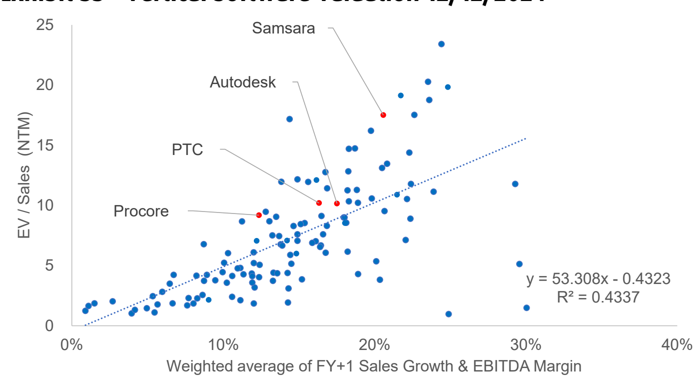
Exhibit 52 - Share Performance Across Vertical & Other Software



Take-outs priced on last trading day, all others priced as of 12/12 close; Vertical n=35, All other Software n=123

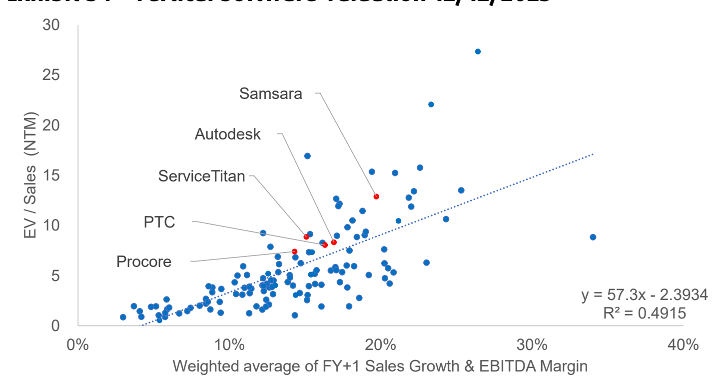
Source: BMO Capital Markets, FactSet

Exhibit 53 - Vertical Software Valuation 12/12/2024



Source: BMO Capital Markets, FactSet

Exhibit 54 - Vertical Software Valuation 12/12/2025



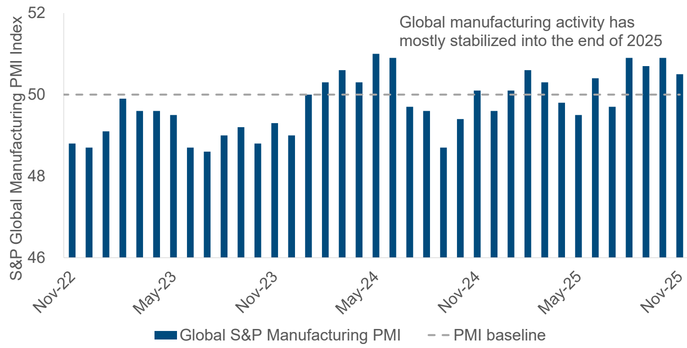
Source: BMO Capital Markets, FactSet

Below we briefly summarize market environments for each of the key areas into which our vertical software coverage sells.

Managing Through Multi-year Pressure in Manufacturing

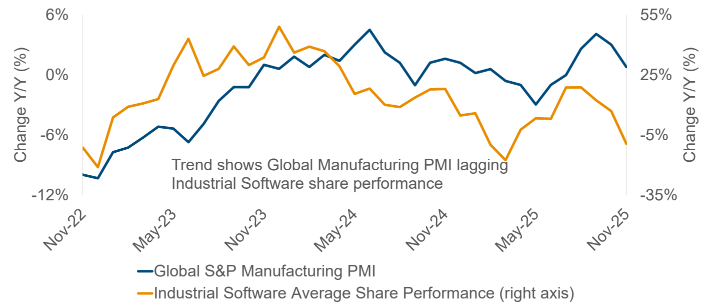
Across our coverage, **PTC** and **Autodesk** are most exposed to the manufacturing end market. Following several years of changing conditions, manufacturing data globally have shown some signs of stabilization recently with PMIs in the aggregate holding above 50 for most of 4Q. This reflects some improvements in continental Europe, although the y/y pace of improvement overall has slowed recently (Exhibits 55-56). **PTC** is the most exposed to manufacturing end markets with CAD, PLM and ALM products accounting for the vast majority of the business after the announced divestiture of the industrial IoT assets. **PTC's** product road-map combines targeted AI innovation, including the recently launched Arena AI Engine for automating document review and CAD-embedded Onshape AI Advisor, with a broader vision unlock data trapped in point solutions and to be the focal point for product data as it moves with the entire life-cycle of an asset. **Autodesk** is more diversified across end markets, but their Fusion platform has gained share in mid-market manufacturing and has shared their intention to expand into areas like PLM (link). Our estimates assume no real recovery, thus, improvement trends into 2026 may offer an avenue for upside.

Exhibit 55 - Global Manufacturing PMI Index



Source: BMO Capital Markets, Bloomberg

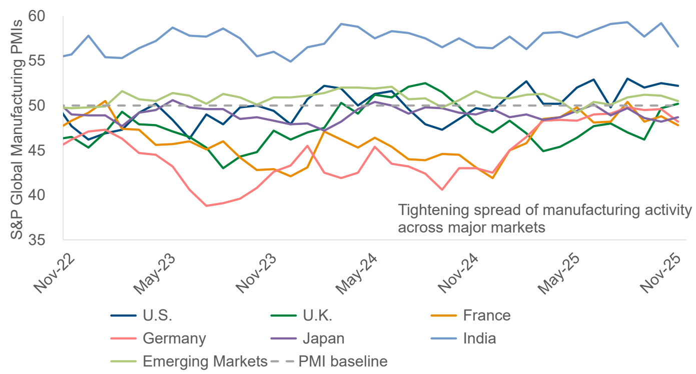
Exhibit 56 - Global Manufacturing PMI Index vs. Industrial Software Performance



Industrial Software Average includes ADSK, BSY, CDNS, PCOR, PTC & SNPS

Source: BMO Capital Markets, Bloomberg, FactSet

Exhibit 57 - Country-Specific Manufacturing PMIs



Source: BMO Capital Markets, Bloomberg

Exhibit 58 - Industrial Production: Manufacturing

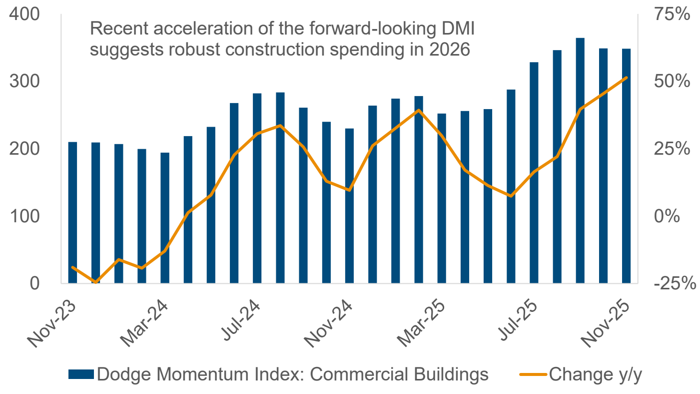
Source: BMO Capital Markets, FRED

Reasonable Optimism for Construction-related Vendors

Companies in our coverage with dependency on construction and building repair end-markets include **Autodesk**, **Procore**, **ServiceTitan and to a lesser extent, Samsara**. Leading indicators of spend relating to construction and reconstruction are mixed overall exiting this year but we expect 2026 will be similar or better than 2025. Positively, the back-half of the year experienced sustained momentum across data centers, and while growth in institutional projects has decelerated over recent months, current levels still exceed those in the year-ago period. Even as the path forward for interest rates is uncertain, long-term yields are down nearly a 1pt compared to highs from 2023 and early 2025 which can be helpful to some of these end markets with a lag. **Autodesk** is a leading vendor in building design and has numerous tools in support of construction use cases like BIM, project management, and payments, and is making progress unifying much of the workflow with Forma (link). After a more internally-focused year highlighted by the CEO change and re-tooling the go-to-market organization (link), **Procore** enters 2026 with a broad roadmap around AI and opportunity to capture more of the construction workflow.

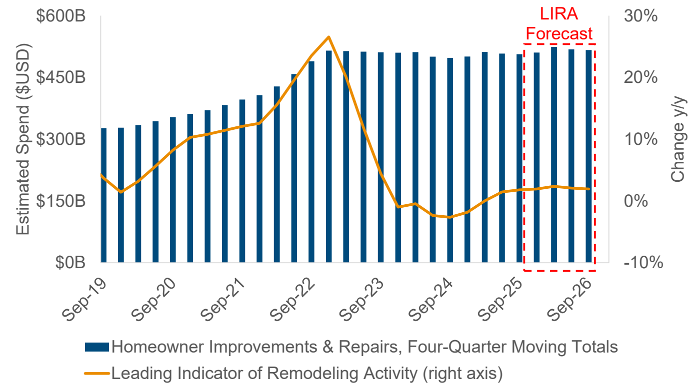
ServiceTitan has some exposure to commercial construction through its strategy to grow in the sector, although the majority of its business is still focused around residential (link). Despite worries about end-market cooling, many of the trades they service are more insulated and nondiscretionary, and there is still ample whitespace to drive automation and new trades. Better construction spend trends and progress on digitization in 2026 would positively impact all three with **Procore** having the greatest exposure overall.

Exhibit 59 - Dodge Momentum Index: Commercial Buildings



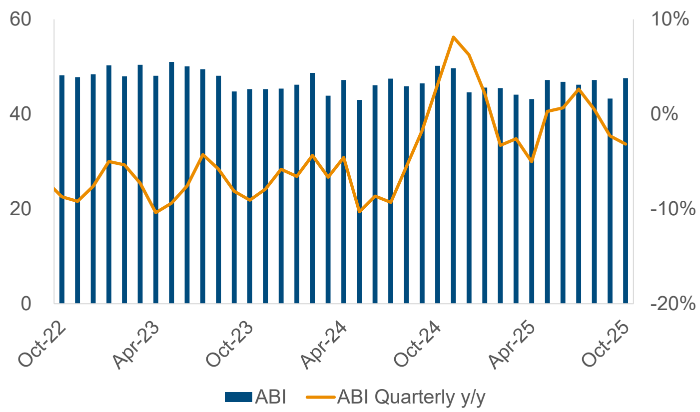
Source: BMO Capital Markets, Dodge Construction Network

Exhibit 60 - LIRA Remodeling Indicator



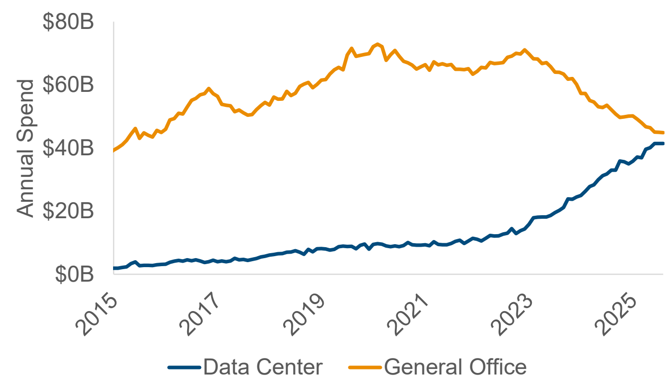
Source: BMO Capital Markets, JCHS

Exhibit 61 - Architecture Billings Index



Source: BMO Capital Markets, AIA

Exhibit 62 - Data Center vs. General Office Spending

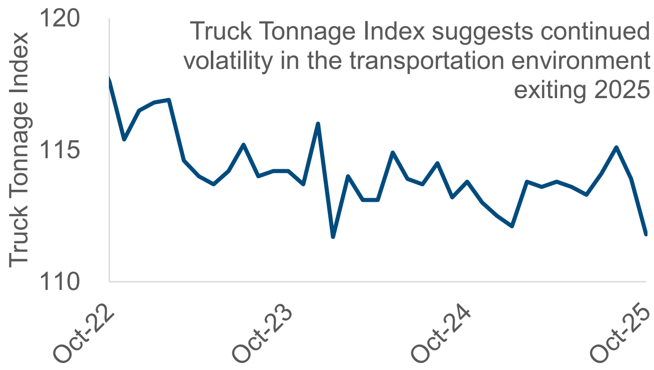


Source: BMO Capital Markets, US Census Bureau

Digitization Within Physical Assets Holds Momentum

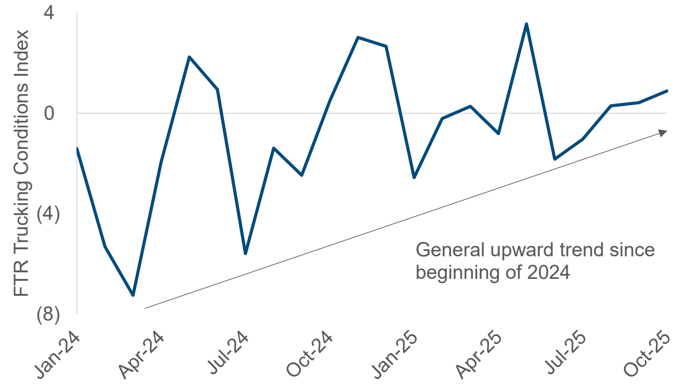
The third sub-category in vertical software our coverage encompasses includes telematics, fleet safety, and operations. Logistics and transportation-related industries are among the most important industries which these solutions are sold into, and below we update some of the tracking data we use to gauge the health of these types of customers. But, there is also significant opportunities in construction, fleet services, and public sector and others. Thus, the diversity of the current and potential customer set suggests company-specific execution should be the most important drivers into 2026. **Samsara** is most exposed to this vertical in our coverage through their safety and telematics tools. Their goal to become the system of record for physical assets, which provides broad avenues of opportunity to launch incremental innovation and expansion. Competition among modern suppliers like **Samsara** in this industry appears to be taking market share consistently, but there is significant whitespace, particularly in fleet safety and 3-D safety cameras.

