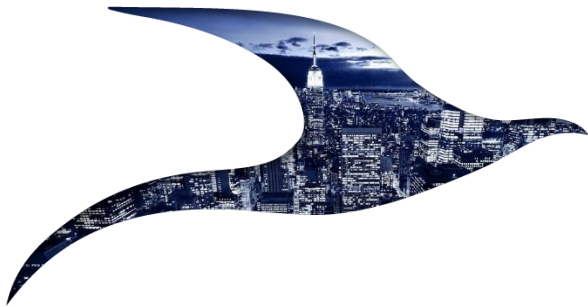
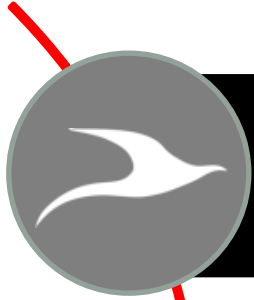




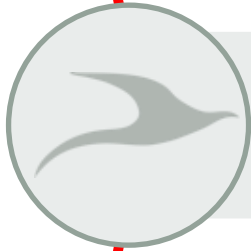
A k a m a i T e c h n o l o g i e s ( A K A M )

Presented by Steven Gorelik  
Firebird Value Advisors L.P.

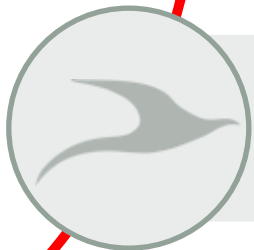




## 1. Firebird Value Advisors Investment Approach



## 2. Akamai Technologies (AKAM)



## 3. Appendix



# Firebird U.S. Value Investment Approach

## Quality

We invest in companies with strong moats

- What is the source of competitive advantage?
- What is the value proposition to all stakeholders?

## Value

Cash flow focus

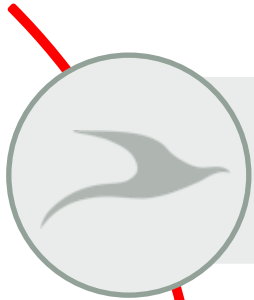
- Look at how the company generates and uses its cash
- Consider value derived from actual returns to investors (dividends + buybacks)

## Growth

Invest in companies where the underlying demand is growing

- Helps avoid value traps

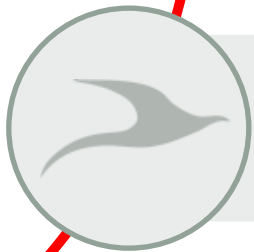




1. Firebird Value Advisors Investment Approach



2. Akamai Technologies (AKAM)



3. Appendix



# Akamai Technologies

- NYSE: AKAM; \$13.6B Market Cap
- Founded in 1990's
- Content Delivery Network (CDN) with over 4,000+ edge points, 1,000+ network partners in 100+ countries
- 2023 results: \$3.8B Revenue, \$1.4B of EBITDA, \$725m of free cash flow (6.6% current yield)



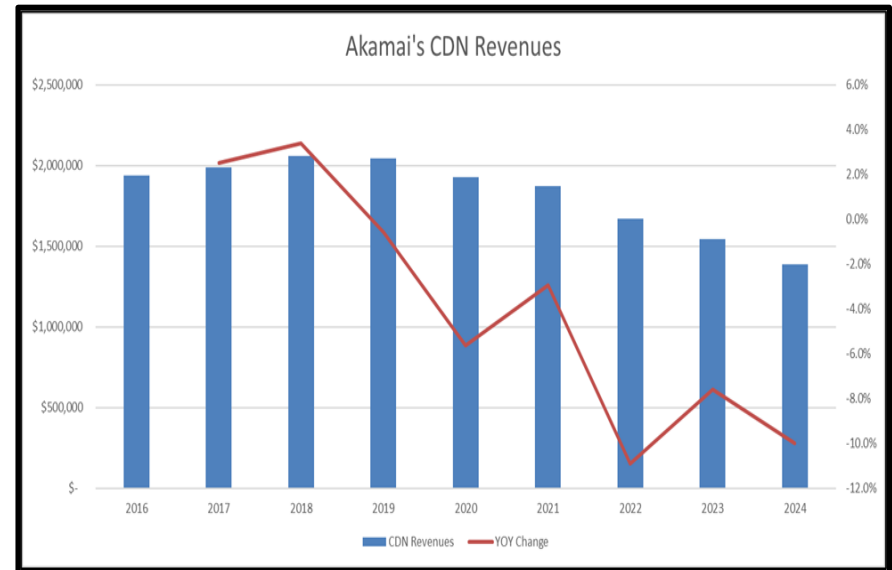
# Akamai Delivery (CDN)

