#SoftwareIsLife 2022

Software Can Grow Through Mid-Cycle Churn & Rising Rates In 2022

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Equity Research | Americas

Also see: #SoftwareIsLife (Full Initiation)

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Ratings & Top Picks for 2022

Software Coverage
Ratings

Outperform	Neutral	Underperform
Autodesk, Inc. (ADSK)	Adobe Inc. (ADBE)	Check Point Software Technologies Ltd. (CHKP)
Confluent Inc (CFLT)	Cloudflare Inc (NET)	Teradata Corporation (TDC)
Microsoft Corporation (MSFT)	Informatica (INFA)	
MongoDB, Inc. (MDB)	Palantir Technologies Inc. (PLTR)	
Oracle Corporation (ORCL)	Workday, Inc. (WDAY)	
Palo Alto Networks, Inc. (PANW)	Zendesk, Inc. (ZEN)	
Salesforce.com, Inc. (CRM)	Zeta Global Holdings Corp. (ZETA)	
ServiceNow, Inc. (NOW)		
Snowflake, Inc. (SNOW)		
Splunk Inc. (SPLK)		
UiPath Inc (PATH)		
VMware, Inc. (VMW)		
ZoomInfo Technologies, Inc. (ZI)		
Zscaler, Inc. (ZS)		

Top 3 Ideas by Market Capitalization

Top Picks	What's Our Call?	What's Consensus Missing?
Mega-Cap: Microsoft	▪ For at least the next five years, we forecast Microsoft to deliver (1) mid- to high-teens revenue growth—driven by mid-20% growth in Intelligent Cloud, mid-teens growth in Productivity and Business Processes, and ~2-5% growth in Windows—and (2) high-teens to +20% EPS and FCFPS growth—driven by scale (even with accelerating investments) and ongoing share repurchases. We believe these levels of sustained growth and profitability are still not properly reflected in consensus estimates or valuation. (See slides 138-146 of #SoftwareIsLife.)	▪ As the next wave of growth in the cloud is increasingly driven by large enterprises, we expect Microsoft Azure to disproportionately benefit as the "enterprise cloud." We therefore expect Azure to continue to narrow the dollar revenue gap to #1 Amazon Web Services and widen the gap to #3 Google Cloud.
Large-Cap: Salesforce	▪ Switching from caution to a post-recession growth posture and adapting to a "new normal" in terms of buying and selling behavior, we believe companies are focused on retaining existing customers and attracting new customers, which is placing increased attention on outdated CRM applications. We believe Salesforce, with (1) the most complete horizontal suite of CRM applications and (2) an increasingly robust vertical technology stack, is the company in our coverage universe most leveraged to the acceleration in the Digital Transformation refresh and expansion cycles across the B2B and B2C segments. (See slides 170-181 of #SoftwareIsLife.)	▪ Although many investors have grown weary of the company's increasingly acquisitive nature, we believe Salesforce's growing footprint is becoming more strategic to its customers—from business users to members of the C-suite—enabling the company to not only steadily expand organic operating margins but also deliver stronger growth on a large revenue base for longer than is truly appreciated by Wall Street.
Mid-Cap: Splunk	▪ We expect (1) the sustainability of growth of the core Splunk index and (2) the shift to the cloud, combined with (3) its natural expansion into data streaming as well as (4) the company's commitment to becoming a leader in observability to enable Splunk to grow recurring revenue (RR) at least 25-30% annually—a level of growth that we do not believe is reflected in the stock's valuation. (See slides 199-205 of #SoftwareIsLife.)	▪ Data is the glue for managing the adoption of cloud-native technologies and the increasingly complex infrastructure and applications accompanying them.[1] Despite a crowded competitive landscape, we believe Splunk's Observability Cloud comes at a time when many large enterprises are ready to pivot to full-stack observability, data-driven diagnostics, and automation—at scale.[2] (See pages 6-7 of Which Stocks Had The Most Pushback From Our #SoftwareIsLife Initiation?)

Top 3 Ideas by Style

Top Picks	What's Our Call?	What's Consensus Missing?
High-Growth: UiPath	▪ The market opportunity in terms of global automatable wages is both massive and largely untapped: a robot for every person. We believe that UiPath, with the only purpose-built, end-to-end hyperautomation platform in the industry, is leading the paradigm shift toward the fully-automated enterprise. (See slides 212-218 of #SoftwareIsLife.)	▪ Although most investors understand the potential addressable market of robotic process automation (RPA), many are concerned that increasing competition in the RPA market will begin to slow UiPath's growth. We believe that UiPath's differentiated, end-to-end hyperautomation platform that can scale from individual workers to company-wide initiatives will enable the company to continue driving strong new customer acquisition, robust customer expansion, and attractive unit economics longer than Wall Street appreciates.
GARP: ZoomInfo	▪ We view ZoomInfo as the clear leader in go-to-market (GTM) intelligence solutions—a growing market targeted at business-to-business (B2B) sales professionals that is being redefined by data analytics at cloud scale. ZoomInfo's leadership and competitive differentiation in this growing market, combined the company's strong unit economics, underscore our thesis that a premium valuation is warranted compared to current levels. (See slides 247-254 of #SoftwareIsLife.)	▪ Whereas many investors question the sustainability of ZoomInfo's product differentiation, we view ZoomInfo's superior contact data as a key competitive advantage that will persist owing to (1) network effects at scale, (2) diverse data sourcing, and (3) distant leadership. Furthermore, we believe ZoomInfo is in the early stages of effectively leveraging the high-quality data and insights derived from its best-in-class B2B intelligence platform to develop a comprehensive go-to-market suite that combines comprehensive data management, orchestration, and engagement.
Value: VMware	▪ Based on the strategic positioning of vSphere running more than 80 million workloads at more than 300,000 customers—combined with the company's emerging Kubernetes strategy, full software-defined datacenter (SDDC) stack, and expanding set of developer-centric platforms and tools—we view VMware as uniquely positioned to create a single platform to build and operate existing and modern workloads side-by-side across on-premises, hybrid-cloud, and multi-cloud environments.[3] (See slides 219-226 of #SoftwareIsLife.)	▪ We believe VMware's opportunity is clear and significant. If the company successfully integrates Kubernetes into the vSphere platform and its broader SDDC offerings to provide consistent, integrated hybrid- and multi-cloud infrastructure, we believe VMware can sustainably reaccelerate growth into the low double-digits over a multi-year period versus consensus expectations for a deceleration in growth from 9.2% in FY2022 to 7.9% in FY2023 and 8.0% in FY2024.

Top 5 Themes for 2022

Top 5 Themes for 2022

Themes	Analysis	Stock Picks
Software Can Grow Through Mid-Cycle Churn & Rising Rates.	▪ 2022 is starting with the same rotation trade as last year: (1) value over growth and (2) technology—particularly higher-growth software—selling off on the expectation of higher rates and concerns about decelerating growth. ▪ How sustainable will the rotation trade be this time? If history is any guide, software will prove resilient once again—due to sustainable robust revenue growth and high operating leverage. ▪ The software sector now trades at an EV/LTM R to NTM revenue growth ratio of 0.68, compared with 0.64 in January 2020 and the sector's average 2018-2019 ratio of 0.58. In fact, when utilizing NTM and SNTM estimates, **half of our coverage** is trading at or below the sector's January 2020 and average 2018-2019 growth-adjusted valuation ratios—ignoring potential upside to estimates over the next twelve months.	**Splunk, UiPath, ZoomInfo, ServiceNow, Palo Alto Networks, Salesforce, VMware**
Confluent, ZoomInfo, and Zscaler have the Most Potential Upside to Estimates.	▪ In addition to absolute levels of growth and profitability (as well as interest rates), changes in consensus revenue growth forecasts are also correlated to stock returns. ▪ After analyzing consensus estimates for revenue growth and S&M expenses over the next 5 quarters, we believe consensus implies material declines in the Magic Number (a key indicator of S&M productivity and a core component of unit economics for software companies) for Confluent, ZoomInfo, and Zscaler, despite each company demonstrating stable to slightly improving Magic Number productivity trends over the past 4-8 quarters—positioning these three companies to deliver the most potential upside to estimates in our opinion.	**Confluent, ZoomInfo, Zscaler**
The Great Resignation will Drive Increased Automation.	▪ The COVID-19 pandemic had led to what has been dubbed the "Great Resignation"—the highest level of voluntary resignations on record. ▪ The two core issues brought about by the "Great Resignation" are (1) finding (labor shortage) and (2) keeping (retention) employees. ▪ Automation can address both issues by reducing the need for additional workers through increased productivity and helping retain employees by allowing them to focus on the value-add (and most enjoyable) parts of their job. ▪ Traditional RPA is a process-driven technology to mimic human actions in interacting with digital systems and automate repetitive, rule-based, time-consuming, and non-value-added tasks in business processes. We believe a blend of technologies including process/task mining, RPA, pragmatic AI, API-based integration, and low-code platforms will drive cultural transformation in the enterprise.	**UiPath**
Cloud Platform & Infrastructure Growth Keeps Defying Gravity.	▪ IT organizations massively accelerated adoption of the public cloud technologies during 2020. 2021 continued that acceleration. ▪ Whereas there was an initial rush into the cloud as a means to "triage" IT systems as a result of the pandemic[1], we expect 2022 to be defined by CIOs moving forward on multi-year, "strategic" transformation roadmaps to embrace cloud computing as "the" development and deployment platform for their enterprises—an acceleration of a secular trend that we expect to drive robust demand for public cloud, multi-cloud, and cloud-native technologies for multiple years. ▪ The adoption of the cloud set off a generation of reinvention that continues to gain momentum, and we believe the next wave of reinvention will be driven by data at cloud scale.	**Public Cloud:** Microsoft **Multi-Cloud:** VMware **Data in the Cloud:** Splunk, Confluent, MongoDB, Snowflake
The Front Office Stays in the Front Seat.	▪ Switching from caution to a post-recession growth posture and adapting to a new normal, CEOs' priorities are clear: (1) growth, (2) digitalization, and (3) productivity.[2] ▪ Facing CEO demands to grow and digitalize efficiently, IT leaders must find force multipliers to drive growth, adopt technology to accelerate digitalization, and create scalable IT systems for productivity and cost efficiency.[2] ▪ The past 18 months have triggered faster change in customer-focused systems than ever, and we believe this pace will only increase in 2022—driving sustained growth for the CRM market. [2]	**Salesforce, ZoomInfo**

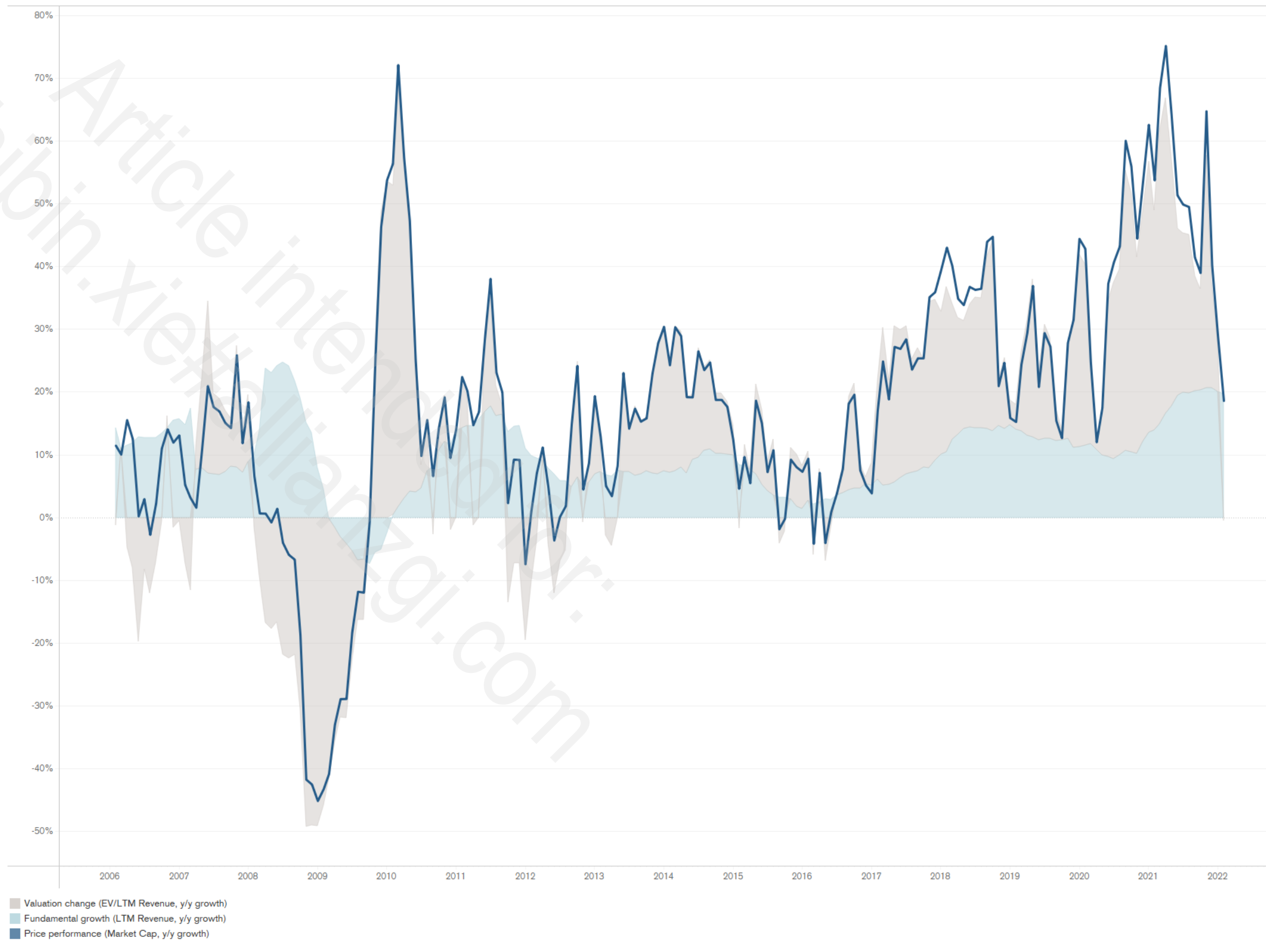
Theme #1:
Software Can Grow Through Mid-Cycle Churn & Rising Rates.

What Do We Do with the Sector Now?

Mid-Cycle Churn

- **We believe the market is transitioning from its valuation-driven early-cycle phase to a fundamentals-driven mid-cycle phase.**
  - Software had maintained an uptrend—generally with higher highs and higher lows—through mid-November 2020.
    - The significant stock price appreciation that had been driven by multiple expansion in 2020 continued to fade over the second half of 2021, as a normal part of the market's early-cycle to mid-cycle adjustment
  - Valuation multiples flipped negative year-over-year beginning in December (with an accelerated downward trend in January).

Software Stock Price Performance Decomposed into Valuation vs. Revenue Growth (2006-2022)

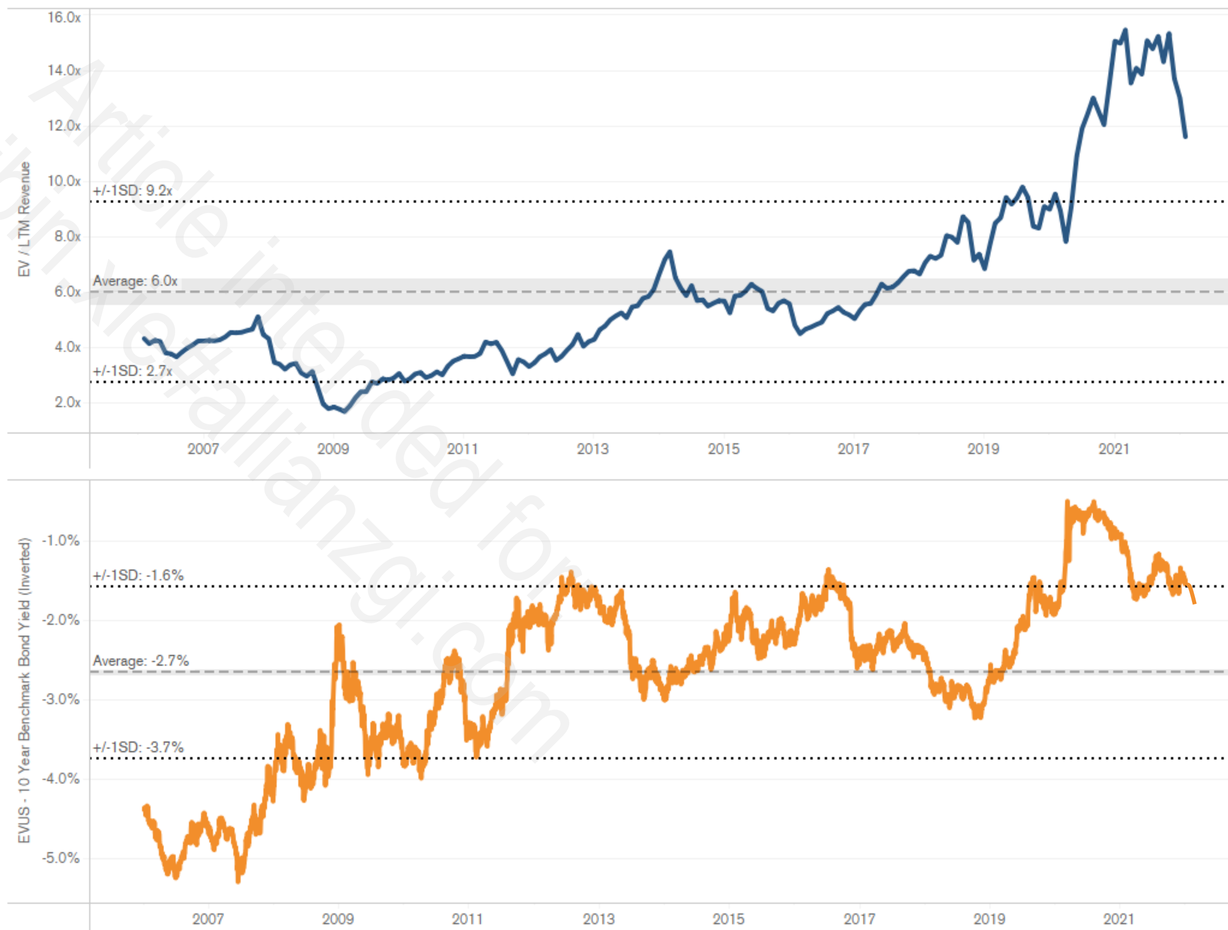


Source: Company data, FactSet, Visible Alpha, Credit Suisse.

What Do We Do with the Sector Now?
Long-Duration, High-Convexity

- In fixed income, convexity measures the non-linear relationship of bond prices to changes in interest rates.
- Software is a long-duration, high-convexity asset class, which would have capital change for a given increase/decrease in interest rates.
  - Within this context, the low interest rate environment over the past two years has allowed investors to justify significant multiple expansion for higher-growth, longer-duration software companies.
  - Conversely, with the significant and rapid increase in the US 10-year Treasury yield, software stocks have exhibited significant negative correlation in January.

Software Sector EV/LTM Revenue Multiple vs. Inverted US 10-year Treasury Yield (Since 2006)



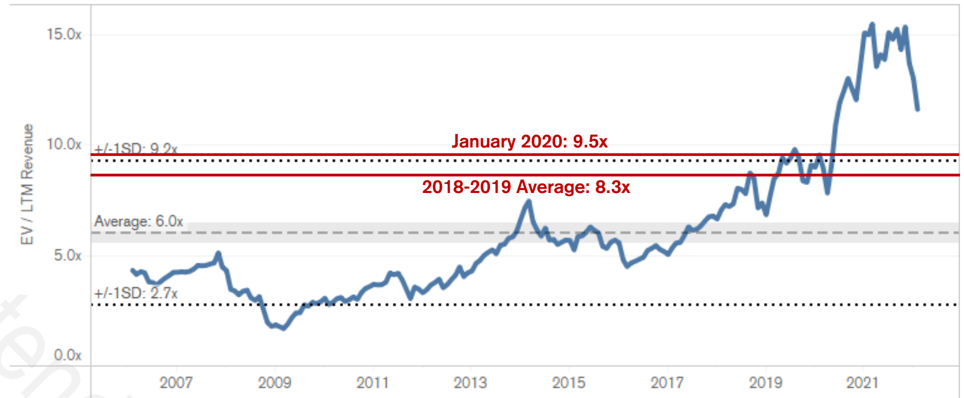
Source: Company data, FactSet, Visible Alpha, Credit Suisse.

