

## Parametric Technology Corp. (NASDAQ: PTC)

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Industry: Internet Software and Services/ Software – Application/Systems Software

Rating: Buy

Target: \$38.50

Date: Jan 6, 2015



### Executive Summary

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#### Business Summary

Parametric Technology Corporation, otherwise known as PTC is a company that provides technology solutions to other businesses to improve the way they operate their products. PTC offers solutions in the form of software and service and operates in around 30 countries. They operate in several markets, of which include computer-aided design (CAD), product/application/service lifecycle management in addition to the growing Internet of Things (IoT). They are currently servicing over 28,000 customers across Asia, Europe and the Americas and impact several industries, including retail, medical device, aerospace and automotive.

PTC has experienced steady revenue growth over the past decade, in part due to good business practices and a growing need for smart connected devices. PTC provides companies with the technological advantage they need to become more efficient and recognize their full growth potential.

#### Business Drivers

PTC's revenue is expected to continue to grow steadily over the next decade for several reasons. PTC has already established itself in the technological solutions market and has already worked with a number of manufacturers from a diversity of industries. With the IoT concept taking shape over the next decade and a strong management team, PTC is in a good position to benefit from the growth due to the recent acquisitions of ThingWorx and Axeda Corporation.

## Key Statistics

	Current		2012	2013	Current
Price	\$35.40	Enterprise Value	\$2.494B	\$3.39B	\$4.25B
Date	01 06, 2015	Debt / Enterprise Value	0.15	0.08	0.14
52 Week Range	\$32.79-\$40.40	Debt / Equity	1.25	0.97	1.58
Shares Outstanding	116,000,000	Price / Book Value	3.00	3.68	4.60
Market Capitalization	\$3.97B	Price / Earnings	30.60	24.00	28.15
Enterprise Value	\$4.24B	Cash	\$389.6M	\$249.1M	\$293.6M
Beta	2.07	ROE	-4.23%	17%	16.28%

Balance Sheet (\$US, thousands)	2010	2011	2012	2013	LTM
Cash & Cash Equivalents	\$240,253	\$167,880	\$489,543	\$241,913	\$293,654
Current Assets (Excluding Cash)	\$328,004	\$424,380	\$389,610	\$680,216	\$438,520
<b>Total Assets</b>	<b>\$1,307,064</b>	<b>\$1,630,000</b>	<b>\$1,791,634</b>	<b>\$1,828,906</b>	<b>\$2,200,000</b>
Current Liabilities	\$452,994	\$465,320	\$481,740	\$336,913	\$382,544
Total Debt	-	\$200,000	\$370,000	\$258,120	\$611,875
<b>Total Liabilities</b>	<b>\$559,760</b>	<b>\$806,990</b>	<b>\$994,380</b>	<b>\$902,430</b>	<b>\$1,346,065</b>
<b>Total Equity</b>	<b>\$747,304</b>	<b>\$822,690</b>	<b>\$797,260</b>	<b>\$926,480</b>	<b>\$853,889</b>

Income Statement (\$US, thousands)	2010	2011	2012	2013	LTM
Revenue	\$1,010,049	\$1,166,949	\$1,255,679	\$1,293,541	\$1,357,000
<b>EBITDA</b>	<b>\$145,840</b>	<b>\$113,787</b>	<b>\$148,399</b>	<b>\$175,456</b>	<b>\$271,570</b>
Depreciation & Amortization	\$62,180	\$62,394	\$66,471	\$76,551	\$77,310
Interest (Expense)	\$1,526	\$3,310	\$4,746	\$6,976	\$8,155
Tax	\$57,700	\$28,100	\$53,000	\$35,400	\$25,920
<b>Net Income</b>	<b>\$24,370</b>	<b>\$85,420</b>	<b>-\$35,400</b>	<b>\$143,770</b>	<b>\$160,190</b>



