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Equity Research Division

CrowdStrike Holdings, Inc.

Global Cybersecurity Leader

Target Price: \$258.44

Current Price: \$380.63

Upside/Downside Potential: -32.1%

Recommendation: SELL

Vienna, 28.06.2023

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Team Overview

Equity Research



Emil Wolner

Head of Equity Research

- Equity Story
- Task Distribution



pwc



SCHWABE, LEY & GREINER



BSc. (WU) – 6th Sem.



Felix Ruppel

Analyst

- Valuation
- Financial Analysis



BSc. (WU) – 4th Sem.



Leopold Berg

Analyst

- Business Model
- Strategy



CALLISTA
PRIVATE EQUITY



Concentro



MSc. (WU) – 2nd Sem.



Ruggero Prodi

Analyst

- Business Model
- Strategy



MSc. (WU) – 4th Sem.



Elisa Kuhnert

Fellow Analyst

- ESG & Risks
- Company Overview



BSc. (WU) – 2nd Sem.
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Felix Friedrich

Fellow Analyst

- Valuation
- Financial Analysis



BSc. (WU) – 2nd Sem.



Julia Bauer

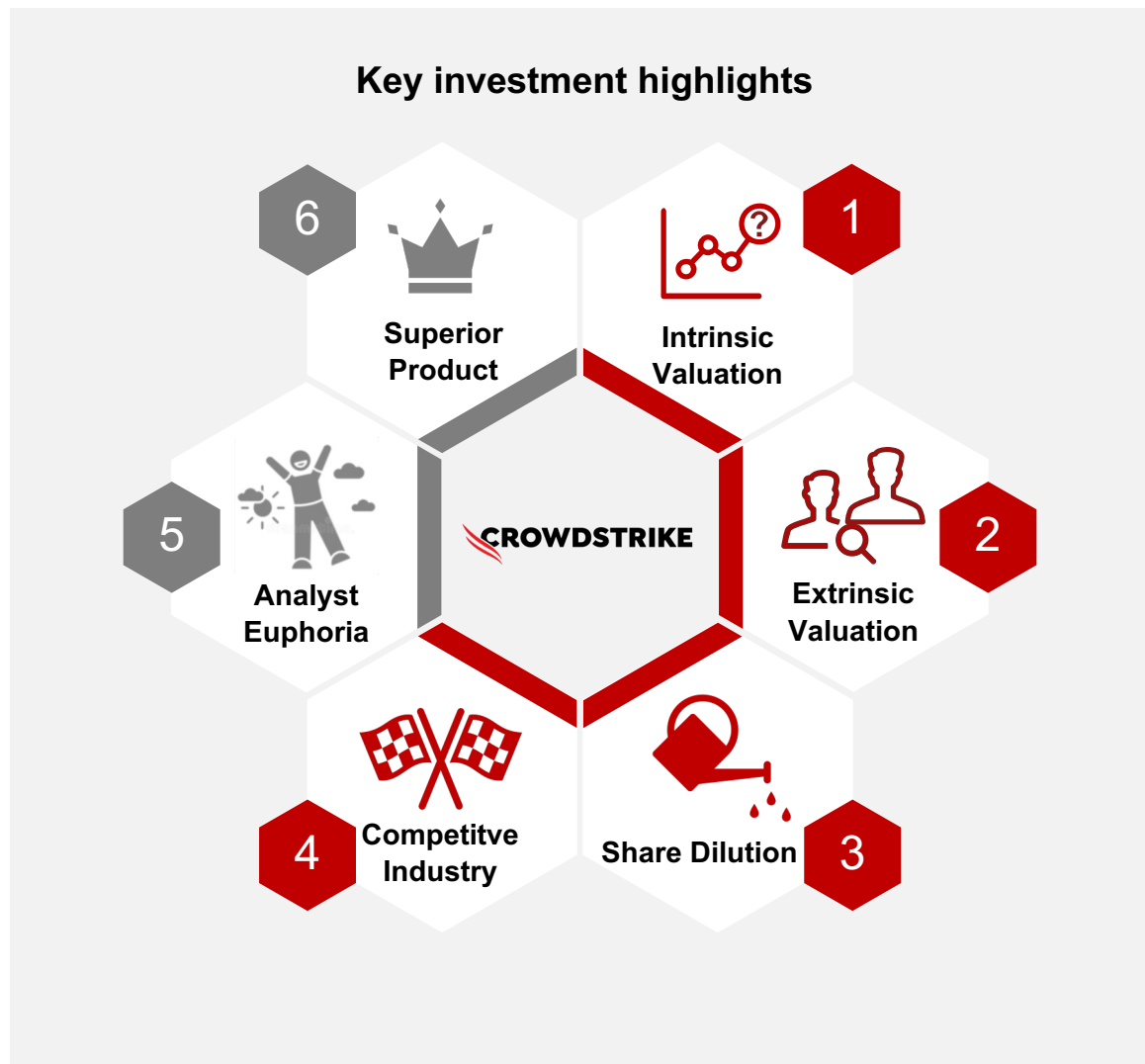
Fellow Analyst

- Market Overview
- CCA



BA (LBS) – 4th Sem.

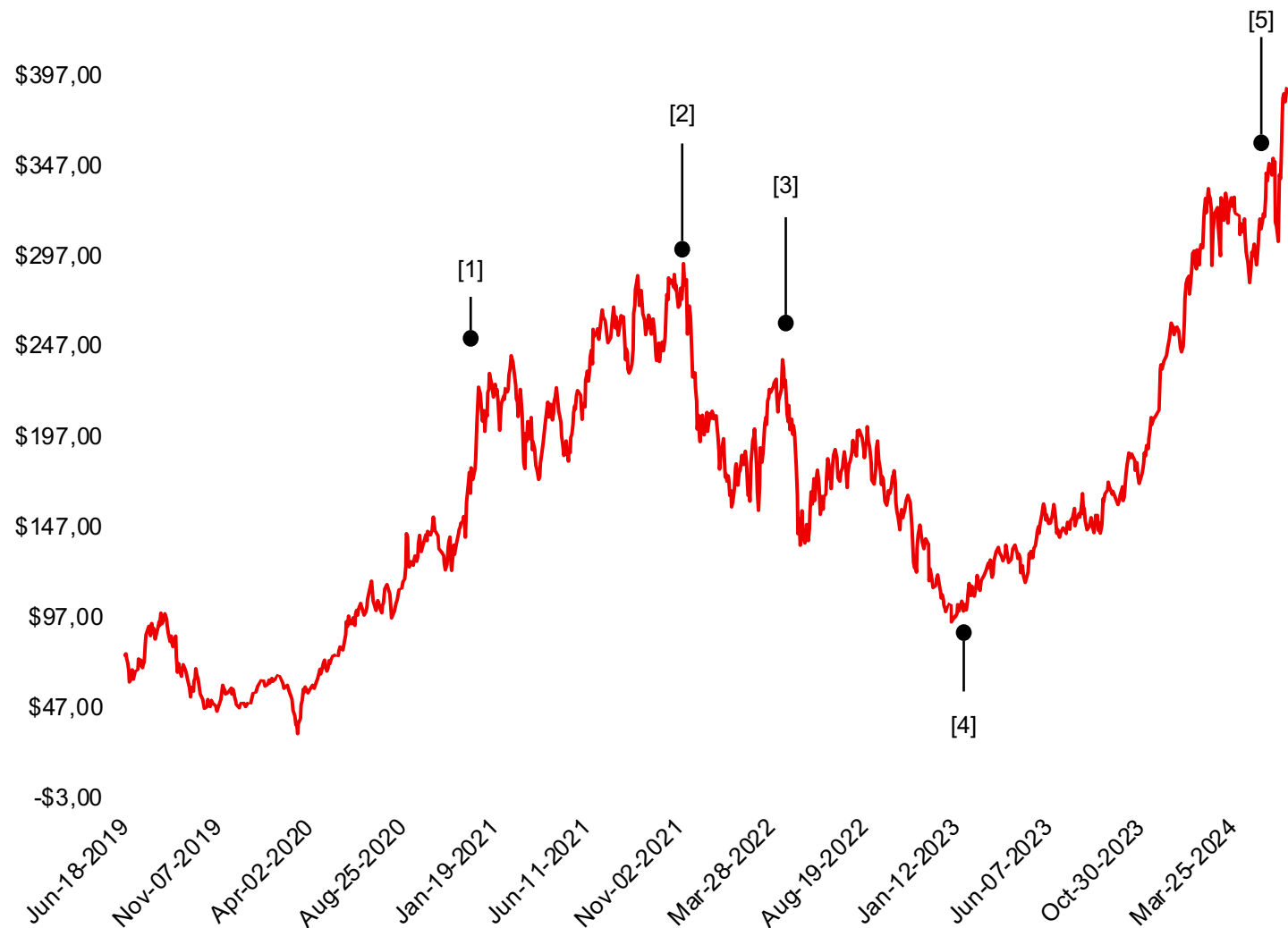
Whilst boasting a solid product offering, the valuation of CRWD is out of touch with company fundamentals



- 1 **Intrinsic Valuation**
Even when factoring in current analyst growth projections, the valuation of CrowdStrike's cannot be justified through a DCF
- 2 **Extrinsic Valuation**
Despite bullish forward consensus figures being used, CrowdStrike still trades at a significant premium vs. very comparable peers
- 3 **Share Dilution**
Since its IPO in 2019, CrowdStrike has continued issue new shares with share dilution reaching 25% since then
- 4 **Competitive Industry**
While CrowdStrike boasts a superior product at the current time, it also operates in a high-paced industry with continuous technological changes
- 5 **Analyst Euphoria**
CrowdStrike's stock is being backed by a bullish analyst consensus that is not founded in the fundamentals of the business
- 6 **Superior Product**
Our analysis shows that CrowdStrike's Falcon platform is superior with regards to performance and scalability and will drive growth

Share Price Performance

CrowdStrike managed to significantly outperform the market over the last years



Major Events

- [1] December 2020 (+63%) sharp rising in IT spending as cyberthreats evolve; Companies invest in strengthening security
- [2] November 2021 (+20%) wins Best Security Technology Solution & secures place 1 on 2021 Fortune Future 50 List ; expansion of strategic partnerships
- [3] April 2022 (+46%) expansion of Falcon Platform with EASM technology
- [4] January 2023 (-39%) recent earnings call causing downwards movement in the stock price performance
- [5] June 2024 (+38%) extending cybersecurity to mission cloud; strengthening alliance with Google cloud

Key Stats

- IPO: June 12, 2019
- Ticker: CRWD
- 52-week: 139.37 – 394.64
- Market cap (mm): 93,563.65



CrowdStrike

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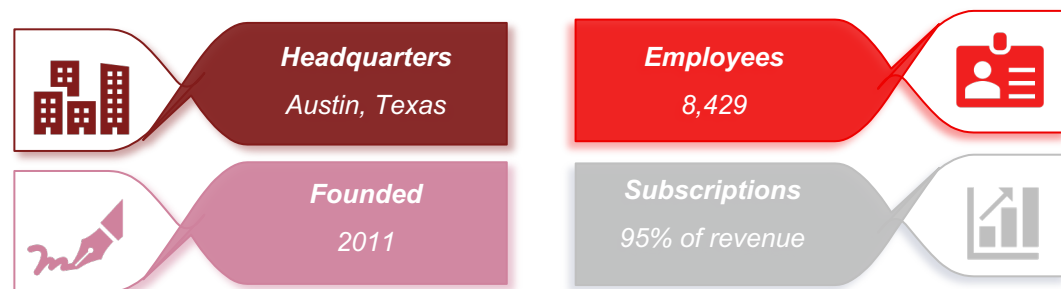
Business Overview

Company Overview

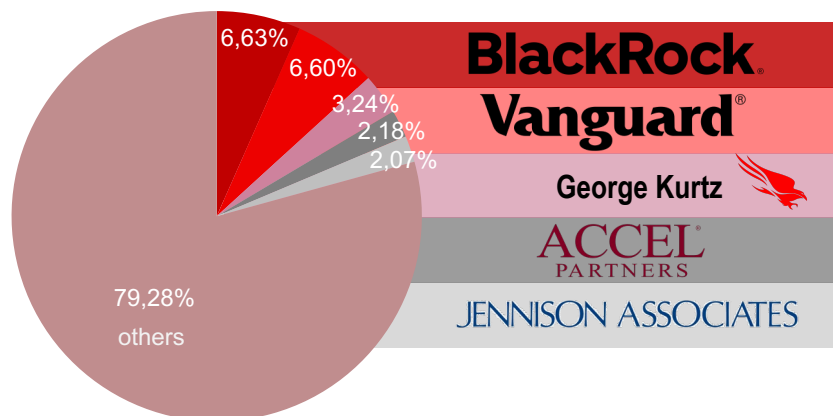
A well-managed global player from the cybersecurity industry

Company Description

CrowdStrike is a **global leader in cybersecurity**. It **revolutionizes** this field with its **AI-powered, cloud-native Falcon platform**, which protects endpoints, identity and data to **stop breaches**.



