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Akamai Technologies, Inc.

Recommendation BUY

Date 1/5/2022

Current Price \$116.95

Target Price \$164.00

Upside 40%

Sector Information Technology

Industry IT Services

Ticker AKAM-US

Stock Exchange NASDAQ

Shares Outstanding (FD) 179.2m

Market Cap \$20.96b

Enterprise Value \$22.69b

Valuation Summary

DCF (50% Weight) \$161.00

EBITDA Exit Multiple 12.51x

Terminal Growth Rate 2.00%

CompCo (50% Weight) \$166.00

Percentile Applied ~60%

Recommendation

We issue a **BUY** recommendation with a target price of \$164, presenting potential upside of 40% on the closing price of AKAM on January 4, 2021 (\$116.95). This target price is derived from a weighted-average valuation comprising our Discounted Cash Flow analysis at 50% weight and Comparable Company analysis at 50% weight. This recommendation is predicted on our investment summary.

Investment Summary Highlights

- 1) Akamai's market leading position in the Content Delivery Network (CDN) space puts them in the driver's seat to capture attractive growth. Their ability to win customers and further monetize the platform provides a forecasted sales CAGR of nearly 5%, versus consensus of less than 1% over the same period.
- 2) Akamai's security business will see synergies with the foundational CDN business, subsequently decreasing customer acquisition cost, increasing customer stickiness, and providing margin expansion, translating into an average of over 325 bps of margin expansion across key metrics such as gross and operating margin.
- 3) Akamai's Security Technology segment is positioned to benefit from the dramatic uptick in cyber-attacks, a trend driven by the global shift to digital workplaces and an increased reliance on technology. We anticipate demand for their security products to translate to revenue growth of over 25% during the period, outpacing consensus expectations of ~20%.

Valuation Summary

Akamai's current stock price of \$117 is substantially undervalued on a fundamental free cash flow basis (\$161), and when compared to peers in the CDN and security space, using a relative valuation (\$166). From a fundamental perspective we anticipate AKAM to grow their Cybersecurity market share to mid-single digits by 2026, capturing more of their estimated \$29 billion total addressable market; generating strong free cash flows growing at a 17% CAGR over the projection period driven by their expansion in their Security Technology segment while also taking advantage of their competitive position within the CDN industry [1]. As stated in our investment summary, Akamai's Security Technology group will become an integral part of the company expanding from 33% of revenue today to ~60% of revenue by 2026, driven by a forecasted sustainable growth rate of over 20% during the period. The rapid expansion into security drives 6% above-consensus revenue growth throughout the projection horizon.

Akamai is materially undervalued compared to peers in both the Cybersecurity and the CDN market segments. This presents a unique investment opportunity, as Akamai transforms into a hybrid operator in these spaces: the higher-margin security space and the fundamentally-sound CDN space. Given Akamai's maturity and strong operating performance, the Enterprise Value to EBITDA multiple is a good proxy for valuation, using this method compared to peers yielded a price target of \$137. Additionally, given the high-growth of cybersecurity, we found it appropriate to also use the Enterprise Value to Sales multiple, yielding a price target of \$195 (Both NTM). To incorporate both of these methods, we blended the final valuation, yielding a target price of \$166.

Company Overview

Akamai is a leading global solution provider for content delivery networks (CDN) and web security. Their CDN segment uses the Akamai Intelligent Edge Platform to distribute content to customers while maintaining security. Their vast reach consisting of 1,400+ networks in 130+ countries gives Akamai insights to traffic volumes, congestion, attack patterns, vulnerabilities and other activities.

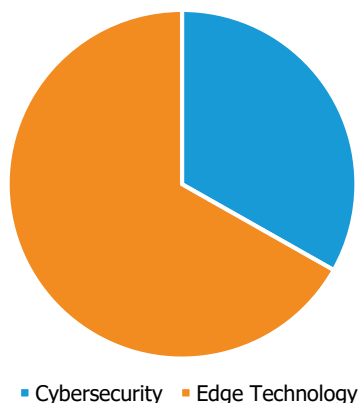
Business Model

Akamai generates revenue from their CDN and Security segments through customer contracts. Their customers are some of the largest companies in the world, including 56%+ of the Fortune 500. Some examples include Apple, Facebook, and Coca-Cola. Additionally, Akamai also sells their services to government agencies such as the U.S. Census Bureau, the U.S. Department of Defense, and the U.S. Department of Treasury. Akamai's revenue breakdown consists of 67% coming from the CDN segment and 33% from the Security segment, however, the Security segment is growing much more rapidly. While less than 10% of Akamai's total revenue is derived from contracts that are terminable from a federal election, these contracts are not expected to account for more than 10% of total revenue.

Product Portfolio Overview

Akamai leverages its globally distributed Intelligent Edge Platform to deliver products through its Security Technology Group and its Edge Technology Group. Through the Security Technology Group, Akamai offers both Application Security and Enterprise Security Solutions, while its Edge Technology Solutions group provides Edge Deliver, Edge Applications and Edge Services Solutions.

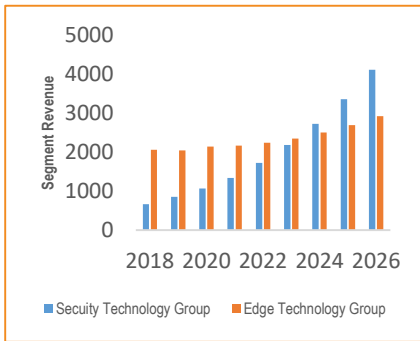
2020 Segment Revenue



Source: Made by Team, AKAM Investor Relations

January 5, 2022

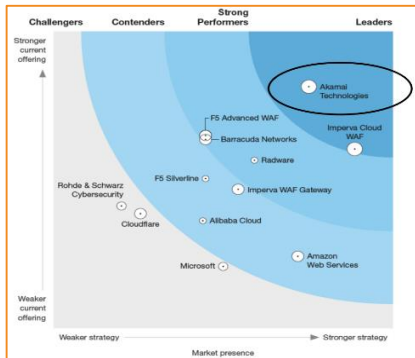
Projected Segment Revenue



Security: Akamai offers both Application Security and Network Security solutions to its customers through its Intelligent Edge Platform. The company's Application Security Products, which accounted for 62% of security revenue in 2020, include both App and API Protection along with Fraud protection. Akamai's core Application Security products include its Web Application Firewall Kona Site Defender, along with Bot Manager.

Edge Technology: Akamai offers traditional CDN services through its Edge Technology Group through its Edge Application, Edge Delivery and Edge services solutions. Edge Delivery is the largest component of revenue for Akamai, and primarily consists of the facilitation of media and content such as video, websites and gaming. Through Edge Delivery, Akamai helps its customers reduce the cost of internet infrastructure while reducing latency for the end consumer. Edge Application includes edge computing, enabling Akamai to distribute code closer to the edge and allow for computations to occur closer to the end user.

WAF Leaders



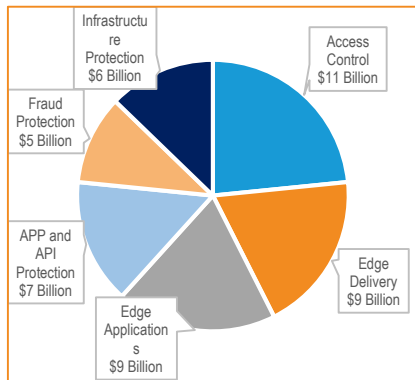
Source: The Forrester Wave

Industry Overview

The total addressable market for both the Security Technology segment as well as the Edge technology segment are projected to expand going forward, reaching over \$47 billion cumulatively, and Akamai is uniquely positioned to take advantage of this growth. The COVID-19 pandemic saw both a rise in cyberattacks as well as a rise in internet traffic as business, economic and personal activities moved online. Going forward, businesses are projecting the rise in cyberattacks to continue, and while the growth in internet traffic is projected to slow, the number of internet users is expected to increase dramatically through 2030.

Cyber security has become an increasingly important factor in conducting online business as cyberattacks have risen dramatically. These attacks pose significant implications for companies and their customers, as the average time to contain a cybersecurity attack is now 287 days, and 58% of all breaches involve the personal data of customers [1]. As a result, companies plan to continue to increase cybersecurity spending going forward, with 69% of organizations predicting a rise in their cybersecurity spending at the end of 2021 [2]. The segments within cyber security in which Akamai offers solutions have not lagged behind these trends, and are projected to increase going forward. It is projected that the number of DDoS attacks will reach 15.4 million by the end of 2023 [1], rising 11% in H1 2021 compared to H1 2020 [3]. As a result of these attacks, the global cybersecurity market is expected to grow by 9.65% through 2026.

Akamai's Market Opportunity

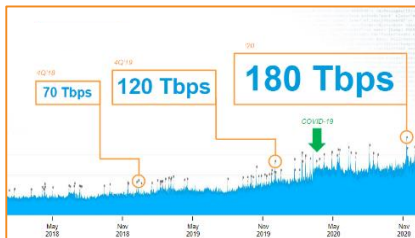


Source: Made by Team, Gartner

Additionally, the rise in internet traffic will drive demand for Akamai's Edge Technology Solutions. Throughout the pandemic, internet traffic, particularly via gaming and streaming, increased significantly. As a result, Akamai saw the traffic through their servers increase from 70 Tbps in Q4 of 2018 to 180 Tbps in Q4 of 2020. Going forward, internet traffic is expected to continue to rise as the number of individuals using the internet increases to 7.5 billion individuals by 2030 [4]. Gaming and streaming, a considerable portion of Akamai's Edge Delivery segment, saw considerable growth throughout the pandemic, with the number of individuals using online games increasing by 25% in 2020 [5].

Akamai's Edge Technology and Security Technology segments are uniquely poised to benefit from the increase in cyberattacks and internet traffic, as Akamai's servers process up to 30% of internet traffic globally. Akamai is the largest, most globally distributed CDN in operation, with 4,200 points of presence in 135 countries, and its global reach allows it to play a critical role in securing and processing the elevated internet usage going forward.

Growth on Akamai's Servers



Source: Akamai Investor Presentation

Investment Summary

Thesis Point #1

Akamai's market leading position in the Content Delivery Network (CDN) space puts them in the driver's seat to capture attractive growth. Their ability to win customers and further monetize the platform provides a forecasted sales CAGR of nearly 5%, versus consensus of less than 1% over the same period.

As Akamai has increasingly become a security focused company, its traditional content delivery solutions have been viewed as a stable segment, yet one that lacks significant opportunity for growth going forward. Over the past ten years, competition, both from start-ups and the internal development of content distribution networks from large customers like Netflix has placed significant pricing pressure on this business, and as a result has stunted growth despite rising internet traffic. However, we believe that the CDN market today offers a more attractive environment for growth than it has in the past due to the development of edge computing and the push towards globalization of content.