- \$1.5 billion in revenues in 2023
- Considered to be largest and most capable standalone CDN Service
- Used to reduce latency in delivery information to consumers around the world
- Premium offering best suited for enterprise level customers
- Have been losing revenue since 2019 due to DIY efforts by customers and competition

## Delivery Financial Profile

	2021 Profile	Long-term Target Model
Revenue Growth	-4%	-4%-0% (3-5 Year CAGR Goal)
Cash Gross Margin	69%	Mid 60s
EBITDA Margin	44%	High 30s
Non-GAAP Op. Margin	29%	Mid to High 20s
Network Capex	12%	High Single Digits
R&D Capex	5%	Mid Single Digits

© 2022 Akamai  
 Revenue growth in constant currency; margin expressed as % of revenue (estimated)  
 Refer to the Investor relations section of our website for definitions of our non-GAAP metrics and a reconciliation to the closest GAAP metric  
 2021 Compute Includes Edge Apps and Net Storage, but does not include Linode contribution as the acquisition did not close until Q1 2022

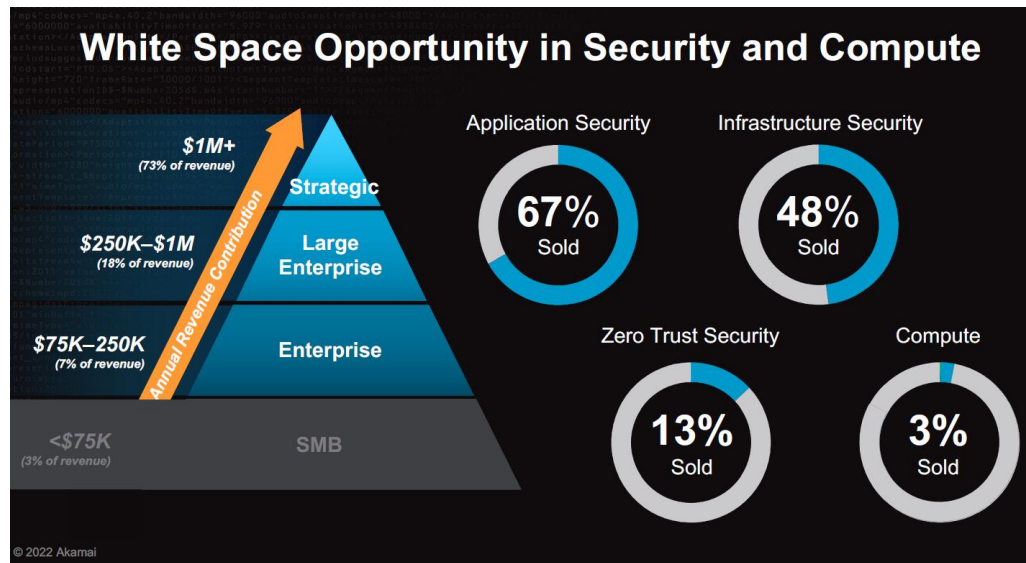


Source: Company Presentation and Financials, US Value Advisors Research



# Cross-Sell Opportunity

- 1,400 customers that pay more than \$75,000 per year to Akamai for various services
- Relationships with CTOs/CIOs and reputation for quality
- Strong track record of cross-selling application and infrastructure securities
- Newer offerings such as Authentication and API Security and Compute have relatively low penetration