Exhibit 63 - Truck Tonnage Index



Source: BMO Capital Markets, FRED

Exhibit 64 - FTR Trucking Conditions Index



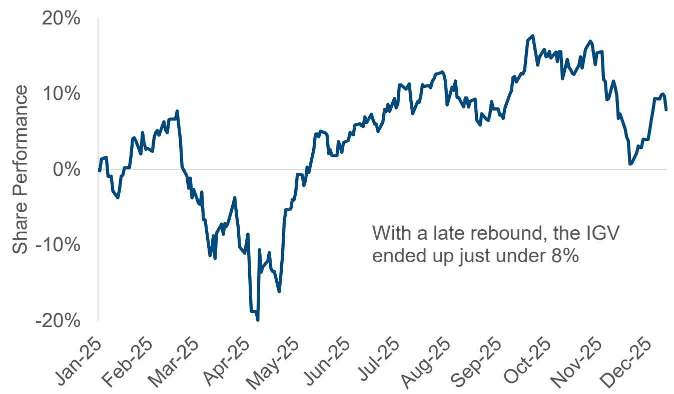
FTR's Trucking Conditions Index tracks changes representing five major conditions in the U.S. full-load truck market: freight volumes, freight rates, fleet capacity, fuel price, and financing

Source: BMO Capital Markets, FTR

Chapter #7: Sector-wide Valuations Appear Less Demanding Entering 2026

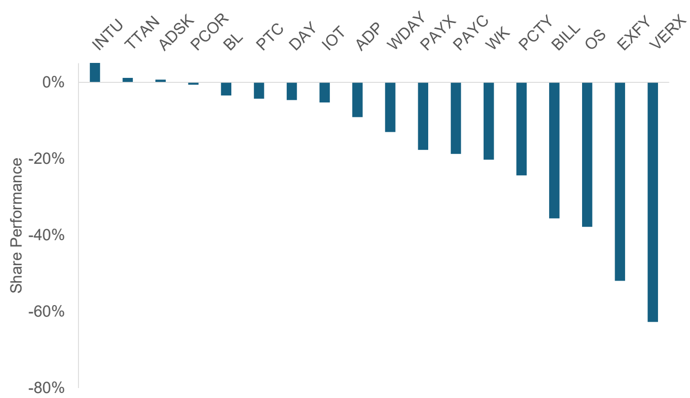
As we shared in Chapter #1, 2025 saw narrowed breadth of out-performers in software compared to recent years. Yet, the trajectory of estimates in the aggregate has not changed as much, resulting in the software sector exiting this year at a much more attractive valuation profile compared to December 2024. We think the performance may broaden out in 2026 as conviction improves for the outlook of estimates next year.

Exhibit 65 - IGV YTD Performance



Source: BMO Capital Markets, FactSet

Exhibit 66 - Jester Coverage YTD Performance

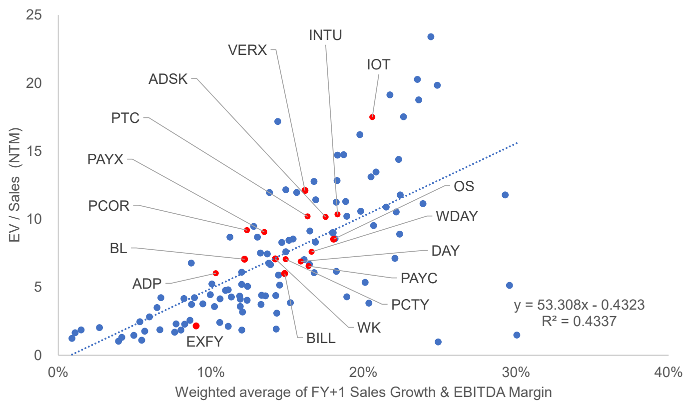


Repriced as of 12/12 close

Source: BMO Capital Markets, FactSet

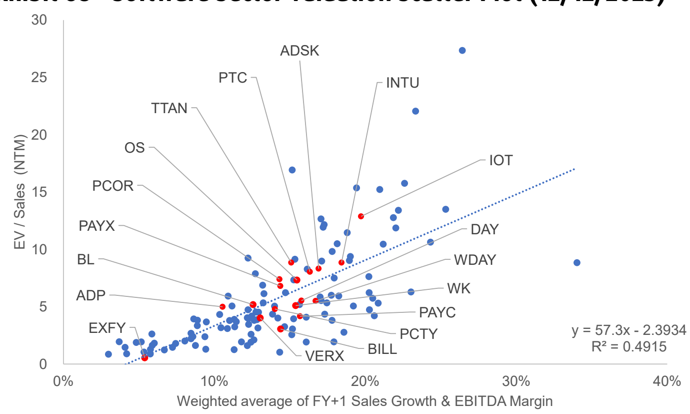
Looking at our coverage universe over the past year, the relative positioning of trading multiples compared to the broader software sector showed only a handful of material changes compared to December 2024. **Intuit**, which has been our top pick for some time, was the best performing stock in our coverage this year. Downside for our names was much more prevalent, and the average decline of negative returning stocks we cover was -24%. **Samsara** shares de-rated early in 2025 and we took the opportunity to upgrade ([link]()), but the premium they trade at today is still far lower than one year ago.

Exhibit 67 - Software Sector Valuation Scatter Plot (12/12/2024)



Source: BMO Capital Markets, FactSet

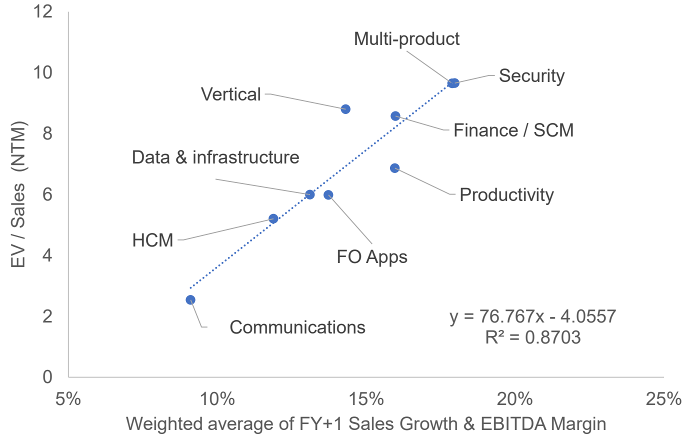
Exhibit 68 - Software Sector Valuation Scatter Plot (12/12/2025)



Source: BMO Capital Markets, FactSet

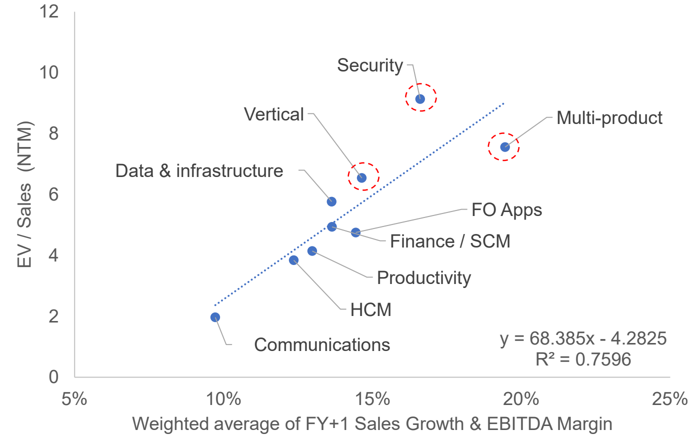
Zooming out to the clusters, we also saw less movement relative to others this year than we saw in the previous few except that the security premium has returned, the premium in vertical has moderated somewhat (driven by a few outliers that strongly underperformed this year), and multi-product companies have faded reflective of downward pressure on the group and particularly from Adobe and ServiceNow.

Exhibit 69 - Software Cluster Valuation (12/12/2024)



Source: BMO Capital Markets, FactSet

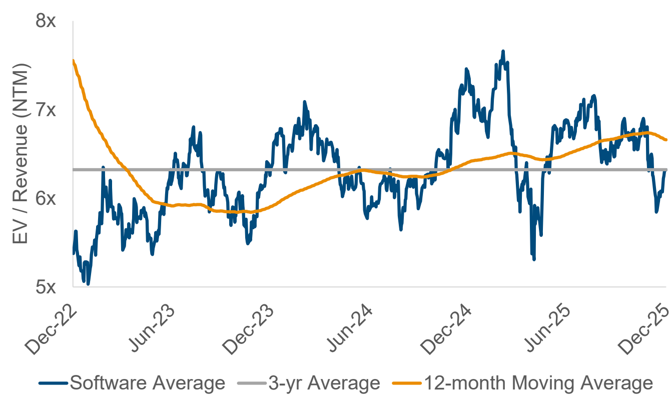
Exhibit 70 - Software Cluster Valuation (12/12/2025)



Source: BMO Capital Markets, FactSet

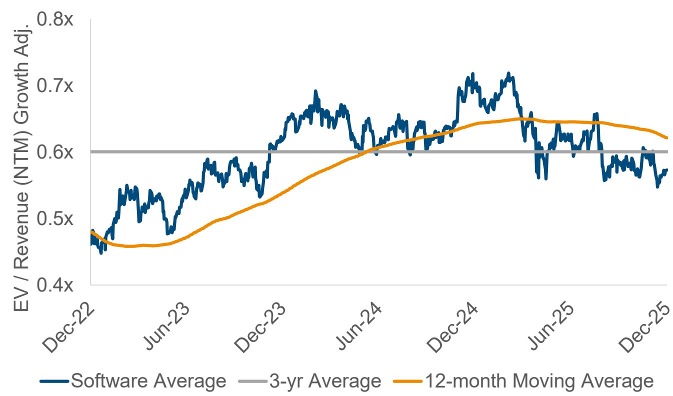
As shown below, the software sector overall is trading at below average EV / Revenue (growth adjusted), EV / FCF and P/E compared to the trend since the normalization post the pandemic.

