



Capital  
Markets

August 2, 2019

# SolarWinds Corporation

## The mark of consistency

**Our view:** SolarWinds delivered strong results as the consistency remains refreshing. From here, the model should benefit from new products, specifically around ITSM and SIEM while 2019 guidance again increased despite additional FX headwinds and some concerns around the UK/Brexit. Maintain Outperform rating and \$22 target.

### Key points:

**All you need to know:** We were pleased with Q2/19 results as the company delivered a strong 1H/19 as management noted trends in July remained strong. Specifically, rev/adj-EBITDA/EPS came in at \$230.6M/\$110.9M/\$0.20, all above the high-end of guidance. Management also noted continued strength in subscription revenue, now accounting for 35% of revenue with 83% of revenue recurring in nature. Despite a strong quarter and overall positive demand environment, which saw solid incremental strength in APAC and the US, management did see some country by country unevenness in EMEA, particularly in the UK which is accounted for guidance. Overall we are optimistic with recent execution as we maintain our OP rating and \$22 tgt following a solid quarter.

**Finding swimming lanes:** Management highlighted the greenfield nature of the SMB ITSM market where customers are typically using help desk and not true service desk solutions having difficulty affording and managing full-featured ITSM solutions. We believe this creates an attractive market niche for the company, a playbook we feel could also be repeated with the company's new SIEM solution, SolarWinds Security Event Manager. Longer term, we feel SolarWinds has an attractive opportunity to build out its security portfolio, and particularly well positioned for the macro themes around the shortage of security personnel which would be well suited for MSSP's to address in the SMB market.

**Early success from Samanage:** We were happy to see solid early traction from Samanage as the company was able to absorb the dilution with upside to adj-EBITDA. The integration has gone well to date with management feeling bullish on the product and market opportunity. Management plans to make ITSM a priority in the 2H/19 with a road map into 2020 including a number of new offerings. The company has again shown its proficiency in integrating acquisitions noting it will continue to be opportunistic towards M&A while be mindful of leverage. One are specifically named was infrastructure related security such as access management or VM.

**Guidance pushes through headwinds:** Guidance moved higher despite an additional \$3.5M FX headwind since previous guidance and \$7M total since guidance was first issued in Q3/18. New midpoint revenue guidance reflects \$944M vs. \$941.5M previously. 2019 Adjusted EBITDA/ EPS move to \$451.5M/\$0.815 vs. previous guidance of \$449.5M/\$0.81 as the company plans to let top-line upside flow through to profitability.

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## Outperform

NYSE: SWI; USD 17.90

## Price Target USD 22.00

### WHAT'S INSIDE

<input type="checkbox"/> Rating/Risk Change	<input type="checkbox"/> Price Target Change
<input type="checkbox"/> In-Depth Report	<input checked="" type="checkbox"/> Est. Change
<input type="checkbox"/> Preview	<input checked="" type="checkbox"/> News Analysis

### Scenario Analysis\*

Downside Scenario	Current Price	Price Target	Upside Scenario
14.00 ↓ 22%	17.90	22.00 ↑ 23%	25.00 ↑ 40%

\*Implied Total Returns

### Key Statistics

Shares O/S (MM):	320.4	Market Cap (MM):	5,735
Dividend:	0.00	Yield:	0.0%
		Avg. Daily Volume:	751,138

### RBC Estimates

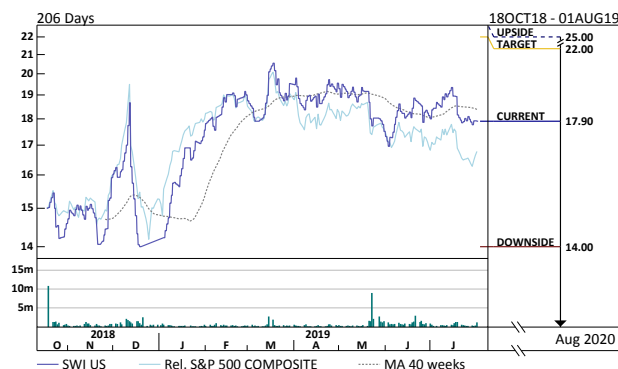
FY Dec	2017A	2018A	2019E	2020E
Revenue	740.9	836.9	944.1	1,066.0
Prev.			941.3	1,063.9
EPS, Ops Diluted	0.55	0.68	0.81	0.93
P/E	32.5x	26.3x	22.1x	19.2x
EBITDA, Adj	361.9	407.5	451.6	510.7
Prev.			450.8	510.2
Revenue	Q1	Q2	Q3	Q4
2018	198.4A	202.9A	214.0A	221.6A
2019	215.8A	230.6A	243.8E	254.0E
Prev.		226.5E	241.5E	257.5E
2020	249.5E	258.5E	273.0E	285.0E
Prev.	251.0E	257.4E	270.0E	258.5E
EPS, Ops Diluted				
2018	0.15A	0.17A	0.17A	0.19A
2019	0.20A	0.20A	0.20E	0.22E
Prev.		0.19E		0.23E
2020	0.20E	0.22E	0.24E	0.27E