Source: Company Presentation



# Akamai Security

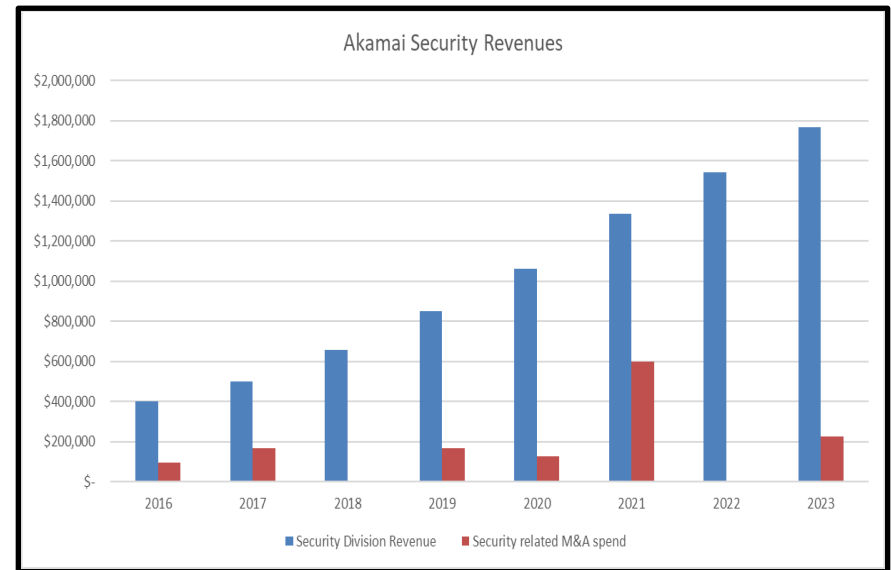
- \$1.8 billion in revenues in 2023
- 23% revenue CAGR since 2016
- Built with \$2B of M&A and cross-selling to existing CDN customers
- Gaining share in a market expected to grow at 15%+
- Cybersecurity companies with similar growth rates and profitability trade at 6x-10x revenues

## Security Financial Profile

	2021 Profile	Long-term Target Model
Revenue Growth	25%	~20% (3-5 Year CAGR Goal)
Cash Gross Margin	86%	Mid 80s
EBITDA Margin	46%	High 40s
Non-GAAP Op. Margin	36%	Mid 30s
Network Capex	3%	Low Single Digits
R&D Capex	9%	Mid to High Single Digits

Revenue growth in constant currency; margin expressed as % of revenue (estimated)  
Refer to the investor relations section of our website for definitions of our non-GAAP metrics and a reconciliation to the closest GAAP metric  
2021 Compute Includes Edge Apps and Intel Storage, but does not include Linode contribution as the acquisition did not close until Q1 2022

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Source: Company Presentation and Financials, US Value Advisors Research





# Akamai Compute

- Acquired Linode for \$900m in 2021
- Compute revenues have more than doubled in two years since acquisition
- Cloud is a \$250 billion market growing at 15% annually
- Akamai solution is cheaper than hyper-scalers due to lower networking costs
- Use cases include IoT and GDPR compliant compute

## Compute Financial Profile

	2021 Profile	Long-term Target Model
Revenue Growth	21%	30%+ (3-5 Year CAGR Goal)
Cash Gross Margin	76%	Mid 70s
EBITDA Margin	47%	High 40s
Non-GAAP Op. Margin	29%	Low to Mid 30s
Network Capex	14%	High Teens
R&D Capex	6%	Mid Single Digits

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Revenue growth in constant currency; margin expressed as % of revenue (estimated)  
 Refer to the investor relations section of our website for definitions of our non-GAAP metrics and a reconciliation to the closest GAAP metric  
 2021 Compute includes Edge Apps and Net Storage, but does not include Linode contribution as the acquisition did not close until Q1 2022