Exhibit 71 - Software EV / Revenue (NTM) Three-Year Trend



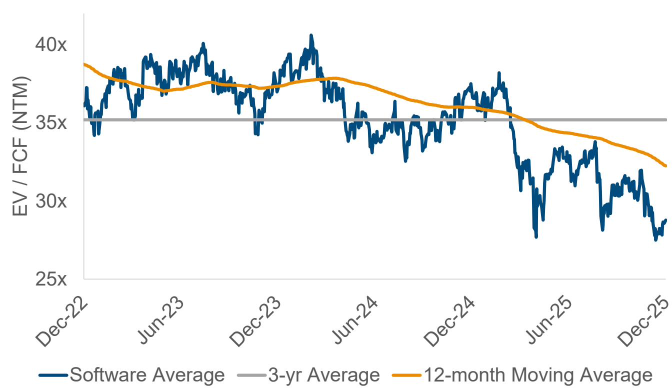
Source: BMO Capital Markets, FactSet

Exhibit 72 - Software EV / Revenue (NTM) Growth Adj. Three-Year Trend



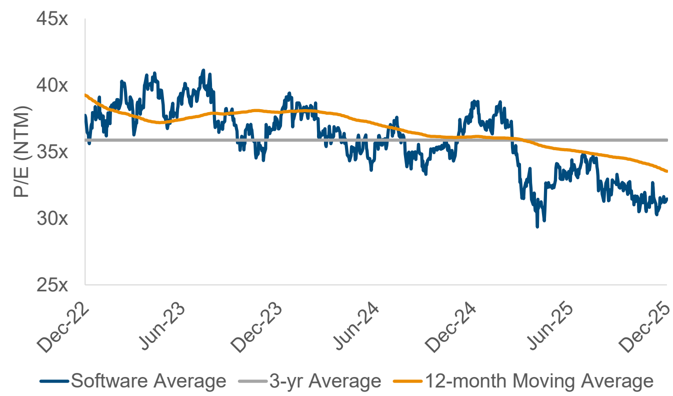
Source: BMO Capital Markets, FactSet

Exhibit 73 - Software EV / FCF (NTM) Three-Year Trend



Source: BMO Capital Markets, FactSet

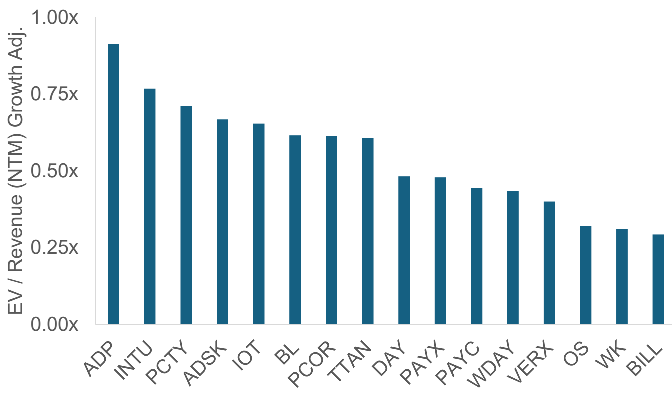
Exhibit 74 - P/E (NTM) Three-Year Trend



Source: BMO Capital Markets, FactSet

Here, we show re-ratings of our coverage on an EV / Revenue (NTM) Growth adjusted basis. Most of our names have experienced compression on this multiple, but not to the extent of **Paychex**. Companies in the vertical cluster have not fared worse, while HCM and Payroll names have been hit harder.

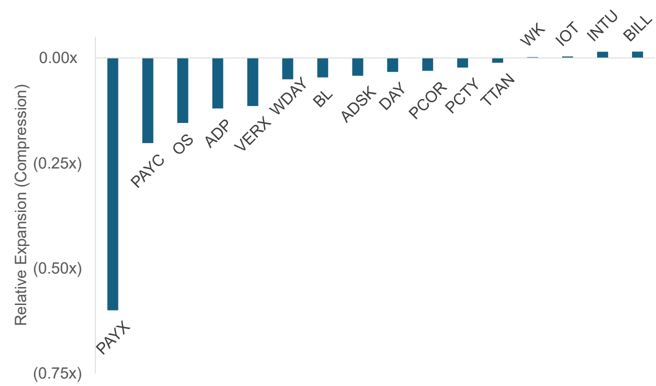
Exhibit 75 - Coverage EV / Revenue (NTM) Growth Adj.



EXFY and PTC excluded as outliers

Source: BMO Capital Markets, FactSet

Exhibit 76 - Relative YTD EV / Revenue (NTM) Growth Adj. Re-rating (De-rating)



EXFY and PTC excluded as outliers

Source: BMO Capital Markets, FactSet

Exhibit 77 - Jester Coverage Comp Sheet

Company	Ticker	Price ($) 12/15/2025	BMO Rating	Target Price	Return (%)	Performance YTD	Performance 90-days	Dividend Yield	Enterprise Value ($B)	Valuation (NTM) EV Sales	EV Growth	EV EBITDA	P / E	EV / FCF	Growth Projections Last FY	NTM	Next FY	Margin (NTM) Gross	EBITDA	Net	FCF
Dan Jester Software Coverage																					
ADP	ADP	$264.95	Mkt	$301	14%	(9%)	(8%)	2.6%	110,100	5.0	0.91	17.0	23.7	21.5	7%	5%	6%	50%	29%	20%	23%
Autodesk	ADSK	$294.31	Mkt	$343	17%	(0%)	(8%)	0.0%	64,438	8.3	0.67	21.3	26.5	26.8	12%	12%	11%	93%	39%	31%	31%
BILL	BILL	$54.17	Mkt	$60	11%	(36%)	5%	0.0%	5,390	3.3	0.31	16.9	24.2	15.9	13%	10%	13%	84%	19%	16%	20%
Blackline	BL	$57.13	Mkt	$63	10%	(6%)	4%	0.0%	3,890	5.2	0.62	18.7	24.9	21.9	11%	8%	9%	80%	28%	23%	24%
Dayforce	DAY	$69.29	Mkt	$70	1%	(5%)	0%	0.0%	12,184	5.8	0.51	18.0	25.7	40.5	16%	11%	12%	51%	32%	21%	14%
Expensify	EXFY	$1.54	Mkt	$2.00	30%	(54%)	(20%)	0.0%	76	0.5	NM	2.1	8.7	3.7	(8%)	(1%)	1%	57%	26%	14%	14%
Intuit	INTU	$654.59	OP	$810	24%	4%	1%	0.7%	195,705	9.0	0.78	21.2	27.6	29.3	16%	12%	12%	83%	43%	31%	31%
OneStream	OS	$16.99	OP	$25	47%	(40%)	(10%)	0.0%	3,985	5.9	0.32	93.8	NM	37.3	31%	18%	19%	71%	6%	7%	16%
Paychex	PAYX	$115.64	Mkt	$121	5%	(18%)	(12%)	3.7%	45,110	6.8	0.48	14.6	N/A	23.5	6%	14%	6%	74%	47%	30%	29%
Paycom	PAYC	$162.81	Mkt	$190	17%	(21%)	(24%)	0.9%	9,000	4.1	0.44	9.6	16.6	21.0	11%	9%	9%	83%	43%	25%	20%
Paylocity	PCTY	$148.50	OP	$185	25%	(26%)	(10%)	0.0%	8,361	4.8	0.71	13.4	19.8	19.8	14%	7%	9%	74%	36%	24%	24%
Procore	PCOR	$72.35	OP	$87	20%	(3%)	1%	0.0%	10,891	7.6	0.63	32.7	43.8	42.9	21%	12%	12%	84%	23%	18%	18%
PTC	PTC	$175.07	OP	$219	25%	(5%)	(15%)	0.0%	22,191	8.0	NM	16.4	N/A	22.2	19%	2%	8%	84%	48%	33%	36%
Samsara	IOT	$39.67	OP	$50	26%	(9%)	0%	0.0%	24,193	13.2	0.65	74.4	71.7	NM	33%	20%	20%	77%	18%	18%	13%
ServiceTitan	TTAN	$103.11	OP	$125	21%	0%	(12%)	0.0%	11,138	10.5	0.68	77.0	NM	NM	N/A	16%	15%	74%	14%	10%	8%
Vertex	VERX	$19.46	Mkt	$24	23%	(64%)	(24%)	0.0%	3,284	4.1	0.41	18.3	27.5	35.7	16%	10%	11%	75%	22%	15%	11%
Workday	WDAY	$214.90	OP	$285	33%	(17%)	(2%)	0.0%	58,742	5.6	0.45	16.7	21.1	19.4	16%	13%	12%	80%	34%	26%	29%
Workiva	WK	$86.30	OP	$103	19%	(21%)	9%	0.0%	5,173	5.3	0.32	39.2	41.7	40.4	17%	16%	16%	80%	13%	13%	13%
Coverage Average						**(18%)**	**(7%)**			**6.3**	**0.55**	**29.0**	**28.8**	**26.4**	**15%**	**11%**	**11%**	**75%**	**29%**	**21%**	**21%**
Large Cap Software																					
Adobe	ADBE	$351.15				(21%)	(0%)	0.0%	152,249	5.9	0.62	12.2	18.6	14.9	11%	9%	9%	90%	48%	37%	39%
Atlassian	TEAM	$159.17				(35%)	(7%)	0.0%	41,062	6.2	0.30	23.9	31.6	22.1	20%	21%	19%	86%	26%	21%	28%
Cadence	CDNS	$318.43				6%	(9%)	0.0%	88,223	15.4	1.50	33.0	N/A	54.3	13%	10%	12%	88%	46%	37%	28%
Crowdstrike	CRWD	$487.47				42%	10%	0.0%	122,924	22.1	1.00	77.2	NM	74.9	29%	22%	22%	78%	29%	21%	29%
Fortinet	FTNT	$81.52				(14%)	2%	0.0%	60,458	8.3	0.72	22.6	31.1	25.9	12%	11%	11%	81%	37%	30%	32%
Microsoft	MSFT	$474.82				13%	(7%)	0.8%	3,591,068	10.6	0.71	17.3	28.5	49.9	15%	15%	15%	67%	61%	37%	21%
Oracle	ORCL	$184.92				11%	(40%)	1.1%	667,562	8.8	0.37	16.3	N/A	NM	8%	24%	28%	66%	54%	28%	(33%)
Palo Alto Networks	PANW	$185.88				2%	(8%)	0.0%	132,035	12.2	0.90	38.2	84.1	31.8	15%	14%	13%	77%	32%	26%	38%
Salesforce	CRM	$254.58				(24%)	6%	0.6%	249,955	5.5	0.47	13.4	27.3	16.8	9%	12%	11%	81%	41%	27%	33%
SAP	SAP	$244.49				(1%)	(4%)	0.8%	287,608	6.2	0.51	19.8	N/A	29.4	5%	12%	11%	74%	31%	19%	21%
ServiceNow	NOW	$765.20				(28%)	(18%)	0.0%	178,216	11.9	0.64	33.9	72.8	35.1	22%	18%	18%	81%	35%	27%	34%
Shopify	SHOP	$159.85				50%	9%	0.0%	210,204	15.8	0.64	91.1	95.9	88.9	26%	25%	24%	48%	17%	16%	18%
Synopsys	SNPS	$454.67				(6%)	7%	0.0%	86,366	9.0	0.24	18.6	N/A	44.9	15%	37%	11%	83%	48%	29%	20%
Large Cap Software Average						**(0%)**	**(5%)**			**10.6**	**0.66**	**32.1**	**48.7**	**40.7**	**15%**	**18%**	**16%**	**77%**	**39%**	**27%**	**24%**
Broader Software Sector		***Sample count (n)***																			
Low Growth Average (<10%)		*61*				(12%)	(5%)			3.7	0.65	14.4	18.4	18.7	5%	4%	6%	70%	23%	16%	18%
Mid-growth Average (10-20%)		*45*				(13%)	(6%)			6.7	0.48	31.5	39.6	35.3	16%	14%	14%	76%	26%	19%	21%
High-growth Average (>20%)		*21*				29%	2%			13.7	0.51	39.5	54.4	51.4	22%	25%	22%	72%	21%	17%	16%
Broader Software Sector Average		***127***				**(6%)**	**(5%)**			**6.5**	**0.55**	**24.3**	**31.2**	**29.9**	**12%**	**11%**	**12%**	**73%**	**24%**	**18%**	**19%**
iShares Software Index	IGV-US	$105.39				5%	(7%)			8.6		21.8	32.2	36.7							
SPDR S&P 500 Index	SPY-US	$680.71				16%	3%			3.8		15.4	22.5	32.1							

ADP, ADSK, BILL, BL, DAY, EXFY, INTU, OS, PAYX, PAYC, PCTY, PCOR, PTC, IOT, TTAN, VERX, WDAY & WK ADSK, OS, PCOR, PTC, IOT, TTAN & WK based on BMOCCM estimates. All others based on FactSet estimates.

Source: BMO Capital Markets, FactSet

Updated Thoughts on Our Covered Companies

Below we provide a refreshed brief snapshot of our thesis for each stock across our coverage. These do not reflect any incremental channel work beyond early December, and we anticipate further refinement as we approach CY1Q reporting starting in late January. For our thoughts on Thoma Bravo's acquisition of **Dayforce** and the company's recent quarterly results, please see the following reports - link & link.