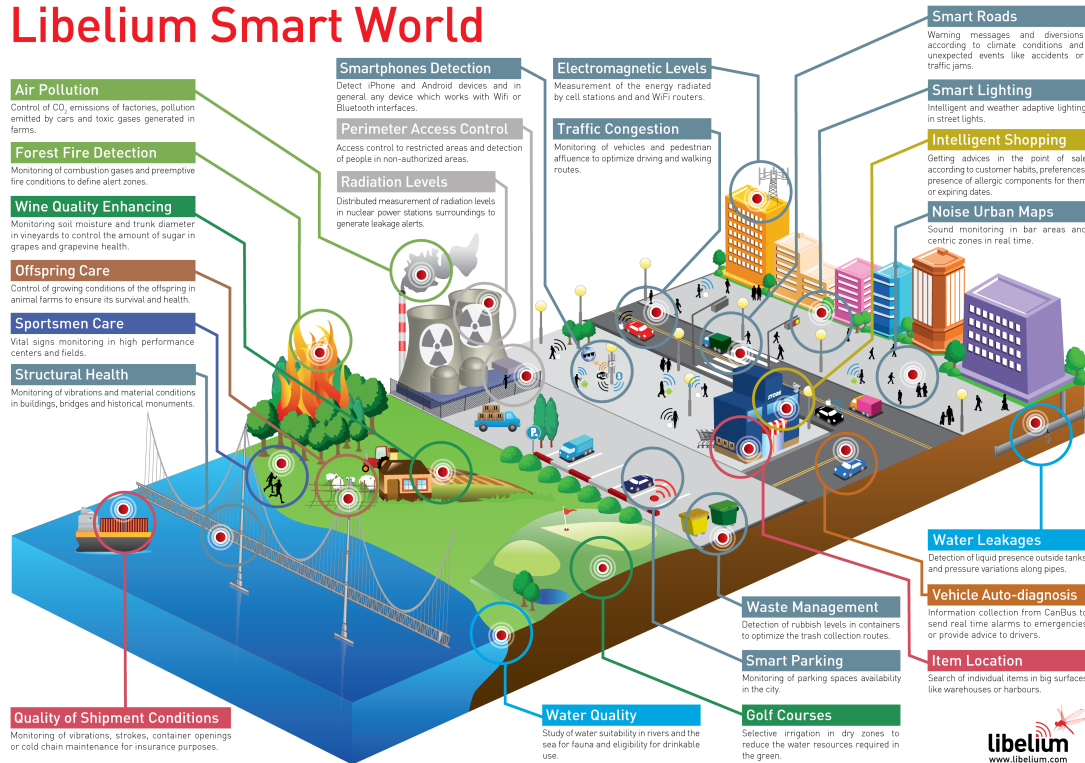
## Internet of Things

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### Adoption of IoT

A recent McKinsey report stated that IoT refers to the “use of sensors, actuators, and data communications technology built into physical objects – that enable those objects to be tracked, coordinated, or controlled across a data network or the Internet”. IoT is composed of three major parts, which include: (1) taking data from the physical object (2) making the data accessible on a network and (3) taking action based on given data (McKinsey IoT). The adoption of IoT means that we will see an increasing number of devices connected to the Internet, potentially upwards of 26+ billion by 2020 according to a Gartner report. Companies like Apple for example are creating smart wearable technology such as “Google Glass” that allow you to access a variety of mobile internet applications using voice automation. In a couple of years, we could definitely see an improvement in supply chain management processes with an increase in automatic ordering and supply notification systems.

## Libelium Smart World



IoT has the potential to make our cities “smarter” by connecting our energy and transportation networks to information systems, which may allow them to operate more efficiently. As we transition towards a highly-connected environment with more smart devices, mobile Internet sources and knowledge automation, we can expect that providers of technology solutions/software, semiconductors/microchips and electronic device manufacturing will experience growing demand for their services.

## Economic Impact

The adoption of IoT has the potential to make significant improvements in a number of industries. The industries expect to be impacted the most by IoT include health care, manufacturing, electricity, urban infrastructure, security and resource extraction. Health care companies may spend an additional \$1.1 – 2.5 trillion annually by 2025 on IoT devices alone, that could go towards treating various chronic diseases, improve patient monitoring and sensors used to reduce counterfeit drugs. Manufacturing

companies may spend an additional \$0.9 – 2.3 trillion annually by 2025 on IoT devices and solutions for global manufacturing processes. The implementation of IoT has the potential to reduce operating and maintenance costs in addition to maximizing input inefficiencies for large manufacturers worldwide. Overall, it is clear that the economic impact of IoT will be significant and total nearly \$6.7 trillion by 2025, according to the recent McKinsey study.