Akamai PoP Network





"It definitely has helped us with our user base through our worldwide. We have had many customers in smaller, developing countries and their experience has been very poor without the help of Akamai."
 - Anonymous C-suite executive of IBM

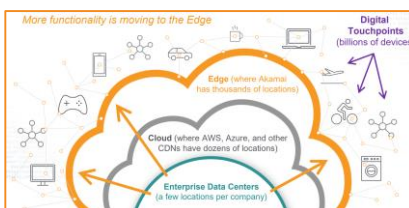
Source: Made by Team



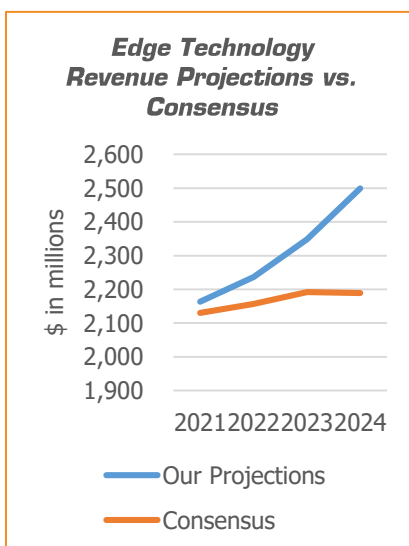
Source: Akamai Investor Relations



Source: Akamai company reports



Source: Akamai Investor Relations



Source: Made by Team

Globalization

The international market represents an attractive opportunity for Akamai to leverage its expansive point of presence advantage and outperform historical growth in its CDN business. While domestically, significant competition has driven pricing pressures that has reduced growth in this space despite increases in internet traffic, international markets possess much less sophisticated IT infrastructure. As a result, latency in content delivery is a considerably more prominent problem in these markets, and offers an attractive opportunity for Akamai to utilize its expansive point of presence network to better provide solutions to customers who are looking to deliver content to the global market.

The primary solution offered by content distribution networks is a reduction in latency when delivering content to customers. By distributing servers across the globe, Akamai is able to more quickly deliver content to its customers' users. Akamai pioneered the caching process that enables this by temporarily storing copies of files in their servers closer to the consumer, and despite numerous competitors entering the market, Akamai continues to hold a dominant position in regards to points of presence, particularly in international markets. Akamai's network spans more than 135 countries, and consists of over 4,200 locations, placing nearly 85% of the global population within a "network hop" of Akamai's servers. The company leverages the largest network of any competitor, and as a result is responsible for serving up to 30% of global internet traffic. This scale serves as a competitive advantage for Akamai as globalization drives growth in the CDN space. By the end of 2023, it is projected that 2/3s of the world will have internet access, up to 5.3 billion internet users. Akamai's extensive network places a server in nearly every end market across the world, and will allow for Akamai to better reduce latency globally.

Stickiness

Within the CDN space, it is very time consuming and costly to switch between providers. Akamai has created a moat within the CDN business in which customers are willing to continue to use and expand on Akamai's offerings. This moat encapsulates a very impressive customer base that includes 56% of the Fortune 500 and 42% of the Fortune 1000. In addition to having such a strong existing customer base, Akamai is also expanding their customer base to include smaller companies to diversify their customer base more and have less concentrated revenue per customer. The high level of customer stickiness that Akamai has created within the CDN space became even more evident through our primary research in speaking with their customers. When we interviewed some of Akamai's customers regarding their satisfaction with Akamai's offerings on a 1-10 scale, 67% of customers rated Akamai a 10, while the other 33% rated Akamai an 8 or 9. Moreover, when asked about how much value Akamai's products add to their business on a 1-10 scale, 67% of customers rated Akamai a 9 or 10, while 33% of customers rated Akamai a 7 or 8. The data here speaks for itself in that the expansive customer base who is currently using Akamai, is not planning on switching anytime soon and instead is actually looking to utilize more of their offerings to their companies. Customers we spoke with indicated that despite the CDN business being a competitive market, they are not planning on switching providers due to the fact that Akamai has a more complete solution of products and the high quality of Akamai's CDN products. With Akamai having such a high level of stickiness within the CDN space, their increase focused within the security space should allow Akamai to see a high level of cross-selling within the next year.

Edge Computing

The Edge Computing segment and the Edge Applications sub-segment is being heavily undervalued by the Street as it is mixed in the same category as the more commoditized Edge Delivery sub-segment. Currently Akamai's Edge Computing segment is categorized by two sub-segments: 1) Edge Delivery, which is made up mostly of video streaming and software/gaming downloads. This sub-segment is a much more commoditized segment that grew about 3% YoY as of Q3 2021 and has higher exposure to pricing pressures and a more competitive landscape. We expect this sub-segment to have a 3 year CAGR of 2.1%. 2) Edge Applications which are higher-value and typically higher margin edge use cases such as EdgeWorkers, micro services performance and IoT EdgeConnect. This sub-segment, despite only making up 7% of the Edge Computing segment revenue as of 2020, grew 23% YoY as of Q3 2021 and we expect this segment to have a 3 year CAGR of 31%.

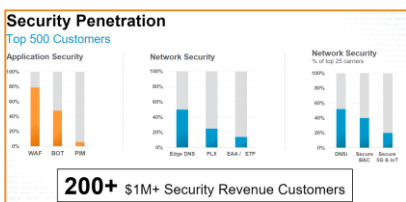
The Edge Applications sub-segment is being heavily undervalued because it is categorized within the Edge Computing umbrella that includes Edge Delivery. Although the Street is currently pricing in a 0.9% 3-year CAGR for the Edge Computing segment, we believe that this segment will grow at a 6.2% 3-year CAGR due to increased demand for more advanced solutions that fall under the Edge Applications bucket. Gartner released a report in September 2021 titled "Building an Edge Computing Strategy," that evaluated the current Edge Computing space and analyzed the growth opportunities within the space [6]. The report highlighted that less than 5% of large enterprises had an edge computing strategy as of 2020. However, Gartner is forecasting that 50% of large enterprises will adopt an edge computing strategy by 2025. Furthermore, that same report forecasted that the edge advanced solutions opportunity, that includes Akamai's micro services performance product in addition to other products, will grow from being 13% of total market spend in 2020 to about 18% of total market spend in 2024. Because these products are much higher margin for Akamai, this would lead to higher margins within this segment for the business.



Source: Akamai Investor Relations



Source: Akamai Investor Relations



Investor Relations, Company Data



Investor Relations, Company Data



Investor Relations, Company Data



Investor Relations, Company Data



Investor Relations, Company Data

Moreover, with the widespread adoption of 5G will allow for these edge-advanced solutions to become more widely available and will create further growth for Akamai. Despite these near-term catalysts that will help propel Akamai's Edge Computing business, the Street continues to undervalue the growth of the Edge Application sub-segment and are continuing to look at a historical version of what Akamai has to offer for Edge Computing products.

Historically, Akamai has lagged behind its competitors, such as Cloudflare and Fastly in terms of innovation and new offerings within the Edge Compute space. This lag was due to lower PoP density architecture which made delivering advanced edge computing use cases more difficult. However, with new advancements in technology and innovation, the current architecture-based competitive gap is shrinking and Akamai has become a more pronounced competitor within the space. In addition to the newer advancements in technology, the adoption of 5G will further narrow the competitive gap between Akamai's low-density PoP network and the high-density networks of edge companies. Furthermore, Akamai has made itself more competitive within the Edge Computing space by bringing to market new, more innovative products such as EdgeWorkers which is its first, true high-value edge product.

Edge Computing is clearly a space that has huge potential for growth and Akamai's position within this market is being undervalued by the street. In addition to Akamai's Edge Applications sub-segment being undervalued, and investors' historic views of Akamai's position within the market, Akamai also has a large competitive advantage within the space when it comes to their customer base. With Gartner forecasting that 50% of large enterprises will adopt an edge computing solution by 2025 and Akamai having a customer base that includes 56% of the Fortune 500, Akamai is perfectly positioned to gain a large market share within the Edge Computing space. Akamai's CDN business is undervalued by the Street because they are viewing the segment through a historical lens without recognizing the significant growth opportunity arising from globalization and Edge Applications sub-segment.

Thesis Point #2
Akamai's security business will see synergies with the foundational CDN business, subsequently decreasing customer acquisition cost, increasing customer stickiness, and providing margin expansion, translating into an average of over 325 bps of margin expansion across key metrics such as gross and operating margin.

Akamai has traditionally been a leader in the content delivery network space. However, Akamai completed a reorganization in February 2021 that segmented the company into two primary groups: Security Technology Group and Edge Technology Group. Akamai's expansive global network with over 1,400 networks and 4,000 different locations, coupled with their established branding, offer significant synergies to their fast-growing security business.

CDN Segment Synergies
 The security and CDN business both run on the same shared infrastructure, allowing cost and operational synergies. More importantly, we believe Akamai is able to leverage their current CDN customer base to expand their security business too. Akamai has tens of thousands of CDN customers who they already have strong relationships with. When looking for a security provider, these customers are likely to choose Akamai because of pre-existing relationships, Akamai's large global network, and Akamai's wide array of offerings. Currently, 62% of customers use one security product, providing room for continued expansion [7]. Our primary research from customers supports this, with customers stating they are 95% more likely to add a new product with Akamai over a competitor. Additionally, some customers who already use both CDN and Security offerings stated that they chose to use Akamai for WAF (web application firewall, Akamai's largest revenue generating product) because they would have to pay for traffic twice if they utilized a CDN with a separate WAF provider. Customers also stated that combining CDN and Security providers can place protection close to the end point. Akamai's strong customer relationships, cost benefits for using the same provider, and expansive global network provide significant synergies for their security business to grow at a 25.1% CAGR.

Customer Retention
 Akamai's strong customer stickiness will improve as their customers add more service offerings. Customers who use multiple services have a larger switching barrier as they rely more heavily on Akamai. Additionally, customers who use multiple services typically do so because they have a strong relationship with Akamai and are unlikely to switch providers. Currently, customers who use one security product switch half as much as customers who only use CDN. While this number is already a low single digit rate, expanding security services will help drive customer retention even higher. Our primary research confirmed that Akamai's customers are very happy with the service and unlikely to switch providers. Customers we spoke to implied that they are, on average, 95% satisfied with Akamai's products and 98% satisfied with their customer service. Many of these customers have been with Akamai since 2009-2012, and have almost a decade-long relationship with them. We remain confident in Akamai's ability to retain customers at a higher rate as they expand their security offerings.

We expect Akamai's to grow EBIT margins to 33.5% by 2026 from 22% currently as their higher margin Security segment grows at a 25% CAGR. This would lead Akamai's Security business to grow from 33% to 59% of total revenue by 2026.

Thesis Point #3

Akamai's Security Technology segment is positioned to benefit from the dramatic uptick in cyber-attacks, a trend driven by the global shift to digital workplaces and an increased reliance on technology. We anticipate demand for their security products to translate to revenue growth of over 25% during the period, outpacing consensus expectations of ~20%.

Industry Trends

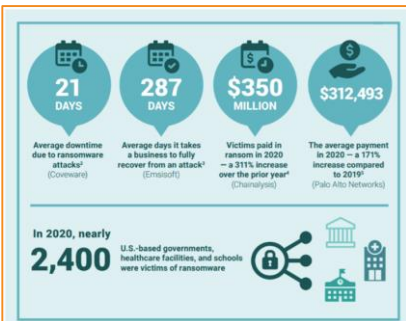
The onset of the COVID-19 pandemic caused the entire world to reassess how everyday life would occur. Doctor visits, classroom teaching, fitness sessions, and other daily activities were transformed overnight into virtual experiences, translating into further reliance on technology. These shifts caused a significant increase in cyberattacks, a trend that has continued in 2021, emphasized by findings from the Identity Theft Resource Center Q3 2021 report, which states that the total quantity of publicly reported data breaches in 2021 already exceeded all 2020 attacks, by the end of Q3 [8]. Cyberattacks such as ransomware attacks pose a unique and evolving threat to the entire world, best demonstrated by events in 2020 where thousands of hospitals, governments, school districts, and businesses had their networks crippled as hackers held their systems unusable and demanded ransom money for decryption of the affected files. These attacks pose serious threats to private and public institutions, and they have the ability to cripple businesses as it takes an average of 287 days for a business to fully recover from an attack and the average ransom payment exceeds \$300,000, growing 171% year-over-year from 2019 estimates [9].