Outperform Rated

Intuit (INTU): Still the One Ahead of 1H Catalysts

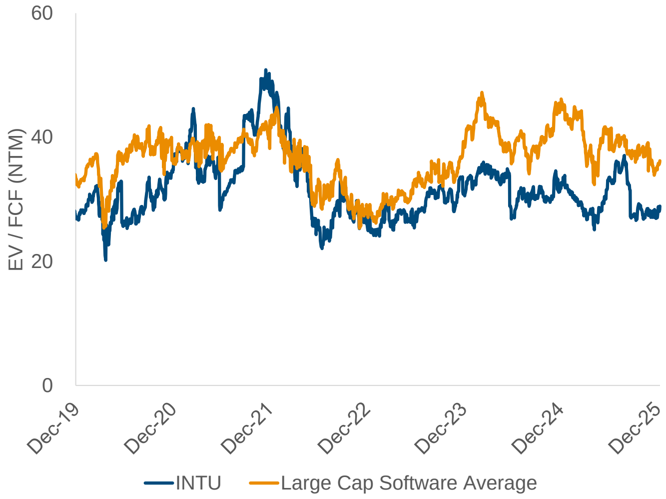
Intuit remains our top large cap software pick into 2026. We elevated the market leader in SMB accounting and back-office finance to the top tier of our large cap outperform ratings late 2024 (link) on expectations of better tax performance and steady execution in QBO. Our thesis remains mostly consistent into the upcoming year as we see a favorable set-up into the tax season with constructive commentary on growth drivers (CK, storefronts, business tax), and upside tension to estimates. Momentum in the middle market remains solid driven by IES plus QBOA growing 40% in the most recent quarter and see more upside in QBO accounting as FY26 progresses. Tension in margin remains to the upside and we expect to realize more after the tax season is completed.

Intuit began FY26 with stronger-than-expected results driven by robust growth in CK and QBO and a solid majority for margin upside against full year guidance of 41%. QBO has benefited from mid-market expansion through Intuit Enterprise Solutions (IES), a newly refreshed Accounting Suite, rising adoption of payments services, and AI-driven differentiation positioning Intuit well to meet its 15–20% long-term growth targets. Tax season outlook appears favorable, aided by law-driven complexity, while Assisted and Full Services upsell potential, expanded expert service centers, CK cross-sell further strengthen the funnel, and building out its business tax offerings remain supportive.

We model nearly 15% GBSG growth, ~8.5% Consumer growth, and ~11.5% CK growth for FY2026. While shares have outperformed large cap software peers in 2025 we still see an attractive entry point with the shares trading at ~30x EV/FCF and ~28x P/E compared to the large cap software peer group near ~34x and 30x respectively.

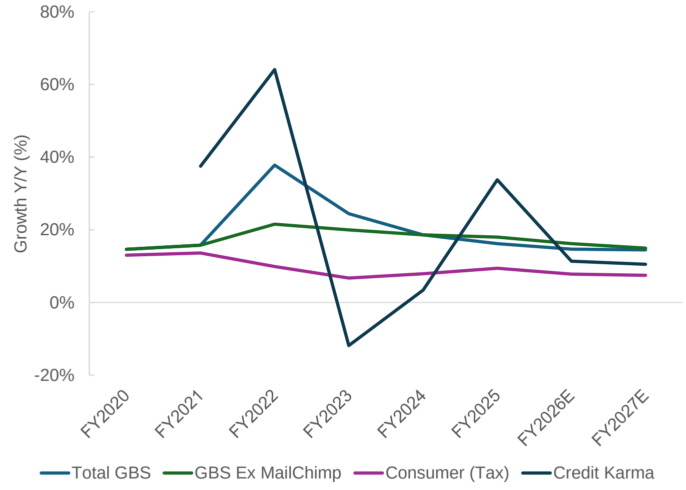
Link to our latest earnings report note with estimate details.

Exhibit 78 - Intuit EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 79 - Intuit Segmented Medium Term Growth Rates



FY26 and FY27 represent BMO estimates.

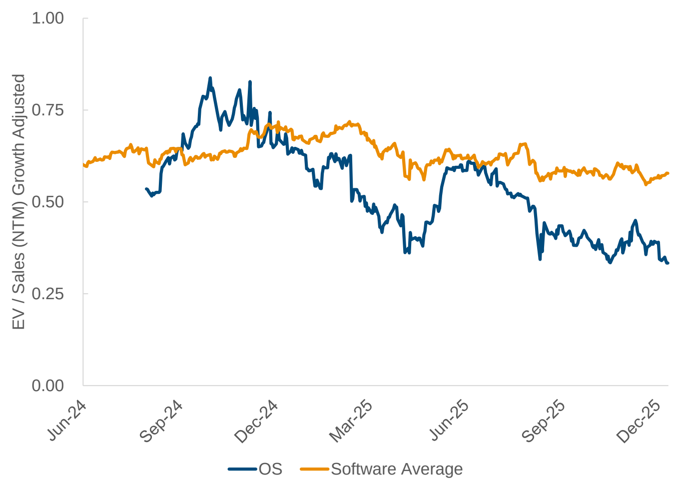
Source: BMO Capital Markets, Company Reports

OneStream (OS): Impressive Core, Intriguing on Recent Weakness

Shares have recently hit a soft patch following **OneStream** announcing key leadership changes, including the planned departure of its CFO and the promotion of EVP of AI to President to deepen focus on AI-driven growth following 60% YTD AI bookings growth. We think these changes come amid solid momentum, as the company delivered better-than-expected 3Q results with subscription revenue up ~27% y/y, total revenue exceeding guidance by 4pts, and solid add-on sales supporting growth stabilization. Management reaffirmed FY26 guidance and expects a less conservative outlook going forward, with subscription revenue projected to grow ~20.5% and EBIT margin at ~6%. **OneStream's** AI portfolio remains a core strength, with purpose-built solutions integrated into forecasting and planning workflows and accelerating enterprise adoption. Efficient scaling initiatives, such as CPM Express for faster deployments, and operationalizing AI-driven workflows under the new President reinforces the company's ability to execute. The next catalyst will likely be the announcement of a permanent CFO. Recent product innovations including expanded AI capabilities, new Agentic AI tools, and CPM Express further position **OneStream** as a leader in financial planning and analytics, with a clear roadmap for extensibility and monetization opportunities across ESG reporting, productivity tools, and low-code/no-code solutions.

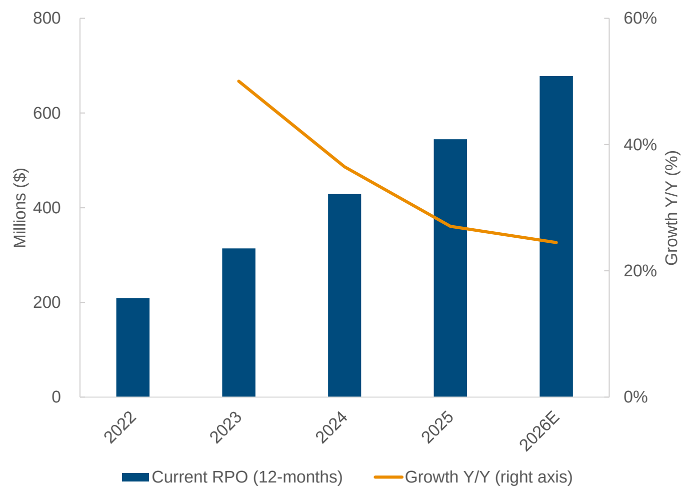
Link to our latest earnings report note with estimate details.

Exhibit 80 - OneStream EV / Revenue / Growth Trend



Source: BMO Capital Markets, FactSet

Exhibit 81 - OneStream cRPO Trend



Source: BMO Capital Markets, Company Reports

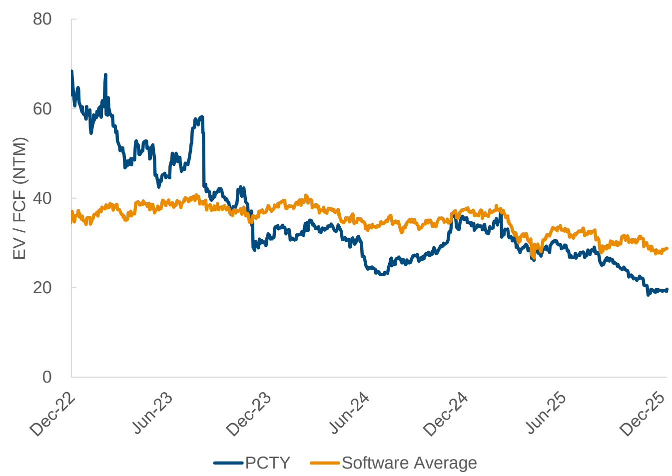
Paylocity (PCTY): Best Name in Somber HCM Market

Paylocity remains our top relative pick within HCM / payroll software heading into 2026. Despite a tough HCM market facing difficulties re-accelerating organic growth, we believe the company is doing a fairly good job executing on initiatives like expansion into other back-office workloads like finance and IT, strengthening its ancillary HCM solutions such as employee engagement and hiring solutions to capture more wallet share, enabling deeper insights on its core products, and focusing on strengthening mobile capabilities. Newly refreshed long-term financial targets have set a clearer path to margin upside at the company. Slowing organic growth set forth greater focus on bottom-line efficiency with aspirations toward 25-30% FCF margin, showing the further potential to scale gross margins, S&M and G&A. Our interpretation of the goals is along a ~5-year framework, and these new targets underpin our upside case. We model ~10% recurring revenue ex float growth for FY2026 representing an annual deceleration of over 5pts or ~$45mm less incremental revenue, and as we showed in the scenario analysis in Chapter #4, we think there is relatively less downside in estimates in a mild labor market recession in 2026 given the conservativism of these estimates. As outlined above, we do not believe **Paylocity** or any HCM peer will generate much pays-per-control growth this year. Tension remains to the upside for EBITDA and FCF margins which we model ~36% and ~24.5%, respectively. Shares are trading at historical lows on both a sales (4.5x) and FCF multiple (<20x).

Core growth has stabilized with strong product execution and continued momentum in ancillary HCM solutions. The integration of Airbase positions **Paylocity** to be additive to growth in CY26 as the company expands into finance and IT workflows. Margin trajectory looks favorable given new long-term targets and operational efficiency initiatives. Current valuation remains attractive, assuming no pays-per-control growth in 2026, which we believe embeds significant pessimism and creates upside potential.

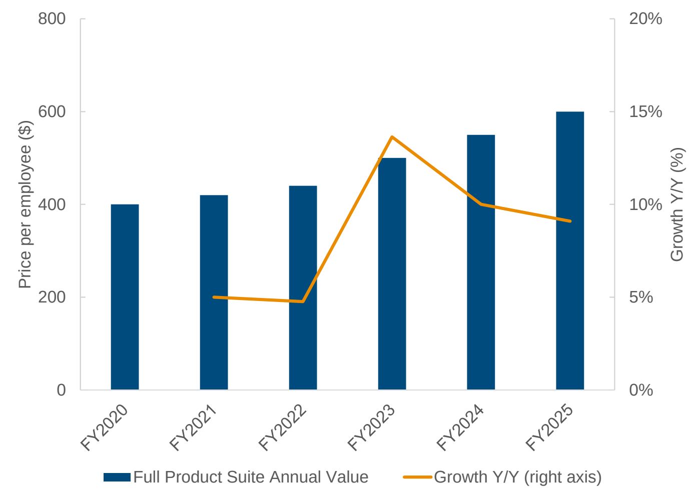
Link to our latest earnings report note with estimate details.

Exhibit 82 - Paylocity EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 83 - Paylocity Full Product Suite Annual Value Progression



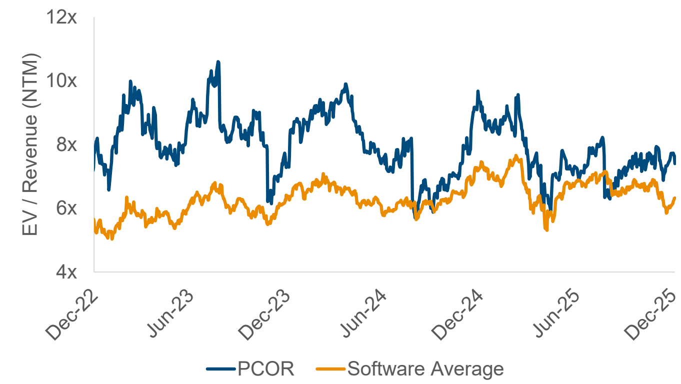
Source: BMO Capital Markets, Company Reports

Procore (PCOR): Greater Optimism

The leadership transition has improved our clarity for **Procore's** path forward, and updates provided at the company's recent CEO Q&A suggested the focus will hone on existing areas of the business (link). Macro is currently a mixed bag, with the company calling out stable demand trends, yet noting the operating environment still warrants uncertainty. Lower long-term interest rates are helpful, but with a 1+ year lag. Progression on the go-to-market transition seems to be steadying, exposing customers to tailored products, and should benefit cross-sell metrics with insights in 4Q on NRR being additive. This past quarter, the data center opportunity contributed to strength in large deals and drove upside, and notably, half of the top 10 deals were uncontested wins which highlights the strength in large enterprise. For the time being, we expect guidance to be relatively conservative, citing macro commentary and the CEO onboarding period. As **Procore** remains near the top of our list, we look to increased customer expansions and macro recovery to generate upside to estimates with company nearing completion of its end-to-end platform for construction workflows.

