

# Software Infrastructure Industry

Valuation Report 2023

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# Executive summary

## Software Infrastructure Valuation Report

 This valuation report encompasses analysis of **349** software infrastructure companies.

 Median **EV/EBITDA** multiples are **5.87x** LTM, **1.18x** for 2022 and **5.23x** for 2021.

 The **profitability 2,9% median** (EBITDA / Revenue), despite decreasing at the beginning of the year, has recovered and surpassed the historical levels of 2020.

 Median **EV/Revenue** multiples are **3.23x** LTM, **3.21x** for 2022 and **5.35x** for 2021.

 The **debt level** (traditionally low) has decreased with median levels of 20% of Debt-to-assets and 28% of Debt to equity.

 The impact of the margin % on the EBITDA multiple has grown showing that the Investors are valuing profitability positively.

 The **cash flow** level of companies, after two robust years, **remains in a positive trend**.

# Financial Analysis

# Profitability

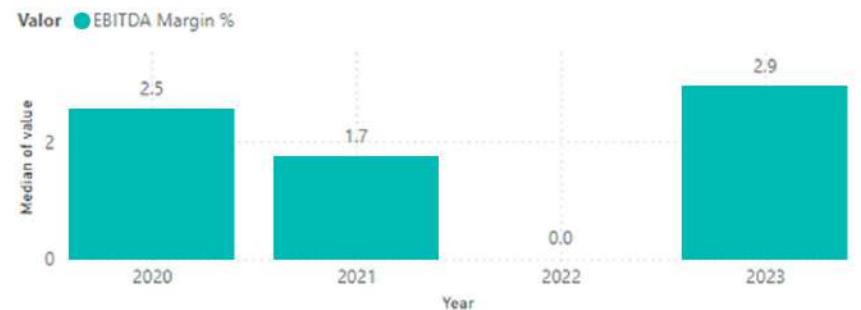
## (EBITDA / Revenue)

The profitability 2.9%, measured as **EBITDA / Revenue**, despite decreasing at the beginning of the year, **has recovered and surpassed the levels** of 2020 (2.5% median).

### Median Values



### Median Values



### Outstanding Performers: EBITDA / Revenue

Company	Year / Valor	2019	2020	2021	2022	2023
Adobe Inc	EBITDA Margin %	36.87	39.24	41.85	39.62	40.11
Check Point Software Technology Ltd	EBITDA Margin %	49.57	48.43	45.45	41.47	42.46
Cielo SA	EBITDA Margin %	37.72	23.71	16.15	45.11	58.43
Corpay Inc	EBITDA Margin %	56.71	53.04	53.17	51.43	53.50
VeriSign Inc	EBITDA Margin %	72.72	70.10	68.80	70.35	73.40

# The King of Profitability

(EBITDA / Revenue)



**Verisign Inc.** is a global provider of **domain name registry services** and internet infrastructure. It enables the security, stability, and resiliency of key internet infrastructure and services, including the .com and .net top-level domains, and provides internet security services, including managed DNS, DDoS protection, and cyber-threat reporting.

The company operates through two main business segments: **Registry Services and Security Services**. The Registry Services segment manages the domain name system (DNS) registry for .com, .net, and other domains, ensuring the availability and integrity of these key internet resources.

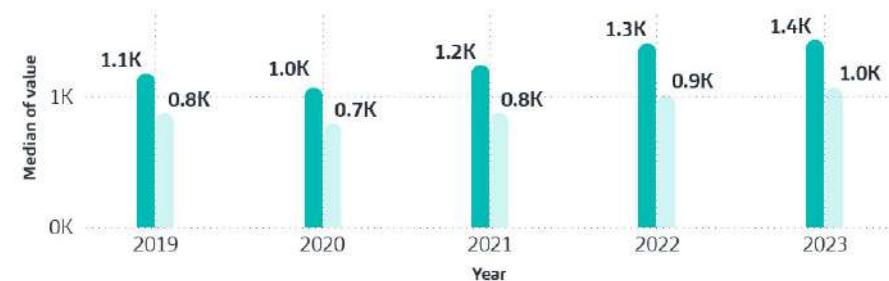
The Security Services segment provides a range of cybersecurity solutions, to help organizations safeguard their online presence.