## Unmatched Price-Performance

**61%** of organizations plan to optimize cloud costs\*



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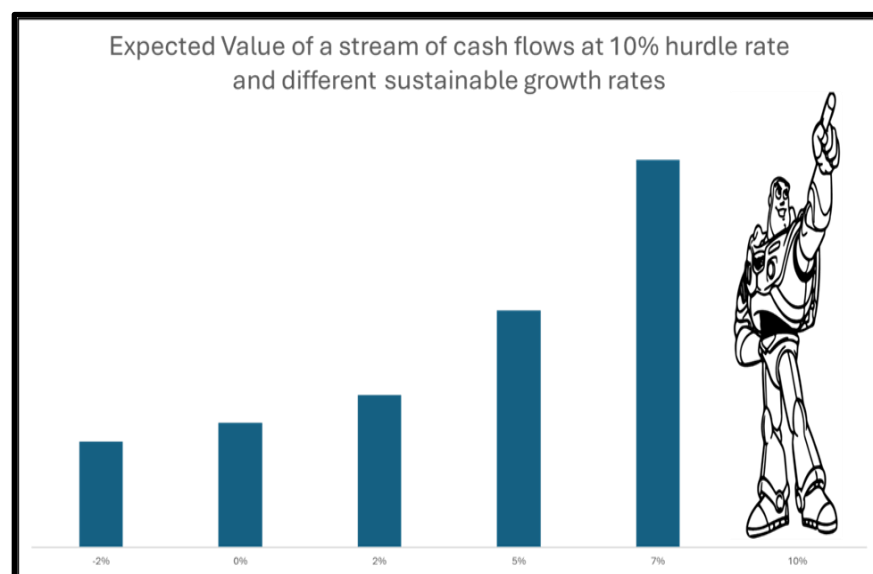
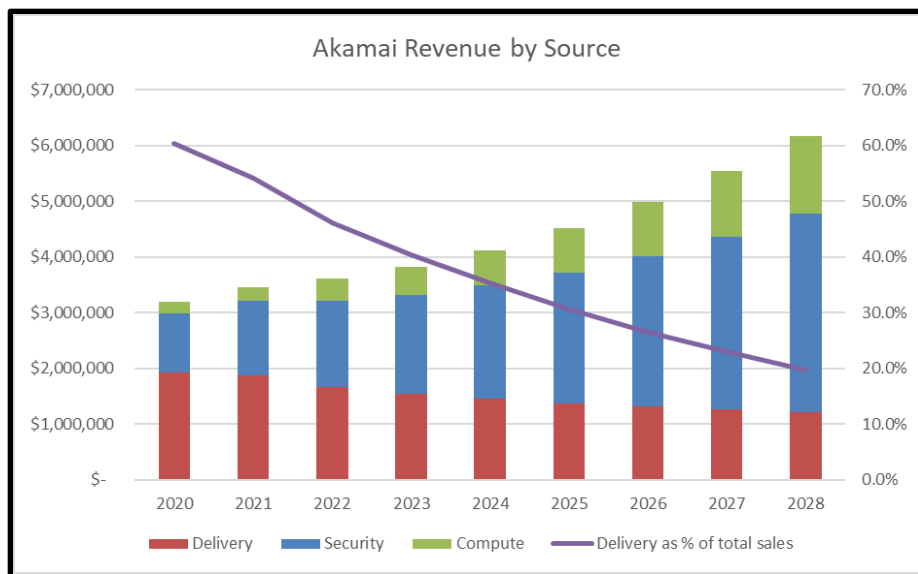
\*Based on 2021 State of the Cloud Report  
 Linode CPU Dedicated 2vCPU, 4GB RAM, 10GB SSD vs. AWS 3vCPU Compute Optimized c3.large, 4GB RAM 10 GB SSD

Source: Company Presentation



# Growth Inflection Point

- Delivery is down to 40% of total revenues from 60% in 2020
- Recent revenue growth of mid-single digits should re-accelerate to 6-10% due to larger weighting of fast-growing segments
- Companies growing at 10%+ rates usually demand much higher trading multiple