Shareholder Structure



19% held by institutional investors, mainly traditional investment firms

Executive Board Team



George Kurtz
CEO and Founder since 2011



Burt Podbere
Chief Financial Officer since 2015



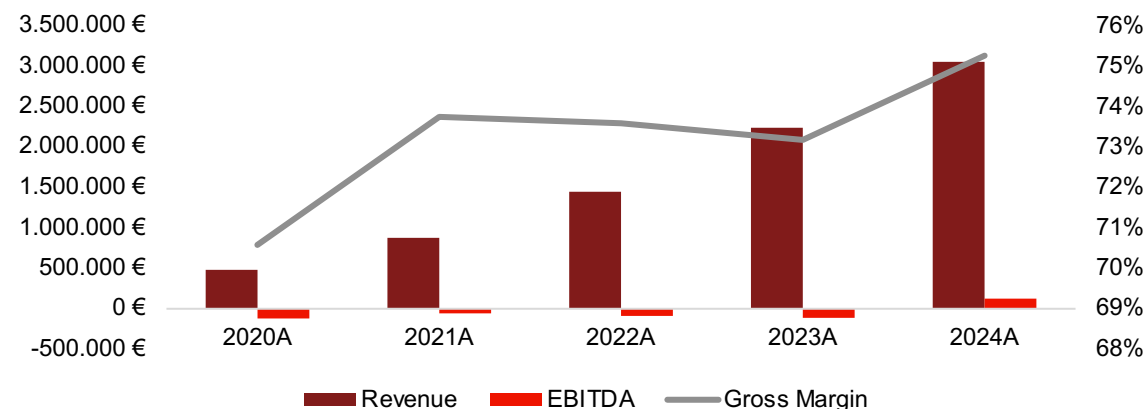
Michael Sentonas
President since 2023



Shawn Henry
Chief Security Officer since 2012

> Savvy business leaders and **security industry experts**, bringing years of experience together to create security solutions

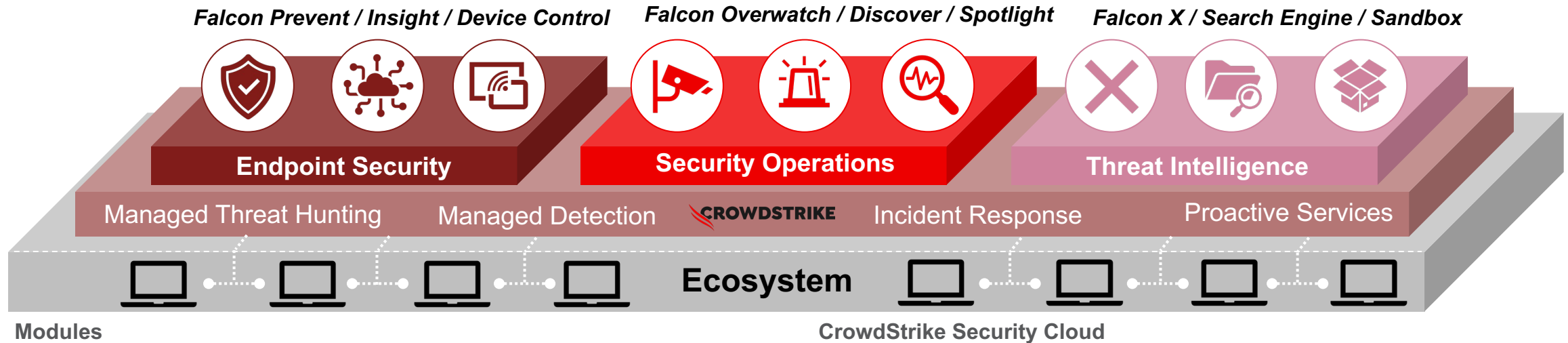
Financial Performance



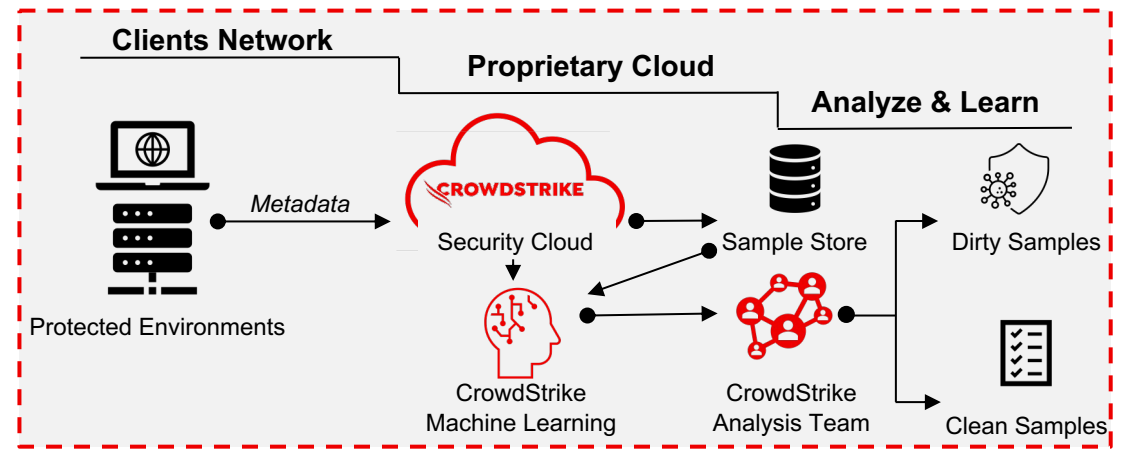
Business Model I – Platform

Unparalleled protection from the industry's most advanced cloud-native platform

The Falcon Platform



- Endpoint Security: Falcon Prevent** provides antivirus capabilities using machine learning and behavioral analysis to prevent malware and ransomware attacks
- Security and IT Operations: Falcon Discover** an IT hygiene tool to identify unaddressed vulnerabilities, such as misconfigurations and unauthorized devices, to improve the overall security posture
- Threat Intelligence: Falcon X** provides cybersecurity teams with critical intelligence and automatic malware analysis, enabling faster response and proactive threat management by integrating into endpoint protection



Business Model II – USP

Disrupting the cyber security industry by addressing customers' pain points

Status Quo before CrowdStrike

-  Clutter of **different tools** with many layers of **complexity**
-  **No proactive security** platform with offensive capabilities
-  Current offerings are **resource-intensive** and **need rebooting**
-  Holistic cyber protection often too **expensive for small firms**

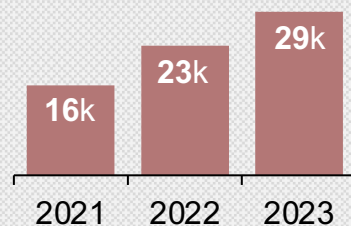
The Falcon Solution

-  **USP I: Platform**
Falcon offers every product on one consolidated platform
-  **USP II: Modularity**
Product modules unlock cross-selling potential
-  **USP III: Security**
Behavioral, adversary-driven approach
-  **USP IV: AI-native**
AI assists in new threat detection and response
-  **USP V: Cloud**
Falcon is a cloud-based lightweight agent

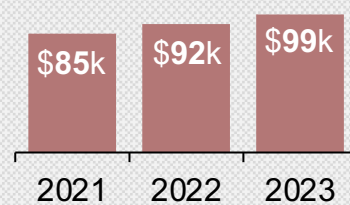


Results

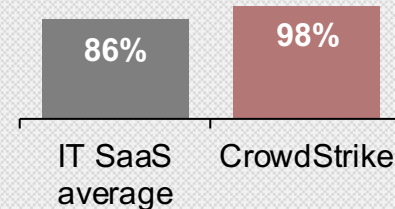
Customer Subscriptions
+26%
(FY23 v FY22)



Revenue per Subscription
+7.8%
(FY23 v FY22)



Gross Retention Rate
(FY23)



Business Model III – Success Stories

Unmasking threats beyond the blind spots missed by traditional approaches

Mercedes-AMG PETRONAS Formula One Team

Challenges



Protect intellectual property
Holistic cybersecurity program
Monitor threat landscape

CrowdStrike Solutions



Falcon Complete for 3,100
Endpoints
Falcon Identity Protection



Threat-hunting support team
monitors security 24/7



Globally-sourced threat
intelligence protection



75% efficiency gains, 25x
reduction in resource utilization

Greenhil & Co.

Challenges



Protect sensitive data
Financial industry regulations
Secure remote employees

CrowdStrike Solutions



Falcon Complete for 800
Endpoints
Falcon Device Control



Around 75% Reduction in Alerts

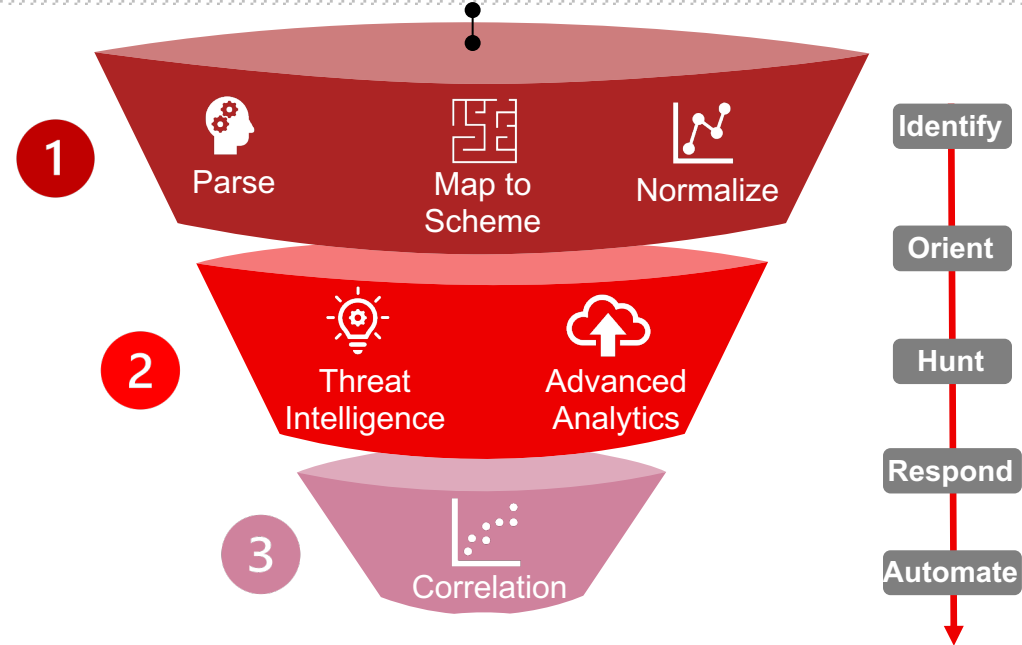


About \$300K Annual Savings



Extra capabilities e.g. endpoint
protection & managed security

Customer Journey



- Custom CrowdStrike-created detections
- Unified cross-domain investigations
- Native cross-domain graph exploring
- Native SOAR automates repetitive tasks

Business Model IV – Strategy

Adding capabilities and modules to upsell current customers and expand to adjacent markets

Accessible



Product

- Foundry low-code tool
- Charlotte AI
- Video tutorials and articles



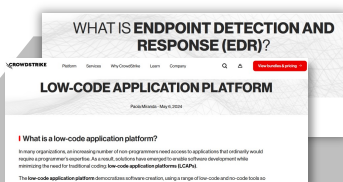
Procurement

- Free Trials
- Flex Plan
- Module Bundles



Deployment

- Partnerships with:
 - Software Distributors
 - Cloud providers



Attract Customers

Take market share from legacy cybersecurity providers

Scalable



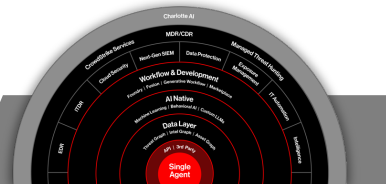
Platform

- Adding capabilities with:
 - Modules
 - Acquisitions



Protection

- Trained with Machine Learning
- Customers' threats as training data



Upsell Customers

Create and sell more modules
 2018: 2% subs. with 6+ modules
 2023: 62% subs. with 6+ modules

Effective



Cybersecurity

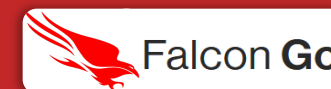
- Top ratings in cyber security tests
- Certified with industry standards, approved for government use
- Human response team ready 24/7