## Digital Garage, Inc.

Company	Year / Valor	2019	2020	2021
VeriSign Inc	Revenue	1,108.50	1,039.87	1,174.93
	EBITDA	806.15	728.90	808.36
	EBITDA Margin %	72.72	70.10	68.80

## Median Values

Valor ● Revenue ● EBITDA



# Cash Generation Metrics

Cash flow level, after two robust years, **remains steady**. Cash generation from operations has experienced a slight deceleration, awaiting developments in the next year's first quarter (Q1).

Year Quarter	2023			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Beginning Cash Position	353.99	761.57	327.20	149.47
Change in Working Capital	53.99	-58.15	36.36	-70.33
Cash Flow from Financing	-207.82	-205.74	-204.36	-207.52
Cash Flow from Investing	382.75	-367.63	-199.58	95.46
Cash Flow from Operations	241.91	134.11	229.85	187.25
Ending Cash Positions	770.64	322.31	152.73	225.12
Free Cash Flow	236.58	128.11	203.05	182.67

Year	2019	2020	2021	2022	2023
Beginning Cash Position	330.08	425.47	363.38	215.99	347.54
Change in Working Capital	50.91	-139.9	-75.14	52.58	-39.52
Cash Flow from Financing	-693.27	-628.73	-636.4	-977.8	-815.95
Cash Flow from Investing	150.48	-59.4	-238.24	335.78	-89.32
Cash Flow from Operations	678.50	600.21	714.37	784.56	782.94
Ending Cash Positions	465.84	337.51	202.49	357.78	225.12
Free Cash Flow	642.22	564.54	667.47	758.69	740.94

# Investment Analysis



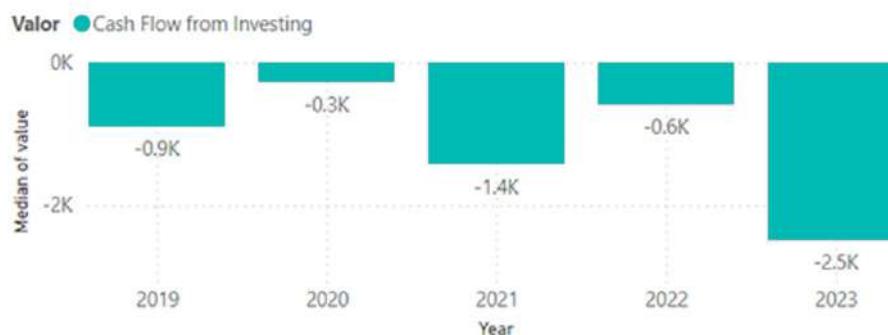
**Oracle Corporation** is an American multinational computer technology corporation. The company primarily specializes in developing and marketing **database software** and technology, cloud-engineered systems, and enterprise software products - particularly its own brands of database management systems.

In recent years, Oracle has also expanded into software as a service (SaaS), platform as a service (PaaS), and infrastructure as a service (IaaS) offerings.

- Investment in **Cohesity**: Oracle's investment in Cohesity, a data management and security company, aims to enhance its data protection and management capabilities, particularly in hybrid cloud environments.
- Partnership with **NVIDIA**: Oracle partnered with NVIDIA to integrate its AI technologies into Oracle Cloud Infrastructure, boosting Oracle's AI and machine learning capabilities.

After the year 2021, which marked the highest investment level in the last five years, **investment in 2023 has surpassed these levels**.

## Median Values



## Leading Companies in Cash Flow Investment

Company	Year	2023			
	Quarter	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Akamai Technologies Inc		-111,98	-229,23	-1090,82	-289,62
Microsoft Corp		-3048,58	-8430,68	471,31	-65955,23
Oracle Corp		-2594,65	-1483,04	-1432,35	-1154,08
Palantir Technologies Inc		-1451,99	-360,98	-183,9	-521,98
WEX Inc		-991,91	-240,35	-235,31	-519,85

# Debt Evolution Analysis

The IT sector is traditionally characterized by **low leverage**, with debt representing 20% of the total assets.

