

## US Software

# Raimo's Roundup: Checking In on Valuation Levels & Moving to CY25 Base Year

It seems we are in the middle of a year-end rally in software. Looking at current valuation levels shows that EV/Sales multiples are up by a full turn since early November, but still below the long-term average, which could provide further support. We move to CY25 for our new base year, which lowers multiples further.

## What Happened?

We published Volume Five of our database industry review, highlighting the pricing dynamic for cloud databases, and our quarterly VAR and trend spotter read-throughs (for more, see [here](#)).

We published a note showcasing Klaviyo's positioning in the broader MarTech ecosystem, using alternative job posting data (for more, see [here](#)).

**Opentext** divested its Application Modernization and Connectivity (AMC) business to Rocket Software for \$2.275bn in cash with the proceeds used to pay the remaining amounts of Term Loan B due 2025 and reduce the Acquisition Term Loan due 2030.

**ServiceNow** announced a 5-year strategic collaboration with AWS in which the ServiceNow platform will be available as a SaaS offering by AWS. Also, the two companies will develop and launch industry-specific, AI-powered apps in the AWS marketplace.

**MongoDB** announced the integration of Atlas vector search with Amazon Bedrock to build LLM based applications using company specific data.

**Salesforce** announced an expanded partnership with Amazon, allowing CRM products to be offered on the AWS marketplace.

**Teradata** announced that Teradata AI Unlimited is now available in private preview on AWS through the marketplace.

**WalkMe** announced the availability of its Digital Adoption Platform (DAP) on the AWS marketplace.

Over cyber weekend, **BigCommerce** announced that GMV was up 10% y/y (7% from total orders and 3% from AOV), compared to 32% y/y in 2022, but did not disclose the absolute dollar value.

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**Please see analyst certifications and important disclosures beginning on page 51.**

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## | CORE

U.S. Software

**POSITIVE**

Unchanged

**U.S. Software**
**Raimo Lenschow, CFA**

+1 212 526 2712

raimo.lenschow@barclays.com

BCI, US

**Saket Kalia, CFA**

+1 212 526 8465

saket.kalia@barclays.com

BCI, US

**Ryan MacWilliams, CFA**

+1 212 526 2268

ryan.macwilliams@barclays.com

BCI, US

Isaac Piliavin

+1 212 526 7604

isaac.piliavin@barclays.com

BCI, US

**Veeva** announced 2 top-20 pharma companies have committed to migrating to Vault CRM.

On Monday, **Zscaler** reported 1Q24 billings above the guide and reiterated its FY24 billings guide.

On Tuesday, **Intuit** reported solid results with a beat across all major segments, though the company maintained its prudent guidance on the back of a seasonally smaller Q1. **Workday** delivered better than expected results with 12-month cRPO growth accelerating and in-line FY25 subscription revenue guidance amidst mixed investor sentiment. **CrowdStrike** beat 3Q24 net new ARR and reiterated its FY24 ARR guide.

On Wednesday, **Salesforce** reported strong results highlighted by a +3% beat to cRPO and 11% cc guidance for Q4, quelling fears of single-digit growth on the horizon. **Snowflake** reported better than expected results highlighted by ~\$58mn in q/q product revenue dollar adds, improved commentary around stabilizing consumption trends, and much better than expected profitability. **nCino** reported better Q3 revenue but noted some customer churn impacting bookings.

### What's Next?

This Friday, December 1st, at 11am, software analysts Raimo Lenschow, Saket Kalia, and Ryan MacWilliams will be hosting our [U.S. Software Bi-weekly Investor Call](#). Please register for the call with this [link](#).

We will be hosting our annual Barclays TMT Conference at The Palace Hotel in San Francisco from December 6th to December 7th, with keynotes from the NOW and WDAY CEOs, as well as the CRM CFO.

On Monday, December 4th, **Gitlab** reports earnings after the close

On Tuesday, December 5th, **MongoDB**, **Skillsoft**, **Descartes**, and **SentinelOne** report earnings after the close.

On Wednesday, December 6th, **Sprinklr**, **Couchbase**, **Braze**, and **Veeva** report earnings after the close.

On Thursday, December 7th, **SecureWorks** reports earnings before the open, and **Smartsheet** reports earnings after the close.

## Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
Company	Old	New	30-Nov-23	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
U.S. Software	Pos	Pos										
Appian Corporation (APPN)	UW	UW	36.24	35.00	<b>40.00</b>	14	-1.09	-1.09	-	-0.41	-0.41	-
Ceridian HCM Holding Inc. (CDAY)	EW	EW	68.90	74.00	<b>75.00</b>	1	1.33	1.33	-	1.83	1.83	-
Couchbase (BASE)	OW	OW	19.64	20.00	<b>21.00</b>	5	-0.83	-0.83	-	-0.70	-0.70	-
Datadog, Inc. (DDOG)	OW	OW	116.57	118.00	<b>138.00</b>	17	1.53	1.53	-	1.79	<b>1.78</b>	-1
Descartes Systems Group (DSGX)	UW	UW	81.04	65.00	<b>71.00</b>	9	1.42	1.42	-	1.59	1.59	-
DigitalOcean (DOCN)	OW	OW	29.62	30.00	<b>37.00</b>	23	1.47	1.47	-	1.74	<b>1.76</b>	1
DoubleVerify Holdings, Inc. (DV)	OW	OW	33.20	36.00	<b>40.00</b>	11	0.83	0.83	-	0.97	0.97	-
Integral Ad Science Holding Corp. (IAS)	EW	EW	14.59	15.00	<b>17.00</b>	13	0.88	0.88	-	0.69	0.69	-
Lightspeed Commerce Inc. (LSPD)	OW	OW	16.07	19.00	<b>20.00</b>	5	0.13	0.13	-	0.31	0.31	-
Microsoft Corp. (MSFT)	OW	OW	378.91	421.00	421.00	-	11.69	<b>11.38</b>	-3	13.02	<b>12.91</b>	-1
MongoDB, Inc. (MDB)	OW	OW	415.74	450.00	<b>470.00</b>	4	2.35	2.35	-	2.76	<b>3.28</b>	19
OpenText Corp. (OTEX)	EW	EW	40.14	40.00	<b>44.00</b>	10	4.67	4.67	-	4.85	4.85	-
Oracle Corp. (ORCL)	OW	OW	116.21	147.00	147.00	-	5.48	5.48	-	6.13	6.13	-
Paycom (PAYC)	EW	EW	181.66	200.00	<b>193.00</b>	-4	7.61	7.61	-	8.12	8.12	-
Paylocity Holding Corp (PCTY)	EW	EW	156.67	180.00	<b>174.00</b>	-3	6.23	6.23	-	7.26	7.26	-
Pegasystems, Inc. (PEGA)	UW	UW	51.98	45.00	<b>52.00</b>	16	1.66	1.66	-	2.55	2.55	-
ServiceNow, Inc. (NOW)	OW	OW	685.74	641.00	<b>765.00</b>	19	10.51	10.51	-	12.58	12.58	-
Sprout Social, Inc. (SPT)	OW	OW	56.90	59.00	<b>65.00</b>	10	0.13	0.13	-	0.19	0.19	-
Teradata Corp. (TDC)	UW	UW	47.25	44.00	<b>46.00</b>	5	2.01	2.01	-	2.46	2.46	-
WalkMe Ltd. (WKME)	EW	EW	9.82	9.00	<b>10.00</b>	11	0.01	0.01	-	0.27	0.27	-
Workday Inc. (WDAY)	OW	OW	270.72	274.00	<b>309.00</b>	13	5.75	5.75	-	6.55	6.55	-
ZoomInfo Technologies Inc. (ZI)	OW	OW	14.37	19.00	<b>18.00</b>	-5	1.00	1.00	-	1.03	1.03	-

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency. FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research. Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

## Valuations Shifting Higher but Still Below the Historical Average, Moving to CY25 as the New Base Year

The past few weeks have been strong for software stocks. Favorable earnings against low expectations are helping, but we also suspect an element of a year-end rally. The big debate now is if valuation levels will limit further upside or if this rally can continue, and hence we are looking at valuations today in more detail.

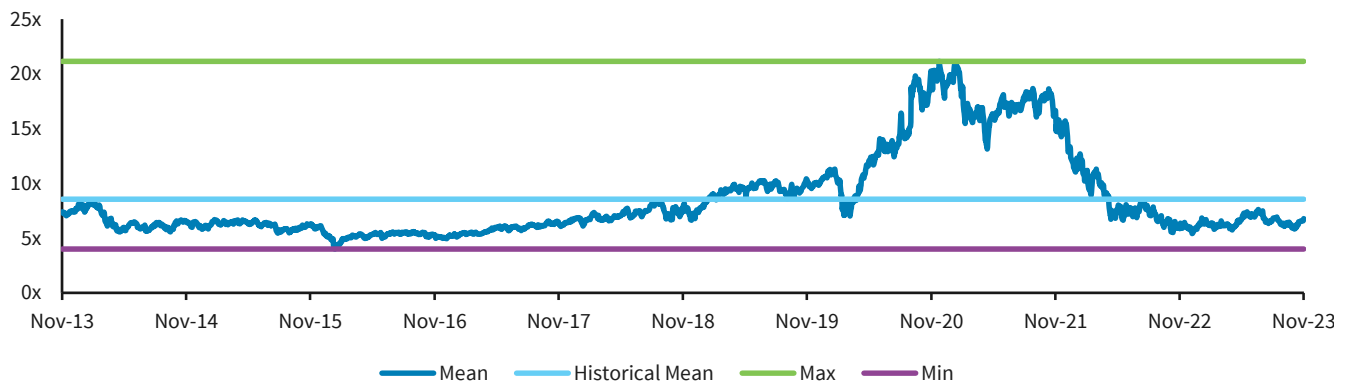
As we are only a few weeks away from 2024, we are also using this note to move the base valuation year for our coverage to CY25.

### *Still Reasonable Valuation Levels*

The past few weeks have seen strong performance in software again, with the IGV up ~16% compared to the S&P up only ~9% MTD. We do seem to be in some sort of year-end rally in our space, and the question now arises if valuation will be a factor that slows the rally down in the near term.

In the graph below, we can see that the current EV/CY24 sales valuation (6.8x) is up one turn from the start of November. However, in a historical context, valuation levels remain reasonable as we are still below the long-term average for the space. To us, this means that valuation concerns are unlikely to stop the current momentum in the short term.

**FIGURE 1. Software EV/Sales Multiples Over Time**



Source: Bloomberg, Barclays Research

### *Rolling Base Levels Forward Creates Further Upside Potential*

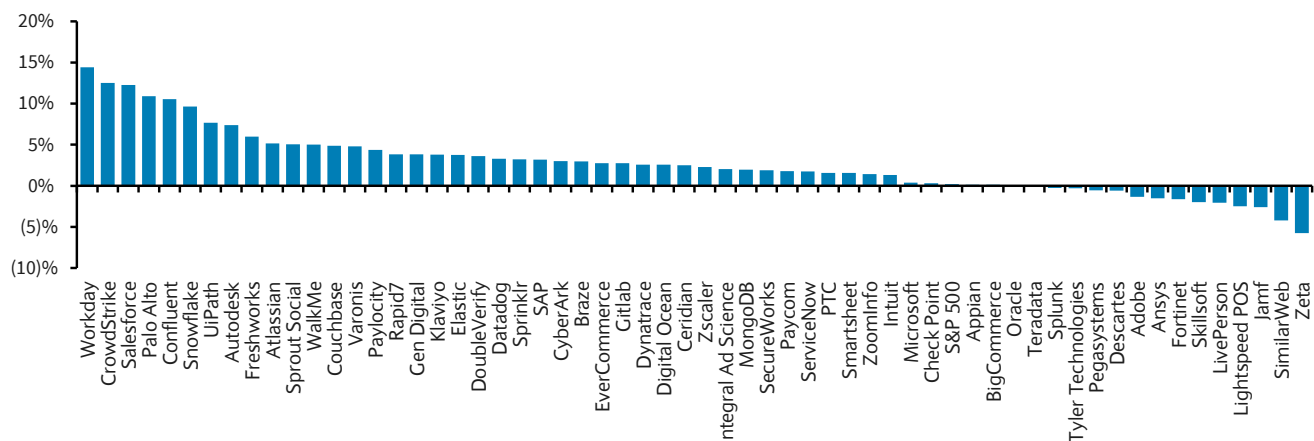
As we are at the end of the year investors will soon roll their base year for valuations forward by one year. Given the relatively high growth in software for revenue and cash flow, this obviously helps with multiples. In the table below we show the changes to our coverage universe. We can see that valuations are getting "artificially" cheaper. True, this is just from the roll-over effect, but nonetheless this provides potential upside.

FIGURE 2. Old vs. New Valuation Comparison

	Previous Price Target	Previous Valuation	Prior Valuation Methodology	CY24 Valuation Estimate	New Price Target	New Valuation Multiple	New Valuation Methodology	CY25 Valuation Estimate
Appian	\$35	4x	CY24E Sales	\$632mn	\$40	4x	CY25E Sales	\$732mn
BigCommerce	\$11	4x	CY24E Sales	\$337mn	\$11	3x	CY25E Sales	\$382mn
Ceridian	\$74	8x, 2x, 1x	Sum of the Parts*	\$1.55bn, \$102mn, \$95mn	\$75	7x, 1x, 1x	Sum of the Parts**	\$1.82bn, \$104mn, \$86mn
Confluent	\$26	9x	CY24E Sales	\$941mn	\$26	7x	CY25E Sales	\$1.22bn
Couchbase	\$20	5x	CY24E Sales	\$204mn	\$21	4x	CY25E Sales	\$249mn
Datadog	\$118	61x	CY24E FCF	\$696mn	\$138	57x	CY25E FCF	\$868mn
Descartes	\$65	22x	CY24E FCF	\$244mn	\$71	22x	CY25E FCF	\$272mn
DigitalOcean	\$30	26x	CY24E FCF	\$184mn	\$37	25x	CY25E FCF	\$224mn
DoubleVerify	\$36	28x	CY24E EBITDA	\$222mn	\$40	24x	CY25E EBITDA	\$287mn
Dynatrace	\$52	42x	CY24E FCF	\$315mn	\$52	35x	CY25E FCF	\$370mn
Elastic	\$100	6x	CY24E Sales	\$1.42bn	\$100	6x	CY25E Sales	\$1.74bn
Integral Ad Science	\$15	15x	CY24E EBITDA	\$181mn	\$17	13x	CY25E EBITDA	\$220mn
Intuit	\$660	32x	CY24E FCF	\$5.31bn	\$660	30x	CY25E FCF	\$6.57bn
Jamf	\$20	25x	CY24E FCF	\$116mn	\$20	19x	CY25E FCF	\$158mn
Klaviyo	\$37	12x	CY24E Sales	\$895mn	\$37	9x	CY25E Sales	\$1.14bn
Lightspeed POS	\$19	2x, 2.5x	Sum of the Parts***	\$354mn, \$659mn	\$20	2x, 2x	Sum of the Parts****	\$407mn, \$829mn
Microsoft	\$421	42x	CY24E FCF	\$73.1bn	\$421	36x	CY25E FCF	\$85.3bn
MongoDB	\$450	18x	CY24E Sales	\$1.96bn	\$470	15x	CY25E Sales	\$2.46bn
OpenText	\$40	13x	CY24E uFCF	\$1.41bn	\$44	12x	CY25E uFCF	\$1.65bn
Oracle	\$147	25x	CY24E EPS	\$5.86bn	\$147	22x	CY25E EPS	\$6.60bn
Paycom	\$200	37x	CY24E FCF	\$311mn	\$193	28x	CY25E FCF	\$402mn
Paylocity	\$180	34x	CY24E FCF	\$298mn	\$174	27x	CY25E FCF	\$359mn
Pegasystems	\$45	12x	CY24E FCF	\$334mn	\$52	12x	CY25E FCF	\$383mn
Salesforce	\$300	25x	CY24E FCF	\$10.3bn	\$300	23x	CY25E FCF	\$13.04bn
ServiceNow	\$641	40x	CY24E FCF	\$3.35bn	\$765	40x	CY25E FCF	\$4.05bn
Skillsoft	\$37	6.5x	CY24E Adj. EBITDA	\$117mn	\$37	5.5x	CY25E Adj. EBITDA	\$137mn
Snowflake	\$198	73x	CY24E FCF	\$960mn	\$198	55x	CY25E FCF	\$1,278mn
Sprinklr	\$18	6x	CY24E Sales	\$827mn	\$18	5x	CY25E Sales	\$970mn
Sprout Social	\$59	8x	CY24E Sales	\$431mn	\$65	7x	CY25E Sales	\$559mn
Teradata	\$44	16x	CY24E FCF	\$307mn	\$46	14x	CY25E FCF	\$374mn
UiPath	\$21		39x	\$295mn	\$21	32x	\$356mn	
WalkMe	\$9	18x	CY24E FCF	\$34mn	\$10	14x	CY25E FCF	\$52mn
Workday	\$274	36x	CY24E FCF	\$2.01bn	\$309	34x	CY25E FCF	\$2.42bn
ZoomInfo	\$19	18x	CY24E uFCF	\$484mn	\$18	15x	CY25E uFCF	\$568mn

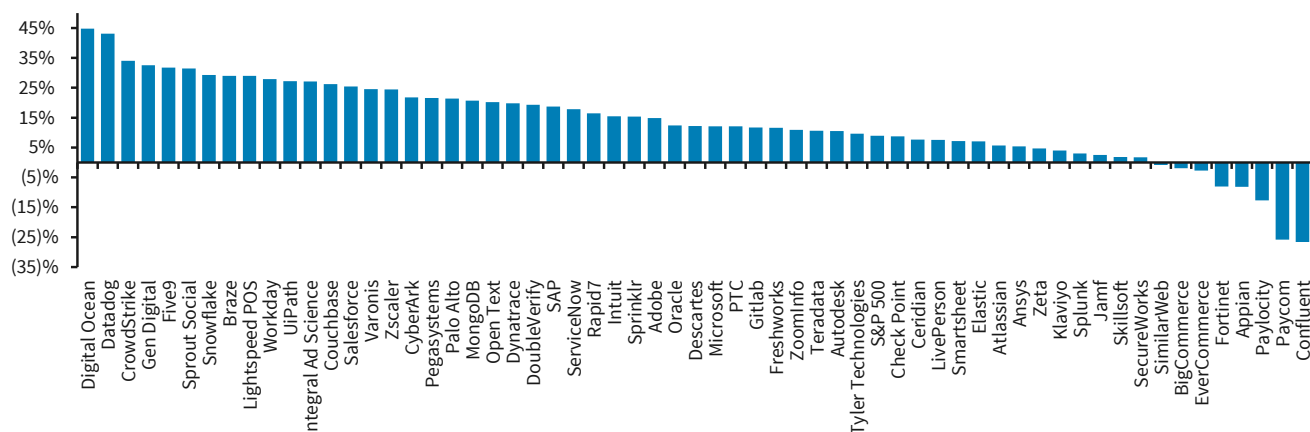
\*CY24E Dayforce Sales, CY24E Powerpay Sales, CY24E Other Sales, \*\*CY25E Dayforce Sales, CY25E Powerpay Sales, CY25E Other Sales, \*\*\*CY24E Subscription Sales, CY24E Transaction Sales, \*\*\*\*CY25E Subscription Sales, CY25E Transaction Sales, TDC FCF includes leases  
Source: Barclays Research

FIGURE 3. Price Performance Week to Date



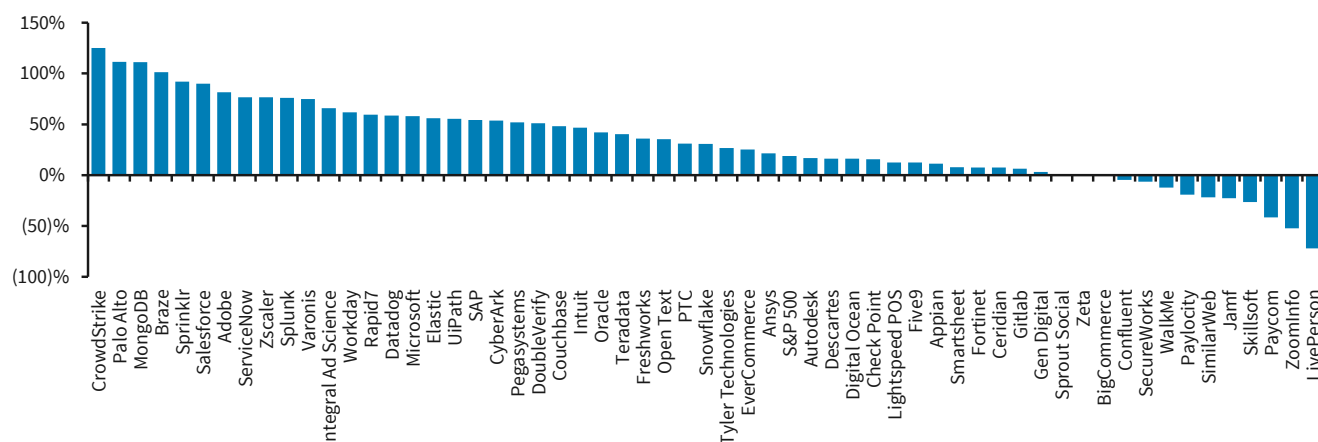
Source: Bloomberg. Prices as of 11/30/2023. Past performance is not necessarily indicative of future results.