The significant increase in cyberattacks has been headlined by several notable attacks during 2021 including the extensive SolarWinds hack, the Colonial Pipeline breach in April 2021, and the Kaseya attack in July, which resulted in the largest ransom demand to date of \$70 million. These events proved the dire need for cybersecurity and brought the discussion to headlines, where it even took priority in the White House as President Biden issued an executive order in May 2021 to improve cybersecurity defenses and included nearly \$2 billion worth of provisions for cybersecurity in his \$1 trillion infrastructure bill, signed into law in November 2021. We anticipate that this spending on the federal side of the equation will be met with intense private spending from corporations to protect themselves against these imminent, disastrous threats, benefitting Akamai's emerging security technology segment. We expect Akamai's Security Technology segment to grow at a 25.1% CAGR through 2026 while the global cybersecurity market is poised to expand at a CAGR of ~10% through 2026 [10].

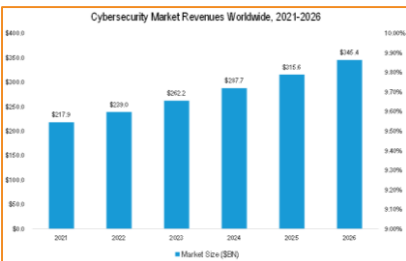
Akamai: Positioned for Success

Akamai is in the prime position to capitalize on this rapidly growing cybersecurity space due to their large, strong customer base that have high levels of stickiness, their presence in international markets, and their strong fundamentals. Due to Akamai's legacy reputation, their high level of stickiness as referred to in thesis point 1, and their highly efficient customer service which was highly discussed in our primary research, Akamai is in the perfect position to benefit from large companies increasing their spending on cybersecurity. More specifically, 18% of 500 CEOs surveyed by KPMG in 2021 said cybersecurity risk would be the greatest threat to their organization's growth. Furthermore, within the cybersecurity space cloud security and infrastructure protection spending are poised to grow at 41.2% and 17.5% respectively in 2021 alone and cybersecurity spending as a whole by companies globally is predicted to reach \$1.75 trillion cumulatively from 2021-2025 [11]. With this huge increase in cybersecurity spending, large technological companies will be the first movers in their security spending as high-profile attacks have riddled the industry.

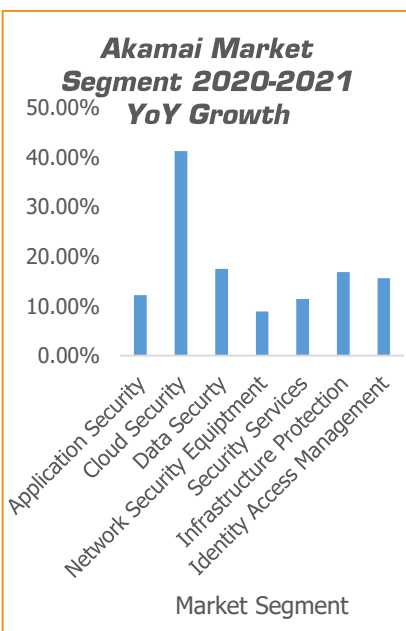
In addition to the technology companies that encompass Akamai's customer base within the Fortune 500 and Fortune 1000, Akamai also has an additional 950 Enterprise Hardware and Software companies that would be included in these first movers to increase their spending. Moreover, in addition to Akamai's strong pre-existing relationships with these large companies within the CDN space, Akamai will be able to easily utilize these relationships to expand their offerings into the security space both domestically and internationally as well as being able to use their legacy reputation to gain new customers that need cybersecurity products. Akamai's legacy reputation was not stranger to the customers we spoke to during our primary research and one customer said "Akamai basically invented the internet as it is today." Akamai's customer base and their strong fundamentals perfectly positions Akamai to hugely benefit from the increase in cybersecurity spending both on company levels and on a federal level and will help strengthen Akamai's top line past consensus expectations, as their security technology revenue segment has already been experiencing impressive growth figures. We anticipate this continuing, expanding the revenues at an unprecedented pace, further lending to Akamai's undervalued nature on a peer comparison and cash flow fundamental basis.



Source: Institute for Security + Technology



Source: Made by Team & Statista



Source: Made by Team

Akamai's Customers

- 56% of Fortune 500
- 42% of Fortune 1,000
- >950 Enterprise Hardware & Software Companies
- >240 OTT companies
- >200 national government agencies

Source: Made by Team

Environmental, Social, and Governance

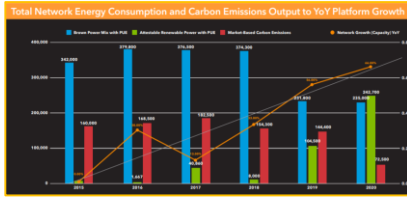
Akamai is recognized for their ESG efforts, as shown by their inclusion in DJSI (Dow Jones Sustainability Index) and FTSE4-Good Index. Our ESG analysis is based on material from the Sustainability Accounting Standards Board (SASB) which offers a body of work to identify critical components of ESG that affect financial performance. Using data from the Software and IT Services Sustainability Accounting Standard, we isolated factors in "E," "S," and "G" that most influence the financial performance of a company similar to AKAM as determined by SASB. In "E", the biggest factor is environmental footprint from hardware infrastructure, in "S", customer privacy and data security are most impactful, and in "G", financial performance is correlated to recruiting engaged, diverse, and global candidates for a skilled workforce [12]. To further support our ESG analysis, we looked at ESG ratings from Sustainalytics, who ranks Akamai and F5 as low risk companies (rated 19.9 and 19.2, respectively), and Cloudflare and Fastly as medium risks companies (rated 23.2 and 25.9, respectively) [13]. As a result of this work, we made a 20 basis point downward adjustment to our weighted average cost of capital (WACC), which is justified by AKAM's superior efforts in the area of social responsibility and governance.

ESG Indices Including Akamai

Dow Jones Sustainability Indices
2013-Present

FTSE4Good Index
2014-Present

Made by Team, Company Data



Company Data, Sustainability Report

Environmental

According to SASB, environmental footprint is most likely to affect the long-term success of a CDN and Security based company. Given its size, AKAM has the tools and resources necessary for environmental reporting. AKAM has stated that they have reduced greenhouse gas emissions by over 30% since 2015, and that their power edge platform is powered with 50% renewable energy. They were able to meet these goals by making an investment in net-new grid-connected renewable energy projects. Additionally, AKAM executives such as the CEO have financial incentives to reduce COGS per unit of traffic for network operations that include energy efficiency as one of the targets.

The Edge platform is responsible for the majority of AKAM's global emissions since keeping AKAM's 4,200+ network locations requires a lot of power. AKAM uses various hardware and software sustainable efficiencies to combat their impact. On the hardware side, AKAM builds their servers to run hot and use natural air to cool down. On the software side, the Edge platform brings data closer to the end user, thus lowering AKAM's collective carbon emissions output. This is done by keeping a copy of the data that an end user requests on a network that is geographically close to that end user. When another user searches for the same information, that data is already available and AKAM does not need to power a long fetch to the origin for every request. Additionally, AKAM has started using machine learning algorithms to determine whether this data is worth the resources required to store it. This allows AKAM to decrease power usage from space utilization and decouple network growth from emissions, resulting in more than a 50% reduction in emissions levels from 2019 to 2020, while growing their network by more than 60%. Not only does AKAM work to reduce their own emissions, they also provide detailed sustainability data to their customers to help end-users decrease emissions as well [14].

While AKAM continues to make sustainable improvements, their vast global network locations continue to leave a footprint greater than competitors (Cloudflare, F5, Fastly). As a result, we have decided not to make any WACC adjustments to AKAM due to environmental practices.

"Spotify is pleased with Akamai's ambitious climate plan. They are constantly improving to enable us to get a better understanding of our own impact by providing high-quality data on our energy usage and emissions as a result of using their services."

—Ebba Grythberg, Sustainability Manager, Spotify

Company Data, Sustainability Report



Company Data

Social

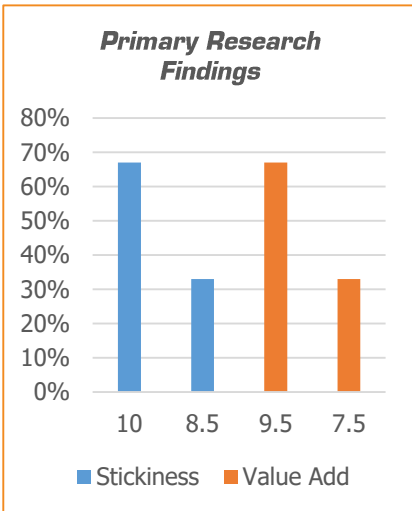
Customer privacy and data security are the most important social factors. Akamai's size makes them responsible for 30% of all internet web traffic. As a result, they hold themselves to a high standard when it comes to data security. Akamai's customer identity and access management (CIAM) solution, Akamai Identity Cloud, addresses general requirements across global privacy regulations. Ineffective data security poses a potential financial liability to AKAM. Our research indicates that AKAM has a better data security record than its competitors (Cloudflare, F5, Fastly). Cloudflare has had two companies file copyright infringement cases against them in October 2021, and Fastly had a global outage in June 2021. Although these are one-off incidents, Akamai has not experienced an outage or security breach [15]. We believe this helps Akamai's reputation and reliability, thus lowering their investment risk compared to peers. As a result, we reward them with a ten basis point decrease in WACC.

Governance

SASB identifies engaged, diverse, and global candidates for a skilled workforce as the most important governance factors influencing long term financial success. The latest tracked numbers show that ~20% of those in management and technical roles at AKAM are women. Additionally, AKAM hires a third-party consultant to analyze potential pay equity annually, and has found no patterns of disparity in 2020 [16]. Competitors such as Cloudflare have a similar percentage of women in their management and technical workforce, but they do not claim to conduct pay equity analysis. Other competitors such as F5 and Fastly do not have public statistics available to showcase diversity and inclusion in their workforce. AKAM trades on the NASDAQ Marketplace, which mandates that all companies must have at least one female on its board of directors and one person from an underrepresented group. AKAM already has ~36% of its board as female and ~27% of board members from an underrepresented group out of 11 total members.

Culture

Investor Relations, Company Data



For comparison, Cloudflare with 8 board members has ~38% female representation on the board and 0% of board members from an underrepresented group. F5, with a ten-member board, has 30% female representation on the board and 40% from underrepresented groups. Finally, Fastly has a board of nine members, with ~33% representation from women and ~11% from underrepresented groups. As a result of AKAM's complete transparency and exemplary position of diversity in management, we are reducing our WACC by an additional ten basis points. Our rationale behind this decision is that with superior governance, AKAM is likely to avoid lawsuits and other regulatory issues, as well as continue to receive positive commentary in the press for its advances in diversity and inclusion.