Year	2023			
	Quarter	Qtr 1	Qtr 2	Qtr 3
Valor				
Debt-to-equity	0.11	0.12	0.11	0.17
Debt-to-asset	0.17	0.15	0.17	0.16
Degree to Financial Leverage	0.69	0.81	0.94	0.96
Equity-to-Asset	0.43	0.45	0.42	0.42

Year	2020	2021	2022	2023
	Valor			
Debt-to-equity	0.23	0.18	0.24	0.28
Equity-to-Asset	0.39	0.47	0.48	0.42
Debt-to-Asset	0.20	0.17	0.17	0.20
Degree of Financial Leverage	1.02	0.94	0.90	0.93

# Valuation Analysis

# Multiple Valuation Analysis

## (EV / Revenue)

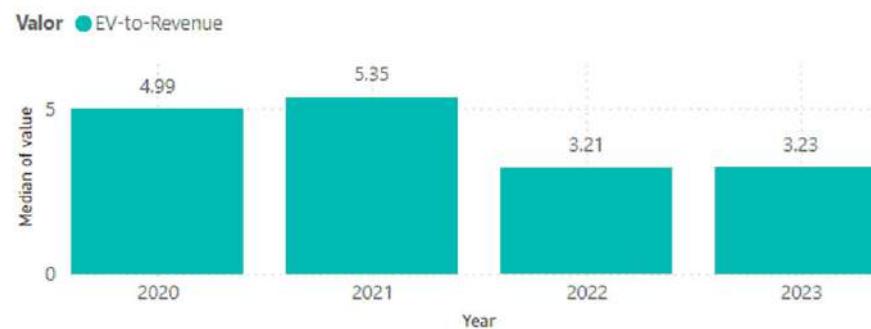
The **enterprise value-to-revenue multiple (EV/Revenue)** compares a company's enterprise value (EV) to its annual revenue. It is a valuable tool to assess a company's valuation, particularly for early-stage or high-growth companies that may not have positive earnings yet.

Following the COVID-19 pandemic, in **2021**, investors showed increased optimism about economic recovery, leading to a rise in multiples. However, in **2022**, a decline to **3.21x** was observed. In **2023**, a slight recovery in the multiple has been noted, remaining stable above **3.23x**.