## Acquisitions

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### Past Acquisitions

Since inception, PTC has acquired a number of businesses to fulfill different niche markets. In 2005, they acquired Arbortext, a leader in dynamic publishing. Later that year they acquired Polyplan to enhance their manufacturing process management in addition to Aptavis for technology and retail. In 2006, they acquired Mathsoft for industry engineering and ITEDO for technical illustration solutions. In 2007, they acquired CoCreate to enter the CAD and product development management market. In 2008, Synapsis Technology was acquired to develop environmental compliance software followed by Relux Software the year after to create more powerful and reliable solutions. In 2011, PTC acquired MKS to fulfill the application of software in lifecycle management. Later that year they acquired 4CS to create warranty management solutions followed by Servigistics the year after for service lifecycle management solutions. In 2013, they acquired Enigma for the application of service information delivery followed by NETIDEAS later that year for product lifecycle managed services.

### Recent Acquisitions

In 2014, PTC acquired ThingWorx, a company known for its leading software platform that is used to build M2M (machine-to-machine) and IoT applications for the connected world. The platform is complete, reduces run time, cost and risk which makes ThingWorx a key player in the IoT era. With ThingWorx, PTC is able to help customers build smarter and well-connected products to create new value for them. Also over the summer PTC signed an agreement to acquire Axeda Corporation, a company known for its ability to securely connect sensors and machines to the cloud. With Axeda fully acquired by around January 2015, PTC will be able to offer its manufacturers secure connectivity in addition to the business value from machine data to give them an edge in the connected world. Later in the year, PTC acquired Atego to create model-based systems for engineering applications.

## Management

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PTC's CEO, James Heppelmann has been involved in the information technology industry since 1988. Before his time at PTC, James was a co-founder of Windchill Technology and later became CTO at Metaphase Technology. He graduated with a degree in Mechanical Engineering that had a focus on CAD (computer-aided design). Jeffrey Glidden held similar roles at Airvana and RSA Security before becoming CFO at PTC. PTC has a fairly strong management team composed of executives with plenty of experience in their respected industry.

## Revenue Model

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PTC is a provider of technology solutions whose primary focus is to help manufacturers take advantage of the Internet of Things. Revenue comes from its five solution lines in addition to the variety of products they offer.

### Solution Lines

#### **PLM (product lifecycle management)**

PLM is responsible for helping with product development by managing complex processes such as product data, visualization and quality management. By enabling PLM, enterprises will have lower development costs, be faster to enter market and improved product quality.

#### **CAD (computer aided design)**

PTC's CAD allows enterprises to create visual 3D prototypes to improve product quality and speed entry to market.

#### **ALM (application lifecycle management)**

ALM is responsible for managing software applications throughout product development, it enables manufacturers to coordinate between teams and automate some of the processes.



## SCM (supply chain management)

PTC's SCM allows manufacturers to coordinate product development, supply chain and sourcing by providing informative cost modelling solutions. By enabling SCM, manufacturers reduce costs and improve efficiency.

## SLM (service lifecycle management)

SLM is responsible for helping enterprises become strategic service organizations by providing insight into an extended service network.

# Products

## PTC Creo

PTC Creo is a set of software that allows for 2D CAD and 3D CAD visualization of product designs.

## PTC Windchill

PTC Windchill manages PTC Creo and CAD-based applications and stores product information while also allowing the user to make changes to improve efficiency.

## PTC Arbortext

PTC Arbortext is a dynamic publishing solution that allows enterprises to share technical information.

## PTC Mathcad

PTC Mathcad is an easy-to-use software application that allows math and engineering calculations to be presented in a clear and professional manner.

## PTC Integrity

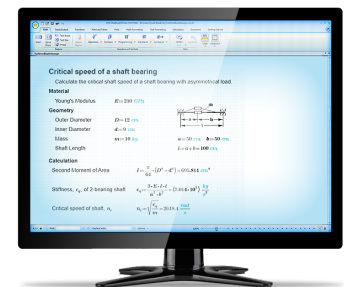
PTC Integrity is a type of ALM software that allows enterprises to understand the complexity of product and application development.

