

Ticker:

AKAM

Company Snapshot



EAGLE FUND

AKAMAI TECHNOLOGIES INC (NASDAQ GS: AKAM, Currency: USD) 118.45 / -0.53% / -0.63
 Bloomberg Rating: IG1 Sector: Information Technology Industry: IT Services Sub-Industry: Internet Services & Infrastruc FY End: December 2020 EPS Due: 8

Description
 Akamai Technologies, Inc. provides services for accelerating and improving the delivery of content and applications over the internet, ranging from live and on-demand streaming video capabilities to conventional content on websites, to tools that help people transact business and reach out to new and existing customers.

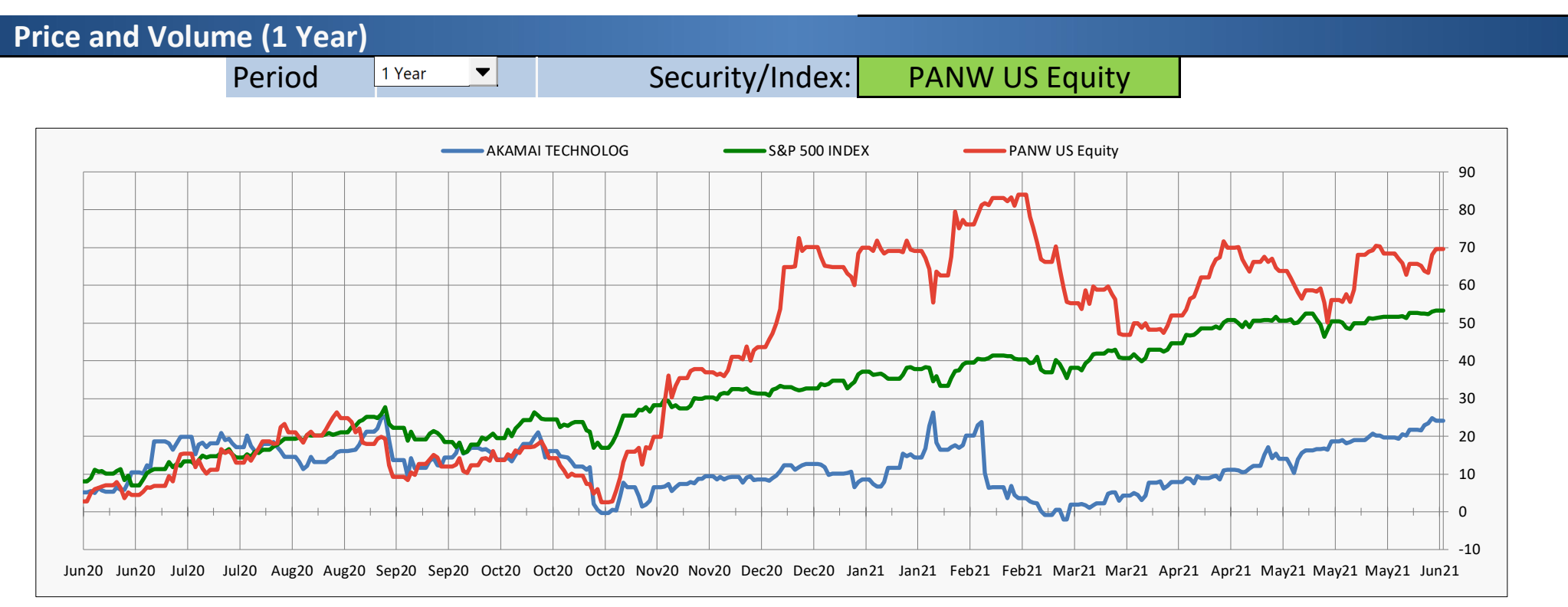
Business Segments (FY: Dec-20)		Revenue
Excluding Internet Platform Customers		2,994.40
Internet Platform Customers		203.75

