

# **BIGTECHCOMPANY**

Financial Overview

# QUARTERLY PERFORMANCE

BigTech Company (\$ in thousands)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Revenues	\$501,430	\$513,924	\$523,843	\$539,652	\$550,744	\$557,910	\$554,791	\$549,644	\$571,305
Quarterly Growth		2%	2%	3%	2%	1%	-1%	-1%	4%
Operating Income (EBITDA)	\$137,190	\$129,334	\$122,868	\$44,224	\$138,014	\$110,480	\$107,311	\$38,493	\$120,002
Quarterly Growth		-6%	-5%	-64%	212%	-20%	-3%	-64%	212%
Net Income	\$119,470	\$94,711	\$101,435	\$42,520	\$111,821	\$100,867	\$97,877	\$3,870	\$102,019
Quarterly Growth		-21%	7%	-58%	163%	-10%	-3%	-96%	2536%
Net Income per Share	\$3.85	\$3.05	\$3.27	\$1.37	\$3.60	\$3.24	\$3.14	\$0.12	\$3.27
Non GAAP Free Cash Flow (FCF)	\$48,416	-\$12,253	-\$7,438	-\$39,848	\$56,118	\$891	\$33,030	\$23,259	\$56,812

Financial Metrics	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
EBITDA Margin	27%	25%	23%	8%	25%	20%	19%	7%	21%
Net Income Margin	24%	18%	19%	8%	20%	18%	18%	1%	18%
FCF per Diluted Share	\$1.52	-\$0.38	-\$0.23	-\$1.25	\$1.77	\$0.03	\$1.05	\$0.74	\$1.79

# CUSTOMER TRENDS

## Key Takeaways:

- BigTechCompany increased its subscription cost in Q1 2022.
- This led to a spike in the number of customers canceling their services; however, the number of new users also increased during this time.
- While the company experienced an atypically high churn rate in Q2 2022, this has now decreased to the levels seen before the price increase.

Customer Trends #s in thousands	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Cost of Subscription (Quarterly)	\$33	\$33	\$33	\$33	\$34	\$34	\$34	\$34	\$34
Number of Users (Beginning of Period)	15,195	15,573	15,874	16,353	16,198	16,409	16,317	16,166	16,803
Customer Attrition	89	200	204	444	2,446	5,000	1,655	1,244	322
New Users	468	501	683	289	2,657	4,908	1,504	1,881	1,965
Number of Users (End of Period)	15,573	15,874	16,353	16,198	16,409	16,317	16,166	16,803	18,446
<i>Change in # of Users</i>		2%	3%	-1%	1%	-1%	-1%	4%	10%
Net Change in Customers	379	301	479	(155)	211	(92)	(151)	637	1,643
Churn Rate	0.6%	1.3%	1.3%	2.7%	15.1%	30.5%	10.1%	7.7%	1.9%

# PROJECTIONS

	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E	2020-2024E CAGR
<u>Financial Highlights</u>						
Revenues	\$1,999,444	\$2,078,849	\$2,213,089	\$2,285,221	\$2,628,004	7%
Annual Growth		4%	6%	3%	15%	
Operating Income (EBITDA)	\$371,461	\$433,616	\$394,298	\$480,009	\$528,010	9%
Annual Growth		17%	-9%	22%	10%	
Net Income	\$247,641	\$358,136	\$314,435	\$408,075	\$440,721	16%
Annual Growth		45%	-12%	30%	8%	
Net Income per Share	\$12.11	\$11.55	\$10.11	\$13.09	\$14.14	4%
Non GAAP Free Cash Flow (FCF)	\$755	-\$11,123	\$113,297	\$227,248	\$222,703	314%
<u>Financial Metrics</u>						
EBITDA Margin	19%	21%	18%	21%	20%	
Net Income Margin	12%	17%	14%	18%	17%	
Debt/EBITDA	2.7x	2.4x	2.5x	2.0x	1.9x	
FCF per Diluted Share	\$0.02	-\$0.35	\$3.58	\$7.18	\$7.03	

# CONCLUSIONS

## Company Highlights

- BigTechCompany has seen steady revenue growth over the past two years and is expected to continue growing in the future.
- The company is cash flow positive and will continue to be in the future.
- The company's debt/EBITDA is currently 2.4x and is expected to continue to decrease. This is low compared to the industry average of 4.0x, suggesting the company has a healthy leverage ratio.

## Areas of Concern

- The company has volatile quarterly expenses, particularly in the 4<sup>th</sup> quarter of each year.
- The company's EBITDA margin is low compared to the industry average of 39%.

## Recommendation

- We should develop a relationship with BigTechCompany, as they are continuing to grow and could be a valuable client in the future.
- We should ask the company to clarify why expenses are higher in some quarters vs. others.
- We should ask about the company's plans to increase prices in the future, as this may lead to customer attrition.