## PTC Servigistics

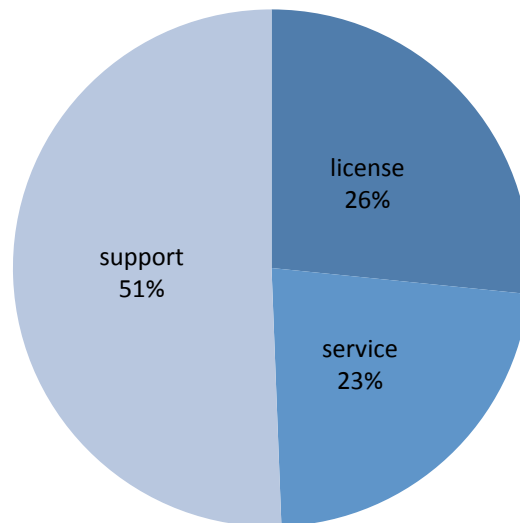
PTC Servigistics allows manufacturers and service providers the ability to use service intelligence to improve product lifecycles.

## ThingWorx

ThingWorx is a platform used to build and run applications for smart devices. It allows enterprises to take their position in the increasingly connected world.



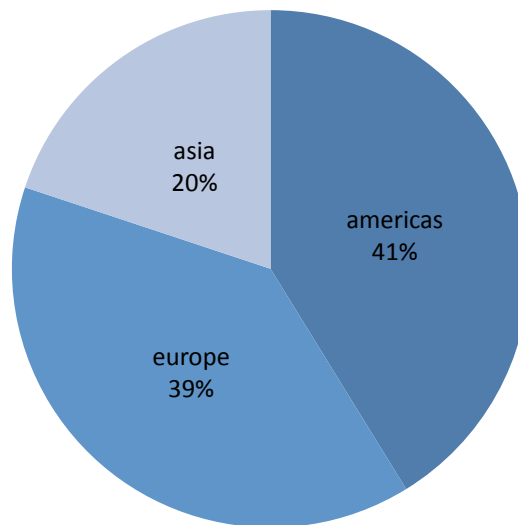
## Revenue Breakdown by Type



PTC's revenue comes from operations in 2 segments: (1) software products and (2) services. Software products includes license and support revenue for products excluding those that have to do with training. On the other hand, service includes revenue earned through consulting, implementation and licenses for training-based products. In 2013, around half of PTC's revenue came from support contracts that are renewed annually. Because of this PTC has a significant portion of unearned revenue as payment schedules may differ between contracts. With that said, revenue recognized in a current period could be due to contracts made in this period or the one before. As a safeguard, PTC has taken the necessary measures to obtain appropriate proprietary rights to protect their software products and guidance.

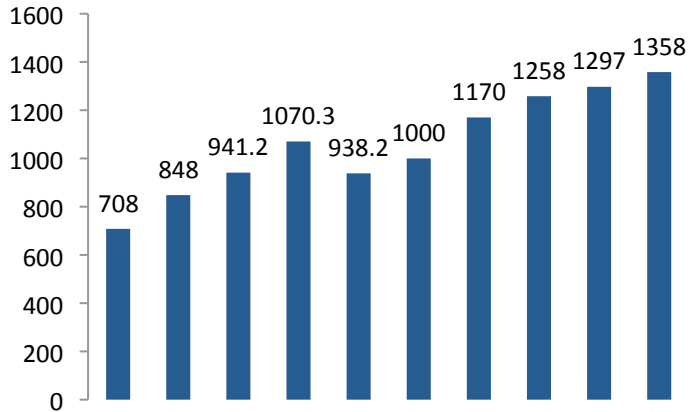
## Revenue by Continents





A significant portion of PTC's revenue comes from clientele located in Europe and the Americas. License revenue in the Americas grew by around 14% over the previous year and management is hopeful that favourable macroeconomic conditions will further this growth into future years. Although revenue from Europe decreased over the past year, management expects a recovery due to various economic indicators. Revenue from the Asia (Pacific Rim and Japan) are also expected to increase, but like Europe it will fluctuate year-to-year due to changes in foreign exchange currency rates.

### **Revenue Growth from 2005 – 2014 (in millions \$)**



PTC's revenue (in millions) has grown steadily over the past couple of years. This trend is expected to continue given the expansion of the IoT market and PTC's broad range of expertise due to past acquisitions.