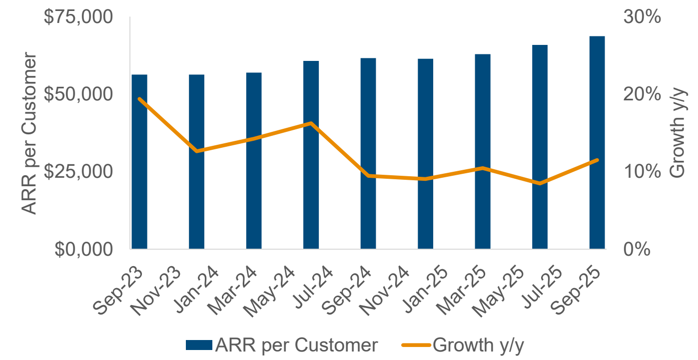
Link to our latest earnings report note with estimate details.

Exhibit 84 - Procore EV / Revenue Trend



Source: BMO Capital Markets, FactSet

Exhibit 85 - ARR per Customer Trend



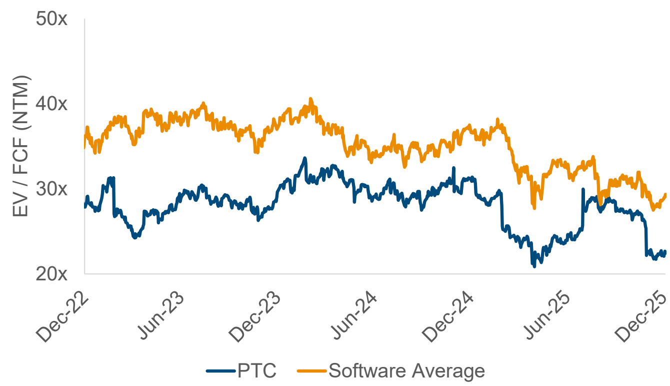
Source: BMO Capital Markets, Company Reports

PTC (PTC): Reasonable Path Forward

We see a reasonable set-up for **PTC** shares, supported by expected solid performance in core business areas of PLM and ALM as the company drives greater focus following the announced divestiture (link). Guidance for ~8% ARR growth this year appears conservative given our understanding of the assumptions used to construct the forecast, even in a tough macro environment. Manufacturing PMIs in markets central to the business have mostly been flat this year (or slightly higher in some European countries), and cyclical improvement in CY26 would be helpful. The CFO change adds a wrinkle to the story, but management is reiterating tight focus on efficient growth. For the shares we still anticipate healthy stock buybacks fueled by good FCF conversion. Shares trade at an attractive ~22x EV / FCF (NTM) for a strong asset with double-digit FCF growth and very high retention across its core businesses.

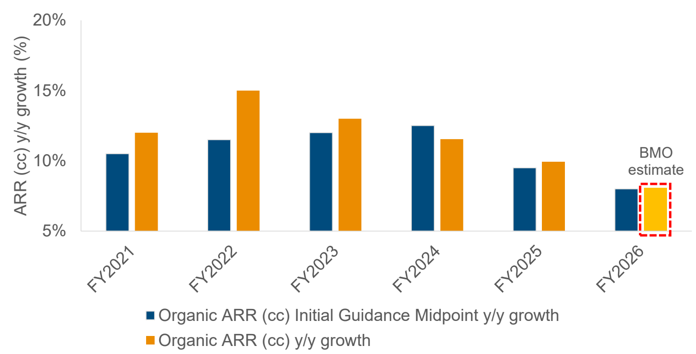
Link to our latest earnings report note with estimate details.

Exhibit 86 - PTC EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 87 - Organic ARR (cc) Growth y/y growth Guidance vs. Results



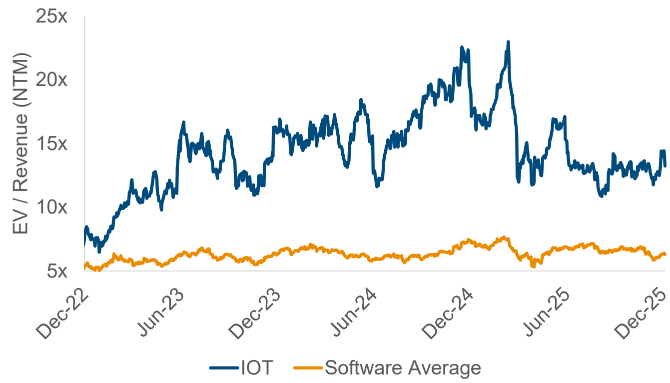
Source: BMO Capital Markets, Company Reports

Samsara (IOT): Good Momentum

Samsara's recent print was solid, in our opinion, and though the greater macro remains uneven, momentum among large customers is sturdy. The company continues to benefit from a good mix of new logo wins and customer expansion which is helping drive >20% NNARR growth last quarter and setting up solidly into an important 4Q. We see the company having diverse pathways to grow: upmarket, with new products, and internationally. The strength of the platform to scale with large fleets continues to emerge, now with 70% of $100k+ customers taking three or more products. Mexico/Canada/Europe is lower-penetrated and digitalized relative to the US, and growth in these markets is maturing particularly as the company adds more regional specific functionality. Progress in such emerging product areas is tracking well, garnering 20% of net new ACV, and ARR from Asset Tags has grown 400%+ y/y. FY27 consensus estimates appear conservative on both revenue and margin, and we expect positive estimate revisions to drive the shares higher.

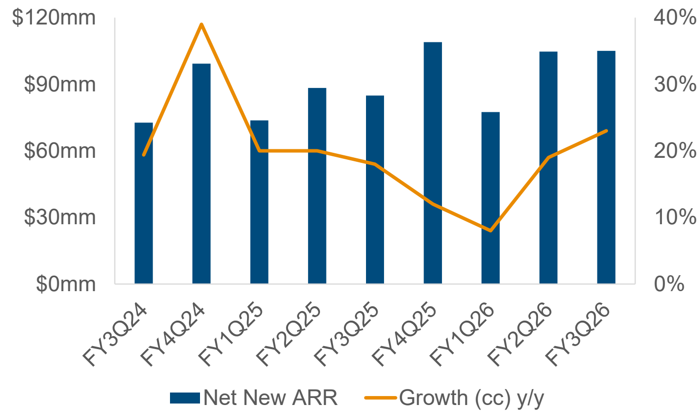
Link to our latest earnings report note with estimate details.

Exhibit 88 - Samsara EV / Revenue Trend



Source: BMO Capital Markets, FactSet

Exhibit 89 - Quarterly New New ARR Trend



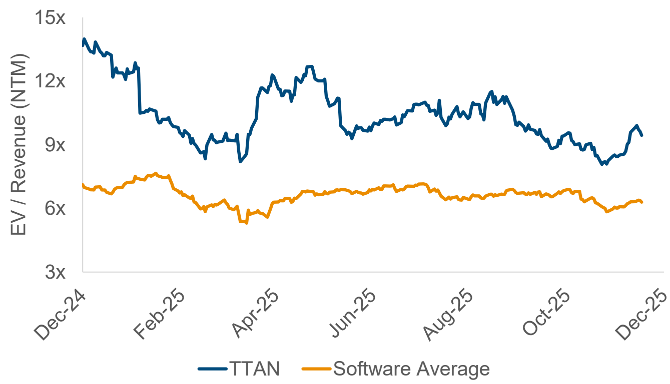
Source: BMO Capital Markets, Company Reports

ServiceTitan (TTAN): Favorable Market Opportunity

ServiceTitan remains one of our top ideas, and we have increased confidence in the name following FY3Q26 earnings in which the company proved lower exposure to the overall macro environment (link). 2025 has been a challenging year for the residential market, the core of the company's business, and recent commentary by industry leaders suggests sustained uncertainty into 2026 on puts and takes like consumer confidence and lower rates, respectively. Yet, **ServiceTitan's** focus on expanding the commercial business adds a layer of resilience, in our view, and we see upside to numbers on continued conservatism in management's guide as well as possible uplift towards the 2% take rate target through attach of their AI tools for trades' businesses to automate workflows.

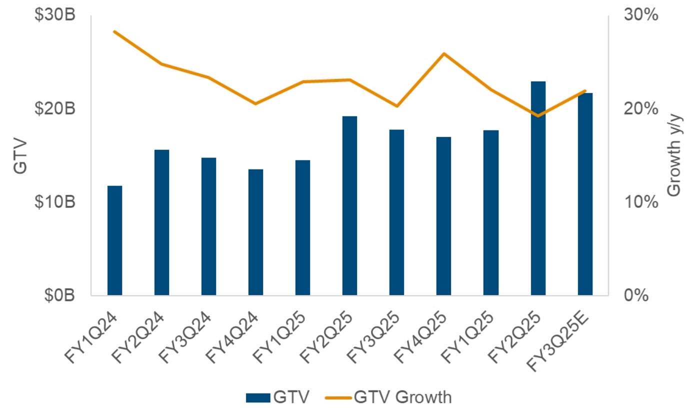
Link to our latest earnings report note with estimate details.

Exhibit 90 - ServiceTitan EV / Revenue Trend



Source: BMO Capital Markets, FactSet

Exhibit 91 - ServiceTitan GTV Trend



Source: BMO Capital Markets, Company Reports

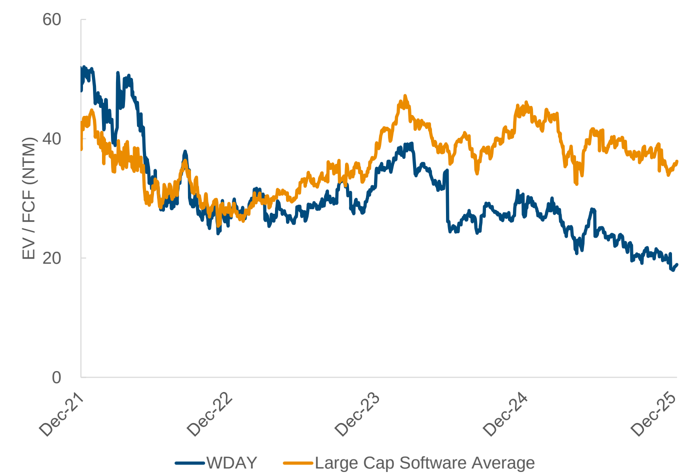
Workday (WDAY): Steady with FCF Improvement

Workday recently reaffirmed its FY27 subscription growth guidance of 13% and introduced FY28 targets aimed at delivering $15 FCF per share. The company also highlighted accelerating AI adoption, with AI-related ARR surpassing $150M and growing ~200%, alongside new innovations such as many additional AI agents planned for next year, a usage-based pricing model, and the upcoming Data Cloud launch. The acquisition of Sana strengthens **Workday's** learning capabilities and user experience through AI-driven personalization and enterprise search, while broader platform extensibility via Workday Extend and Build, powered by Flowise, is fueling developer ecosystem growth and international expansion. Additional focus on frontline worker solutions, supported by acquisitions like Paradox and partnerships such as DailyPay, positions **Workday** to address evolving workforce needs. While subscription CAGR of 13–14% through FY28 implies slight deceleration, execution on financial goals, specifically its FCF per share target, and AI-driven product momentum underpin our Outperform rating.

Recent 4Q cRPO trends and seasonally strong deal closings should help investors gain confidence in sustaining 13% subscription growth next year. **Workday's** AI playbook, including the rollout of new agents and usage-based pricing, reinforces its ability to defend market share against emerging competitors. Margin and FCF progression toward FY28 targets looks solid, supported by EBIT margin expansion into the mid-30% range and gradual reduction in SBC. Valuation remains attractive on an FCF basis at ~20x NTM, with upside potential as SBC trends lower over time.

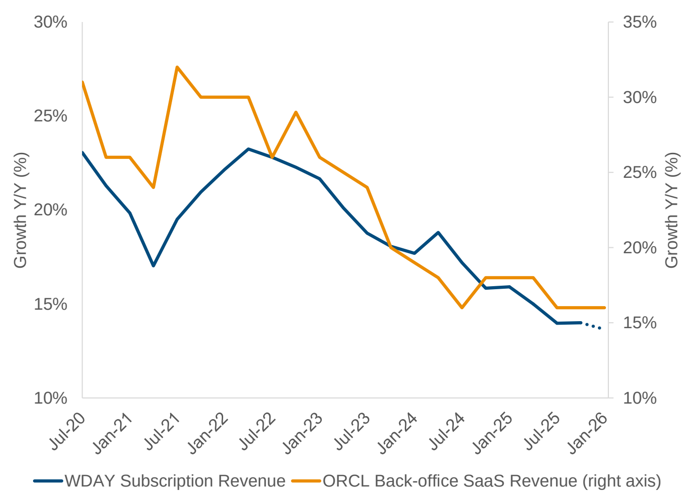
Link to our latest earnings report note with estimate details.