All values in USD unless otherwise noted.



## Target/Upside/Downside Scenarios

Exhibit 1: SolarWinds Corporation



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

### Price target/base case

We calculate our base-case price target of \$22 using a 16.5x EV/EBITDA multiple on our CY/20E EBITDA estimate of \$511M (was \$510M). Our price target and multiple is in-line with peers growing at a similar rate. Our price target and multiple, in our view, are warranted due to a large and expanding TAM that leads to reasonable revenue growth and above-average margins.

### Upside scenario

Our upside case of \$25 is based on EBITDA growth of 14% and 16% in CY/19 and CY/20, or 300 bps above our base-case estimates in both years. To reach this level of growth, we believe there would need to be some combination of higher cross-selling, better new customer additions, and a stable to better macro environment. We believe upside to EBITDA and margins could point to 17.5x CY/20E EV/EBITDA, or a slight premium to our base-case scenario.

### Downside scenario

Our downside case of \$14 is based on EBITDA growth of 9% and 11% growth in CY/19 and CY/20, or 200 bps below our base-case estimates in both years. To reach this level of growth, we believe there would need to be a fall-off in tech spending, less success expanding into new customers, and lower renewal rates. Additionally, with a less attractive growth and margin profile, we believe the stock could receive a lower multiple. We believe downside to EBITDA and margins could point to 12x CY/20E EV/EBITDA, which would be a discount to peers.

## Investment summary

### High-level overview of SolarWinds

SolarWinds is a provider of IT infrastructure management software to monitor and manage networks, systems and applications across on-premise, cloud and hybrid IT environments without the need for customization or professional services. Products are designed for IT professionals and built on a common technology platform that enables products to be purchased individually, scaled as needed, or as part of a larger suite. Products have been developed organically and through strategic acquisitions, with a number of recent acquisitions to expand core IT, MSP and Cloud offerings.

Our investment thesis centers around relatively consistent license revenue going forward and subscription revenue that we think continues to grow at 20%+ levels over the next several years. We believe as long as these trends persist, the percentage of recurring revenue should continue to track higher, which should drive consistent to increasing revenue growth rates and increasing operating margins, albeit modestly given the leading margin profile.

### Potential catalysts:

1) Increased subscription traction; 2) cross- and up-sell into a large and growing base of customers; 3) incremental margin gains; 4) international expansion; 5) leverage from MSP partnerships; and 6) potential M&A to further extend the portfolio of products.

### Risks:

1) Licenses still account for ~20% of revenue and could prove volatile; 2) potential variance in subscription and maintenance expansion and renewal rates; 3) competition and technology change; and 4) Silver Lake and Thoma Bravo own a majority of shares and have a controlling interest over stockholders.