## Business Risks

There are several risks that could significantly affect the company's earnings. Firstly, the opportunity to profit from IoT growth may attract larger competitors who could take a significant portion of the market share. With more competition, not only would marketing expenses go up but also research and development costs to ensure that their products can compete. Unsteady foreign exchange currency rates also pose a threat since much of PTC's revenue comes from customers outside of the US. Also since PTC's revenue is based on a perpetual license model (subscription model) the earnings may not reflect the number of sales made at that time. This is due to the GAAP principles under this model; only a small portion of revenue is recognized at the time of sale whereas the rest can only be accounted for if the project has been completed which may or may not be in time for the upcoming quarterly report.

# Valuation Summary

## DCF

PTC (Parametric Technology Corporation)																
NASDAQ: PTC																
\$ in thousands																
	2011	2012	2013	*unaudited 2014	forecasted -> 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Total revenue	1,166,949	1,255,679	1,293,541	1,356,967	1,365,000 <sup>a</sup>	1,505,441	1,586,740	1,673,181	1,765,123	1,862,945	1,967,059	2,077,904	2,195,950	2,321,704	2,455,707	
% growth over prior year		7.60%	3.02%	4.90%	0.59%	10.29%	5.45%	5.45%	5.50%	5.54%	5.59%	5.64%	5.68%	5.73%	5.77%	
Total cost of revenue	356,768	372,128	373,039	373,683	380,518	387,967	396,076	404,899	414,491	424,912	436,229	446,512	461,838	476,290	491,956	
% growth over prior year		4.31%	0.24%	0.17%	1.83%	1.96%	2.09%	2.23%	2.37%	2.51%	2.66%	2.82%	2.97%	3.13%	3.29%	
% of revenue	30.51%	29.64%	28.84%	27.54%	27.89%	25.77%	24.96%	24.20%	23.48%	22.81%	22.19%	21.59%	21.03%	20.51%	20.03%	
Gross margin	810,181	883,551	920,502	983,284	984,482	1,117,474	1,190,663	1,268,283	1,350,632	1,438,033	1,530,830	1,629,392	1,734,112	1,845,414	1,963,750	
Total operating expenses	696,394	735,152	745,046	754,581	767,948	781,682	795,795	810,301	825,211	840,539	856,299	872,505	889,172	906,315	923,950	
% of revenue	59.88%	58.65%	57.60%	55.81%	56.26%	51.92%	50.19%	48.43%	46.73%	45.12%	43.52%	41.99%	40.49%	39.04%	37.62%	
EBITDA	113,787	148,399	175,456	226,703	216,534	335,793	394,868	457,982	525,421	597,494	674,531	756,887	844,940	939,099	1,039,801	
Depreciation and amortization	62,394	66,471	76,551	77,307	83,153	89,441	96,205	103,480	111,305	119,722	128,776	138,514	148,989	160,255	172,374	
% increase over previous year		6.53%	15.16%	0.98%	7.58%	7.56%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	7.58%	
EBIT	51,393	81,928	98,905	151,396	133,381	246,351	298,663	354,502	414,116	477,772	545,755	618,373	696,951	778,844	867,427	
Income tax	-17,540	150,130	19,120	52,570 <sup>a</sup>	78,149	144,339	174,989	207,705	242,634	279,930	319,762	362,309	407,763	456,331	508,232	
% of EBIT	-34.13%	190.57%	19.32%	34.72%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	58.61%	
Net Income/ Tax-adjusted EBIT	68,933	-74,202	79,785	98,826	55,232	102,012	123,674	146,797	171,482	197,842	225,993	256,063	288,188	322,513	369,195	
Plus: Depreciation and amortization	62,394	66,471	76,551	77,307	83,153	89,441	96,205	103,480	111,305	119,722	128,776	138,514	148,989	160,255	172,374	
Less: Capital expenditures	27,817	31,413	29,328	25,275	24,641	24,022	23,419	22,831	22,258	21,700	21,155	20,624	20,107	19,602	19,110	
% increase over previous year		12.93%	-6.64%	-13.82%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	-2.51%	
Less: Change in net working capital	-45,005	-84,635	-75,310	-74,266	-70,196	-83,109	-85,346	-89,470	-95,591	-100,236	-105,849	-112,048	-118,244	-125,048	-132,306	
Unlevered free cash flow	148,515	45,491	202,318	225,124	183,940	250,541	281,806	316,915	356,120	396,100	439,463	486,002	535,315	588,215	644,785	
Year					1	2	3	4	5	6	7	8	9	10	11	
PV of FCF					166115	204335	207562	210801	213924	214882	215304	215030	213896	212257	279955.3 <sup>a</sup>	
WACC		0.1073														
Enterprise Value (in thousands)		4873659														
Total debt		611800														
Total cash		293,654														
Enterprise Value (reg. \$)		\$ 4,873,659,439														
Total debt (reg. \$)		\$ 611,800,000														
Total cash (reg. \$)		\$ 293,654,000														
Shares outstanding		118330000														
Equity Value (reg. \$)		\$ 4,555,513,439														
Share price		\$ 38.50														