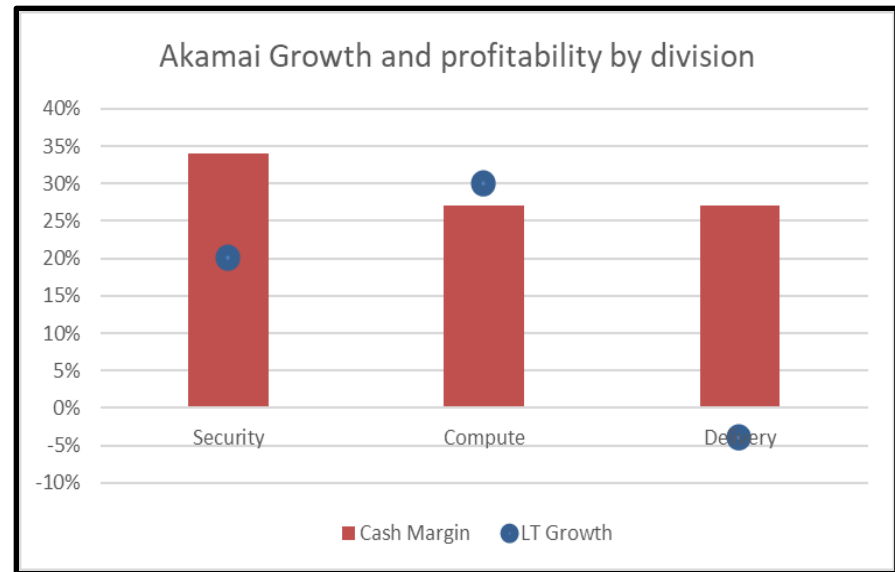
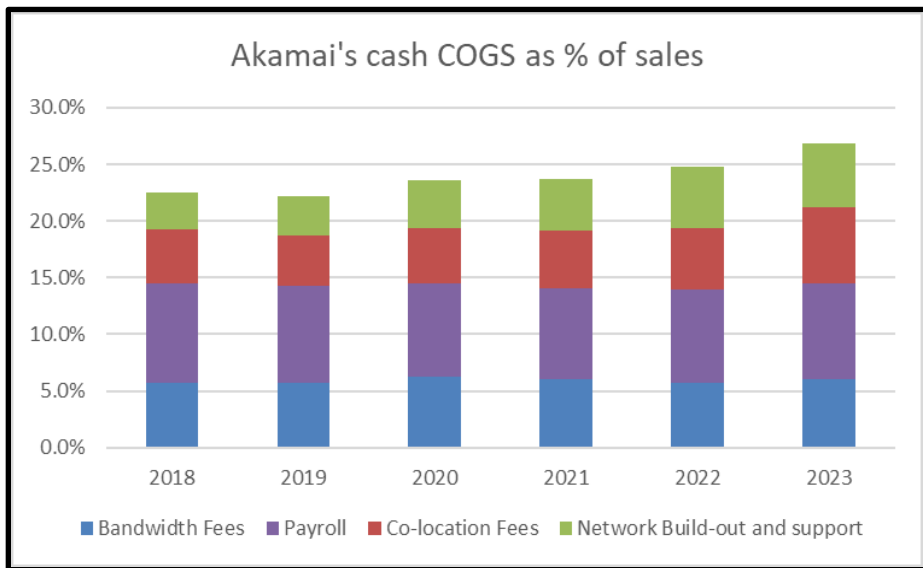


Source: Company Presentation and Financials, US Value Advisors Research



# Akamai's Profitability

- Recent Gross Margin declines due to upfront investments into network build-out and co-location for Compute
- Other costs include G&A and Sales & Marketing have been coming down as percentage of sales
- Compute and Security have slightly higher EBITDA margin and free cash flow margin than Delivery