What Do We Do with the Sector Now?

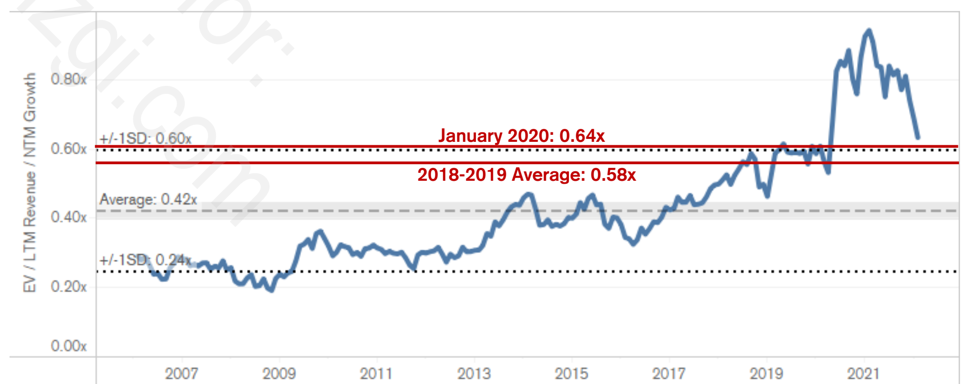
Growth-adjusted Multiples Have Retraced on Average

- 2022 is starting with the same rotation trade as last year: (1) value over growth and (2) technology selling off on the expectation of higher rates and decelerating growth.
- **With significant year-to-date declines—particularly higher growth stocks—we believe the sector is approaching more normalized valuation levels**, positioning software to transition to a fundamentals-driven mid-cycle phase that we believe will result in stock price appreciation.
  - The sector on average now trades at an EV/LTM revenue multiple of 11.9x, a level still higher than its January 2020 multiple of 9.5x and the sector's average 2018-2019 multiple of 8.3x (a period when the US 10-year Treasury yield averaged 2.5%).
  - However, given the robust growth outlook for the software industry, the sector trades at an **EV/LTM R to NTM growth ratio of 0.68, as compared with 0.64 in January 2020** and the sector's average 2018-2019 multiple of 0.58.

Software Sector – EV/LTM Revenue Multiple (Since 2006)



Software Sector – EV/LTM Revenue to NTM Revenue Growth Ratio (Since 2006)

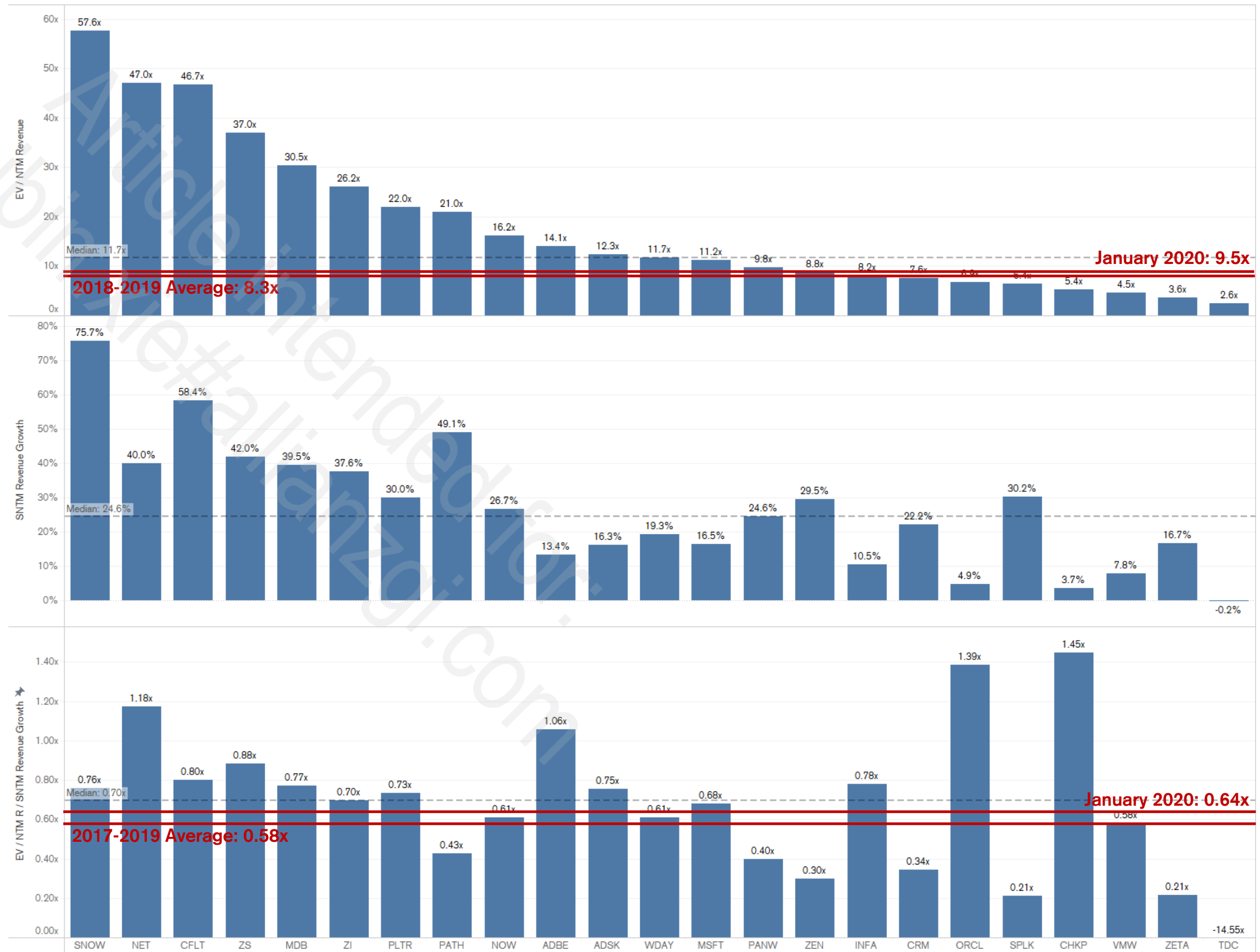


Source: Company data, FactSet, Visible Alpha, Credit Suisse.

What Do We Do with the Software Stocks Now?

- After a significant year-to-date decline only seven trading days into 2022, **half of our coverage is trading at or below** the sector's January 2020 and average 2018-2019 growth-adjusted valuation ratios when utilizing NTM and SNTM estimates—ignoring potential upside to estimates over the next twelve months.

Credit Suisse Coverage Comparison – EV/NTM Revenue Multiple vs. SNTM Revenue Growth vs. EV/NTM Revenue to SNTM Revenue Growth Ratio

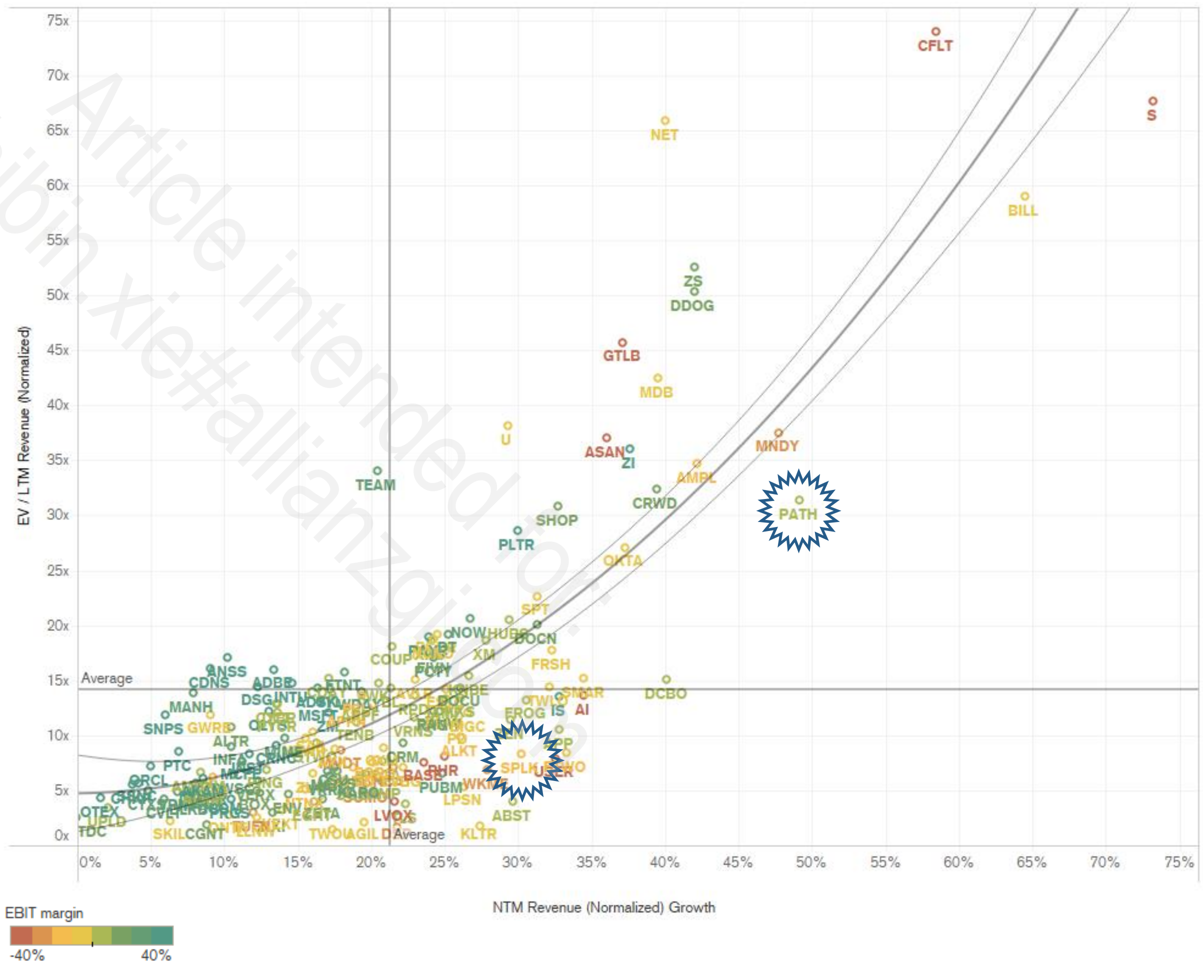


Source: Company data, FactSet, Visible Alpha, Credit Suisse. Prices as of 1/11/2022.

Undervalued High-Growth Stocks

- We believe that the market is undervaluing multiple high-growth software companies relative to their peers—particularly **Splunk** and **UiPath**.

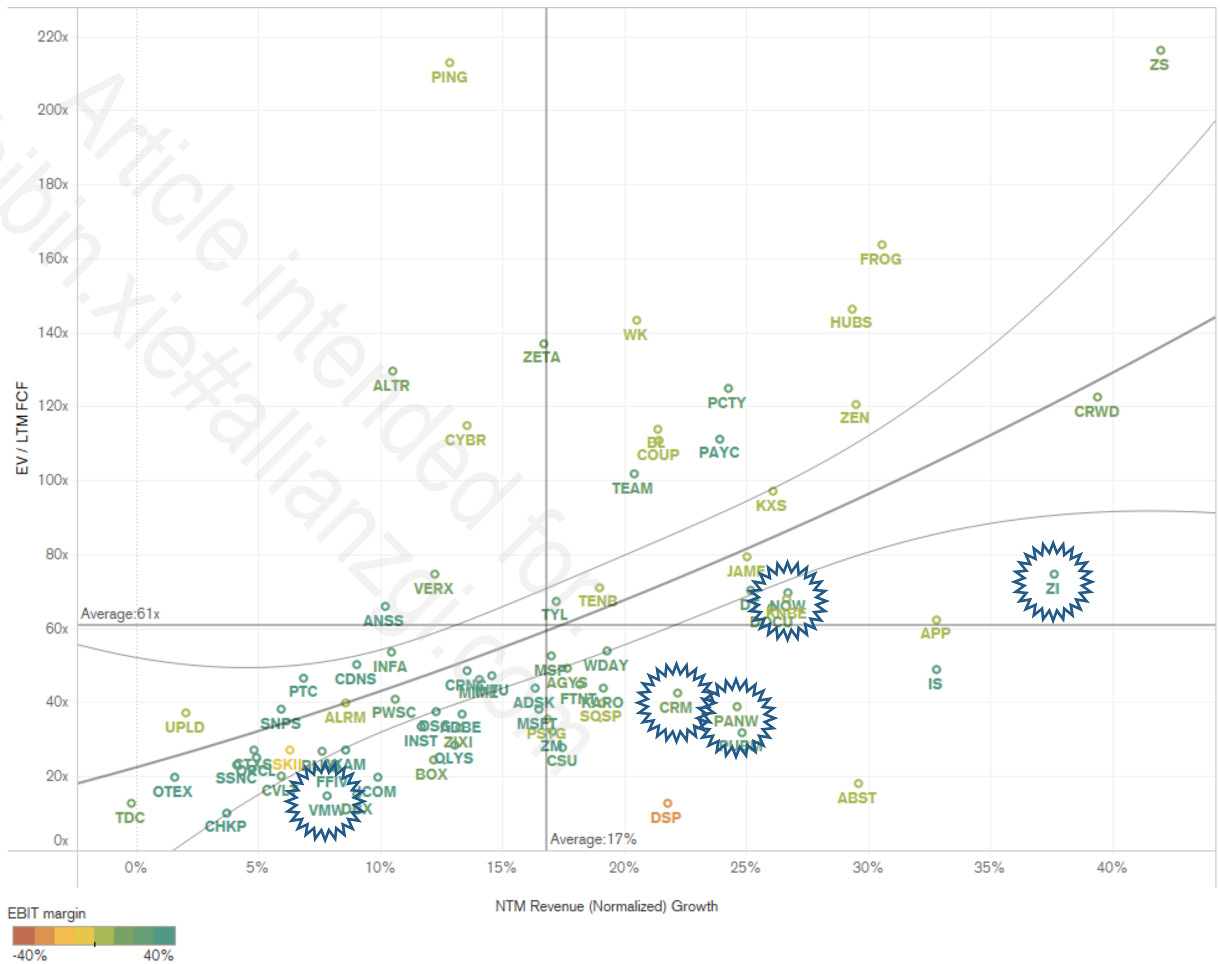
Software Universe (excluding Outliers) – EV/LTM Revenue vs. NTM Revenue Growth



Undervalued Stocks with "Real" Cash Flow

- A long-term, low-rate environment favors growth over value over time—even if the US 10-year Treasury yield increases back toward 2-3% in the future.
  - However, we believe that the market has mispriced **VMware** as a value stock.
  - We view the cash flow generation of **Salesforce**, **Palo Alto Networks**, **ServiceNow**, and **ZoomInfo** as particularly undervalued by investors.

Software Universe (excluding Outliers) – EV/LTM FCF vs. NTM Revenue Growth



Source: Company data, FactSet, Visible Alpha, Credit Suisse. Prices as of 1/11/2022.

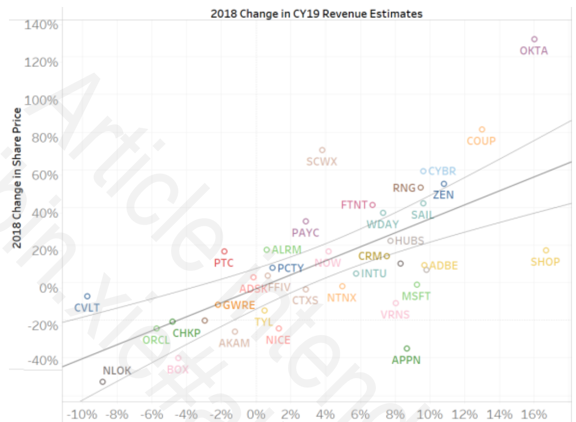
Theme #2:

Confluent, ZoomInfo, and Zscaler have the Most Potential Upside to Estimates.

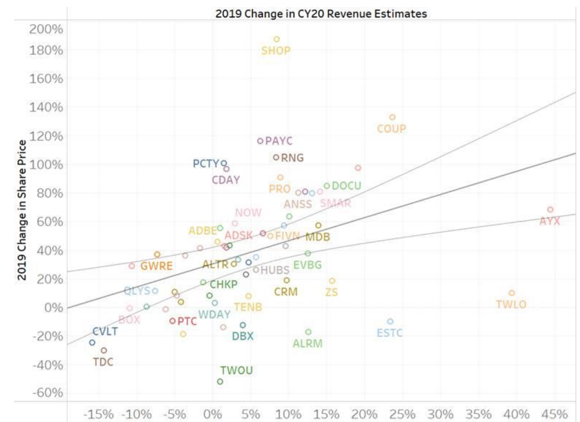
Software Investors Pay for Growth/Profitability…and Revenue Beats

- Based on our analysis, (1) relative valuation multiples are higher for firms with greater growth versus greater profitability and (2) firms that achieve and beat the Rule of 40 tend to have greater valuations than those that do not.
  - A trend is also emerging in which valuation has become increasingly correlated to growth—as compared to margin alone, which is having less influence on valuation.
  - In other words, growth matters most.
- In addition to absolute levels of growth and profitability (as well as interest rates), changes in consensus revenue growth forecasts are also correlated to stock returns.
  - That said, the coefficient of determination of the variation in consensus revenue estimate revisions relative to the variation in stock price performance fluctuates considerably year to year.