## Forecasting Revenues and Expenses

To forecast revenue, future costs, depreciation and CAPEX I used an average of growth rate calculated using values from 2012 to 2014 reports. This method was used to reflect the steady growth predicted by economic indicators for companies in the IoT industry. The revenue growth also represents the returns from past and future acquisitions; it was noted earlier in the report that PTC is constantly adding new companies and products to broaden its offerings to its clientele.

In addition, cost of revenue expenses were analyzed as a “% of total revenue” starting with around 29% respectively and are expected to decrease to 20% by 2025 as newer and more efficient technology come into play. It was also noted in the Garter IoT report that “80% of IoT supplier revenue will be [eventually] derived from services”. Combining both PTC’s “support” and “supplier” revenues in year 2025, it satisfies the revenue proportion suggested by the report.

## Forecasting Unlevered Free Cash Flow

To calculate unlevered cash flow for PTC, I assumed that CAPEX would follow its past trend because this tends to be fairly constant for tech companies. However, since PTC has a history for acquiring 1 -2

companies per year, the respective forecasted CAPEX values may not be representative. For the remainder of the free cash flow calculation, I used an average over the 3 previous periods to forecast values for current assets (net cash) and current liabilities (net debt).

Terminal Value Calculation	
FCFn	644,765
g	0.03
r (WACC)	0.1073
<b>Terminal Value</b>	<b>8590721</b>
n (# of years forecasted)	11
<b>Present Value of Terminal Value</b>	<b>2799553.086</b>

### Terminal Value Assumptions

To calculate the terminal value, a growth rate of 3% was used as a Gartner report suggested a 3.2% worldwide increase in IT spending. For the remainder of the calculation, the WACC value was obtained from a separate analysis while the FCF was taken from the final forecasted year, 2025.

Income Tax (annual report)	2011	2012	2013	2014 E
Statutory federal income tax rate	35%	35%	35%	35%
Change in valuation allowance	3%	103%	-32%	
Foreign rate differences	-15%	-16%	-26%	
Federal and state research and development credit	-5%	-1%	-1%	
State income taxes, net of federal tax benefit	-2%	0%	1%	
Tax audit and examination settlement	0%	1%	-1%	
Foreign withholding tax	0%	3%	5%	
Subsidiary reorganization	1%	3%	0%	
Other, net	1%	1%	5%	
Other	-5%	7%	9%	
<b>Effective income tax rate</b>	<b>18%</b>	<b>129%</b>	<b>-14%</b>	
<b>Average income tax rate</b>	<b>44%</b>			
<b>Average income tax rate based on EBIT</b>	<b>59%</b>			
<b>Average income tax rate based on EBIT last 2 y</b>	<b>105%</b>			
<b>Use this to forecast FCF</b>	<b>58.59%</b>			

### Forecasting Income Tax Rate

Forecasting the income tax rate was difficult due to fluctuations in PTC's "change in valuation allowance" that is reflective of deferred tax liabilities from acquisitions. In addition, I noticed that the actual past tax rates differ significantly from the federal 35% so this could not be used to forecast the rate for future years. Also as PTC continues to expand globally, the "foreign rate differences" portion may increase as well. Since income tax rate in the annual reports is based on pre-tax income, I wanted

to see how the rate compared to EBIT. While the average income tax rate based on the annual report was 44%, it was merely 5% higher based on EBIT. Therefore an income tax rate of around 52% of EBIT was used to calculate net income. While this may be significantly overstated in certain years, it may compensate for any overestimation regarding growth and projection of sales.

