



IT SERVICES / SOFTWARE

What Are You Thinking?! Feedback from investor meetings.

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We spent the last three weeks meeting with investors in London, Paris, New York and LA.

What are you thinking?! Lots of scepticism out there (except for the hyperscalers).

In this brief note, we provide feedback on what investors appear to be thinking about, and asking about, in recent investor meetings, following recent company user conferences and financial analyst days, and ahead of the Big Tech September quarter results which kick-off this week.

Investors believe reduced Cloud expectations, and share price pull-back, have de-risked Amazon and Microsoft. Adobe is another vocal consensus long.

Investors appear to believe that Amazon and Microsoft are no longer confident consensus longs (we disagree). Investors believe that the pull back in Cloud computing expectations (due to weak third-party data and DDOG comments) over the course of Q3, along with the ~10% pull back in Amazon and Microsoft shares, have de-risked both stocks ahead of earnings. We believe Microsoft remains the largest position in most portfolios, with investors expecting Azure stabilisation and share gains vs AWS, with Copilot data points set to ramp from November 1st. Investors also expect AWS to stabilise with North American margins showing more positive progress. Investors also appear confidently long Adobe, and cautiously long Intuit (still some consumer and small biz exposure concerns), SAP (some concerns on ability to maintain Cloud growth) and ServiceNOW (some concerns that everyone expects a beat on the soft guidance and strong Federal quarter).

Alphabet still off the radar as investors stick with Meta. Lots of scepticism in general.

Despite outperforming Amazon and Microsoft this year, investors appear uninterested in Alphabet. We believe investors are relatively Neutral towards Oracle (with the OCI story cooling), Shopify (valuation and consumer discretionary spend) and Workday (investors appear less confident now than before numbers were de-risked). We see investors bearish on Accenture (revenues declining, and valuation still full), Salesforce (investors see revenue weakness, and a reversion to M&A and investments), Snowflake (zero visibility yet consensus modelling a reacceleration), and Zoom (potential M&A and buybacks prevent many from being short, but fundamentals concerning).

Key valuation metrics

	Stock Rating	Price (LC)	TP / Upside		Mkt cap (USDm)	P/E (x)		EV/EBITA (x)		ESG Rating
						CY23e	CY24e	CY23e	CY24e	
Accenture	(=)	297.0	280	-6%	179,878	23.5	21.1	17.8	15.7	Leader
Adobe Systems	(=)	541.0	554	2%	246,678	42.1	38.8	33.7	31.6	
Alphabet A	(+)	135.6	163	20%	1,683,662	23.2	19.3	18.0	14.7	Average
Amazon	(=)	125.2	140	12%	1,297,502	56.7	39.7	44.8	30.4	
Intuit	(=)	506.8	504	-1%	119,852	47.8	40.8	36.1	30.3	Leader
Microsoft	(=)	326.7	325	-1%	2,407,034	30.9	27.0	24.3	21.1	Leader
Oracle	(+)	101.9	139	36%	277,595	23.2	19.8	18.9	16.5	Laggard
Salesforce	(+)	203.7	336	65%	198,109	35.5	27.3	26.5	20.0	Average
SAP ADR	(+)	130.7	158	21%	152,101	32.0	25.8	19.1	15.4	
ServiceNow Inc	(=)	542.5	585	8%	111,249	NC	117.3	NC	95.3	Average
Shopify	(-)	51.1	56	10%	65,693	0.0	139.4	NC	NC	
Snowflake	(=)	147.7	162	10%	48,802	0.0	0.0	NC	NC	Average
Workday Inc	(+)	211.2	263	25%	55,936	NC	NC	NC	NC	
Zoom	(=)	61.7	72	17%	18,828	34.3	40.2	21.4	22.4	Average

Prices at 20 October 2023

* Date and time (London Time) on which the investment recommendation was finalised. It may differ from the date and time of broad dissemination on the website. See Appendix (on p6) for Analyst Certification, Important Disclosures and Non-US Research Analyst disclosures.

What are you thinking?!