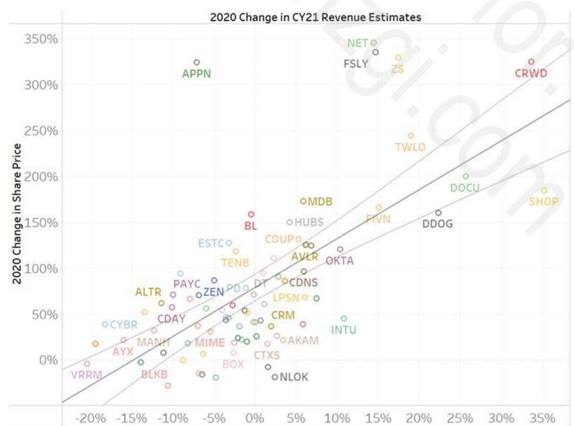
Change in Share Price in 2018 vs. Change in 2019 Revenue Estimates



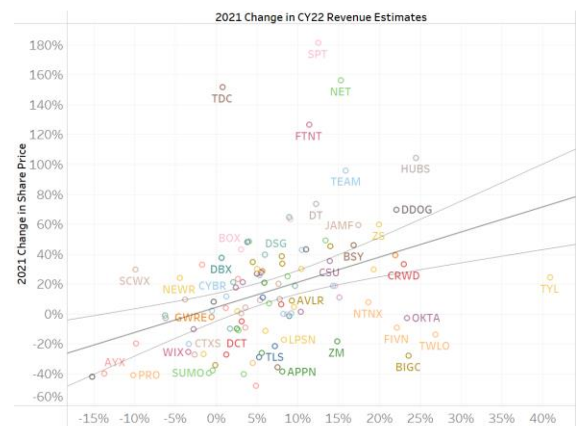
Change in Share Price in 2019 vs. Change in 2020 Revenue Estimates



Change in Share Price in 2020 vs. Change in 2021 Revenue Estimates



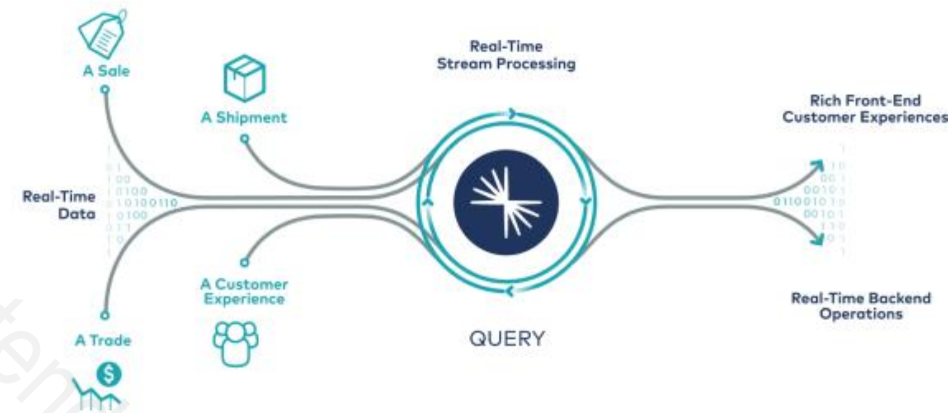
Change in Share Price in 2021 vs. Change in 2022 Revenue Estimates



Stock Picks for Theme #2
Confluent

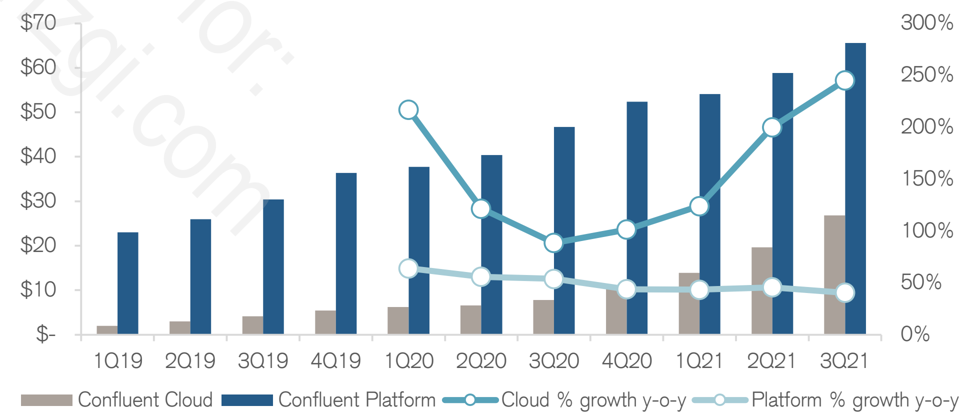
- While Confluent has already posted two strong quarters as a publicly-traded company—with an average top-line beat of 14%—we believe consensus estimates still underappreciate the company's true growth potential, based on:
  1. **Retention and Expansion.** Since overcoming COVID-related headwinds in 2020, existing customer activity is on an upward trend. This is reflected in (1) dollar-based gross retention rate, which has likely improved from the 80s to the company's +90% target and (2) dollar-based net retention rate, which greatly increased from the 117-125% range to >130% in the past two quarters. Improving churn (versus OSS Apache Kafka) and healthy Platform and Cloud expansion are all contributing factors.
  2. **Cloud Acceleration.** Confluent Cloud growth continues to accelerate (+245% y/y in Q3 2021), giving us further confidence in the company's cloud-native differentiation. As Cloud offers a structurally easier way for customers to land and expand with Confluent, we expect growth efficiency to also improve—particularly while Cloud runway remains ample (currently less than one-third of subscription revenue).
  3. **Sales Rep Ramping.** S&M spend growth (cons. +72.7% y/y) is expected to have outpaced revenue growth (cons. +59.7%) in 2021, largely due to a planned post-COVID catch-up in sales rep hiring. This caused a temporary dip in productivity, as the percentage of "ramping" reps increased throughout the year. With a more normalized 2022 expected S&M spend growth (cons. +32.1% y/y) and a ramp time of roughly 4 quarters, we anticipate the average rep productivity to increase throughout the year, in turn driving improving growth efficiency
  4. **Magic Number.** Consensus estimates currently reflect 2022 revenue guidance of $511 million, implying that growth will decelerate from the high 60s to the mid-to-low 30s in only 5 quarters. Estimates also imply a material decline of Confluent's Magic Number, despite the company demonstrating an improvement over the past 7 quarters.

A New Paradigm for Data in Motion: Continuously Processing Evolving Streams of Data



Confluent Cloud vs. Confluent Platform

US$ in millions



Source: Company data, FactSet, Credit Suisse.
Note: We have calculated Magic Number as net new ARR per $1 of S&M expense, with ARR equal to the current quarter's annualized revenue.

Stock Picks for Theme #2

Confluent: Beat & Raise Scenario Analysis

- Confluent's reported results have exceeded current period (FQ1) consensus estimates by an average of 14.0% over the past 2 quarters.
- As a result, the consensus increased the subsequent period's (FQ2) estimates by an average of 14.2% over the same time period.
- A beat and raise of this magnitude in each of the next eight quarters would result in implied SNTM revenue of $1.18 billion versus the consensus of $638—million a 85.0% delta—equating to an implied EV/NTM revenue multiple of 22.5x versus 41.7x based on consensus estimates.

Credit Suisse "Beat & Raise" Scenario Analysis

US$ in millions, unless otherwise stated

Last actual fiscal year	2020	Current price	$71.97
Current quarter	Dec-21E	Diluted shares outstanding	342.224
Average beat FQ1 (last two quarters)	14.0%	Net cash	$1,952
Average raise FQ2 (last two quarters)	14.2%		
Average beat FQ1 (forecast)	14.0%	EV/revenue multiple (midpoint)	55.0x
Average raise FQ2 (forecast)	14.2%	Multiple increments	5.0x
Average raise fade FQ3+ vs. FQ2 (forecast)	55.8%		

	HISTORICAL PERIOD				FORECAST PERIOD							
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21E	Mar-22E	Jun-22E	Sep-22E	Dec-22E	Mar-23E	Jun-23E	Sep-23E
Credit Suisse revenue	$ 70.3	$ 77.0	$ 88.3	$ 102.6	$ 109.9	$ 116.6	$ 129.2	$ 143.5	$ 144.9	$ 152.2	$ 168.6	$ 189.5
% growth y-o-y	46.2%	51.3%	64.0%	66.8%	56.2%	51.3%	46.2%	39.9%	31.9%	30.5%	30.6%	32.1%
EV/revenue multiple (Credit Suisse)												
Consensus revenue	$ 70.3	$ 77.0	$ 88.3	$ 102.6	$ 109.9	$ 110.7	$ 120.2	$ 133.7	$ 148.3	$ 149.4	$ 162.2	$ 178.0
% growth y-o-y	46.2%	51.3%	64.0%	66.8%	56.2%	43.7%	36.0%	30.3%	34.9%	35.0%	35.0%	33.1%
EV/revenue multiple (consensus)												
					125.2	126.3	129.7	144.2	160.0	161.2	175.0	192.0
						144.0	148.0	155.6	172.6	174.0	188.9	207.2
							168.7	177.7	186.2	187.7	203.8	223.5
								202.5	212.6	202.5	219.9	241.2
									242.3	231.2	237.2	260.2
										263.5	270.8	280.8
											308.7	320.6
												365.4
Implied revenue (beat/raise)	$ 70.3	$ 77.0	$ 88.3	$ 102.6	$ 125.2	$ 144.0	$ 168.7	$ 202.5	$ 242.3	$ 263.5	$ 308.7	$ 365.4
% growth y-o-y	46.2%	51.3%	64.0%	66.8%	78.1%	86.9%	91.0%	97.4%	93.5%	83.0%	83.0%	80.4%
$ Δ vs. consensus	NA	NA	NA	NA	15.4	33.3	48.5	68.8	94.1	114.1	146.5	187.4
% Δ vs. consensus	NA	NA	NA	NA	14.0%	30.1%	40.4%	51.5%	63.4%	76.4%	90.3%	105.3%
EV/revenue multiple (implied)												

	LTM	NTM	SNTM	2020	2021E	2022E
Credit Suisse revenue	$ 338.3	$ 499.1	$ 655.2	$ 236.6	$ 377.8	$ 534.1
% growth y-o-y	57.8%	47.6%	31.3%	57.9%	59.7%	41.4%
EV/revenue multiple (Credit Suisse)	78.6x	53.3x	40.6x	112.4x	70.4x	49.8x
Consensus revenue	$ 338.3	$ 474.4	$ 637.9	$ 236.6	$ 377.8	$ 512.8
% growth y-o-y	57.8%	40.2%	34.5%	57.9%	59.7%	35.7%
EV/revenue multiple (consensus)	78.6x	56.0x	41.7x	112.4x	70.4x	51.8x
	338.3	640.4	876.2			
	57.8%	89.3%	36.8%			
Implied revenue (beat/raise)	$ 338.3	$ 640.4	$ 1,179.9	$ 236.6	$ 393.2	$ 757.5
% growth y-o-y	57.8%	89.3%	84.2%	57.9%	66.2%	92.7%
$ Δ vs. consensus	NA	166.1	542.0	NA	15.4	244.8
% Δ vs. consensus	NA	35.0%	85.0%	NA	4.1%	47.7%
EV/revenue multiple (implied)	78.6x	41.5x	22.5x	112.4x	67.6x	35.1x

SCENARIO ANALYSIS: IMPLIED REVENUE (BEAT/RAISE) | % GROWTH Y-O-Y

NTM — Implied revenue (beat/raise); rows: Average beat, columns: Average raise

Average beat	13.41%	13.66%	13.91%	14.16%	14.41%	14.66%	14.91%
13.23%	630.7	632.5	634.4	636.2	638.1	639.9	641.8
13.48%	632.1	633.9	635.8	637.6	639.5	641.4	643.2
13.73%	633.5	635.3	637.2	639.0	640.9	642.8	644.6
13.98%	634.8	636.7	638.6	$ 640.4	642.3	644.2	646.1
14.23%	636.2	638.1	640.0	641.8	643.7	645.6	647.5
14.48%	637.6	639.5	641.4	643.2	645.1	647.0	648.9
14.73%	639.0	640.9	642.8	644.7	646.5	648.4	650.3

NTM — % growth y-o-y

86.4%	87.0%	87.5%	88.1%	88.6%	89.2%	89.7%
86.9%	87.4%	88.0%	88.5%	89.1%	89.6%	90.2%
87.3%	87.8%	88.4%	88.9%	89.5%	90.0%	90.6%
87.7%	88.2%	88.8%	89.3%	89.9%	90.4%	91.0%
88.1%	88.6%	89.2%	89.7%	90.3%	90.9%	91.4%
88.5%	89.1%	89.6%	90.2%	90.7%	91.3%	91.8%
88.9%	89.5%	90.0%	90.6%	91.1%	91.7%	92.3%

SNTM — Implied revenue (beat/raise); rows: Average beat, columns: Average raise

Average beat	13.41%	13.66%	13.91%	14.16%	14.41%	14.66%	14.91%
13.23%	1,143.5	1,153.0	1,162.5	1,172.1	1,181.8	1,191.6	1,201.4
13.48%	1,146.0	1,155.5	1,165.1	1,174.7	1,184.4	1,194.2	1,204.0
13.73%	1,148.5	1,158.1	1,167.7	1,177.3	1,187.0	1,196.8	1,206.7
13.98%	1,151.1	1,160.6	1,170.2	$ 1,179.9	1,189.7	1,199.5	1,209.3
14.23%	1,153.6	1,163.2	1,172.8	1,182.5	1,192.3	1,202.1	1,212.0
14.48%	1,156.1	1,165.7	1,175.4	1,185.1	1,194.9	1,204.7	1,214.7
14.73%	1,158.6	1,168.3	1,177.9	1,187.7	1,197.5	1,207.4	1,217.3

SNTM — % growth y-o-y

81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%
81.3%	82.3%	83.3%	84.2%	85.2%	86.2%	87.2%

SCENARIO ANALYSIS: PRICE PER SHARE | % UPSIDE/DOWNSIDE

NTM — Price per share; rows: Implied revenue (beat/raise), columns: EV/revenue multiple

Implied revenue (beat/raise)	40.0x	45.0x	50.0x	55.0x	60.0x	65.0x	70.0x
$ 630.7	$79.42	$88.63	$97.85	$107.06	$116.28	$125.49	$134.70
$ 633.9	$79.80	$89.06	$98.32	$107.58	$116.84	$126.11	$135.37
$ 637.2	$80.18	$89.49	$98.80	$108.11	$117.42	$126.72	$136.03
$ 640.4	$80.56	$89.92	$99.27	$108.63	$117.99	$127.35	$136.70
$ 643.7	$80.94	$90.35	$99.75	$109.16	$118.56	$127.97	$137.37
$ 647.0	$81.33	$90.78	$100.23	$109.69	$119.14	$128.59	$138.05
$ 650.3	$81.71	$91.22	$100.72	$110.22	$119.72	$129.22	$138.72

NTM — % upside/downside

10.3%	23.2%	36.0%	48.8%	61.6%	74.4%	87.2%
10.9%	23.7%	36.6%	49.5%	62.4%	75.2%	88.1%
11.4%	24.3%	37.3%	50.2%	63.1%	76.1%	89.0%
11.9%	24.9%	37.9%	50.9%	63.9%	76.9%	89.9%
12.5%	25.5%	38.6%	51.7%	64.7%	77.8%	90.9%
13.0%	26.1%	39.3%	52.4%	65.5%	78.7%	91.8%
13.5%	26.7%	39.9%	53.1%	66.3%	79.5%	92.8%

SNTM — Price per share; rows: Implied revenue (beat/raise), columns: EV/revenue multiple

Implied revenue (beat/raise)	40.0x	45.0x	50.0x	55.0x	60.0x	65.0x	70.0x
$ 1,143.5	$139.36	$156.07	$172.77	$189.48	$206.19	$222.89	$239.60
$ 1,155.5	$140.76	$157.65	$174.53	$191.41	$208.30	$225.18	$242.06
$ 1,167.7	$142.18	$159.24	$176.30	$193.36	$210.42	$227.48	$244.54
$ 1,179.9	$143.61	$160.85	$178.09	$195.33	$212.57	$229.81	$247.05
$ 1,192.3	$145.06	$162.48	$179.90	$197.32	$214.74	$232.16	$249.57
$ 1,204.7	$146.52	$164.12	$181.72	$199.32	$216.92	$234.52	$252.12
$ 1,217.3	$147.99	$165.77	$183.56	$201.34	$219.13	$236.91	$254.70

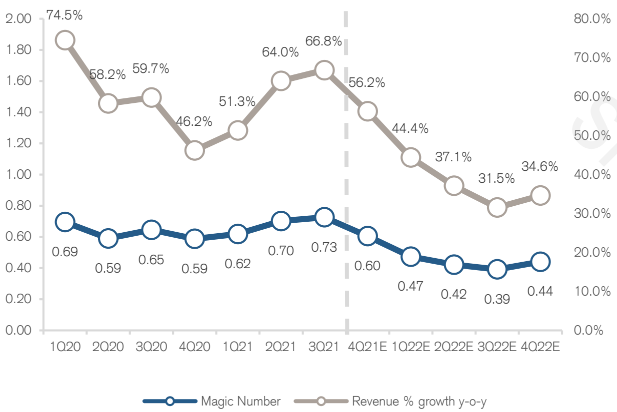
SNTM — % upside/downside

93.6%	116.8%	140.1%	163.3%	186.5%	209.7%	232.9%
95.6%	119.0%	142.5%	166.0%	189.4%	212.9%	236.3%
97.6%	121.3%	145.0%	168.7%	192.4%	216.1%	239.8%
99.5%	123.5%	147.5%	171.4%	195.4%	219.3%	243.3%
101.6%	125.8%	150.0%	174.2%	198.4%	222.6%	246.8%
103.6%	128.0%	152.5%	176.9%	201.4%	225.9%	250.3%
105.6%	130.3%	155.0%	179.8%	204.5%	229.2%	253.9%

Stock Picks for Theme #2

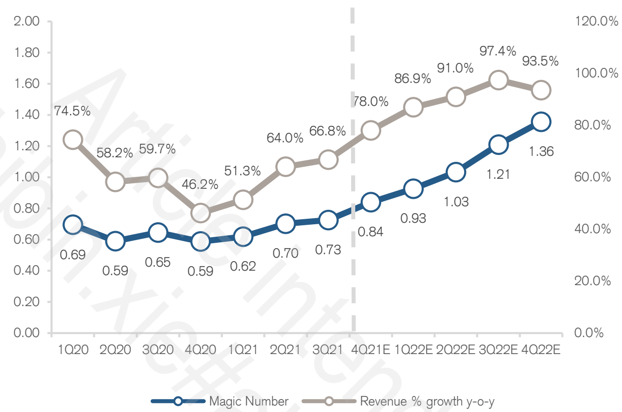
Confluent: Magic Number Scenario Analysis

(1) Consensus: Consensus Revenue Growth vs. Implied Magic Number (using Consensus S&M)



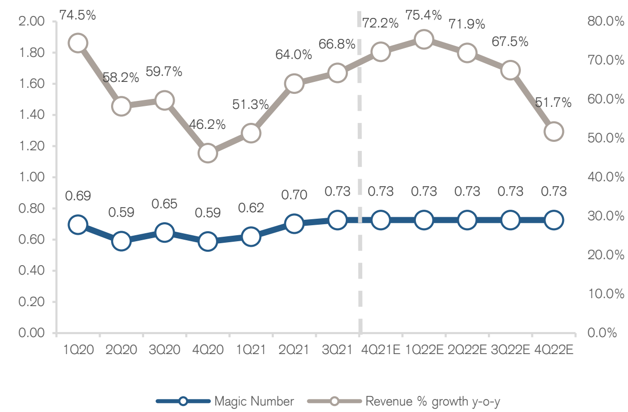
- Consensus revenue and S&M estimates imply a material deterioration in unit economics from a historical range of ~0.6-0.7 to 0.60 exiting 2021 and 0.44 exiting 2022.
- Consensus is currently modeling 2021/2022 revenue for Confluent of $378 million/$513 million, which implies revenue growth decelerating from 66.8% in the most recently reported quarter (Q3 2021) to 56.2% exiting 2021 and 34.6% exiting 2022.

(2) Beat & Raise: B&R Revenue Growth vs. Implied Magic Number (using Consensus S&M)



- The Magic Number calculated using our Beat & Raise (B&R) implied revenue and consensus S&M is slightly better than the historical range of ~0.6-0.7 implying a Magic Number of 0.84 exiting 2021 and 1.36 exiting 2022.
- Our B&R analysis implies 2021/2022 revenue for Confluent of $393 million/$758 million (revenue growth of 66.2%/92.7%), which are 4.1%/47.7% above consensus, respectively.

(3) Magic Number: Implied Revenue Growth (using Consensus S&M) vs. Constant Magic Number



- Assuming no improvement in Confluent's Magic Number (using a constant Magic Number of 0.73) and consensus S&M implies 2021/2022 revenue for Confluent of $389 million/$643 million (revenue growth of 64.4%/65.2%), which is 3.0%/25.3% above consensus, respectively.

Source: Company data, FactSet, Credit Suisse.
Note: We have calculated Magic Number as net new ARR per $1 of S&M expense, with ARR equal to the current quarter's annualized revenue.