Retain Customers

Ensure maximum satisfaction and cover all customers' needs

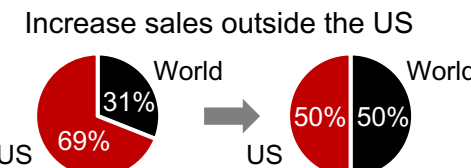
Targeted Markets



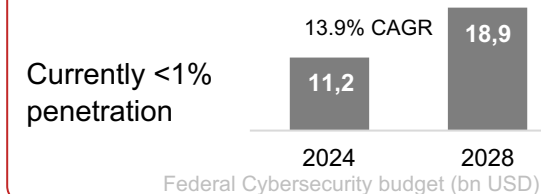
Small Medium Enterprises

- SMEs need user-friendly solutions
- They cannot afford to be breached

Foreign Companies



US Government

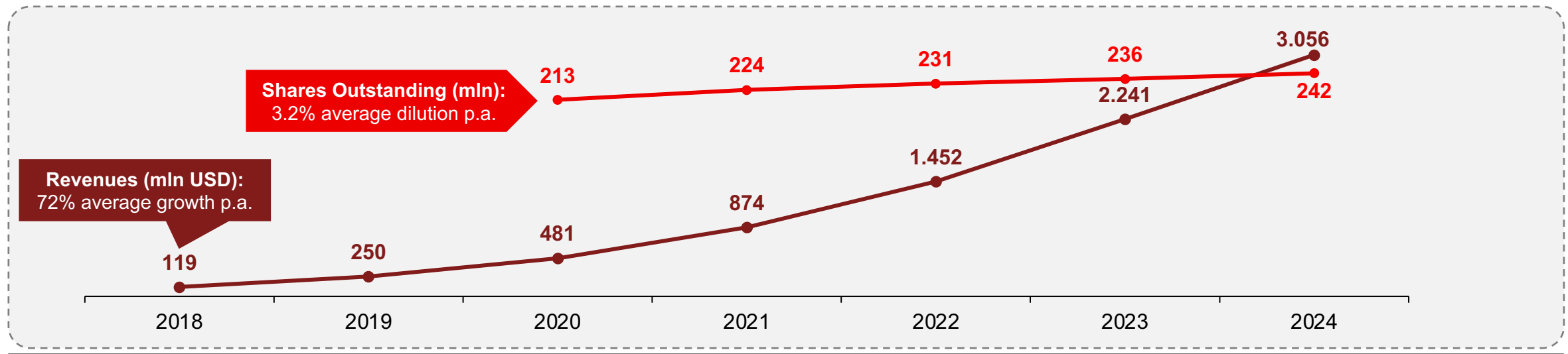
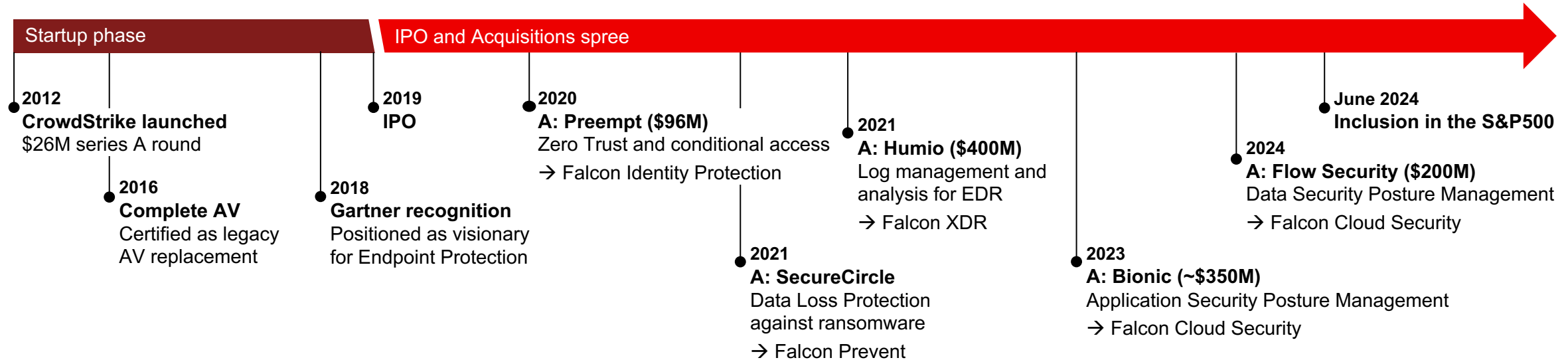


SIEM

Security Information Event Management

Business Model V – Timeline

Growing both organically as well as through acquisitions and diluting shareholders along the way





CROWDSTRIKE

CrowdStrike

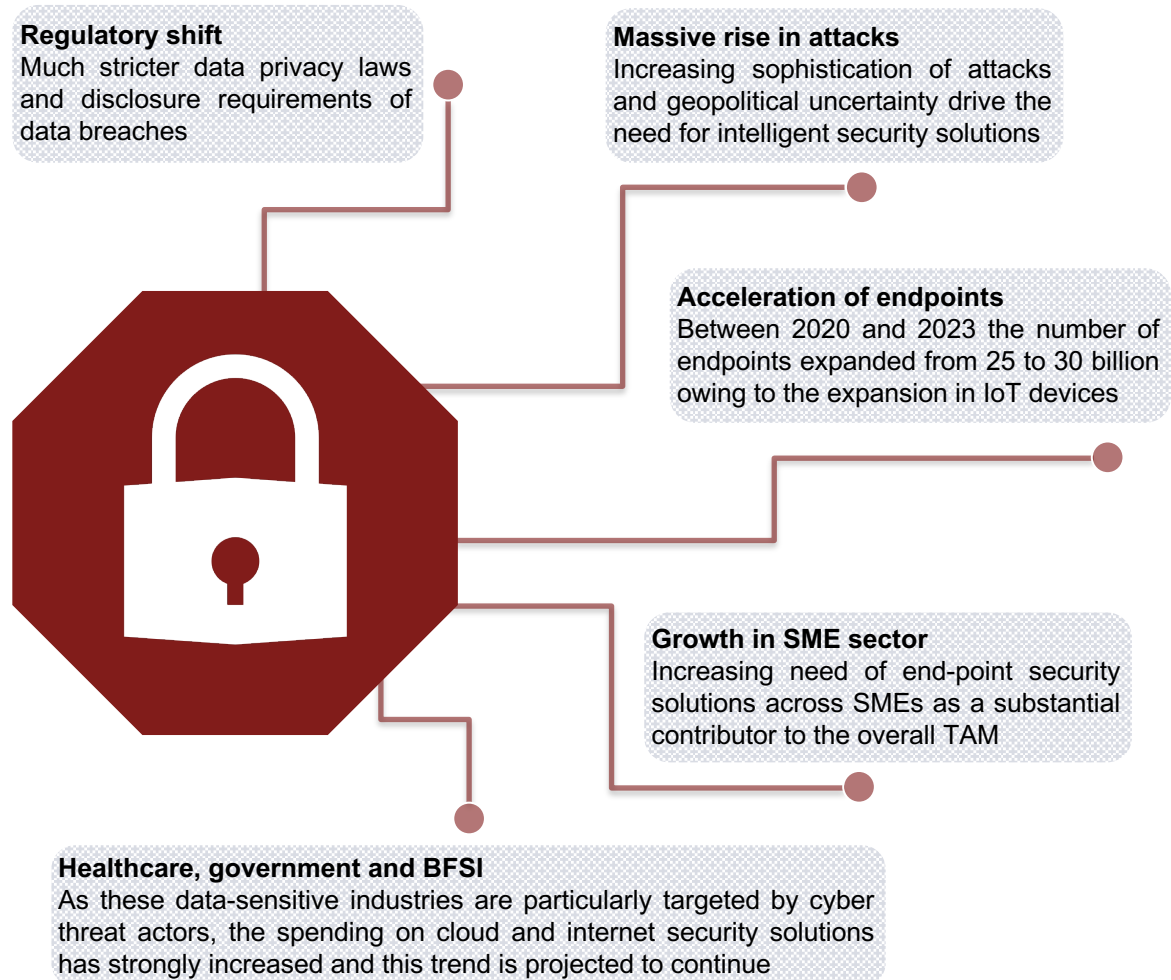
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Market and Industry Overview

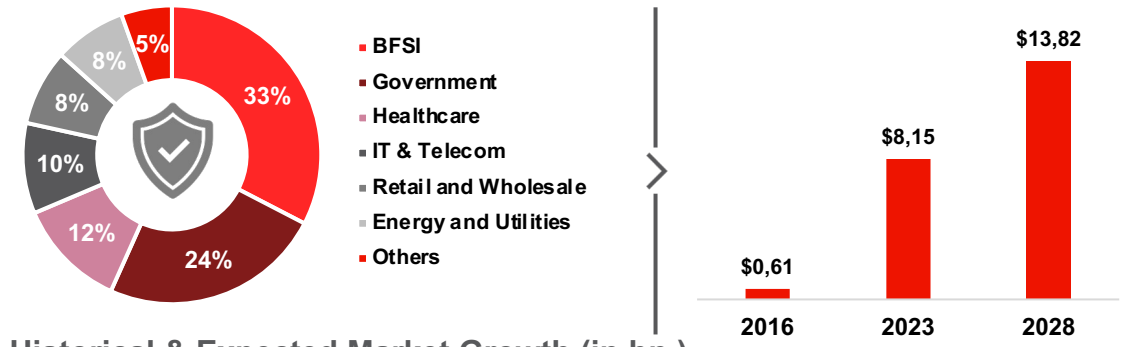
Market Overview I – Trends & Drivers

The rising importance of cybersecurity makes it a critical element of top-level strategic planning

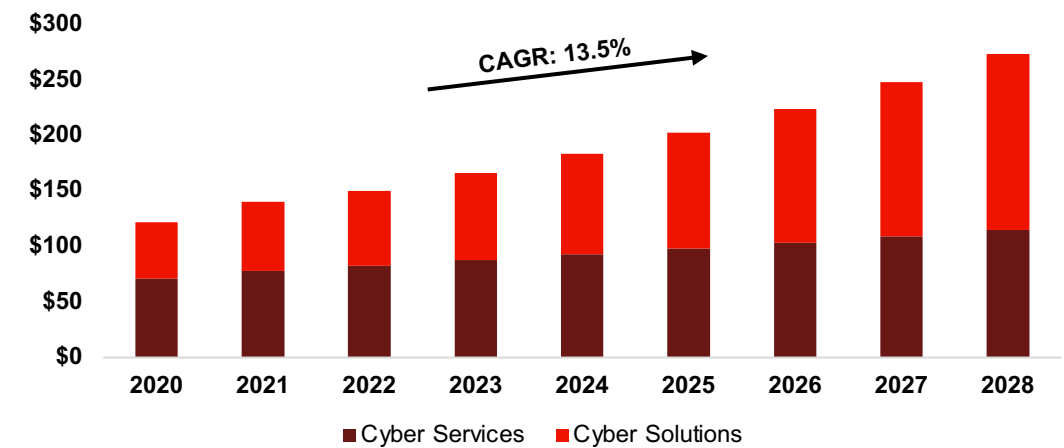
Industry Drivers



Cybersecurity Revenue by Industries & Loss due to Cybercrime (in trn.)



Historical & Expected Market Growth (in bn.)

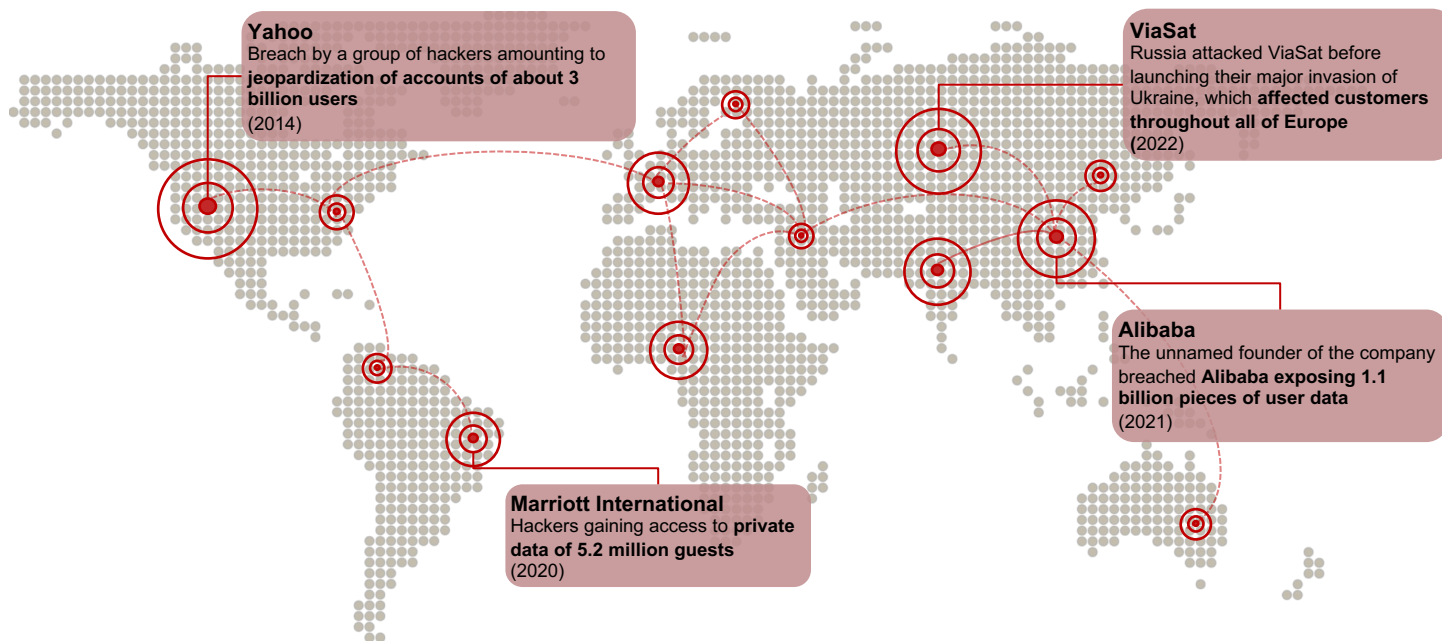


Cybersecurity Solutions become an increasingly **important tool** of risk management to **protect companies** from severe damages.