Exhibit 2: Results vs. RBC estimates

Revenue, EPS, and Margins	Jun-19A		Delta	Y/Y	Q/Q
	actual	est.			
Total revenue	230.6	226.5	4.1	13.7%	6.8%
Gross margin	91.8%	91.5%	29 bps	48 bps	1 bps
Sales and marketing	61.8	62.5	-0.6	11.1%	9.0%
as % of revenue	26.8%	27.6%	-75 bps	-63 bps	52 bps
General and administration	18.2	19.7	-1.5	13.2%	4.6%
as % of revenue	7.9%	8.7%	-82 bps	-4 bps	-17 bps
Research and development	25.3	24.6	0.7	9.5%	8.4%
as % of revenue	11.0%	10.8%	11 bps	-41 bps	16 bps
Operating income	106.3	100.5	5.8	17.7%	5.7%
Operating margin	46.1%	44.4%	175 bps	156 bps	-51 bps
Other income	-29.3	-25.1	-4.2	-51.8%	12.2%
Taxes	17.0	16.6	0.4	NA	24.5%
Tax rate	22.0%	22.0%	0 bps	1942 bps	373 bps
EPS	\$0.20	\$0.19	\$0.01	106.8%	-0.3%
Shares	306.6	311.5	-4.9	0.6%	-1.0%
<b>Balance Sheet and Cash Flow</b>					
DSO	38	38	0	0	-8
Deferred revenue	318.5	314.9	3.6	15.4%	2.2%
Billings	237.3	229.6	7.7	15.9%	2.5%
CFO	78.3	79.8	-1.5	9.1%	23.6%
CFO per share	\$0.26	\$0.26	\$0.00	8.5%	24.8%
CAPEX	-4.2	-3.4	-0.8	-33.4%	-8.0%
Free cash flow	74.1	76.4	-2.3	13.2%	26.0%
Free cash flow per share	\$0.24	\$0.25	\$0.00	12.5%	27.3%

\$ in million except per share data

Source: Company reports and RBC Capital Markets estimates

## Q3/19 Guidance

- Total revenue of \$241.5 million to \$246 million or \$243.75 million at the midpoint. This compares to RBC at \$241.5 million and consensus at \$243.5 million.
- Subscription revenue of \$84.5 million to \$86.5 million, or \$85.5 million at the midpoint. This compares to RBC at \$87.0 million and consensus at \$87.3 million.
- License and maintenance revenue of \$157 million to \$159.5 million or \$158.25 million at the midpoint. This compares to RBC at \$154.5 million and consensus at \$156.6 million.
- Adjusted EBITDA of \$112 million to \$113.5 million or \$112.75 million at the midpoint. This compares to RBC at \$112.5 million and consensus at \$115.1 million.
- EPS of \$0.19 to \$0.20 or \$0.195 at the midpoint. This compares to RBC at \$0.20 and consensus at \$0.21.



## 2019 Guidance

- Total revenue of \$938 million to \$950 million, or \$944 million at the midpoint. This compares to previous guidance of \$934 million to \$949 million, or \$941.5 million at the midpoint, RBC at \$941.3 million and consensus at \$940.7 million.
- Subscription revenue is expected to grow 23% to 24% to \$327 million to \$331 million, or \$329 million at the midpoint. This compares to previous guidance of 22.7% to 24.8% growth to \$327.4 million to \$333.0 million, or \$330.2 million at the midpoint, RBC at \$331.6 million and consensus at \$329.0 million.
- License and maintenance revenue is expected to grow \$611 million to \$619 million, or \$615 million at the midpoint. This compares to previous guidance of 4.6% to 8.1% growth to \$596.3 million to \$616.3 million, or \$606.3 million at the midpoint, RBC at \$609.7 million and consensus at \$612.4 million.
- Adjusted EBITDA of \$450 million to \$453 million, or \$451.5 million at the midpoint. This compares to previous guidance of \$446 million to \$453 million, or \$449.5 million at the midpoint, RBC at \$450.8 million and consensus at \$449.2 million.
- EPS of \$0.81 to \$0.82 or \$0.815 at the midpoint. This compares to previous guidance of \$0.80 to \$0.82, or \$0.81 at the midpoint, RBC at \$0.81 and consensus at \$0.81.