Exhibit 92 - Workday EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 93 - Workday Subscription Revenue Trends Compared to Oracle Back Office SaaS Revenue



Source: BMO Capital Markets, Company Reports

Workiva (WK): Focus on Core as Sustainability Lags

Despite slowing demand in Sustainability reporting, **Workiva** is leveraging its multi-product suite, particularly GRC which grew ARR 30% in 2Q, and new Agentic AI tools to drive efficiency. The company's new pricing and packaging plan is streamlining adoption and creating opportunities to monetize AI innovation over time. Near-term tailwinds from improving capital markets activity could support demand for financial reporting solutions. **Workiva's** GRC product remains a standout performer and offering strong cross-sell potential. ESG is less prominent in investor conversations today, but regulatory risk persists as the EU considers simplifying reporting requirements. The recent CFO appointment provides clarity on leadership for three senior executives (CFO, CRO, CPO).

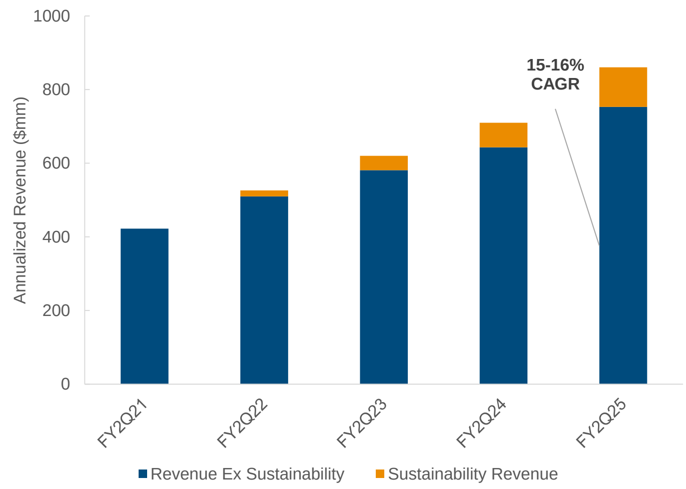
Management reaffirmed medium-term revenue targets and modestly raised FY27 EBIT margin guidance to 18%, though S&M remains high at ~39% of revenue, leaving room for optimization. With shares trading at ~0.30x EV/revenue-to-growth and catalysts including improved capital markets activity and AI adoption, we see reasonable risk/reward and reiterate a constructive view.

Link to our latest earnings report note with estimate details.

Exhibit 94 - Workiva EV / Revenue / Growth Trend

Source: BMO Capital Markets, FactSet

Exhibit 95 - Illustrative Workiva Estimated Segmented Growth Trends



Source: BMO Capital Markets, Company Reports

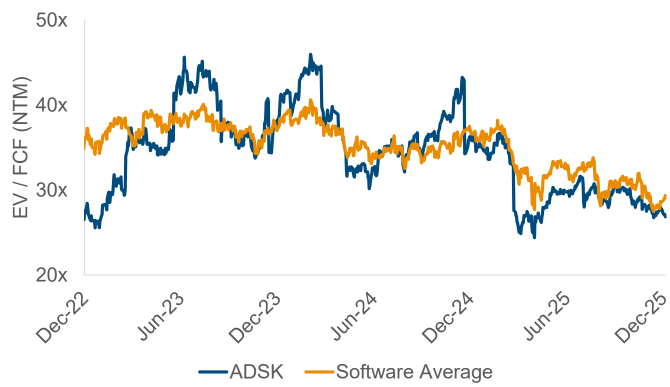
Market Perform Rated

Autodesk (ADSK): Long-Term Target Requires Execution

Autodesk is progressing toward the final stages of their go-to-market-optimization, and while updates suggest solid execution, management remains cautiously optimistic on the upcoming fiscal year (F27), hinting at a prudent approach to guidance on a stable yet uncertain macro. Currently, the company stands on decent footing towards achievement of the 41% medium-term EBIT margin target. With the new transaction model, the company is intensifying focus on new business generation and alinging partner incentives as such, while leveraging the Autodesk Store for self-service needs and existing expansions. Data centers, infrastructure, and industrial have continued to drive growth in AECO, and the outlined three-stage AI strategy (task-based automation, workflow automation, and systems-level automation) is geared toward enhancing ACC and Fusion capabilities, which contribute to the now ~20% SaaS-native component of total revenue, growing faster than the overall business. The M&E business has more worries on growth, from our perspective. Shares remain on our shopping list, and we look to improved execution on the GTM optimization as well as macro tailwinds/increased traction with ACC to get more constructive on the name.

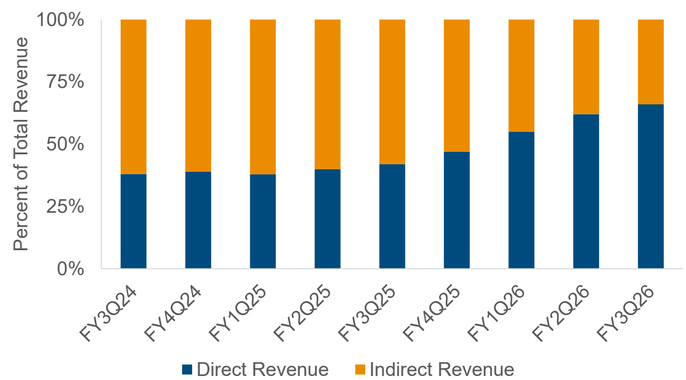
Link to our latest earnings report note with estimate details.

Exhibit 96 - ADSK EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 97 - Business Model Transition Progressing...



Source: BMO Capital Markets, Company Reports

Automatic Data Processing (ADP): Incrementally Tougher Outlook; Up-Market Brings Potential

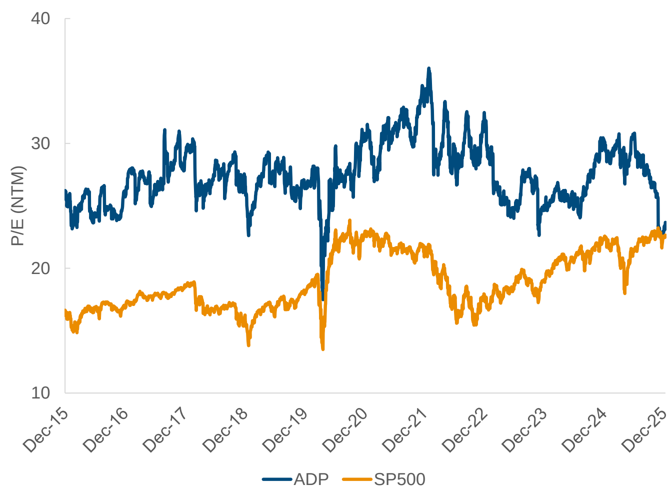
Macro worries and concerns about **ADP's** ability to hit bookings targets given a tougher backdrop and competitive dynamics are weighing on the stock as investors assess labor market softness and its impact on HCM demand. Lower-than-expected upside in Employer Services from a weakening pays per control outcome and outlook in the company's recent quarterly earnings results is a flash point for fears that the demand environment could weaken as FY26 progresses, which we anticipate could keep pressure on trading multiples in the near term. Moreover, in our perspective, there is correlation between the hiring environment and investments in HCM technology. Thus, any incremental pressure on employment levels also suggests some potential risk about the re-acceleration in bookings growth guided to this year. We think **ADP** may pursue M&A more actively in CY26 to bolster growth and expand capabilities.

Success in the mid-market and above is key to drive improvement in FY26. The company has made some progress on the three major initiatives to support new bookings growth this year: Lyric, WFN Next Gen, and embedded. For both Lyric (enterprise) and WFN (mid-market) the company needs to make strides in competitive markets, and commentary on the call and our follow-up was generally constructive (link). The embedded category has strong competitors, and **ADP** likely needs to broaden its partnership strategy to build momentum in this category over the medium term.

We model ~5.5% total ES revenue growth for FY2026 representing ~$125mm less net new dollars annually. Factors driving this are ~flat pays-per-control growth this year and slightly weaker retention y/y. We are more sympathetic to the company's ability to grow earnings and return capital to shareholders via dividends and buybacks. Shares are trading at five year lows on a P/E basis (~22x) as valuation appears to already price in a labor market recession, suggesting that consistent trends at current levels could be a positive catalyst for the stock.

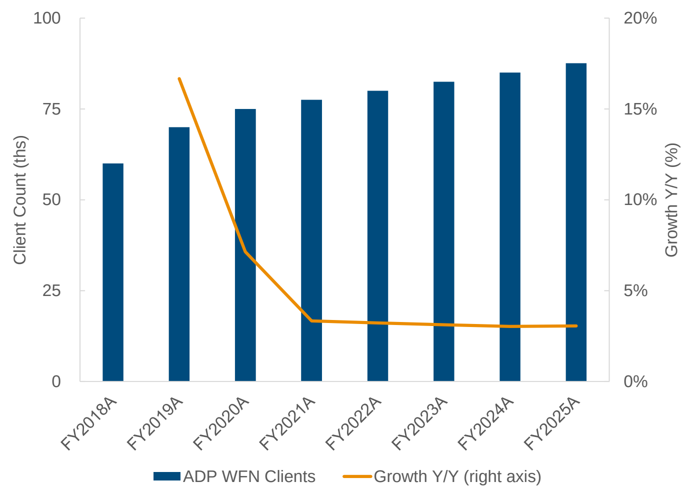
Link to our latest earnings report note with estimate details.

Exhibit 98 - ADP P/E Trend



Source: BMO Capital Markets, FactSet

Exhibit 99 - ADP Workforce Now Client Trend



Source: BMO Capital Markets, Company Reports

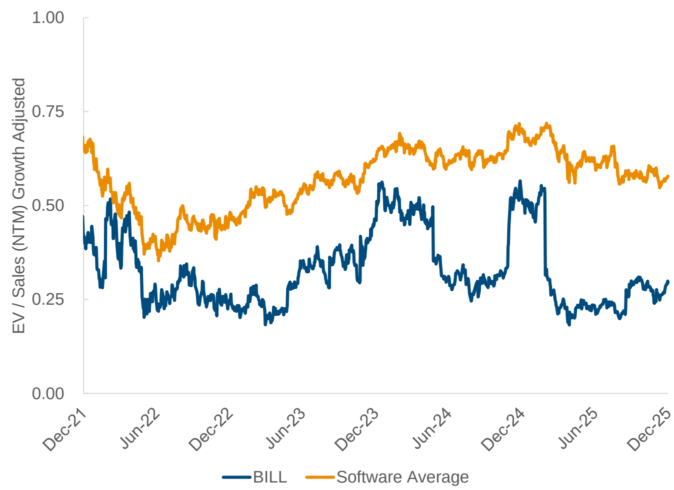
Bill (BILL): Potential Catalysts on the Horizon

Risk/reward for **BILL** shares appears to be improving, but many of the initiatives underway may not materially impact near-term performance. AI enhancements are improving user experience and internal efficiency, positioning the company for longer-term differentiation. Progress in the mid-market is encouraging, supported by new Embed partnerships with NetSuite, **Paychex**, and Accumatica. Pricing optimization efforts are ongoing, with more detail expected at the upcoming analyst day. Subscription revenue stability remains critical for the stock, as a higher mix of recurring revenue could help reduce cyclicality and support multiple expansion over time.

BILL reported a decent fiscal 1Q results with the quality of the beat driven by core business strength, while transaction revenue outperformed expectations despite continued TPV per customer declines. The company is making progress on growth stabilization through monetization initiatives, deeper partnerships with accounting firms, new Embed deals with partners, and accelerating AI innovation, which could support CY26+ growth even in a challenging SMB environment. Operational efficiencies remain a focus at the company following several activities investors becoming involved (link), a recent restructuring (~6% workforce reduction), pricing optimization, and internal AI efficiencies, aiming to re-achieve the "Rule of 40." We provided our perspective here. Subscription revenue growth remains sluggish and efforts to refresh pricing & packaging are underway. With EBIT margin expansion trending toward high-teens by FY28 and potential for mid-20% margins longer term, sustaining mid-teens growth could unlock meaningful upside, although we remain patient on shares as we evaluate near-term execution. We update our valuation multiple to 18x EV/FCF (NTM) reflecting a slight premium to fintech peers and slightly lifts our target price to $60.