FIGURE 4. Price Performance Month to Date



Source: Bloomberg. Prices as of 11/30/2023. Past performance is not necessarily indicative of future results.

FIGURE 5. Price Performance Year to Date



Source: Bloomberg. Prices as of 11/30/2023. Past performance is not necessarily indicative of future results.

## Valuation Methodology Changes

- **Appian:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$40 based on 4x (unchanged) EV/CY25E sales of \$732mn (was CY24E sales of \$632mn).
- **BigCommerce:** We update our valuation assumptions as we roll forward our methodology to CY25. We keep our PT at \$11 based on 3x (from 4x) EV/CY25E sales of \$382mn (was CY24E sales of \$337mn).
- **Ceridian:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$75 (from \$74) based on a sum-of-the-parts valuation methodology: 7x EV/CY25E Dayforce revenue of \$1,822mn, 1x EV/CY25E Powerpay revenue of \$104mn and 1x Other revenue of \$86mn (from 8x, 2x and 1x EV/CY24E revenue multiples for Dayforce, Powerpay and other, respectively).
- **Confluent:** We update our model to better reflect our expectations for FY23 GAAP net income and update our valuation assumptions as we roll forward our methodology to CY25. We maintain our PT of \$26 based on 7x (from 9x) EV/CY25E sales of \$1,221mn (was CY24E sales of \$941mn).

- **Couchbase:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$21 (was \$20) based on 4x (from 5x) EV/CY25E sales of \$249mn (was CY24E sales of \$204mn).
- **Datadog:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$138 (was \$118) based on 57x (from 61x) EV/CY25E FCF of \$869mn (was CY24E FCF of \$696mn).
- **Descartes:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$71 (from \$65) based on 22x (unchanged) EV/CY25E FCF of \$272mn (was CY24E FCF of \$244mn).
- **DigitalOcean:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$37 (from \$30) based on 25x (was 26x) EV/CY25E FCF of \$224mn (was CY24E FCF of \$184mn).
- **DoubleVerify:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$40 (was \$36) based on 24x EV/CY25E EBITDA (was 28x EV/CY24E EBITDA) and CY25E EBITDA of \$287mn (was CY24E EBITDA of \$222mn).
- **Dynatrace:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our price target of \$52 based on 25x (was 42x) EV/CY25E uFCF of \$158mn (was CY24E FCF of \$116mn).
- **Integral Ad Science:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$17 (was \$15) based on 13x EV/CY25E EBITDA (was 15x EV/CY24E EBITDA) and CY25E EBITDA of \$220mn (was CY24E EBITDA of \$181mn).
- **Jamf:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our price target of \$20 based on 19x (was 25x) EV/CY25E FCF of \$436mn (was CY24E FCF of \$365mn).
- **Klaviyo:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our price target of \$37, which is now based on 9x EV/CY25E Sales (was 12x EV/CY24E Sales) and CY25E Sales of \$1.14bn (was CY24E Sales of \$895mn).
- **Lightspeed:** We update our valuation assumptions as we roll forward our methodology to CY25. Our PT of \$20 (was \$19) is based on a sum-of-the-parts analysis of the software and transaction-based (payments) businesses. We value the software business at 2.0x CY25E sales (unchanged) of \$407mn (was CY24E sales of \$354mn) and the transaction-based business at 2.0x CY25E sales (was 2.5x) of \$829mn (was CY24E sales of \$659mn).
- **Microsoft:** We update our valuation assumptions as we roll forward our methodology to CY25, and update our model following Q1 earnings. We maintain our price target of \$421, based on 36x (from 42x) EV/CY25E FCF of \$85.8bn (was CY24E sales of \$71.8bn).
- **MongoDB:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$470 (from \$450) based on 15x (from 18x) EV/CY25E sales of \$2.46bn (was CY24E sales of \$1.96bn).
- **OpenText:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$44 (from \$40) based on 12x (from 13x) EV/CY25E uFCF of \$1.654bn (was CY24E uFCF of \$1.405bn).

- **Oracle:** We update our valuation assumptions as we roll forward our methodology to CY25. We keep our PT at \$147 based on 22x (was 25x) CY25E EPS of \$6.60 (was CY24E EPS of \$5.86).
- **Paycom:** We update our valuation assumptions as we roll forward our methodology to CY25. We lower our PT to \$193 (was \$200) based on 28x (was 37x) EV/CY25E FCF of \$402mn (was CY24E FCF of \$311mn).
- **Paylocity:** We update our valuation assumptions as we roll forward our methodology to CY25. We lower our PT to \$174 based on 27x (was 33x) EV/CY25E FCF of \$359mn (was CY24E FCF of \$298mn).
- **Pegasystems:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$52 (was \$45) based on 12x (unchanged) EV/CY25E FCF of \$383mn (was CY24E FCF of \$334mn).
- **ServiceNow:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$765 (was \$641) based on 40x (was 40x) EV/CY25E FCF of \$4,053mn (was CY24E FCF of \$3,348mn).
- **Skillsoft:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our PT of \$37 based on 5.5x (was 6.5x) EV/CY25E adj. EBITDA of \$137mn (was CY24E adj. EBITDA of \$117mn).
- **Snowflake:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our PT of \$198 based on 55x (was 73x) EV/CY25E FCF of \$1,278mn (was CY24E FCF of \$960mn).
- **Sprinklr:** We update our valuation assumptions as we roll forward our methodology to CY25. We maintain our price target of \$18, which is now based on 5x EV/CY25E Sales (was 6x EV/CY24E Sales) and CY25E Sales of \$970mn (was CY24E Sales of \$827mn).
- **Sprout Social:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$65 (was \$59), which is now based on 7x EV/CY25E Sales (was 8x EV/CY24E Sales) and CY25E Sales of \$559mn (was CY24E Sales of \$431mn).
- **Teradata:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$46 (was \$44) based on 14x (was 16x) EV/CY25E FCF incl. leases of \$374mn (was CY24E FCF incl. leases of \$307mn).
- **WalkMe:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our price target to \$10 (from \$9) based on 14x (was 18x) EV/CY25E FCF of \$52mn (was CY24E FCF of \$34mn).
- **Workday:** We update our valuation assumptions as we roll forward our methodology to CY25. We raise our PT to \$309 (from \$274) based on 34x (was 36x) EV/CY25E FCF of \$2,419mn (was CY24E FCF of \$2,011mn).
- **ZoomInfo:** We update our valuation assumptions as we roll forward our methodology to CY25. We lower our price target to \$18 (was \$19), which is now based on 15x EV/CY25E uFCF (was 18x EV/CY24E uFCF) and CY25E uFCF of \$568mn (was CY24E uFCF of \$484mn).



## What Happened?

### Salesforce: Still Soaring Over Low Bars

Once again, CRM delivered solid numbers against low expectations. End demand is not rebounding meaningfully yet, but the combination of better execution (sales productivity up 30%), a very large new deal, and strong MuleSoft performance enabled another quarter of solid cRPO growth (14%). The story seems to continue into Q4 with 11% cc guidance for y/y cRPO growth (12% when adjusting for professional services headwind). Margins continue to be better as well. This raises the question why investor sentiment continues to be so bearish. It is difficult to understand, especially given the still low valuation level (19x EV/CY25E FCF after hours on the day of the release) as well. We continue to see legs for the story, and maintain our Overweight rating, as pricing has not really impacted numbers yet, AI contribution is only really expected next year, and as some of the cost control measures from this year will only really help margins in the next FY.

### Snowflake: Stable Consumption Trends in View, Early Signs of New Product Traction

We expect a positive reaction for SNOW shares post Q3 results. The stronger sequential product revenue dollar growth in Q3 (~\$58mn vs. ~\$50mn in Q2 and ~\$35mn in Q1) clearly shows optimization headwinds are alleviating and that expansion trends are stabilizing. Partly helping here is SNOW's increasing mix of more classic G2K enterprise customers that tend to be more disciplined around consumption growth and hence, there are fewer large optimizations within this cohort. Management noted September consumption exceeded expectations and for three weeks, consumption grew faster than any other period in the past two years (measured week over week). We see these results and commentary increasing investor comfort around consumption into Q4 and FY25. Additionally, SNOW disclosed Snowpark consumption grew 47% q/q (500% y/y on a small base), and management sounded positive on the early traction around Snowpark Container Services and Dynamic Tables. This along with more products coming online in FY25 like Unistore and Iceberg Tables should help support consumption growth. We continue to like the long-term growth story and the strong FCF support with SNOW raising its FY24 FCF margin target to 27%. Hence, we maintain our Overweight rating and our PT of \$198.

### OpenText: Divestment of Application Modernization and Connectivity Business

*Barclays Bank PLC and/or its affiliate is serving as financial advisor to Rocket Software Inc, in relation to its announced definitive agreement to acquire OPENTEXT's (NASDAQ: OTEX) AMC business.*

OpenText entered into a definitive agreement to divest its Application Modernization and Connectivity (AMC) business to Rocket Software (Bain Portfolio Company) for \$2.275bn in cash. The anticipated closing of the deal is 4Q24 (fiscal quarter ending June 30, 2024). This purchase price equates to 4.6x the FY23 AMC revenue of ~\$500mn and 8.3x the FY23 AMC revenue of 8.3x. The net proceeds of the deal of \$2bn will be used to pay the remaining amounts of Term Loan B due 2025 and reduce the Acquisition Term Loan due 2030. The stated rationale for the deal includes increasing the mix of cloud revenue, reducing the net leverage, and allowing for more capital flexibility.

### Investment Science /U.S. Software: Understanding Klaviyo's Position in MarTech via Alternative Data (Job Posts)

We analyzed ~150mm job posts, over a decade, as a novel proxy to understand the evolution of market dynamics within Marketing Tech software. We arrive at key insights for Klaviyo and peers when viewed through a size, product, and customer-industry lens. Our analysis of the Marketing

Tech industry, split by customer size, still shows a dominance in job mentions by larger more enterprise-focused vendors (top 3 vendors mentioned in 93% of postings). However, lower-end players are steadily gaining steam, which we view as a combination of SMBs ramping up digital marketing efforts and the SMB-focused vendors specializing in certain channels. We expect this trend to continue as both dynamics play out in the broader market.

### **Intuit: Another Solid Quarter, Another Prudent Guide**

For Intuit, Q1 is typically not an overly eventful quarter as it is after the tax season (Q3) and Investor Day (September). Investors will have to juggle the strong in-quarter performance with the prudent Q2 guide and unchanged full year guidance (little surprise there as INTU never really changes FY guidance after Q1). The macro-sensitive lines, especially Credit Karma, held in and beat already bearish expectations, which we see as a positive. For Credit Karma, this does not mean pressures have gone away (Credit Karma was still -5% y/y despite beating expectations), and similarly management noted that SMBs are still seeing some headwinds, which explains the conservative guidance. However, Intuit is managing well in this environment by, for example, improving Mailchimp performance, or delivering new product innovation, like Intuit's AI Assist, which helps to balance some of the negative factors. Overall, we see this print as having done little to change the promising LT thesis one way or the other, and hence, reiterate our Overweight rating and our PT of \$660.

### **Workday: Q3 Addressing All The Right Points**

We feel the messaging from management around Q3 results addressed all the relevant issues. End demand seems to remain solid, evident by healthy cRPO and bookings growth; the Financials offering is seeing improving momentum; partners are increasingly helping to source new opportunities; and guidance for next year seems prudent on the top line but also offers higher margins. We believe the positive after hour share price reaction following the release (approximately +7% vs. IGV +0.4%) could partly be a reflection of the negative sentiment going into results. As we had noted in our preview (see [U.S. Software: The Q3 Off-Cycle Earnings Guide](#), 11/13/23), investors took the lower mid-term guidance from the September analyst day as a signal for lower end demand, while we argued that it was more of a function of the new team creating its own targets. The solid Q3 results seem to support our view. We continue to see WDAY as a high quality SaaS business and are raising our price target to \$309 (from \$274).

### **BigCommerce: Black Friday GMV Growth Slightly Below Industry Total**

BigCommerce disclosed that merchant GMV on Black Friday grew 6% y/y compared to 31% y/y growth during Black Friday in 2022. This GMV growth was driven by 5% y/y growth in total orders and 1% y/y growth in average order volume. While BIGC does not disclose total GMV, we suspect that this 6% y/y growth fell slightly short of expectations, given total Black Friday e-commerce sales were up 7.5% y/y according to Adobe Analytics, and 8.0% according to Salesforce. We also note that Shopify (covered by Trevor Young) reported Black Friday GMV growth of 22% y/y (compared to 17% y/y in 2022) for a total of \$4.1bn. Separately, BigCommerce reported that for all of October, GMV and Average Order Volume saw positive growth, which is somewhat reassuring given the headwinds that the company has called out on merchant volume over the past several quarters.

### **U.S. Software: Database Industry Review Volume 5**

**Theme of the Quarter - The Cloud Database Pricing Dynamic:** In our fifth quarterly database industry review, we look at the pricing strategies of different database vendors with cloud offerings. Universally, DBaaS vendors price on consumption of storage and compute, but the drivers of consumption and pricing strategy are very different for operational and analytical databases. We argue that operational databases should see relatively steadier demand with

consumption priced on cluster tier and tied to application activity, while analytical databases should have more volatile demand with consumption priced per query and related to how many queries a customer chooses to run.

### **Zscaler: Expectations Higher, But Demand Indicators Good; Prudent FY24 Billings; Forest or Trees?**

Three key reasons we continue to be positive on ZS after 1Q24: (1) billings were within our upside scenario, though investor expectations may have been higher based on the stock's outperformance – nonetheless, we see good indicators of demand, whether it's faster cRPO bookings growth, 120% NRR, or US Fed ACV growth; (2) unchanged FY billings guide was surprising, but it assumes close rates are down in 2Q given new sales leadership changes, and remember sales changes were disruptive in 1H23 – so we think this is the prudent thing to do; (3) forest versus trees – look at the trees, this stock should rightfully be down given high expectations and an unchanged buy-side outlook, though we prefer to look at the forest – with no change in secular demand for SASE, ZS continues to be the best positioned pure-play, in our opinion, and has the building blocks to shoot for \$5B in ARR.

### **CrowdStrike: Double Digit Net New ARR Growth Without Bionic; Path to \$5B+ ARR Paces our FY25; Platform Story Gaining Steam**

Three investable takeaways from CRWD's 3Q: (1) net new ARR would have grown double digits organically even without Bionic, showing this ramp that shifted from y/y declines in 1H to y/y growth in 2H is real - we discuss the drivers and the nitpicks around billings/NRR below; (2) looking forward, our unchanged 4Q24 net new ARR of ~\$250M assumes ~12% q/q growth which is inline with 4Q23 when budget flush was muted and is also the assumption for this 4Q - beyond this, we model net new ARR will grow at a mid-single-digit CAGR to get to CRWD's \$5B+ ARR target in FY26; (3) strategically, the Falcon engine is being applied to more enforcement points, whether that's endpoint, cloud, identity or SIEM which is why this platform story is gaining steam - tactically, our FCF estimates go up.

### **nCino: Enterprise Lumpy, Higher IMB Churn, Trimming FY25; Some New Tailwinds**

Three takeaways from NCNO's Q3: (1) 3Q headline numbers were fine, but there are some moving parts with more enterprise deals slipping, churn of IMBs, and a liquidity-impacted bank contract ending; (2) we are trimming FY25 numbers to reflect these churn events, but we are still within the Investor Day framework at 15%, and the biggest driver of delta will be Q4 bookings; (3) stepping back, there are some key longer term positives like an enterprise consumer banking deal and more platform + volume contracts which can lever NCNO more to volume growth which should recover as rates normalize.

### **Veeva: Bayer and GSK Committing to Vault CRM, Calling It "A Clear Next Step"**

Monday morning Veeva announced two top 20 pharma are committing to Vault CRM, three takeaways: (1) Bayer (BAYGn.DE, covered by Emily Field) is going to be one of the first top-20 pharma to move to Vault CRM, and is adding OpenData; (2) GSK (GSK.L, covered by Emily Field) is also moving and calls this "a clear next step" which we think is key wording; (3) the risk of the Salesforce move creating more competition and churn is one of the biggest bear cases here, so having key top-20 pharma committing to move early we think can help balance this bear case.

### **GitLab Inc.: Feedback from GTLB Rating Change**

Most investors are bullish on GTLB's long-term story, though it appears there could be a few more bears into the 3Q24 print.

Bulls are confident on 3Q given solid DevOps checks/read-throughs in prints thus far and positive commentary around federal vertical deals (~10% of GTLB's FY21 revenues). Bears are concerned about what 3Q24 billings could imply for FY25 revenue growth (we note current short interest at ~9% of float). Investors on the sidelines could be hesitant given GTLB's premium valuation (~9x CY24 EV/sales), and concerns that Street FY25 revenue estimates already incorporate pricing contributions and AI SKU benefits.

### **Braze Inc.: BRZE 3Q24 Preview / Cyber Week Comms. Recap**

We are positive on BRZE in the long term, but neutral into 3Q as we believe management could maintain their consistent message to keep FY25 expectations reasonable. While net retention could step lower in 3Q24 (two-year contract renewals), partners in our conversations called out multiple seven-figure BRZE wins in 3Q (including one deal >\$3 mil.) and displacements from legacy marketing players (such as ADBE and CRM) as BRZE continues to perform well with enterprise customers. Our BRZE customers' MAU analysis and Cyber Week results indicate improving trends for BRZE.

## Recent Research

Please click on the title to link to the full note.

- [Salesforce.com Inc.: Still Soaring Over Low Bars](#) (Published November 30, 2023)
- [Snowflake Computing: Stable Consumption Trends in View, Early Signs of New Product Traction](#) (Published November 30, 2023)
- [OpenText Corp.: Divestment of Application Modernization and Connectivity Business](#) (Published November 29, 2023)
- [Investment Science /U.S. Software: Understanding Klaviyo's Position in MarTech via Alternative Data \(Job Posts\)](#) (Published November 29, 2023)
- [Intuit Inc.: Another Solid Quarter, Another Prudent Guide](#) (Published November 29, 2023)
- [Workday Inc.: Q3 Addressing All The Right Points](#) (Published November 28, 2023)
- [VMware Inc.: Discontinuing Coverage](#) (Published November 28, 2023)
- [BigCommerce: Black Friday GMV Growth Slightly Below Industry Total](#) (Published November 27, 2023)
- [U.S. Software: Database Industry Review Volume 5](#) (Published November 27, 2023)
- [U.S. Software: The Q3 Off-Cycle Question Bank](#) (Published November 21, 2023)
- [Microsoft Corp.: Ignite Conference Announcements Highlight Pace of AI Innovation](#) (Published November 15, 2023)
- [WalkMe Ltd.: Macro Headwinds Continue to Have Meaningful Impact](#) (Published November 14, 2023)
- [U.S. Software: Takeaways from GitHub Universe 2023](#) (Published November 14, 2023)
- [U.S. Software: The Q3 Off-Cycle Earnings Guide](#) (Published November 13, 2023)
- [U.S. Software: Inaugural AI VAR Survey, Finally Some Answers](#) (Published November 10, 2023)
- [DoubleVerify Holdings, Inc.: Strength in Social Shines](#) (Published November 10, 2023)
- [Jamf Holding Corp.: Q3 Results Highlight Consistent Performance in a Difficult Selling Environment](#) (Published November 8, 2023)
- [BigCommerce: Still Too Many Moving Pieces To Get Excited](#) (Published November 8, 2023)
- [Klaviyo, Inc.: Solid Start Out of the Gate](#) (Published November 8, 2023)
- [Datadog, Inc.: Stabilizing Usage Trends Highlight Strong Q3 Results](#) (Published November 7, 2023)
- [Teradata Corp.: In-Line Q3 Sets Up Interesting Q4](#) (Published November 6, 2023)
- [Lightspeed Commerce Inc.: Payments Strategy Starting to Work More](#) (Published November 2nd, 2023)
- [Dynatrace, Inc.: High Predictability at DT Should Excite Investors](#) (Published November 2nd, 2023)

- [Confluent, Inc: Another Victim Of The Cycle](#) (Published November 2nd, 2023)

A full list of all Barclays Equity Research publications is available on [Barclays Live](#). Please refer to the reports linked above for SETTLEMENT DISCLOSURES, ANALYST CERTIFICATIONS AND OTHER IMPORTANT DISCLOSURES.