WACC	
$K_{rf}$ (Risk free rate)	0.02
b (Levered beta)	2.07
RP (Risk premium)	0.03
$K_E$ (Cost of equity)	0.0821
T (Marginal tax rate)	0.35
Total debt	611.8
Total equity/ Mkt Cap	4390
D (Book value of company's debt)	0.12
E (Market cap)	0.88
Before tax cost of debt	0.44
$K_D$ (Cost of debt/After tax cost of debt)	0.29
Cost of capital for equity	0.0721
Cost of capital for debt	0.0352
<b>WACC</b>	<b>0.1073</b>
<b>WACC %</b>	<b>10.73%</b>

### WACC Assumptions

I assumed a risk-free rate of 2.18% as that was the market interest rate on a 10 year US treasury bond taken from Bloomberg. The levered beta value of 2.07 was obtained from Yahoo Finance around the same time. To calculate the market risk premium I added the expected growth rate of 3% from the terminal value calculation to the value of 2% expected GDP growth to find the return on market. For simplicity I used the marginal federal tax rate of 35% for the calculation since I had already overestimated it while forecasting free cash flows. Debt was calculated using current values from Yahoo Finance while the average effective income tax rate from the annual report was used as the before tax cost of debt.

## Comparables Analysis

Company	Mkt Cap	Trading Comps (in mill \$)					
		Enterprise Value	Last 12 Month		Sales	Price/ Sales	ROE%
			EBITDA	EV/EBITDA			
Autodesk	\$ 12,780.00	\$ 11,680.00	\$ 310.90	37.57x	\$ 2,430.00	5.27x	3.61%
Oracle Corporation	\$ 189,090.00	\$ 174,250.00	\$ 16,940.00	10.29x	\$ 38,820.00	4.87x	23.68%
QAD Inc.	\$ 334.00	\$ 291.20	\$ 18.68	15.59x	\$ 289.07	1.00x	4.87%
Hewlett-Packard Company	\$ 71,940.00	\$ 67,390.00	\$ 13,150.00	5.12x	\$ 111.45	0.65x	17.99%
ANSYS Inc.	\$ 7,680.00	\$ 6,896.00	\$ 430.84	16.00x	\$ 936.02	8.31x	11.54%
Kofax	\$ 640.76	\$ 581.35	\$ 26.70	21.78x	\$ 298.58	2.26x	3.70%
SAP	\$ 13,370.00	\$ 15,070.00	\$ 1,090.00	13.83x	\$ 10,150.00	1.29x	18.97%
Mean	\$ 42,262.11	\$ 39,451.22	\$ 4,566.73	17.17x	\$ 7,576.45	3.38x	12.05%
Median	\$ 12,780.00	\$ 11,680.00	\$ 430.84	15.59x	\$ 936.02	2.26x	11.54%
PTC	\$ 3,920.00	\$ 4,240.00	\$ 297.24	14.26x	\$1,360.00	2.89x	16.28%

The EV/EBITDA ratio suggests that PTC is slightly undervalued relative to its peers, however the mean may be affected by the inclusion of a sample of companies with a wide range of market caps. PTC's price/sales ratio also indicate the company may be undervalued relative to other companies in the application software industry. Although it appears that PTC has been financed mostly by debt indicated by its debt/equity ratio of 1.58, the ROE value indicates that a significant return has been generated from the funds contributed by it's shareholders.