Primary Research

Our team's primary research was a key aspect of our research process in which we spoke to both competitors and customers of Akamai. Our customer research was primarily focused on why customers choose Akamai, how satisfied they have been with their services, if they are planning to stay with Akamai as opposed to switching to a new provider and what the customer sees as Akamai's competitive advantage. Through this research we found some key findings that helped us come to the conclusion that Akamai has a very high level of stickiness amongst their customers. Furthermore, customers highlighted that within the CDN space, Akamai is the true leader and has essentially created a moat within the space. When we interviewed some of Akamai's customers regarding their satisfaction with Akamai's offerings on a 1-10 scale, 67% of customers rated Akamai a 10, while the other 23% rated Akamai an 8 or 9. Moreover, when asked about how much value Akamai's products add to their business on a 1-10 scale, 67% of customers rated Akamai a 9 or 10, while 33% of customers rated Akamai a 7 or 8.

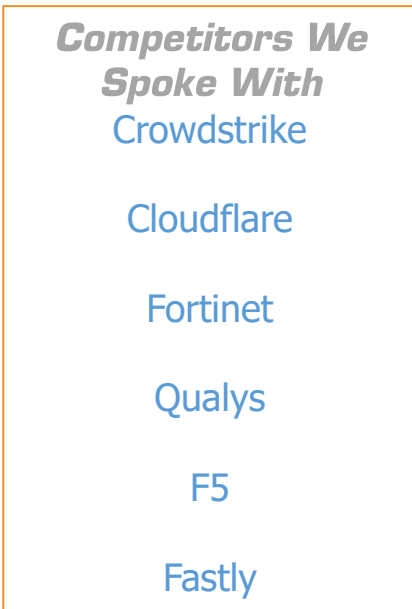
The stickiness of Akamai's customer base was evident via our primary research conversations and further solidified our conclusion that Akamai has a true moat within the CDN space that the street is undervaluing. 100% of the customers we spoke to rated Akamai a 9 or 10 when asked on a scale of 1-10, how likely they were to add another product from Akamai over another competitor. One conversation we had with an anonymous C-suite executive of IBM in regards to why customers continue to choose Akamai is that: "I don't think that Akamai's competitors will attempt to deploy as far and broadly as Akamai has done. That is a legacy that Akamai is cashing in on." Moreover, a service manager of an Italian company spoke about Akamai's products by saying "the suite is very complete and I can use one single provider for a lot of different needs." Finally, a head of operations at a German company we spoke with said "If you're looking for a content delivery network, you realize immediately that Akamai is the best, most advanced solution available."

Additionally, after speaking with a number of Akamai's competitors in both the Edge Technology space and the Security Technology Space, we concluded that Akamai is uniquely positioned within the application security space and does not compete directly with many of the large, enterprise security competitors. Akamai's predominant security segment is the company's Application Security Solutions. While Akamai offers network security products as well, the company primarily competes to sell customers application security products, with enterprise solutions that are integrated into the company's infrastructure. By contrast, the majority of large security competitors, such as Palo Alto Networks and Fortinet are primarily focused on network security solutions. In speaking with the investor relations of these firms, we found that they do not view Akamai as a direct competitor, but rather feel that Akamai serves a different role in the cybersecurity stack for customers. Because Akamai operates as both a CDN and cybersecurity provider, Akamai is able to leverage its extensive network to best offer application security solutions that do not compete directly with large network security solutions.

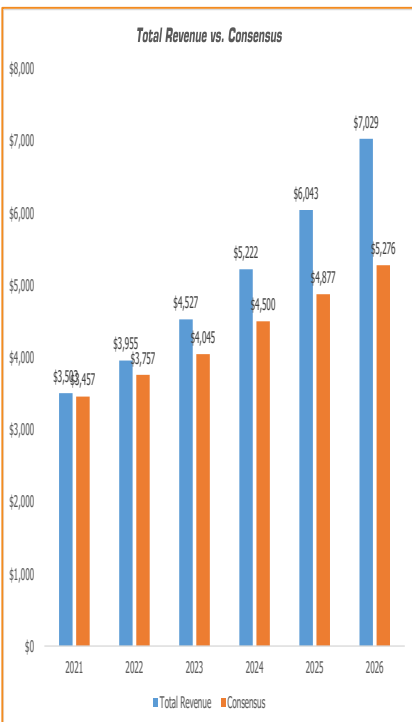
Financial Analysis

Revenue Growth Spurred by Shifting Segment Focus

Forecasting revenues over our projection period, we estimate a CAGR of 25.1%, supported by expansion in both of Akamai's revenue segments: the Security Technology group and the Edge Technology group. Akamai is the outright leader in the CDN space and they have a long history of paving the way for how the internet operates. They enjoy the position of being the market leader on account of having the largest market share in the CDN space, with vast international capabilities complimenting their domestic focus. Within the CDN segment, the firm operates three sub-segments we have modeled: Edge Delivery and Services (grouped together), and Edge Applications. Despite management targets of 2-5% annual growth in the Edge Technology segment over the projection period, we are more optimistic that the Edge Application sub-segment will drive stronger growth of up to 7% through the projection period. While Edge Delivery is a largely stable, commoditized space, the Edge Application sub-segment offers higher value solutions such as edge computing that will drive growth as end markets for edge computing, such as IoT, expand. However, we believe the predominant area where Akamai will seriously outpace expectations will be the Security Technology group, with offerings in Application Security, Network Security, and Security Services.



The stickiness of Akamai's customer base was evident via our primary research conversations and further solidified our conclusion that Akamai has a true moat within the CDN space that the street is undervaluing. 100% of the customers we spoke to rated Akamai a 9 or 10 when asked on a scale of 1-10, how likely they were to add another product from Akamai over another competitor. One conversation we had with an anonymous C-suite executive of IBM in regards to why customers continue to choose Akamai is that: "I don't think that Akamai's competitors will attempt to deploy as far and broadly as Akamai has done. That is a legacy that Akamai is cashing in on." Moreover, a service manager of an Italian company spoke about Akamai's products by saying "the suite is very complete and I can use one single provider for a lot of different needs." Finally, a head of operations at a German company we spoke with said "If you're looking for a content delivery network, you realize immediately that Akamai is the best, most advanced solution available."



Source: Made by Team, Factset Data

AKAM's Cybersecurity segment has flourished in recent years, growing at an impressive rate of 25% in FY'20, expanding to over 33% of total revenue. The performance has continued in 2021, as the first nine months of 2021.

Legacy CDN Expanding into Cybersecurity Allows Margin Expansion

Akamai has been enjoying strong growth, growing sales at a 5 year CAGR of 7.8% with margins across the board expanding between ~200 bps to ~400 bps. While their long withstanding CDN segment has experienced lower growth over the past several years, their expanding security segment will create margin expansion, in addition to the aforementioned top-line growth. We forecast revenue segment mix shifting to increasingly focus on the Security Technology group, comprising over 50% of total revenue by FY 2026. In addition to the high-growth nature of this segment, the Security Technology group has premium margins which Akamai will be able to achieve at scale, estimated to be 80%+ for gross margin and 30% operating margin. We anticipate around 200 bps of expansion for major margins including gross margin and operating margin, with room to expand further beyond the projection period.

Improving Financial Health Catalyzing Organic & Inorganic Growth

Akamai is well positioned on a financial basis to invest in growth organically, or via M&A. Akamai currently employs less debt than its average CDN and security competitors, with a debt to total capital ratio of 39.5% placing it at the 35th percentile among competitors. Akamai has a strong Net Interest Coverage ratio of 17.53 in 2020 and has averaged a Net Interest Coverage Ratio of 27 over the last three years. While Akamai currently has considerable financial health and is easily able to service its debt, our model projects that leverage will continue to fall throughout the projection period and Akamai's Net Interest Coverage Ratio will improve to 44.67 by 2026. Based on these projections, it would be very feasible for Akamai to take on more debt going forward in order to fuel even strong growth via organic investments in growing its network PoPs and security solutions, or through acquisitions. Akamai has previously leveraged M&A to expand its security offerings, most recently through the acquisition of Guardicore, and the company's strong financial profile going forward will allow for an acquisition strategy to remain a viable option.

Positive Ratio Environment Expectations

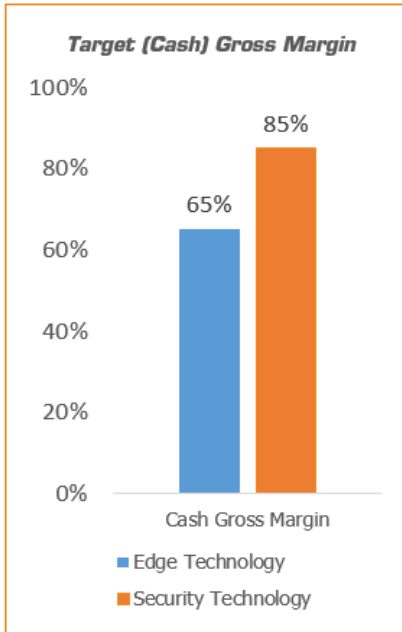
Historically, Akamai has boasted impressive leverage and liquidity ratios which are projected to expand over the projection period, enabling continued dominance with low-cost growth. On a LTM basis, Akamai's Total Debt to Total Capital ratio of 38% is ~20% below their CDN peer average of 58% and is forecasted to contract further by nearly 15%, with low levels of debt anticipated to stagnate into the future. Akamai also boasts a consistent, sustainable current ratio of nearly 4.00 (LTM), which is projected to double over the projection period as Akamai's balance sheet expands with the full integration of their security business. Compared to peers in the cybersecurity industry, who average a concerning current ratio of only 1.34, Akamai is in a much better position to cover their short-term financial obligations, illustrating how a transitional period is less risky for them compared to others. Another metric to examine is Akamai's cash ratio (Cash + ST Investments / Current Liabilities), a conservative liquidity measure and a proxy for their quick ratio (as the firm has no inventory so the traditional calculation is the same as the current ratio). Akamai boasts an impressive cash ratio of 1.45 in FY'20, exceeding the security peer group average of ~0.98, further illustrating their strong fundamental edge. We expect this trend to continue, with the cash ratio expanding to nearly 8.00 by 2026.

Optimistic Outlook Through 2026

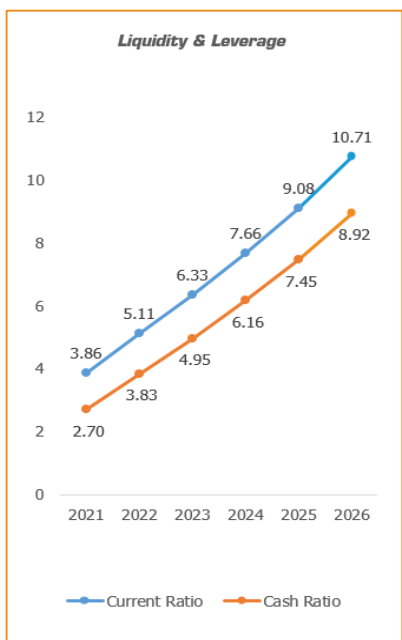
The combination of Akamai's stance as the long-time leader in the CDN space and their ability to penetrate the security market via top customers in the S&P 500 allows us to believe that the firm will benefit from each segment. Their low-risk capital structure, with projected Long-term Debt to Total Capital contraction from ~30% to ~15%, driven by their historically slim debt profile and improving liquidity outlook will allow them to expand into the fragmented security market. Specifically, we anticipate a bulk of the unanticipated security growth to come from the Security Services segment, growing at a projected CAGR of 25% versus expectations of only 15% over the same period. Holistically, Akamai's immense scale and unparalleled distribution via their Edge platform justifies their continual dominance, which when contextualized with their undervalued state, makes them an attractive opportunity for investment. Akamai offers premium growth potential with their cutting edge product portfolio and its proven record of success.