### Median Values



### Median Values

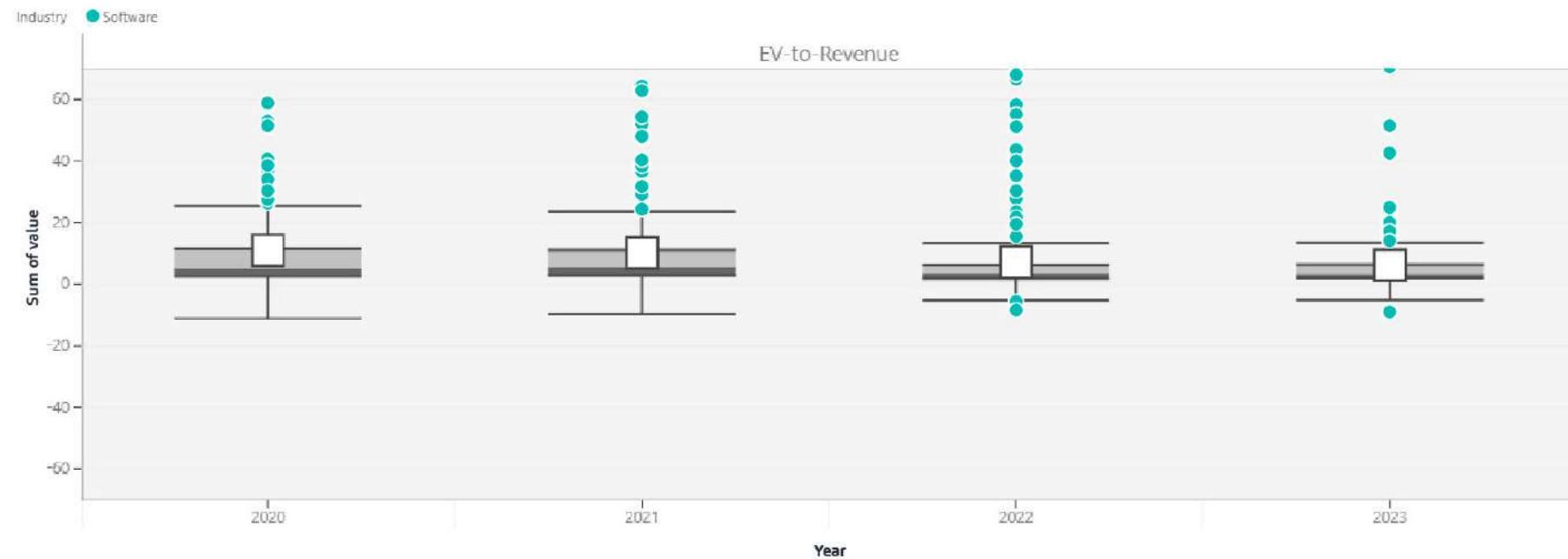


# Multiple Valuation Analysis

## (EV / Revenue)

The analysis of the **EV/Revenue** multiple chart reveals stable dispersion levels over the years. However, the last two years exhibit a IQR decrease, indicating greater concentration. The IQR in **2021** was **8.32**, while **2022** and **2023** record values of **4.63** and **4.63**, respectively.

### Descriptive Analytics



# Multiple Valuation Analysis

## (EV to EBITDA)

The **EV/EBITDA** multiple is a financial metric used to compare a company's enterprise value (**EV**) to its earnings before interest, taxes, depreciation, and amortization (EBITDA).

In **2021**, similar to the **EV/Revenue** multiple, investor optimism about economic recovery led to a significant increase in the **EV/EBITDA** multiple, reaching **5.23x**. However, in **2022**, the multiple decreased to **1.18x**, suggesting a more cautious outlook from investors due to factors such as rising inflation and interest rates. As of **2023**, the multiple has shown a slight recovery, surpassing the levels seen in **2021** and **2022**, indicating potential improvement in market sentiment.