Key Statistics	
52-Week Range	92.64 - 124.91
Avg Daily Vol (3 Mo)	1,469,071
Market Value	19,306.4
Current Enterprise Val	19,666.76
Shares Outstanding (B)	162.99 M
Dividend Yield	-
Float %	98.0%
Institutional %	96.1%
Analyst Coverage	17 Analysts
Target Price	125.71
LT Growth Rate	1150.0%
Consensus Rating	4.41
Return on Equity	14.8%

Actual and Estimate Data			
	LTM	12/2021	12/2022
Revenue	3,276.56	3,431.00	3,696.87
% change y/y		7.3%	7.7%
EBITDA	1,182.22	1,515.80	1,648.67
% Margin		8.5%	8.8%
EPS	3.637467	5.518	6.031
% change y/y		5.7%	9.3%
EV/Sales	5.2x	5.9x	5.6x
EV/EBITDA	14.4x	12.4x	11.4x
P/Sales	5.9x	5.6x	5.2x
P/Earnings	32.6x	21.5x	19.6x
P/Book	4.5x	4.1x	3.5x

Relative Comps	Mkt Cap	PE (NTM)
Akamai Technologies Inc	19.31 B	21.1x
Splunk Inc	19.82 B	
MongoDB Inc	20.76 B	
NortonLifeLock Inc	16.58 B	17.1x
Dynatrace Inc	15.73 B	89.4x
Citrix Systems Inc	14.95 B	20.7x
Slack Technologies Inc	26.10 B	523.3x
Dropbox Inc	11.92 B	21.9x
Zscaler Inc	28.46 B	421.5x
Proofpoint Inc	9.95 B	81.2x
Paylocity Holding Corp	9.61 B	89.0x
Cloudflare Inc	29.20 B	
Datadog Inc	29.44 B	561.6x
Nutanix Inc	7.39 B	
Fastly Inc	6.29 B	

Measure:	Sales/Revenue/Turnover			
	2019	2020	2021	2022
Q1 Mar	706.51	764.30	842.71	901.88
Q2 Jun	705.07	794.72	846.07	901.00
Q3 Sep	709.91	792.85	844.21	904.88
Q4 Dec	772.12	846.29	897.36	958.50
Year	2893.62	3198.15	3431.00	3696.87
Cal Yr	2893.62	3198.15	3431.00	3696.87
Revision				
	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	-0.1%	-0.1%	0.9%	1.0%
Qtr End 09/21	-0.1%	-0.1%	0.4%	-0.2%
FY End 12/21	-0.1%	-0.1%	0.7%	1.1%
FY End 12/22	0.0%	0.0%	1.5%	2.4%



Prices/Volume	
YTD Change	12.82%
6 Month Change	7.22%
3 Month Change	6.1%
1 Year Change	29.6%
Daily Volume	574,177
Average Volume 30 Day	1,282,375
Average Volume 3 Month	1,469,071
Average Volume 6 Month	1,804,145
Dividend Yld	0.0%
52 Week Beta	0.74

Recommendation
 We view Akamai (AKAM) shares as a compelling buying opportunity based on improving revenue and cash flow growth as well as likely valuation multiple expansion as the company continues its transition away from content delivery towards faster growing and higher margin internet security.

Fundamental Trends / Catalysts
 In the most recent quarter, Akamai exceeded both consensus estimates and prior company guidance, driven by better-than-expected revenues in its Security business. Results were particularly impressive considering challenging year-over-year comparisons in its Content Delivery Network unit, especially streaming / gaming which significantly benefitted from pandemic lockdowns last year. Following the strong results, Akamai raised financial guidance for 2021. We believe the newly raised guidance may still be too conservative, setting the stage for additional positive earnings surprises and upward revisions to analyst estimates. The Security unit may see further improvement in its business as Akamai's customers look to harden their networks in light of several high-profile intrusions, data thefts, and ransomware attacks. Akamai's geographic exposure (45% outside the US) may be a catalyst for fundamental acceleration into 2022 as foreign economy re-openings have lagged the US by several months.