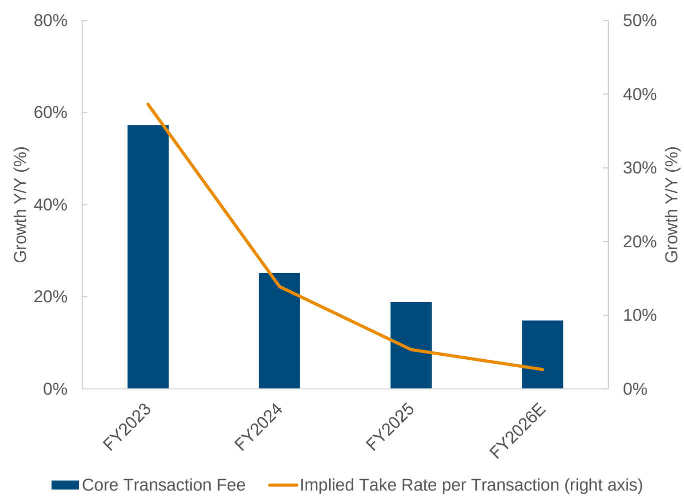
Link to our latest earnings report note with estimate details.

Exhibit 100 - Bill EV / Revenue / Growth Trend



Source: BMO Capital Markets, FactSet

Exhibit 101 - Bill Core Transcation Fee Revenue vs Take Rate Growth Trend



Source: BMO Capital Markets, Company Reports

BMO Capital Markets

Exhibit 102 - Bill Target Price Calculation

Multiple Based	NTM		Notes
FCF	343.2		
x Multiple	18.0		
= Enterprise Value	6,178.0		
- Debt	1,535.8		
+ Cash	2,315.0		
= Equity Value	6,957.2		
Per share	**$60**		
Shares	115.5		

Source: BMO Capital Markets, Company Reports

Exhibit 103 - Bill Fintech Comp Sheet

Company	Ticker	Price ($) 12/12/2025	Performance YTD	Performance 90-days	Valuation (NTM) Enterprise Value ($B)	EV Sales	EV Growth	EV / Gross Profit	EV FCF	Growth Projections Q+0	Growth Projections NTM	Margins (NTM) Gross Profit	Margins (NTM) FCF
BILL	**BILL**	**$54.55**	**(36%)**	**7%**	**5,435**	**3.4**	**0.33**	**4.0**	**17.4**	**10%**	**10%**	**84%**	**19%**
FINX Index	FINX	$30.47	(2%)	(10%)									
IGV Index	IGV	$107.97	8%	(3%)									
Fintech Comps													
Block	XYZ	$64.75	(24%)	(11%)	39,047	1.6	0.29	3.5	10.9	2%	5%	44%	14%
Chime Financial	CHYM	$26.19	N/A	11%	10,756	4.3	N/A	4.8	NM	N/A	N/A	90%	3%
Corpay	CPAY	$316.09	(7%)	3%	25,644	5.2	0.29	6.6	24.9	14%	18%	79%	21%
Expensify	EXFY	$1.61	(52%)	(16%)	83	0.6	NM	1.0	3.3	(1%)	(2%)	58%	18%
Fiserv	FISV	$68.75	(67%)	(49%)	65,121	3.3	NM	5.9	15.2	1%	0%	56%	22%
Global Payments	GPN	$82.05	(27%)	(4%)	34,028	3.6	1.14	4.6	12.4	3%	3%	77%	29%
i3 Verticals	IIIV	$25.45	10%	(16%)	923	4.2	0.89	6.2	13.9	7%	5%	68%	30%
International Money Express	IMXI	$15.44	(26%)	6%	486	0.8	NM	2.2	NM	(10%)	(5%)	37%	-3%
Marqeta	MQ	$4.94	30%	(15%)	1,325	2.0	0.09	2.8	7.4	28%	22%	69%	27%
PayPal	PYPL	$61.66	(28%)	(8%)	60,328	1.8	0.29	3.8	8.0	7%	6%	46%	22%
Remitly Global	RELY	$14.65	(35%)	(19%)	3,079	1.7	0.09	2.7	16.8	25%	20%	65%	10%
Repay Holdings	RPAY	$3.45	(55%)	(41%)	623	2.0	NM	2.6	9.3	(2%)	2%	75%	21%
Toast	TOST	$35.28	(3%)	(12%)	20,613	3.0	0.14	10.9	32.7	25%	22%	28%	9%
Western Union Company	WU	$9.81	(7%)	17%	4,793	1.2	NM	3.1	8.5	(1%)	0%	38%	14%
Average ex EXFY & IMXI			**(18%)**	**(11%)**		**2.8**	**0.40**	**4.8**	**14.5**	**10%**	**9%**	**61%**	**19%**

Source: BMO Capital Markets, FactSet, Visible Alpha

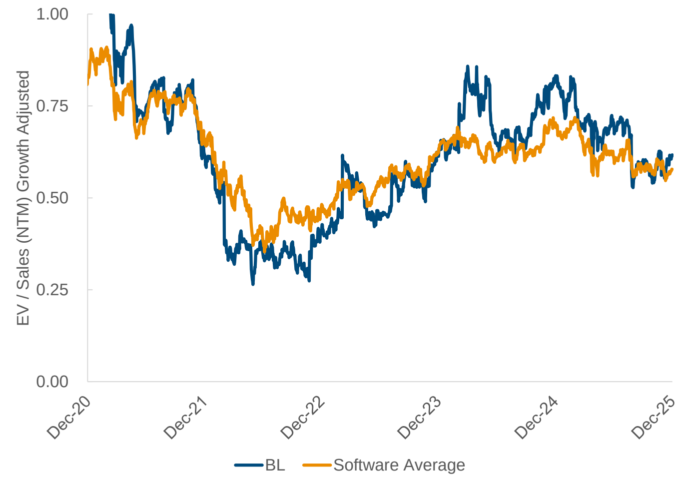
BlackLine (BL): Patience Amid Efforts to Reaccelerate Growth

We view showing progress accelerating forward-looking indicators back into the double digit range and progress on SAP ecosystem adoption as the two most critical aspects at **BlackLine** into 2026. AI-related updates, including the Verity suite and new pricing and packaging changes, could provide incremental tailwinds next year. Valuation already reflects some improvement in the business, in our view, leaving execution as the key determinant for upside.

The company's recent results showed limited progress toward growth acceleration, with enterprise deal slippage weighing on billings (+4.5% y/y) and cRPO growth slowing to 8%, though some delayed deals have since closed. Management reiterated its multi-year plan to reaccelerate growth through product innovation (Studio360), pricing model changes, and improved sales execution, supported by a stronger SAP ecosystem pipeline and refined partner strategy. While ARR growth remains modest (~7.5%) and customer count declined slightly, leading indicators such as three consecutive quarters of pipeline build and new leadership suggest potential improvement into FY26. Margin expansion remains a key lever, with GCP migration and labor optimization expected to drive gross margin gains, supporting the path toward "Rule of 40" metrics by FY28. Bloomberg reports some shareholders are urging the board to consider strategic alternatives, which could provide downside support amid near-term execution risk. We update our valuation multiple, implying ~6.5x EV/Revenue (NTM) which is mostly in line with back-office financial and supply chain related software peers, and slightly lifts our target price to $63.

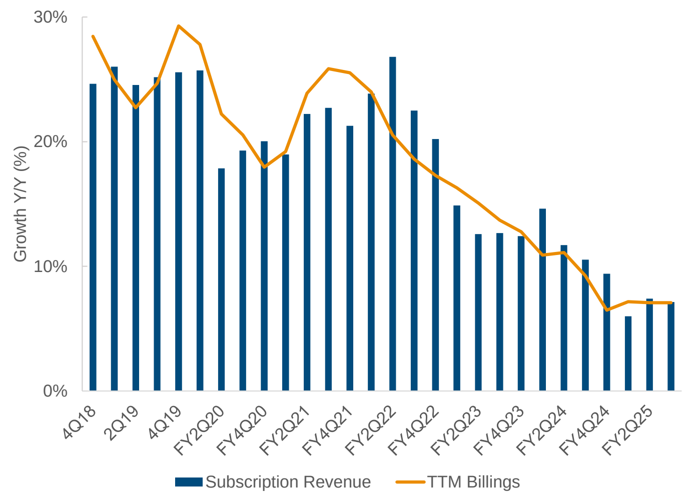
Link to our latest earnings report note with estimate details.

Exhibit 104 - BlackLine EV / Revenue / Growth Trend



Source: BMO Capital Markets, FactSet

Exhibit 105 - BlackLine Subscription Revenue and TTM Billings Growth Trend



Source: BMO Capital Markets, Company Reports

Exhibit 106 - BlackLine Target Price Calculation

	NTM	Notes
Sales	746.8	
x Multiple	7.0	
= Enterprise Value	5,227.5	
- Debt	895.2	
+ Cash	804.2	
= Equity Value	5,136.4	
Per share	**67**	
Shares	76.5	
TP = Avg of EV / Sales (2x) & DCF		**$63**
Implied EV / Revenue Multiple	**6.6**	
Implied EV / Rev Growth Multiple	0.75	

DCF Summary	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E
Revenues	700.2	763.3	870.2	992.0	1,130.9
Free Cash Flow	170.0	196.8	241.7	295.4	359.4
FCF Margin	24.3%	25.8%	27.8%	29.8%	31.8%
Target price date	12/12/25				
Period	0.1	1.1	2.1	3.1	4.1
Discount	0.9	0.9	0.8	0.8	0.7
PV of FCF	156.8	180.6	203.7	228.4	255.1

Assumptions	
WACC	9.0%
Terminal Growth	3.5%

Stage #1 FCF	1,024.6
Terminal Value	4,890.3
PV of TV	3,185.7
Sum all FCF	4,210.2
+ Cash	804.2
- Debt	895.2
Equity Value	4,119.2
Per Share	**54**

Source: BMO Capital Markets, Company Reports

Exhibit 107 - Summary of Rating and Target Changes

Company	Ticker	Price ($) 12/15/2025	New Target Price	Old Target Price	New Rating	Old Rating	Return (%)
BILL	BILL	$54.17	$60.00	$54.00	Mkt	Mkt	10.8%
Blackline	BL	$57.13	$63.00	$57.00	Mkt	Mkt	10.3%

Source: BMO Capital Markets, FactSet

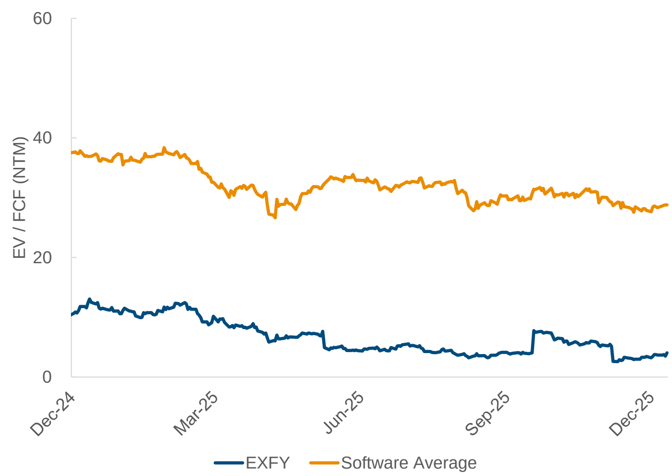
Expensify (EXFY): Waiting Clarity on User Growth

Investments made at **Expensify** over the past year have yet to materially impact the topline or show progression reaccelerating client growth, which is an important factor for us to get more constructive on shares. Macro pressure continues to weigh on SMB spending and remains a headwind for the business. Slowing payment volume growth is impacting interchange revenue and overall top-line momentum. Travel-related revenue is unlikely to be material in the near term, despite early signs of traction. We remain more optimistic on FCF trends, which appear steady and could modestly improve, providing some support to valuation.

Expensify's 3Q results were weaker than expected, with revenue down ~1% y/y to $35M and EBITDA of $6.5M (18.5% margin) missing estimates, as paid user declines and a sharp slowdown in card fee growth (down 25pts over two quarters) weighed on performance. Revenue per user excluding interchange fell >10%, and interchange growth decelerated to 18% y/y, while Travel bookings and new partnerships offer only early signs of improvement. Management reiterated its $21M FCF outlook, but near-term growth remains challenged. Strategic priorities include ramping Travel, launching cards internationally, and migrating larger users to the new app, alongside efforts to reinvigorate adoption. While interchange fees and simplified pricing remain bright spots, execution on these levers is critical to stabilize growth amid competitive pressures and uncertain SMB spending trends.