### Exhibit 3: Revised vs. prior estimates

					Jun-19A	Sep-19E		2019E		2020E		
Revenue, EPS, and Margins	Jun-18A	Sep-18A	Dec-18A	Mar-19A	actual	est.	new	prior	new	prior	new	prior
Total revenue	202.8	214.0	221.6	215.8	230.6	226.5	243.8	241.5	944.1	941.3	1,066.0	1,063.9
Gross margin	91.3%	91.6%	92.0%	91.8%	91.8%	91.5%	91.5%	91.5%	91.7%	91.6%	91.6%	91.6%
Sales and marketing	55.7	56.0	58.1	56.7	61.8	62.5	70.0	71.0	259.2	261.8	296.6	305.0
as % of revenue	27.4%	26.2%	26.2%	26.3%	26.8%	27.6%	28.7%	29.4%	27.5%	27.8%	27.8%	28.7%
General and administration	16.1	15.1	15.3	17.4	18.2	19.7	21.5	21.3	78.5	80.1	88.9	91.9
as % of revenue	7.9%	7.0%	6.9%	8.1%	7.9%	8.7%	8.8%	8.8%	8.3%	8.5%	8.3%	8.6%
Research and development	23.1	22.7	22.6	23.3	25.3	24.6	25.4	25.2	99.9	99.3	111.0	110.8
as % of revenue	11.4%	10.6%	10.2%	10.8%	11.0%	10.8%	10.4%	10.4%	10.6%	10.5%	10.4%	10.4%
Operating income	90.4	102.2	107.8	100.6	106.3	100.5	106.1	103.5	428.2	421.4	479.5	466.5
Operating margin	44.6%	47.8%	48.7%	46.6%	46.1%	44.4%	43.5%	42.9%	45.4%	44.8%	45.0%	43.8%
Other income	-60.7	-35.4	-30.8	-26.1	-29.3	-25.1	-28.3	-24.1	-110.9	-98.3	-104.0	-87.3
Taxes	0.8	12.4	19.4	13.6	17.0	16.6	17.1	17.5	67.0	68.3	82.6	83.4
Tax rate	2.6%	18.5%	25.1%	18.3%	22.0%	22.0%	22.0%	22.0%	0.0%	0.0%	0.0%	0.0%
EPS	\$0.09	\$0.17	\$0.19	\$0.20	\$0.20	\$0.19	\$0.20	\$0.20	\$0.81	\$0.81	\$0.93	\$0.93
Shares	304.8	320.4	307.4	309.8	306.6	311.5	311.5	313.5	310.7	312.6	316.4	318.0
Balance Sheet and Cash Flow												
DSO	37	41	41	46	38	38	38	38				
Deferred revenue	276.1	284.2	296.1	311.8	318.5	314.9	324.9	321.2	341.1	337.3	376.5	379.5
Billings	204.7	222.0	233.6	231.5	237.3	229.6	250.1	247.8	989.1	982.4	1,101.4	1,106.1
CFO	71.8	60.0	88.1	63.4	78.3	79.8	75.8	75.9	313.4	314.1	352.8	349.5
CFO per share	\$0.24	\$0.19	\$0.29	\$0.20	\$0.26	\$0.26	\$0.24	\$0.24	\$1.01	\$1.00	\$1.11	\$1.10
CAPEX	-6.3	-3.5	-3.2	-4.6	-4.2	-3.4	-3.7	-3.6	-16.2	-15.5	-16.0	-16.0
Free cash flow	65.5	56.4	84.9	58.8	74.1	76.4	72.2	72.2	297.2	298.6	336.8	333.6
Free cash flow per share	\$0.21	\$0.18	\$0.28	\$0.19	\$0.24	\$0.25	\$0.23	\$0.23	\$0.96	\$0.96	\$1.06	\$1.05
\$ in million except per share data												

Source: Company reports and RBC Capital Markets estimates



## Valuation

To derive our \$22 price target, we apply a 16.5x 2020E EV/EBITDA multiple, which is in-line to slightly higher vs peers with a similar growth profile. Our target also assumes 7.9x 2020E EV/S, which is also in-line with similarly growing peers. We feel this is a good balance that gives the company credit for reasonable growth with a very strong margin profile. Our price target supports an Outperform rating.

## Risks to rating and price target

Risks to our price target and rating could include changes in the macro environment, moderating IT spending, a slowdown in revenue growth, changes in renewal rates, or should acceptance of the company's products change relative to new entrants and established competitors.

## Company description

SolarWinds is a provider of IT infrastructure management software to monitor and manage networks, systems and applications across on-premise, cloud and hybrid IT environments without the need for customization or professional services. Products are designed for IT professionals and built on a common technology platform that enables products to be purchased individually, scaled as needed, or as part of a larger suite. Products have been developed organically and through strategic acquisitions, with a number of recent acquisitions to expand core IT, MSP and Cloud offerings.