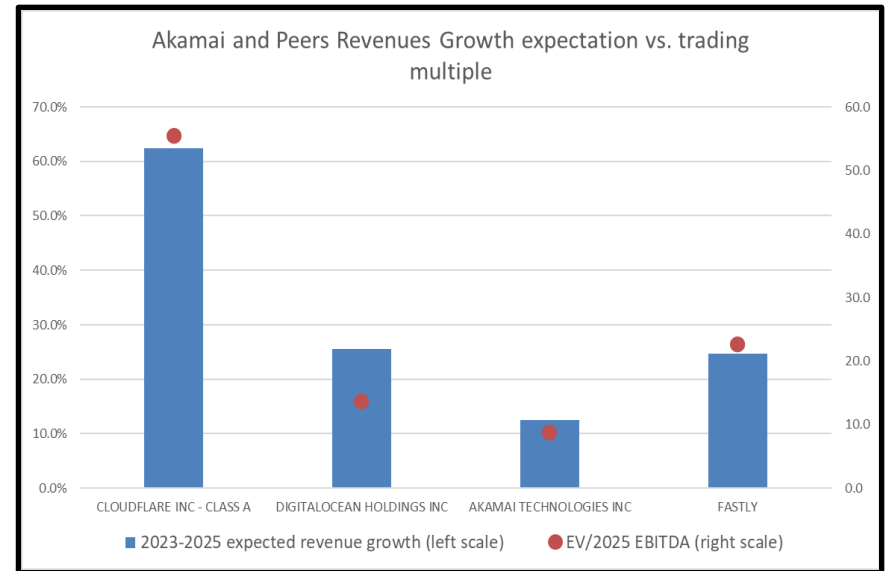
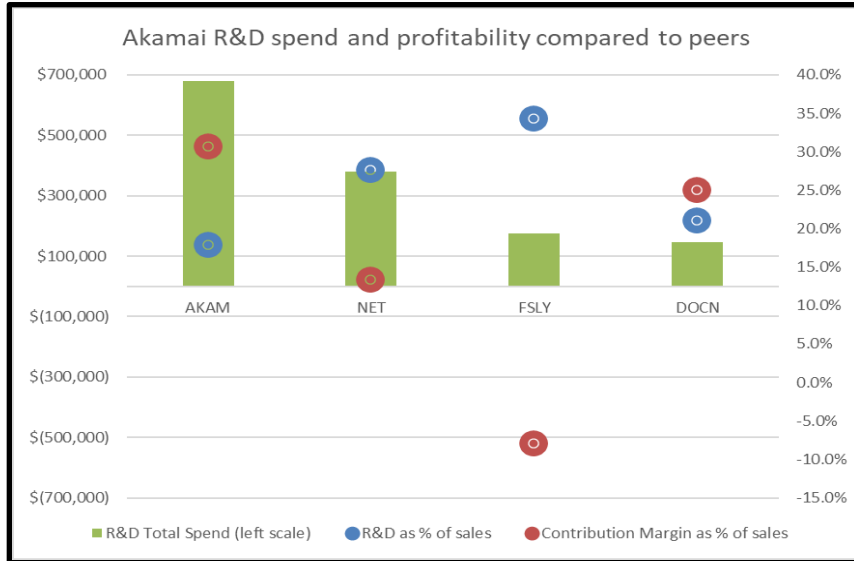


Source: Company Presentation and Financials, US Value Advisors Research



# Akamai's Competition

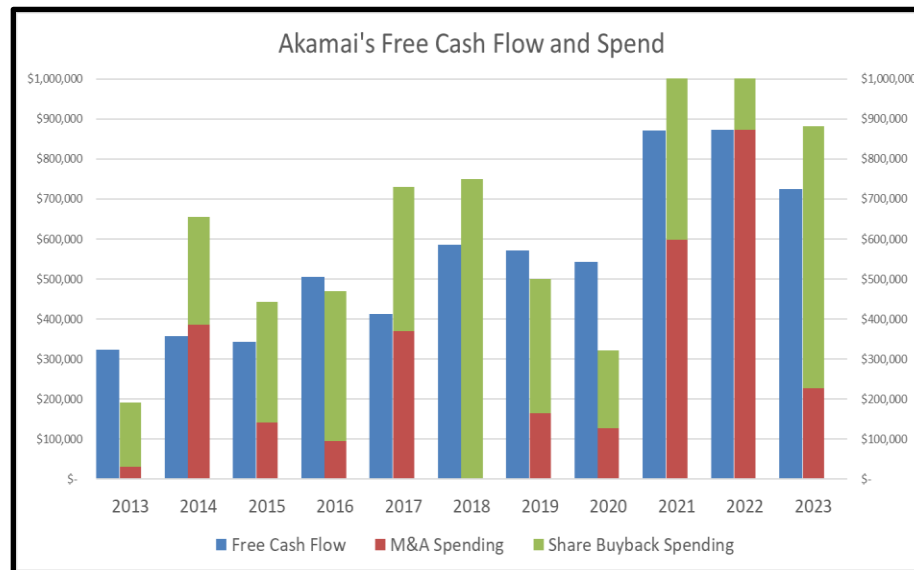
- Akamai competes against hyper-scalers and standalone companies
- Standalone peers all trade at significantly higher multiples due to higher revenue growth expectations
- Akamai's size allows it to invest significantly more into R&D while staying profitable