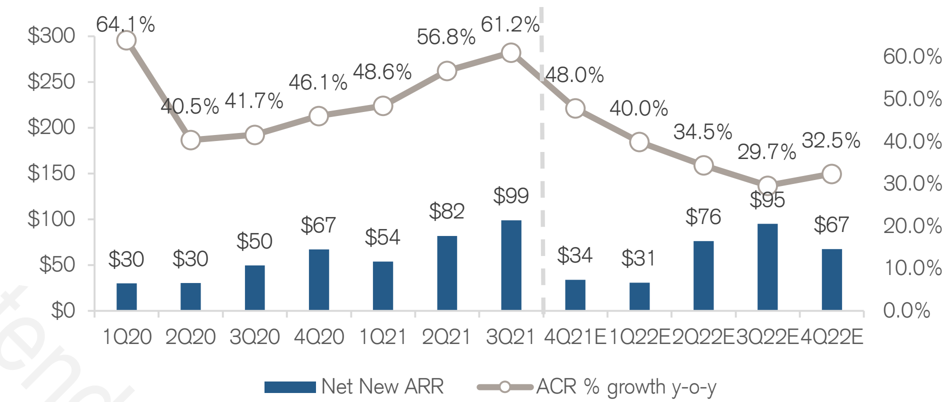
Stock Picks for Theme #2

ZoomInfo

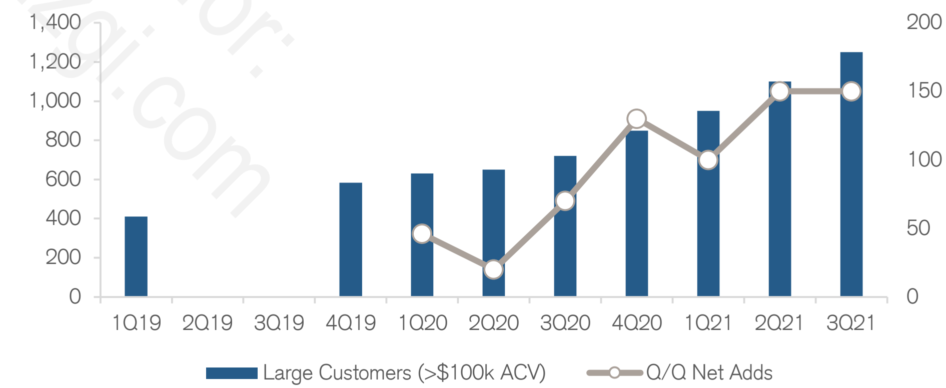
- We believe near-term guidance and consensus estimates underappreciate ZoomInfo's near-term growth prospects. Four drivers underscore our confidence in ZoomInfo's ability to grow faster for longer than consensus currently appreciates:
  1. **Platform Evolution.** M&A and internal product innovation have enabled the company to expand ZoomInfo's TAM from $24 billion at the time of its June 2020 IPO to $70 billion today, of which the company is only ~1% penetrated. Building a platform with intelligence, orchestration, and engagement product layers has given ZoomInfo multiple ways to onboard new customers and do so at larger ACVs, as well as the ability to expand existing relationships with new cross-sell opportunities. Customer metrics reflect strong early momentum, with the company adding more large customers (>$100K ACV) in the past two quarters than in the entirety of 2020.
  2. **Moving Upmarket.** Estimated to be only one-third of revenue at the time of its IPO, ZoomInfo has taken meaningful steps (e.g., commitment to growing S&M capacity +30% annually, establishing a verticalized model, and carving out tenured sales representatives for large leads) to drive expansion in enterprise in FY2022 and beyond. Greater penetration in enterprise will drive more large customer adds and improve retention rates.
  3. **International.** ZoomInfo's core intelligence solution is estimated to have an international TAM of $12 billion, whereas international revenue has just crossed $80 million in ARR, growing >80% y/y. With the recent addition of its first overseas office and investments in the product (Europe dataset estimated ~90% of US dataset in terms of coverage), we expect international to become a more meaningful driver of ZoomInfo's revenue.
  4. **Net New ARR.** Consensus estimates currently reflect Q4 revenue guidance of $206-208 million, implying net new ARR of ~$34 million versus ~$99 million in Q3 and ~$67 million in the prior Q4. 2022 estimates also suggest that full-year net new ARR will be inline with 2021 (~$270 million versus ~$269 million), in addition to ACR growth declining from +61.2% y/y (~54% organic) to the low 30% range in a matter of 4 quarters.

Near-term Consensus Estimates Imply a Material Decline in Revenue Growth and Net New ARR…

US$ in millions



…Despite Strong Momentum in Large Customer Adds, Which We Expect Will Continue



Source: Company data, FactSet, Credit Suisse.

Note: ACR (Allocated Combined Receipts) represents recorded revenue plus the impact of fair value adjustments to acquired unearned revenue.

Stock Picks for Theme #2

ZoomInfo: Beat & Raise Scenario Analysis

- ZoomInfo's reported results have exceeded current period (FQ1) consensus estimates by an average of 6.5% over the past six quarters.
- As a result, the consensus increased the subsequent period's (FQ2) estimates by an average of 5.9% over the same time period.
- A beat and raise of this magnitude in each of the next eight quarters would result in implied SNTM revenue of $1.71 billion versus the consensus of $1.21 billion—a 41.6% delta—equating to an implied EV/SNTM revenue multiple of 12.9x versus 18.3x based on consensus estimates.

Credit Suisse "Beat & Raise" Scenario Analysis

US$ in millions, unless otherwise stated

Last actual fiscal year	2020	Current price	$56.73
Current quarter	Dec-21E	Diluted shares outstanding	407.000
Average beat FQ1 (last six quarters)	6.5%	Net cash	($972)
Average raise FQ2 (last six quarters)	5.9%		
Average beat FQ1 (forecast)	6.5%	EV/revenue multiple (midpoint)	40.0x
Average raise FQ2 (forecast)	5.9%	Multiple increments	5.0x
Average raise fade FQ3+ vs. FQ2 (forecast)	85.3%		

	HISTORICAL PERIOD				FORECAST PERIOD													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21E	Mar-22E	Jun-22E	Sep-22E	Dec-22E	Mar-23E	Jun-23E	Sep-23E	LTM	NTM	SNTM	2020	2021E	2022E
Credit Suisse revenue	$ 139.7	$ 153.3	$ 174.0	$ 197.6	$ 207.6	$ 209.5	$ 236.0	$ 265.9	$ 290.9	$ 305.0	$ 328.4	$ 354.7	$ 664.6	$ 919.0	$ 1,279.0	$ 476.2	$ 732.5	$ 1,002.3
% growth y-o-y	53.3%	50.0%	56.9%	60.1%	48.6%	36.6%	35.6%	34.6%	40.1%	45.6%	39.2%	33.4%	55.4%	38.3%	39.2%	62.3%	53.8%	36.8%
EV/revenue multiple (Credit Suisse)													33.3x	24.1x	17.3x	46.4x	30.2x	22.1x
Consensus revenue	$ 139.7	$ 153.3	$ 174.0	$ 197.6	$ 207.7	$ 215.5	$ 234.5	$ 258.3	$ 275.2	$ 285.5	$ 310.5	$ 338.7	$ 664.6	$ 916.0	$ 1,209.9	$ 476.2	$ 732.6	$ 983.4
% growth y-o-y	53.3%	50.0%	56.9%	60.1%	48.7%	40.5%	34.8%	30.7%	32.5%	32.5%	32.4%	31.1%	55.4%	37.8%	32.1%	62.3%	53.8%	34.2%
EV/revenue multiple (consensus)													33.3x	24.1x	18.3x	46.4x	30.2x	22.5x
					221.3	228.2	246.3	271.3	289.0	299.8	326.2	355.7						
						243.1	260.9	284.9	303.6	314.9	342.6	373.6						
							277.9	301.8	318.8	330.8	359.8	392.4						
								321.5	337.6	347.4	377.9	412.2	664.6	1,063.9	1,475.2			
									359.8	367.9	396.9	432.9	55.4%	60.1%	38.7%			
										392.0	420.4	454.7						
											447.9	481.5						
												513.1						
Implied revenue (beat/raise)	$ 139.7	$ 153.3	$ 174.0	$ 197.6	$ 221.3	$ 243.1	$ 277.9	$ 321.5	$ 359.8	$ 392.0	$ 447.9	$ 513.1	$ 664.6	$ 1,063.9	$ 1,712.7			
% growth y-o-y	53.3%	50.0%	56.9%	60.1%	58.4%	58.6%	59.7%	62.7%	62.5%	61.3%	61.2%	59.6%	55.4%	60.1%	61.0%			
$ Δ vs. consensus	NA	NA	NA	NA	13.6	27.7	43.4	63.2	84.6	106.5	137.4	174.4	NA	147.9	502.9			
% Δ vs. consensus	NA	NA	NA	NA	6.5%	12.8%	18.5%	24.5%	30.7%	37.3%	44.2%	51.5%	NA	16.1%	41.6%			
EV/revenue multiple (implied)													33.3x	20.8x	12.9x			

SCENARIO ANALYSIS: IMPLIED REVENUE (BEAT/RAISE) | % GROWTH Y-O-Y

NTM — Implied revenue (beat/raise)

Average beat \ Average raise	5.15%	5.40%	5.65%	5.90%	6.15%	6.40%	6.65%
5.80%	1,045.0	1,048.8	1,052.6	1,056.4	1,060.2	1,064.1	1,068.0
6.05%	1,047.4	1,051.2	1,055.1	1,058.9	1,062.7	1,066.6	1,070.5
6.30%	1,049.9	1,053.7	1,057.6	1,061.4	1,065.3	1,069.1	1,073.0
6.55%	1,052.4	1,056.2	1,060.0	$ 1,063.9	1,067.8	1,071.6	1,075.5
6.80%	1,054.8	1,058.7	1,062.5	1,066.4	1,070.3	1,074.1	1,078.0
7.05%	1,057.3	1,061.2	1,065.0	1,068.9	1,072.8	1,076.7	1,080.6
7.30%	1,059.8	1,063.6	1,067.5	1,071.4	1,075.3	1,079.2	1,083.1

NTM — % growth y-o-y

57.2%	57.8%	58.4%	59.0%	59.5%	60.1%	60.7%
57.6%	58.2%	58.8%	59.3%	59.9%	60.5%	61.1%
58.0%	58.6%	59.1%	59.7%	60.3%	60.9%	61.5%
58.3%	58.9%	59.5%	60.1%	60.7%	61.2%	61.8%
58.7%	59.3%	59.9%	60.5%	61.0%	61.6%	62.2%
59.1%	59.7%	60.2%	60.8%	61.4%	62.0%	62.6%
59.5%	60.0%	60.6%	61.2%	61.8%	62.4%	63.0%

SNTM — Implied revenue (beat/raise)

Average beat \ Average raise	5.15%	5.40%	5.65%	5.90%	6.15%	6.40%	6.65%
5.80%	1,641.4	1,661.0	1,680.7	1,700.7	1,720.9	1,741.2	1,761.8
6.05%	1,645.3	1,664.9	1,684.7	1,704.7	1,724.9	1,745.3	1,766.0
6.30%	1,649.2	1,668.8	1,688.7	1,708.7	1,729.0	1,749.5	1,770.1
6.55%	1,653.0	1,672.7	1,692.6	$ 1,712.7	1,733.1	1,753.6	1,774.3
6.80%	1,656.9	1,676.7	1,696.6	1,716.8	1,737.1	1,757.7	1,778.5
7.05%	1,660.8	1,680.6	1,700.6	1,720.8	1,741.2	1,761.8	1,782.6
7.30%	1,664.7	1,684.5	1,704.6	1,724.8	1,745.3	1,765.9	1,786.8

SNTM — % growth y-o-y

57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%
57.1%	58.4%	59.7%	61.0%	62.3%	63.6%	65.0%

SCENARIO ANALYSIS: PRICE PER SHARE | % UPSIDE/DOWNSIDE

NTM — Price per share

Implied revenue (beat/raise) \ EV/revenue multiple	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x	55.0x
$ 1,045.0	$61.80	$74.64	$87.47	$100.31	$113.15	$125.99	$138.82
$ 1,051.2	$62.18	$75.10	$88.01	$100.93	$113.84	$126.76	$139.67
$ 1,057.6	$62.57	$75.56	$88.56	$101.55	$114.54	$127.53	$140.52
$ 1,063.9	$62.96	$76.03	$89.10	$102.17	$115.24	$128.31	$141.38
$ 1,070.3	$63.35	$76.50	$89.65	$102.80	$115.94	$129.09	$142.24
$ 1,076.7	$63.75	$76.97	$90.20	$103.43	$116.65	$129.88	$143.11
$ 1,083.1	$64.14	$77.45	$90.75	$104.06	$117.36	$130.67	$143.97

NTM — % upside/downside

8.9%	31.6%	54.2%	76.8%	99.4%	122.1%	144.7%
9.6%	32.4%	55.1%	77.9%	100.7%	123.4%	146.2%
10.3%	33.2%	56.1%	79.0%	101.9%	124.8%	147.7%
11.0%	34.0%	57.1%	80.1%	103.1%	126.2%	149.2%
11.7%	34.8%	58.0%	81.2%	104.4%	127.6%	150.7%
12.4%	35.7%	59.0%	82.3%	105.6%	128.9%	152.3%
13.1%	36.5%	60.0%	83.4%	106.9%	130.3%	153.8%

SNTM — Price per share

Implied revenue (beat/raise) \ EV/revenue multiple	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x	55.0x
$ 1,641.4	$98.43	$118.60	$138.76	$158.93	$179.09	$199.26	$219.42
$ 1,664.9	$99.88	$120.33	$140.78	$161.24	$181.69	$202.14	$222.60
$ 1,688.7	$101.34	$122.08	$142.83	$163.57	$184.32	$205.06	$225.81
$ 1,712.7	$102.82	$123.86	$144.90	$165.94	$186.98	$208.02	$229.06
$ 1,737.1	$104.31	$125.65	$147.00	$168.34	$189.68	$211.02	$232.36
$ 1,761.8	$105.83	$127.47	$149.12	$170.76	$192.40	$214.05	$235.69
$ 1,786.8	$107.36	$129.32	$151.27	$173.22	$195.17	$217.12	$239.07

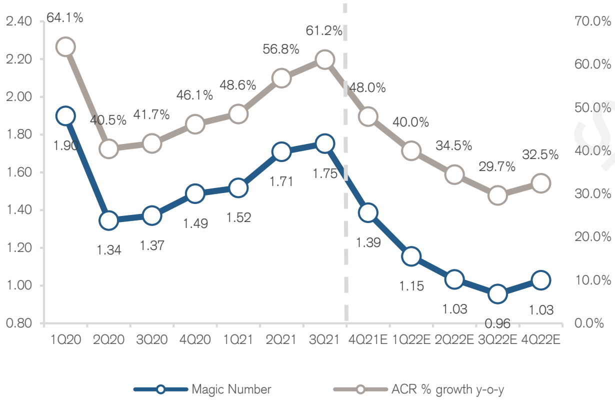
SNTM — % upside/downside

73.5%	109.1%	144.6%	180.1%	215.7%	251.2%	286.8%
76.1%	112.1%	148.2%	184.2%	220.3%	256.3%	292.4%
78.6%	115.2%	151.8%	188.3%	224.9%	261.5%	298.0%
81.2%	118.3%	155.4%	192.5%	229.6%	266.7%	303.8%
83.9%	121.5%	159.1%	196.7%	234.3%	272.0%	309.6%
86.6%	124.7%	162.9%	201.0%	239.2%	277.3%	315.5%
89.3%	127.9%	166.6%	205.3%	244.0%	282.7%	321.4%

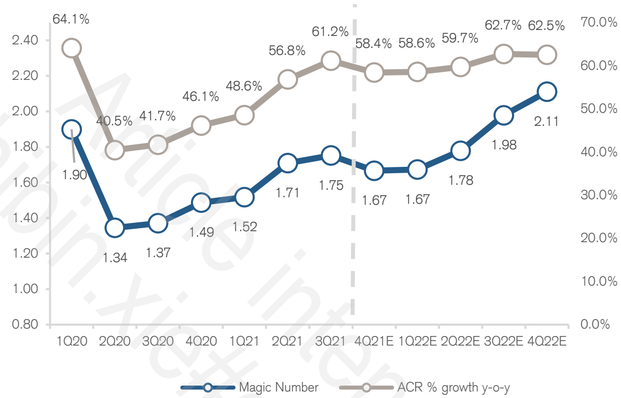
Stock Picks for Theme #2

ZoomInfo: Magic Number Scenario Analysis

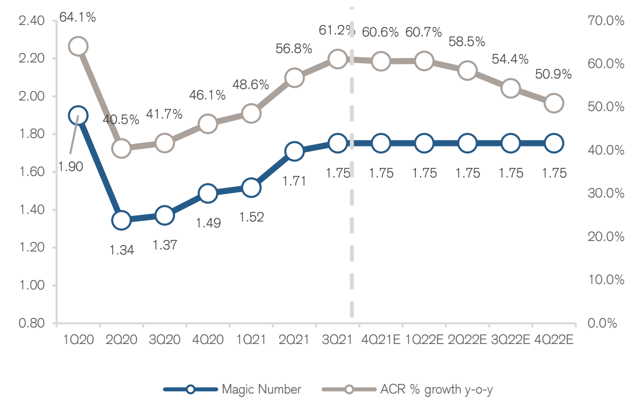
(1) Consensus: Consensus Revenue Growth vs. Implied Magic Number (using Consensus S&M)



(2) Beat & Raise: B&R Revenue Growth vs. Implied Magic Number (using Consensus S&M)



(3) Magic Number: Implied Revenue Growth (using Consensus S&M) vs. Constant Magic Number



- Consensus revenue and S&M estimates imply a material deterioration in unit economics from a historical Magic Number range of ~1.4-1.9 to 1.39 exiting 2021 and 1.03 exiting 2022.
- Consensus is currently modeling 2021/2022 revenue for ZoomInfo of $733 million/$983 million, which implies revenue growth decelerating from 61.2% in the most recently reported quarter (Q3 2021) to 48.0% exiting 2021 and 32.5% exiting 2022.

- Our Beat & Raise (B&R) analysis implies 2021/2022 revenue for ZoomInfo of $746 million/$1.20 billion (revenue growth of 56.7%/61.1%), which is 1.9%/22.3% above consensus, respectively.
- The Magic Number calculated using our B&R implied revenue and consensus S&M is inline to slightly better than the historical range of ~1.4-1.9 implying a Magic Number of 1.67 exiting 2021 and 2.11 exiting 2022.

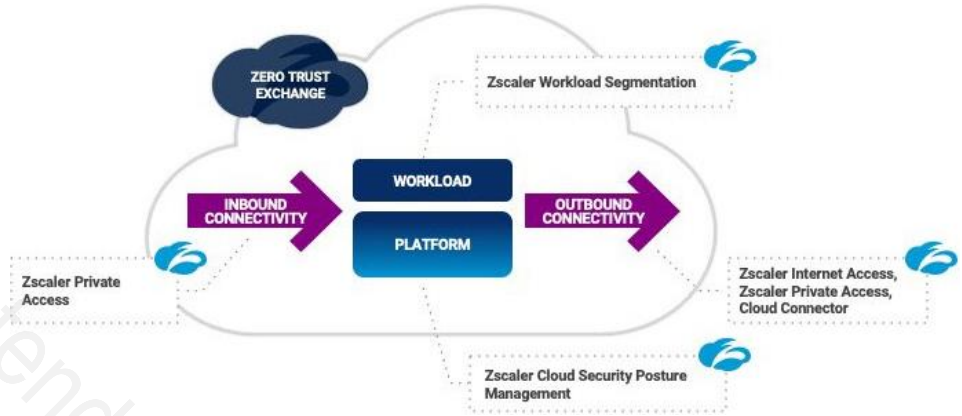
- Assuming no improvement in ZoomInfo's Magic Number (using a constant Magic Number of 1.75) and consensus S&M implies 2021/2022 revenue for ZoomInfo of $753 million /$1.17 billion (revenue growth of 58.1%/55.6%), which is 2.8%/19.1% above consensus, respectively.

Source: Company data, FactSet, Credit Suisse.
Note: We have calculated Magic Number as net new ARR per $1 of S&M expense, with ARR equal to the current quarter's annualized revenue.

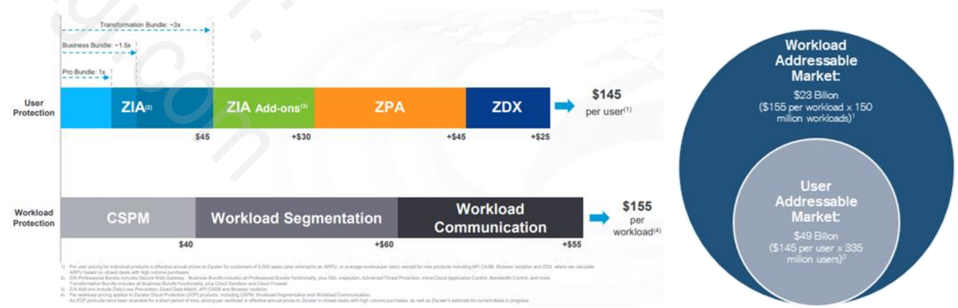
Stock Picks for Theme #2
Zscaler

- Four factors give us confidence that guidance and consensus estimates understate Zscaler's growth prospects:
  1. **Paradigm Shift Still in Early Innings.** Despite concerns of a COVID-driven pull-forward, we believe the shift towards Zero Trust security architectures is still in early innings. 2020 was predominantly of year of "triage," as organizations doubled-down on "whatever worked" at the time. In some cases, this accelerated the adoption of customers in the pipeline for ZIA and ZPA, while most others opted to increase capacity of existing, legacy solutions. Throughout 2021 and entering 2022, we have started to see conversations shift back to large-scale architectural shifts. As Zscaler possesses only modest penetration (35% of the Fortune 500 and 25% of the Global 2000), we believe meaningful runway exists.
  2. **Architectural Advantage.** Zscaler's unique architectural advantage positions the company well against incumbent network security vendors. While legacy providers offer either high-latency hub-and-spoke models or virtualized products, we believe that Zscaler maintains a distinct advantage of a true, multi-tenant, cloud-native architecture, which enables consistent security posture, high performance, and better margin leverage.
  3. **S&M Investments.** As the company is in high-growth mode (>30% y/y), management will continue to invest and prioritize top-line growth (<300bps margin expansion each year). Quota-carrying sales rep adds have surpassed targets for the past two fiscal years, while Q1 FY2022 was a near-record for rep adds, while productivity continues to surprise to the upside.
  4. **Magic Number.** Consensus estimates currently reflect FY2022 revenue guidance of $1.00-1.01 billion, implying that growth will decelerate from low 60s to mid 40s, while initial FY2023 estimates reflect only low 30s growth. With S&M spend forecasted to continue increasing, consensus numbers imply a meaningful deterioration of Zscaler's Magic Number, despite the company demonstrating a steady improvement from 0.66 to 0.97 over the past 7 quarters.