Where is sentiment vocally Bullish?

- Adobe, Amazon, Microsoft

Where is sentiment cautiously Bullish?

- Intuit, SAP, ServiceNOW

Where is sentiment Neutral?

- Alphabet, Oracle, Shopify, Workday

Where is sentiment Bearish?

- Accenture, Salesforce, Snowflake, Zoom

Top investor quotes by company

Accenture. Sentiment: Bearish

- With revenues declining, why hasn't the valuation bombed out?
- Why will Accenture large deals ramp when everyone else is saying large deals are being delayed?

Adobe. Sentiment: Bullish

- Company margin messaging seemed more positive at MAX than at Q3
- Wow, the products seem impressive
- Still trying to figure out the price impact and GenAI lift in FY'24
- Who cares about Canva and Figma?

Alphabet. Sentiment: Neutral

- The stock keeps going up. That must create risk around numbers.
- Will Sunday Ticket have an impact?
- Who cares about Cloud acceleration. Only AWS and Azure matter.
- I hadn't even thought about the new CFO being a catalyst

Amazon. Sentiment: Bullish

- After the weak third-party data, AWS is de-risked. Everyone is worried.
- After the 11% pullback, the stock is de-risked.
- In-line results will be good enough
- If Q3 is not the catalyst, then Re-Invent will be
- Should I be worried about a cost ramp in Q4? I thought they were trying to maximise NA margins.

Intuit. Sentiment: Bullish

- If rates are stable-ish, why is Credit Karma guide 0%? What will drive the 20-25% growth?
- Seems like they have many attractive growth avenues
- Live and Assisted may drive a big Consumer beat

Microsoft. Sentiment: Bullish

- Weaker Cloud checks have de-risked the set-up
- Even if the underlying business still decelerates, AI services will drive Azure stabilization
- After the 8% pull-back, the stock is de-risked
- If Q3 is not the catalyst, then the Nov 1 Copilot launch will be
- GenAI may be GM accretive, not dilutive
- Microsoft owns OpenAI, right?
- Hopefully consensus Capex is high enough

Oracle. Sentiment: Neutral.

- OCI didn't beat in FQ1 because the GPUs weren't fired up yet. So the beat will come in Q2! (After Friday, maybe not)
- Does Nvidia think the Oracle relationship is special? Or is it just Oracle who thinks it's special?
- Are you sure the weak Cloud apps growth in FQ1 was just comps?

Salesforce. Sentiment: Bearish

- The 'easy money' alongside the activists has been made
- They will start to hire and acquire again. Buy side margin expectations too high.
- The FQ4 cRPO growth guide will be single digits
- Not a real GenAI play, and Microsoft likely to apply pressure
- It's cheap, but.....

SAP. Sentiment: Bullish

- Not sure why so many people were worried ahead of Q3
- All I care about is S/4 and PaaS, and that continues to do very well
- Seems like a safe place to be, especially in Europe

ServiceNOW. Sentiment: Bullish

- The Q3 guide was cautious. Between that, and a strong federal quarter, they will beat. They need to beat, or else that will be bad for Q4
- Checks (which have been unreliable) appear good.
- I am still not sure it's a GenAI beneficiary, but Pro+ seems OK, even if early

Shopify. Sentiment: Neutral

- Still seems expensive, with high discretionary spend exposure
- But I like the company and the business
- Is there an Investor Day in December? I hadn't noticed

Snowflake. Sentiment: Bearish

- It feels like going long is just a leap of faith.
- The messaging, and the operational performance, appears to differ day to day
- Why is everyone (still) taking about Databricks?
- If growth does not reaccelerate, it still looks expensive

Workday. Sentiment: Neutral

- I am worried the soft guidance signals a lack of management confidence
- FINS and margins will always be elusive
- I liked it at \$240, but not at \$210

Zoom. Sentiment: Bearish

- What are they going to buy?
- Could they try to acquire Five9 even though they have built their own Contact Center offering?
- The Microsoft Copilot newsflow must become another headwind, right?

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