Ticker: SWI (\$M) unless noted	Dec-17A				Dec-18A				Dec-19E				Dec-20E				2017A	2018A	2019E	2020E
INCOME STATEMENT	Mar-17A	Jun-17A	Sep-17A	Dec-17A	Mar-18A	Jun-18A	Sep-18A	Dec-18A	Mar-19A	Jun-19A	Sep-19E	Dec-19E	Mar-20E	Jun-20E	Sep-20E	Dec-20E				
Subscription revenue	49.2	51.7	55.7	58.6	63.7	65.6	67.9	69.6	71.6	80.6	85.5	91.3	93.5	99.5	106.0	113.0	215.2	266.8	328.9	412.0
Maintenance revenue	86.4	90.6	94.8	97.3	97.8	99.6	102.4	105.7	106.3	110.8	113.8	116.3	116.5	118.5	122.0	124.0	369.1	405.5	447.1	481.0
Total recurring revenue	135.6	142.3	150.5	155.9	161.5	165.1	170.3	175.4	177.9	191.4	199.3	207.5	210.0	218.0	228.0	237.0	584.3	672.2	776.0	893.0
License revenue	36.7	35.6	40.5	43.8	36.9	37.7	43.7	46.2	37.9	39.2	44.5	46.5	39.5	40.5	45.0	48.0	156.6	164.6	168.1	173.0
Total revenue	172.3	177.9	191.0	199.7	198.4	202.8	214.0	221.6	215.8	230.6	243.8	254.0	249.5	258.5	273.0	285.0	740.9	836.8	944.1	1,066.0
Total cost of revenue	14.4	15.1	15.1	15.6	16.8	17.6	17.9	17.8	17.7	18.9	20.7	21.0	21.2	22.0	23.2	23.5	60.2	70.1	78.3	89.9
Gross profit	157.9	162.8	175.9	184.1	181.6	185.2	196.1	203.9	198.1	211.6	223.0	233.0	228.3	236.5	249.8	261.5	680.7	766.7	865.8	976.1
Sales and marketing	48.5	50.7	49.8	52.6	51.9	55.7	56.0	58.1	56.7	61.8	70.0	70.6	72.9	72.9	75.9	75.0	201.6	221.7	259.2	296.6
Research and development	20.0	20.8	19.4	22.2	23.8	23.1	22.7	22.6	23.3	25.3	25.4	25.9	27.4	26.9	28.2	28.6	82.4	92.2	99.9	111.0
General and administrative	13.3	12.5	10.8	12.8	15.4	16.1	15.1	15.3	17.4	18.2	21.5	21.4	21.2	21.7	23.2	22.8	49.4	61.9	78.5	88.9
Operating expenses	81.8	84.0	79.9	87.7	91.1	94.8	93.8	96.0	97.5	105.3	116.9	117.9	121.5	121.5	127.3	126.3	333.4	375.8	437.5	496.6
Operating income	76.1	78.8	96.0	96.4	90.5	90.4	102.2	107.8	100.6	106.3	106.1	115.2	106.8	115.0	122.5	135.2	347.3	390.9	428.2	479.5
Other income	(43.7)	(40.8)	(42.5)	(42.8)	(42.1)	(60.7)	(35.4)	(30.8)	(26.1)	(29.3)	(28.3)	(27.3)	(26.8)	(26.3)	(25.8)	(25.3)	(169.8)	(169.0)	(110.9)	(104.0)
Pretax income	32.4	38.0	53.5	53.6	48.4	29.7	66.9	77.0	74.5	77.1	77.9	87.9	80.1	88.8	96.8	109.9	177.5	222.0	317.4	375.5
Taxes	-	-	-	-	-	0.8	12.4	19.4	13.6	17.0	17.1	19.3	17.6	19.5	21.3	24.2	-	32.5	67.0	82.6
Net income	32.4	38.0	53.5	53.6	48.4	28.9	54.5	57.7	60.9	60.1	60.7	68.6	62.4	69.2	75.5	85.7	177.5	189.4	250.3	292.9
Earnings per share	\$0.11	\$0.12	\$0.18	\$0.18	\$0.16	\$0.09	\$0.17	\$0.19	\$0.20	\$0.20	\$0.20	\$0.22	\$0.20	\$0.22	\$0.24	\$0.27	\$0.58	\$0.61	\$0.81	\$0.93
Diluted shares outstanding	304.8	304.8	304.8	304.8	304.8	304.8	320.4	307.4	309.8	306.6	311.5	315.0	315.5	316.0	316.5	317.5	304.8	309.4	310.7	316.4
KEY METRICS																				
DSO	41	35	36	38	40	37	41	41	46	38	38	40	40	38	38	40				