FIGURE 6. Valuation Table

Category	Company	Rating	Current price	Price target	Market Cap USD (\$,mn)	P/E		EV/Sales		EV/FCF	
						2024E	2025E	2024E	2025E	2024E	2025E
Large cap	Intuit	OW	571.46	660	169,725	32.6x	27.7x	10.2x	9.0x	32.5x	26.4x
	Microsoft	OW	378.91	421	2,829,321	31.2x	26.8x	10.6x	9.3x	38.6x	33.5x
	Oracle	OW	116.21	147	324,865	19.8x	17.6x	7.0x	6.4x	30.1x	24.9x
	SAP	OW	159.12	154	184,978	23.9x	20.2x	5.5x	5.0x	29.6x	24.4x
Enterprise SaaS	Appian	UW	36.24	40	2,739	nm	nm	4.2x	3.7x	nm	nm
	BigCommerce	EW	8.72	11	736	58.1x	33.4x	3.0x	2.6x	63.8x	24.1x
	Ceridian	EW	68.90	75	11,196	37.7x	30.8x	6.8x	5.9x	80.1x	55.1x
	Descartes	UW	81.04	71	7,054	40.1x	36.0x	10.9x	10.0x	28.0x	25.1x
	DoubleVerify	OW	33.20	40	5,926	34.3x	26.6x	8.1x	6.6x	44.3x	36.2x
	Integral Ad Science	EW	14.59	17	2,434	21.1x	17.2x	4.7x	4.0x	19.0x	14.9x
	Klaviyo	EW	29.63	37	9,083	57.6x	45.7x	9.4x	7.4x	nm	nm
	Lightspeed POS	OW	16.07	20	2,574	59.8x	34.3x	1.7x	1.4x	nm	31.7x
	Paycom	EW	181.66	193	10,960	22.4x	19.1x	5.6x	4.9x	33.7x	26.2x
	Paylocity	EW	156.67	174	9,040	23.2x	19.4x	5.9x	5.0x	30.4x	25.2x
	Pegasystems	UW	51.98	52	4,411	20.4x	17.0x	3.1x	2.8x	13.7x	12.0x
	Salesforce	OW	251.90	300	254,454	26.2x	22.3x	6.6x	5.8x	24.2x	19.3x
	ServiceNow	OW	685.74	765	146,131	54.5x	47.3x	13.3x	11.0x	42.9x	35.4x
	Skillsoft	OW	19.14	37.0	170	nm	nm	1.0x	1.0x	12.3x	8.8x
	Sprinklr	OW	15.68	18	4,757	43.9x	35.3x	5.0x	4.3x	41.4x	27.7x
	Sprout Social	OW	56.90	65	3,386	nm	nm	7.8x	6.0x	84.4x	58.6x
	UiPath	EW	19.76	21	12,396	41.5x	39.5x	7.0x	6.0x	36.1x	29.8x
	Workday	OW	270.72	309	75,575	41.7x	36.8x	8.6x	7.3x	35.6x	29.6x
	ZoomInfo	OW	14.37	18	6,107	14.0x	12.5x	5.5x	4.9x	16.6x	13.7x
Big Data	Confluent	OW	21.22	26	7,542	nm	71.1x	7.2x	5.5x	nm	nm
	Couchbase	OW	19.64	21	1,101	nm	nm	4.6x	3.8x	nm	nm
	Elastic	OW	80.36	100	8,698	58.8x	41.7x	5.7x	4.7x	45.9x	30.0x
	MongoDB	OW	415.74	470	33,211	nm	94.1x	16.5x	13.2x	nm	nm
	Snowflake	OW	187.68	198	71,102	nm	nm	19.0x	14.9x	69.4x	52.1x
	Splunk	OW	151.54	134	26,882	38.7x	30.0x	6.4x	5.6x	24.8x	19.8x
	Teradata	UW	47.25	46	5,023	19.2x	15.9x	2.8x	2.6x	13.5x	11.3x
Infrastructure	Datadog	OW	116.57	138	41,495	65.6x	51.4x	16.2x	12.7x	60.5x	48.5x
	DigitalOcean	OW	29.62	37	3,669	16.8x	13.5x	6.0x	5.1x	25.9x	21.2x
	Dynatrace	EW	53.55	52	16,452	44.1x	37.9x	9.7x	8.2x	44.5x	36.5x
	Jamf	OW	16.47	20	2,298	42.7x	30.8x	3.8x	3.2x	21.0x	15.4x
	OpenText	EW	40.14	44	11,144	8.4x	7.9x	3.2x	3.1x	13.5x	11.4x
	WalkMe	EW	9.82	10	948	36.8x	20.8x	2.6x	2.4x	22.2x	14.6x

For full disclosures on each covered company, including details of our company-specific valuation methodology and risks, please refer to <http://publicresearch.barcap.com>.  
Source: Bloomberg, Barclays Research. Prices as of November 30th, 2023. OW = Overweight, EW = Equal Weight, UW = Underweight. Industry View: Positive

## Company Snapshots

## U.S. Software

POSITIVE

## Appian Corporation (APPN)

UNDERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	468	542	632	732	16.1%
EBITDA (adj)	-76	-60	-3	28	N/A
Operating profit (adj)	-83	-74	-37	-6	N/A
Pre-tax income (adj)	-89	-79	-29	2	N/A
Net income (adj)	-89	-80	-30	0	N/A
EPS (adj) (\$)	-1.23	-1.09	-0.41	0.00	N/A
Diluted shares (mn)	72.5	73.1	73.5	73.8	0.6%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	-16.2	-11.1	-0.5	3.9	-6.0
Operating margin (adj) (%)	-17.8	-13.6	-5.8	-0.8	-9.5
Pre-tax (adj) margin (%)	-18.9	-14.5	-4.5	0.3	-9.4
Net (adj) margin (%)	-19.1	-14.7	-4.8	0.0	-9.6
ROIC (%)	-100.3	-260.0	-2,610.6	76.2	-723.7
ROA (%)	-25.4	-19.3	-10.4	-6.7	-15.5
ROE (%)	-103.6	-270.5	-2,279.7	616.3	-509.4
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	42	44	48	54	8.7%
Goodwill	0	0	0	0	N/A
Cash and equivalents	148	128	152	137	-2.6%
Total assets	594	671	795	924	15.8%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	449	623	792	934	27.7%
Net debt/(funds)	-82	-42	0	20	N/A
Shareholders' equity	146	48	4	-10	N/A
Change in working capital	-2	-37	7	-1	N/A
Cash flow from operations	-107	-116	-28	-4	N/A
Capital expenditure	-9	-12	-13	-16	N/A
Free cash flow	-116	-128	-41	-20	N/A
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	5.7	4.9	4.2	3.7	4.6
EV/EBITDA (adj) (x)	-35.3	-44.3	-794.7	94.8	-194.9
Equity FCF yield (%)	-4.4	-4.8	-1.6	-0.7	-2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.1	0.7	0.1	0.7	0.6
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	200	264	360	489	34.7%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 36.24**  
Price Target **USD 40.00**

**Why UNDERWEIGHT?**

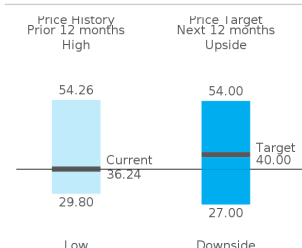
Appian plays in a greenfield market opportunity with its end-to-end process automation platform that leverages its differentiated data fabric technology. However, the current valuation levels are driven by technical factors, and are unjustified given the company's current growth prospects and profitability trajectory.

**Upside case USD 54.00**

Upside scenario is based on a 10% premium to our CY25 revenue estimate and a ~5.0x EV/sales multiple.

**Downside case USD 27.00**

Downside scenario is based on a 10% discount to our CY25 revenue estimate and a ~3.0x EV/sales multiple.

**Upside/Downside scenarios**

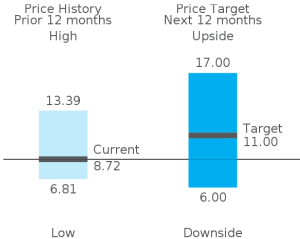


## U.S. Software

POSITIVE

## BigCommerce (BIGC)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR	Price (30-Nov-2023)	USD 8.72
Revenue	279	305	337	382	11.0%	Price Target	USD 11.00
EBITDA (adj)	-36	4	30	43	N/A	<b>Why EQUAL WEIGHT?</b> Ecommerce is still a nascent market with low penetration rates. BigCommerce is well positioned to take advantage within Enterprise customers and is only starting to branch outside the US.	
Operating profit (adj)	-47	-9	17	27	N/A		
Pre-tax income (adj)	-46	-4	14	25	N/A		
Net income (adj)	-46	-4	14	25	N/A		
EPS (adj) (\$)	-0.63	-0.06	0.15	0.26	N/A		
Diluted shares (mn)	89	91	93	95	2.0%		
DPS (\$)	0.00	0.00	0.00	0.00	N/A		
Margin and return data	2022A	2023E	2024E	2025E	Average	Upside case	USD 17.00
EBITDA (adj) margin (%)	-12.7	1.2	8.9	11.2	2.1	<b>Upside case</b> Our upside case is based on 10% premium to CY25 revenue with a 4x multiple.	
Operating margin (adj) (%)	-50.0	-23.4	-9.8	-5.1	-22.1		
Pre-tax (adj) margin (%)	-16.4	-1.2	4.1	6.5	-1.8		
Net (adj) margin (%)	-16.6	-1.4	4.1	6.5	-1.9		
ROIC (%)	-32.7	-17.4	-8.0	-4.6	-15.7		
ROA (%)	-10.0	-2.1	3.7	5.7	-0.7		
ROE (%)	-207.8	-85.0	90.3	87.4	-28.8		
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR	Downside case	USD 6.00
Net PP&E	9	8	-1	-12	N/A	<b>Downside case</b> Our downside case is based on 15% discount to CY25 revenue with a 2.5x multiple.	
Goodwill	0	0	0	0	N/A		
Cash and equivalents	92	73	88	129	12.2%		
Total assets	474	437	450	482	0.6%		
Short and long-term debt	337	339	339	338	0.1%		
Other long-term liabilities	10	9	9	9	-5.1%		
Total liabilities	428	416	413	420	-0.7%		
Net debt/(funds)	246	266	250	209	-5.3%		
Shareholders' equity	46	22	37	63	11.1%	<b>Upside/Downside scenarios</b> 	
Change in working capital	-21	-22	-9	5	N/A		
Cash flow from operations	-89	-33	20	46	N/A		
Capital expenditure	-5	-4	-4	-4	N/A		
Free cash flow	-95	-37	16	42	N/A		
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average		
P/E (adj) (x)	N/A	N/A	58.1	33.4	45.8		
EV/sales (x)	3.5	3.3	2.9	2.5	3.1		
EV/EBITDA (adj) (x)	-27.6	279.7	32.9	22.2	76.8		
Equity FCF yield (%)	-12.2	-4.7	2.0	5.1	-2.5		
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0		
Net debt/EBITDA (adj) (x)	-6.9	74.3	8.3	4.9	20.2		
Total debt/capital (%)	N/A	N/A	N/A	N/A	N/A		
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR		
Deferred revenue	20	31	29	34	20.4%		

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

## U.S. Software

POSITIVE

## Ceridian HCM Holding Inc. (CDAY)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,246	1,513	1,746	2,012	17.3%
EBITDA (adj)	250	409	502	593	33.3%
Operating profit (adj)	196	340	431	517	38.1%
Pre-tax income (adj)	164	304	394	480	43.1%
Net income (adj)	121	211	291	358	43.7%
EPS (adj) (\$)	0.77	1.33	1.83	2.23	42.4%
Diluted shares (mn)	155.7	158.2	159.3	160.1	0.9%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	20.1	27.1	28.8	29.5	26.4
Operating margin (adj) (%)	15.7	22.5	24.7	25.7	22.1
Pre-tax (adj) margin (%)	13.1	20.1	22.6	23.9	19.9
Net (adj) margin (%)	9.7	13.9	16.7	17.8	14.5
ROIC (%)	-1.2	0.1	1.2	2.7	0.7
ROA (%)	-1.0	0.0	0.4	1.0	0.1
ROE (%)	-3.4	0.1	1.4	3.5	0.4
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	175	223	283	374	28.9%
Goodwill	2,280	2,271	2,271	2,271	-0.1%
Cash and equivalents	432	441	589	805	23.1%
Total assets	7,917	8,888	9,154	9,525	6.4%
Short and long-term debt	1,221	1,220	1,224	1,228	0.2%
Other long-term liabilities	20	21	21	21	3.1%
Total liabilities	5,808	6,591	6,646	6,697	4.9%
Net debt/(funds)	789	779	635	423	-18.8%
Shareholders' equity	2,109	2,297	2,508	2,828	10.3%
Change in working capital	-42	-109	-90	-77	N/A
Cash flow from operations	133	209	284	367	40.4%
Capital expenditure	-20	-22	-26	-30	N/A
Free cash flow	38	89	149	216	78.3%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	89.0	51.8	37.7	30.8	52.3
EV/sales (x)	9.6	7.9	6.8	5.9	7.5
EV/EBITDA (adj) (x)	47.5	29.1	23.7	20.1	30.1
Equity FCF yield (%)	0.4	0.8	1.4	2.0	1.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	3.2	1.9	1.3	0.7	1.8
Total debt/capital (%)	36.7	34.7	32.8	30.3	33.6

Price (30-Nov-2023) **USD 68.90**  
Price Target **USD 75.00**

**Why EQUAL WEIGHT?**

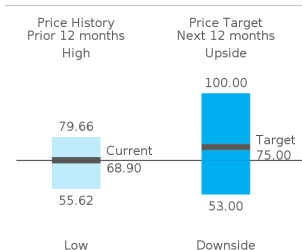
Ceridian offers a differentiated cloud HCM suite of offerings, including product optionality with its Dayforce Wallet offering. We see customer migration opportunities as it winds down its Bureau business and also room for growth investments following the IPO deleveraging. However, at current levels, we see Ceridian performing in-line with software peers.

**Upside case USD 100.00**

Our upside case is based on better-than-expected growth and execution in the Dayforce and PowerPay businesses, resulting in a higher blended EV/CY24 sales multiple of ~8.5x as part of our SOTP valuation.

**Downside case USD 53.00**

Our downside case is based on slower-than-expected growth and execution in the Dayforce business and a steeper-than-expected decline in the Bureau business, resulting in a lower blended EV/CY24 sales multiple of ~4.6x as part of our SOTP valuation.

**Upside/Downside scenarios**

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

## U.S. Software

POSITIVE

## Confluent, Inc (CFLT)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	586	768	941	1,221	27.7%
EBITDA (adj)	-169	-54	21	85	N/A
Operating profit (adj)	-177	-68	4	63	N/A
Pre-tax income (adj)	-157	4	78	123	N/A
Net income (adj)	-161	-2	60	98	N/A
EPS (adj) (\$)	-0.58	-0.01	0.17	0.30	N/A
Diluted shares (mn)	0	333	361	372	N/A
DPS (\$)	0.00	0.00	0.00	0.00	N/A

Price (30-Nov-2023) **USD 21.22**  
Price Target **USD 26.00**

## Why OVERWEIGHT?

We like Confluent's market positioning and the strong Cloud revenue CAGR (FY20-FY23E), and see current valuation levels allowing room for outperformance vs. software peers.

Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	-28.9	-7.1	2.2	6.9	-6.7
Operating margin (adj) (%)	-30.2	-8.9	0.4	5.1	-8.4
Pre-tax (adj) margin (%)	-26.7	0.6	8.3	10.0	-2.0
Net (adj) margin (%)	-27.5	-0.3	6.4	8.0	-3.3
ROIC (%)	-8.7	-0.1	3.1	4.8	-0.2
ROA (%)	-6.9	-0.1	2.4	3.8	-0.2
ROE (%)	-21.0	-0.2	7.1	10.5	-0.9

Upside case **USD 39.00**

Upside case is based on a 20% premium to CY25 sales and a 9x sales multiple.

Downside case **USD 16.00**

Downside case is based on a 20% discount to CY25 sales and a 5x sales multiple.

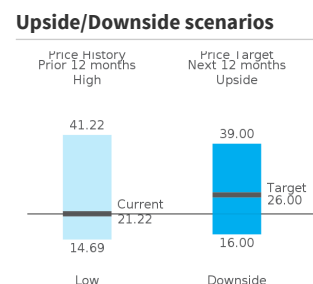
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	29	48	54	60	27.5%
Goodwill	0	0	0	0	N/A
Cash and equivalents	1,927	1,874	1,882	1,943	0.3%
Total assets	2,345	2,421	2,523	2,602	3.5%
Short and long-term debt	1,085	1,087	1,087	1,087	0.1%
Other long-term liabilities	9	7	7	7	-6.4%
Total liabilities	1,575	1,618	1,671	1,665	1.9%
Net debt/(funds)	-842	-786	-795	-856	N/A
Shareholders' equity	769	813	851	937	6.8%
Change in working capital	-32	-87	-13	11	N/A
Cash flow from operations	-157	-111	31	89	N/A
Capital expenditure	-14	-19	-23	-28	N/A
Free cash flow	-172	-130	8	61	N/A

Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	N/A	N/A	71.2	71.2
EV/sales (x)	12.9	9.8	8.0	6.2	9.2
EV/EBITDA (adj) (x)	-44.5	-138.7	361.1	89.2	66.8
Equity FCF yield (%)	N/A	-1.8	0.1	0.8	-0.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	5.0	14.5	-38.1	-10.1	-7.2
Total debt/capital (%)	58.5	57.2	56.1	53.7	56.4

Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Services revenue	51	50	55	65	8.5%
Deferred revenue	322.8	365.1	404.5	405.1	7.9%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research



## U.S. Software

POSITIVE

## Couchbase (BASE)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	155	174	207	253	17.7%
EBITDA (adj)	-38	-37	-30	-20	N/A
Operating profit (adj)	-41	-40	-34	-25	N/A
Pre-tax income (adj)	-39	-38	-35	-26	N/A
Net income (adj)	-41	-40	-36	-27	N/A
EPS (adj) (\$)	-0.90	-0.83	-0.70	-0.49	N/A
Diluted shares (mn)	45	48	52	55	6.9%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	-24.6	-21.3	-14.6	-8.1	-17.2
Operating margin (adj) (%)	-26.7	-23.1	-16.3	-9.7	-18.9
Pre-tax (adj) margin (%)	-25.5	-21.8	-16.8	-10.1	-18.6
Net (adj) margin (%)	-26.2	-22.8	-17.6	-10.6	-19.3
ROIC (%)	-26.2	-32.6	-42.9	-46.9	-37.1
ROA (%)	-15.6	-16.2	-14.4	-10.1	-14.0
ROE (%)	-26.2	-32.6	-42.9	-46.9	-37.1
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	7	9	11	14	23.4%
Cash and equivalents	168	146	133	133	-7.4%
Total assets	253	235	241	254	0.1%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	5	3	3	3	-10.4%
Total liabilities	103	118	160	199	24.7%
Net debt/(funds)	-168	-146	-133	-133	N/A
Shareholders' equity	150	117	81	54	-28.7%
Change in working capital	-22	-9	3	5	N/A
Cash flow from operations	-41	-27	-10	6	N/A
Capital expenditure	-6	-5	-5	-7	N/A
Free cash flow	-47	-31	-15	-1	N/A
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	6.0	5.5	4.7	3.8	5.0
EV/EBITDA (adj) (x)	-24.4	-25.7	-31.9	-47.5	-32.4
Equity FCF yield (%)	-1.8	-1.8	-1.8	-1.8	-1.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	4.4	3.9	4.4	6.6	4.8
Total debt/capital (%)	-112.0	-124.8	-163.9	-245.4	-161.5
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Services revenue	12	9	9	9	-8.0%
Deferred revenue	75	91	123	164	29.9%

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 19.64**  
 Price Target **USD 21.00**

## Why OVERWEIGHT?

Couchbase is a leading NoSQL database provider, but penetration of the overall market remains low. We expect Couchbase to outgrow the market, which has secular tailwinds. Increased adoption of its cloud product can drive future upside.

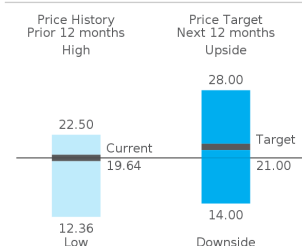
Upside case **USD 28.00**

Our upside case is based on a 15% higher CY25E sales and multiple of 5.0x.