Balance Sheet / Cash Flow
 Akamai has a very solid balance sheet with net debt of only \$350m (less than 2% of its total capital). Free Cash Flow has been steady around \$500m per year over the past 5 years. It is somewhat concerning, however, that Free Cash Flow has been less than reported Net Income over the last 2 years. Encouragingly, Akamai is targeting a decline in capital intensity from 23% to 16% of revenue going forward. This lower level of Capex will lead to meaningful Free Cash Flow growth (+40%) in 2021. Cash Flow has largely been deployed to internal expansion projects, small 'tuck in' acquisitions, and share repurchases to offset option issuance.

Valuation
 Akamai trades at 20x estimated 2021 earnings which represents a 15% discount to the broader market (S&P 500 23x P/E) and compelling 35% discount to peers in the internet security industry (>30x P/E). We believe there is meaningful valuation expansion opportunity as Akamai continues to transition towards Security and away from Content Delivery. Over the next several years, Akamai sees Security related revenue growth 20% plus, 5x faster than Content Delivery. By 2025, the company expects Security to represent 50% of total sales, up from only 37% today.

Risks
 Recent consolidation among streaming customers (eg. Discovery + Warner Media) may lead to increased churn and pricing erosion. Additionally, any missteps in the company's transition from perpetual license revenue model towards a subscription based model may cause challenges.

Measure:	Diluted EPS Bef XO Items			
	2019	2020	2021	2022
Q1 Mar	0.65	0.75	0.94	0.99
Q2 Jun	0.69	0.98	0.92	0.98
Q3 Sep	0.84	0.95	0.87	0.99
Q4 Dec	0.73	0.68	0.93	1.07
Year	2.90	3.37	3.68	4.08
Cal Yr	2.90	3.37	3.68	4.08
Revision				
	1 Week	4 Weeks	3 Months	6 Months
Qtr End 06/21	-0.2%	-0.2%	6.0%	-
Qtr End 09/21	0.0%	-0.2%	-1.0%	-
FY End 12/21	-0.4%	-0.4%	3.5%	-
FY End 12/22	0.0%	0.1%	1.8%	-