Cash	137.3	166.6	183.3	277.7	223.5	278.1	635.6	382.6	434.5	155.3	260.8	386.0	492.4	608.2	724.2	856.9	277.7	382.6	386.0	856.9
Cash per share	\$0.45	\$0.55	\$0.60	\$0.91	\$0.73	\$0.91	\$1.98	\$1.24	\$1.40	\$0.51	\$0.84	\$1.23	\$1.56	\$1.92	\$2.29	\$2.70	\$0.91	\$1.24	\$1.24	\$2.71
Debt	2,301.9	2,282.2	2,282.8	2,393.7	2,358.8	2,360.0	2,295.1	2,037.6	2,035.3	2,035.7	2,035.7	2,035.7	2,035.7	2,035.7	2,035.7	2,035.7	2,393.7	2,037.6	2,035.7	2,035.7
Net cash	(2,164.6)	(2,115.7)	(2,099.4)	(2,116.0)	(2,135.3)	(2,082.0)	(1,659.5)	(1,655.0)	(1,600.8)	(1,880.4)	(1,774.9)	(1,649.7)	(1,543.4)	(1,427.6)	(1,311.5)	(1,178.8)	(2,116.0)	(1,655.0)	(1,649.7)	(1,178.8)
Net cash per share	(\$7.10)	(\$6.94)	(\$6.89)	(\$6.94)	(\$7.00)	(\$6.83)	(\$5.18)	(\$5.38)	(\$5.17)	(\$6.13)	(\$5.70)	(\$5.24)	(\$4.89)	(\$4.52)	(\$4.14)	(\$3.71)	(\$6.94)	(\$5.35)	(\$5.31)	(\$3.73)
Deferred revenue	239.3	243.7	251.7	261.8	274.3	276.1	284.2	296.1	311.8	318.5	324.9	341.1	351.4	358.4	365.6	376.5	261.8	296.1	341.1	376.5
Billings	193.8	182.3	199.0	209.8	210.8	204.7	222.0	233.6	231.5	237.3	250.1	270.2	259.7	265.5	280.2	296.0	785.0	871.1	989.1	1,101.4
Subscription billings	67.5	54.8	62.8	66.9	72.4	66.8	75.9	80.6	86.3	84.6	91.9	107.5	103.7	106.5	113.2	124.0	252.0	295.7	370.3	447.4
Unlevered free cash flow	69.0	84.6	66.7	91.7	76.7	96.5	87.5	111.1	80.8	99.1	99.7	107.9	100.3	108.6	114.3	127.9	311.9	371.8	387.5	451.2
Adjusted EBITDA	79.8	82.7	99.3	100.1	95.1	94.1	106.5	111.9	104.8	110.9	112.7	123.2	114.6	122.0	130.3	143.9	361.9	407.5	451.6	510.7
Adjusted EBITDA Margin	46.3%	46.5%	52.0%	50.1%	47.9%	46.4%	49.8%	50.5%	48.6%	48.1%	46.2%	48.5%	45.9%	47.2%	47.7%	50.5%	48.8%	48.7%	47.8%	47.9%
PERCENT OF REVENUE																				
Subscription revenue	28.6%	29.1%	29.2%	29.3%	32.1%	32.3%	31.7%	31.4%	33.2%	35.0%	35.1%	35.9%	37.5%	38.5%	38.8%	39.6%	29.0%	31.9%	34.8%	38.6%
Maintenance revenue	50.1%	50.9%	49.6%	48.7%	49.3%	49.1%	47.8%	47.7%	49.3%	48.1%	46.7%	45.8%	46.7%	45.8%	44.7%	43.5%	49.8%	48.5%	47.4%	45.1%
Total recurring revenue	78.7%	80.0%	78.8%	78.1%	81.4%	81.4%	79.6%	79.1%	82.4%	83.0%	81.7%	81.7%	84.2%	84.3%	83.5%	83.2%	78.9%	80.3%	82.2%	83.8%
License revenue	21.3%	20.0%	21.2%	21.9%	18.6%	18.6%	20.4%	20.9%	17.6%	17.0%	18.3%	18.3%	15.8%	15.7%	16.5%	16.8%	21.1%	19.7%	17.8%	16.2%
Gross margin	91.6%	91.5%	92.1%	92.2%	91.5%	91.3%	91.6%	92.0%	91.8%	91.8%	91.5%	91.8%	91.5%	91.5%	91.5%	91.5%	91.9%	91.6%	91.7%	91.6%
Sales and marketing	28.1%	28.5%	26.1%	26.3%	26.2%	27.4%	26.2%	26.2%	26.3%	26.8%	28.7%	27.8%	29.2%	28.2%	27.8%	26.3%	27.2%	26.5%	27.5%	27.8%
Research and development	11.6%	11.7%	10.2%	11.1%	12.0%	11.4%	10.2%	10.8%	10.8%	11.0%	10.4%	10.2%	11.0%	10.4%	10.3%	10.0%	11.1%	11.0%	10.6%	10.4%
General and administrative	7.7%	7.0%	5.7%	6.4%	7.7%	7.9%	7.0%	6.9%	8.1%	7.9%	8.8%	8.4%	8.5%	8.4%	8.5%	8.0%	6.7%	7.4%	8.3%	8.3%