Downside case **USD 14.00**

Our downside case is based on a 20% lower CY25E sales and multiple of 3x.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Datadog, Inc. (DDOG)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,675	2,104	2,593	3,306	25.4%
EBITDA (adj)	353	493	621	827	32.8%
Operating profit (adj)	326	454	558	752	32.1%
Pre-tax income (adj)	350	549	658	852	34.5%
Net income (adj)	338	535	635	822	34.5%
EPS (adj) (\$)	0.98	1.53	1.78	2.27	32.3%
Diluted shares (mn)	345.2	350.0	357.3	362.1	1.6%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	21.1	23.4	23.9	25.0	23.4
Operating margin (adj) (%)	19.5	21.6	21.5	22.7	21.3
Pre-tax (adj) margin (%)	20.9	26.1	25.4	25.8	24.5
Net (adj) margin (%)	20.2	25.4	24.5	24.9	23.7
ROIC (%)	-2.7	0.0	8.1	9.4	3.7
ROA (%)	-1.7	2.1	7.5	8.0	4.0
ROE (%)	-3.6	4.1	13.5	13.4	6.9
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	125	173	209	250	25.8%
Goodwill	348	349	349	349	0.0%
Cash and equivalents	339	402	1,099	1,967	79.7%
Total assets	3,005	3,789	4,650	5,761	24.2%
Short and long-term debt	838	884	868	852	0.6%
Other long-term liabilities	6	8	8	8	7.1%
Total liabilities	1,594	1,829	2,056	2,345	13.7%
Net debt/(funds)	499	482	-231	-1,115	N/A
Shareholders' equity	1,411	1,960	2,595	3,416	34.3%
Change in working capital	6	29	99	90	141.2%
Cash flow from operations	418	610	795	985	33.0%
Capital expenditure	-65	-73	-99	-117	N/A
Free cash flow	354	537	696	869	34.9%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	76.3	65.6	51.4	64.4
EV/sales (x)	25.1	20.0	16.2	12.7	18.5
EV/EBITDA (adj) (x)	119.2	85.4	67.8	50.9	80.8
Equity FCF yield (%)	0.9	1.3	1.7	2.1	1.5
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.8	1.3	1.0	0.8	1.2
Total debt/capital (%)	37.3	31.1	25.1	20.0	28.3
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	556	723	925	1,156	27.7%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 116.57**  
 Price Target **USD 138.00**

**Why OVERWEIGHT?**

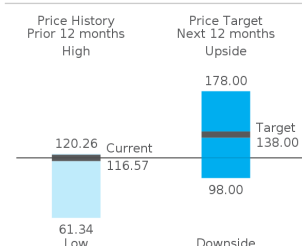
We see Datadog as a platform leader in observability, benefiting from secular tailwinds of cloud migration and digital transformation. The company's depth and breadth of its observability platform, along with best-in-class customer economics should continue to drive strong LT growth.

**Upside case** **USD 178.00**

Our upside case is based on 15% premium to CY25 FCF and a ~64.0x multiple.

**Downside case** **USD 98.00**

Our downside case is based on 15% discount to CY25 FCF and a ~48.0x multiple.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Descartes Systems Group (DSGX)

UNDERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	486	571	629	689	12.3%
EBITDA (adj)	215	247	277	310	13.0%
EBIT	130	160	189	210	17.3%
Pre-tax income (adj)	212	246	268	299	12.2%
Tax rate (%)	24	26	27	27	4.6%
Net income	102	123	138	153	14.3%
EPS (reported) (\$)	1.18	1.42	1.59	1.76	14.2%
Diluted shares (mn)	86.5	86.8	86.8	86.8	0.1%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	44.3	43.2	44.1	45.0	44.2
EBIT margin (%)	26.8	28.0	30.1	30.5	28.9
Pre-tax (adj) margin (%)	43.5	43.0	42.5	43.3	43.1
Net margin (%)	21.0	21.5	21.9	22.2	21.7
Operating CF margin (%)	39.6	38.8	40.2	40.8	39.9
ROIC (%)	15.8	16.3	19.1	22.8	18.5
ROA (%)	10.4	10.6	10.5	10.5	10.5
ROE (%)	12.7	13.2	12.8	12.7	12.9
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	11	13	10	6	-18.6%
Goodwill	676	765	765	765	4.2%
Cash and equivalents	276	298	494	719	37.5%
Total assets	1,316	1,488	1,677	1,881	12.7%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	42	34	34	34	-6.7%
Total liabilities	217	262	297	335	15.7%
Net debt/(funds)	-276	-298	-494	-719	N/A
Shareholders' equity	1,099	1,226	1,380	1,546	12.0%
Change in working capital	8	18	28	31	58.5%
Cash flow from operations	192	222	253	281	13.5%
Capital expenditure	-6	-6	-6	-7	N/A
Free cash flow	186	216	247	274	13.8%
NOPAT	137	158	177	198	12.9%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (reported) (x)	68.5	57.2	50.9	46.1	55.7
EV/sales (x)	14.5	12.3	11.2	10.2	12.1
EV/EBITDA (adj) (x)	32.8	28.6	25.4	22.7	27.4
Equity FCF yield (%)	2.7	3.1	3.5	3.9	3.3
P/BV (x)	6.4	5.7	5.1	4.5	5.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-1.3	-1.2	-1.8	-2.3	-1.6
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Service revenue	478	566	624	684	12.7%
License revenue	8	5	5	5	-14.2%
Service gross profit	373	442	489	541	13.2%
License gross profit	7	4	4	4	-18.0%

Price (30-Nov-2023) **USD 81.04**  
Price Target **USD 71.00**

**Why UNDERWEIGHT?**

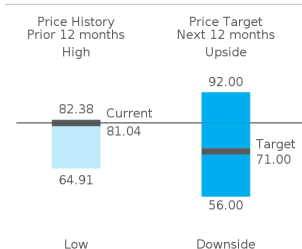
Descartes has opportunities for organic growth, but given ongoing macro headwinds affecting trade volumes and the company's direct exposure to this dynamic, we think growth will be hindered in the short term. With that, we think valuation looks expensive and is unjustified given the company's growth prospects.

**Upside case** **USD 92.00**

Accretive acquisitions accelerate growth beyond 15% while increasing regulatory requirements drive stronger than expected demand for outsourced compliance solutions. Valuation gap relative to peers is eliminated.

**Downside case** **USD 56.00**

Lack of accretive acquisition opportunities leads to slower deployment of capital, concerns regarding sustainability of 10-15% EBITDA per share growth target, and wider valuation discount.

**Upside/Downside scenarios**

Note: FY End Jan  
Source: Company data, Bloomberg, Barclays Research

U.S. Software					POSITIVE
Descartes Systems Group (DSGX)					UNDERWEIGHT
EBITDA per share (\$)	2.49	2.85	3.20	3.57	12.8%
Note: FY End Jan					
Source: Company data, Bloomberg, Barclays Research					

## U.S. Software

POSITIVE

## DigitalOcean (DOCN)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	576	690	797	927	17.1%
EBITDA (adj)	204	272	326	383	23.3%
Operating profit (adj)	102	164	191	235	32.0%
Pre-tax income (adj)	104	186	221	267	36.8%
Net income (adj)	104	154	173	209	26.2%
EPS (adj) (\$)	0.88	1.47	1.76	2.19	35.3%
Diluted shares (mn)	118	105	99	96	-6.8%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	35.4	39.4	41.0	41.3	39.3
Operating margin (adj) (%)	17.7	23.8	24.0	25.3	22.7
Pre-tax (adj) margin (%)	18.1	26.9	27.7	28.8	25.4
Net (adj) margin (%)	18.1	22.3	21.8	22.6	21.2
ROIC (%)	6.8	14.3	15.0	16.5	13.2
ROA (%)	5.7	11.1	11.8	13.1	10.4
ROE (%)	204.0	-38.7	-54.4	-102.4	2.1
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	273	283	276	266	-0.9%
Goodwill	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	141	30	134	278	25.5%
Total assets	1,816	1,388	1,471	1,599	-4.1%
Short and long-term debt	1,470	1,476	1,476	1,476	0.1%
Other long-term liabilities	130	124	124	124	-1.7%
Total liabilities	1,765	1,787	1,790	1,804	0.7%
Net debt/(funds)	606	1,141	1,037	893	13.8%
Shareholders' equity	51	-399	-319	-204	N/A
Change in working capital	-14	-35	16	20	N/A
Cash flow from operations	195	207	311	363	23.0%
Capital expenditure	-115	-100	-127	-139	N/A
Free cash flow	75	150	184	224	44.1%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	33.5	20.1	16.8	13.5	21.0
EV/sales (x)	7.4	7.0	5.9	4.9	6.3
EV/EBITDA (adj) (x)	20.9	17.7	14.4	11.9	16.2
Equity FCF yield (%)	-1.5	-0.4	1.4	2.0	0.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	3.0	4.2	3.2	2.3	3.2
Total debt/capital (%)	96.6	137.0	127.6	116.1	119.3

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 29.62**  
Price Target **USD 37.00**

**Why OVERWEIGHT?**

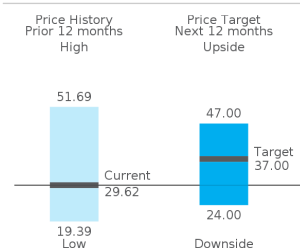
DigitalOcean should benefit from long-term cloud migration and digital transformation secular tailwinds, increased focused on customer retention and expansion as the company rolls out and grows its direct sales and partner initiatives, and product rollouts that expand the breadth and depth of its IaaS and PaaS portfolio.

**Upside case USD 47.00**

Our upside case is based on a 10% FCF premium on CY25E FCF and a ~28.0x EV/FCF multiple.

**Downside case USD 24.00**

Our downside case is based on a 10% FCF discount on CY25E FCF and a ~20.0x EV/FCF multiple.

**Upside/Downside scenarios**



## U.S. Software

POSITIVE

## DoubleVerify Holdings, Inc. (DV)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	452	572	707	869	24.3%
EBITDA (adj)	142	181	222	287	26.5%
Operating profit (adj)	142	181	222	287	26.5%
Pre-tax income (adj)	141	175	223	288	26.8%
Net income (adj)	129	144	170	219	19.4%
EPS (adj) (\$)	0.75	0.83	0.97	1.25	18.2%
Diluted shares (mn)	171	173	175	176	1.0%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	31.3	31.7	31.4	33.0	31.9
Operating margin (adj) (%)	0.0	0.0	0.0	0.0	0.0
Pre-tax (adj) margin (%)	31.2	30.7	31.6	33.1	31.6
Net (adj) margin (%)	28.5	25.2	24.0	25.2	25.7
ROIC (%)	0.5	0.4	0.5	0.6	0.5
ROA (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	29.5	28.1	27.3	29.6	28.6
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	47	56	67	73	15.7%
Goodwill	343	431	431	431	7.9%
Cash and equivalents	268	293	423	582	29.5%
Total assets	1,037	1,252	1,441	1,701	17.9%
Short and long-term debt	9	9	9	9	0.7%
Other long-term liabilities	4	7	7	7	17.8%
Total liabilities	160	194	201	224	11.9%
Net debt/(funds)	-185	-198	-306	-441	N/A
Shareholders' equity	877	1,058	1,241	1,477	19.0%
Change in working capital	-21	-53	-60	-89	N/A
Cash flow from operations	95	108	153	185	25.0%
Capital expenditure	-40	-18	-24	-27	N/A
Free cash flow	55	89	130	159	42.5%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	44.0	40.0	34.3	26.6	36.2
EV/sales (x)	13.1	10.4	8.4	6.8	9.7
EV/EBITDA (adj) (x)	41.9	32.7	26.7	20.7	30.5
Equity FCF yield (%)	1.0	1.6	2.2	2.7	1.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-1.3	-1.1	-1.4	-1.5	-1.3
Total debt/capital (%)	1.0	0.9	0.7	0.6	0.8

Price (30-Nov-2023) **USD 33.20**  
Price Target **USD 40.00**

**Why OVERWEIGHT?**

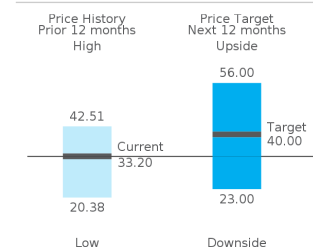
DoubleVerify is seated amidst many secular tailwinds and has a favorable competitive landscape, with only two other large vendors capable of going after the large and growing ad verification market. We see room for a multi-year growth story to take hold in the market and view DoubleVerify as best-positioned to benefit from the market growth.

**Upside case USD 56.00**

If DoubleVerify can continue to assert its leadership status in the market by acquiring new customers, deepening integrations, and developing new products in growth media, it can see upside to estimates and to the multiple.

**Downside case USD 23.00**

If competition stiffens amongst DoubleVerify and the other two large vendors, more significant investment into R&D and S&M may be required, which could drive down numbers, and hence, the multiple as well.

**Upside/Downside scenarios**

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

## U.S. Software

POSITIVE

## Dynatrace, Inc. (DT)

EQUAL WEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	1,159	1,417	1,686	2,008	20.1%
EBITDA (adj)	305	400	470	560	22.5%
Operating profit (adj)	292	385	453	539	22.7%
Pre-tax income (adj)	296	403	453	539	22.2%
Net income (adj)	282	333	383	455	17.3%
EPS (adj) (\$)	0.97	1.11	1.25	1.47	14.9%
Diluted shares (mn)	291.7	299.3	306.5	310.5	2.1%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	26.3	28.2	27.9	27.9	27.6
Operating margin (adj) (%)	25.2	27.1	26.9	26.8	26.5
Pre-tax (adj) margin (%)	25.5	28.5	26.9	26.8	26.9
Net (adj) margin (%)	24.4	23.5	22.7	22.7	23.3
ROIC (%)	5.5	5.8	6.8	7.1	6.3
ROA (%)	3.9	3.2	2.7	3.0	3.2
ROE (%)	6.7	5.4	4.5	4.9	5.4
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	54	50	62	76	12.3%
Goodwill	1,282	1,310	1,310	1,310	0.7%
Cash and equivalents	555	859	1,229	1,681	44.7%
Total assets	2,765	3,269	3,823	4,474	17.4%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	1,160	1,327	1,525	1,741	14.5%
Net debt/(funds)	-555	-859	-1,229	-1,681	N/A
Shareholders' equity	1,605	1,942	2,299	2,733	19.4%
Change in working capital	184	27	23	45	-37.3%
Cash flow from operations	355	339	399	488	11.2%
Capital expenditure	-22	-24	-29	-35	N/A
Free cash flow	333	305	370	453	10.8%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	55.4	48.1	42.9	36.5	45.7
EV/sales (x)	13.6	11.1	9.3	7.8	10.5
EV/EBITDA (adj) (x)	51.7	39.4	33.5	28.1	38.2
Equity FCF yield (%)	2.1	2.0	2.3	2.7	2.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-2.3	-1.8	-1.5	-1.3	-1.7
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Deferred revenue	845	972	1,118	1,275	14.7%
License revenue	0.0	0.0	0.0	0.0	N/A

Note: FY End Mar

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 53.55**  
 Price Target **USD 52.00**

## Why EQUAL WEIGHT?

We believe Dynatrace has a differentiated technological foundation with Grail, Smartscape, etc. and is building more product modules to leverage this. Yet, multi-product growth is in the relatively early innings and the valuation gives the company credit for executing on this initiative.

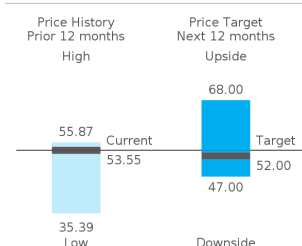
Upside case **USD 68.00**

The company can see growth tailwinds from a faster than anticipated conversion and new customer adoption of its next-gen platform. Our upside case is based on a 10% increase in our CY25 FCF and 42x FCF multiple.

Downside case **USD 47.00**

Competitive headwinds may pressure the company's growth trajectory. Our downside case is based on a 10% decrease in our CY25 FCF and a 35x FCF multiple.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Integral Ad Science Holding Corp. (IAS)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	408	471	538	634	15.8%
EBITDA (adj)	127	158	181	220	20.3%
Operating profit (adj)	127	158	181	220	20.3%
Pre-tax income (adj)	125	145	173	212	19.4%
Net income (adj)	127	141	107	132	1.3%
EPS (adj) (\$)	0.81	0.88	0.69	0.85	1.5%
Diluted shares (mn)	157	158	155	156	-0.2%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	31.0	33.5	33.6	34.7	33.2
Operating margin (adj) (%)	31.0	33.5	33.6	34.7	33.2
Pre-tax (adj) margin (%)	30.5	30.8	32.1	33.5	31.7
Net (adj) margin (%)	31.1	29.8	20.0	20.8	25.4
ROIC (%)	13.2	15.6	12.0	16.0	14.2
ROA (%)	10.8	11.5	7.8	8.4	9.6
ROE (%)	15.6	15.6	11.0	12.5	13.7
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	2	-4	-37	-77	N/A
Goodwill	674	674	674	674	0.0%
Cash and equivalents	87	122	243	401	66.5%
Total assets	1,169	1,228	1,371	1,576	10.5%
Short and long-term debt	79	-41	-282	-599	N/A
Other long-term liabilities	47	37	31	36	-8.0%
Total liabilities	360	328	388	486	10.5%
Net debt/(funds)	166	81	-40	-198	N/A
Shareholders' equity	810	901	976	1,054	9.2%
Change in working capital	-31	-14	6	11	N/A
Cash flow from operations	72	106	128	165	31.5%
Capital expenditure	-2	-4	-7	-6	N/A
Free cash flow	75	110	134	171	32.0%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	18.0	16.5	21.1	17.2	18.2
EV/sales (x)	6.4	5.3	4.5	3.5	4.9
EV/EBITDA (adj) (x)	20.5	15.9	13.3	10.2	15.0
Equity FCF yield (%)	3.1	4.5	5.5	7.0	5.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.3	0.5	-0.2	-0.9	0.2
Total debt/capital (%)	8.9	-4.7	-40.7	-131.9	-42.1
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	0	13	71	152	1054.1%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 14.59**  
Price Target **USD 17.00**

**Why EQUAL WEIGHT?**

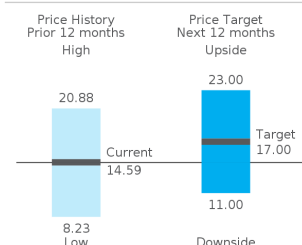
IAS is a story with a large potential opportunity on the horizon, but the company needs to prove that it can execute before it can be assigned a more premium multiple.

**Upside case USD 23.00**

If IAS can prove its ability to execute better and quickly raise its growth rate to converge with faster-growing competitors, the multiple could see some upside.

**Downside case USD 11.00**

If IAS continues to operate as a company that is growing slower than its largest competitor, the current implied valuation discount could persist.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Jamf Holding Corp. (JAMF)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	479	558	649	768	17.0%
EBITDA (adj)	78	95	130	172	30.0%
Operating profit (adj)	26	44	72	103	58.2%
Pre-tax income (adj)	28	50	72	103	54.0%
Net income (adj)	21	38	54	78	54.0%
EPS (adj) (\$)	0.16	0.28	0.39	0.54	48.6%
Diluted shares (mn)	131.0	135.6	140.9	145.9	3.6%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	16.3	17.0	20.0	22.4	18.9
Operating margin (adj) (%)	5.4	7.9	11.0	13.4	9.4
Pre-tax (adj) margin (%)	5.9	9.0	11.0	13.4	9.8
Net (adj) margin (%)	4.5	6.9	8.4	10.2	7.5
ROIC (%)	-13.1	-10.3	-8.2	-6.1	-9.4
ROA (%)	-9.2	-6.8	-4.9	-3.5	-6.1
ROE (%)	-20.1	-15.3	-11.2	-8.1	-13.7
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	19	5	-47	-109	N/A
Goodwill	857	877	877	877	0.8%
Cash and equivalents	224	264	379	538	33.8%
Total assets	1,530	1,585	1,684	1,824	6.0%
Short and long-term debt	365	366	366	366	0.2%
Other long-term liabilities	29	30	40	47	17.2%
Total liabilities	828	876	946	1,031	7.6%
Net debt/(funds)	140	103	-13	-171	N/A
Shareholders' equity	701	709	738	793	4.2%
Change in working capital	41	-9	13	19	-22.1%
Cash flow from operations	90	57	122	166	22.6%
Capital expenditure	-8	-4	-6	-8	N/A
Free cash flow	88	69	116	158	21.8%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	58.4	42.7	30.8	44.0
EV/sales (x)	5.1	4.4	3.8	3.2	4.1
EV/EBITDA (adj) (x)	31.2	25.7	18.8	14.2	22.5
Equity FCF yield (%)	3.8	2.4	5.0	6.6	4.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.8	1.1	-0.1	-1.0	0.4
Total debt/capital (%)	34.2	34.1	33.2	31.6	33.3
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
License revenue	5	1	0	0	-100.0%
Services revenue	19	16	13	9	-21.5%
Deferred revenue	346	395	450	517	14.3%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 16.47**  
 Price Target **USD 20.00**

## Why OVERWEIGHT?

We see long runway of growth given the secular tailwinds that are driving strong traction of the company's best-in-breed Apple device-focused platform (MDM and security solutions), with cross-selling of security solutions, pricing increases, and diversifying use cases leading to ARPU expansion and further upside over time.