Source: Company Presentation and Financials, US Value Advisors Research

# Akamai's Capital Allocation

- Since 2014, the company generated \$5.7B of free cash flow.
- \$3B was spent on M&A and \$4B on buybacks.
- Shares outstanding down by 15%.
  - Issues 2-3m shares per year to employees (1.5 – 2% annual dilution).
- Free cash flow per share grew at 10% per annum over last ten years.

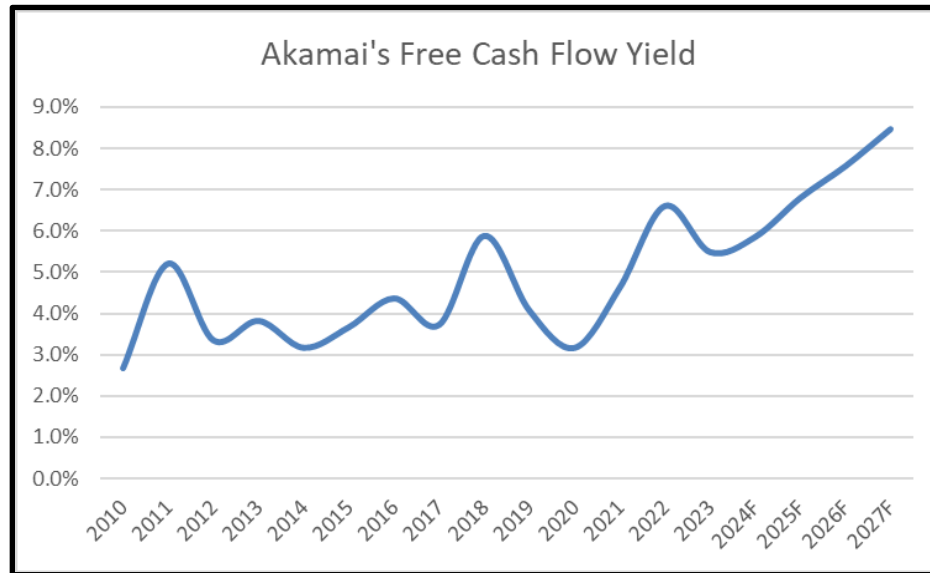


Source: Company Presentation and Financials, US Value Advisors Research



# Akamai's Value

- Akamai currently trading at a 6.6% free cash flow yield – 1.5 standard deviations above historical average
- Free cash flow is expected to grow by 50% in the next four years



Source: Company Presentation and Financials, US Value Advisors Research



# Summary & Contact

- Largest network of edge servers and ISP relationships
- Three divisions: Compute, Cybersecurity, and Delivery
- 1,400+ enterprise customers provide ample cross-sell opportunities
- Shrinking Delivery business has been overtaken by Cybersecurity and Compute growing at 20%+ p.a.
- Overall revenue growth is expected to accelerate from mid-single digits to double digit over next two years
- Trading at 6.6% free cash flow yield – significant discount to historical trading range



