

DESK NOTE

11.02.2025

Akamai Technologies (AKAM US) – No Clear Catalysts for AKAM: Stay on the Sidelines

Conclusive Summary: Avoid AKAM stock for now and consider revisiting near \$85.

With no clear near-term catalysts, we expect the stock to trade around its two-year average multiples in the near-term. While Akamai maintains a leadership position in CDN, the segment faces **growing competition from hyperscalers and increasing commoditization**. Its largest revenue driver, **Security Solutions**, requires continuous innovation and heavy R&D investment to stay competitive in the fast-evolving cybersecurity market. Meanwhile, its **expansion into cloud computing** via Linode pits it against hyperscalers like AWS and Google Cloud, where we see limited upside. Given these challenges, we recommend staying on the sidelines until a more favorable entry point or a material shift in Akamai's growth trajectory emerges.

Competitive Position: Akamai Technologies leverages its extensive edge network (4,100+ locations) to compete in content delivery, cybersecurity, and cloud computing. It remains a leader in CDN but faces growing competition from cloud-native providers like AWS, Google Cloud, and Cloudflare. In cybersecurity, Akamai differentiates with integrated performance and security solutions but contends with Cloudflare, Palo Alto Networks, and Zscaler. Its cloud computing expansion via Linode positions it as an edge-focused alternative to hyperscalers, though AWS, Google Cloud, and Azure dominate enterprise adoption. While Akamai's strength lies in its security-driven, edge-to-cloud approach, it faces pricing pressure, CDN commoditization, and the need to scale its cloud infrastructure.

Valuation: Using a combination of EV/Rev, EV/EBIT, P/FCF and P/E multiples, we reach a blended target price (TP) of \$107 (+3% upside). We don't see any significant catalysts ahead and expect AKAM to trade within its 2-year mean multiple range for the near future. The stock is trading near its 2-year multiple averages and one standard deviation below its 5-year averages. We recommend reconsidering AKAM around \$85.

Ticker: AKAM US

Previous day close price: \$102

Price range (52w.): \$85 - \$127

Reason for note: Initiation

Target price: \$105 (+3% upside)

Recommendation: ***Avoid***

Description: Akamai Technologies, Inc. is a global leader in cloud computing, cybersecurity, and content delivery solutions. The company operates Akamai Connected Cloud, a highly distributed platform with over 4,100 edge locations across 130 countries, enabling enterprises to build, secure, and optimize digital experiences. Akamai generates revenue through three primary segments:

- **Security Solutions (52% of Revenue)**, which provide cybersecurity services like web application and API protection, bot management, and zero-trust security.
- **Content Delivery Solutions (32%)**, ensuring fast and reliable web, mobile, and streaming performance.
- **Compute Solutions (16%)**, offering cloud computing services to enterprises and developers as an alternative to traditional hyperscale providers.

Additional revenue streams include professional services, strategic partnerships, and government contracts.

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Multiple Next 12 Months		Financial Metric	Target EV	Net Debt	Target MCap	Shares	Target Price
EV/Rev	4.70	4,291	20,168	2,672	17,497	150.62	\$116
EV/EBIT	14.00	570	18,788	2,672	16,117	150.62	\$107
P/FCF	18.50	908				150.62	\$101
P/E	15.30	3.47				150.62	\$105
Avg. Multiple Price							\$107
DCF Price							\$103
Avg. Multiple & DCF Price							\$105

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Earnings Preview:

AKAM	Expected Report Date		Next FY End	
AKAMAI TECHNOLOGIES INC	2/20/2025	Aft-mkt	12/31/2024	
Quarterly Preview		Last Q Report		
Last Close	Estimate	11/7/2024		
102.10	Q4	2024 Q3		Year Ago
			% Surprise	
Sales, \$ mil.	1,017	1,005	0.49%	995
growth	qoq	1.2%	yoy	2.2%
EBITDA, \$ mil.	412	323	1.51%	334
growth	qoq	27.3%	yoy	23.4%
Net Income, \$ mil.	233	133	-0.73%	169
growth	qoq	75.1%	yoy	38.0%
EPS, \$	1.52	0.87	0.00%	1.08
growth	qoq	74.3%	yoy	40.6%
EPS GAAP, \$	0.83	0.38	-60.13%	1.03
growth	qoq	118.9%	yoy	-19.2%
Valuation	Current	-1STD	Average 2Y	+1STD
EV to Forward 12M Sales	4.20	3.90	4.27	4.65
EV to Forward 12M EBITDA	9.56	8.87	9.66	10.46
Price to Forward 12M EPS	14.82	13.94	15.25	16.56
EV/Sales	Fairly Priced			
EV/EBITDA	Fairly Priced			
PE	Fairly Priced			
Total Rating on Valuation	Fairly Priced			
Company Guidance	4Q24	3Q24	4Q23	
Sales	1,008	998	995	
growth		1.0%	1.3%	
Gross Margin	N/A	73.0%	N/A	
EPS	1.53	1.59	1.60	
growth		-4.1%	-4.4%	

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