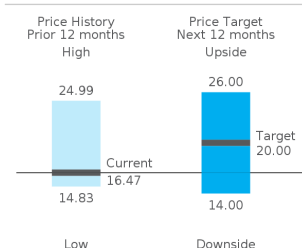
Upside case **USD 26.00**

Our upside case is based on a 10% premium to our CY25 base uFCF estimate and a 22x EV/uFCF multiple.

Downside case **USD 14.00**

Our downside case is based on a 10% discount to our CY25 base uFCF estimate and a 15x EV/uFCF multiple.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Klaviyo, Inc. (KVYO)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	473	693	895	1,140	34.1%
EBITDA (adj)	-17	92	116	156	N/A
Operating profit (adj)	-26	78	99	132	N/A
Pre-tax income (adj)	-20	101	137	177	N/A
Net income (adj)	-20	99	136	174	N/A
EPS (adj) (\$)	N/A	0.41	0.51	0.65	N/A
Diluted shares (mn)	0	283	302	306	N/A
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	-3.6	13.2	13.0	13.6	9.1
Operating margin (adj) (%)	-5.5	11.3	11.1	11.6	7.1
Pre-tax (adj) margin (%)	-4.3	14.6	15.3	15.5	10.3
Net (adj) margin (%)	-4.3	14.3	15.2	15.2	10.1
ROIC (%)	-4.2	7.1	8.0	9.1	5.0
ROA (%)	-7.8	-28.8	-10.7	-10.1	-14.4
ROE (%)	-9.9	-34.2	-12.8	-12.3	-17.3
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	46	50	82	116	36.2%
Goodwill	0	0	0	0	N/A
Cash and equivalents	386	723	818	952	35.1%
Total assets	629	1,085	1,232	1,435	31.6%
Short and long-term debt	62	62	50	41	-12.9%
Other long-term liabilities	1	6	6	6	94.1%
Total liabilities	133	170	200	251	23.4%
Net debt/(funds)	-323	-661	-768	-911	N/A
Shareholders' equity	496	915	1,032	1,184	33.7%
Change in working capital	-35	-20	-9	-6	N/A
Cash flow from operations	-24	99	144	191	N/A
Capital expenditure	-16	-11	-42	-40	N/A
Free cash flow	-5	-2	2	3	N/A
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	72.6	57.5	45.7	58.6
EV/sales (x)	17.7	12.1	9.3	7.3	11.6
EV/EBITDA (adj) (x)	-487.4	91.2	71.8	53.7	-67.7
Equity FCF yield (%)	0.0	-0.3	-0.4	-0.5	-0.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	18.9	-7.2	-6.6	-5.9	-0.2
Total debt/capital (%)	12.6	6.8	4.8	3.5	6.9
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	25	38	59	96	56.4%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 29.63**  
 Price Target **USD 37.00**

**Why EQUAL WEIGHT?**

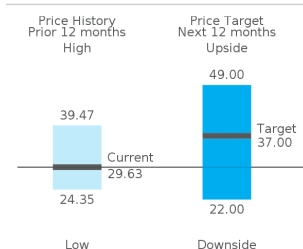
Klaviyo has a path for durable growth in the marketing automation space considering the tailwinds behind it, stemming from the need to reach modern consumers. However, shares already trade at a premium to the space, and we would need to see revisions to estimates to warrant further multiple expansion.

**Upside case USD 49.00**

If Klaviyo is able to expand its presence in both the core retail space and other growth verticals, and cross-sell newer products, it can see revisions to top-line estimates. We think this could support a push for a more premium multiple given higher growth.

**Downside case USD 22.00**

If Klaviyo sees core retail growth slow, and is unable to make inroads into other growth verticals and cross-sell newer products, it can see estimates stagnate or fall. We think this could invite scrutiny to the premium multiple.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Lightspeed Commerce Inc. (LSPD)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	731	903	1,106	1,354	22.8%
EBITDA (adj)	-34	0	37	85	N/A
Operating profit (adj)	-47	-15	23	69	N/A
Pre-tax income (adj)	-23	28	66	112	N/A
Net income (adj)	-25	20	50	84	N/A
EPS (adj) (\$)	-0.17	0.13	0.31	0.52	N/A
Diluted shares (mn)	150.4	154.0	158.0	162.0	2.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	-4.6	0.0	3.3	6.3	1.2
Operating margin (adj) (%)	-6.5	-1.6	2.1	5.1	-0.2
Pre-tax (adj) margin (%)	-3.1	3.1	6.0	8.3	3.6
Net (adj) margin (%)	-3.4	2.3	4.5	6.2	2.4
ROIC (%)	-35.8	-6.0	-4.6	-3.3	-12.4
ROA (%)	-40.1	-6.2	-4.2	-2.6	-13.3
ROE (%)	-42.8	-6.6	-4.5	-2.8	-14.2
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	19	17	20	22	4.9%
Goodwill	1,351	1,347	1,347	1,347	-0.1%
Cash and equivalents	800	742	813	922	4.9%
Total assets	2,669	2,589	2,603	2,704	0.4%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	1	1	1	1	3.1%
Total liabilities	171	163	175	209	6.9%
Net debt/(funds)	-800	-742	-813	-922	N/A
Shareholders' equity	2,497	2,426	2,428	2,495	0.0%
Change in working capital	-82	-120	-27	-38	N/A
Cash flow from operations	-125	-87	45	84	N/A
Capital expenditure	9	7	17	18	24.0%
Free cash flow	-135	-94	29	67	N/A
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	N/A	51.2	30.9	41.0
EV/sales (x)	2.5	2.0	1.6	1.3	1.9
EV/EBITDA (adj) (x)	-53.5	8,665.8	49.2	21.4	2,170.7
Equity FCF yield (%)	-5.6	-3.8	1.1	2.6	-1.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	23.6	-3,547.4	-22.1	-10.9	-889.2
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Deferred revenue	69	67	65	68	-0.7%

Note: FY End Mar

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 16.07**  
Price Target **USD 20.00**

## Why OVERWEIGHT?

Best-in-breed cloud, omni-channel commerce vendor with secular tailwinds from legacy POS migrations and e-commerce adoption. We expect healthy organic growth prospects based on the company's omni-channel positioning and increasing payments penetration and see multiple expansion potential.

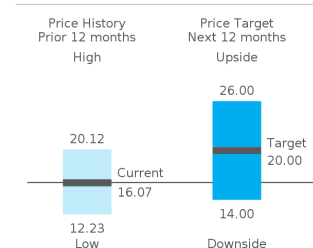
Upside case **USD 26.00**

Better-than-expected pace of legacy POS migrations and payments penetration may drive upside to our top-line estimates.

Downside case **USD 14.00**

Weaker-than-expected pace of legacy POS migrations and payments penetration may drive downside to our top-line estimates.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Microsoft Corp. (MSFT)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	211,915	241,370	276,291	312,955	13.9%
EBITDA (adj)	103,555	129,192	147,221	172,528	18.5%
Operating profit (adj)	89,694	106,037	119,722	139,803	15.9%
Pre-tax income (adj)	N/A	N/A	N/A	N/A	N/A
Net income (adj)	73,306	84,793	94,766	110,932	14.8%
EPS (adj) (\$)	9.81	11.38	12.91	15.35	16.1%
Diluted shares	7,472	7,449	7,343	7,227	-1.1%
DPS (\$)	2.72	3.00	3.24	3.50	8.8%
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	48.9	53.5	53.3	55.1	52.7
Operating margin (adj) (%)	42.3	43.9	43.3	44.7	43.6
Pre-tax (adj) margin (%)	0.0	0.0	0.0	0.0	0.0
Net (adj) margin (%)	34.6	35.1	34.3	35.4	34.9
ROIC (%)	29.3	25.9	24.3	23.5	25.7
ROA (%)	17.6	16.7	16.5	16.8	16.9
ROE (%)	35.1	31.8	28.8	27.0	30.7
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	95,641	116,642	140,484	164,362	19.8%
Goodwill	67,886	67,790	67,790	67,790	0.0%
Cash and equivalents	111,262	162,634	201,153	250,589	31.1%
Total assets	411,976	499,801	574,679	659,235	17.0%
Short and long-term debt	41,990	67,754	67,754	67,754	17.3%
Other long-term liabilities	17,981	18,634	18,066	17,498	-0.9%
Total liabilities	205,753	237,650	245,860	249,064	6.6%
Net debt/(funds)	-69,272	-94,880	-133,399	-182,835	N/A
Shareholders' equity	206,223	262,151	329,388	411,308	25.9%
Change in working capital	-2,388	-6,197	-4,307	-8,037	N/A
Cash flow from operations	87,582	109,725	127,418	145,079	18.3%
Capital expenditure	-28,107	-43,290	-51,341	-56,603	N/A
Free cash flow	59,475	66,435	76,077	88,476	14.2%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	38.6	33.3	29.4	24.7	31.5
EV/sales (x)	13.0	11.5	10.0	8.8	10.8
EV/EBITDA (adj) (x)	26.7	21.4	18.8	16.0	20.7
Equity FCF yield (%)	2.1	2.4	2.7	3.2	2.6
Dividend yield (%)	0.7	0.8	0.9	0.9	0.8
Net debt/EBITDA (adj) (x)	0.7	0.7	0.9	1.1	0.8
Total debt/capital (%)	16.9	20.5	17.1	14.1	17.2
Revenue (\$mn)	2023A	2024E	2025E	2026E	CAGR
More Personal Computing	54,734	60,798	64,901	67,367	7.2%
Intelligent Cloud	87,907	103,305	123,946	147,271	18.8%
Productivity & Business Processes	69,274	77,268	87,443	98,318	12.4%
Deferred revenue	53,813	60,048	65,476	67,526	7.9%

Note: FY End Jun

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 378.91**  
Price Target **USD 421.00**

## Why OVERWEIGHT?

Microsoft is arguably the leader in the cloud services market with Windows Azure and Office 365. It can drive better earnings growth as it transitions its on-premise install bases (Office and Windows Server) to its cloud platforms.

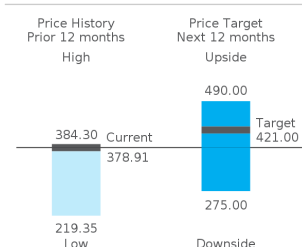
**Upside case** **USD 490.00**

Adoption of Office 365 and Azure could be faster than we expect, pushing the multiple higher. Device sales could exceed expectations, leading to revenue surprises.

**Downside case** **USD 275.00**

The transition to cloud services may not happen fast enough, causing revenue to miss estimates as the on-premise franchises (Windows, Office, Windows Server) erode.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## MongoDB, Inc. (MDB)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	1,284	1,608	1,994	2,499	24.8%
EBITDA (adj)	78	212	271	373	68.4%
Operating profit (adj)	62	196	250	351	78.2%
Pre-tax income (adj)	77	188	246	347	65.2%
Net income (adj)	65	171	251	365	77.9%
EPS (adj) (\$)	0.92	2.35	3.28	4.52	70.3%
Diluted shares (mn)	68.6	72.6	76.6	80.6	5.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	6.1	13.2	13.6	14.9	11.9
Operating margin (adj) (%)	4.8	12.2	12.6	14.0	10.9
Pre-tax (adj) margin (%)	6.0	11.7	12.4	13.9	11.0
Net (adj) margin (%)	5.0	10.6	12.6	14.6	10.7
ROIC (%)	-15.5	-11.9	-9.8	-5.2	-10.6
ROA (%)	-13.7	-12.1	-8.5	-3.8	-9.5
ROE (%)	-49.1	-34.4	-19.3	-7.2	-27.5
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	58	59	66	77	10.2%
Goodwill	58	58	58	58	0.0%
Cash and equivalents	1,837	1,937	2,165	2,494	10.7%
Total assets	2,589	2,705	3,019	3,499	10.6%
Short and long-term debt	1,140	1,142	1,142	1,142	0.0%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	1,849	1,589	1,626	1,670	-3.3%
Net debt/(funds)	-697	-796	-1,023	-1,353	N/A
Shareholders' equity	740	1,116	1,392	1,829	35.2%
Change in working capital	-150	-8	-66	-80	N/A
Cash flow from operations	-13	68	240	346	N/A
Capital expenditure	-7	-9	-20	-25	N/A
Free cash flow	-20	59	220	321	N/A
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	N/A	N/A	91.9	91.9
EV/sales (x)	25.3	20.2	16.3	13.0	18.7
EV/EBITDA (adj) (x)	415.6	153.4	119.9	87.1	194.0
Equity FCF yield (%)	-0.1	0.2	0.7	1.0	0.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-8.9	-3.8	-3.8	-3.6	-5.0
Total debt/capital (%)	60.7	50.6	45.1	38.4	48.7
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Services revenue	49	58	66	75	15.2%
Deferred revenue	460	352	395	443	-1.2%

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 415.74**  
 Price Target **USD 470.00**

**Why OVERWEIGHT?**

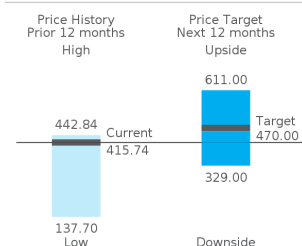
MDB is a leading next generation vendor in a very large and growing database market. We believe growth of modern workloads will play out well for NoSQL vendors, and in particular for MDB as the company already garners the highest developer buy-in.

**Upside case** **USD 611.00**

Our upside case is based on 15% increase in CY25E revenue and 17x CY25E revenue.

**Downside case** **USD 329.00**

Our downside case is based on 20% decrease in CY25E revenue and 13x CY25E revenue.

**Upside/Downside scenarios**



## U.S. Software

POSITIVE

## OpenText Corp. (OTEX)

EQUAL WEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	4,485	5,814	5,995	6,205	11.4%
EBITDA (adj)	1,473	2,145	2,284	2,453	18.5%
Operating profit (adj)	1,365	2,038	2,149	2,329	19.5%
Pre-tax income (adj)	1,036	1,476	1,692	1,933	23.1%
Tax rate (%)	14	14	22	25	21.3%
Net income (adj)	891	1,269	1,320	1,450	17.6%
EPS (adj) (\$)	3.29	4.67	4.85	5.32	17.3%
Diluted shares (mn)	270.4	272.1	272.2	272.4	0.2%
DPS (\$)	3.89	4.00	94.00	2,500.00	763.1%
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	32.8	36.9	38.1	39.5	36.8
Operating margin (adj) (%)	30.4	35.1	35.8	37.5	34.7
Pre-tax (adj) margin (%)	23.1	25.4	28.2	31.2	27.0
Net (adj) margin (%)	19.9	21.8	22.0	23.4	21.8
ROIC (%)	9.7	14.8	14.3	15.1	13.5
ROA (%)	7.1	11.5	11.0	10.6	10.1
ROE (%)	22.1	31.3	26.3	24.0	25.9
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	357	398	451	521	13.4%
Goodwill	8,663	8,619	8,619	8,619	-0.2%
Cash and equivalents	1,232	831	1,059	2,255	22.3%
Total assets	17,089	15,970	16,172	17,367	0.5%
Short and long-term debt	8,883	8,175	7,475	7,475	-5.6%
Other long-term liabilities	618	538	538	538	-4.5%
Total liabilities	13,067	11,915	11,150	11,314	-4.7%
Net debt/(funds)	7,651	7,344	6,416	5,220	-12.0%
Shareholders' equity	4,022	4,055	5,023	6,054	14.6%
Change in working capital	-207	-378	-107	114	N/A
Cash flow from operations	779	956	1,348	1,688	29.4%
Capital expenditure	-124	-147	-187	-194	N/A
Free cash flow	939	1,292	1,517	1,791	24.0%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	12.2	8.6	8.3	7.5	9.1
EV/sales (x)	6.9	5.3	5.2	5.0	5.6
EV/EBITDA (adj) (x)	21.1	14.5	13.6	12.6	15.4
Equity FCF yield (%)	8.6	11.8	13.9	16.4	12.7
P/BV (x)	2.7	2.7	2.2	1.8	2.3
Dividend yield (%)	9.7	10.0	234.2	6,228.2	1,620.5
Total debt/capital (%)	68.8	66.8	59.8	55.3	62.7
Net debt/EBITDA (adj) (x)	5.2	3.4	2.8	2.1	3.4
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
License revenue	539	826	800	783	13.3%
Cloud Services revenue	1,700	1,834	1,978	2,137	7.9%
Customer Support revenue	1,915	2,722	2,777	2,832	13.9%
Professional services and other	331	432	440	454	11.1%

Note: FY End Jun

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 40.14**  
 Price Target **USD 44.00**

**Why EQUAL WEIGHT?**

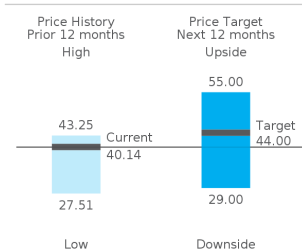
With a history of solid acquisition integration and steady margin profile, OTEX is one of the more defensive names in our coverage. The pushback tends to be on the maturity of the markets it is playing in and the minimal organic growth but valuation is amongst the lowest in our coverage and hence sets the bar lower on performance.

**Upside case USD 55.00**

Macro pressures ease earlier than anticipated and the geopolitical environment improves, leading to faster organic growth. In addition, management is able to rapidly deploy capital in more accretive acquisition opportunities.

**Downside case USD 29.00**

Ongoing macro pressures and geopolitical uncertainties persist, causing customers to delay buying well into the medium term, pressuring organic growth for longer than anticipated.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Oracle Corp. (ORCL)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	49,955	53,930	59,305	65,300	9.3%
EBITDA (adj)	23,430	26,273	29,257	32,370	11.4%
Operating profit (adj)	20,904	23,076	25,599	28,338	10.7%
Pre-tax income (adj)	16,937	19,342	22,035	24,989	13.8%
Net income (adj)	14,177	15,599	17,738	20,116	12.4%
EPS (adj) (\$)	5.13	5.48	6.13	6.94	10.6%
Diluted shares (mn)	2,766.1	2,847.5	2,892.8	2,898.7	1.6%
DPS (\$)	1.36	1.60	1.60	1.60	5.6%
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	46.9	48.7	49.3	49.6	48.6
Operating margin (adj) (%)	41.8	42.8	43.2	43.4	42.8
Pre-tax (adj) margin (%)	33.9	35.9	37.2	38.3	36.3
Net (adj) margin (%)	28.4	28.9	29.9	30.8	29.5
ROIC (%)	13.3	15.6	17.5	19.2	16.4
ROA (%)	6.3	8.4	10.0	11.4	9.0
ROE (%)	546.5	96.4	67.5	63.4	193.5
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	17,069	22,206	28,736	35,152	27.2%
Goodwill	62,261	62,206	62,206	62,206	0.0%
Cash and equivalents	9,765	11,795	2,701	-2,299	N/A
Total assets	134,384	142,051	138,598	138,785	1.1%
Short and long-term debt	90,481	87,664	77,664	73,114	-6.9%
Other long-term liabilities	109,738	100,755	96,183	96,118	-4.3%
Total liabilities	132,828	129,638	118,105	113,826	-5.0%
Net debt/(funds)	80,294	75,399	74,493	74,943	-2.3%
Shareholders' equity	1,556	12,413	20,493	24,959	152.2%
Change in working capital	513	-3,262	-3,695	-1,553	N/A
Cash flow from operations	17,166	18,179	20,793	25,688	14.4%
Capital expenditure	-8,695	-8,361	-10,188	-10,448	N/A
Free cash flow	11,697	13,079	13,572	17,931	15.3%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	22.7	21.2	19.0	16.7	19.9
EV/sales (x)	8.0	7.4	6.8	6.2	7.1
EV/EBITDA (adj) (x)	17.1	15.3	13.7	12.4	14.6
Equity FCF yield (%)	3.6	4.0	4.0	5.3	4.2
Dividend yield (%)	1.2	1.4	1.4	1.4	1.3
Net debt/EBITDA (adj) (x)	-3.4	-2.9	-2.5	-2.3	-2.8
Total debt/capital (%)	98.3	87.6	79.1	74.6	84.9
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
License revenue	5,779	5,171	4,918	4,685	-6.8%
Maintenance revenue	19,463	19,843	20,082	20,095	1.1%
Services revenue	5,594	5,704	5,896	6,099	2.9%
Deferred revenue	8,970	9,613	9,222	10,870	6.6%

Note: FY End May

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 116.21**  
Price Target **USD 147.00**

**Why OVERWEIGHT?**

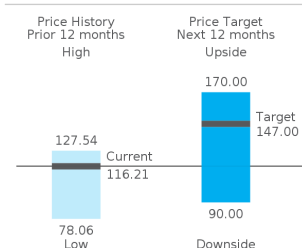
We expect improving growth in the mid-term as the portfolio mix effect becomes favorable for the overall growth trajectory, and OCI continues to ramp nicely.

**Upside case** **USD 170.00**

Fusion and NetSuite bringing up the overall SaaS growth rate and Gen2 IaaS products (ramping consumption from large deals and AI workloads) could drive better than expected top and bottom line growth.