Zscaler Cloud Security Platform & Solutions



Zscaler Pricing Bundles & Serviceable Market



Source: Zscaler.
Note: (1) Based on Zscaler's analysis of workload market forecast for 2020 from 650 Research. (2) Based on Zscaler's analysis of worldwide organization and employee data from ZoomInfo.

Stock Picks for Theme #2

Zscaler: Beat & Raise Scenario Analysis

- Zscaler's reported results have exceeded current period (FQ1) consensus estimates by an average of 6.3% over the past 8 quarters.
- As a result, the consensus increased the subsequent period's (FQ2) estimates by an average of 5.1% over the same time period.
- A beat and raise of this magnitude in each of the next eight quarters would result in implied SNTM revenue of $1.94 billion versus the consensus of $1.43 billion—a 35.5% delta—equating to an implied EV/SNTM revenue multiple of 22.3x versus 30.2x based on consensus estimates.

Credit Suisse "Beat & Raise" Scenario Analysis

US$ in millions, unless otherwise stated

Last actual fiscal year	2021
Current quarter	Jan-22E
Average beat FQ1 (last eight quarters)	6.3%
Average raise FQ2 (last eight quarters)	5.1%
Average beat FQ1 (forecast)	6.3%
Average raise FQ2 (forecast)	5.1%
Average raise fade FQ3+ vs. FQ2 (forecast)	84.9%

Current price	$277.53
Diluted shares outstanding	149.816
Net cash	$1,617
EV/revenue multiple (midpoint)	35.0x
Multiple increments	5.0x

	HISTORICAL PERIOD				FORECAST PERIOD							
	Jan-21	Apr-21	Jul-21	Oct-21	Jan-22E	Apr-22E	Jul-22E	Oct-22E	Jan-23E	Apr-23E	Jul-23E	Oct-23E
Credit Suisse revenue	$ 157.0	$ 176.4	$ 197.1	$ 230.5	$ 241.7	$ 253.1	$ 281.3	$ 304.2	$ 328.8	$ 354.6	$ 377.1	$ 394.5
% growth y-o-y	55.1%	59.6%	56.5%	61.7%	53.9%	43.5%	42.8%	32.0%	36.0%	40.1%	34.0%	29.7%
EV/revenue multiple (Credit Suisse)												
Consensus revenue	$ 157.0	$ 176.4	$ 197.1	$ 230.5	$ 241.1	$ 256.6	$ 286.2	$ 306.1	$ 321.7	$ 341.8	$ 370.3	$ 397.5
% growth y-o-y	55.1%	59.6%	56.5%	61.7%	53.5%	45.5%	45.2%	32.8%	33.5%	33.2%	29.4%	29.9%
EV/revenue multiple (consensus)												
					256.1	269.6	298.5	319.3	335.5	356.5	386.2	414.6
						286.5	313.6	333.0	349.9	371.8	402.8	432.4
							333.2	349.8	365.0	387.7	420.1	451.0
								371.7	383.4	404.4	438.1	470.3
									407.4	424.8	456.9	490.5
										451.4	480.0	511.6
											510.0	537.4
												571.1
Implied revenue (beat/raise)	$ 157.0	$ 176.4	$ 197.1	$ 230.5	$ 256.1	$ 286.5	$ 333.2	$ 371.7	$ 407.4	$ 451.4	$ 510.0	$ 571.1
% growth y-o-y	55.1%	59.6%	56.5%	61.7%	63.1%	62.4%	69.1%	61.2%	59.1%	57.6%	53.1%	53.6%
$ Δ vs. consensus	NA	NA	NA	NA	15.1	29.8	47.0	65.6	85.7	109.6	139.7	173.5
% Δ vs. consensus	NA	NA	NA	NA	6.3%	11.6%	16.4%	21.4%	26.6%	32.1%	37.7%	43.6%
EV/revenue multiple (implied)												

	LTM	NTM	SNTM	2021	2022E	2023E
Credit Suisse revenue	$ 761.0	$ 1,080.4	$ 1,454.9	$ 673.1	$ 1,006.7	$ 1,364.7
% growth y-o-y	58.5%	42.0%	34.7%	56.1%	49.6%	35.6%
EV/revenue multiple (Credit Suisse)	56.8x	40.0x	29.7x	64.2x	42.9x	31.7x
Consensus revenue	$ 761.0	$ 1,090.1	$ 1,431.3	$ 673.1	$ 1,014.5	$ 1,339.9
% growth y-o-y	58.5%	43.2%	31.3%	56.1%	50.7%	32.1%
EV/revenue multiple (consensus)	56.8x	39.6x	30.2x	64.2x	42.6x	32.2x
	761.0	1,247.6	1,696.2			
	58.5%	63.9%	36.0%			
Implied revenue (beat/raise)	$ 761.0	$ 1,247.6	$ 1,939.9	$ 673.1	$ 1,106.4	$ 1,740.5
% growth y-o-y	58.5%	63.9%	55.5%	56.1%	64.4%	57.3%
$ Δ vs. consensus	NA	157.5	508.5	NA	91.9	400.6
% Δ vs. consensus	NA	14.4%	35.5%	NA	9.1%	29.9%
EV/revenue multiple (implied)	56.8x	34.6x	22.3x	64.2x	39.0x	24.8x

SCENARIO ANALYSIS: IMPLIED REVENUE (BEAT/RAISE) | % GROWTH Y-O-Y

NTM — Implied revenue (beat/raise)

Average beat \ Average raise	4.30%	4.55%	4.80%	5.05%	5.30%	5.55%	5.80%
5.51%	1,225.3	1,229.8	1,234.3	1,238.8	1,243.3	1,247.8	1,252.4
5.76%	1,228.2	1,232.7	1,237.2	1,241.7	1,246.2	1,250.8	1,255.3
6.01%	1,231.1	1,235.6	1,240.1	1,244.6	1,249.2	1,253.7	1,258.3
6.26%	1,234.0	1,238.5	1,243.0	$ 1,247.6	1,252.1	1,256.7	1,261.3
6.51%	1,236.9	1,241.4	1,245.9	1,250.5	1,255.1	1,259.7	1,264.3
6.76%	1,239.8	1,244.3	1,248.9	1,253.4	1,258.0	1,262.6	1,267.2
7.01%	1,242.7	1,247.2	1,251.8	1,256.4	1,261.0	1,265.6	1,270.2

NTM — % growth y-o-y

61.0%	61.6%	62.2%	62.8%	63.4%	64.0%	64.6%
61.4%	62.0%	62.6%	63.2%	63.8%	64.4%	65.0%
61.8%	62.4%	62.9%	63.5%	64.1%	64.7%	65.3%
62.1%	62.7%	63.3%	63.9%	64.5%	65.1%	65.7%
62.5%	63.1%	63.7%	64.3%	64.9%	65.5%	66.1%
62.9%	63.5%	64.1%	64.7%	65.3%	65.9%	66.5%
63.3%	63.9%	64.5%	65.1%	65.7%	66.3%	66.9%

SNTM — Implied revenue (beat/raise)

Average beat \ Average raise	4.30%	4.55%	4.80%	5.05%	5.30%	5.55%	5.80%
5.51%	1,858.9	1,881.1	1,903.5	1,926.2	1,949.1	1,972.2	1,995.6
5.76%	1,863.3	1,885.5	1,908.0	1,930.7	1,953.7	1,976.9	2,000.3
6.01%	1,867.7	1,890.0	1,912.5	1,935.3	1,958.3	1,981.6	2,005.0
6.26%	1,872.1	1,894.4	1,917.0	$ 1,939.9	1,962.9	1,986.2	2,009.8
6.51%	1,876.5	1,898.9	1,921.6	1,944.4	1,967.6	1,990.9	2,014.5
6.76%	1,880.9	1,903.4	1,926.1	1,949.0	1,972.2	1,995.6	2,019.2
7.01%	1,885.3	1,907.8	1,930.6	1,953.6	1,976.8	2,000.3	2,024.0

SNTM — % growth y-o-y

51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%
51.7%	53.0%	54.2%	55.5%	56.8%	58.1%	59.3%

SCENARIO ANALYSIS: PRICE PER SHARE | % UPSIDE/DOWNSIDE

NTM — Price per share

Implied revenue (beat/raise) \ EV/revenue multiple	20.0x	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x
$ 1,225.3	$174.36	$215.25	$256.15	$297.04	$337.93	$378.82	$419.71
$ 1,232.7	$175.35	$216.49	$257.63	$298.77	$339.91	$381.04	$422.18
$ 1,240.1	$176.34	$217.73	$259.12	$300.50	$341.89	$383.28	$424.67
$ 1,247.6	$177.34	$218.97	$260.61	$302.25	$343.88	$385.52	$427.16
$ 1,255.1	$178.34	$220.23	$262.11	$304.00	$345.89	$387.78	$429.66
$ 1,262.6	$179.35	$221.49	$263.62	$305.76	$347.90	$390.04	$432.18
$ 1,270.2	$180.36	$222.75	$265.14	$307.53	$349.92	$392.31	$434.71

NTM — % upside/downside

-37.2%	-22.4%	-7.7%	7.0%	21.8%	36.5%	51.2%
-36.8%	-22.0%	-7.2%	7.7%	22.5%	37.3%	52.1%
-36.5%	-21.5%	-6.6%	8.3%	23.2%	38.1%	53.0%
-36.1%	-21.1%	-6.1%	8.9%	23.9%	38.9%	53.9%
-35.7%	-20.6%	-5.6%	9.5%	24.6%	39.7%	54.8%
-35.4%	-20.2%	-5.0%	10.2%	25.4%	40.5%	55.7%
-35.0%	-19.7%	-4.5%	10.8%	26.1%	41.4%	56.6%

SNTM — Price per share

Implied revenue (beat/raise) \ EV/revenue multiple	20.0x	25.0x	30.0x	35.0x	40.0x	45.0x	50.0x
$ 1,858.9	$258.94	$320.98	$383.02	$445.06	$507.09	$569.13	$631.17
$ 1,885.5	$262.50	$325.43	$388.36	$451.29	$514.22	$577.14	$640.07
$ 1,912.5	$266.11	$329.94	$393.77	$457.60	$521.43	$585.26	$649.08
$ 1,939.9	$269.76	$334.50	$399.24	$463.98	$528.73	$593.47	$658.21
$ 1,967.6	$273.45	$339.12	$404.79	$470.45	$536.12	$601.78	$667.45
$ 1,995.6	$277.20	$343.80	$410.40	$477.00	$543.60	$610.20	$676.80
$ 2,024.0	$280.98	$348.53	$416.08	$483.63	$551.18	$618.73	$686.27

SNTM — % upside/downside

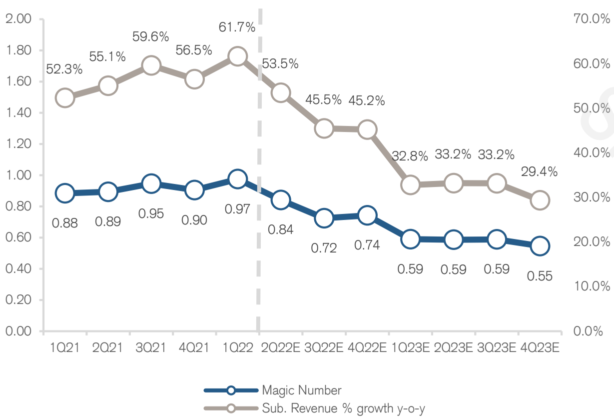
-6.7%	15.7%	38.0%	60.4%	82.7%	105.1%	127.4%
-5.4%	17.3%	39.9%	62.6%	85.3%	108.0%	130.6%
-4.1%	18.9%	41.9%	64.9%	87.9%	110.9%	133.9%
-2.8%	20.5%	43.9%	67.2%	90.5%	113.8%	137.2%
-1.5%	22.2%	45.9%	69.5%	93.2%	116.8%	140.5%
-0.1%	23.9%	47.9%	71.9%	95.9%	119.9%	143.9%
1.2%	25.6%	49.9%	74.3%	98.6%	122.9%	147.3%

Source: Company data, FactSet, Visible Alpha, Credit Suisse. Prices as of 1/11/2022.

Stock Picks for Theme #2

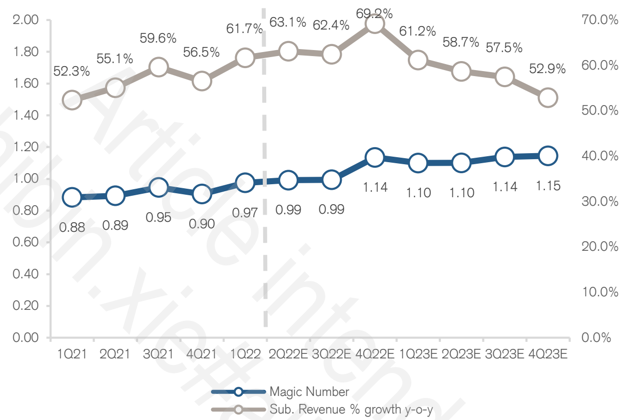
Zscaler: Magic Number Scenario Analysis

(1) Consensus: Consensus Revenue Growth vs. Implied Magic Number (using Consensus S&M)



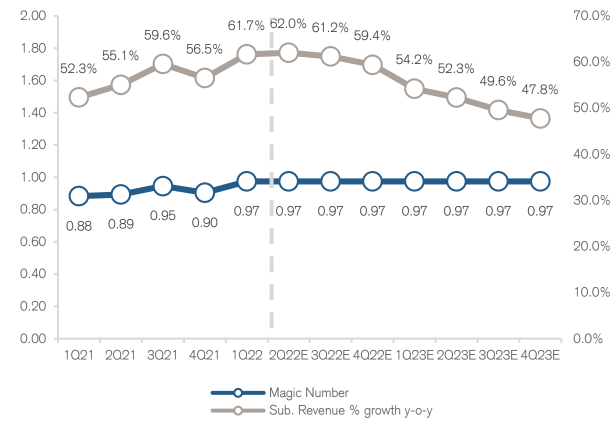
- Consensus revenue and S&M estimates imply a material deterioration in unit economics from a historical range of ~0.9-1.0 to 0.74 exiting FY2022 and 0.55 exiting FY2023.
- Consensus is currently modeling FY2022/FY2023 revenue for Zscaler of $1.014 billion/$1.339 billion, which implies revenue growth decelerating from 61.7% in the most recently reported quarter (Q1 FY2022) to 45.2% exiting FY2022 and 29.4% exiting FY2023.

(2) Beat & Raise: B&R Revenue Growth vs. Implied Magic Number (using Consensus S&M)



- Our B&R analysis implies FY2022/ FY2023 revenue for Zscaler of $1.11 billion/$1.74 billion (revenue growth of 64.4%/57.1%) which is 9.1%/29.9% above consensus, respectively.
- The Magic Number calculated using our Beat & Raise (B&R) implied revenue and consensus S&M is slightly better than the historical range of ~0.9-1.0 implying a Magic Number of 1.14 exiting FY2022 and 1.15 exiting FY2023.

(3) Magic Number: Implied Revenue Growth (using Consensus S&M) vs. Constant Magic Number



- Assuming no improvement in Zscaler's Magic Number (using a constant Magic Number of 0.97) and consensus S&M implies FY2022/FY2023 revenue for Zscaler of $1.08 billion/$1.63 billion (revenue growth of 61.0%/50.7%), which is 6.8%/22.0% above consensus, respectively.

Source: Company data, FactSet, Credit Suisse.

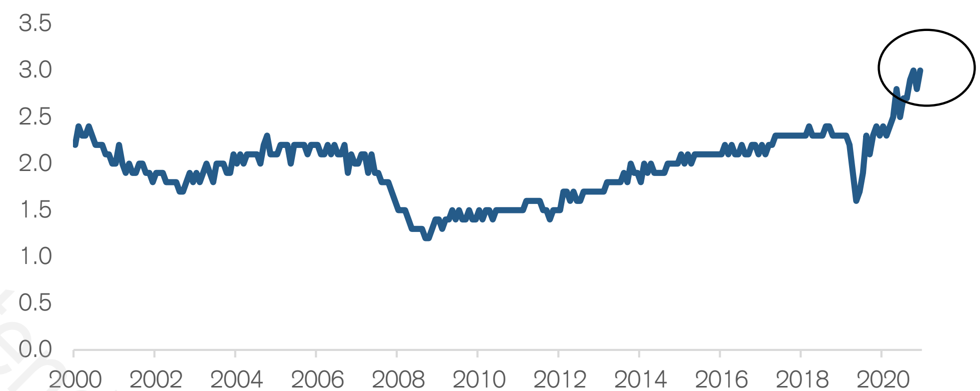
Note: We have calculated Magic Number as net new ARR per $1 of S&M expense, with ARR equal to the current quarter's annualized revenue.

Theme #3:
The Great Resignation will Drive Increased Automation.

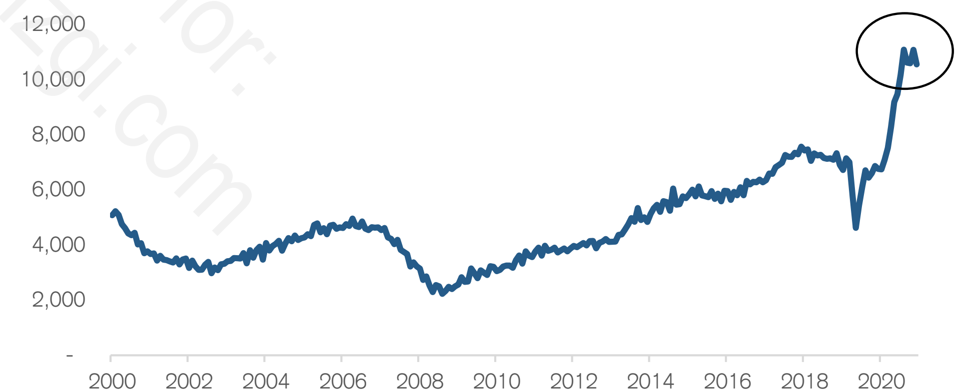
The "Great Resignation" Setup

- The COVID-19 pandemic had led to what has been dubbed the "Great Resignation"—the highest level of voluntary resignations on record.
  - Monthly resignations reached ~3% of the workforce in the last reported month alone, driven by a slew of different factors driving poor employee satisfaction (salary, remote work flexibility and lack of advancement opportunities among others).
  - According to a Microsoft report over 40% of the global workforce is considering leaving their employer this year (2022).[3]
- Labor is one the most important issues for CEOs heading into 2022, but the problem is twofold: (1) finding workers and (2) keeping them happy (retention).
  - 73% of CEOs say labor/skills shortage is the most likely external issue to disrupt their business in the next 12 months.[4]
  - 57% of CEOs suggested that attracting and recruiting talent is among their organization's biggest challenges, followed by 51% who cited retaining talent.[4]
- The combination of record resignations and broader macro strength has led to a record level of job openings—with 10.6 million job openings in the most recently reported month (November 2021).