Market Overview II – Cyber Threats

Every 39 seconds, a computer with internet access is hacked and 74% of account takeover attacks start with phishing

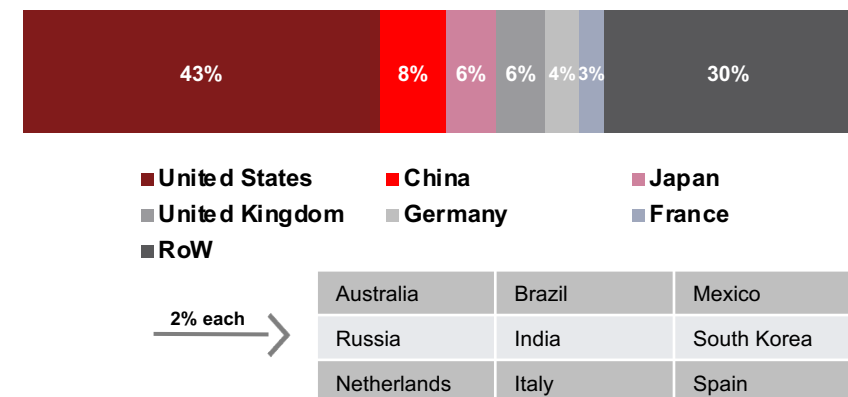
Regions most affected by Cyberattacks



Cybersecurity Trends & Threats

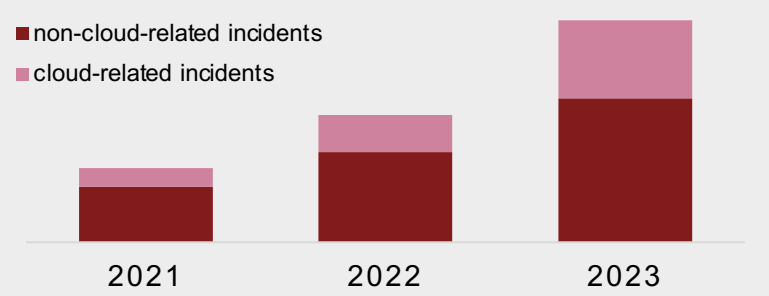
- Cloud-based solutions**
2023 cloud-conscious attacks doubled, fueling the need for cloud-based solutions
- Machine Learning & Automation**
to increase efficiency, predict future threats and keep up with new dangers
- Internet of Things (IoT) devices**
offer increased attack surfaces and raise the challenge of securing all endpoints
- Lack of skilled workforce**
aggravated by educational barriers

Most Dominant Countries in the Market



Most common types of attacks today

- Phishing
- Malware Infections – Ransomware
- Distributed Denial of Service Acts



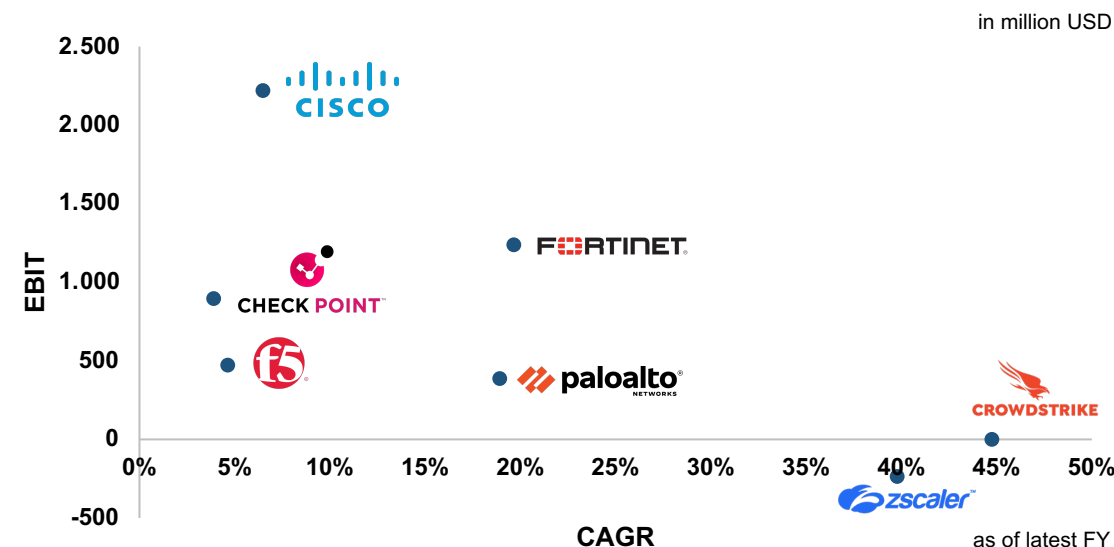
Market Overview III – Segmentation

A highly fragmented market dominated by North American companies and expected to grow significantly worldwide

Competitive Landscape



Company Growth and Operating Income Comparison as of last FY



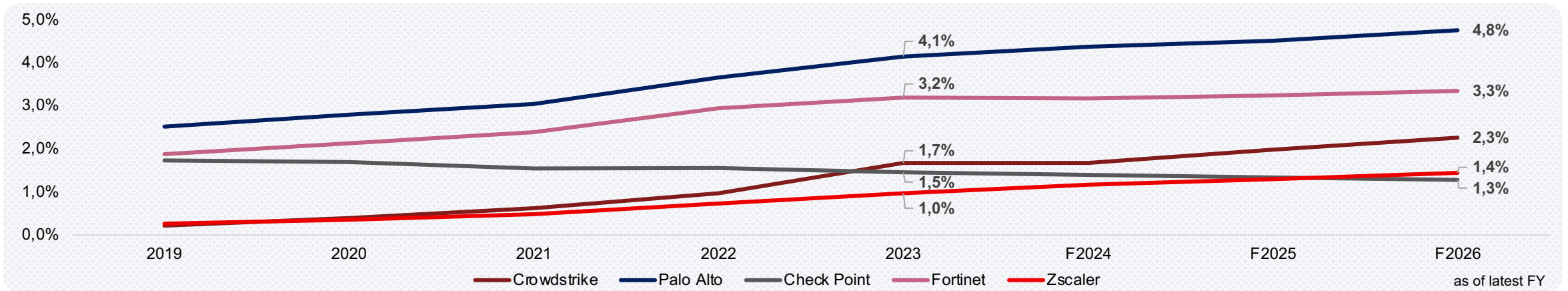
Peer Group Rationale

- Product and Service Offering**
We focused on companies that offer similar or complementing solutions
- Size and Income**
The division is based on the companies' size and financial metrics
- Customer Segment Focus**
Best peers based on end market targeting

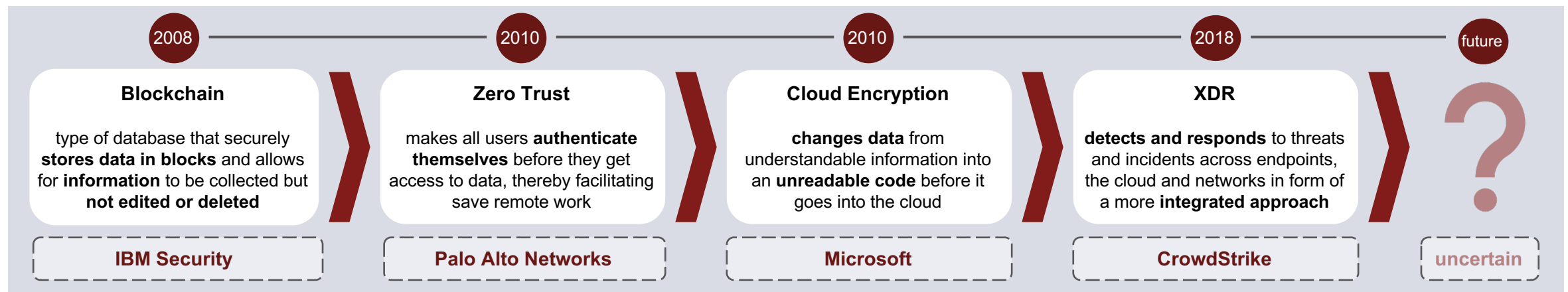
Market Overview IV – Competitive Environment

Despite of CrowdStrike’s technological edge, several peers have been able to strengthen their market position

Market Share Development



Technological Advances and Companies who profited the most





CrowdStrike

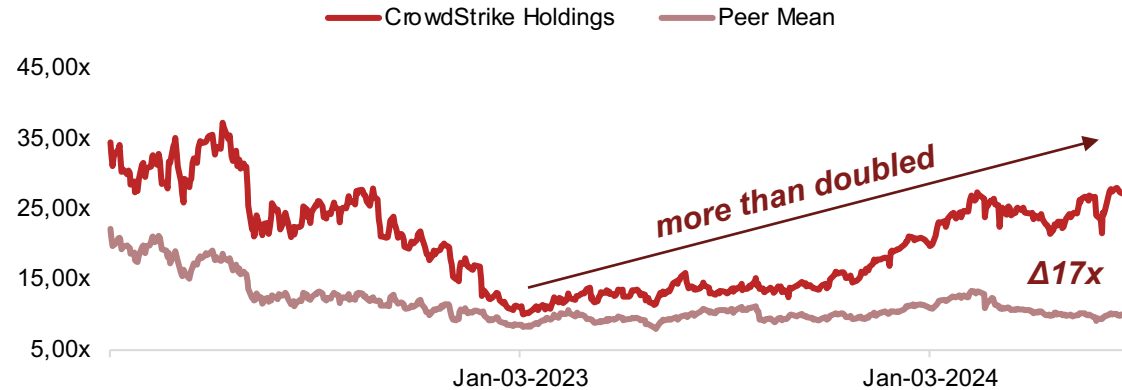
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Financials and Valuation

Financials & Valuation I – Historic Development

While growth rates have neared peer levels over the last years, multiples de-coupled completely

EV/Sales Development



Initially, CrowdStrike had a very **high EV/Sales correlation** with its peer median, moving in sync throughout the past years

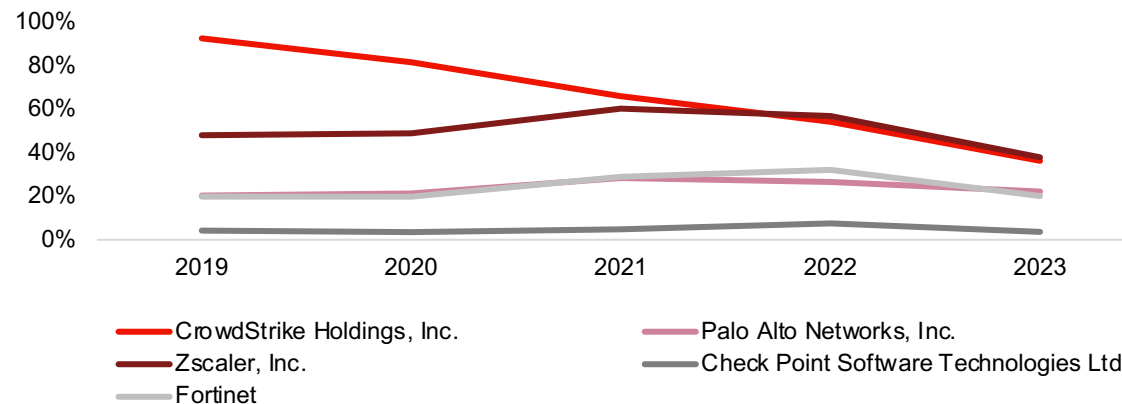


Starting from Q1 2023, the **gap between the multiples** of CrowdStrike and its peers **widened** drastically



At the current time, **CrowdStrike has an EV/Sales multiple with a delta > 17x** compared to its peers with similar growth profiles

Sales Growth Development



After the companies IPO in **2019**, CrowdStrike experienced significant growth **almost doubling its revenue** in the same year



Since then, **growth rates have come down to about 30%**, nearing those observed in peers

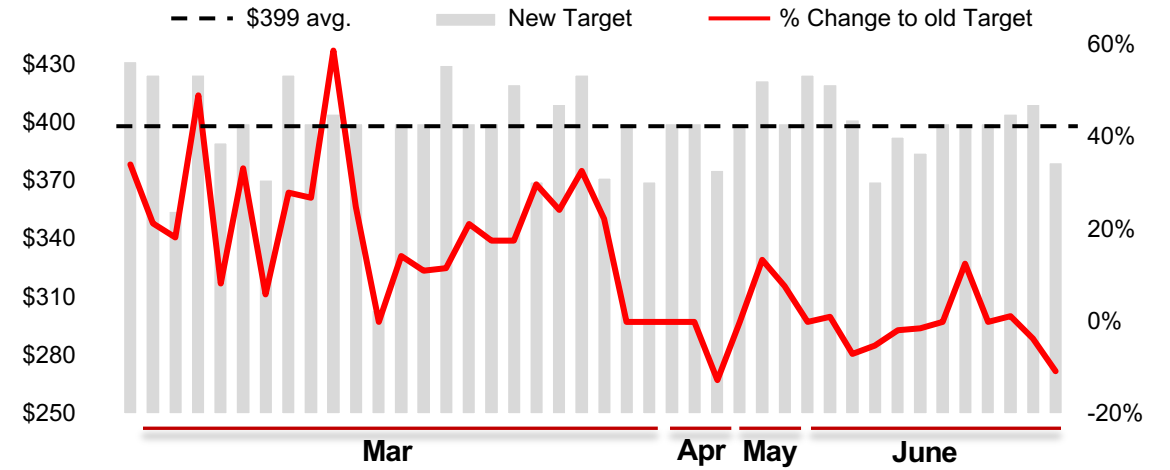
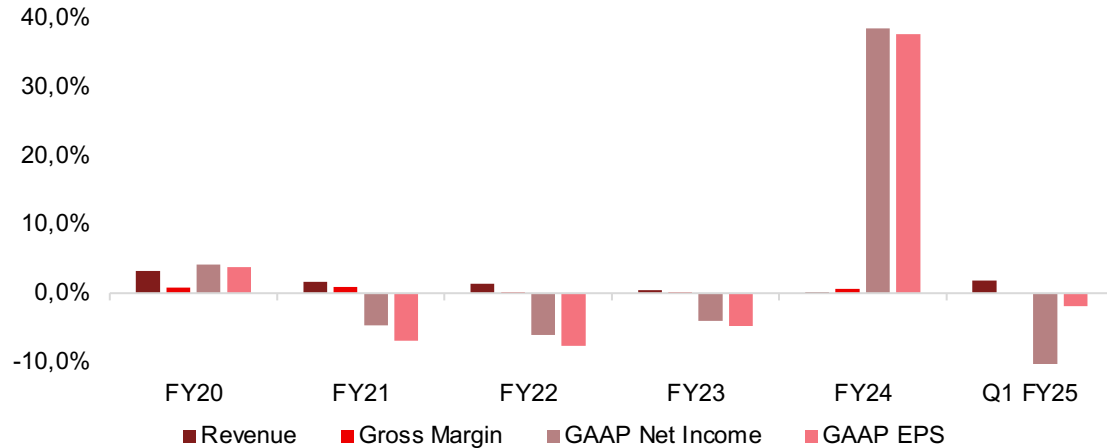