**Downside case** **USD 90.00**

Demand for OCI is weaker than expected and the core database license business faces stiff competition. An intensification of both effects would drag on growth/margin.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Paycom (PAYC)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,375	1,683	1,874	2,158	16.2%
EBITDA (adj)	580	715	773	907	16.1%
Operating profit (adj)	474	577	616	726	15.3%
Pre-tax income (adj)	484	600	640	747	15.5%
Net income (adj)	357	441	470	549	15.4%
EPS (adj) (\$)	6.15	7.61	8.12	9.49	15.6%
Diluted shares (mn)	58.1	58.0	58.0	57.9	-0.1%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	42.2	42.5	41.3	42.0	42.0
Operating margin (adj) (%)	34.4	34.3	32.9	33.6	33.8
Pre-tax (adj) margin (%)	35.2	35.7	34.2	34.6	34.9
Net (adj) margin (%)	26.0	26.2	25.1	25.4	25.7
ROIC (%)	29.5	28.8	24.1	22.4	26.2
ROA (%)	21.0	21.4	18.9	17.9	19.8
ROE (%)	30.2	29.3	24.5	22.6	26.7
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	402	494	557	625	15.8%
Goodwill	52	52	52	52	0.0%
Cash and equivalents	401	510	735	1,050	37.9%
Total assets	3,903	4,495	4,945	5,912	14.9%
Short and long-term debt	29	29	29	29	0.0%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	2,720	2,990	3,022	3,485	8.6%
Net debt/(funds)	-372	-481	-706	-1,021	N/A
Shareholders' equity	1,183	1,505	1,923	2,427	27.1%
Change in working capital	-101	-128	-146	-137	N/A
Cash flow from operations	365	456	506	629	19.9%
Capital expenditure	-133	-191	-195	-227	N/A
Free cash flow	232	265	311	402	20.0%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	29.5	23.9	22.4	19.1	23.7
EV/sales (x)	7.6	6.2	5.6	4.9	6.1
EV/EBITDA (adj) (x)	18.1	14.7	13.6	11.6	14.5
Equity FCF yield (%)	2.2	2.5	3.0	3.8	2.9
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-0.6	-0.7	-0.9	-1.1	-0.8
Total debt/capital (%)	2.4	1.9	1.5	1.2	1.7
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	117	132	148	173	13.8%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 181.66**  
 Price Target **USD 193.00**

**Why EQUAL WEIGHT?**

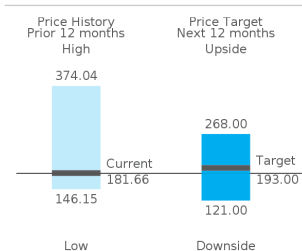
An encouraging multi-year growth story with growth rates that have re-accelerated of late as it continues to focus on usage-based techniques, but we hope for better entry points given current valuation.

**Upside case** **USD 268.00**

Our upside case is based on Paycom opening more new offices each year and ramping these new offices more quickly than in the past, as well as upselling more aggressively. Our upside target is based on 34x EV/CY25 FCF and 15% upside to our FCF estimate.

**Downside case** **USD 121.00**

A downside case could occur if incumbent vendors, primarily ADP and Paychex, respond more aggressively in terms of price or improve their technology solution and customer service offering. Our downside target is based on 20x EV/CY25 FCF and a 15% reduction to our FCF estimate.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Paylocity Holding Corp (PCTY)

EQUAL WEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	1,175	1,405	1,658	1,986	19.1%
EBITDA (adj)	375	476	566	693	22.7%
Operating profit (adj)	321	402	475	585	22.2%
Pre-tax income (adj)	325	405	475	585	21.7%
Net income (adj)	292	357	423	527	21.8%
EPS (adj) (\$)	5.16	6.23	7.26	8.89	19.9%
Diluted shares (mn)	57	57	58	59	1.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	31.9	33.9	34.1	34.9	33.7
Operating margin (adj) (%)	27.3	28.6	28.7	29.5	28.5
Pre-tax (adj) margin (%)	27.6	28.8	28.7	29.5	28.6
Net (adj) margin (%)	24.8	25.4	25.5	26.5	25.6
ROIC (%)	104.7	118.9	137.5	153.4	128.6
ROA (%)	27.2	24.5	21.9	20.8	23.6
ROE (%)	34.6	29.9	25.9	24.0	28.6
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	64	63	68	75	5.5%
Goodwill	102	102	102	102	0.0%
Cash and equivalents	289	534	856	1,252	63.0%
Total assets	3,696	3,985	4,459	5,059	11.0%
Short and long-term debt	62	61	61	61	-1.0%
Other long-term liabilities	4	4	5	5	12.8%
Total liabilities	2,853	2,792	2,827	2,864	0.1%
Net debt/(funds)	0	0	0	0	-39.3%
Shareholders' equity	843	1,192	1,632	2,195	37.6%
Change in working capital	-77	-126	-143	-197	N/A
Cash flow from operations	283	349	416	509	21.7%
Capital expenditure	-22	-21	-31	-37	N/A
Free cash flow	216	274	321	396	22.4%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	30.4	25.2	21.6	17.6	23.7
EV/sales (x)	N/A	N/A	N/A	N/A	N/A
EV/EBITDA (adj) (x)	N/A	N/A	N/A	N/A	N/A
Equity FCF yield (%)	2.4	3.1	3.5	4.3	3.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-0.6	-1.0	-1.4	-1.7	-1.2
Total debt/capital (%)	6.9	4.8	3.6	2.7	4.5
Selected operating metrics	2023A	2024E	2025E	2026E	CAGR
License revenue	N/A	N/A	N/A	N/A	N/A
Maintenance revenue	N/A	N/A	N/A	N/A	N/A
Services revenue	N/A	N/A	N/A	N/A	N/A
Deferred revenue	N/A	N/A	N/A	N/A	N/A

Note: FY End Jun

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 156.67**  
 Price Target **USD 174.00**

**Why EQUAL WEIGHT?**

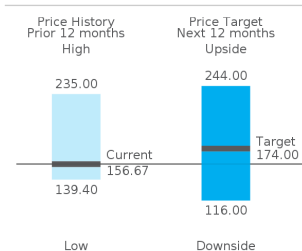
Paylocity offers a differentiated HCM solution that has allowed it to take market share from industry peers. The company is out-investing peers in R&D, and we think the company's product strategy and GTM approach will allow it to take additional share in the market over the medium term. However, current valuation levels limit outperformance.

**Upside case** **USD 244.00**

If Paylocity increases the pace and quality of its product enhancements, it could drive faster-than-expected growth. This could lead to greater performance than expected.

**Downside case** **USD 116.00**

If Paylocity fails to innovate at pace with the market or industry incumbents improve retention, then Paylocity may deliver lower-than-expected growth. This paired with above-average valuation levels could lead to underperformance.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Pegasystems, Inc. (PEGA)

UNDERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,318	1,369	1,498	1,639	7.5%
EBITDA (adj)	88	189	300	370	61.3%
Operating profit (adj)	39	159	260	326	103.5%
Pre-tax income (adj)	76	181	284	350	66.0%
Net income (adj)	60	141	222	273	66.0%
EPS (adj) (\$)	0.70	1.66	2.55	3.06	63.6%
Diluted shares (mn)	82.8	84.7	87.0	89.0	2.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	6.7	13.8	20.0	22.5	15.8
Operating margin (adj) (%)	2.9	11.6	17.4	19.9	12.9
Pre-tax (adj) margin (%)	5.8	13.2	19.0	21.3	14.8
Net (adj) margin (%)	4.5	10.3	14.8	16.6	11.6
ROIC (%)	-11.8	-1.2	8.0	10.3	1.3
ROA (%)	-25.5	-1.7	2.6	3.6	-5.2
ROE (%)	-264.1	-9.0	9.5	10.7	-63.2
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	334	277	253	227	-12.1%
Goodwill	81	81	81	81	0.0%
Cash and equivalents	145	246	580	962	87.9%
Total assets	1,358	1,378	1,661	2,044	14.6%
Short and long-term debt	594	499	499	499	-5.6%
Other long-term liabilities	15	14	14	14	-1.4%
Total liabilities	1,227	1,124	1,204	1,348	3.2%
Net debt/(funds)	296	86	-248	-631	N/A
Shareholders' equity	131	255	457	696	74.5%
Change in working capital	-64	21	108	117	N/A
Cash flow from operations	22	221	353	404	162.5%
Capital expenditure	35	21	20	21	-15.4%
Free cash flow	-13	200	334	383	N/A
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	74.3	31.4	20.4	17.0	35.8
EV/sales (x)	3.5	3.3	3.1	2.8	3.2
EV/EBITDA (adj) (x)	52.0	24.2	15.2	12.4	25.9
Equity FCF yield (%)	-0.3	4.6	7.4	8.3	5.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	3.4	0.5	-0.8	-1.7	0.3
Total debt/capital (%)	81.9	66.2	52.2	41.8	60.5
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
License revenue	385	353	385	417	2.7%
Maintenance revenue	932	1,016	1,113	1,222	9.4%
Services revenue	615	689	786	894	13.3%
Deferred revenue	325	361	415	482	14.0%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 51.98**  
 Price Target **USD 52.00**

**Why UNDERWEIGHT?**

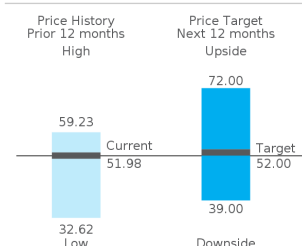
We see Pegasystems' integrated CRM and DPA platform as differentiated, but believe shares will be a relative underperformer vs. software peers given the inconsistent execution, software transition, and the legal hangover from the \$2bn judgement against the company.

**Upside case** **USD 72.00**

Our upside case is based on a 10% premium to our CY25 FCF forecast and ~15.0x EV/CY25E FCF multiple.

**Downside case** **USD 39.00**

Our downside case is based on a 10% discount on our CY25 FCF forecast and ~10.0x EV/CY25E FCF multiple.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## ServiceNow, Inc. (NOW)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	7,245	8,935	10,788	13,014	21.6%
EBITDA (adj)	2,293	3,021	3,755	4,516	25.4%
Operating profit (adj)	1,860	2,431	3,022	3,711	25.9%
Pre-tax income (adj)	1,904	2,666	3,251	3,815	26.1%
Net income (adj)	1,543	2,159	2,617	3,071	25.8%
EPS (adj) (\$)	7.60	10.51	12.58	14.50	24.0%
Diluted shares (mn)	201.5	204.4	207.0	210.7	1.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	31.6	33.8	34.8	34.7	33.7
Operating margin (adj) (%)	25.7	27.2	28.0	28.5	27.4
Pre-tax (adj) margin (%)	26.3	29.8	30.1	29.3	28.9
Net (adj) margin (%)	21.3	24.2	24.3	23.6	23.3
ROIC (%)	4.4	6.2	7.0	7.3	6.2
ROA (%)	2.4	9.6	4.8	4.3	5.3
ROE (%)	6.5	21.3	9.6	8.0	11.4
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	1,053	1,185	1,273	1,443	11.1%
Goodwill	1,056	1,446	1,446	1,446	11.0%
Cash and equivalents	1,470	2,400	5,968	10,261	91.1%
Total assets	13,299	17,399	21,819	27,052	26.7%
Short and long-term debt	1,486	1,487	1,487	1,487	0.0%
Other long-term liabilities	56	93	93	93	18.4%
Total liabilities	8,267	9,569	10,840	12,463	14.7%
Net debt/(funds)	-2,794	-3,868	-7,436	-11,729	N/A
Shareholders' equity	5,032	7,829	10,979	14,590	42.6%
Change in working capital	174	-195	-72	178	0.7%
Cash flow from operations	2,723	3,249	4,168	5,029	22.7%
Capital expenditure	-550	-601	-820	-976	N/A
Free cash flow	2,173	2,648	3,348	4,053	23.1%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	90.2	65.3	54.5	47.3	64.3
EV/sales (x)	19.8	16.1	13.3	11.0	15.1
EV/EBITDA (adj) (x)	62.6	47.5	38.2	31.8	45.0
Equity FCF yield (%)	1.6	1.9	2.4	2.8	2.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-1.2	-1.3	-2.0	-2.6	-1.8
Total debt/capital (%)	22.8	16.0	11.9	9.2	15.0
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	4,730	5,844	7,302	9,078	24.3%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 685.74**  
 Price Target **USD 765.00**

**Why OVERWEIGHT?**

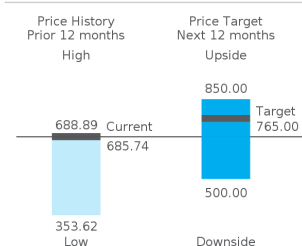
NOW has strong exposure to the SaaS theme that is reshaping the software industry. The company's focus on cloud management tools should continue to drive top line growth as private/hybrid cloud deployments and PaaS become more mainstream.

**Upside case USD 850.00**

Our upside case is based on CY25 EV/FCF of 44x and our base case FCF estimate.

**Downside case USD 500.00**

Our downside case is based on CY25 EV/FCF of 26x and our base case FCF estimate.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Skillsoft Corp. (SKIL)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	555	567	594	627	4.1%
EBITDA (adj)	102	103	118	139	10.8%
Operating profit (adj)	-765	-72	-20	56	N/A
Pre-tax income (adj)	-792	-120	-69	20	N/A
Net income (adj)	-115	-32	59	83	N/A
EPS (adj) (\$)	-4.77	-8.77	-10.22	-0.66	N/A
Diluted shares (mn)	159.3	84.8	8.0	8.0	-63.0%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	18.4	18.3	19.9	22.1	19.7
Operating margin (adj) (%)	-137.9	-12.7	-3.4	8.9	-36.3
Pre-tax (adj) margin (%)	-1.4	-0.2	-0.1	0.0	-0.4
Net (adj) margin (%)	-0.2	-0.1	0.1	0.1	-0.0
ROIC (%)	-1,037.8	47.4	5.9	-28.9	-253.4
ROA (%)	-47.6	-9.3	-5.6	-0.3	-15.7
ROE (%)	-147.1	-34.5	-22.4	-1.3	-51.3
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	10	9	12	15	13.4%
Goodwill	458	458	458	458	0.0%
Cash and equivalents	170	184	236	307	21.7%
Total assets	1,643	1,530	1,481	1,509	-2.8%
Short and long-term debt	592	590	590	587	-0.3%
Other long-term liabilities	16	12	13	15	-3.2%
Total liabilities	1,111	1,118	1,114	1,112	0.0%
Net debt/(funds)	422	405	354	280	-12.8%
Shareholders' equity	532	412	366	397	-9.3%
Change in working capital	-42	7	-20	-20	N/A
Cash flow from operations	-21	45	66	87	N/A
Capital expenditure	-5	-11	-15	-16	N/A
Free cash flow	-36	29	52	72	N/A
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	1.1	1.0	0.9	0.7	0.9
EV/EBITDA (adj) (x)	5.8	5.6	4.4	3.2	4.8
Equity FCF yield (%)	-1.2	1.8	33.5	46.5	20.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	4.1	3.9	3.0	2.0	3.3
Total debt/capital (%)	52.7	58.9	61.7	59.6	58.2
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Deferred revenue	282	312	330	335	5.9%

Price (30-Nov-2023) **USD 19.14**  
Price Target **USD 37.00**

**Why OVERWEIGHT?**

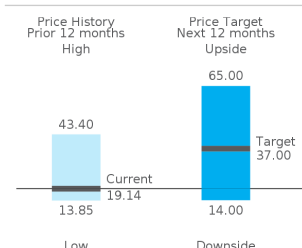
Skillsoft post its bankruptcy restructuring and SPAC transaction is well positioned to take advantage of secular trends in the professional e-learning market. Skillsoft trades at a discount to peers, and we expect this discount to lessen as the company produces better financial results following its product migration to its new cloud-based learning platform.

**Upside case USD 65.00**

Faster-than-expected customer migration to Skillsoft's Percipio platform may lead to revenue upside as better dollar-based retention supports growth. Additionally, COVID-19 and subsequent hybrid work environments may lead to greater than expected demand for e-learning solutions.

**Downside case USD 14.00**

HCM suite offerings with learning solutions are becoming increasingly competitive compared to best-in-breed offerings. Shifting customer preferences for suite solutions or greater investment from HCM vendors may cause pricing pressures and impact new logo acquisition.

**Upside/Downside scenarios**

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research



## U.S. Software

POSITIVE

## Snowflake Computing (SNOW)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	2,066	2,790	3,579	4,567	30.3%
EBITDA (adj)	159	301	388	582	54.2%
Operating profit (adj)	95	190	302	512	75.1%
Pre-tax income (adj)	122	380	462	652	75.0%
Net income (adj)	114	281	342	482	61.8%
EPS (adj) (\$)	0.34	0.78	0.94	1.30	57.0%
Diluted shares (mn)	338	361	364	370	3.0%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	-40.8	-39.8	-28.4	-21.2	-32.5
Operating margin (adj) (%)	0.0	0.0	0.0	0.0	0.0
Pre-tax (adj) margin (%)	0.0	0.0	0.0	0.0	0.0
Net (adj) margin (%)	-39.9	-40.3	-31.7	-24.9	-34.2
ROIC (%)	-15.1	-22.5	-21.3	-19.6	-19.6
ROA (%)	-10.7	-14.0	-12.3	-10.5	-11.9
ROE (%)	-30.1	-45.0	-42.6	-39.1	-39.2
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	161	205	180	169	1.8%
Goodwill	657	784	784	784	6.1%
Cash and equivalents	5,081	4,755	5,738	7,042	11.5%
Total assets	7,722	8,013	9,258	10,892	12.1%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	24	26	26	26	2.0%
Total liabilities	2,254	3,016	3,918	5,070	31.0%
Net debt/(funds)	-5,081	-4,755	-5,738	-7,042	N/A
Shareholders' equity	5,469	4,998	5,340	5,822	2.1%
Change in working capital	289	370	615	812	41.1%
Cash flow from operations	546	777	1,043	1,365	35.7%
Capital expenditure	-49	-64	-60	-60	N/A
Free cash flow	496	713	983	1,305	38.0%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	32.0	23.8	18.3	14.0	22.0
EV/EBITDA (adj) (x)	415.7	220.6	168.6	110.1	228.8
Equity FCF yield (%)	0.8	1.1	1.4	1.9	1.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-32.0	-15.8	-14.8	-12.1	-18.7
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Services revenue	127	141	174	206	17.4%
Deferred revenue	1,685	2,363	3,237	4,370	37.4%

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 187.68**  
 Price Target **USD 198.00**

## Why OVERWEIGHT?

Snowflake has the right ingredients to continue its evolution to a Data Platform and emerge as a market leader for the cloud native Big Data management and Analytics tool of choice. Its technological moat could allow it to challenge and take share from the public vendors, and progress made on data sharing initiatives leave us confident in upside potential.

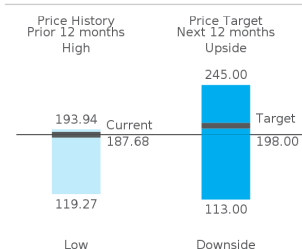
**Upside case** **USD 245.00**

Our upside case is based on 15% FCF upside and a 60x EV/25E FCF multiple.

**Downside case** **USD 113.00**

Our downside case is based on our investment case FCF estimate and a 30x EV/25E FCF multiple.

## Upside/Downside scenarios





## U.S. Software

POSITIVE

## Sprinklr, Inc. (CXM)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	618	720	832	983	16.7%
EBITDA (adj)	18	81	117	164	109.0%
Operating profit (adj)	6	66	100	145	189.7%
Pre-tax income (adj)	10	90	120	165	158.4%
Net income (adj)	1	84	102	132	370.0%
EPS (adj) (\$)	0.00	0.31	0.36	0.45	404.8%
Diluted shares (mn)	210	219	219	219	1.3%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	2.9	11.2	14.1	16.7	11.2
Operating margin (adj) (%)	1.0	9.1	12.1	14.7	9.2
Pre-tax (adj) margin (%)	1.5	12.5	14.5	16.8	11.3
Net (adj) margin (%)	0.2	11.6	12.3	13.4	9.4
ROIC (%)	-2.7	-327.7	-456.0	-288.8	-268.8
ROA (%)	0.1	7.2	7.3	8.5	5.8
ROE (%)	0.2	12.7	13.5	14.8	10.3
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	23	31	38	47	27.4%
Goodwill	50	50	50	50	-0.1%
Cash and equivalents	188	196	298	451	33.8%
Total assets	1,025	1,172	1,400	1,559	15.0%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	14	30	30	30	28.9%
Total liabilities	476	514	640	667	11.9%
Net debt/(funds)	-579	-677	-779	-932	N/A
Shareholders' equity	549	658	760	892	17.5%
Change in working capital	7	2	7	30	64.9%
Cash flow from operations	27	92	126	182	89.6%
Capital expenditure	-16	-21	-24	-28	N/A
Free cash flow	10	71	102	153	146.6%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	N/A	51.1	43.3	34.7	43.0
EV/sales (x)	6.8	5.7	4.8	3.9	5.3
EV/EBITDA (adj) (x)	232.1	50.7	34.0	23.3	85.0
Equity FCF yield (%)	0.2	1.5	2.1	3.2	1.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-32.1	-8.4	-6.7	-5.7	-13.2
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Services revenue	70	61	58	58	-6.0%
Deferred revenue	326	386	463	528	17.5%

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 15.68**  
 Price Target **USD 18.00**

## Why OVERWEIGHT?

Sprinklr is a leader in the emerging Customer Experience Management (CXM) space with few capable competitors and secular tailwinds to ride. We view the valuation as favorable at this level given the discount to peers.