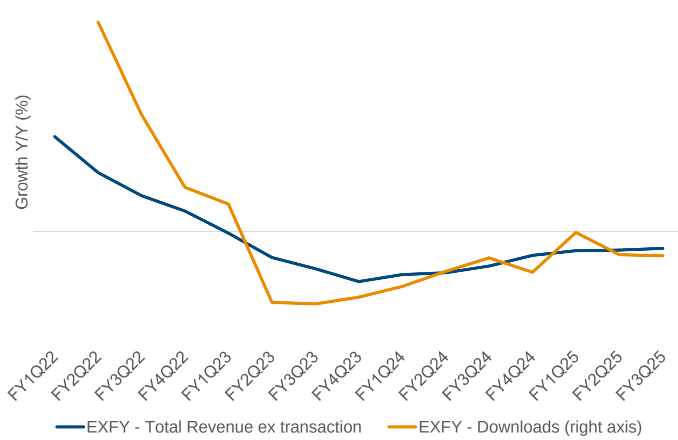
Link to our latest earnings report note with estimate details.

Exhibit 108 - Expensify EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 109 - Expensify Revenue Ex Transcation and Mobile App Download Growth



Source: BMO Capital Markets, SensorTower, Visible Alpha

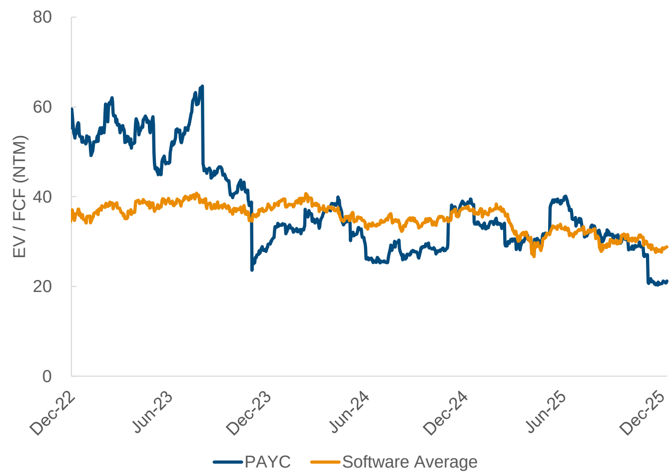
Paycom (PAYC): Can IWant Impact 2026?

Since the start of 2H25 (7/1), **Paycom** shares are down near 30% and underperforming its peer group by 9-10pts. We see several factors impacting shares including some consolidation as the company greatly outperformed its peer group during the 1H25, a difficult upcoming 2026 guide with consensus estimates anchored near 10% recurring ex float revenue growth implying ~$15mm incremental revenue compared to 2025 expecting less than half that amount, and debate surrounding internal data centers build-out and the impact to capex and margin over time. The launch of IWant, **Paycom's** new AI UI for the application, is the company's biggest AI push to date which went live across all customers during 3Q. Success in IWant product launch will be the cornerstone of a sales and marketing push to help maintain momentum into 2026.

Debate continues around the level of investment in AI both in product development and capex and its impact on profitability. Margin expansion remains likely, supported by efficiency initiatives, moderated capex trends and restructuring. Management has foreshadowed more office openings in 2026 to support growth and client engagement. The company appears to be tuning its operating model to keep recurring ex float growth at or above 10%, which will be important sustaining valuation multiples. Similar to its peers, shares are trading at historical lows on both a sales (~4x) and FCF multiple (~20x).

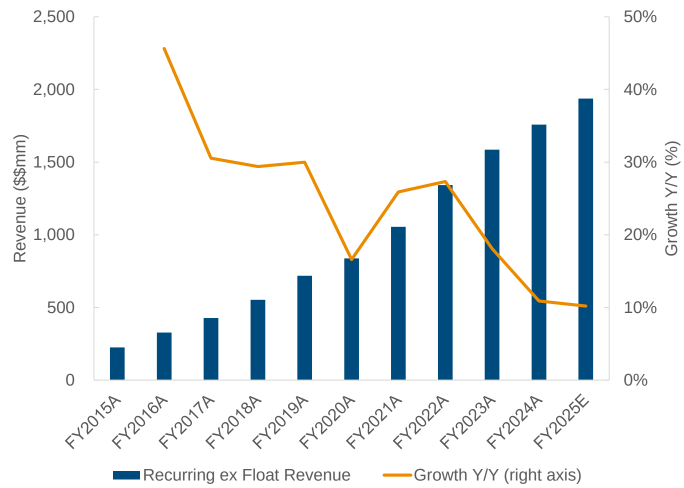
Link to our latest earnings report note with estimate details.

Exhibit 110 - Paycom EV / FCF Trend



Source: BMO Capital Markets, FactSet

Exhibit 111 - Paycom Recurring ex Float Annual Revenue Trend



Source: BMO Capital Markets, Company Reports

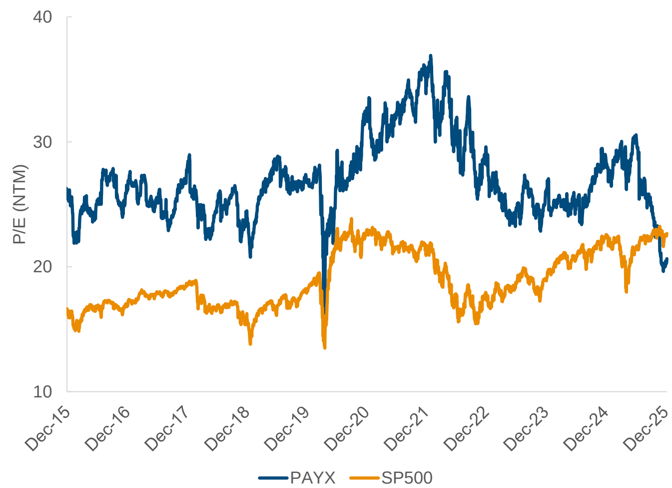
Paychex (PAYX): Still Early Days in Paycor Execution

Macro indicators of SMB health remain soft, creating a challenging backdrop for near-term upside at **Paychex**. The timeline for meaningful financial improvement tied to Paycor and PEO re-acceleration is still weighted toward 2H26, leaving heavy lifting in an uneven macro environment. While we expect good cost synergy execution to support EPS near-term, the bar for revenue acceleration remains high. With guidance likely unchanged this quarter, valuation looks less demanding with shares trading at five-year lows on a P/E basis (<20x), but patience is warranted as we await clearer evidence of synergy capture and macro stabilization.

The recent acquisition of Paycor is a major strategic endeavor to broaden the market opportunity across customers and products. We think patience will be required to evaluate the execution of the up-market growth opportunity and revenue synergies embedded in guidance, reflecting both company-specific execution and macro risks, in our view (link). In purchasing Paycor, **Paychex's** goal is to capture more of the up-market opportunity in HCM and to cross-sell their services such as PEO. Some evidence on both may emerge in FY2Q, but is more likely to come over the next few quarters. **Paychex** has improved Flex, its SMB-focused solution, over the past few years, driving mid-single-digit growth in the Management Solutions segment. Yet the down-market competitive landscape remains intense, with scaling private companies and public companies making more investments in the market. Shares have lagged against concerns that the FY2H26 improvement embedded in guidance has become more difficult to achieve. We model ~5.3% organic HR management solutions growth for FY2026 and ~$725mm generated from Paycor adding ~8pts of growth to the year.

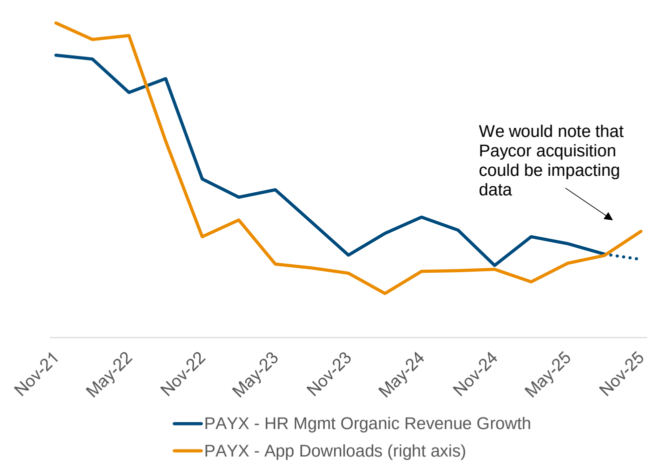
Link to our latest earnings report note and Link to our latest preview report with estimate details.

Exhibit 112 - Paychex P/E Trend



Source: BMO Capital Markets, FactSet

Exhibit 113 - Paychex HR Management Revenue Growth vs. App Downloads



Dashed lined represents FY2Q26 consensus estimates

Source: BMO Capital Markets, Sensor Tower

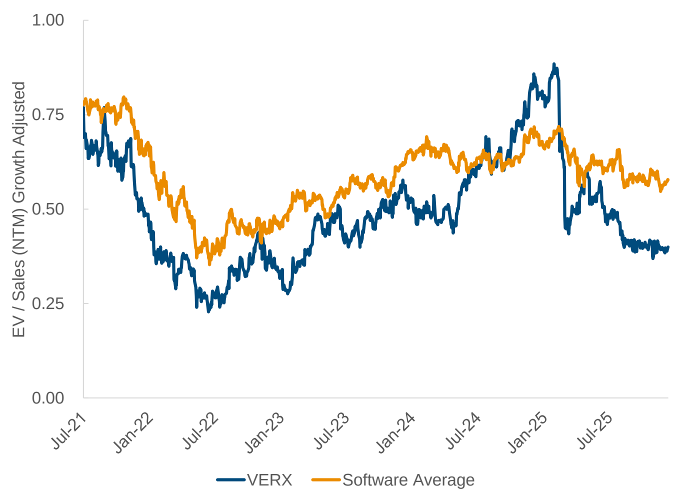
Vertex (VERX): Cautious Near-Term Outlook

Similar to its peers, **Vertex** is operating in a difficult back-office financial software selling environment. Outside the macro, we view evaluating the new CEO and "out of the gate" initiatives, evidence that e-invoicing investments begin to impact growth more meaningful, and improvement in SAP ecosystem execution as the most present topics during conversations with investors. Valuation appears less demanding with shares trading at ~0.40x EV/Revenue/Growth, suggesting upside potential if execution improves.

Vertex's past several quarterly results have reflected slowing momentum, with ARR growth decelerating to 12.4% y/y and billings impacted by enterprise deal slippage and revenue headwinds from cloud conversions, prompting a more conservative near-term outlook and making its ambitious 2028 re-acceleration targets appear steeper (link). Management cut 2025 revenue guidance by ~$16M, while incoming CEO faces a critical execution year focused on e-invoicing, advancing the company's AI strategy, and SAP ecosystem opportunities. While cyclical factors like entitlement growth and ERP migrations may recover over time, near-term growth pressure persists, and FY26 guidance is expected to be cautious. Longer-term, **Vertex** sees significant upside from e-invoicing mandates, which could represent 7–10% of revenue by 2028, and from cross-sell opportunities within its enterprise base, supported by AI tools and cloud ERP migrations. Management reiterated its commitment to profitability, targeting EBITDA CAGR of 20%+ and FCF CAGR of 30% through 2028, with a pathway to 20% FCF margins, but execution on these goals remains key.

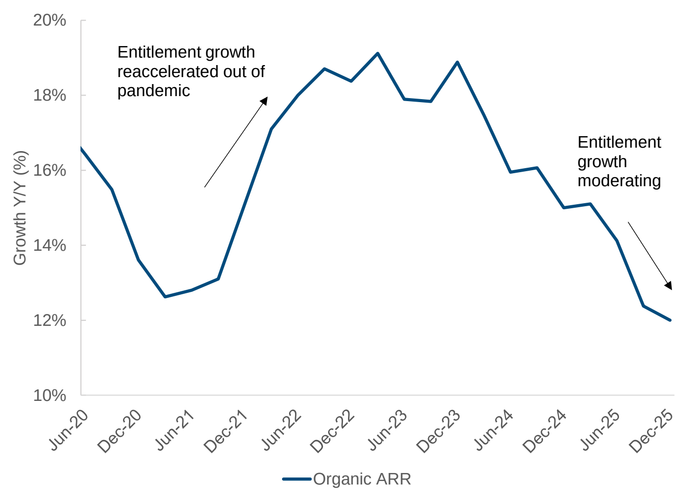
Link to our latest earnings report note with estimate details.

Exhibit 114 - Vertex EV / Revenue / Growth Trend



Source: BMO Capital Markets, FactSet

Exhibit 115 - Vertex Organic ARR Growth Trend



Source: BMO Capital Markets, Company Reports

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Hold	Market Perform	42.6 %	21.0 %	39.6 %	39.8 %	31.2 %	37.5%
Sell	Underperform	2.2 %	0.0 %	0.0 %	1.3 %	0.0 %	4.8%

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http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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