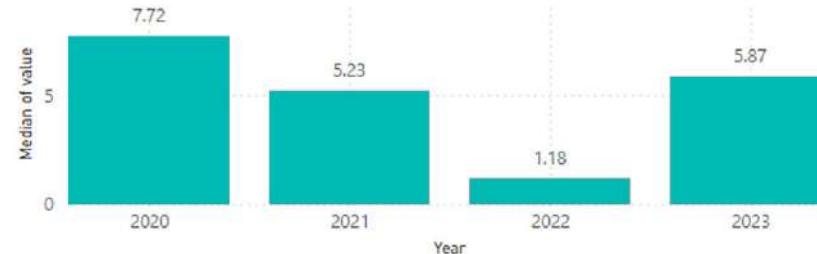
### Median Values

Valor ● EV-to-EBITDA



### Median Values

Valor ● EV-to-EBITDA

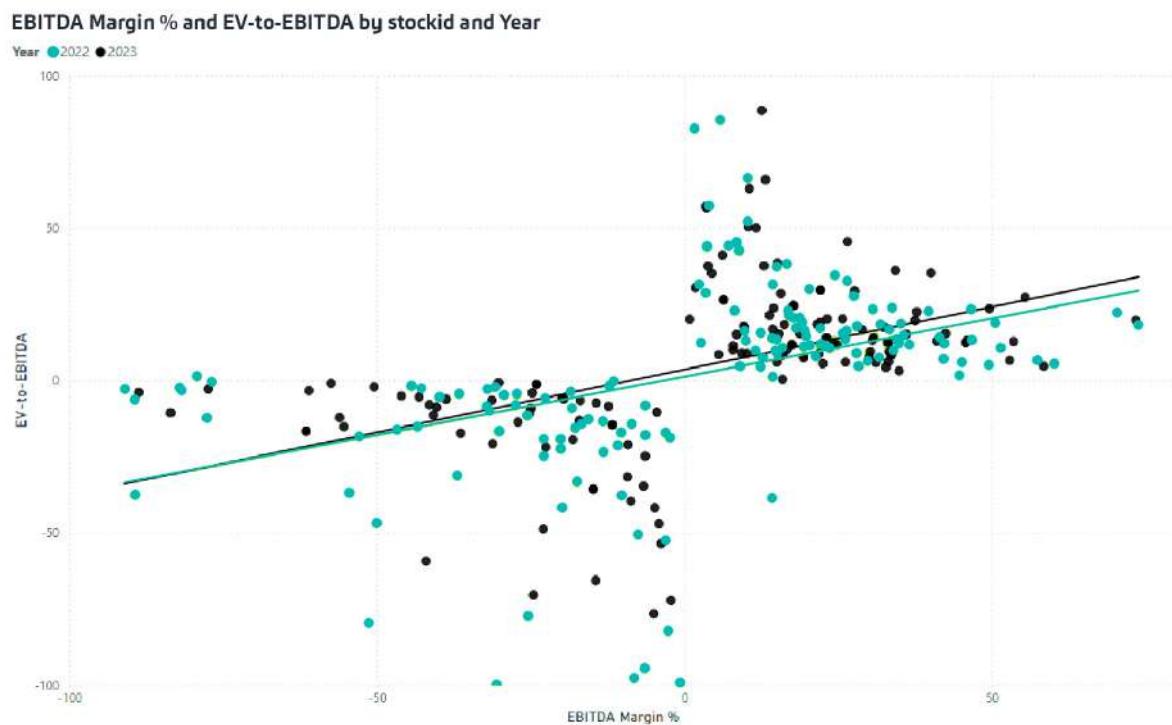


# Financials vs. Multiples

# EBITDA Margin vs. EV/EBITDA

During 2023, the impact of the margin (EBITDA/Rev.) on the EBITDA multiple (EV/EBITDA) **has grown significantly**, as can be seen in the steeper slope of the 2023 trend line over the 2022 trend line.

**Investors are valuing profitability positively.**



# Rockstars

# Gen Digital Inc.



**Gen Digital Inc.** stands out as a premier developer and operator of state-of-the-art data centers across **North America** and **Europe**. With an extensive network strategically located in major economic hubs throughout these regions, the company guarantees optimal connectivity and accessibility for its clients.

Offering a comprehensive suite of data center services, including colocation, managed hosting, and cloud solutions, **Gen Digital** is at the forefront of addressing diverse business needs.

The company's impressive valuation multiples can be attributed to its dominant position in North America's data center market, driven by a burgeoning demand for **premium services**. This success is further bolstered by strategic expansion initiatives, a consistent record of strong financial performance, and a steadfast commitment to fostering innovation within the industry.

Year Quarter Valor	2023			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Capex-to-Revenue	0.00	0.00	0.01	0.01
Cash Conversion Cycle	-20,42	-21,24	-19,01	-17,57
COGS-to-Revenue	0.20	0.19	0.19	0.19
Debt-to-Asset	0.62	0.61	0.58	0.57
EBITDA Margin %	48.36	52.75	16.56	49.42
FCF Margin %	34.11	23.47	12.66	32.28
Gross Margin %	79.94	81.08	81.01	80.86
Net Margin %	96.62	19.98	15.72	15.14

Year Quarter Valor	2023			
	Qtr 1	Qtr 2	Qtr 3	Qtr 4
EV-to-EBIT	16.64	15.80	18.29	21.54
EV-to-EBITDA	13.07	11.95	12.59	14.74
EV-to-Revenue	6.01	5.83	5.36	6.16

Year Valor	2020	2021	2022	2023
Cash Conversion Cycle	-56,45	-56,54	-34,8	-27,27
COGS-to-Revenue	0.16	0.14	0.15	0.18
Debt-to-Asset	0.56	0.58	0.55	0.62
EBITDA Margin %	55.26	45.71	46.78	45.96
FCF Margin %	-38,15	27.44	34.62	22.50
Gross Margin %	84.22	85.81	85.41	82.35
Net Margin %	156.10	21.72	29.90	40.41

Year Valor	2020	2021	2022	2023
EV-to-Revenue	5.25	5.91	6.21	6.01
EV-to-EBITDA	9.51	12.93	13.28	13.07
EV-to-EBIT	12.89	14.84	14.87	16.64

# Corpay Inc.

# Corpay<sup>▲</sup>

**Corpay**, a leading global fintech company based in the United States, excels in **cross-border payments**, currency risk management, and expense management. Its innovative and customer-centric approach has established it as a key player in the fintech sector.

**Corpay**'s high valuation is driven by its strong market position, especially in North America, and its **growing international presence**. Significant recurring revenue from diverse financial services ensures stability and predictability, attracting investors.