Analysts expect growth rates between 20% and 30% for the next years as the company continues on its path of high but decreasing growth

Financials & Valuation II – Analysts’ Euphoria

Strong earnings throughout FY24 caused sky-high sentiment

Analyst Surprise & Target Price Recommendation Trend



Deep Dive 1



Revenue and Gross Margin targets were consistently met, demonstrating management's precision in sales forecasting over recent years



Analysts often overestimate GAAP profitability and underestimate Non-GAAP profitability, indicating they may overlook stock-based compensation



The break-even point in Q4 FY24 caused hikes in profitability estimates, leading to overestimated Q1 FY25 figures

Deep Dive 2



Throughout the past 4 months, analysts have tended to increase their price targets consistently



The slowing pace of target increases indicates that Q1 results, though strong and surpassing industry benchmarks, fell short of analysts' profitability expectations



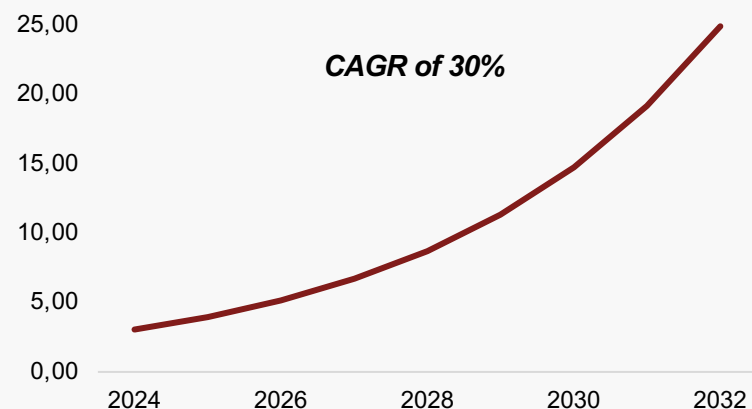
Analysts expect excellence from CrowdStrike. Despite a robust business model and track record, a single poor quarter could impact analyst sentiment heavily

Financials & Valuation III – Priced in Assumptions

Assumptions needed to arrive at analyst targets are striking

Analyst Assumptions – Median Target of 400 USD

Revenue in bn. USD



Other Assumptions



Unlevered Free Cash Flow Margin
(not FCF from management guidance): **32.5%**

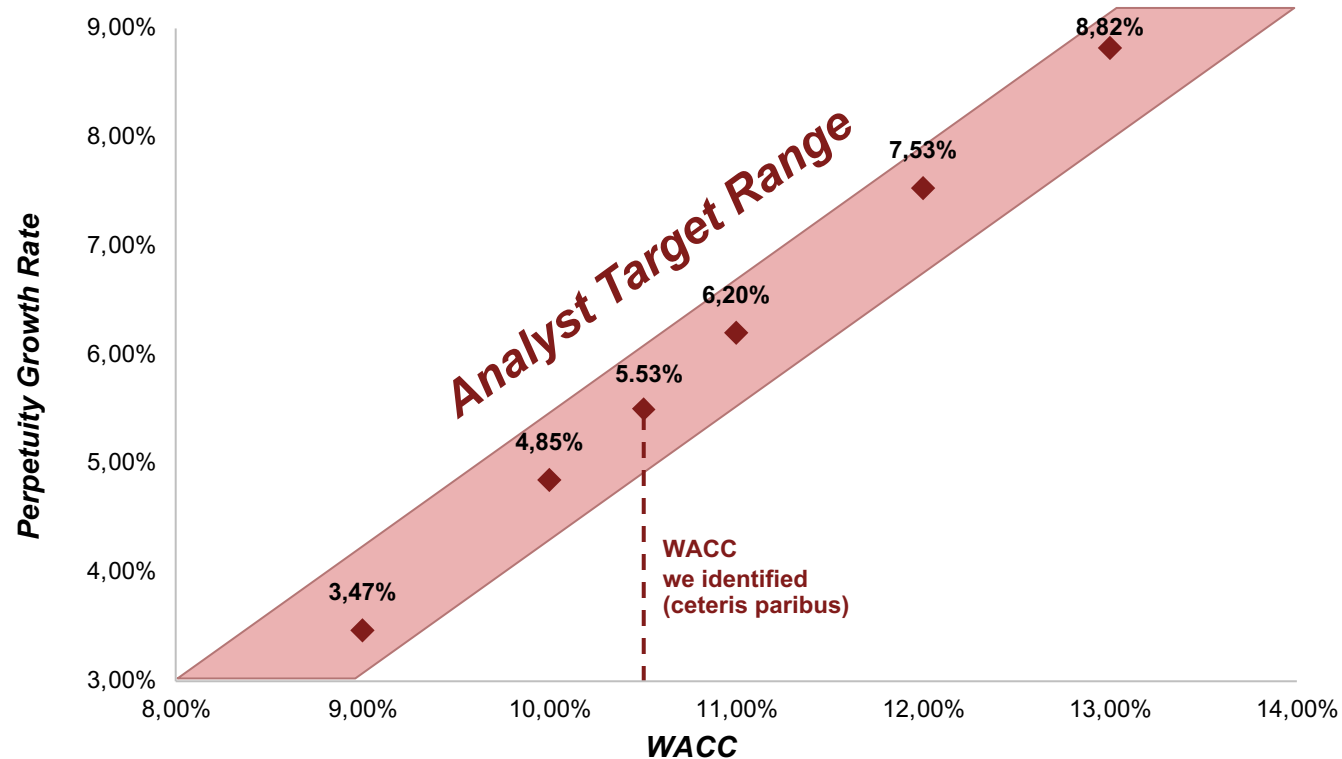


Current **Net Cash levels** based on last quarterly filing: **~2.88 bn. USD**



Extended **forecasting period** due to high growth business: **8 years**

Implied Perpetuity Growth Rate to reach Analyst Target



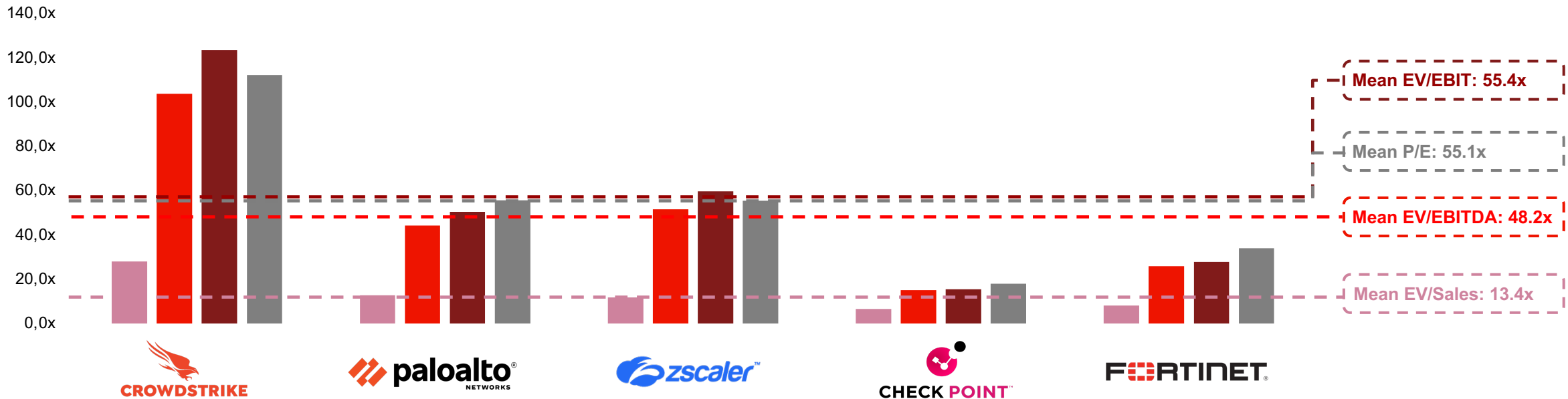
Further Comparison

With our base case projections for **Unlevered Free Cash Flow**, that was derived by figures largely in line with management guidance, we arrive at an **implied perpetuity rate** of slightly **above 6%** to justify the Median Analyst Target Price

Financials & Valuation IV – CCA

Pick a metric – CrowdStrike trades at the highest multiples

Multiple Valuation Summary



Comments

Multiples are normalized (non-GAAP). Due to large **SBC expenses** in the peer group **GAAP multiples are even higher**. CrowdStrike's **P/E ratio** is particularly striking at **over 700x**.

The forward **multiples gap** is forecasted **to narrow** as CrowdStrike's fundamentals are expected to grow faster in comparison to its peers.

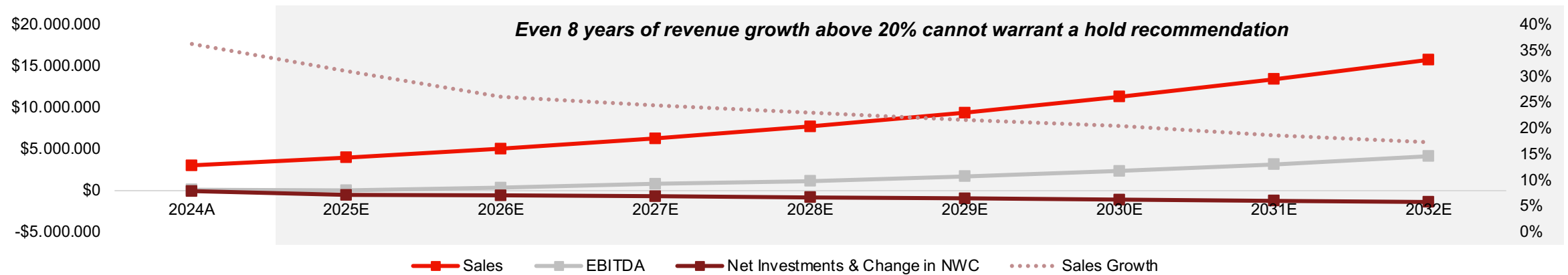
2 Year Forward Multiples

P/E	\$75,56	\$382,10
EV / EBIT	\$78,98	\$382,10
EV / EBITDA	\$87,48	\$382,10
EV / Revenues	\$134,28	\$382,10

Financials & Valuation V – DCF

Our modelling assumptions lead to a sell recommendation in all three cases

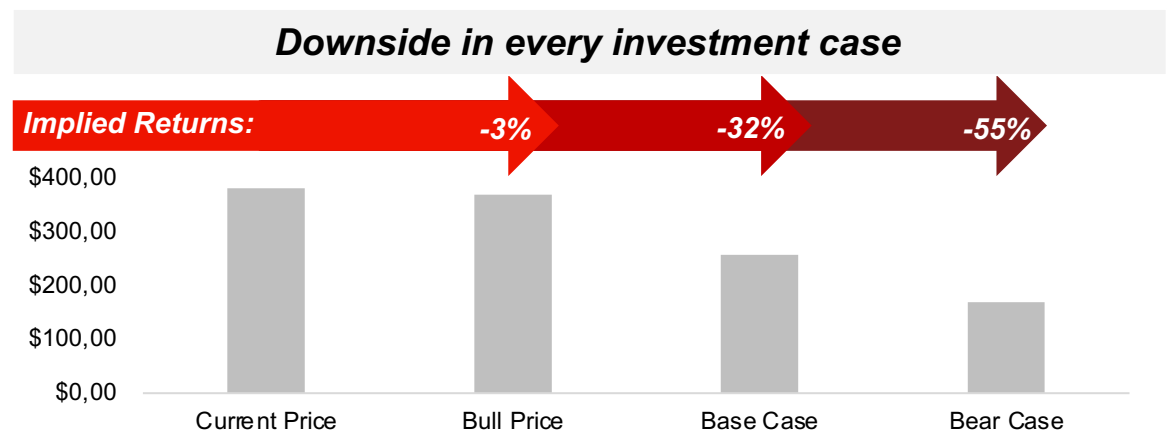
Forecast



Assumptions

- WACC**
 We have estimated a WACC of 10.3%, which is lower than the WACC of 11% that can be found on Bloomberg
- TV Growth Rate**
 We set our terminal value growth rate to 3%, surpassing any reasonable estimate of future inflation expectation
- Margins & Growth**
 We have tried to take a balanced approach between management guidance, analyst consensus and our own view of the company