Operating margin	44.2%	44.3%	50.3%	48.3%	45.6%	44.6%	47.8%	48.7%	46.6%	46.1%	43.5%	45.3%	42.8%	44.5%	44.9%	47.4%	46.9%	46.7%	45.4%	45.0%
Net margin	18.8%	21.4%	28.0%	26.8%	24.4%	14.2%	25.5%	26.0%	28.2%	26.1%	24.9%	27.0%	25.0%	26.8%	27.7%	30.1%	24.0%	22.6%	26.5%	27.5%
Adjusted EBITDA	46.3%	46.5%	52.0%	50.1%	47.9%	46.4%	49.8%	50.5%	48.6%	48.1%	46.2%	48.5%	45.9%	47.2%	47.7%	50.5%	48.8%	48.7%	47.8%	47.9%
GROWTH Y/Y																				
Subscription revenue	4.8%	NA	20.8%	22.9%	29.4%	26.8%	21.8%	18.8%	12.4%	22.9%	26.0%	31.0%	30.7%	23.5%	24.0%	23.8%	52.9%	24.0%	23.3%	25.3%
Maintenance revenue	-45.4%	NA	13.0%	13.4%	13.2%	9.9%	8.0%	8.7%	8.7%	11.3%	11.1%	9.9%	9.6%	7.0%	7.3%	6.7%	12.5%	9.9%	10.3%	7.6%
Total recurring revenue	-33.9%	NA	15.8%	16.8%	19.1%	16.0%	13.1%	12.5%	10.1%	15.9%	17.0%	18.3%	18.1%	13.9%	14.4%	14.2%	24.7%	15.1%	15.4%	15.1%
License revenue	-51.1%	NA	-1.1%	3.2%	0.4%	5.9%	8.0%	5.6%	2.9%	3.9%	1.7%	0.6%	4.1%	3.4%	1.1%	3.2%	-3.4%	5.1%	2.2%	2.9%
Total revenue	-38.5%	NA	10.6%	12.3%	15.1%	14.0%	12.0%	11.0%	8.8%	13.7%	13.9%	14.6%	15.6%	12.1%	12.0%	12.2%	17.5%	12.9%	12.8%	12.9%
Operating income	NM	NM	NM	NM	18.9%	14.7%	6.5%	11.8%	11.2%	17.7%	3.8%	6.8%	6.2%	8.2%	15.5%	17.4%	-22.2%	12.6%	9.5%	12.0%
EPS	NA	NA	64.6%	38.9%	49.3%	-23.9%	-3.1%	6.7%	23.9%	106.8%	14.7%	16.0%	0.7%	11.7%	22.3%	24.0%	NA	5.0%	31.8%	14.9%
Deferred revenue	NA	NA	33.0%	20.2%	14.6%	13.3%	12.9%	13.1%	13.7%	15.4%	14.3%	15.2%	12.7%	12.5%	12.5%	10.4%	20.2%	13.1%	15.2%	10.4%
Billings	-30.8%	NA	-45.0%	1.7%	8.8%	12.3%	11.6%	11.4%	9.8%	15.9%	12.6%	15.7%	12.2%	11.9%	12.0%	9.5%	-7.5%	11.0%	13.5%	11.4%
Subscription billings	43.9%	NA	-71.9%	-10.8%	7.2%	21.9%	20.9%	20.5%	19.3%	26.7%	21.0%	33.3%	20.1%	25.9%	23.2%	15.3%	-27.1%	17.3%	25.2%	20.8%
Unlevered free cash flow	NA	NA	-23.7%	13.2%	11.2%	14.1%	31.3%	21.2%	5.4%	2.8%	13.9%	-2.9%	24.1%	9.5%		18.6%	85.3%	19.2%	4.2%	16.4%
Adjusted EBITDA	NA	NA	17.2%	13.8%	19.2%	13.7%	7.2%	11.7%	10.2%	17.9%	5.8%	10.2%	9.3%	10.0%	15.6%	16.8%	109.6%	12.6%	10.8%	13.1%
GROWTH Q/Q																				
Subscription revenue	3.1%	5.1%	7.7%	5.2%	8.7%	3.0%	3.5%	2.6%	2.8%	12.6%	6.1%	6.7%	2.5%	6.4%	6.5%	6.6%				
Maintenance revenue	0.7%	4.9%	4.6%	2.6%	0.5%	1.8%	2.9%	3.3%	0.5%	4.2%	2.7%	2.2%	0.2%	1.7%	3.0%	1.6%				
Total recurring revenue	1.6%	4.9%	5.8%	3.6%	3.6%	2.2%	3.1%	3.0%	1.4%	7.6%	4.1%	4.1%	1.2%	3.8%	4.6%	3.9%				
License revenue	-17.2%	-3.0%	13.8%	8.1%	-15.8%	2.3%	16.0%	5.7%	-18.0%	3.3%	13.6%	4.5%	-15.1%	2.5%	4.6%	6.7%				
Total revenue	-3.1%	3.3%	7.4%	4.6%	-0.7%	2.3%	5.5%	3.6%	-2.6%	6.8%	5.7%	4.2%	-1.8%	3.6%	5.6%	4.4%				
Operating income	NM	3.5%	21.8%	0.4%	-6.1%	-0.1%	13.1%	5.5%	-6.7%	5.7%	-0.2%	8.5%	-7.2%	7.7%	6.5%	10.3%				
Deferred revenue	9.9%	1.9%	3.3%	4.0%	4.8%</															