Furthermore, **Corpay**'s commitment to leveraging advanced technologies like **AI** and **blockchain**, along with strict regulatory compliance, ensures secure and efficient transactions. This focus on innovation and security aligns with industry trends and supports long-term growth.

Year Quarter Valor	2023	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Capex-to-Revenue	0.04	0.04	0.04	0.04	
Cash Conversion Cycle	-552,1	-568,7	-539,17	-569,32	
COGS-to-Revenue	0.23	0.22	0.21	0.21	
Debt-to-Asset	0.47	0.45	0.46	0.43	
EBITDA Margin %	50.91	52.60	55.94	54.36	
FCF Margin %	32.28	48.18	4.01	123.82	
Gross Margin %	77.26	78.35	78.55	78.51	
Net Margin %	23.84	25.28	27.96	27.30	

Year Quarter Valor	2023	Qtr 1	Qtr 2	Qtr 3	Qtr 4
EV-to-EBIT	14.08	15.56	15.02	15.30	
EV-to-EBITDA	11.54	12.79	12.40	12.74	
EV-to-Revenue	5.96	6.64	6.57	6.81	

Year Valor	2020	2021	2022	2023
Cash Conversion Cycle	-505,73	-580,51	-489,61	-513
COGS-to-Revenue	0.25	0.20	0.22	0.22
Debt-to-Asset	0.38	0.45	0.50	0.43
EBITDA Margin %	53.04	53.17	51.43	53.50
FCF Margin %	58.36	38.31	17.61	51.82
Gross Margin %	75.04	80.24	77.69	78.18
Net Margin %	29.48	29.63	27.85	26.13

Year Valor	2020	2021	2022	2023
EV-to-Revenue	10.97	7.81	5.57	6.81
EV-to-EBITDA	20.67	14.68	10.82	12.74
EV-to-EBIT	25.88	18.09	13.24	15.30

# Check Point Software Technologies Ltd.



**CHECK POINT™**

**Checkpoint Software Technologies Ltd.** is a leading provider of **cybersecurity solutions**, renowned for its comprehensive protection against all types of cyber threats.

**Checkpoint Software** commands a high valuation multiple due to its strong market position and innovative product offerings. Its focus on cutting-edge security technologies, such as advanced threat prevention and cloud security, ensures robust protection for its clients, fostering long-term customer loyalty and revenue stability.

Additionally, Checkpoint Software's commitment to continuous innovation and adapting to **emerging cyber** threats positions it as a reliable and forward-thinking leader in the cybersecurity landscape.

Year Quarter Valor	2023	Qtr 1	Qtr 2	Qtr 3	Qtr 4
FCF Margin %	67.36	31.83	36.26	35.31	
Gross Margin %	87.97	88.81	88.75	87.72	
Debt-to-Asset	0.00	0.00	0.00	0.00	
Cash Conversion Cycle	41.03	59.92	58.32	16.09	
COGS-to-Revenue	0.12	0.11	0.11	0.12	
Capex-to-Revenue	0.01	0.01	0.01	0.01	
Net Margin %	32.52	34.31	34.38	37.56	
EBITDA Margin %	37.09	39.00	39.56	52.72	

Year Quarter Valor	2023	Qtr 1	Qtr 2	Qtr 3	Qtr 4
EV-to-EBIT	14.55	13.91	14.35	16.08	
EV-to-EBITDA	13.97	13.38	13.80	15.33	
EV-to-Revenue	5.75	5.53	5.69	6.51	

Year Valor	2019	2020	2021	2022	2023
Capex-to-Revenue	0.01	0.01	0.01	0.01	0.01
Cash Conversion Cycle	59.02	67.65	74.23	71.10	48.96
COGS-to-Revenue	0.11	0.11	0.12	0.13	0.12
EBITDA Margin %	49.57	48.43	45.45	41.47	42.46
FCF Margin %	54.06	55.29	54.83	46.20	42.21
Gross Margin %	89.20	89.03	88.09	86.94	88.30
Net Margin %	41.39	41.00	37.64	34.20	34.80

Year Valor	2020	2021	2022	2023
EV-to-Revenue	8.01	6.16	5.84	6.51
EV-to-EBITDA	16.54	13.55	14.07	15.33
EV-to-EBIT	17.00	13.99	14.62	16.08

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