Valuation Outcome





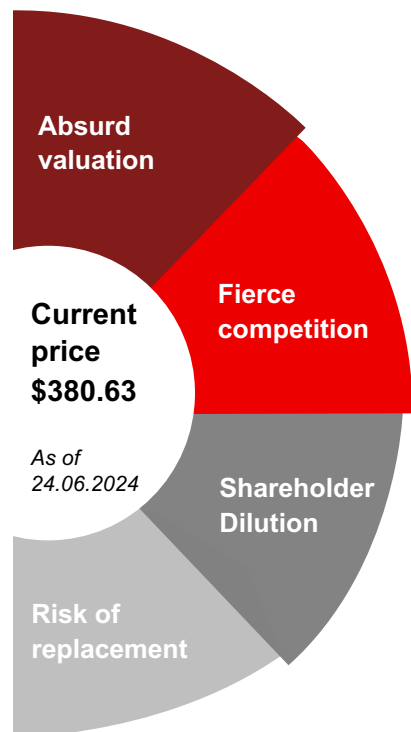
CrowdStrike

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Conclusion

Conclusion

A current market cap that cannot be justified with business fundamentals





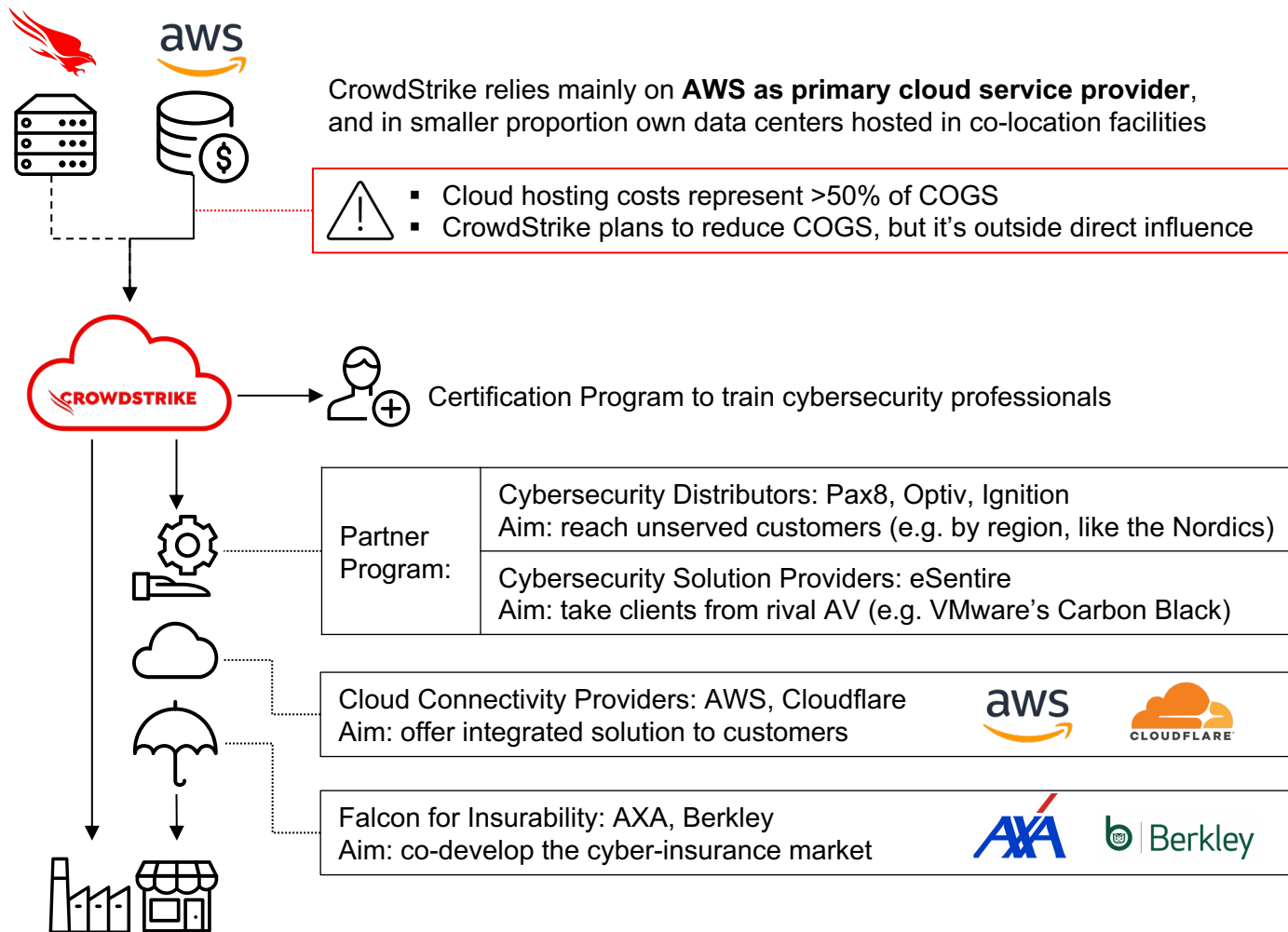
CrowdStrike

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Appendix

Value Chain, Partners and Competitive Advantages

Value Chain and Partnerships

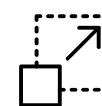


Sources of Competitive Advantage



IP Rights

Imitation by the competition is delayed thanks to IP rights. Most notables: **updates without reboot** needed, **Indicator of Attack** security approach based on early pattern recognition.



Economies of Scale

SaaS companies incur high fixed costs to develop products and relatively low variable costs, resulting in lowering COGS in % of Sales as the customer base grows (from 35% FY18 to 24% FY23).



Network Effects

Value of the product (the protection) increases as users grow, thanks to the way Falcon Protect learns from all customers.



Switching Costs

Falcon is a complete and user-friendly platform, so customers experience significant hassle moving away as they need a suite of replacements from different vendors.

Governance

CrowdStrike strives to **create an environment** that values **and includes all backgrounds, they foster the diversity of perspective** it takes to **continuously innovate**. They strive for equality and all-inclusive hiring without discrimination.

Company's goals

Inclusive Hiring – offer unconscious bias training for hiring managers

Diverse Community – employee resource groups, internal development groups

Company's offers

Philanthropy – NextGen Scholarship Program

Environmental Goals & Steps



Partnership with ClimeCo



Green Building



Commitment to SBTi



Business for Social Responsibility

CrowdStrike, as a cybersecurity company makes it part of his mission to be **committed to the environment** and following certain steps such as their **commitment letter to SBTi** in which they committed themselves to **reducing company wide emissions** in line with science-based **net zero targets**.

ClimeCo helps **identify, purchase, and retire** a variety of certified **carbon offset projects** all over the world.

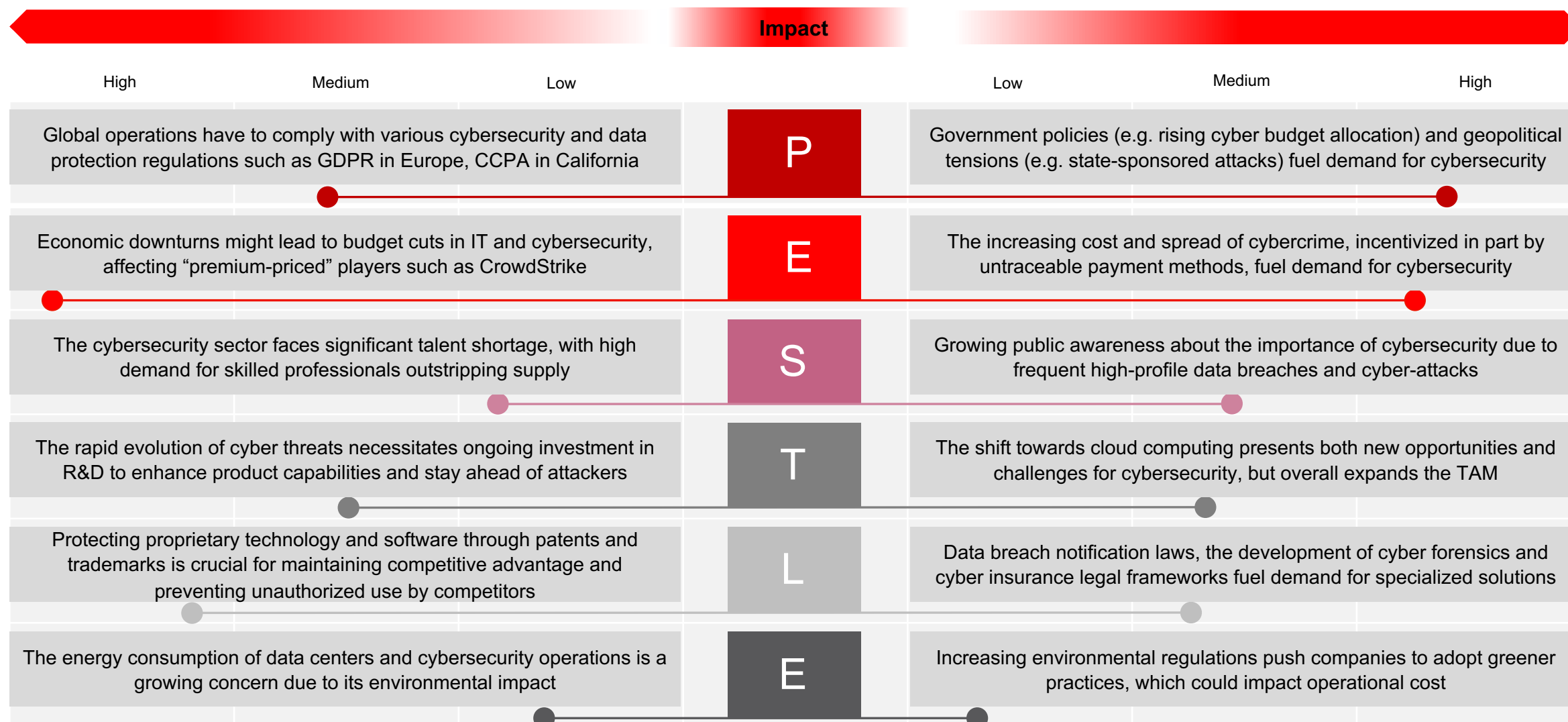
Social & Non-profit

Among a lot of other things CrowdStrike offers their own **ProBono Security Software** as well as the **CrowdStrike Cares Volunteer Program**.

CrowdStrike Foundation –partnership with nonprofits all over the globe

Partners with **Operation Motorsport Foundation** (veteran led non-profit)

PESTLE



SWOT

STRENGTHS

- **Advanced Technology:** CrowdStrike's platform is built on artificial intelligence and machine learning, providing highly effective threat detection and response capabilities. Their Falcon platform is a leader in endpoint protection, threat intelligence, and incident response
- **Global Presence:** With a presence in North America, Europe, Asia, and other regions, CrowdStrike can serve clients worldwide. This global reach enhances its market influence and customer support capabilities
- **Strong Customer Base:** CrowdStrike's customers are large corporations like Amazon or Credit Suisse, demonstrating trust and reliability

OPPORTUNITIES

- **Growing Cybersecurity Market:** As cyber threats increase, the demand for advanced cybersecurity solutions like those provided by CrowdStrike is expected to grow. This expanding market offers significant potential for revenue growth
- **Expansion into New Markets:** With its established global presence, CrowdStrike has opportunities to expand further into emerging markets and sectors
- **Technological Advancements:** Continued innovation in AI and machine learning can enhance their product offerings, keeping them at the forefront of cybersecurity technology



- **High Costs:** CrowdStrike's services are relatively expensive, which might limit accessibility for smaller businesses and startups. The high cost can be a barrier to entry for some potential clients
- **New Brand:** As a relatively new player in the cybersecurity industry, CrowdStrike lacks the long-established reputation of legacy brands like McAfee. This can be a disadvantage in gaining trust and recognition in a market that values proven track records

WEAKNESSES

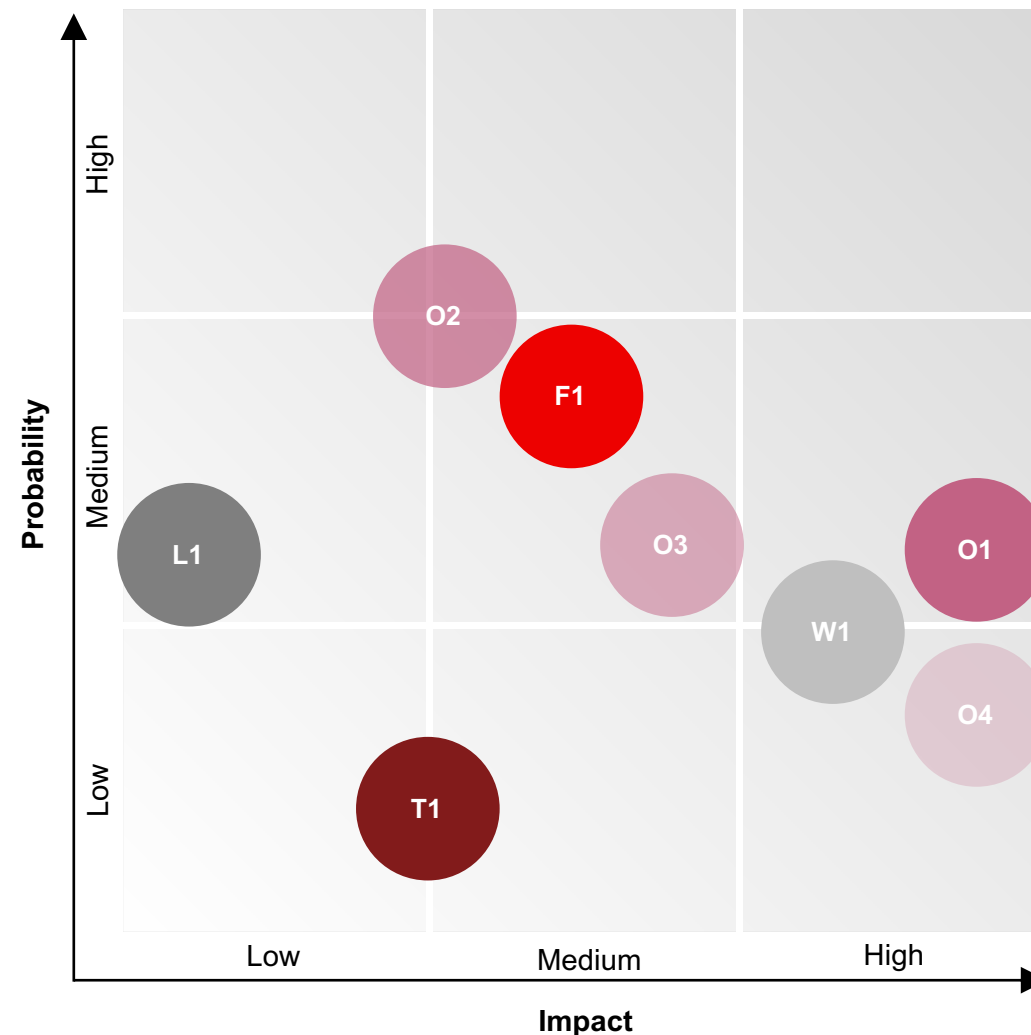
- **Intense Competition:** CrowdStrike faces stiff competition from established cybersecurity firms like McAfee and Palo Alto Networks, which could impact market share and pricing power
- **Evolving Cyber Threats:** The rapid evolution of cyber threats requires constant innovation and adaptation.
- **Regulatory Challenges:** As a global company, CrowdStrike must navigate complex regulatory environments in different countries, which can pose operational and compliance challenges