Valuation

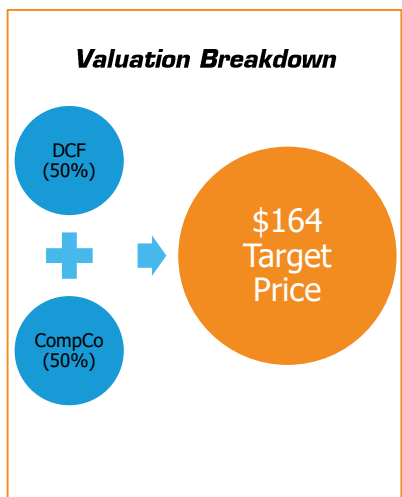
We arrived at our target price of \$164 by weighting our Discounted Cash Flow analysis and our Comparable Company analysis price targets at 50% each, presenting a potential upside of 40% on the market closing price of AKAM on January 4, 2021. DCF analysis was used to properly incorporate our assumptions about the intrinsic value of Akamai's market leading CDN position as well as their unique position as an evolving security company. To corroborate our valuation and to account for unforeseen risks, we created multiple scenarios for valuation including a probable base case, a downside scenario, and an upside scenario, in addition to performing sensitivity analysis to test each key model input.



Source: Made by Team, AKAM Investor Relations



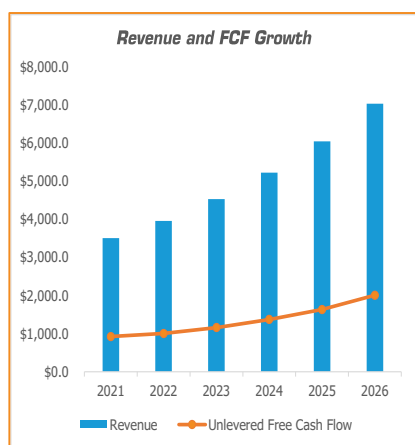
Source: Made by Team, AKAM Investor Relations



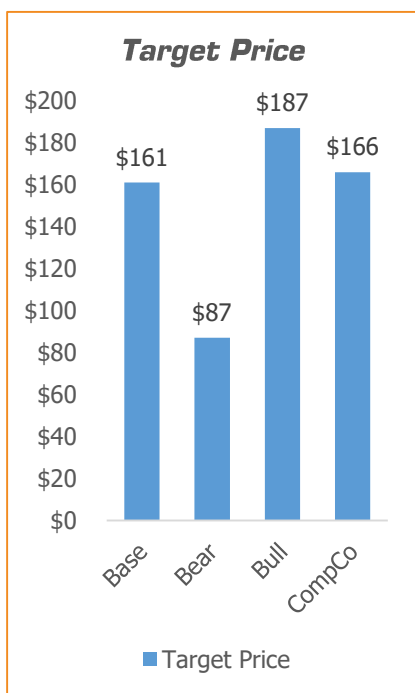
Source: Made by Team

Cost of Debt	
Pre-Tax Cost of Debt	2.4%
Corporate Tax rate	13%
After-Tax Cost of Debt	2.1%
CAPM Model (Cost of Equity)	
Risk-Free Rate	1.6%
Expected Market Return	10.0%
Beta	0.72
Cost of Equity	7.6%
% Total	Cost of Capital
	13.1%
	2.13%
	86.9%
	7.64%
WACC	8.42%

Source: Made by Team



Source: Made by Team



Source: Made by Team

Comparable Company analysis was used as a complement to this, as Akamai trades at a discount to both peers in the CDN space as well as the cybersecurity space, and this methodology confirmed our buy recommendation for AKAM.

DCF Valuation

Our DCF valuation model is a free cash flow to firm model, with a blend of terminal exit value methods. Using this valuation allows us to accurately incorporate the above-consensus growth prospects we ascertained from our research, something especially important given the dynamic stage the company is in. Our valuation utilizes a blend of terminal exit methods, with both an exit multiple and a perpetuity growth rate to arrive at the final target intrinsic value, each sensitized with parameters above and below the base metric.

WACC

We estimate a WACC of approximately 8.42% for Akamai. The after-tax cost of debt was calculated based on the average interest rate Akamai incurs on their outstanding debt, which is approximately 2.40%. Given their strong cash position and ability to generate operating cash flow, no additional risk buffers were added here. The Capital Asset Pricing Model was used to calculate cost of equity, encompassing AKAM's 2 year adjusted beta, US market expected return based on data from Aswath Damodaran, and a risk adjustment to account for broader market volatility as well as the risks associated with Akamai's transition towards security. Akamai is a global business, so the net risk adjustment of 1.50% allows us to account for some of the higher-risk markets where they generate revenue. Our risk adjustment was originally 1.70%, but we incorporated positive impacts from Akamai's ESG position to decrease this, to 1.50%.

Terminal Value

Two terminal values were calculated for the DCF model, based on an exit multiple and a perpetuity growth rate. To arrive at a final target price, a 60% weight was assigned to the perpetuity growth terminal value method because of our expectation for the continual strength of Akamai's sustainable free cash flows. We expect terminal growth to stabilize around 2% after the high-growth projection period leading up to 2026. There is the potential for terminal growth to exceed 2% in perpetuity, if momentum continues in the security space beyond our expectation of stabilization, resulting in further equity appreciation. A 2% terminal growth rate implies an exit EV/EBITDA multiple of 15.69x, lower than the median multiple from AKAM's peer group. A 40% weight was assigned to the EV/EBITDA exit multiple method because of the dynamic situation Akamai is in, where they are focusing on the transition to part CDN, part security. As a hybrid, they open themselves up for valuation comparisons in both spaces, so the proper value to be applied ranges from the lower-level CDN multiple to the premium security multiples, causing valuation discrepancy. For this reason, a slightly lesser weight was applied to the multiple exit method, and Akamai's NTM EV/EBITDA multiple of ~12.5x was applied. This method implies a perpetual growth rate of 3.6%, higher than our estimate of 2%.

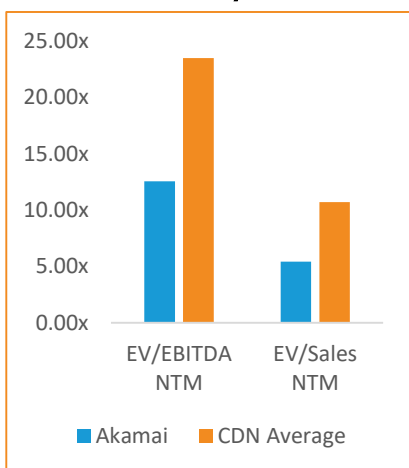
Scenario Analysis

We created a scenario analysis utilizing five different operating scenarios for the financial statement projections in addition to performing sensitivity analysis on some of the key inputs for the DCF model. Five situations were projected for all of the major statement inputs: Base Scenario, Upside Scenario, Management Scenario, Downside #1 Scenario, and Downside #2 Scenario. These scenarios allow us to predict various outcomes of operational efficiency, market growth, and financial health. The Base operating scenario is what we anticipate being most likely to happen, with realistic assumptions based on our primary research, company analysis, and carefully orchestrated future expectations. Other cases include provisions for surprisingly positive or negative outcomes, and illustrate what would happen in those situations. Based on these scenario projections, our Upside DCF price target is \$187, presenting 60% upside from market close on January 4, 2021, and our Downside #1 price target is \$87, presenting 26% downside from market close on January 4, 2021. The assumptions were also sensitized to see how much of an affect the inputs have on our target price and other outputs. The most important sensitivity tables demonstrate how the target price adjusts based on changing WACC and the terminal multiple or terminal growth rate. For the multiple method, even significant changes to both the WACC and terminal multiple result in a share price well-above current levels, although with the perpetual growth method, the highest risk, lowest growth scenario method dips towards current price levels. This tells us, however unlikely, what would happen if different outcomes materialized.

Relative Valuation

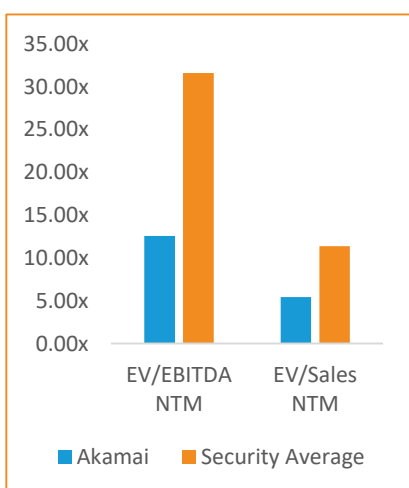
In addition to DCF valuation, we utilized a comparable company valuation model to compare the valuation of Akamai with some carefully selected peers, using NTM EV/EBITDA and NTM EV/Sales multiples for valuation as we believe these are most appropriate for the space. To build a peer group, we incorporated benchmarking analysis and significant primary search to understand who Akamai is competing against and which companies can actually be considered peers. Our benchmarking analysis was also used to create specific percentile matches when creating the final comparative valuation. The final peer group we arrived at included five CDN focused companies and three security focused companies to create a landscape conducive to Akamai's hybrid state.

Vs CDN Competitors



Source: Made by Team

Vs Security Competitors



Source: Made by Team

M&A History

Acquisition Target	Date	Price Paid (\$M)
GuardiCore Ltd.	Sep-21	600.0
Asavie Technologies Ltd.	Oct-20	155.1
Instart Logic, Inc.	Feb-20	36.4
ChameleonX Ltd.	Oct-19	20.0
Exceda Ltda.	Sep-19	35.4
Janrain, Inc.	Jan-19	123.6
Nominum, Inc.	Oct-17	180.3
SOASTA, Inc.	Mar-17	199.0
Cyberfend, Inc.	Dec-16	48.0
Soha Systems, Inc.	Oct-16	60.0
Concord Systems, Inc.	Sep-16	3.0
Bloxx Ltd.	Nov-15	19.1
Octoshape ApS	Apr-15	103.2
Xerocolo, Inc.	Mar-15	16.6
Prolexic Technologies, Inc.	Dec-13	370.0
Velocius Networks, Inc.	Nov-13	7.3
Verivue, Inc.	Nov-12	30.9
FastSoft, Inc.	Sep-12	14.4
Blaze Software, Inc. (Canada)	Feb-12	19.4
Cotendo, Inc.	Dec-11	268.0
Velocitude LLC	Jun-10	12.0
Acerno, Inc.	Oct-08	95.0
Red Swoosh, Inc.	Apr-07	18.7
Netli, Inc.	Feb-07	177.8
Nine Systems Corp.	Nov-06	159.7
Speedera Networks, Inc.	Mar-05	129.5
Call the Shots, Inc.	Aug-00	6.0
InterVU, Inc.	Feb-00	2,112.2
Network24 Communications, Inc.	Jan-00	196.9

Source: Factset, RBC Capital Markets

Based on this valuation, we conclude that Akamai is severely undervalued compared to peers and believe that it should trade in line with its identified peer group given its prominent market leading position within the CDN space and its rapid expansion into the security space, where its preexisting customer stickiness and wide variety of offerings will ensure its continued success.

