

BIGTECHCOMPANY

Financial Overview

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Executive Summary

Objective: Determine the feasibility of establishing a partnership with BigTech Company.

This analysis is based on financial documents provided by Forage's New York Jobs CEO Council Financial Analyst Job Simulation. New York Jobs CEO Council needs to analyze BigTech Company's most recent financials in order to determine if they should build a client relationship with the company.

Based on this analysis, New York Jobs CEO Council should establish a relationship with BigTech Company because it is financial stable and healthy.

QUARTERLY PERFORMANCE

| BigTechCompany (\$ 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 | \$523,843.00 | \$539,652.26 | \$550,743.69 | \$557,909.87 | \$554,791.23 | \$549,643.71 | \$571,305.21 |
| Quarterly Growth | | 2% | 2% | 3% | 2% | 1% | -1% | -1% | 4% |
| Operating Income (EBITDA) | \$137,190 | \$129,334 | \$122,868.00 | \$44,224.00 | \$138,014.00 | \$110,480.00 | \$107,311.00 | \$38,493.00 | \$120,002.00 |
| 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 |
| 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:

- ❖ The increase in price caused an increase in customer attrition. However, a year after the price change, the customer attrition decreased.
- ❖ The churn rate increased after the increase in price with the highest rate in Q2 2022.
- ❖ Customer numbers are increasing. The change in users fluctuates, but significantly increased in Q1 2023.

| Customer Trends <u>#s in thousands</u> | Q1 <u>2021</u> | Q2 <u>2021</u> | Q3 <u>2021</u> | Q4 <u>2021</u> | Q1 <u>2022</u> | Q2 <u>2022</u> | Q3 <u>2022</u> | Q4 <u>2022</u> | Q1 <u>2023</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cost of Subscription (Quarterly) | \$33 | \$33 | \$33.00 | \$33.00 | \$34.00 | \$34.00 | \$34.00 | \$34.00 | \$34.00 |
| 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 <u>2020</u> | FY <u>2021</u> | FY <u>2022</u> | FY <u>2023E</u> | FY <u>2024E</u> | <u>2020-2024E</u> <u>CAGR</u> |
|----------------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|----------------------------------|
| Financial Highlights | | | | | | |
| Revenues | \$1,999,444 | \$2,078,849 | \$2,213,089 | \$2,285,221 | \$2,628,004 | 7% |
| <i>Annual Growth</i> | | 4% | 6% | 3% | 15% | |
| Operating Income (EBITDA) | \$371,461 | \$433,616 | \$394,298 | \$480,009 | \$528,010 | 9% |
| <i>Annual Growth</i> | | 17% | -9% | 22% | 10% | |
| Net Income | \$247,641 | \$358,136 | \$314,435 | \$408,075 | \$440,721 | 16% |
| <i>Annual Growth</i> | | 45% | -12% | 30% | 8% | |
| Net Income per Share | \$12.11 | \$11.55 | \$10.11 | \$13.09 | \$14.14 | 4% |
| Free Cash Flow (FCF) | \$755 | -\$11,123 | \$113,297 | \$227,248 | \$222,703 | 314% |
| Financial Metrics | | | | | | |
| 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 | \$0.03 | -\$0.35 | \$3.58 | \$7.18 | \$7.03 | |

CONCLUSIONS

Company Highlights

- ❖ The company has had a steady quarterly revenue ranging between 2-3% with a decrease in growth from Q2-Q4 of 2022.
- ❖ The company's future quarterly growth is estimated to be 6% in Q2 2023 and expected to continue growing in the future.
- ❖ The company has a positive cash flow and which is expected to continue in the future.
- ❖ The Debt-to-EBITDA ratio is below 3 and decreasing each quarter. This is lower than industry standard of 4.0x; thus highlighting that the company has a healthy leverage ratio.

Areas of Concern

- ❖ EBITDA Margin of >20%, except at the end of Q4 in 2021 and 2022. This is below the industry average of 39%.
- ❖ Net Income Margin is relatively high, except at the end of Q4 in 2021 and 2022 when it is very low.

Recommendation

- ❖ We should develop a relationship with Stargaze because the company's historical data on revenues is relatively consistent and is projected to increase in the future from Q2 2023.
- ❖ The company also has low Debt-to-EBITDA ratio suggesting financial stability.
- ❖ We should ask the company to provide an explanation for the low profits at the end of the final quarter of each year.