Performance	2012	2013	2014	2015	2016	2017	2018	2019	2020	5 Yr Avg
Price Change	26.7%	15.3%	33.4%	-16.4%	26.7%	-2.5%	-6.1%	41.4%	21.5%	16.2%
S&P 500 INDEX	13.4%	29.6%	11.4%	-0.7%	9.5%	19.4%	-6.2%	28.9%	16.3%	13.6%
Industry (INDU Index)	7.3%	26.5%	7.5%	-2.2%	13.4%	25.1%	-5.6%	22.3%	7.2%	12.5%
Div Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financials	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr CAGR
Sales	1,373.9	1,577.9	1,963.9	2,197.4	2,340.0	2,489.0	2,714.5	2,893.6	3,198.1	7.8%
EBITDA	518.7	598.4	736.9	765.7	793.9	686.6	797.0	1,144.4	1,312.0	11.4%
EBIT	314.5	414.0	489.5	466.2	459.6	314.3	362.5	548.9	658.5	7.2%
Net Income	204.0	293.5	333.9	321.4	316.1	222.8	298.4	478.0	557.1	11.6%
EPS (Diluted)	1.12	1.61	1.84	1.78	1.79	1.29	1.76	2.90	3.37	13.6%
Dividends per Share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Shares for Fully Diluted EP	181.7	181.8	181.2	180.4	176.2	172.7	169.2	164.6	165.2	-1.7%
Book Value per Share	13.19	14.72	16.52	17.61	18.61	19.79	19.59	22.58	26.13	8.2%
Cash & Near Cash	202.0	333.9	238.7	289.5	324.2	313.4	1,036.5	393.7	352.9	4.0%
Total Assets	2,600.6	2,957.7	4,001.5	4,181.7	4,373.1	4,648.9	5,461.8	7,006.9	7,764.1	13.2%
Working Cap	525.4	766.5	928.5	920.7	935.3	889.6	1,324.6	1,538.3	1,171.4	4.9%
LT Debt	0.0	0.0	604.9	618.0	640.1	662.9	874.1	2,532.0	2,622.1	33.5%
Cash Flow-Oper Activities	530.0	563.9	658.1	793.5	871.8	801.0	1,008.3	1,058.3	1,215.0	8.9%
Capital Expenditures	221.0	260.1	318.6	445.0	316.3	414.8	405.7	562.1	731.9	10.5%
Free Cash Flow	309.0	303.8	339.4	348.5	555.5	386.2	602.6	496.2	483.1	6.8%
Ratios	12/12 Y	12/13 Y	12/14 Y	12/15 Y	12/16 Y	12/17 Y	12/18 Y	12/19 Y	12/20 Y	5 Yr Avg
Gross Margin	61.4%	67.6%	68.9%	67.0%	65.4%	64.8%	64.9%	65.9%	64.6%	65.1%
EBITDA Margin	37.7%	37.9%	37.5%	34.8%	33.9%	27.6%	29.4%	39.5%	41.0%	34.3%
EBIT Margin	22.9%	26.2%	24.9%	21.2%	19.6%	12.6%	13.4%	19.0%	20.6%	17.0%
Profit Margin	14.8%	18.6%	17.0%	14.6%	13.5%	8.9%	11.0%	16.5%	17.4%	13.5%
Return on Assets	8.2	10.6	9.6	7.9	7.4	4.9	5.9	7.7	7.5	6.7
Return on Com Eqty	9.1	11.8	12.0	10.6	10.0	6.8	9.1	14.0	14.1	10.8
Asset Turnover	0.6	0.6	0.6	0.5	0.5	0.6	0.5	0.5	0.4	0.5
Assets/Equity	1.1	1.1	1.4	1.3	1.4	1.4	1.7	1.9	1.8	1.6
Net Inc per 1000 Employee	66.4	75.1	65.4	52.8	48.7	29.1	39.7	61.9	66.6	49.2
Days Sales Out (DSO)	36.9	36.0	35.8	39.0	39.9	42.1	44.0	46.1	49.6	44.3
Acc Pay Turn Days (DPO)	28.2	41.8	45.1	35.1	31.2	32.6	34.3	44.0	41.6	36.7
Current Ratio	3.6	3.9	3.8	3.8	3.5	2.9	2.1	3.2	2.5	2.9
Quick Ratio	2.8	3.2	2.9	3.0	2.9	2.3	1.8	2.8	2.1	2.4
Total Debts/Total Capital	0.0	0.0	17.0	16.5	16.6	16.5	32.8	42.2	39.5	29.5
Total Debt/Total Equity	0.0	0.0	20.5	19.8	19.9	19.7	48.9	73.0	65.3	45.4

Growth Rate (CAGR) Summary				
	1Yr	3Yr	5Yr	10Yr
Sales	10.5%	8.7%	7.8%	12.1%
EBIT	20.0%	28.0%	7.2%	10.0%
EBITDA	14.6%	24.1%	11.4%	12.7%
Net Income	16.5%	35.7%	11.6%	12.5%
EPS (Diluted)	16.2%	37.7%	13.6%	14.1%
Dividends				
BVPS	15.7%	9.7%	8.2%	8.4%
Free Cash Flow	-2.5%	9.7%	8.8%	9.6%

Valuation Summary				
Latest FY	est FQ	5 Year Periodicity: Yearly		
	12/31/2020	High	Low	Avg
P/E (LTM)	30.0x	37.5x	27.6x	32.0x
P/E (NTM)	20.6x	24.9x	15.1x	20.1x
PEG (NTM)	1.8x	2.0x	1.3x	1.6x
P/Bk	4.0x	4.5x	3.1x	3.7x
P/CF	14.0x	15.8x	10.1x	13.4x
P/Sales	5.3x	6.0x	3.8x	4.9x
EV/EBITDA	13.2x	15.2x	11.8x	13.2x
EV/Sales	5.4x	5.4x	3.5x	4.5x
Div Yield	0.0%	0.0%	0.0%	0.0%