# Appendix

## Full DCF Model

PFC (Financial Technology Corporation)		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Licenses revenue		342,121	348,394	344,539	369,891	379,993	389,703	400,000	419,719	427,955	433,227	444,830	456,445	468,792	481,408	494,438
% of revenue		29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%
Support revenue		267,103	273,103	279,103	294,103	304,103	314,103	324,103	334,103	344,103	354,103	364,103	374,103	384,103	394,103	404,103
% of revenue		22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%	22.8%
Total revenue		1,109,679	1,235,679	1,393,541	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687	1,393,687
Cost of license revenue		78,792	30,595	33,504	31,630	32,792	33,825	34,861	35,894	36,926	37,958	38,989	39,999	40,999	41,999	42,999
% of revenue		7.1%	2.5%	2.4%	2.3%	2.3%	2.4%	2.5%	2.6%	2.6%	2.7%	2.8%	2.9%	2.9%	3.0%	3.1%
Cost of service revenue		265,463	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354	258,354
% of revenue		23.8%	20.9%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%
Cost of support revenue		67,325	76,559	62,296	65,144	67,812	69,670	71,528	73,386	75,244	77,102	78,960	80,818	82,676	84,534	86,392
% of revenue		6.1%	6.2%	4.5%	4.7%	4.9%	5.1%	5.2%	5.3%	5.4%	5.5%	5.6%	5.7%	5.8%	5.9%	6.0%
Total cost of revenue		345,250	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899	372,899
Gross margin		810,911	862,551	820,552	920,788	920,788	920,788	920,788	920,788	920,788	920,788	920,788	920,788	920,788	920,788	920,788
Sales and marketing expense		333,051	377,786	360,640	367,447	369,032	371,474	373,863	376,203	378,543	380,883	383,223	385,563	387,903	390,243	392,583
% of revenue		29.9%	30.6%	25.9%	26.4%	26.6%	26.7%	26.8%	26.9%	27.0%	27.1%	27.2%	27.3%	27.4%	27.5%	27.6%
Research and development expense		211,406	214,560	221,918	226,408	231,767	237,100	242,478	247,832	253,165	258,478	263,771	269,044	274,298	279,531	284,754
% of revenue		19.0%	17.3%	15.9%	16.1%	16.6%	17.3%	17.6%	17.9%	18.1%	18.4%	18.7%	19.0%	19.3%	19.6%	19.9%
General and administrative		131,937	117,468	110,291	142,232	147,960	153,724	159,514	165,326	171,156	176,999	182,854	188,721	194,598	200,485	206,372
% of revenue		11.9%	9.5%	7.9%	10.2%	10.7%	10.9%	11.3%	11.7%	12.1%	12.5%	12.9%	13.3%	13.7%	14.1%	14.5%
Restructuring charges		0	24,828	32,797	28,408	28,992	29,617	30,287	30,997	31,746	32,533	33,366	34,244	35,167	36,134	37,145
% of revenue		0.0%	2.0%	2.3%	2.0%	2.1%	2.1%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%	2.6%	2.7%
Total operating expenses		668,394	735,152	745,046	774,881	787,348	798,482	809,514	820,543	831,578	842,610	853,641	864,671	875,702	886,733	897,764
EBITDA		439,787	448,399	617,495	616,806	606,345	602,213	584,173	569,145	554,117	539,089	524,061	509,033	494,005	478,977	463,949
Depreciation and amortization		62,954	66,471	76,551	77,597	78,643	79,689	80,735	81,781	82,827	83,873	84,919	85,965	86,999	88,045	89,091
EBIT		376,833	381,928	540,944	539,209	527,702	522,524	503,438	487,364	471,290	455,216	439,142	423,068	407,962	392,832	378,858
Income tax		-17,540	106,130	19,120	52,079	78,149	144,039	174,889	207,705	240,521	273,337	306,153	338,969	371,785	404,601	437,417
Net Income		359,293	275,798	521,824	487,130	449,553	378,485	328,549	280,659	230,769	181,879	132,983	84,093	36,177	-7,769	-58,559
Less: Capital expenditures		31,413	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328	28,328
Net cash flow		327,880	247,470	493,496	458,802	421,225	350,157	300,221	252,331	202,441	153,551	104,653	55,765	7,849	-35,897	-86,887
Current liabilities, net debt		469,391	474,544	513,613	532,179	551,744	571,314	591,144	611,232	631,576	652,176	673,030	694,144	715,508	737,132	758,916
Less: Changes in net working capital		-45,000	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266	-74,266
Unlevered free cash flow		148,515	42,958	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218	222,218
WACC		0.1073														
Enterprise Value (in thousands)		487,769	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800	611,800
Total debt		283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064
Enterprise Value (mg \$)		4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520	4,877,000,520
Total cash (mg \$)		283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064	283,064
Share outstanding		1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Share price		38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49	38.49

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