On an NTM EV/EBITDA basis, AKAM trades ~5% below the CDN group average and nearly 200% below the security group average, and on an NTM EV/Sales basis, ~33% and ~100% below the CDN group and security group average, respectively. While these two multiples were selected as the most appropriate for this company, the other multiples we observed indicated a similar, overwhelmingly undervalued situation.

Compared to peers in the CDN space (~67% FY'20 revenue), Akamai has the lowest multiples for each ratio, despite nearly group-high growth rates for the respective metrics (EBITDA, Revenue 5y CAGRs), indicating that despite their premium operating performance, investors are currently paying a discount for the stock. On the security side (~33% FY'20 revenue), Akamai trades at a serious discount, over two times lower than the aforementioned average ratios of their security peers. However, this does not come as a surprise given the high-growth nature of the Cybersecurity industry, which causes Akamai's security peers to achieve higher five year revenue CAGRs comparatively, because AKAM currently only has around a third of their business focused on security. This illustrates the opportunity within Akamai, as we forecast an evolving segment focus that prioritizes the Security Technology group, allowing the firm to capture accelerated top-line growth. A conservative 60th percentile multiple was applied to exclusively CDN peers for the base case valuation, extrapolated from an average benchmark characteristic match, weighted by AKAM's estimated 2022 revenue mix.

Investment Risks

Growth via Acquisitions

Akamai has aggressively expanded its security offerings in order to provide a full stack of security solutions for its customers. This is a critical strategy for Akamai's success in the security space, as up to 66% of organizations are actively attempting to consolidate the number of cyber security vendors they implement in their security stack [18]. Many large cyber security companies are therefore aggressively expanding their offerings in order to ensure that their customers are able to access and implement each security feature they require through their platform. However, while many companies, such as Fortinet and Palo Alto have primarily grown their offerings organically, Akamai has allocated resources to grow through Acquisition. Akamai recently purchased Guardicore for \$600 million in September 2021, allowing the firm to increase its zero trust security solutions. Because Akamai has partially utilized a growth through acquisition strategy in their security segment, Akamai may struggle to ensure cohesiveness across their platform. Companies that organically grew their platform offerings may be able to more easily integrate customers with all of their offerings, and as a result may steal market share. Additionally, Akamai may need to invest more than expected into ensuring that each of their solutions can be efficiently integrated on one platform.

Competitive Pricing Pressures

For Akamai's traditional Edge Delivery services, revenue is dependent on both traffic and pricing pressures. While internet traffic is increasing, pricing pressures driven by increased competition has resulted in slow growth in this segment. There are a number of concerns in regards to increased competition including new start ups, expansion into the space from large cloud companies such as Amazon Web Services, as well as the development of in house CDNs. We do not view the further development of in house CDNs as a strong risk as Akamai's current customer base is not as concentrated in key media companies as it was prior to Netflix's establishment of an in house CDN. However, the prospect of large cloud companies moving into the space would result in significant pricing pressures, and potential market share loss. We believe that if these companies pursued a CDN strategy, they would successfully capture considerable market share. Additionally, a considerable number of start-ups in Akamai's traditional Edge Delivery segments may challenge Akamai for market share and further commoditize the services in this segment.

Server Disruption

Akamai leverages its extensive network of servers to deliver content to consumers globally. The Akamai Intelligent Edge Platform employs servers into 135 countries across the world, and Akamai processes up to 30% of global internet traffic annually. As a result, Akamai is a critical component in the modern infrastructure of the internet. In July of 2021, Akamai experienced server disruptions that resulted in many of its largest customers struggling to deliver content to consumers. While this was a very rare incident, and we do not project further problems with this going forward, unpredicted surges in internet traffic may cause Akamai to experience disruption and lose customers.

Customer Concentration

While Akamai's reliance on large media companies has been reduced in recent years, there is still reliance on large customers as the company's largest eight customers compose 15% of revenue. If these companies were to switch to another CDN provider, or establish in house CDN capabilities, Akamai may lose revenue from these large customers.

End Notes

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Appendix A: Income Statement

Year Period End Period	FY 2018A 31 Dec Historical	FY 2019A 31 Dec Historical	FY 2020A 31 Dec Historical	FY 2021A 31 Dec Forecast	FY 2022A 31 Dec Forecast	FY 2023A 31 Dec Forecast	FY 2024A 31 Dec Forecast	FY 2025A 31 Dec Forecast	FY 2026A 31 Dec Forecast
Income Statement									
Total Revenue	\$2,714.5	\$2,893.6	\$3,198.1	\$3,503.2	\$3,955.3	\$4,526.7	\$5,221.7	\$6,043.5	\$7,028.6
Cost Of Goods Sold	(\$953.5)	(\$987.6)	(\$1,132.7)	(\$1,191.1)	(\$1,384.4)	(\$1,584.3)	(\$1,775.4)	(\$1,994.3)	(\$2,178.9)
Gross Profit	\$1,761.0	\$1,906.0	\$2,065.5	\$2,312.1	\$2,570.9	\$2,942.3	\$3,446.3	\$4,049.1	\$4,849.7
Operating Expenses	(\$1,345.4)	(\$1,332.5)	(\$1,364.1)	(\$1,261.2)	(\$1,404.1)	(\$1,607.0)	(\$1,853.7)	(\$2,145.4)	(\$2,495.2)
Selling General & Admin Exp.	(\$1,065.9)	(\$1,032.5)	(\$1,052.7)	(\$945.9)	(\$1,067.9)	(\$1,222.2)	(\$1,409.9)	(\$1,631.7)	(\$1,897.7)
R & D Exp.	(\$246.2)	(\$261.4)	(\$269.3)	(\$280.3)	(\$296.6)	(\$339.5)	(\$391.6)	(\$453.3)	(\$527.1)
Depreciation & Amort.	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Operating Expenses	(\$33.3)	(\$38.6)	(\$42.0)	(\$35.0)	(\$39.6)	(\$45.3)	(\$52.2)	(\$60.4)	(\$70.3)
EBIT	\$415.6	\$573.5	\$701.4	\$1,051.0	\$1,166.8	\$1,335.4	\$1,592.6	\$1,903.7	\$2,354.6
Net Interest Exp.	(\$16.3)	(\$15.0)	(\$40.0)	(\$26.3)	(\$29.7)	(\$33.9)	(\$39.2)	(\$45.3)	(\$52.7)
Other Expenses	(\$56.3)	(\$27.2)	(\$58.5)	(\$17.5)	(\$19.8)	(\$22.6)	(\$26.1)	(\$30.2)	(\$35.1)
EBT	\$343.1	\$531.4	\$603.0	\$1,007.2	\$1,117.4	\$1,278.8	\$1,527.4	\$1,828.1	\$2,266.7
Income Tax Expense	(\$44.7)	(\$53.4)	(\$45.9)	(\$130.9)	(\$145.3)	(\$166.2)	(\$198.6)	(\$237.7)	(\$294.7)
Net Income	\$298.4	\$478.0	\$557.1	\$876.2	\$972.1	\$1,112.5	\$1,328.8	\$1,590.5	\$1,972.1

Source: Made by Team

Appendix B: Statement of Cash Flows

Statement of Cash Flows									
Cash Flow from Operating Activities									
Net Income	\$298.4	\$478.0	\$557.1	\$876.2	\$972.1	\$1,112.5	\$1,328.8	\$1,590.5	\$1,972.1
Depreciation & Amortization	\$476.5	\$486.5	\$541.2	\$560.5	\$632.8	\$724.3	\$835.5	\$967.0	\$1,124.6
Stock-Based Compensation	\$183.8	\$187.1	\$197.4	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0	\$8.0
Change in Acc. Receivable	(\$30.4)	(\$64.5)	(\$90.4)	(\$59.8)	(\$92.9)	(\$117.4)	(\$139.9)	(\$171.8)	(\$202.4)
Change in Acc. Payable	\$42.2	\$8.8	\$39.2	\$12.0	\$21.2	\$21.9	\$20.4	\$24.5	\$20.2
Change in Other Net Operating Assets	\$19.4	(\$33.6)	(\$17.4)	\$0.0	(\$23.3)	(\$5.7)	(\$7.0)	(\$8.2)	(\$9.9)
Change in Other Net Operating Liabilities	#N/A	#N/A	#N/A	\$0.0	\$3.0	\$22.9	\$27.8	\$32.9	\$39.4
Cash from Ops.	\$1,008.3	\$1,058.3	\$1,215.0	\$1,396.9	\$1,517.9	\$1,743.6	\$2,045.8	\$2,410.0	\$2,912.6
Cash Flow from Investing Activities									
Capital Expenditure	(\$217.6)	(\$359.7)	(\$550.7)	(\$508.0)	(\$553.7)	(\$633.7)	(\$731.0)	(\$846.1)	(\$984.0)
Invest. in Marketable & Equity Secur.	(\$98.6)	(\$940.9)	(\$154.8)	\$92.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Investing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash from Investing	(\$506.5)	(\$1,667.9)	(\$1,043.0)	(\$415.5)	(\$553.7)	(\$633.7)	(\$731.0)	(\$846.1)	(\$984.0)
Cash Flow from Financing Activities									
Total Debt Issued	\$1,132.2	\$1,135.6	-	\$378.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Debt Repaid	-	(\$690.0)	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Issuance of Common Stock	\$62.6	\$57.1	\$59.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Repurchase of Common Stock	(\$814.3)	(\$409.8)	(\$283.4)	(\$251.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Dividends Paid	-	-	-	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Financing Activities	(\$146.9)	(\$128.6)	-	(\$33.5)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cash from Financing	\$233.6	(\$35.7)	(\$223.6)	\$93.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Foreign Exchange Rate Adj.	(\$12.8)	\$2.5	\$10.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Change in Cash	\$722.6	(\$642.8)	(\$40.7)	\$1,075.4	\$964.2	\$1,109.9	\$1,314.8	\$1,563.9	\$1,928.6
Beginning Cash Balance	\$312.7	\$1,036.5	\$393.7	\$352.9	\$1,428.3	\$2,392.5	\$3,502.4	\$4,817.2	\$6,381.0
Change in Cash	\$722.6	(\$642.8)	(\$40.7)	\$1,075.4	\$964.2	\$1,109.9	\$1,314.8	\$1,563.9	\$1,928.6
Ending Cash Balance	\$1,036.5	\$393.7	\$352.9	\$1,428.3	\$2,392.5	\$3,502.4	\$4,817.2	\$6,381.0	\$8,309.6