Monthly Resignations in US Labor Force (as a % of Total)



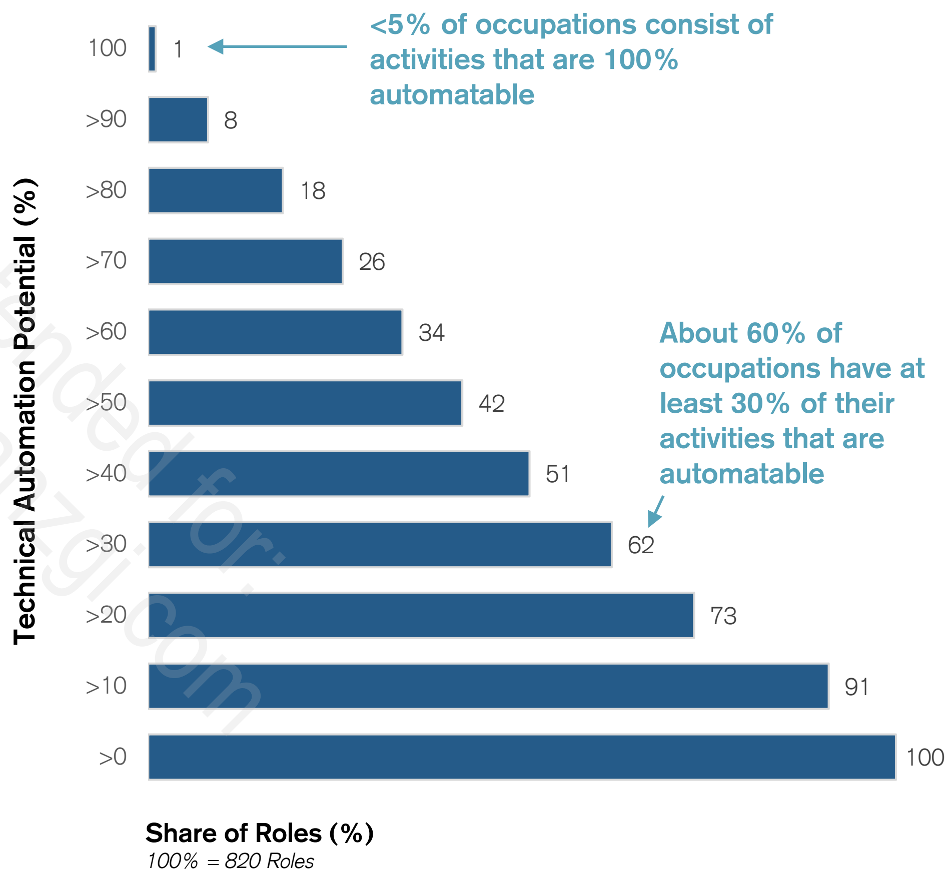
Monthly US Job Openings
in thousands



How Automation Can Help?

- The two core issues brought about by the "Great Resignation" are (1) finding (labor shortage) and (2) keeping (retention) employees.
- **Automation can address both issues by reducing the need for additional workers through increased productivity and helping retain employees by allowing them to focus on the value-add (and most enjoyable) parts of their job.**
- Automation is less about replacing humans with technology and more about allowing the existing workforce to do their jobs more efficiently–while less than 5% of occupations consist of activities that are 100% automatable (i.e. jobs that could be completely eliminated by automation), 60% of occupations have at least 30% of their activities could be automated.[5]
  - Key examples of automatable tasks would be invoice processing, payment reminders, reporting, and virtually any form of data entry.[6]

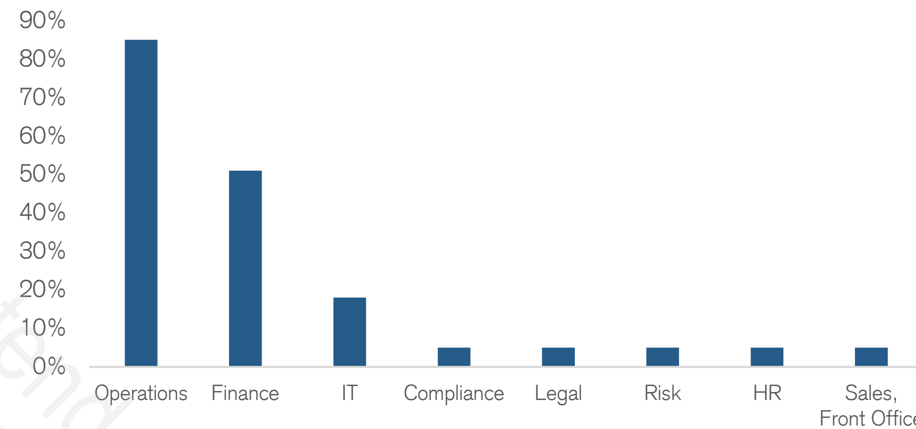
Automation Potential by % Share of US Occupations



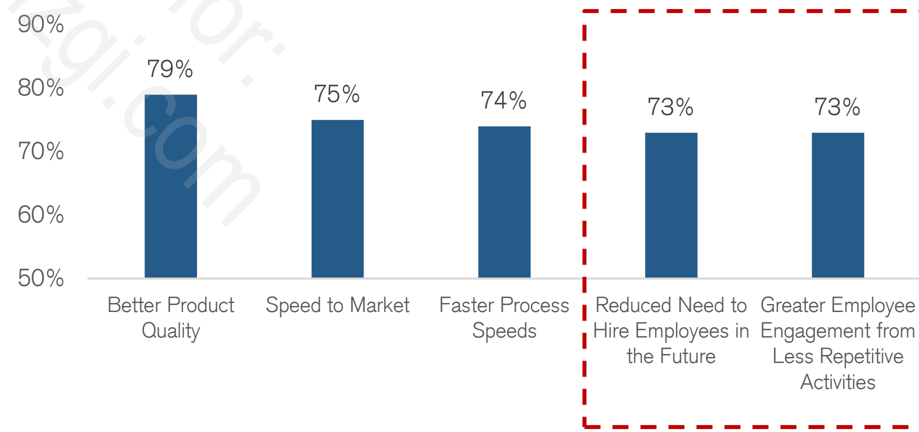
The RPA Approach

- Traditional RPA is a process-driven technology to mimic human actions in interacting with digital systems and automate repetitive, rule-based, time-consuming, and non-value-added tasks in business processes (e.g., auto-keying or screen/form integration). Ultimately, **we believe a blend of technologies including RPA, process/task mining, pragmatic AI, API-based integration, and low-code platforms will drive cultural transformation in the enterprise**.
  - Operations, Finance, and IT are the three areas where companies are already seeing the best value proposition from RPA adoption.[7]
- The practical use case of RPA technology is about automating the repetitive and mundane tasks and completing them more efficiently. This allows employees to focus on value-add areas of their jobs to increase employee efficiency which in turn reduces the need for additional employees (a smaller team that can complete a larger amount of work) and has the additional benefit of improving employee retention.
  - In a 2019 Forbes Insights study, 92% of companies saw an improvement in employee satisfaction after RPA was deployed with more than half saying employee satisfaction increased by over 15%.[9]

Functional Areas RPA Adoption Clearly Outweigh Costs



Proviti Executive Survey – Top 5 Most Cited RPA Business Cases

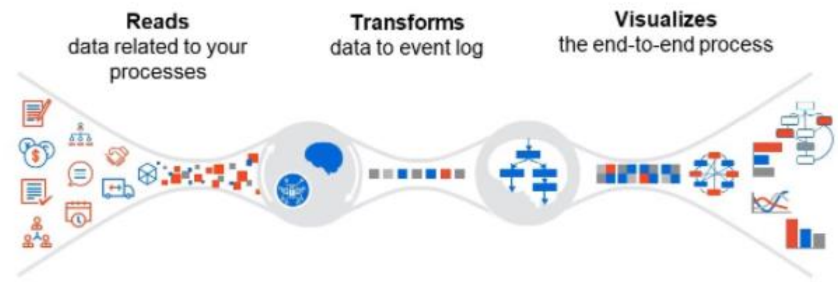


Source: https://ephesoft.com/blog/rpa-vs-ipa-intelligent-process-automation-next-frontier/, https://www.consulting.us/news/2445/companies-ramping-up-investments-in-robotic-process-automation, Credit Suisse.

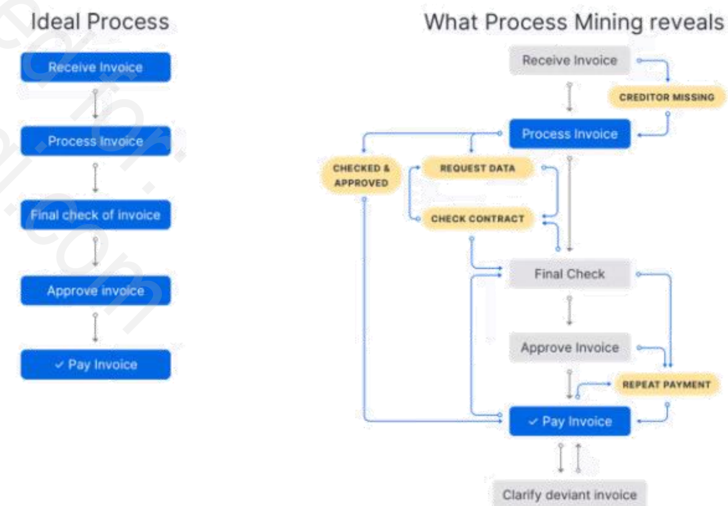
Process Mining Feeds the Top of The Automation Funnel

- An often overlooked key to enabling companies RPA efforts is process mining. A process must first be "mined" before it can be automated with RPA–improving the process before automating it in order to maximize the benefit of RPA adoption.
  - 78% of people who automate noted that process mining was key to enabling their RPA strategies.[10]
- Process mining is a technique to analyze and track processes—historically done via in-person process workshops/interviews—but today can be accomplished using existing data available in enterprise information systems. Process mining transforms this data into an event log—and then creates visualizations of the end-to-end process along with insightful analyses.[11]
- Process mining is highly flexible and can be used in any industry to analyze virtually any process in any functional area across an enterprise. Process mining provides many benefits beyond that of RPA alone by both identifying the most valuable and impactful places to insert automation and continuously monitoring automation performance and ROI.

Process Mining Overview



Process Mining Example Workflow (Invoicing)



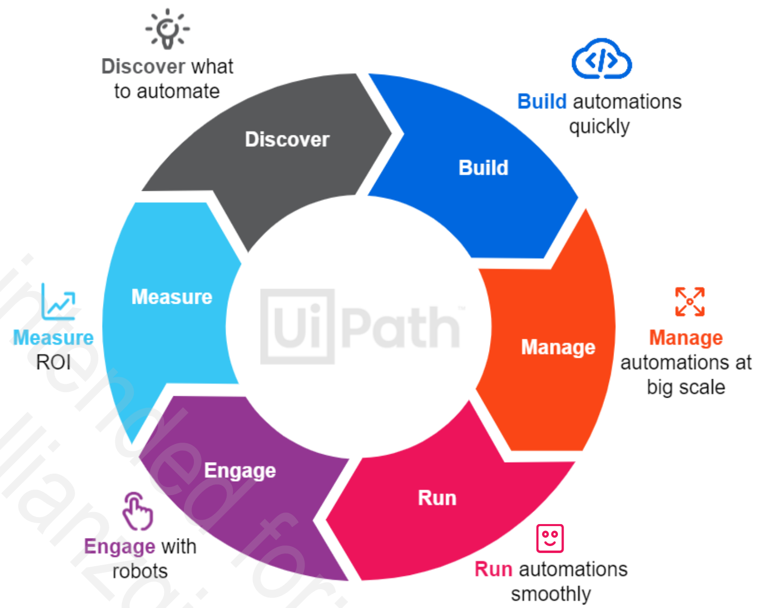
Source: https://www.uipath.com/rpa/what-is-process-mining, Credit Suisse.

Stock Pick for Theme #3

UiPath: From Bots to a Hyperautomation Platform

- We view UiPath as a key beneficiary of the "Great Resignation" phenomenon.
- While UiPath's core product remains RPA, we believe the company's expansion into a full, end-to-end hyper automation platform (including AI/ML, task mining, process mining, and API integration) is capable of providing support across every stage of the automation journey. UiPath is a solution for automation at any scale—from company-wide initiatives to the individual worker—representing a massive opportunity in global automatable wages.[12]
- With the unveiling of its expanded platform at FORWARD III, UiPath began to move in a new, differentiated direction—beyond task-based automation—to unite multiple enabling technologies into one end-to-end hyperautomation platform capable of providing support across every stage of the automation journey, with RPA at its core.
  - **We believe that UiPath, with the only purpose-built, end-to-end hyperautomation platform, is leading the paradigm shift toward the fully-automated enterprise.**

The UiPath Platform: An End-to-End Hyperautomation Platform



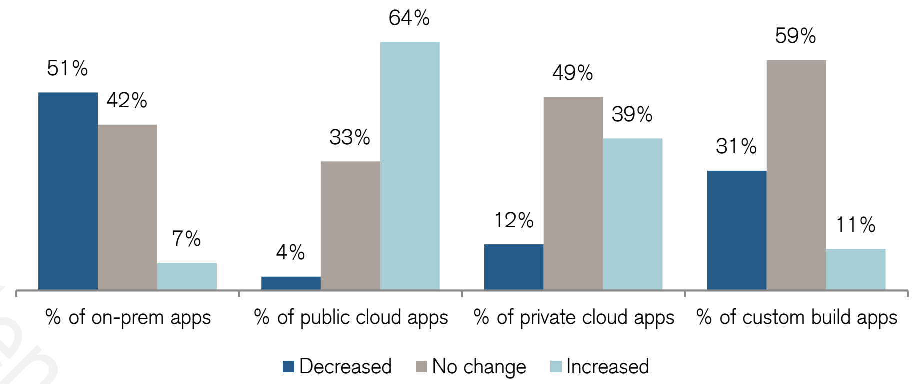
Discover	Build	Manage	Run	Engage	Measure
Discover automation opportunities powered by AI and people	Build automations quickly, from the simple to the advanced	Manage, deploy, and optimize automation at enterprise scale	Run automations through robots that work with a company's applications and data	Engage people and robots as one team for seamless process collaboration	Measure operations and performance to align with business outcomes
Automation Hub Process Mining Task Capture Task Mining	Studio StudioX Document Understanding Automation Ops Marketplace	Automation Cloud Orchestrator AI Center Test Suite Data Service	Attended Robots Unattended Robots	Apps Assistant Action Center Chatbots	Insights

Theme #4:
Cloud Platform & Infrastructure Growth Keeps Defying Gravity.

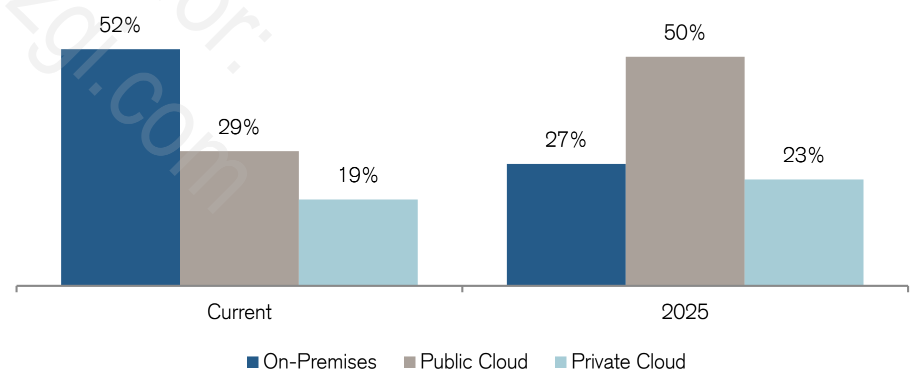
COVID-19 Continues to Drive Accelerated Cloud Adoption

- The COVID-19 pandemic—which, from an IT perspective, was defined by resiliency efforts, the need to react quickly to unexpected changes, and the demand for technical and financial agility—exposed the shortcoming of legacy on-premises applications and IT operations.
  - In contrast, the cloud model promotes availability, agility, and speed; offers capital and operating efficiency; and enables companies to focus on core business differentiation.
- As a result, an increasing number of CIOs are embracing cloud computing as “the” development and deployment platform for their enterprises—an acceleration of a secular trend that we expect to drive robust demand for multiple years.
- Just as the Great Recession accelerated the secular trend to Software-as-a-Service, the COVID-19 pandemic has permanently changed the demand for, and adoption of, cloud infrastructure.[13]
  - **A “no-cloud” strategy is now a “no-go” for enterprise CIOs.**[14]

Credit Suisse CIO Survey: “How has COVID-19 changed your approach to developing and deploying applications over the next 3-5 years?”



Credit Suisse CIO Survey: “How are your company’s applications distributed currently, and what do you anticipate for 2025?”

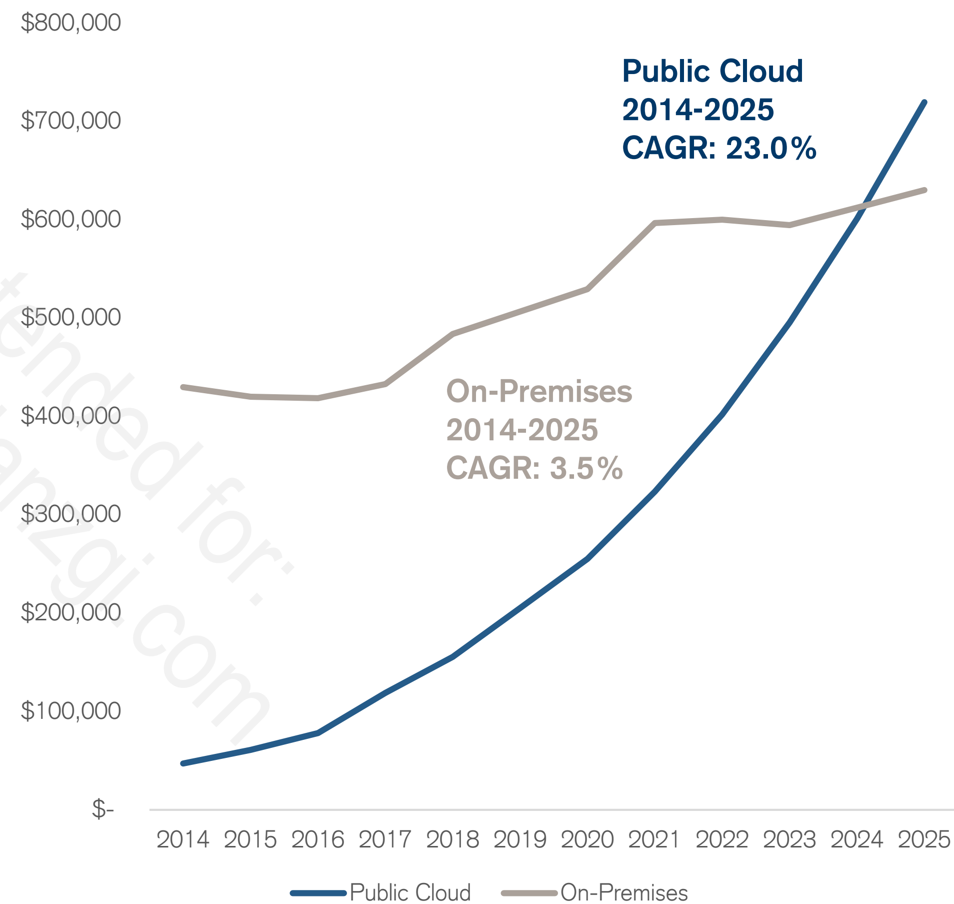


From Triage to Strategic Shift

- At the start of the pandemic in 2020, organizations massively accelerated adoption of the public cloud technologies. 2021 continued that acceleration.[15]
- Although there was an initial rush into the cloud as a means to **"triage"** IT systems during the pandemic,[1] we believe 2022 will be defined by businesses moving forward on multi-year, **"strategic"** cloud-first transformation roadmaps to (1) shift toward Infrastructure- and Platform-as-a-Service and (2) adopt cloud-native and multi-cloud environments.
  - Following the Great Recession, the focus of change was at the applications layer—with the adoption of SaaS. **The focus of change is now on the infrastructure and platform layers of the stack.**
- Because (1) the disruptions that turbocharged cloud adoption in 2020 continue to persist and (2) most organizations still have plenty of modernizing left to do,[15] we expect public cloud spending to surpass on-premises IT spending by 2024 (excluding IT services, PCs, tablets, and printers).