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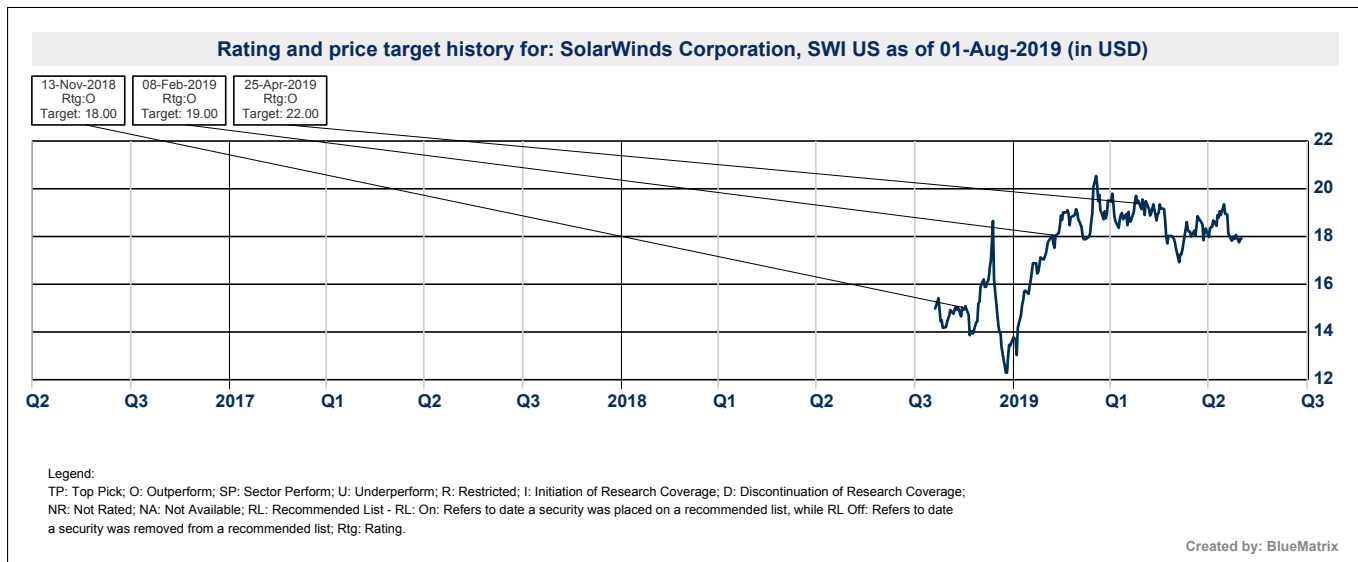
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### SolarWinds Corporation

#### Valuation

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