Source: Made by Team

Appendix C: Balance Sheet



Balance Sheet									
ASSETS									
Current Assets									
Cash And Equivalents	\$1,036.5	\$393.7	\$352.9	\$1,428.3	\$2,392.5	\$3,502.4	\$4,817.2	\$6,381.0	\$8,309.6
Short Term Investments	\$855.7	\$1,143.2	\$745.2	\$652.7	\$652.7	\$652.7	\$652.7	\$652.7	\$652.7
Inventory	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Accounts Receivable	\$479.9	\$551.9	\$660.1	\$719.8	\$812.7	\$930.1	\$1,070.0	\$1,241.8	\$1,444.2
Other Current Assets	\$163.4	\$142.7	\$171.4	\$171.4	\$197.8	\$226.3	\$261.1	\$302.2	\$351.4
Total Current Assets	\$2,535.4	\$2,231.6	\$1,929.5	\$2,972.2	\$4,055.7	\$5,311.5	\$6,801.0	\$8,577.7	\$10,758.0
Long-term Assets									
Net Property, Plant & Equipment	\$910.6	\$1,910.6	\$2,272.2	\$2,219.7	\$2,140.6	\$2,050.0	\$1,945.6	\$1,824.7	\$1,684.2
Long-term Investments	\$209.1	\$835.4	\$1,420.4	\$1,420.4	\$1,420.4	\$1,420.4	\$1,420.4	\$1,420.4	\$1,420.4
Goodwill	\$1,487.4	\$1,600.3	\$1,674.4	\$1,674.4	\$1,674.4	\$1,674.4	\$1,674.4	\$1,674.4	\$1,674.4
Other Long-Term Assets	\$319.3	\$429.0	\$467.6	\$467.6	\$467.6	\$467.6	\$467.6	\$467.6	\$467.6
Total Assets	\$5,461.8	\$7,006.9	\$7,764.1	\$8,754.3	\$9,758.6	\$10,923.9	\$12,308.9	\$13,964.8	\$16,004.5
LIABILITIES & SHAREHOLDER'S EQUITY									
Current Liabilities									
Accounts Payable	\$99.1	\$138.9	\$118.5	\$130.5	\$151.7	\$173.6	\$194.0	\$218.6	\$238.8
Accrued Exp.	\$291.8	\$294.5	\$329.7	\$329.7	\$329.7	\$329.7	\$329.7	\$329.7	\$329.7
Curr. Port. of LT Debt	\$686.6	-	-	-	-	-	-	-	-
Curr. Port. of Leases	-	\$139.5	\$154.8	\$154.8	\$154.8	\$154.8	\$154.8	\$154.8	\$154.8
Other Current Liabilities	\$133.3	\$120.4	\$155.2	\$155.2	\$158.2	\$181.1	\$208.9	\$241.7	\$281.1
Total Current Liabilities	\$1,210.7	\$693.3	\$758.2	\$770.2	\$794.4	\$839.1	\$887.4	\$944.8	\$1,004.4
Long-term Liabilities									
Long-Term Debt	\$874.1	\$1,839.8	\$1,906.7	\$2,285.4	\$2,285.4	\$2,285.4	\$2,285.4	\$2,285.4	\$2,285.4
Long-Term Leases	-	\$692.2	\$715.4	\$715.4	\$715.4	\$715.4	\$715.4	\$715.4	\$715.4
Other Non-Current Liabilities	\$185.1	\$123.6	\$132.6	\$132.6	\$132.6	\$132.6	\$132.6	\$132.6	\$132.6
Total Liabilities	\$2,269.9	\$3,348.9	\$3,512.8	\$3,903.5	\$3,927.8	\$3,972.5	\$4,020.7	\$4,078.1	\$4,137.8
Shareholder's Equity									
Common Stock	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Additional Paid In Capital	\$3,670.0	\$3,653.5	\$3,664.8	\$3,672.8	\$3,680.8	\$3,688.8	\$3,696.8	\$3,704.8	\$3,712.8
Retained Earnings	(\$430.9)	\$48.0	\$605.1	\$1,481.3	\$2,453.4	\$3,565.9	\$4,894.7	\$6,485.2	\$8,457.3
Treasury Stock	-	-	-	(\$251.3)	(\$251.3)	(\$251.3)	(\$251.3)	(\$251.3)	(\$251.3)
Comprehensive Inc. and Other	(\$48.9)	(\$45.1)	(\$20.2)	(\$53.7)	(\$53.7)	(\$53.7)	(\$53.7)	(\$53.7)	(\$53.7)
Total Common Equity	\$3,191.9	\$3,658.0	\$4,251.3	\$4,850.8	\$5,830.9	\$6,951.4	\$8,288.2	\$9,886.7	\$11,866.7
Total Liabilities And Equity	\$5,461.8	\$7,006.9	\$7,764.1	\$8,754.3	\$9,758.6	\$10,923.9	\$12,308.9	\$13,964.8	\$16,004.5

Source: Made by Team

Appendix D: Drivers

	Historical Period			Projection Period					
	FY 2018A 31 Dec	FY 2019A 31 Dec	FY 2020A 31 Dec	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026
Income Statement									
Gross Margin	64.9%	65.9%	64.6%	66.0%	65.0%	65.0%	66.0%	67.0%	69.0%
Operating Expenses	49.6%	46.0%	42.7%	37.3%	36.8%	36.8%	36.8%	36.8%	36.8%
Selling General & Admin Exp.	39.3%	35.7%	32.9%	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
R & D Exp.	9.1%	9.0%	8.4%	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Other Operating Expenses	1.2%	1.3%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Net Interest Exp.	0.6%	0.5%	1.3%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Other Expenses	2.1%	0.9%	1.8%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Income Tax Expense	13.0%	10.0%	7.6%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Dividends	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Balance Sheet									
Days Sales Outstanding	64.53	69.62	75.54	75.00	75.00	75.00	75.00	75.00	75.00
Days Inventory Outstanding	-	-	-	-	-	-	-	-	-
Other Current Assets	6.0%	4.9%	5.4%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Long-term Assets	11.8%	14.8%	14.6%	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Days Payables Outstanding	37.93	51.35	38.31	40.00	40.00	40.00	40.00	40.00	40.00
Other Current Liabilities	4.9%	4.2%	4.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Statement of Cash Flows									
D&A	17.6%	16.8%	16.9%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
CAPEX	8.0%	12.4%	17.2%	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%
Δ Stock Based Compensation	NA	3.33	10.27	8.00	8.00	8.00	8.00	8.00	8.00

Source: Made by Team

Operating Scenario	Historical Period			Projection Period					
	FY 2018	FY 2019	FY 2020	Year 1 FY 2021	Year 2 FY 2022	Year 3 FY 2023	Year 4 FY 2024	Year 5 FY 2025	Year 6 FY 2026
	Security Technology Group	\$658.0	\$848.7	\$1,061.6	\$1,339.4	\$1,718.9	\$2,177.9	\$2,722.3	\$3,356.5
Base	-	29.0%	25.1%	26.2%	28.3%	26.7%	25.0%	23.3%	22.4%
Base	-	29.0%	25.1%	26.2%	28.3%	26.7%	25.0%	23.3%	22.4%
% of Revenue	24.2%	29.3%	33.2%	38.2%	43.5%	48.1%	52.1%	55.5%	58.5%
Application Security			\$656.0	\$833.1	\$1,083.1	\$1,375.5	\$1,719.4	\$2,114.8	\$2,580.1
Base			30.0%	27.0%	30.0%	27.0%	25.0%	23.0%	22.0%
Base				27.0%	30.0%	27.0%	25.0%	23.0%	22.0%
Upside				28.0%	32.0%	28.0%	25.0%	25.0%	24.0%
Management				25.0%	21.0%	17.0%	25.0%	22.0%	22.0%
Downside 1				23.0%	21.0%	19.0%	20.0%	21.0%	21.0%
Downside 2				20.0%	21.0%	18.0%	18.0%	17.0%	17.0%
Network Security			\$241.0	\$301.3	\$379.6	\$482.1	\$602.6	\$741.2	\$904.2
Base			17.0%	25.0%	26.0%	27.0%	25.0%	23.0%	22.0%
Base				25.0%	26.0%	27.0%	25.0%	23.0%	22.0%
Upside				26.0%	27.0%	28.0%	26.0%	25.0%	24.0%
Management				25.0%	21.0%	17.0%	25.0%	22.0%	22.0%
Downside 1				23.0%	21.0%	19.0%	20.0%	21.0%	21.0%
Downside 2				20.0%	21.0%	18.0%	18.0%	17.0%	17.0%
Security Services			\$164.0	\$205.0	\$256.3	\$320.3	\$400.4	\$500.5	\$625.6
Base			20.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Base				25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Upside				26.0%	26.0%	26.0%	25.0%	25.0%	25.0%
Management				25.0%	21.0%	17.0%	25.0%	22.0%	22.0%
Downside 1				23.0%	21.0%	19.0%	20.0%	21.0%	21.0%
Downside 2				20.0%	21.0%	18.0%	18.0%	17.0%	17.0%
Edge Technology Group	\$2,057.0	\$2,044.9	\$2,136.5	\$2,163.8	\$2,236.4	\$2,348.8	\$2,499.4	\$2,687.0	\$2,918.7
Base	-	(0.6%)	4.5%	1.3%	3.4%	5.0%	6.4%	7.5%	8.6%
Base	-	(0.6%)	4.5%	1.3%	3.4%	5.0%	6.4%	7.5%	8.6%
% of Revenue	75.8%	70.7%	66.8%	61.8%	56.5%	51.9%	47.9%	44.5%	41.5%
Edge Delivery & Other			\$1,985.0	\$1,975.1	\$1,994.8	\$2,034.7	\$2,075.4	\$2,127.3	\$2,191.1
Base			11.0%	(0.5%)	1.0%	2.0%	2.0%	2.5%	3.0%
Base				(0.5%)	1.0%	2.0%	2.0%	2.5%	3.0%
Upside				1.0%	2.0%	3.0%	3.0%	3.0%	3.0%
Management				0.0%	1.0%	2.0%	2.0%	1.0%	1.0%
Downside 1				(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(2.0%)
Downside 2				(2.0%)	(2.0%)	(2.0%)	(2.0%)	(2.0%)	(3.0%)
Edge Applications			\$151.0	\$188.8	\$241.6	\$314.1	\$424.0	\$559.7	\$727.6
Base			23.0%	25.0%	28.0%	30.0%	35.0%	32.0%	30.0%
Base				25.0%	28.0%	30.0%	35.0%	32.0%	30.0%
Upside				28.0%	30.0%	35.0%	35.0%	35.0%	35.0%
Management				28.0%	28.0%	28.0%	28.0%	28.0%	28.0%
Downside 1				20.0%	20.0%	20.0%	20.0%	22.0%	22.0%
Downside 2				18.0%	18.0%	18.0%	18.0%	20.0%	20.0%
Total Revenue	\$2,715.0	\$2,893.6	\$3,198.1	\$3,503.20	\$3,955.3	\$4,526.7	\$5,221.7	\$6,043.5	\$7,028.6
Base	-	6.6%	10.5%	9.5%	12.9%	14.4%	15.4%	15.7%	16.3%
Base	-	6.6%	10.5%	9.5%	12.9%	14.4%	15.4%	15.7%	16.3%