Worldwide IT Spending (ex. IT Services, PCs, Tablets, Printers) – Public Cloud vs. On-Premises

US$ in millions



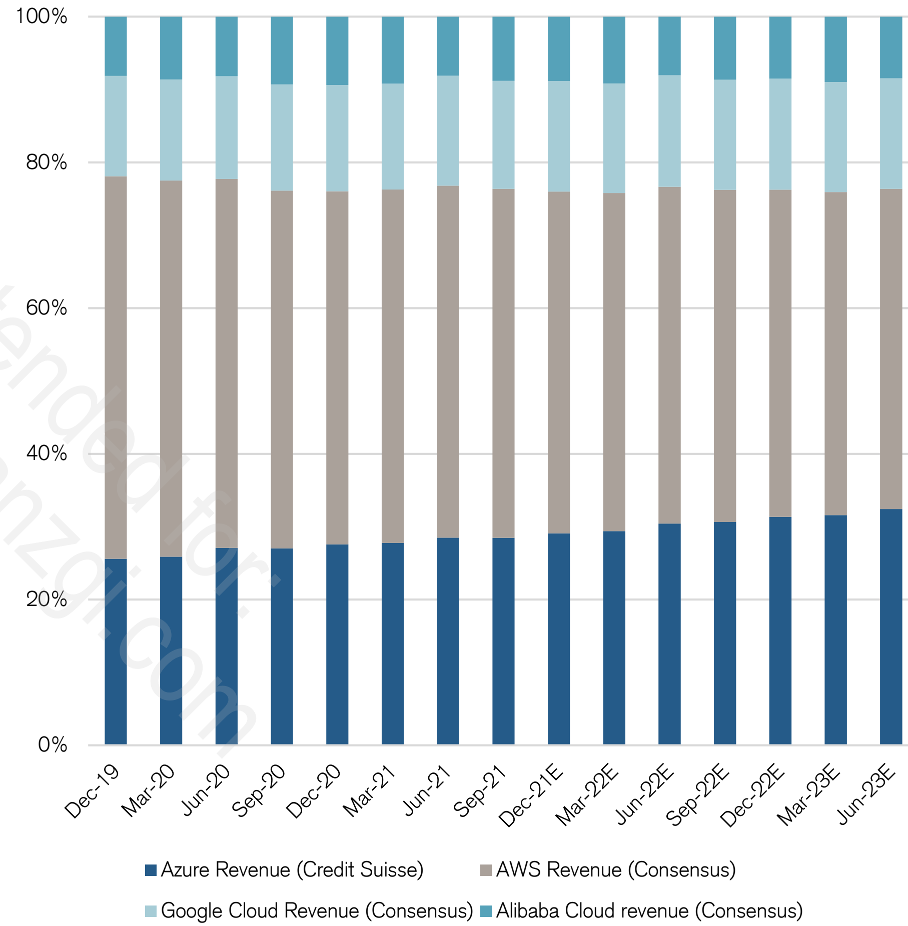
Source: Gartner, Credit Suisse.

Stock Pick for Theme #4

Microsoft: Azure is the “Enterprise Cloud”

- With the Digital Transformation further propelling spending to the cloud, we believe the pace of this shift will only accelerate as large enterprises migrate workloads from on-premises to the cloud and demand seamless movement between their hybrid- and multi-cloud deployments.
- **We expect Microsoft Azure, as the “enterprise cloud,” to disproportionately benefit from the accelerated shift to the public cloud**, as customers that maintain large existing on-premises Microsoft investments increasingly choose Azure as a strategic cloud provider.
  - **We therefore forecast Azure to continue to narrow the dollar revenue gap to #1 Amazon Web Services and widen the gap to #3 Google Cloud.**

Revenue Share – Azure vs. AWS vs. Google Cloud vs. Alibaba Cloud

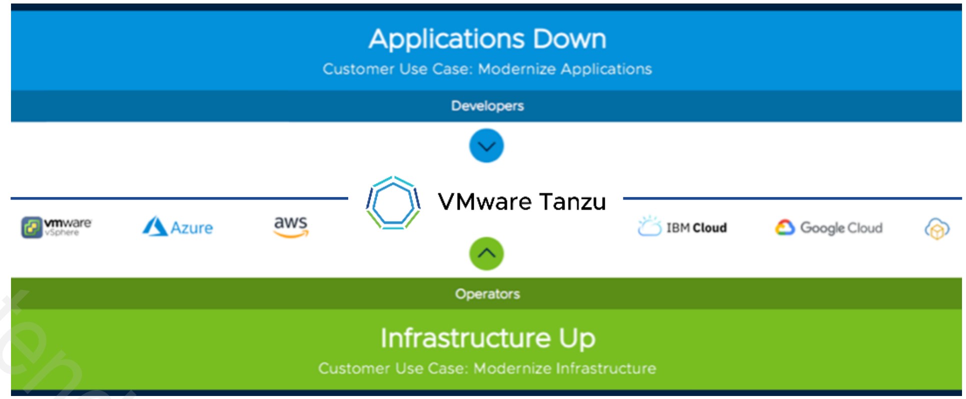


Source: Company data, FactSet, Visible Alpha, Credit Suisse.

Stock Pick for Theme #4
VMware: Differentiated Hybrid-/Multi-Cloud Strategy

- The container runtime and Kubernetes have become the gold standards of modern infrastructure, and unifying enterprise datacenters with the public cloud has become a necessity—presenting a lucrative business opportunity to ensure parity between the two infrastructures.[16]
- VMware Tanzu offers full-stack modernization, combining the best of Kubernetes and vSphere to transform how enterprises build, run, manage, and connect software—incorporating a differentiated "infrastructure up/applications down" strategy compared with its competition.[17]
- VMware has a clear focus on creating a bridge for traditional enterprise datacenters, cloud-native platforms, and public cloud environments to coexist and integrate.[18]
- **We believe VMware is positioned to establish itself as "the" abstraction company of not just enterprise datacenters but also for the hybrid-/multi-cloud infrastructure stack based on:**

VMware Tanzu – "IT Ops: Infrastructure Up; Developers: Applications Down"



- The evolution of vSphere into a native Kubernetes platform for VMs and containers, creating a single platform to operate existing and modern applications side-by-side.[17]
- VMware's broad SDDC offerings and expanding Tanzu product portfolio, leveraging Kubernetes as a consistent control plane to integrate containers, PaaS, and serverless deployments with one another.[19]
- VMware's appreciation that developers are important assets and are critical contributors to its long-term growth potential, as the company transitions from a virtualization-centric product portfolio to a mix of products and services that have direct applicability to modern cloud-native applications.[20]

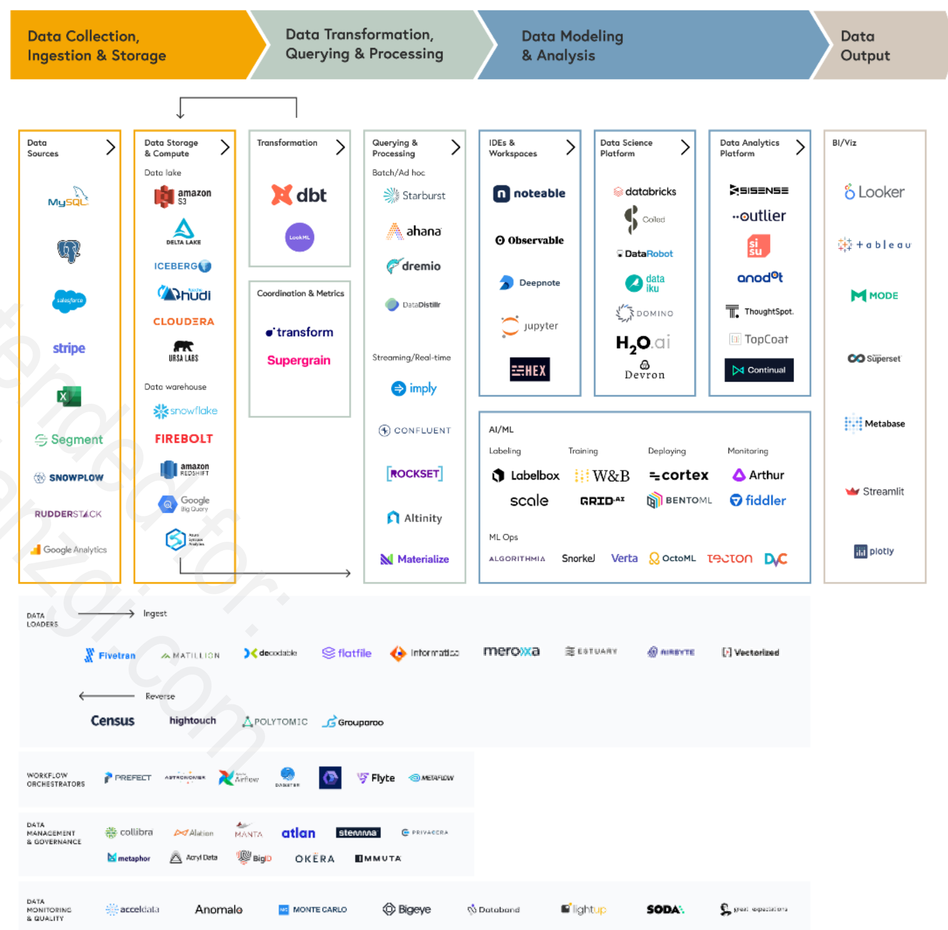
Source: https://blogs.vmware.com/cloud-foundation/2020/03/10/delivering-kubernetes-at-cloud-scale-with-vmware-cloud-foundation-4/, Credit Suisse.

Stock Picks for Theme #4

The Modern Data Infrastructure Stack

- With the growing need for large-volume, multi-structured, real-time analytics, we believe the enterprise data stack is in the early stages of the **most radical revolution in architectures in 20-30 years**.
- Driven by the scalability and cost-effectiveness of cloud data warehouses and data lakes, the modern data stack is a suite of tools and patterns that have emerged to address the challenges and complexity in leveraging and operationalizing data assets and to lower the barrier for data integration.[21]
- At a high level, four stages facilitate the journey of data from source data systems to data products in the modern data stack: (1) data collection, ingestion, and storage; (2) data transformation, querying, and processing; (3) data modeling and analysis, and (4) data output.
  - We expect enterprises to more widely adopt modern data stacks—with a particular focus on (1) streaming data to allow companies to take real-time action and (2) data science platforms to develop/deploy models and incorporate analytics into business processes.[22]
  - We believe artificial intelligence (AI) is potentially more disruptive and powerful than any previous shift in technology, driven by the ability to scale computing, store large volumes of data in the cloud, and access advanced algorithms and smarter data models.[23]

Modern Data Infrastructure Stack



Source: https://www.bvp.com/atlas/roadmap-data-infrastructure, Credit Suisse.

Stock Picks for Theme #4
The Modern Data Infrastructure Stack (cont.)

- **The adoption of the cloud set off a generation of reinvention that continues today, and the next wave of reinvention will be driven by data at cloud scale.**[15]
- We believe the economics of data—not just the economics of applications—will increasingly drive differentiation and competitive advantage in the modern business landscape.[24,25]
  - Unlocking the value of these ever-growing datasets through modern cloud-native data infrastructures is becoming essential to companies of all sizes and industries.[22]
- Just as the Great Recession accelerated the secular trend to Software-as-a-Service—driving multi-years of robust growth—the COVID-19 pandemic has accelerated the adoption of the modern data infrastructure stack.

Credit Suisse Stock Picks by Modern Data Infrastructure Stack Technology

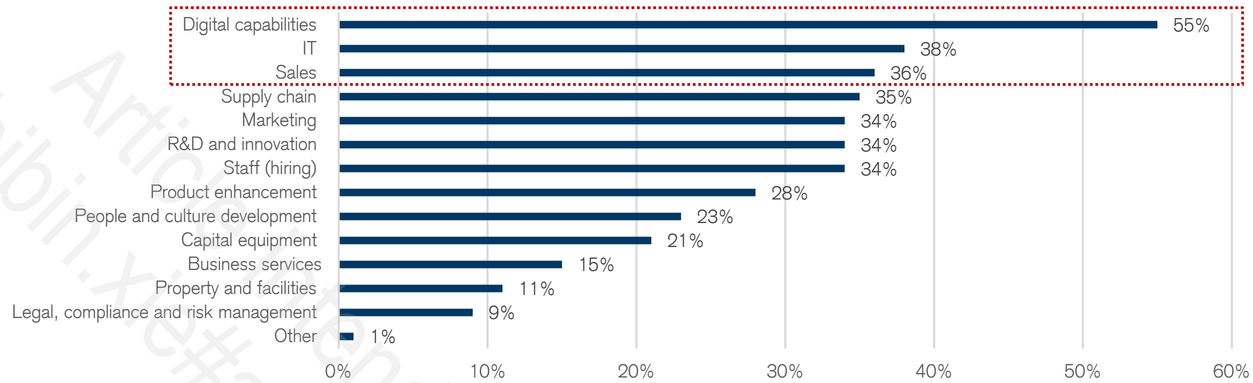
Data Streaming	CONFLUENT
NoSQL DBMS	mongoDB
Unstructured/ Semi-structured Data	splunk>
Data Warehouse	snowflake

Theme #5:
Front Office Stays in the Front Seat.

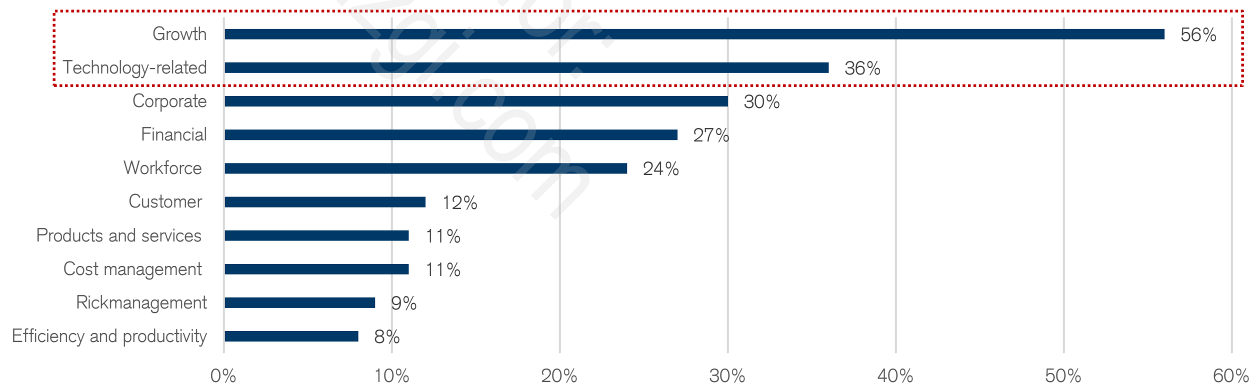
Digital Transformation Begins & Ends with the Customer

- Switching from caution to a post-recession growth posture and adapting to a new normal, CEOs' priorities are clear: (1) growth, (2) digitalization, and (3) productivity.[2]
- Facing CEO demands to grow and digitalize efficiently, IT leaders must find force multipliers to drive growth, adopt technology to accelerate digitalization, and create scalable IT systems for productivity and cost efficiency.[2]
- The past 18 months have triggered faster change in customer-focused systems than ever, and **we believe this pace will only increase in 2022—driving sustained growth for the CRM market.**[2]

Gartner Business Cost Optimization Survey – "In which business areas is your organization planning on investing once spending picks up after the initial shock of COVID-19 is over?"



Gartner CEO Survey – "Please tell us about your organization's top 5 strategic business priorities for the next 2 years."

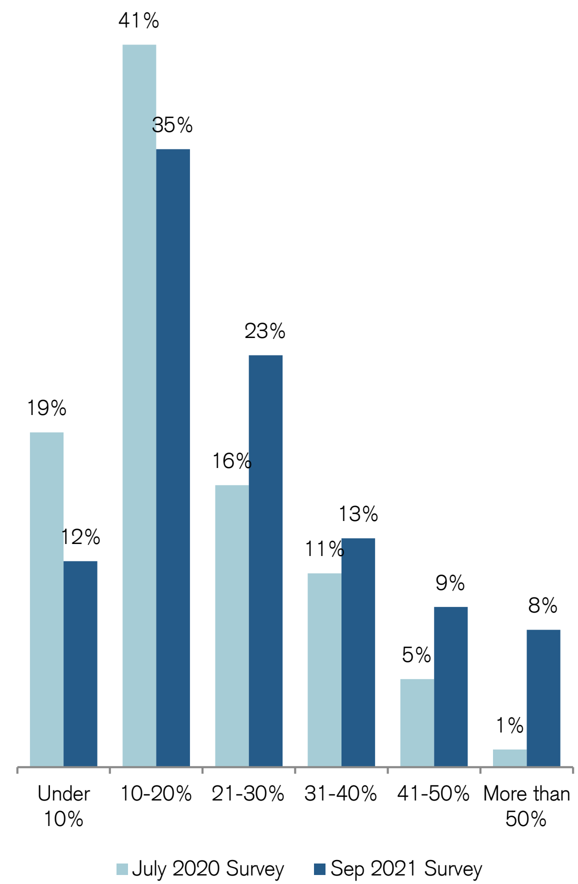


Source: Gartner, Credit Suisse. Note: Summary of top three mentions of strategic business priorities, coded responses.

Digital Transformation Begins & Ends with the Customer (cont.)

- If there were any lingering doubts about the necessity of Digital Transformation, the COVID-19 pandemic was a reality check for businesses.
- As a means of dealing with the pandemic, 2020 was about rapid cloud adoption as (many) organizations massively accelerated their Digital Transformation roadmap at the start of the pandemic. 2021 continued that acceleration. 2022 will be about (1) gaining new insights from the resulting from increased digital presence and (2) connecting with the customer (i.e., the "last mile" of digital experience).[15]
- CRM technologies are **not only** the systems of record where important customer data resides **but also** the systems of engagement where business processes originate.[26]
- **We believe more businesses are realizing that CRM is no longer "just" about customer relationship management.**[26]
  - CRM is a platform that can unlock strategic innovation opportunities and digitally transform an entire business—driving our expectation for continued growth in spending for multiple years.
  - CRM data is moving from being a record of what happened to providing the insights to make things happen. Proven examples include operationalizing a retail shopper's buying history and analyzing it with other shopper's buying habits to make intelligent product recommendations that increase sales.[15]

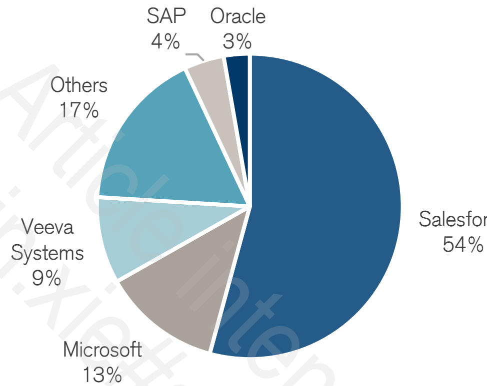
Credit Suisse CIO Survey: "What % of your total IT investment is directly tied to Digital Transformation initiatives?"



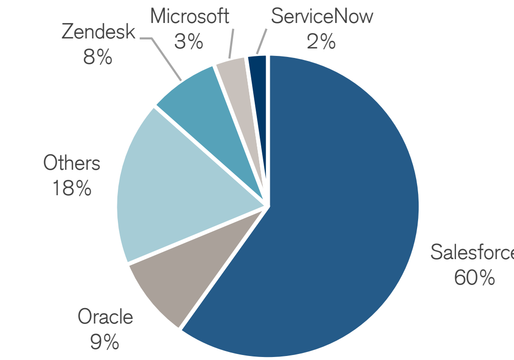
Stock Pick for Theme #5
Salesforce: The Front-Office Suite

- We view Salesforce, with (1) the most complete horizontal suite of CRM applications and (2) increasingly robust vertical technology stack, as the company in our coverage universe most leveraged to the acceleration in the Digital Transformation across both B2B and B2C segments.
- Although many investors have grown weary of the company's increasingly acquisitive nature, we believe Salesforce's growing footprint is becoming more strategic to its customers—from business users to members of the C-suite.
  - We therefore expect Salesforce to **continue to consolidate share across the sub-segments of the CRM market**—with a focus on integrating end-to-end processes and unifying, managing, and analyzing customer data across its suite of applications.