THREATS

Risks

- T1** Advanced and new cybercrime that cannot be detected
- F1** Intense Market Competition might lead to Price Wars
- O1** Vulnerabilities within the software that may be attacked
- O2** Dependence on a few big customers
- O3** Third Party and Employee dependencies
- O4** Bad reviews leading to a downgrade of the companies reputationTechnological
- L1** Legal changes regarding data protection
- W1** Changes that could potentially outdate the Falcon Platform

Operations (O) – Technical (T) – Financial (F) – Legislation (L) – Workforce (W)



Appendix

Operating Model – P&L

Income Statement												
Fiscal year	2021A	2022A	2023A	2024A	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P
Fiscal year end date	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026	31/01/2027	31/01/2028	31/01/2029	31/01/2030	31/01/2031	31/01/2032
Revenue	874,438	1,451,594	2,241,236	3,055,555	4,097,715	5,289,619	6,743,949	8,501,255	10,595,868	13,086,656	15,921,652	19,162,179
COGS	(229,545)	(383,221)	(601,231)	(755,723)	-942,474	-1,163,716	-1,416,229	-1,785,263	-2,119,174	-2,486,465	-2,865,897	-3,257,570
Gross profit	644,893	1,068,373	1,640,005	2,299,832	3,155,240	4,125,903	5,327,720	6,715,991	8,476,695	10,600,192	13,055,755	15,904,608
Sales and marketing	(401,316)	(616,546)	(904,409)	(1,140,566)	-1,475,177	-1,798,471	-2,158,064	-2,720,401	-3,178,761	-3,925,997	-4,617,279	-5,365,410
Research and development	(214,670)	(371,283)	(608,364)	(768,497)	-983,452	-1,163,716	-1,348,790	-1,615,238	-1,907,256	-2,224,732	-2,547,464	-3,065,949
General and administrative	(121,436)	(223,092)	(317,344)	(392,764)	-491,726	-581,858	-674,395	-765,113	-847,669	-916,066	-1,114,516	-1,149,731
Operating income/(loss)	(92,529)	(142,548)	(190,112)	(1,995)	204,886	581,858	1,146,471	1,615,238	2,543,008	3,533,397	4,776,496	6,323,519
Interest expense	(1,559)	(25,231)	(25,319)	(25,756)	(25,486)	(25,027)	(24,569)	(24,110)	(23,651)	(23,192)	(22,734)	(22,275)
Interest income	0	3,788	52,495	148,930	226,808	316,668	431,039	563,897	722,792	902,267	1,098,669	1,311,509
Other income, net	6,219	3,968	3,053	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638	1,638
Pretax profit	(87,869)	(160,023)	(159,883)	122,817	407,846	875,137	1,554,580	2,156,663	3,243,788	4,414,110	5,854,069	7,614,391
Tax	(4,760)	(72,355)	(22,402)	(32,232)	-24,471	-87,514	-217,641	-345,066	-583,882	-882,822	-1,229,355	-1,599,022
Non-controlling interest expense	0	(2,424)	(960)	(1,258)	(1,258)	(1,258)	(1,258)	(1,258)	(1,258)	(1,258)	(1,258)	(1,258)
Net income	(92,629)	(234,802)	(183,245)	89,327	382,117	786,365	1,335,680	1,810,339	2,658,648	3,530,030	4,623,457	6,014,111
D&A	38,710	55,908	77,245	126,838	176,185	222,969	280,124	350,155	262,505	279,099	288,873	287,842
EBITDA	(53,819)	(86,640)	(112,867)	124,843	381,071	804,827	1,426,596	1,965,394	2,805,513	3,812,496	5,065,369	6,611,361
Stock based compensation	149,675	309,952	526,504	631,519	802,513	978,628	1,174,623	1,388,591	1,615,919	1,853,983	2,083,107	2,299,461
Adjusted EBITDA	95,856	223,312	413,637	756,362	1,183,584	1,783,455	2,601,219	3,353,984	4,421,432	5,666,480	7,148,476	8,910,823
Growth rates & margins												
Revenue growth		66.00%	54.40%	36.33%	34.11%	29.09%	27.49%	26.06%	24.64%	23.51%	21.66%	20.35%
Gross Margin	73.75%	73.60%	73.17%	75.27%	77.00%	78.00%	79.00%	79.00%	80.00%	81.00%	82.00%	83.00%
S&M %	(45.89%)	(42.47%)	(40.35%)	(37.33%)	(36.00%)	(34.00%)	(32.00%)	(32.00%)	(30.00%)	(30.00%)	(29.00%)	(28.00%)
R&D %	(24.55%)	(25.58%)	(27.14%)	(25.15%)	(24.00%)	(22.00%)	(20.00%)	(19.00%)	(18.00%)	(17.00%)	(16.00%)	(16.00%)
G&A %	(13.89%)	(15.37%)	(14.16%)	(12.85%)	(12.00%)	(11.00%)	(10.00%)	(9.00%)	(8.00%)	(7.00%)	(7.00%)	(6.00%)
Tax rate	(0.54%)	(4.98%)	(1.00%)	(1.05%)	(6.00%)	(10.00%)	(14.00%)	(16.00%)	(18.00%)	(20.00%)	(21.00%)	(21.00%)

Appendix

Operating Model – Balance Sheet

Statement of Financial Position												
Fiscal year	2021A	2022A	2023A	2024A	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P
Fiscal year end date	31/01/2021	31/01/2022	31/01/2023	31/01/2024	31/01/2025	31/01/2026	31/01/2027	31/01/2028	31/01/2029	31/01/2030	31/01/2031	31/01/2032
Cash and cash equivalents	1,918,608	1,996,633	2,705,369	3,474,660	5,291,618	7,773,165	11,162,318	15,452,432	21,030,161	27,980,568	36,472,648	46,839,619
Accounts receivable	239,199	368,145	626,181	853,105	1,099,298	1,361,250	1,661,821	2,001,956	2,379,432	2,795,770	3,227,446	3,674,938
Deferred contract acquisition cost	80,850	126,822	186,855	246,370	323,890	420,998	541,031	687,582	864,312	1,075,261	1,322,997	1,610,430
Prepaid expenses and other	53,617	79,352	121,862	183,172	245,647	317,098	404,281	509,627	635,193	784,509	954,459	1,148,719
Total current assets	2,292,274	2,570,952	3,640,267	4,757,307	6,960,452	9,872,512	13,769,450	18,651,597	24,909,098	32,636,107	41,977,550	53,273,707
LT investments	2,500	23,632	47,270	56,244	75,427	97,367	124,137	156,484	195,040	240,888	293,072	352,721
Property and equipment	167,014	260,577	492,335	620,172	655,409	688,854	723,870	758,885	785,136	806,068	827,734	849,322
Operating lease right-of-use assets	36,484	31,735	39,936	48,211	48,287	47,096	44,549	44,461	51,941	57,762	61,805	66,131
Deferred contract acquisitions costs	117,906	192,358	260,233	335,933	448,741	594,362	780,021	1,014,057	1,305,757	1,666,027	2,104,343	2,631,870
Goodwill	83,566	416,445	430,645	638,041	638,041	638,041	638,041	638,041	638,041	638,041	638,041	638,041
Intangible assets	15,677	97,336	86,889	114,518	91,429	69,439	49,622	30,296	13,723	10,978	8,234	5,489
Other long-term assets	17,112	25,346	28,965	76,094	102,047	131,730	167,948	211,711	263,874	325,903	396,505	477,205
Total non-current assets	440,259	1,047,429	1,386,273	1,889,213	2,059,382	2,266,889	2,528,187	2,853,934	3,253,512	3,745,667	4,329,734	5,020,780
Total assets	2,732,533	3,618,381	5,026,540	6,646,520	9,019,834	12,139,401	16,297,637	21,505,531	28,162,610	36,381,775	46,307,283	58,294,486
Accounts payable	12,065	47,634	45,372	28,180	41,079	58,051	79,567	111,543	145,752	186,673	233,208	285,595
Accrued expenses	51,117	83,382	137,884	125,896	160,327	193,950	230,698	284,170	332,453	395,025	460,998	531,910
Accrued payroll and benefits	71,907	104,563	168,767	234,624	314,647	406,169	517,841	652,778	813,615	1,004,873	1,222,561	1,471,388
Operating lease liabilities	8,977	9,820	13,046	14,150	14,565	14,221	13,486	13,460	15,620	17,300	18,467	19,716
Deferred revenue	701,988	1,136,502	1,727,484	2,270,757	3,045,245	3,931,017	5,011,813	6,317,767	7,874,394	9,725,440	11,832,287	14,240,507
Other current liabilities	17,499	24,929	16,519	23,672	26,180	28,955	32,023	35,416	39,169	43,319	47,909	52,986
Total current liabilities	863,553	1,406,830	2,109,072	2,697,279	3,602,044	4,632,363	5,885,427	7,415,134	9,221,002	11,372,630	13,815,429	16,602,102
Long-term debt	738,029	739,517	741,005	742,494	742,494	742,494	742,494	742,494	742,494	742,494	742,494	742,494
Deferred revenue, noncurrent	209,907	392,819	627,629	783,342	1,050,517	1,356,081	1,728,923	2,179,437	2,716,426	3,354,981	4,081,778	4,912,541
Operating lease liabilities, noncurrent	31,986	25,379	29,567	36,230	35,891	35,043	33,232	33,169	38,491	42,631	45,507	48,584
Other non-current liabilities	17,184	16,193	31,833	50,086	67,169	86,706	110,545	139,351	173,685	214,514	260,984	314,102
Total non-current liabilities	997,106	1,173,908	1,430,034	1,612,152	1,896,071	2,220,325	2,615,194	3,094,451	3,671,096	4,354,619	5,130,764	6,017,722
Total Liabilities	1,860,659	2,580,738	3,539,106	4,309,431	5,498,115	6,852,688	8,500,621	10,509,585	12,892,097	15,727,249	18,946,193	22,619,823
Common stock	112	115	118	121	121	121	121	121	121	121	121	121
Paid-in capital	1,598,259	1,991,807	2,612,705	3,364,328	4,166,841	5,145,470	6,320,093	7,708,683	9,324,602	11,178,585	13,261,693	15,561,154
Retained earnings	-730,116	-964,918	-1,148,163	-1,058,836	-676,719	109,646	1,445,326	3,255,666	5,914,313	9,444,344	14,067,801	20,081,912
Accumulated other comprehensive (loss) income	2,319	-1,240	-1,019	-1,663	-1,663	-1,663	-1,663	-1,663	-1,663	-1,663	-1,663	-1,663
Non-controlling interest	1,300	11,879	23,793	33,139	33,139	33,139	33,139	33,139	33,139	33,139	33,139	33,139
Shareholders' equity	871,874	1,037,643	1,487,434	2,337,089	3,521,719	5,286,713	7,797,016	10,995,946	15,270,513	20,654,526	27,361,090	35,674,663