Source: Made by Team

Appendix F: Income Statement Drivers

	Projection Period					
	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026
Gross Margin (% Sales)	66.0%	65.0%	65.0%	66.0%	67.0%	69.0%
Base	66.0%	65.0%	65.0%	66.0%	67.0%	69.0%
Upside	66.0%	66.0%	66.0%	67.0%	68.0%	70.0%
Management	65.0%	63.0%	63.0%	67.0%	68.0%	68.0%
Downside 1	63.0%	62.0%	61.0%	61.0%	62.0%	63.0%
Downside 2	62.0%	61.0%	61.0%	60.0%	60.0%	60.0%
SG&A (% Sales)	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Base	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Upside	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Management	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Downside 1	31.0%	31.0%	31.0%	31.0%	31.0%	31.0%
Downside 2	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
R&D (% Sales)	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Base	8.0%	7.5%	7.5%	7.5%	7.5%	7.5%
Upside	7.5%	7.0%	7.0%	7.0%	7.0%	7.0%
Management	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Downside 1	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
Downside 2	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
Other Operating Expenses (% Sales)	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Base	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Upside	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Management	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Downside 1	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Downside 2	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Net Interest Expense (% Sales)	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Base	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Upside	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Management	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Downside 1	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Downside 2	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Other Expenses (% Sales)	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Base	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Upside	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Management	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Downside 1	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Downside 2	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Dividends	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Base	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Upside	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Management	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Downside 1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Downside 2	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Made by Team

Appendix F: Balance Sheet Drivers

	Projection Period					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	2021	2022	2023	2024	2025	2026
Days Sales Outstanding (DSO)	75.0	75.0	75.0	75.0	75.0	75.0
Base	75.0	75.0	75.0	75.0	75.0	75.0
Upside	75.0	75.0	75.0	75.0	75.0	75.0
Management	75.0	75.0	75.0	75.0	75.0	75.0
Downside 1	75.0	75.0	75.0	75.0	75.0	75.0
Downside 2	75.0	75.0	75.0	75.0	75.0	75.0
Days Inventory Outstanding (DIO)	-	-	-	-	-	-
Base	-	-	-	-	-	-
Upside	-	-	-	-	-	-
Management	-	-	-	-	-	-
Downside 1	-	-	-	-	-	-
Downside 2	-	-	-	-	-	-
Other Current Assets (% Sales)	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Base	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Upside	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Management	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Downside 1	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Downside 2	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Other Long-Term Assets (% Sales)	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Base	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Upside	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Management	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Downside 1	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Downside 2	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
Days Payables Outstanding (DPO)	40.0	40.0	40.0	40.0	40.0	40.0
Base	40.0	40.0	40.0	40.0	40.0	40.0
Upside	42.0	42.0	42.0	42.0	42.0	42.0
Management	40.0	40.0	40.0	40.0	40.0	40.0
Downside 1	39.0	39.0	39.0	39.0	39.0	39.0
Downside 2	38.0	38.0	38.0	38.0	38.0	38.0
Other Current Liabilities (% Sales)	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Base	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Upside	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Management	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Downside 1	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Downside 2	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
R&A (% Sales)	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Base	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Upside	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Management	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Downside 1	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Downside 2	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
APEX (% Sales)	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%
Base	14.5%	14.0%	14.0%	14.0%	14.0%	14.0%
Upside	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
Management	14.0%	14.0%	14.0%	14.0%	14.0%	14.0%
Downside 1	14.5%	14.5%	14.5%	14.5%	14.5%	14.5%
Downside 2	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Stock Based Compensation Increase	8.00	8.00	8.00	8.00	8.00	8.00
Base	8.00	8.00	8.00	8.00	8.00	8.00
Upside	7.00	7.00	7.00	7.00	7.00	7.00
Management	7.00	7.00	7.00	7.00	7.00	7.00
Downside 1	7.00	7.00	7.00	7.00	7.00	7.00
Downside 2	7.00	7.00	7.00	7.00	7.00	7.00

Discounted Cash Flow Analysis

(\$ in millions, first fiscal year ending 2022)

Operating Scenario	Historical Period			CAGR ('18 - '20)	Projection Period					CAGR ('21 - '26)	
	2018	2019	2020		2021	2022	2023	2024	2025		2026
Revenue	\$2,714.5	\$2,893.6	\$3,198.1	8.5%	\$3,503.2	\$3,955.3	\$4,526.7	\$5,221.7	\$6,043.5	\$7,028.6	14.9%
% Growth	NA	6.6%	10.5%		9.5%	12.9%	14.4%	15.4%	15.7%	16.3%	
Cost of Goods Sold	(\$953.5)	(\$987.6)	(\$1,132.7)		(\$1,191.1)	(\$1,384.4)	(\$1,584.3)	(\$1,775.4)	(\$1,994.3)	(\$2,178.9)	
Gross Profit	\$1,761.0	\$1,906.0	\$2,065.5	8.3%	\$2,312.1	\$2,570.9	\$2,942.3	\$3,446.3	\$4,049.1	\$4,849.7	16.0%
% Margin	64.9%	65.9%	64.6%		66.0%	65.0%	65.0%	66.0%	67.0%	69.0%	
Operating Expenses	(\$1,345.4)	(\$1,332.5)	(\$1,364.1)		(\$1,261.2)	(\$1,404.1)	(\$1,607.0)	(\$1,853.7)	(\$2,145.4)	(\$2,495.2)	
EBIT	\$415.6	\$573.5	\$701.4	29.9%	\$1,051.0	\$1,166.8	\$1,335.4	\$1,592.6	\$1,903.7	\$2,354.6	17.5%
% Margin	15.3%	19.8%	21.9%		30.0%	29.5%	29.5%	30.5%	31.5%	33.5%	
Taxes	(\$44.7)	(\$53.4)	(\$45.9)		(\$130.9)	(\$145.3)	(\$166.2)	(\$198.6)	(\$237.7)	(\$294.7)	
NOPAT	\$370.9	\$520.2	\$655.5	32.9%	\$920.0	\$1,021.6	\$1,169.1	\$1,394.1	\$1,666.0	\$2,059.9	17.5%
Plus: Depreciation & Amortization	\$476.5	\$486.5	\$541.2		\$560.5	\$632.8	\$724.3	\$835.5	\$967.0	\$1,124.6	
Less: Capital Expenditures	(\$217.6)	(\$359.7)	(\$550.7)		(\$508.0)	(\$553.7)	(\$633.7)	(\$731.0)	(\$846.1)	(\$984.0)	
Less: Δ Net Working Capital	NA	(\$21.7)	(\$87.3)		(\$47.8)	(\$95.0)	(\$101.2)	(\$126.4)	(\$155.5)	(\$192.1)	
Unlevered Free Cash Flow					\$924.8	\$1,005.6	\$1,158.5	\$1,372.1	\$1,631.4	\$2,008.4	16.8%
WACC	8.42%										
Discount Period					0.01	0.99	1.99	2.99	3.99	4.99	
Present Value of Free Cash Flow					\$923.7	\$928.4	\$986.4	\$1,077.6	\$1,181.8	\$1,341.9	

Enterprise Value		Enterprise Value	
Exit Multiple Method		Perpetual Growth Method	
Cumulative Present Value of FCF	\$5,516.1	Cumulative Present Value of FCF	\$5,516.1
Terminal Year EBITDA	\$3,479.2	Terminal Year FCF	\$2,008.4
Exit Multiple	12.51x	Perpetual Growth Rate	2.0%
Terminal Value	\$43,510.06	Terminal Value	\$31,914.7
PV: Terminal Value	\$29,044.5	PV: Terminal Value	\$21,304.2
Enterprise Value	\$34,560.5	Enterprise Value	\$26,820.2
Less: Total Debt	\$3,155.6	Less: Total Debt	\$3,155.6
Less: Preferred Stock	-	Less: Preferred Stock	-
Less: Minority Interest	-	Less: Minority Interest	-
Plus: Cash and Cash Equivalents	\$2,081.0	Plus: Cash and Cash Equivalents	\$2,081.0
Implied Equity Value	\$33,485.89	Implied Equity Value	\$25,745.59
FD Shares Outstanding (mm)	179.25	FD Shares Outstanding (mm)	179.2
Implied Share Price	\$ 186.81	Implied Share Price	\$ 143.63
Current Price	\$ 116.95	Current Price	\$ 116.95
Upside	59.7%	Downside	22.8%
EBITDA 2022	\$1,799.7	EBITDA 2022	\$1,799.7
Implied EV/EBITDA 2022	19.20x	Implied EV/EBITDA 2022	14.90x
Implied PGR 2026	3.6%		

Exit Multiple	
Base	12.51x
Low	11.51x
Base	12.51x
High	13.51x

Growth Rate	
Base	2.0%
Low	1.5%
Base	2.0%
High	2.5%

Target Price Calculation		
	Price	% Weight
DCF (EV/EBITDA)	\$186.8	40%
DCF (PGR)	\$143.6	60%
Target Price	\$ 161	
Current Share Price	\$ 117	
Upside		38%

Source: Made by Team

Appendix H: Akamai's Product Offerings

Akamai offers solutions to its customers through both the Edge Technology Group, and the Security Technology Group. These Groups can be further segmented into Edge Delivery, Edge Applications, and Services, as well as Application Security, Network Security and Security Services.

Edge Delivery: Edge Delivery comprises Akamai's traditional CDN solutions. The primary Edge Delivery segment solutions consist of Video streaming and Software and Gaming Downloads. These solutions help to reduce latency and improve download times, and provides media companies with global distribution of content.

Edge Applications: Edge Applications primarily consists of EdgeWorkers and EdgeKV, and enables edge computing for Akamai's customers. These edge computing solutions allow for data to be captured and processed closer to the end user.

Application Security: Application Security consists of both App and API Protection as well as Fraud Protection. Akamai's key security solution under App and API Protection is Kona Site Defender, the company's Web Application Firewall product. Kona Site Defender assists in detecting and stopping DDoS attacks, Under Fraud Protection, Akamai's core product is Bot Manager, which helps to detect and mitigate against botnet activity.

Network Security: The Network Security segment includes both Infrastructure Protection, as well as Access Control. The core Infrastructure Protection solution is Prolexic, which defends against DDoS attacks at the data center level, as opposed to Kona Site Defender which protects against these attacks at the app or website level. Akamai's core Access Control solutions help to mitigate the spread of malware and identify phishing attacks.



Tom Leighton: Chief Executive Officer & Co-Founder

Tom co-founded Akamai in 1998. He was the Chief Scientist from 1998 until 2013 when he was appointed CEO. Tom has been instrumental in Akamai creating its moat within the CDN space. Within his time as Akamai's CEO, the company's CDN segment revenue has almost doubled, while the security segment revenue 25% YoY within the same timeframe.



Adam Karon: Chief Operating Officer & General Manager , Edge Technology Group

Adam's role includes overseeing Akamai's media delivery & edge computing solutions along with management corporate development and the company's product lifecycle process. Adam has over 25 years of organizational management, business operations and technical experience to Akamai. Before his current role, Adam served as the Executive Vice President & General Manager of Akamai's Media and Carrier division.



Ed McGowan: EVP, Chief Financial Officer

Ed joined Akamai in 2000 and currently serves as CFO in which he manages Akamai's Finance and IT organization as well as is responsible for Akamai's financials globally. Prior to serving as CFO, Ed was the Senior Vice President at Akamai and Senior Vice President of the Global Media and Carrier Sales. Ed has been essential in developing strategic relationships with global carriers such as AT&T, Telefonica, PLDT and Bell Canada,



Mani Sundaram: EVP & General Manager, Security Technology Group

Mani joined Akamai in 2007 as an architect in Professional Services. Prior to serving as EVP & General Manager, Mani has also served as Akamai's Chief Investment Officer in which he led Akamai's Global Services, Information Technology and Information Security organizations. He currently oversees the strategy for Akamai's security segment and is responsible functions within the security segment such as engineering, product development and product management.