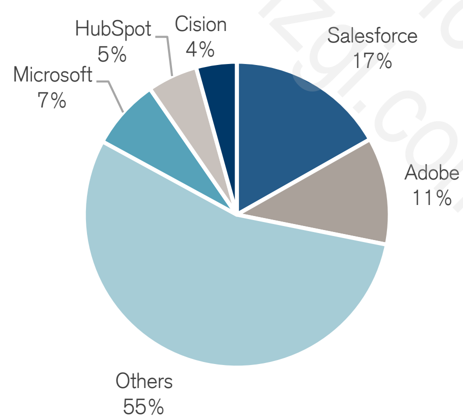
Public Cloud CRM Sales Market Share by Vendor (H1 2021)



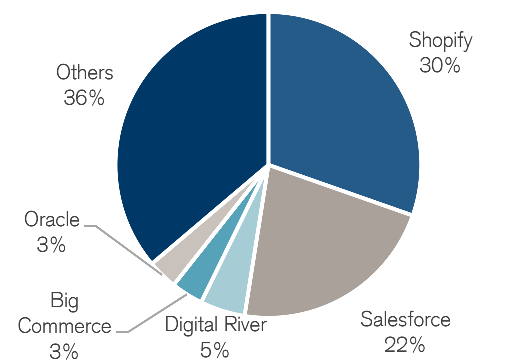
Public Cloud CRM Service Market Share by Vendor (H1 2021)



Public Cloud CRM Marketing Market Share by Vendor (H1 2021)



Public Cloud CRM Commerce Market Share by Vendor (H1 2021)

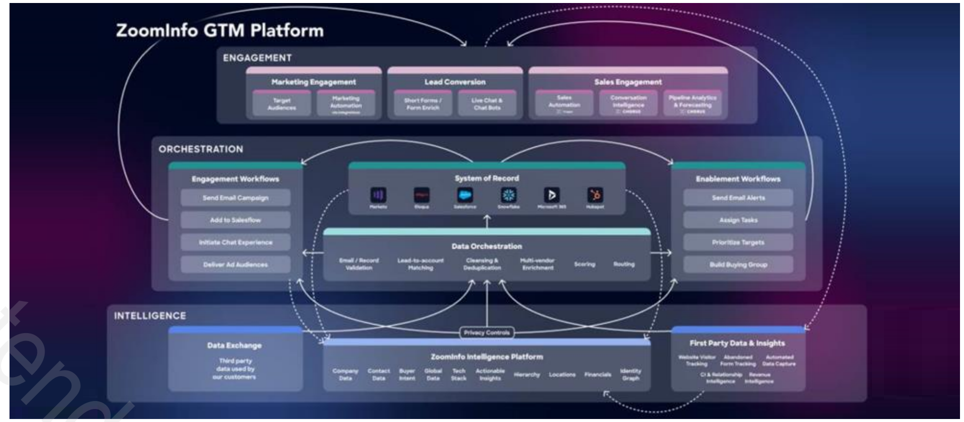


Stock Pick for Theme #5

ZoomInfo: Selling Up The Stack

- We view ZoomInfo as the clear leader in go-to-market (GTM) intelligence solutions—a growing market targeted at business-to-business (B2B) sales professionals that is being redefined by data analytics at cloud scale.
  - With artificial intelligence (AI) and machine learning (ML) continuing to mature, we expect CRM solutions to increasingly rely on algorithms and neural networks to make better decisions during the sales process.
  - We view ZoomInfo's superior contact data as a key competitive advantage that will persist owing to (1) network effects at scale, (2) diverse data sourcing, and (3) distant leadership.
- Although many investors view ZoomInfo as the "contact information" database company, we believe ZoomInfo is in the early stages of **effectively leveraging the high-quality data and insights derived from its best-in-class B2B intelligence platform to develop a comprehensive go-to-market suite that combines robust (1) data management, (2) orchestration, and (3) engagement**.
  - In addition to the three primary ZoomInfo package pricing options, the company has organically and inorganically expanded the number of add-on products—with a focus on (1) tightening the connection between the intelligence layer and engagement/orchestration layers within the platform as well as (2) empowering customers to seamlessly manage their data across systems and teams.

ZoomInfo GTM Platform



ZoomInfo Platform Pricing

	Professional	Advanced	Elite
Investment	$14,995/year	$24,995/year	$39,995/year
Bulk Data Credits	5,000	10,000	10,000
Reach Out Chrome Extension	✓	✓	✓
Direct Phone & Verified Email Addresses	✓	✓	✓
Integrations	✓	✓	✓
1,000 Monthly Data Credits Per User		✓	✓
Technologies		✓	✓
WebSights		✓	✓
Mobile Phone & Personal Email Addresses		✓	✓
Org Charts		✓	✓
Scoops		✓	✓
Locations & Hierarchy		✓	✓
Six Intent Topics (weekly results)		$	✓
Attributes			✓
Workflows			✓

Pricing based on a standard two year contract.

Product Add-Ons		
Engage	-	$1,080/user
Chat	-	$15,000
Chorus (includes three seats. $1,200 per additional seat)	-	$8,000
Enrich (includes 25k credits)	-	$15,000
Form Complete (includes 10k data credits)	-	$12,000

Data Add-Ons		
Six Intent Topics	-	$12,000
Custom Intent	-	$7,500
Streaming Intent	-	$5,000
EU Data	-	$10,000
Bulk Data Credits		
10,000	-	$5,500
25,000	-	$11,250
50,000	-	$17,500
100,000	-	$32,000

Additional Users		
Professional	-	$1,500/user
Advanced	-	$2,500/user
Elite	-	$2,500/user

Sources & References

Sources & References

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Disclosures

Valuation Methodology and Risks

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Adobe (ADBE.OQ)

Method: Our 12-month price target of $625.00 equates to NTM and SNTM EV/UFCF multiples of 40.2x and 34.4x, respectively. Our Neutral rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our Neutral rating and $625 target price include: Adobe's main products, Adobe Experience Cloud, Creative Cloud, and Document Cloud typically involve cloud-based subscription offerings. The markets in which Adobe participates are intensely competitive, and if Adobe does not compete effectively and its customers fail to renew subscriptions in accordance with the company's expectations, Adobe's future revenue and operating results could be adversely affected.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Autodesk (ADSK.OQ)

Method: Our 12-month price target of $440.00 equates to NTM and SNTM EV/UFCF multiples of 48.3x and 41.5x. Our Outperform rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our Outperform rating and $440 PT include: Autodesk is exposed to the risks of rapid technological advances, changing delivery models, and customer requirement changes. If Autodesk's new products and pricing changes do not accurately reflect customer demand and the company is not able to develop necessary infrastructure and business models more quickly than its competitors, Autodesk's revenue and operating results could be negatively impacted.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Check Point Software (CHKP.OQ)

Method: Our 12-month price target of $100.00 equates to NTM and SNTM EV/UFCF multiples of 8.5x and 8.8x, respectively. Our Underperform rating reflects a total return forecast below that of the peer group average.

Risk: Risks to our Underperform rating and $100 TP include: Check Point has increased its investment in both organic and inorganic development as well as go-to-market initiatives. If this incremental spending were to be more successful than currently anticipated, Check Point could accelerate revenue growth faster-than-forecasted. Furthermore, if investor confidence in Check Point's ability to reaccelerate growth were to increase, the stock's multiple could rerate higher.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Cloudflare (NET.N)

Method: Our 12-month price target of $205.00 equates to NTM and SNTM EV/Revenue multiples of 82.8x and 61.0x, respectively. Our Neutral rating reflects a total return forecast in line with that of the peer group average.

Risk: Risks to our Neutral rating and $205 TP include: Cloudflare participates in highly competitive markets against incumbent CDN vendors as well as other cloud-based providers within compute/storage, VPN, firewall, and DDoS adjacent markets. Trends in subscription renewal and the potential decline in customer retention metrics—including the ability to upsell and convert existing customers—could pose a risk to its underlying operations.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Confluent (CFLT.OQ)

Method: Our 12-month price target of $115.00 equates to NTM and SNTM EV/Revenue multiples of 74.7x and 56.9x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our $115 TP and Outperform rating: Confluent derives a significant amount of revenue from its data-in-motion platform. Therefore, increased competition from data infrastructure peers and/or failure to achieve market adoption of Confluent Cloud could potentially have a disparate impact on financial operations. A reduction in existing customer renewals with usage-based commitments or contraction in converting open-source Apache Kafka users to the Confluent Platform or Confluent Cloud may negatively impact the company.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Informatica Llc (INFA.N)

Method: Price Target: Our 12-month price target of $35.00 equates to NTM and SNTM EV/UFCF multiples of 33.9x and 28.5x, respectively, as compared with the current stock price of $32.52. Our Neutral rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our $35 target price and Neutral rating include both upside and downside risks. Upside risk: A faster-than-expected shift to cloud could materially shift our estimates, and therefore the valuation warranted for Informatica stock. Downside risks: More durable incumbency of legacy vendors, faster innovation by hyperscale cloud providers and data management vendors, and the competitive landscape could pose a credible threat to Informatica's fundamental trajectory, and therefore stock price.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Microsoft (MSFT.OQ)

Method: Our 12-month price target of $400 equates to NTM and SNTM EV/UFCF multiples of 45.3x and 38.7x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our $400 target price and Outperform rating: Microsoft businesses face significant competition from other platforms that deliver content, applications, and platforms at scale with large installed bases, and any slowdown in customers' transitions to cloud-based offerings could have an adverse effect on Microsoft's business model. Additionally, adverse economic or geopolitical conditions, including security threats to critical IT infrastructure, could significantly harm the underlying business.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for MongoDB (MDB.OQ)

Method: Our 12-month price target of $700.00 equates to NTM and SNTM EV/Revenue multiples of 48.8x and 36.4x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our Outperform rating and $700 TP: MongoDB faces competition from legacy vendors, open-source NoSQL options, and public cloud alternatives. Slower-than-expected traction with Azure, GCP, Alibaba, and other partners could reduce adoption and usage trends globally. Deteriorating consumption patterns in Atlas, as well as worsening customer consumption expansion, could slow growth in revenue and cash flow.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Oracle Corporation (ORCL.N)

Method: Our 12-month price target of $115.00 equates to NTM and SNTM EV/UFCF multiples of 29.6x and 28.3x, respectively, as compared with the current stock price of $88.77.

Risk: Risks to our $115 TP and Outperform rating include: As software business models continue to evolve, Oracle's revenue and profitability may be adversely affected if Oracle does not successfully execute its cloud computing strategy or its customers do not transition to the cloud as quickly as expected. Additionally, increasing prevalence of cloud delivery models and competition may impact the pricing of Oracle's offerings.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Palantir Tech (PLTR.N)

Method: Our 12-month price target of $25.00 equates to NTM and SNTM EV/UFCF multiples of 89.5x and 73.2x, respectively. Our Neutral rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our $25 target price and Neutral rating include: Palantir relies on large deals with few customers, which could continue to drive uneven financial performance. Disclosure from management may remain inconsistent, leading to a lack of visibility into the model and eroding investor confidence. A deceleration in sales force ramping due to labor tightness and a reduction in customer acquisitions and growth may prove not to be enough to satisfy investor appetite. Palantir may also have to comply with heightened data privacy laws and regulations when doing business with governments and international organizations.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Palo Alto Networks, Inc. (PANW.OQ)

Method: Our 12-month price target of $635.00 equates to NTM and SNTM EV/UFCF multiples of 33.1x and 23.1x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our $635 TP and Outperform rating: Competition within the industry for enterprise security is intense and may continue to increase in the future. Palo Alto Networks may not only face competition from large companies that incorporate security features in their product suites, such as Cisco Systems, but also could face competition from independent security vendors, such as Check Point Software Technologies, Fortinet, and Zscaler. Palo Alto Networks may lack sufficient resources to maintain or improve its current competitive position.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Salesforce.com (CRM.N)

Method: Our 12-month price target of $375.00 equates to NTM and SNTM EV/UFCF multiples of 57.7x and 38.1x, respectively, as compared with the current stock price of $258.32.

Risk: Risks to our $375 target price and Outperform rating for CRM: Salesforce derives a large portion of its revenue from subscriptions to its cloud-based CRM offerings, but Salesforce's efforts to expand, develop, and integrate these services may not be successful and may reduce its revenue growth. In addition, the ongoing investment in artificial intelligence offerings and significant platform upgrades, such as the introduction of Hyperforce in 2021, are still in the early stages and may not result in significant revenue for Salesforce.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for ServiceNow, Inc. (NOW.N)

Method: Our 12-month price target of $850.00 equates to NTM and SNTM EV/UFCF multiples of 75.0x and 58.3x. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our Outperform rating and $850 target price include: ServiceNow's business may decline if entrance into new markets proves difficult and could cause sales productivity to diminish. Legacy vendors may encroach on ServiceNow through lower-priced SaaS offerings, and customer negotiations concerning contract duration or renewals could elongate and negatively affect performance metrics.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Snowflake (SNOW.N)

Method: Our 12-month price target of $465.00 equates to NTM and SNTM EV/Revenue multiples of 90.7x and 56.5x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risk to our Outperform rating and $465 Target Price include: Snowflake generally recognizes revenue on consumption as opposed to recognizing revenue ratably over time in a subscription-based business model, so there is limited visibility into Snowflake's financial position and operational results in the future. In addition, considering that Snowflake was founded in 2012 and first offered its platform for sale in 2014, the company's limited operating history makes forecasting Snowflake's future operations more challenging.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Splunk (SPLK.OQ)

Method: Our 12-month price target of $225.00 equates to NTM and SNTM EV/Revenue multiples of 12.9x and 9.4x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Splunk increasingly faces competition from large tech vendors, which include modern pure-play and/or open source solutions. Failure to improve growth in new customers and/or take advantage of the market opportunity in unstructured and semi-structured data could prove costly to the underlying business. A material slowdown of cloud adoption resulting in slower-than-expected ARR growth could cause Splunk to lose market share. Deteriorating customer renewal metrics and a reluctance to adopt workload-based pricing could have a material impact on financial performance.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Teradata (TDC.N)

Method: Our 12-month price target of $40.00 equates to NTM and SNTM EV/UFCF multiples of 14.0x and 12.0x. Our Underperform rating reflects a total return forecast below that of the peer group average.

Risk: Risks to our Underperform rating and $40 TP includes: Teradata's transition to the cloud is a key focus for investors. If the company successfully transitions its existing installed base to the cloud and effectively attracts new customers to its data management platform, Teradata could potentially exceed management's guidance for achieving $1 billion in cloud ARR in 2025. Furthermore, if investor confidence in the sustainability of Teradata's cloud momentum were to increase, the stock's multiple could rerate higher.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for UiPath (PATH.N)

Method: Our 12-month price target of $75.00 equates to NTM and SNTM EV/Revenue multiples of 34.9x and 26.8x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our $75 target price and Outperform rating include: We believe that UiPath's differentiated, end-to-end hyperautomation platform that can scale from individual workers to company-wide initiatives will enable the company to continue driving strong new customer acquisition, robust customer expansion, and attractive unit economics longer than Wall Street appreciates.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for VMware Inc. (VMW.N)

Method: Our 12-month price target of $175.00 equates to NTM and SNTM EV/UFCF multiples of 21.5x and 17.0x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our $175 price target and Outperform rating: VMWare relies on its core server virtualization business for a large percentage of its revenue; therefore, muted midrange and high-end server market performance could have a negative impact on performance. Additionally, failure to seamlessly integrate multiple products from different acquisitions into a unified and differentiated experience across vSphere and hyperscale providers could cause VMWare to lose market share against competitors and within its customer base. Furthermore, although the spin-off from Dell Technologies has been completed, higher post-spin leverage may limit VMware's ability to allocate capital.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Workday (WDAY.OQ)

Method: Our 12-month price target of $300.00 equates to NTM and SNTM EV/UFCF multiples of 54.2x and 49.5x, respectively. Our Neutral rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our $300 target price and Neutral rating: Failure to close new customers or upsell and cross-sell new solutions could materially affect Workday's growth and profitability. Furthermore, Workday is exposed to the risks related to cybersecurity and data privacy. If Workday's security measures are breached, the company's applications may be perceived as not being secure and customers may reduce the use of or stop using Workday's applications.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Zendesk (ZEN.N)

Method: Our 12-month price target of $110.00 equates to NTM and SNTM EV/Revenue multiples of 9.1x and 7.1x, respectively, as compared with the current stock price of $97.76.

Risk: Risks to our Neutral rating and $110 target price include: As Zendesk expands deeper into the CRM market, the company may face increased competition, specifically regarding its newer modules (e.g., Sell and Sunshine), that could ramp slower-than-anticipated. The proposed acquisition of Momentive could also pressure revenue growth and profitability and set up an unfavorable growth/margin equation if integration challenges were to materialize. Extended macroeconomic weakness could also affect demand for Zendesk's solutions.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Zeta Glo Hldg (ZETA.N)

Method: Our 12-month price target of $11.00 equates to NTM and SNTM EV/Revenue multiples of 4.3x and 3.7x, respectively. Our Neutral rating reflects a total return forecast in-line with that of the peer group average.

Risk: Risks to our $11 target price and Neutral rating: A majority of Zeta's revenue is derived from usage-based pricing both in its direct platform and integrated platform, which is less stable than a traditional subscription-based revenue model due to the varying nature of customer product usage. Deterioration in customer retention metrics, especially with early-stage customers, could negatively affect Zeta's ability to meet long-term growth targets. As both an owner and a custodian of data on its platform, Zeta is required to comply with more robust privacy laws and regulations, which could add incremental costs and/or depreciate the value of its datasets.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for ZoomInfo Technologies (ZI.OQ)

Method: Our 12-month price target of $100.00 equates to NTM and SNTM EV/UFCF multiples of 146.1x and 84.4x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: The market for sales, marketing, and recruiting software is highly competitive, rapidly evolving, and fragmented. As a result, ZoomInfo must keep pace with market innovation. Many current or prospective customers may find competing products more attractive or switch to the products offered by low-priced competitors.

Target Price and Rating
Valuation Methodology and Risks: (12 months) for Zscaler (ZS.OQ)

Method: Our 12-month price target of $410.00 equates to NTM and SNTM EV/Revenue multiples of 54.2x and 40.3x, respectively. Our Outperform rating reflects a total return forecast above that of the peer group average.

Risk: Risks to our Outperform rating and $410 target price: Zscaler may face increased competitive pressure from large traditional security vendors as well as other cloud-native competitors, and end markets could become saturated with market share peaking. Additionally, with an expanding product portfolio, Zscaler may face longer sales cycles as customers' evaluations of the company's broadened capabilities require more time.

Companies Mentioned *(Price as of 11-Jan-2022)*

Adobe (ADBE.OQ, $529.89)
Autodesk (ADSK.OQ, $270.63)
Check Point Software (CHKP.OQ, $120.0)
Cloudflare (NET.N, $114.14)
Confluent (CFLT.OQ, $71.97)
Informatica Llc (INFA.N, $31.9)
Microsoft (MSFT.OQ, $314.98)
MongoDB (MDB.OQ, $443.79)
Oracle Corporation (ORCL.N, $88.48)
Palantir Tech (PLTR.N, $16.89)
Palo Alto Networks, Inc. (PANW.OQ, $526.05)
Salesforce.com (CRM.N, $234.84)
ServiceNow, Inc. (NOW.N, $578.44)
Snowflake (SNOW.N, $301.27)
Splunk (SPLK.OQ, $122.11)
Teradata (TDC.N, $45.19)
UiPath (PATH.N, $41.44)
VMware Inc. (VMW.N, $124.26)
Workday (WDAY.OQ, $255.72)
Zendesk (ZEN.N, $100.45)
Zeta Glo Hldg (ZETA.N, $8.71)
ZoomInfo Technologies (ZI.OQ, $56.73)
Zscaler (ZS.OQ, $277.53)

Disclosure Appendix

Analyst Certification

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