HAWKCLAW CAPITAL ADVISORS

Flash Note

AKAM US

As of ***11/21/2022***

Akamai Technologies Inc

AKAM reported solid Q3 results, beating on the top- and bottom-line, mainly driven by its security business growing revenue by 19% y/y in c.c. and its much smaller unit compute business growing the top-line by 77% y/y in c.c. Adj. EBITDA and EBIT margins also improved and should be taken positively by investors. Revenues grew 3% y/y (+7% y/y in c.c.) to USD882m, in line and almost meeting the upper end of the guided range of USD868m-USD883m, with ca USD33m contribution from Linode. Geographically, revenues rose 3% y/y in the US (USD461m) and 2% y/y in international (USD421m, +12% y/y in c.c.) markets. Security technology group revenue (43% of total revenues) grew (y/y) 13% (+19% in c.c.) to USD380m (in line), while compute surged 72% (+77% in c.c., in line) to USD109m. Meanwhile, revenues in delivery fell 15% y/y (-11% y/y in c.c., a 3% beat) to USD393m. Non-GAAP cash gross profits stood flat y/y at USD659m (margin: -1ppt y/y to 75%). Meanwhile, non-GAAP OP declined 12% y/y to USD243m (margin: -4ppt y/y to 28%, yet 40bps beat). Non-GAAP EPS declined 13% y/y to USD 1.26 (-7% y/y in c.c.). FCF was down 1% y/y to USD271m (improved significantly q/q). AKAM initiated Q4 2022 guidance, expecting revenues of USD890m-USD915m (up 3%-6% y/y in c.c.), non-GAAP OM of ca 27%, and non-GAAP EPS of USD 1.23-USD 1.30. For 2022, AKAM updated its targets and now expects revenues of USD3.58bn-USD3.6bn (vs USD3.57bn-USD3.61bn previously; up 7%-8% y/y in c.c.), non-GAAP OM of 28% (vs 28%-29% earlier), and non-GAAP EPS of USD 5.23-USD 5.30 (vs USD 5.19-USD 5.37 previously). Moreover, management now expects 2022 capex to be ca 13% of revenues (vs 12%-13% of revenues earlier).

Corporate Ratings	
S&P	NR
Outlook	-
Moody's	-
Outlook	-
Fitch	-
Outlook	-

CDS Data	
5 YR CDS	N/A Curncy
% 3 Months	N/A Curncy
% 6 Months	N/A Curncy
% 1 Year	N/A Curncy
52 Week Low	N/A Curncy
52 Week High	N/A Curncy

Profitability	
EBIT	757
Operating Margin	21.07
Pretax Margin	20.35
Return on Assets	7.69
Return on Common Equity	14.15
Return on Capital	8.73
Asset turnover	0.44

Structure	
Current Ratio	2.25
Quick Ratio	1.74
Total Debt to Total Assets	38.89
Total Debt to Com Equity	74.49
Acct Receivable Turnover	7.81
Inventory Turnover	--
Gross Margin	62.45
EBIT / Total Inter	27.18

Growth Potential	
Sales 1yr Growth	8.23
Asset 1yr Growth	4.82
Capital 1yr Growth	5.13

Periodicity	Fiscal Quarterly	Currency	Default	Parent/Consolidated	C	Data	Adjusted (If Available)