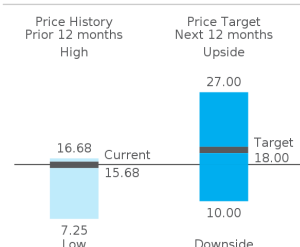
Upside case **USD 27.00**

If Sprinklr is able to continue to build off strength in existing enterprise customers and attract more new customers overall, we believe there could be upside to estimates and to the sales multiple.

Downside case **USD 10.00**

If Sprinklr is unable to re-accelerate growth due to a lack of customer adoption or awareness or faces challenges in the regulatory environment, we believe estimates and the multiple could be pressured downward.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Sprout Social, Inc. (SPT)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	254	331	431	559	30.1%
EBITDA (adj)	-1	7	19	34	N/A
Operating profit (adj)	-4	4	15	28	N/A
Pre-tax income (adj)	-2	7	12	24	N/A
Net income (adj)	-3	7	11	20	N/A
EPS (adj) (\$)	-0.05	0.13	0.19	0.35	N/A
Diluted shares (mn)	54	56	57	57	1.7%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	-20.4	-21.5	-15.0	-11.1	-17.0
Operating margin (adj) (%)	0.0	0.0	0.0	0.0	0.0
Pre-tax (adj) margin (%)	0.0	0.0	0.0	0.0	0.0
Net (adj) margin (%)	-1.8	1.1	3.0	4.2	1.6
ROIC (%)	-0.0	0.0	0.1	0.1	0.0
ROA (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	-6.5	4.9	16.8	26.9	10.5
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	12	11	11	11	-1.5%
Goodwill	2	123	123	123	276.5%
Cash and equivalents	80	31	44	65	-6.7%
Total assets	294	409	470	558	23.8%
Short and long-term debt	22	19	19	19	-4.6%
Other long-term liabilities	0	0	0	0	N/A
Total liabilities	152	263	313	381	35.9%
Net debt/(funds)	-58	-12	-24	-45	N/A
Shareholders' equity	142	145	156	177	7.5%
Change in working capital	22	18	52	57	36.9%
Cash flow from operations	11	18	44	63	80.8%
Capital expenditure	-2	-2	-4	-6	N/A
Free cash flow	9	16	40	57	86.6%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	N/A	N/A	N/A	N/A
EV/sales (x)	13.3	10.2	7.9	6.1	9.4
EV/EBITDA (adj) (x)	-3,138.1	491.9	179.5	100.9	-591.5
Equity FCF yield (%)	0.2	0.4	1.3	1.9	1.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	53.4	-1.7	-1.3	-1.4	12.3
Total debt/capital (%)	N/A	N/A	N/A	N/A	N/A
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	96	137	189	256	38.6%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 56.90**  
 Price Target **USD 65.00**

**Why OVERWEIGHT?**

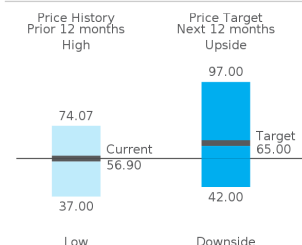
Sprout Social operates in a large and growing market as social media continues to become more important to the customer engagement strategy. Additionally, recent products, such as Social Listening and Premium Analytics, can help the business continue to attack at the enterprise level. We believe this offers an attractive story at a discounted valuation.

**Upside case USD 97.00**

If Sprout Social can continue to make strides upmarket and maintain a leading position in the growing market, there is room for estimates and the multiple to move higher.

**Downside case USD 42.00**

If Sprout Social cannot continue to deliver value relative to other offerings in the fragmented space, estimates and the valuation multiple could see a contraction.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## Teradata Corp. (TDC)

UNDERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,795	1,834	1,895	2,011	3.9%
EBITDA (adj)	418	438	468	496	5.9%
Operating profit (adj)	286	323	375	426	14.2%
Pre-tax income (adj)	235	268	327	382	17.5%
Net income (adj)	174	206	245	286	18.0%
EPS (adj) (\$)	1.65	2.01	2.46	2.97	21.7%
Diluted shares (mn)	105.7	102.4	99.5	96.5	-3.0%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	23.3	23.9	24.7	24.7	24.1
Operating margin (adj) (%)	15.9	17.6	19.8	21.2	18.6
Pre-tax (adj) margin (%)	13.1	14.6	17.2	19.0	16.0
Net (adj) margin (%)	9.7	11.2	12.9	14.2	12.0
ROIC (%)	20.9	35.5	36.5	35.7	32.2
ROA (%)	8.6	11.8	12.5	13.0	11.5
ROE (%)	67.4	2,532.7	250.0	125.6	743.9
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	244	226	153	112	-22.8%
Goodwill	390	396	396	396	0.5%
Cash and equivalents	569	346	594	918	17.3%
Total assets	2,022	1,754	1,960	2,209	3.0%
Short and long-term debt	573	573	573	573	0.0%
Other long-term liabilities	150	140	140	140	-2.3%
Total liabilities	1,764	1,746	1,862	1,982	4.0%
Net debt/(funds)	-71	140	-108	-432	N/A
Shareholders' equity	258	8	98	228	-4.1%
Change in working capital	152	35	85	154	0.4%
Cash flow from operations	419	350	409	494	5.7%
Capital expenditure	-14	-17	-21	-30	N/A
Free cash flow	403	332	388	464	4.8%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	28.7	23.5	19.2	15.9	21.8
EV/sales (x)	3.0	2.9	2.8	2.6	2.8
EV/EBITDA (adj) (x)	12.7	12.1	11.3	10.7	11.7
Equity FCF yield (%)	8.1	6.9	8.3	10.2	8.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-0.2	0.3	-0.2	-0.9	-0.2
Total debt/capital (%)	69.0	98.6	85.4	71.5	81.1
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	589	620	732	854	13.2%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 47.25**  
 Price Target **USD 46.00**

## Why UNDERWEIGHT?

Teradata's core EDW product is facing structural headwinds, slowing growth. Diversification into ancillary growth areas will take time as well as diluted margins in the near term.

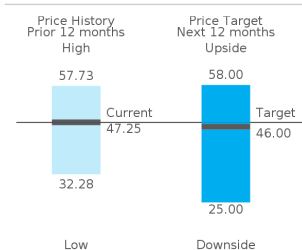
**Upside case** **USD 58.00**

Teradata may outperform near term and dispel concerns around the customer spending environment if macro gets meaningfully stronger. Our upside case is based on CY25E EV/FCF of 17x.

**Downside case** **USD 25.00**

There is still a reliance on large deals in the near term, which could diminish further if macro gets worse or if competitive threats from new cloud vendors become more meaningful. Our downside case is based on CY25E EV/FCF of 8x.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## WalkMe Ltd. (WKME)

EQUAL WEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	245	267	291	317	8.9%
EBITDA (adj)	-50	-1	28	51	N/A
Operating profit (adj)	-58	-8	20	43	N/A
Pre-tax income (adj)	-53	6	33	55	N/A
Net income (adj)	-57	1	29	51	N/A
EPS (adj) (\$)	-0.67	0.01	0.27	0.47	N/A
Diluted shares (mn)	85	89	109	109	8.5%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	-20.6	-0.4	9.6	16.1	1.2
Operating margin (adj) (%)	-23.8	-2.8	7.0	13.4	-1.6
Pre-tax (adj) margin (%)	-21.6	2.2	11.4	17.5	2.4
Net (adj) margin (%)	-23.2	0.3	10.0	16.2	0.8
ROIC (%)	-21.7	0.3	9.8	14.9	0.9
ROA (%)	-12.8	0.2	6.0	9.6	0.7
ROE (%)	-21.7	0.3	9.8	14.9	0.9
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	13	12	9	8	-17.1%
Goodwill	N/A	N/A	N/A	N/A	N/A
Cash and equivalents	94	202	236	287	45.1%
Total assets	445	461	488	534	6.2%
Short and long-term debt	N/A	N/A	N/A	N/A	N/A
Other long-term liabilities	14	21	21	21	15.3%
Total liabilities	183	194	193	189	1.2%
Net debt/(funds)	-94	-202	-236	-287	N/A
Shareholders' equity	262	267	295	345	9.5%
Change in working capital	6	13	4	0	-67.4%
Cash flow from operations	-47	16	39	58	N/A
Capital expenditure	-3	-1	-3	-3	N/A
Free cash flow	-56	11	34	52	N/A
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	N/A	N/A	36.8	20.8	28.8
EV/sales (x)	3.5	2.8	2.5	2.1	2.7
EV/EBITDA (adj) (x)	-16.9	-623.6	25.5	13.0	-150.5
Equity FCF yield (%)	-6.7	1.3	3.2	4.8	0.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.9	168.4	-8.4	-5.6	39.1
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2022A	2023E	2024E	2025E	CAGR
Services revenue	24	19	15	11	-23.4%
Deferred revenue	110	121	111	100	-3.0%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 9.82**  
 Price Target **USD 10.00**

## Why EQUAL WEIGHT?

We like WalkMe's market positioning as the leader in the nascent DAP market, but believe the current valuation reflects the upside in the market which is balanced by execution challenges amid a tough macro backdrop.

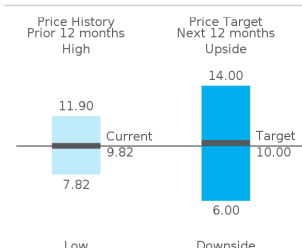
Upside case **USD 14.00**

Our upside scenario is based on a ~20.0x CY25 EV/FCF multiple and a 10% premium to our base case CY25 FCF estimate.

Downside case **USD 6.00**

Our downside scenario is based on a ~8.0x CY25 EV/FCF multiple and a 10% discount to our base case CY25 FCF estimate.

## Upside/Downside scenarios



## U.S. Software

POSITIVE

## Workday Inc. (WDAY)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	6,216	7,251	8,464	9,931	16.9%
EBITDA (adj)	1,574	2,012	2,349	2,760	20.6%
Operating profit (adj)	1,210	1,729	2,056	2,450	26.5%
Pre-tax income (adj)	1,172	1,883	2,216	2,590	30.3%
Net income (adj)	949	1,525	1,795	2,098	30.3%
EPS (adj) (\$)	3.63	5.75	6.55	7.43	27.0%
Diluted shares (mn)	261.6	265.2	273.9	282.5	2.6%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2023A	2024E	2025E	2026E	Average
EBITDA (adj) margin (%)	25.3	27.7	27.8	27.8	27.2
Operating margin (adj) (%)	19.5	23.8	24.3	24.7	23.1
Pre-tax (adj) margin (%)	18.9	26.0	26.2	26.1	24.3
Net (adj) margin (%)	15.3	21.0	21.2	21.1	19.7
ROIC (%)	-6.6	3.8	3.3	3.7	1.0
ROA (%)	-2.7	1.7	1.6	1.9	0.6
ROE (%)	-6.6	3.8	3.3	3.7	1.0
Balance sheet and cash flow (\$mn)	2023A	2024E	2025E	2026E	CAGR
Net PP&E	1,201	1,211	1,256	1,367	4.4%
Goodwill	3,146	3,096	3,096	3,096	-0.5%
Cash and equivalents	1,886	2,310	4,348	6,802	53.3%
Total assets	13,486	15,414	18,123	21,289	16.4%
Short and long-term debt	0	0	0	0	N/A
Other long-term liabilities	40	32	32	32	-7.5%
Total liabilities	7,901	8,366	9,155	10,099	8.5%
Net debt/(funds)	-3,145	-4,647	-6,685	-9,139	N/A
Shareholders' equity	5,586	7,048	8,968	11,190	26.1%
Change in working capital	48	-165	-75	89	22.6%
Cash flow from operations	1,657	1,976	2,376	2,876	20.2%
Capital expenditure	-360	-258	-339	-422	N/A
Free cash flow	1,298	1,718	2,038	2,454	23.7%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (adj) (x)	74.6	47.1	41.3	36.5	49.9
EV/sales (x)	11.5	9.9	8.5	7.2	9.3
EV/EBITDA (adj) (x)	45.5	35.6	30.5	26.0	34.4
Equity FCF yield (%)	-0.6	0.6	0.4	0.3	0.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	-7.4	-9.4	-13.6	-14.7	-11.3
Total debt/capital (%)	0.0	0.0	0.0	0.0	0.0
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Subscription revenue	5,567	6,599	7,756	9,163	18.1%
Software margin (%)	84.8	86.8	85.7	85.7	0.3%
Deferred revenue	3,634	4,189	4,882	5,671	16.0%

Note: FY End Jan

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 270.72**  
 Price Target **USD 309.00**

**Why OVERWEIGHT?**

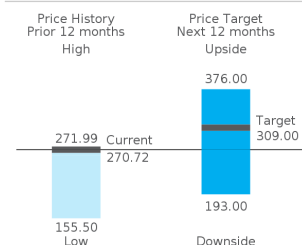
We like Workday's impressive technology and the strength of its product, as well as the very large addressable market size and growth opportunity. Additionally, our checks show an improved spending environment for larger, more complex software implementations, which we expect to drive better than expected financial results.

**Upside case** **USD 376.00**

A positive surprise to the functionality ramp of the Financial Accounting product could lead to enterprise-level traction here quicker than we expect, creating much higher growth.

**Downside case** **USD 193.00**

A downside surprise to Workday's expansion across the HCM space and in Financials would reduce the market opportunity and hence the growth rate that Workday could sustain for the next few years.

**Upside/Downside scenarios**

## U.S. Software

POSITIVE

## ZoomInfo Technologies Inc. (ZI)

OVERWEIGHT

Income statement (\$mn)	2022A	2023E	2024E	2025E	CAGR
Revenue	1,100	1,234	1,249	1,403	8.5%
EBITDA (adj)	490	526	564	666	10.8%
Operating profit (adj)	448	495	506	602	10.4%
Pre-tax income (adj)	400	453	466	562	12.0%
Net income (adj)	363	414	419	478	9.6%
EPS (adj) (\$)	0.88	1.00	1.03	1.15	9.2%
Diluted shares (mn)	410.8	411.8	408.8	414.8	0.3%
DPS (\$)	0.00	0.00	0.00	0.00	N/A
Margin and return data	2022A	2023E	2024E	2025E	Average
EBITDA (adj) margin (%)	44.5	42.7	45.2	47.4	44.9
Operating margin (adj) (%)	40.7	40.2	40.5	42.9	41.1
Pre-tax (adj) margin (%)	36.4	36.7	37.3	40.1	37.6
Net (adj) margin (%)	33.0	33.5	33.6	34.1	33.6
ROIC (%)	4.6	6.3	5.9	6.4	5.8
ROA (%)	0.9	2.4	3.3	4.2	2.7
ROE (%)	2.8	7.3	9.1	10.4	7.4
Balance sheet and cash flow (\$mn)	2022A	2023E	2024E	2025E	CAGR
Net PP&E	52	68	107	153	43.4%
Goodwill	1,693	1,693	1,693	1,693	0.0%
Cash and equivalents	418	536	949	1,449	51.4%
Total assets	7,136	7,191	7,625	8,231	4.9%
Short and long-term debt	1,236	1,233	1,233	1,233	-0.1%
Other long-term liabilities	6	5	5	5	-5.1%
Total liabilities	4,865	4,836	4,835	4,899	0.2%
Net debt/(funds)	690	572	159	-341	N/A
Shareholders' equity	2,272	2,355	2,791	3,332	13.6%
Change in working capital	-59	-164	-85	-100	N/A
Cash flow from operations	417	409	452	547	9.5%
Capital expenditure	29	27	38	47	17.6%
Free cash flow	388	381	413	500	8.8%
Valuation and leverage metrics	2022A	2023E	2024E	2025E	Average
P/E (adj) (x)	16.2	14.3	14.0	12.5	14.3
EV/sales (x)	6.2	5.6	5.5	4.9	5.6
EV/EBITDA (adj) (x)	14.0	13.0	12.2	10.3	12.4
Equity FCF yield (%)	7.7	7.6	8.2	9.5	8.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net debt/EBITDA (adj) (x)	1.6	1.4	1.3	1.1	1.4
Total debt/capital (%)	35.2	34.4	30.6	27.0	31.8
Selected operating metrics	2022A	2023E	2024E	2025E	CAGR
Deferred revenue	419.9	440.9	489.4	572.6	10.9%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (30-Nov-2023) **USD 14.37**  
 Price Target **USD 18.00**

**Why OVERWEIGHT?**

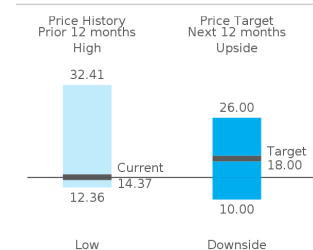
ZoomInfo's platform is best-of-class in terms of data accuracy and comprehensibility of features in the evolving go-to-market intelligence competitive landscape. The company also provides an industry-best mix of top-line growth and cash flow generation. However, we believe the current valuation levels fully reflect the LT growth potential.

**Upside case USD 26.00**

If ZoomInfo could continue to drive industry-best growth and profitability and hold off competition, the multiple and estimates could move higher.

**Downside case USD 10.00**

If ZoomInfo fails to maintain its industry lead and to continue to deliver growth/profitability, the multiple could see contraction.

**Upside/Downside scenarios**

## Valuation Methodology and Risks

### U.S. Software

#### Appian Corporation (APPN / APPN)

**Valuation Methodology:** Our \$40 PT is based on a ~4.0x CY25 EV/sales multiple on our CY25 sales estimate of \$732.1mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The company's extended path to profitability could result in further multiple compression. The smaller cash balance is notable and the company is accessing the debt markets to shore up its cash position, and if this becomes tougher, the company may need to curtail growth investments to reach profitability faster. Appian won a \$2bn legal judgment against Pega, but it's possible it could see a smaller award or have the verdict repealed in the appellate courts.

#### BigCommerce (BIGC / BIGC)

**Valuation Methodology:** Our price target of \$11 is based on 3.1x our CY25 Sales estimate of \$382mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** On the upside, faster than expected enterprise traction and international expansion could result in better than anticipated growth. On the downside, BigCommerce faces competition from larger ERP platforms, cloud native B2C companies, and companies specialized within the Enterprise and SMB segments. This could slow growth and impact pricing.

#### Ceridian HCM Holding Inc. (CDAY / CDAY)

**Valuation Methodology:** Our \$75 price target is based on a sum-of-the-parts methodology of the Dayforce, PowerPay, and Bureau businesses. We value Dayforce on 7x EV/CY25E Sales, PowerPay on 1x EV/CY25E Sales, and Bureau on 1x EV/CY25E Sales.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Ceridian operates in a highly competitive market that is rapidly evolving. Should other vendors, with more access to capital, innovate faster than Ceridian, this could impede the company's competitive positioning and market share. Similarly, the company is managing both the wind-down of its legacy business and the growth of its cloud business. Should the Bureau business decelerate faster than expected or the cloud business not grow as fast as expected, this could impede total revenue growth. On the upside, Dayforce Wallet could see faster than expected adoption that could lead to higher growth and profitability than consensus models.

#### Confluent, Inc (CFLT / CFLT)

**Valuation Methodology:** We apply a 7x sales multiple to our CY25 sales estimate of \$1,221mn for a PT of \$26.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** - Customers could opt for the free open source project instead, - Confluent is part of a highly competitive landscape that includes cloud products and legacy solutions -Market adoption of Kafka can accelerate leading to higher-than-expected revenue for Confluent.

#### Couchbase (BASE / BASE)

**Valuation Methodology:** Our \$21 price target is based on 4x our CY25E Sales of \$249mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Couchbase operates in a very competitive environment that includes other NoSQL database providers, legacy database providers, and cloud hyperscalers, which could negatively impact product adoption and pricing. Further, the loss of large customers could negatively impact future growth given the scale of the company and large customer exposure.

#### Datadog, Inc. (DDOG / DDOG)

**Valuation Methodology:** Our PT of \$138 is based on ~57x CY24 FCF of ~\$868mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The competitive environment continues to evolve and may become tougher than expected with the observability, security, and CI/CD spaces increasingly coming together, which may pressure LT growth prospects. Weaker execution and a slowdown in product innovation can also result in lower-than-expected growth prospects for the company. A prolonged macro downturn could also impact Datadog, especially given its consumption-oriented model.