Appendix

Operating Model – CF Statement

Statement of Cashflows

Fiscal year	2023A	2024A	2025P	2026P	2027P	2028P	2029P	2030P	2031P	2032P
Fiscal year end date	31/01/2023	31/01/2024	31/01/2025	31/01/2026	31/01/2027	31/01/2028	31/01/2029	31/01/2030	31/01/2031	31/01/2032
Net Income	(183,245)	89,327	382,117	786,365	1,335,680	1,810,339	2,658,648	3,530,030	4,623,457	6,014,111
D&A	77,245	126,838	176,185	222,969	280,124	350,155	262,505	279,099	288,873	287,842
Amortization of intangible assets	10,447	(27,629)	23,089	21,990	19,817	19,326	16,573	2,745	2,745	2,745
Stock based compensation	526,504	631,519	802,513	978,628	1,174,623	1,388,591	1,615,919	1,853,983	2,083,107	2,299,461
Change in working capital assets	(436,655)	(431,724)	(499,072)	(574,942)	(690,897)	(825,980)	(978,953)	(1,142,693)	(1,291,722)	(1,461,039)
Change in working capital liabilities	933,826	742,816	1,171,525	1,336,227	1,626,640	1,980,247	2,340,697	2,788,503	3,168,430	3,616,186
Cash from operating activities	928,122	1,131,147	2,056,358	2,771,238	3,745,988	4,722,678	5,915,388	7,311,668	8,874,890	10,759,307
Capital expenditures (PPE)	(235,000)	(176,500)	(211,422)	(256,414)	(315,140)	(385,171)	(288,755)	(300,032)	(310,539)	(309,431)
Purchase of long-term investments	(23,638)	(8,974)	(19,183)	(21,940)	(26,770)	(32,347)	(38,556)	(45,848)	(52,184)	(59,649)
Purchase of other long-term assets	(3,619)	(47,129)	(25,953)	(29,683)	(36,218)	(43,763)	(52,163)	(62,029)	(70,601)	(80,700)
Goodwill	0	0	0	0	0	0	0	0	0	0
Cash from investing activities	(262,257)	(232,603)	(256,559)	(308,036)	(378,128)	(461,281)	(379,475)	(407,909)	(433,324)	(449,780)
Repayment of long-term debt	0	0	0	0	0	0	0	0	0	0
Proceeds from issuance of other non-current liabilities	15,640	18,253	17,083	19,537	23,839	28,805	34,334	40,828	46,471	53,118
Leases	7,414	7,767	76	(1,191)	(2,547)	(88)	7,481	5,820	4,043	4,326
Changes in non-controlling interest	11,914	9,346	0	0	0	0	0	0	0	0
Cash from financing activities	34,968	35,366	17,159	18,346	21,292	28,717	41,815	46,649	50,514	57,444
Net change in cash during period	700,833	933,910	1,816,958	2,481,548	3,389,152	4,290,114	5,577,729	6,950,407	8,492,080	10,366,971

DCF

Discounted Cash Flow Valuation

\$ in thousands except per share

Most recent fiscal year end	1/31/24	Discount rate (WACC)	10.30%
End of first fiscal year	1/31/24	Share price	
Most recent quarter end date	4/30/24	Share price date	
Valuation date	6/22/2024	Midyear adjustment?	0
Portion of First Year Cash Flows	39.44%	Active Case:	Base Case

Unlevered Free Cash Flows

Fiscal year ended	LTM	Actual		Forecasts						
	6/22/24	1/31/24	1/31/25	1/31/26	1/31/27	1/31/28	1/31/29	1/31/30	1/31/31	1/31/32
Sales	3,466,629	3,055,555	4,097,715	5,289,619	6,743,949	8,501,255	10,595,868	13,086,656	15,921,652	19,162,179
% growth			34.1%	29.1%	27.5%	26.1%	24.6%	23.5%	21.7%	20.4%
EBITDA	225,911	124,843	381,071	804,827	1,426,596	1,965,394	2,805,513	3,812,496	5,065,369	6,611,361
% margin		4.1%	9.3%	15.2%	21.2%	23.1%	26.5%	29.1%	31.8%	34.5%
EBIT	79,608	(1,995)	204,886	581,858	1,146,471	1,615,238	2,543,008	3,533,397	4,776,496	6,323,519
% margin		(0.1%)	5.0%	11.0%	17.0%	19.0%	24.0%	27.0%	30.0%	33.0%
Tax on EBIT		(21)	12,293	58,186	160,506	258,438	457,742	706,679	1,003,064	1,327,939
Tax rate		1.1%	6.0%	10.0%	14.0%	16.0%	18.0%	20.0%	21.0%	21.0%
NOPAT		(1,974)	192,593	523,672	985,965	1,356,800	2,085,267	2,826,718	3,773,432	4,995,580
D&A		126,838	176,185	222,969	280,124	350,155	262,505	279,099	288,873	287,842
Changes in NWC			(518,578)	(599,807)	(745,278)	(937,675)	(1,126,095)	(1,375,026)	(1,593,437)	(1,857,487)
Capex		(176,500)	(211,422)	(256,414)	(315,140)	(385,171)	(288,755)	(300,032)	(310,539)	(309,431)
as % of sales		(5.8%)	(5.2%)	(4.8%)	(4.7%)	(4.5%)	(2.7%)	(2.3%)	(2.0%)	(1.6%)
Unlevered Free Cash Flows (UFCF)		(51,636)	675,934	1,090,034	1,696,228	2,259,460	3,185,111	4,180,812	5,345,203	6,831,478
% UFCF Margin		-1.69%	16.50%	20.61%	25.15%	26.58%	30.06%	31.95%	33.57%	35.65%
Net working Capital		(1,414,632)	(1,933,210)	(2,533,017)	(3,278,295)	(4,215,970)	(5,342,064)	(6,717,091)	(8,310,528)	(10,168,014)

DCF

Present value of UFCF on 00 dd, yyyy valuation date

	Val date	Yr 1- Stub	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Date for discounting Cash Flows	6/22/24	1/31/25	1/31/26	1/31/27	1/31/28	1/31/29	1/31/30	1/31/31	1/31/32
UFCF stub adjustment	39.44%	404,353	1,060,941	1,627,440	2,178,698	3,108,821	4,145,478	5,345,203	6,831,478
Present value of UFCF		380,850	905,982	1,259,992	1,529,306	1,977,929	2,391,245	2,795,426	3,239,164

Terminal value - growth in perpetuity approach

Long term growth rate	3%
2032 FCF * (1+g)	7,036,423
Terminal Value 2032	96,422,546
Present Value of Terminal Value	45,719,009
Present Value of stage 1 Cash Flows	14,479,894
Total Enterprise Value (TEV)	60,198,904

Terminal value as % of TEV	76%
Stage 1 Cash Flows as % of TEV	24%

Net debt

Source doc	Q1 10-Q FY25
Source date	4/30/24
<u>Gross debt and equivalents</u>	
Debt	792,976
Convertible debt	0
Preferred stock	0
Non-controlling interests	33,242
<u>Non-operating assets</u>	
Cash	3,702,437
Net debt	-2,876,219

Valuation

	Perpetuity approach
Enterprise Value	60,198,904
Net debt	-2,876,219
Equity Value	63,075,123
Shares outstanding	244,867
Equity Value per share	\$257.59

Shares outstanding

	Source doc	Date	Shares
Basic shares	Q1 10-Q FY25	4/30/24	243,360,639
Restricted stock			0
Options/Warrants			1,506,735
Convertible debt			0
Convertible preferred stock			0
Net diluted shares outstanding			244,867,374

WACC	
<u>Cost of Equity - Planning Period</u>	
Risk-free rate	4.23%
Relevered Beta	1.21
Implied market risk premium	5.0%
Cost of Equity	10.30%
<u>Cost of Debt - Planning period</u>	
S&P Credit Rating (as of 15.06.2024)	BB+
Assumed credit spread	2.39%
Risk-free rate	4.23%
Cost of debt using default spread	6.63%
Equity Ratio	100.00%
Debt Ratio	0.00%
Tax Rate	26.20%
WACC	10.30%

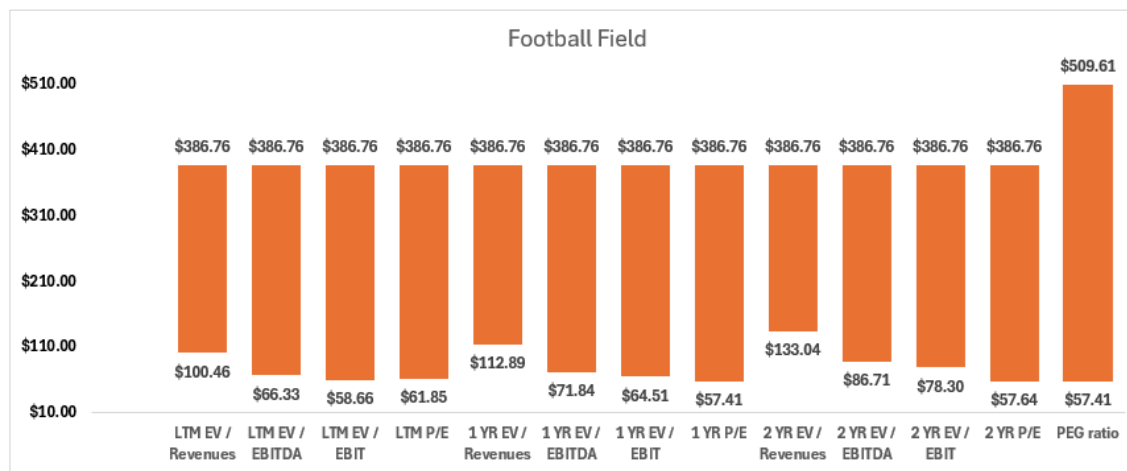
COMPARABLE COMPANY ANALYSIS OUTPUT



Name	Ticker	Market capitalization (mm)	Enterprise value (EV)	Last Twelve Months (LTM)				Year 1 Forecast - Calendar Year				Year 2 Forecast - Calendar Year				Long-term growth rate	Net debt	Diluted shares outstanding
				Revenues - LTM	EBITDA - LTM	EBIT - LTM	EPS - LTM	Revenues - Calendar year 1	EBITDA - Calendar year 1	EBIT - Calendar year 1	EPS - Calendar year 1	Revenues - Calendar year 2	EBITDA - Calendar year 2	EBIT - Calendar year 2	EPS - Calendar year 2			
CrowdStrike	CRWD	94,704.9	91,828.7	3,284.0	884.1	743.2	\$ 3.44	3,916.9	1,035.0	884.7	\$ 3.92	4,945.5	1,363.8	1,177.7	\$ 4.84	38%	(2,876.2)	244.9
Palo Alto Networks	PANW	101,265.6	98,745.0	7,791.3	2,234.2	1,957.7	\$ 5.45	8,465.5	2,549.8	2,306.7	\$ 5.84	9,740.9	2,945.0	2,735.2	\$ 6.66	24%	(2,520.6)	333.8
Zscaler, Inc	ZS	26,118.4	23,976.2	2,029.9	463.7	400.7	\$ 3.08	2,342.1	549.6	469.8	\$ 3.11	2,874.2	714.0	598.4	\$ 3.60	34%	(2,142.2)	152.7
Check Point Software	CHKP	17,791.6	16,189.2	2,447.3	1,070.9	1,047.4	\$ 8.66	2,560.4	1,138.6	1,108.5	\$ 9.10	2,695.6	1,202.8	1,169.9	\$ 10.05	5%	(1,602.4)	114.4
Fortinet, Inc	FTNT	45,091.1	43,664.0	5,395.8	1,678.1	1,563.6	\$ 1.72	4,000.7	1,058.3	909.0	\$ 4.01	5,059.7	1,395.2	1,210.8	\$ 4.93	38%	(1,427.1)	768.3

Name	Ticker	Last Twelve Months (LTM)				Year 1 Forecast - Calendar Year				Year 2 Forecast - Calendar Year				PEG ratio
		EV/Revenues - LTM	EV/EBITDA - LTM	EV/EBIT - LTM	P/E - LTM	EV/Revenues - Year 1	EV/EBITDA - Year 1	EV/EBIT - Year 1	P/E - Year 1	EV/Revenues - Year 2	EV/EBITDA - Year 2	EV/EBIT - Year 2	P/E - Year 2	
CrowdStrike	CRWD	28.0x	103.9x	123.6x	112.3x	23.4x	88.7x	103.8x	98.6x	18.6x	67.3x	78.0x	79.9x	2.6x
Palo Alto Networks	PANW	12.7x	44.2x	50.4x	55.7x	11.7x	38.7x	42.8x	52.0x	10.1x	33.5x	36.1x	45.6x	2.1x
Zscaler, Inc	ZS	11.8x	51.7x	59.8x	55.5x	10.2x	43.6x	51.0x	54.9x	8.3x	33.6x	40.1x	47.5x	1.6x
Check Point Software	CHKP	6.6x	15.1x	15.5x	18.0x	6.3x	14.2x	14.6x	17.1x	6.0x	13.5x	13.8x	15.5x	3.4x
Fortinet, Inc	FTNT	8.1x	26.0x	27.9x	34.0x	10.9x	41.3x	48.0x	14.6x	8.6x	31.3x	36.1x	11.9x	0.4x

Methodology	Lower Value	Column Value	Upper Value
LTM EV / Revenues	\$100.46	\$286.30	\$386.76
LTM EV / EBITDA	\$66.33	\$320.43	\$386.76
LTM EV / EBIT	\$58.66	\$328.10	\$386.76
LTM P/E	\$61.85	\$324.91	\$386.76
1 YR EV / Revenues	\$112.89	\$273.87	\$386.76
1 YR EV / EBITDA	\$71.84	\$314.92	\$386.76
1 YR EV / EBIT	\$64.51	\$322.25	\$386.76
1 YR P/E	\$57.41	\$329.35	\$386.76
2 YR EV / Revenues	\$133.04	\$253.72	\$386.76
2 YR EV / EBITDA	\$86.71	\$300.05	\$386.76
2 YR EV / EBIT	\$78.30	\$308.46	\$386.76
2 YR P/E	\$57.64	\$329.12	\$386.76
PEG ratio	\$57.41	\$452.20	\$509.61



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