Income Statement Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Revenue	917.8	903.6	3,594.2	881.9	903.3	903.6	905.4	860.3	852.8	842.7	846.3
Operating Income	255.2	245.5	757.4	166.6	185.5	192.3	213.1	207.1	197.5	189.5	185.9
Pretax Income	251.7	241.2	731.4	164.3	180.4	188.7	197.9	191.8	183.3	175.5	173.0
Income bef XO Items	139.9	128.8	507.4	108.2	119.5	119.2	160.5	178.9	156.5	155.7	113.4
Net Income	212.2	201.8	623.6	139.1	154.8	156.4	173.3	169.9	154.0	155.7	143.0
Basic EPS Before XO Items	--	--	3.89	0.88	0.97	0.97	1.07	1.04	0.94	0.95	0.88
Basic EPS	1.34	1.27	5.49	1.26	1.35	1.39	1.49	1.45	1.42	1.38	1.33
Diluted EPS Before XO Items			3.84	0.87	0.96	0.96	1.05	1.03	0.93	0.94	0.86
Diluted EPS			3.12	0.68	0.74	0.73	0.97	1.08	0.94	0.94	0.68
Dividends per Share	--	--	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA	382.0	366.7	1,551.9	368.5	388.3	391.3	403.9	396.0	385.7	375.4	364.1
Return on Common Equity	18.8	14.1	11.5	11.5	13.2	14.3	14.8	13.9	13.9	14.8	14.1

Balance Sheet Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Total Current Assets			1,695.6	1,695.6	1,566.2	1,464.5	1,920.4	2,761.9	2,253.3	2,161.4	1,929.5
Total Long-Term Assets			6,411.8	6,411.8	6,644.9	6,839.3	6,218.2	5,353.6	5,667.7	5,656.5	5,834.6
Total Assets			8,107.4	8,107.4	8,211.1	8,303.8	8,138.7	8,115.5	7,920.9	7,817.9	7,764.1
Total Current Liabilities			753.0	753.0	817.1	869.3	790.3	731.4	647.4	715.1	758.2
Total Long-Term Liabilities			3,121.2	3,121.2	3,113.5	3,134.0	2,818.3	2,801.6	2,796.8	2,781.4	2,754.7
Total Liabilities			3,874.2	3,874.2	3,930.6	4,003.3	3,608.7	3,533.0	3,444.3	3,496.6	3,512.8
Total Shareholders' Equity			4,233.2	4,233.2	4,280.5	4,300.5	4,530.0	4,582.4	4,476.7	4,321.4	4,251.3
Shares Outstanding			157.9	157.9	159.5	160.5	160.5	162.4	163.0	163.2	162.7
Book Value per Share	28.1	27.3	26.8	26.8	26.8	26.8	28.2	28.2	27.5	26.5	26.1
Tangible Book Value / Sh			6.5	6.5	6.5	6.5	12.8	16.6	15.8	14.8	14.4
Shareholder Equity/Total Liab			52.2	52.2	52.1	51.8	55.7	56.5	56.5	55.3	54.8

Cash Flow Summary	03/23 E	12/22 E	LTM	09/22 Q	06/22 Q	03/22 Q	12/21 Q	09/21 Q	06/21 Q	03/21 Q	12/20 Q
Net Income	139.9	128.8	507.4	108.2	119.5	119.2	160.5	178.9	156.5	155.7	113.4
Depreciation and Amortization	127.4	126.2	493.5	125.9	125.8	121.2	120.6	119.1	115.9	111.5	108.2
Change in Working Capital			-1,087.9	193.5	153.9	-534.9	-900.3	424.6	159.5	274.9	-354.7
Cash - Operating Activities			1,320.1	369.3	341.4	222.5	386.9	389.7	378.1	249.8	291.1
Capital Expenditures	-133.8	-124.9	-457.2	-98.0	-118.2	-131.4	-109.7	-116.2	-154.6	-164.7	-167.4
Cash - Investing Activities			-1,371.6	-95.5	-115.2	-316.9	-844.0	393.0	-159.6	-36.3	-617.9
Cash - Financing Activities			-754.8	-241.5	-179.7	-62.3	-271.4	-98.2	-95.8	-107.9	-63.7
Net Changes in Cash			-806.4	32.3	46.5	-156.7	-728.4	684.5	122.7	105.6	-390.5
Free Cash Flow	146.2	230.5	862.9	271.3	223.3	91.1	277.2	273.5	223.6	85.1	123.6