#### Descartes Systems Group (DSGX / DSGX)

**Valuation Methodology:** Our PT of \$71 is based on EV/FCF multiple of 22x on CY25 FCF estimate of \$272mn

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** One of the biggest risks to our target stems from Descartes' ability to successfully source and integrate acquisitions. Failure to source acquisitions could prevent the company from meeting its 10-15% annual EBITDA per share growth target, which is 50% dependent on M&A. Descartes business is also highly dependent on world trade. We believe a slowdown in global economic activity leading to fewer goods being shipped coupled with reduced customs and compliance regulations would materially impact the long term growth outlook for the company.

#### DigitalOcean (DOCN / DOCN)

**Valuation Methodology:** Our \$37 price target is based on ~25x EV/CY25E FCF of \$224.2mn

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The primary risks for DigitalOcean is that hyperscalers drive pricing down for its core IaaS portfolio or increased competition within the IaaS or PaaS portfolio. Additionally, a prolonged weaker macro environment could cause spending to decline across certain verticals (blockchain), regions (Europe), and customer segments (customers spending less than \$50/month).

#### DoubleVerify Holdings, Inc. (DV / DV)

**Valuation Methodology:** Our price target of \$40 is based on 24x EV/CY25E EBITDA and CY25 EBITDA of \$287mn.



## Valuation Methodology and Risks

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** DoubleVerify operates in a nascent and constantly evolving market. This dynamic presents a number of risks to both the upside and downside. The competitive landscape presents an opportunity as there are few capable large vendors, but competition could intensify as penetration deepens. Additionally, new media types present an opportunity for top-line growth, but it could also mandate significant investment into R&D to develop products for these new media.

### Dynatrace, Inc. (DT / DT)

**Valuation Methodology:** Our price target of \$52 is based on an EV/CY25E FCF multiple of ~35x and our CY25E FCF estimate of \$435.8mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Near-term macro headwinds and slower than expected adoption of the company's platform may impact growth. Longer-term competitive headwinds from other observability competitors could also hinder the company's ability to land and expand with APM and other use cases.

### Integral Ad Science Holding Corp. (IAS / IAS)

**Valuation Methodology:** Our PT of \$17 is based off of 13x CY25E EBITDA of \$220mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** IAS competes with two other fully scaled vendors in an evolving competitive market. In addition to execution risk, the company faces the risk of failing to respond to new and emerging technological challenges, as well as the incremental R&D and S&M spend that could come along with that. Additionally, though not a major risk currently, further privacy regulation could impact the industry moving forward.

### Jamf Holding Corp. (JAMF / JAMF)

**Valuation Methodology:** Our PT of \$20 is based on ~19x EV/uFCF and CY25E uFCF of ~\$158mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The company may see better than expected adoption driven by secular tailwinds and benign competitive landscape, which may lead to accelerating growth prospects and meaningful upside to shares. On the downside, tougher competitive landscape, disruption to Apple partnership or weaker than expected momentum for Apple in the enterprise may pressure growth prospects.

### Klaviyo, Inc. (KVYO / KVYO)

**Valuation Methodology:** Our \$37 PT is based on 9x EV/CY25E Sales and CY25E Sales of \$1.14bn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** There are several factors that could be considered risks to the Klaviyo investment case. First, the competitive environment is nascent and rapidly evolving. Changes to competitive dynamics here could swing the vector of long term growth one way or another. Additionally, the close tie with Shopify could also cut both ways as it is supposed to accelerate customer adoption, but also could create a dependence and exposure to that base. Finally, we consider the recent pricing actions and SMB focus as potential risks to the downside.

### Lightspeed Commerce Inc. (LSPD / LSPD)

**Valuation Methodology:** Our PT of \$20 is based on our sum-of-the-parts analysis, where we assign a 2.0x multiple to CY25E subscription sales of \$407mn and 2.0x multiple for CY25E transaction-based revenue of \$829mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Tougher competitive landscape and weaker-than-expected penetration of payments may result in slower growth prospects than estimated.

### Microsoft Corp. (MSFT / MSFT)

**Valuation Methodology:** Our PT of \$421 is based on EV/FCF multiple of 36x and CY25 FCF of \$85.8bn

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The emergence of cloud computing, virtualization and new non-PC form factors such as tablets and smart phones represent ongoing risks to Microsoft's business model and underlying profitability. Increased investment spend in long-term growth initiatives such as search and mobile could also cause margins to come under significant pressure.

### MongoDB, Inc. (MDB / MDB)

**Valuation Methodology:** Our price target of \$470 is based on 15x EV/revenue and CY25E revenue of \$2.46bn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Key risks are: 1) Large-scale competition, 2) Use of open source software, 3) failure to monetize free versions of MongoDB, and 4) dual class structure and voting power.

### OpenText Corp. (OTEX / OTEX)

**Valuation Methodology:** Our \$44 PT is based on ~12x CY25E uFCF and uFCF of \$1.654bn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** An unsuccessful integration of the various Micro Focus assets and inability to turn around their declining top line is the biggest risk, in our view. We also see risk from the potential entrance of more modern offerings in the content management space.

### Oracle Corp. (ORCL / ORCL)

**Valuation Methodology:** Our price target of \$147 is based on CY25 P/E of ~22x and EPS of \$6.60.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Oracle faces viable competitors in the SaaS and IaaS segments and if this intensifies, it could bring down the overall growth rate. Additionally, there is risk to the core database product losing share to other hyperscaler offerings and non-relational solutions. Lastly, there is risk to the Cerner acquisition integration not going smoothly.

### Paycom (PAYC / PAYC)

**Valuation Methodology:** Our price target of \$193 is based on EV/FCF of 28x and CY25E FCF of \$402mn.



## Valuation Methodology and Risks

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Incumbent vendors start to execute better and respond more strongly: if the incumbent vendors with a large market share at the moment, such as ADP or Paychex, develop a better technology solution (e.g. single database platform) or improve their customer service then this could intensify competitive deals. In addition, with their large installed base already, a better technology solution or better customer service could help them reduce attrition to newer vendors like Paycom. This could put pressure on Paycom's market share wins or make price more of a competitive talking point. Overall, the incumbent vendors "getting their act together" represent a potential risk to our Paycom growth estimates. Slower than expected productivity ramp up at newer offices: We give Paycom's management the benefit of the doubt that new offices can ramp up in sales productivity in the same way that has been done historically. If there were to be sales execution around going to market in new regions or closing deals then productivity and growth would be negatively impacted. This could potentially arise as the number of offices increase too quickly relative to the number of sales managers and management attention becomes diluted. It may also occur if management has underestimated the market opportunity or local competition in a new city/region that Paycom has expanded into.

### Paylocity Holding Corp (PCTY / PCTY)

**Valuation Methodology:** Our \$174 price target is based on 27x EV/FCF and CY25E FCF of \$359mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Paylocity competes in a highly competitive industry and sees a significant amount of new client opportunities via churn from legacy competitors. If legacy providers innovate faster than expected, this could lead to better retention, and therefore less new client growth opportunities for Paylocity. In addition, rising unemployment levels could negatively impact revenue per customer, which may limit PCTY's growth outlook. On the upside, faster than expected US economic growth could offer PCTY more growth opportunities, leading to upside to our estimates. Also, if competitors fail to add enough support capacity as it grows and customer satisfaction levels fall, then PCTY could see more potential client activity than expected.

### Pegasystems, Inc. (PEGA / PEGA)

**Valuation Methodology:** Our PT of \$52 is based on ~12x EV/CY25E FCF and CY25E FCF of ~\$383mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** On the upside, Pega Cloud could see faster than expected adoption, resulting in ACV growth ticking back up toward 20%. A more favorable outcome in the legal case with Appian could also drive upside. On the downside, a tougher than expected competitive landscape may put pressure on growth expectations. Additionally, a longer than expected timeline to complete the subscription transition or achieve the Rule of 40% could dampen investor sentiment.

### ServiceNow, Inc. (NOW / NOW)

**Valuation Methodology:** Our price target of \$765 is based on CY25 EV/FCF of 40x and CY25E FCF of \$4.05bn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Macroeconomic uncertainty would lead to reduced business confidence and a reluctance to move forward/invest in IT projects, which would affect ServiceNow's revenue growth. In addition, NOW competes with some of the largest software companies in the world. These competitors could develop an attractive and robust SaaS IT Service Management solution that would slow the pace of share gains for ServiceNow. Also, although the company's platform has thus far been well received by customers, the company could be unable to invest the necessary resources to ensure it remains a best in class solution. As the platform is a major driver of our long-term investment thesis, this would likely lead to multiple contraction.

### Skillsoft Corp. (SKIL / SKIL)

**Valuation Methodology:** Our PT of \$37 is based on 5.5x EV/CY25E adj. EBITDA and CY25E adj. EBITDA of \$137mn

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** New market entrants capturing share of Skillsoft's Fortune 500 customer base may lead to lower dollar-based retention and growth. Skillsoft has made multiple acquisitions to expand its offering. If synergies are not realized to expectations, then this may reduce shareholder value.

### Snowflake Computing (SNOW / SNOW)

**Valuation Methodology:** Our PT of \$198 is based on an EV/CY25E FCF multiple of 55x and CY25E FCF of \$1,278mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** 1) Unlike a subscription revenue model, Snowflake recognizes revenue as customers consume resources. This could create volatility in the P&L as Snowflake has limited visibility into the revenue it can recognize compared to traditional SaaS companies. 2) In addition to the legacy software companies competing with Snowflake, all the major public cloud vendors have competitive solutions. 3) Snowflake is dependent on cloud vendors to run its services and its cost of goods are based on the pricing it gets from AWS, Azure etc.

### Sprinklr, Inc. (CXM / CXM)

**Valuation Methodology:** Our price target of \$18 is based on 5x CY25E Sales of \$970mn

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Sprinklr operates in a new and emerging market. As such, the major risk for the business is customer understanding and adoption. If enterprises do not see CXM as a pressing need, that could put pressure on the ability for Sprinklr to attract new customers and grow existing ones. Additionally, although the platform is fully compliant now, changes in the regulation of consumer data privacy could create a challenge for the business.

### Sprout Social, Inc. (SPT / SPT)

**Valuation Methodology:** Our Price Target of \$65 is based on 7x EV/CY25 Sales and a CY25 Sales estimate of ~\$559mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** There are several risks that could impede the progress of both Sprout Social's financial performance and our investment thesis. First the market landscape is still fragmented and evolving, which could invite larger players to jump in via acquisition. Next, the platform is dependent on larger social networks for integrations and a failed relationship here could harm the ability to provide end to end value for customers. Additionally, the company has a history of cash burn. Finally, issues around user data privacy could be an obstacle if more stringent Internet regulation is passed.

## Valuation Methodology and Risks

### Teradata Corp. (TDC / TDC)

**Valuation Methodology:** Our PT of \$46 is based on a multiple of 14x our CY25 FCF estimate less lease expenses of ~\$374mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** The upcoming software-only and cloud offerings could see greater than expected traction, transforming Teradata from a hardware company into a software company, thereby both raising the margin profile as well as the multiple. More aggressive capital returns would lift the stock.

### WalkMe Ltd. (WKME / WKME)

**Valuation Methodology:** We apply an ~14x EV/FCF multiple to our CY25 FCF estimate of \$52.0mn to arrive at our price target of \$10.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** (1) WalkMe Compatibility Across Operating Systems and Third Party Applications: If WalkMe can't maintain and expand relationships with third-party technology partners for product integrations, the company may not be able to grow its customer base or expand within larger enterprises, and as a result could see lower ARR growth. (2) Large Technology Enterprises Entering the Market: Large enterprise software vendors such SAP, Oracle, Microsoft and Salesforce could provide embedded point solutions or as add-on software in their broader software platforms, which could temper traction of third-party software providers. (3) Inability to Maintain and Expand Relationships with Largest Customers: While WalkMe counts nearly 2,000 firms as customers, its 22 largest customers account for 22% of ARR. While there is plenty of runway for WalkMe to further expand to large scale enterprises (due to low penetration in the Fortune 500/G2K), the inability to do this or maintain existing relationships with its biggest customers could lead to a slowdown in ARR growth. (4) Profitability a Few Years Away: WalkMe needs to heavily invest in R&D and S&M to build its platform and ecosystem. This could delay its timeline towards achieving operating and FCF profitability.

### Workday Inc. (WDAY / WDAY)

**Valuation Methodology:** Our price target of \$309 is based on EV/CY25E FCF of 34x and CY25E FCF of \$2.42bn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** Failure to gain expected traction in Workday's FINS+ offerings could lead to lower than expected top-line growth and may cause multiple contraction

### ZoomInfo Technologies Inc. (ZI / ZI)

**Valuation Methodology:** Our PT of \$18 is based on 15x EV/uFCF and our CY25 uFCF estimate of \$568mn.

**Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target:** ZoomInfo operates in a market that is adjacent to the much larger CRM vendors and as such, these vendors could pose a threat if they chose to target the go-to-market data intelligence landscape. Additionally, despite exercising caution in complying to all current data privacy regulation and staying ahead of all legislature on the horizon, the potential for more stringent data privacy regulation poses a risk for the business. Finally, revenue and profitability estimates are based on customer migration to the new data platform in a reasonable time-frame (2-3 years) and any delays here could hinder future top-line and margin performance.

Source: Barclays Research

**Analyst(s) Certification(s):**

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**Primary Stocks (Ticker, Date, Price)**

**Appian Corporation** (APPN, 30-Nov-2023, USD 36.24), Underweight/Positive, CE/J

**BigCommerce** (BIGC, 30-Nov-2023, USD 8.72), Equal Weight/Positive, CD/CE/J

**Ceridian HCM Holding Inc.** (CDAY, 30-Nov-2023, USD 68.90), Equal Weight/Positive, CD/CE/E/J/K/L/M

**Confluent, Inc** (CFLT, 30-Nov-2023, USD 21.22), Overweight/Positive, CD/CE/J

**Couchbase** (BASE, 30-Nov-2023, USD 19.64), Overweight/Positive, CE/J

**Datadog, Inc.** (DDOG, 30-Nov-2023, USD 116.57), Overweight/Positive, CD/CE/J

**Descartes Systems Group** (DSGX, 30-Nov-2023, USD 81.04), Underweight/Positive, CE/E/J/L

**DigitalOcean** (DOCN, 30-Nov-2023, USD 29.62), Overweight/Positive, CD/CE/J

**DoubleVerify Holdings, Inc.** (DV, 30-Nov-2023, USD 33.20), Overweight/Positive, A/CE/D/J/L

**Dynatrace, Inc.** (DT, 30-Nov-2023, USD 53.55), Equal Weight/Positive, CE/J

**Integral Ad Science Holding Corp.** (IAS, 30-Nov-2023, USD 14.59), Equal Weight/Positive, A/CE/D/J/L

**Jamf Holding Corp.** (JAMF, 30-Nov-2023, USD 16.47), Overweight/Positive, CD/CE/E/J/L

**Klaviyo, Inc.** (KVYO, 30-Nov-2023, USD 29.63), Equal Weight/Positive, A/CE/D/E/FA/J/L

**Lightspeed Commerce Inc.** (LSPD, 30-Nov-2023, USD 16.07), Overweight/Positive, CE/J

**Microsoft Corp.** (MSFT, 30-Nov-2023, USD 378.91), Overweight/Positive, CD/CE/D/E/J/K/L/M/N

**MongoDB, Inc.** (MDB, 30-Nov-2023, USD 415.74), Overweight/Positive, CD/CE/E/J/L

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**OpenText Corp.** (OTEX, 30-Nov-2023, USD 40.14), Equal Weight/Positive, CD/CE/D/E/FA/J/K/L/M/R

**Oracle Corp.** (ORCL, 30-Nov-2023, USD 116.21), Overweight/Positive, CD/CE/J/K/M/N

**Paycom** (PAYC, 30-Nov-2023, USD 181.66), Equal Weight/Positive, CE/J

**Paylocity Holding Corp** (PCTY, 30-Nov-2023, USD 156.67), Equal Weight/Positive, J

**Pegasystems, Inc.** (PEGA, 30-Nov-2023, USD 51.98), Underweight/Positive, CD/CE/J

**ServiceNow, Inc.** (NOW, 30-Nov-2023, USD 685.74), Overweight/Positive, CD/CE/J/K/M

**Skillsoft Corp.** (SKIL, 30-Nov-2023, USD 19.14), Overweight/Positive, E/J/K/L/M

**Snowflake Computing** (SNOW, 30-Nov-2023, USD 187.68), Overweight/Positive, CE/J

**Sprinklr, Inc.** (CXM, 30-Nov-2023, USD 15.68), Overweight/Positive, CE/J

**Sprout Social, Inc.** (SPT, 30-Nov-2023, USD 56.90), Overweight/Positive, CE/J

**Teradata Corp.** (TDC, 30-Nov-2023, USD 47.25), Underweight/Positive, CE/FA/J

**WalkMe Ltd.** (WKME, 30-Nov-2023, USD 9.82), Equal Weight/Positive, CE/J

**Workday Inc.** (WDAY, 30-Nov-2023, USD 270.72), Overweight/Positive, CD/CE/E/J/K/L/M

**ZoomInfo Technologies Inc.** (ZI, 30-Nov-2023, USD 14.37), Overweight/Positive, CE/D/E/J/K/L/M

**Materially Mentioned Stocks (Ticker, Date, Price)**

**Elastic N.V.** (ESTC, 30-Nov-2023, USD 80.36), Overweight/Positive, CD/CE/J

**Intuit Inc.** (INTU, 30-Nov-2023, USD 571.46), Overweight/Positive, CD/CE/J/K/M/N

**Salesforce.com Inc.** (CRM, 30-Nov-2023, USD 251.90), Overweight/Positive, CD/CE/J/K/M

**UiPath, Inc.** (PATH, 30-Nov-2023, USD 19.76), Equal Weight/Positive, CE/J

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In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

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### U.S. Software

8x8 Inc. (EGHT)	Adobe Inc. (ADBE)	Alarm.com Holdings, Inc. (ALRM)
Alkami Technology, Inc. (ALKT)	Ansys, Inc. (ANSS)	Appian Corporation (APPN)
Atlassian (TEAM)	AudioCodes Ltd. (AUDC)	Autodesk Inc. (ADSK)
Bandwidth Inc. (BAND)	BigCommerce (BIGC)	Braze Inc. (BRZE)
CCC Intelligent Solutions (CCCS)	Ceridian HCM Holding Inc. (CDAY)	Check Point Software Technologies Ltd. (CHKP)
Confluent, Inc (CFLT)	Couchbase (BASE)	CrowdStrike Holdings, Inc (CRWD)
CyberArk Software (CYBR)	Datadog, Inc. (DDOG)	Definitive Healthcare Corp (DH)
Descartes Systems Group (DSGX)	DigitalOcean (DOCN)	DoubleVerify Holdings, Inc. (DV)
Dynatrace, Inc. (DT)	Elastic N.V. (ESTC)	Everbridge, Inc. (EVBG)
EverCommerce Inc. (EVCN)	Five9, Inc. (FIVN)	Fortinet, Inc. (FTNT)
Freshworks Inc. (FRSH)	Gen Digital Inc. (GEN)	GitLab Inc. (GTLB)
HubSpot, Inc. (HUBS)	Intapp, Inc. (INTA)	Integral Ad Science Holding Corp. (IAS)
Intuit Inc. (INTU)	Jamf Holding Corp. (JAMF)	Klaviyo, Inc. (KVYO)
Lightspeed Commerce Inc. (LSPD)	LivePerson, Inc. (LPSN)	MeridianLink, Inc. (MLNK)
Microsoft Corp. (MSFT)	MongoDB, Inc. (MDB)	nCino, Inc. (NCNO)
OpenText Corp. (OTEX)	Oracle Corp. (ORCL)	Palo Alto Networks (PANW)

Paycom (PAYC)	Paylocity Holding Corp (PCTY)	Pegasystems, Inc. (PEGA)
PowerSchool Holdings, Inc (PWSC)	Procore Technologies, Inc. (PCOR)	PTC Inc. (PTC)
Rapid7 (RPD)	RingCentral, Inc. (RNG)	Salesforce.com Inc. (CRM)
SAP SE (SAP)	SecureWorks (SCWX)	SentinelOne, Inc. (S)
ServiceNow, Inc. (NOW)	Similarweb Ltd. (SMWB)	Skillsoft Corp. (SKIL)
Smartsheet Inc. (SMAR)	Snowflake Computing (SNOW)	Splunk Inc. (SPLK)
Sprinklr, Inc. (CXM)	Sprout Social, Inc. (SPT)	Tenable Holdings Inc (TENB)
Teradata Corp. (TDC)	Twilio Inc. (TWLO)	Tyler Technologies, Inc. (TYL)
UiPath, Inc. (PATH)	Varonis Systems, Inc. (VRNS)	Veeva Systems Inc. (VEEV)
WalkMe Ltd. (WKME)	Workday Inc. (WDAY)	Zeta Global Holdings Corp. (ZETA)
Zoom Video Communications, Inc. (ZM)	ZoomInfo Technologies Inc. (ZI)	Zscaler, Inc. (ZS)

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