Steven Gorelik

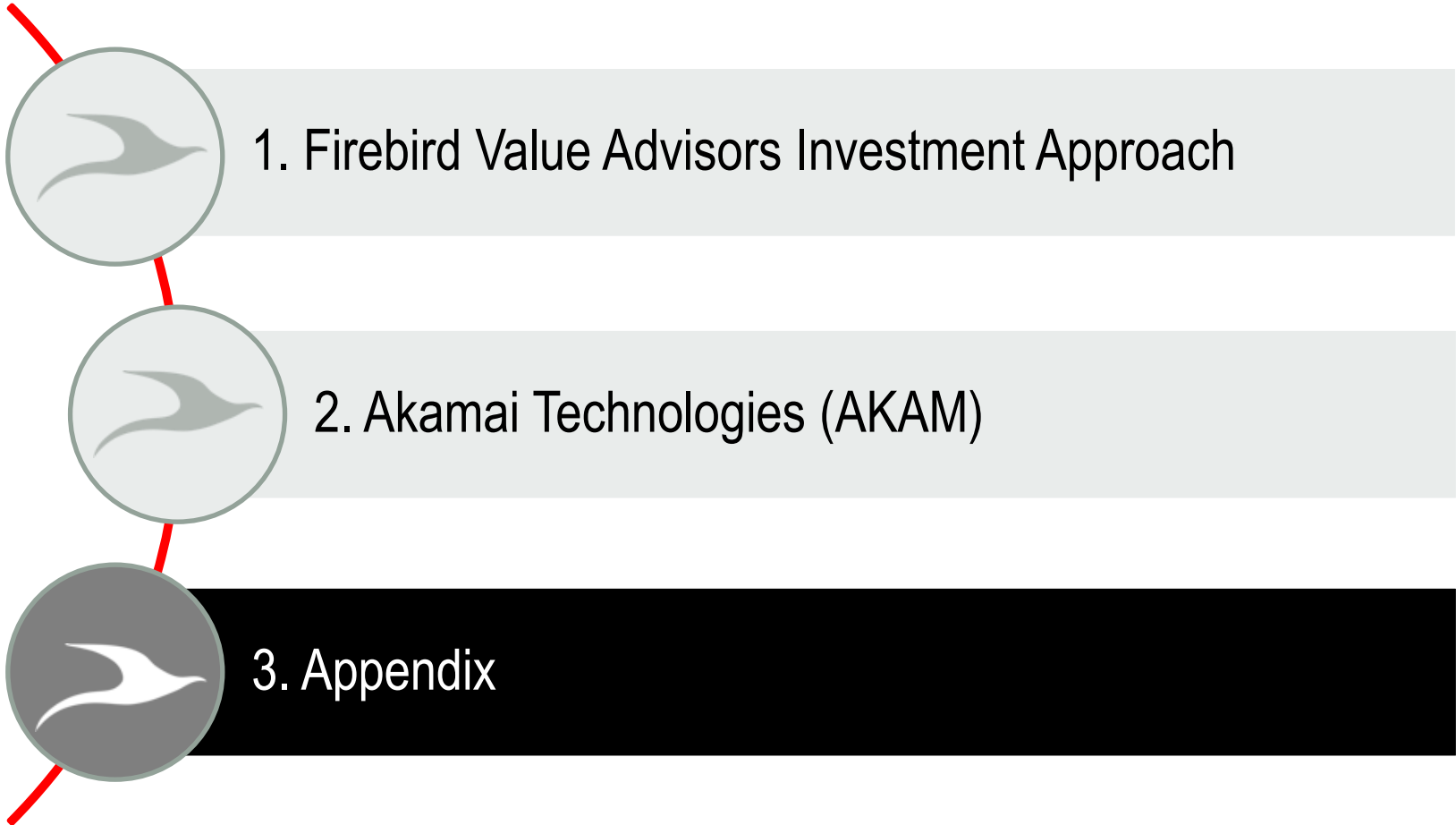
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Tel: +1 212.698.9260

Firebird Management LLC

<http://www.fbird.com>







# Akamai's Management

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- CEO Founder Tom Leighton - \$1 annual salary
  - Owns 2.5m shares ~ \$220m of value
  - Recently active in buying shares
- Employees in total own 32m+ shares – 20% of the company
- KPIs include Revenue and EPS growth as well as TSR relative to peer group



# Akamai's Q1 2024

- Compute Revenue up 25%, Security Revenue Up 21%, Delivery Revenue Down 10.8%
- Overall revenue growth of 7.8%
- Delivery decline accelerated due to “regulatory problems of a large social media customer”
- Cut guidance for the year leading to 11% drop in share price on earnings day
- Free cash flow (before WC) grew by 150% YOY



# Disclaimer

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