

Cisco Systems, Inc (NASDAQ: CSCO)

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Elevator Pitch on Cisco

Key Facts

- Cisco is the largest networking company in the world and their products and services have a presence in millions of households and businesses
- The market is overly focused on Cisco's declining segments, but they are missing the transition to software, subscriptions, and security
- **10 Year Average Metrics:**
 - Gross Margin: 61.8%
 - EBIT Margin: 23.0%
 - ROIC: 39.85%

Valuation

- Price target: **\$61.53**
- Implied Upside: **18.4%**
- Valuation Methodology: Weighted Average of Base Case Exit Multiple Method and Base Case Perpetuity Growth Method
- LTM EV/EBITDA: 13.0x, LTM EV/FCF: 14.8x

Key Drivers

Discretionary IT Spending

Growth in Technological Expansion

Increased Need for Network Security

Investment Rationale

- Global Recovery in IT Spending
 - Global recovery in discretionary IT spending will drive demand for Cisco's products and services
- Strong Brand with Sticky Customer Base
 - High switching costs for customers as well as their brand reputation further drives demand for their high growth software segments
- Continued Shift into Software and Services
 - Cisco's continued shift into software and services strengthens their moat and provides them with more stable and recurring free cash flow

*We recommend a **BUY** rating for CSCO with a price target of **\$62** indicating a **18% upside***

Investment & Company Overview

Cisco Systems (NYSE: CSCO) Cisco designs and sells a broad range of technologies that have been powering the Internet since 1984.

Company Management



Chuck Robbins

Chairman and CEO

Mr. Robbins has served as CEO of Cisco since 2015 and was elected Chairman of the Board in 2017

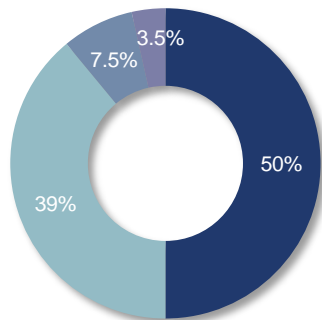


Kelly A. Kramer

EVP and CFO

Kramer has served as CFO of Cisco since 2015. Before being named CFO Kramer was Senior Vice President of Business Technology

FY 2020 Revenue Breakdown

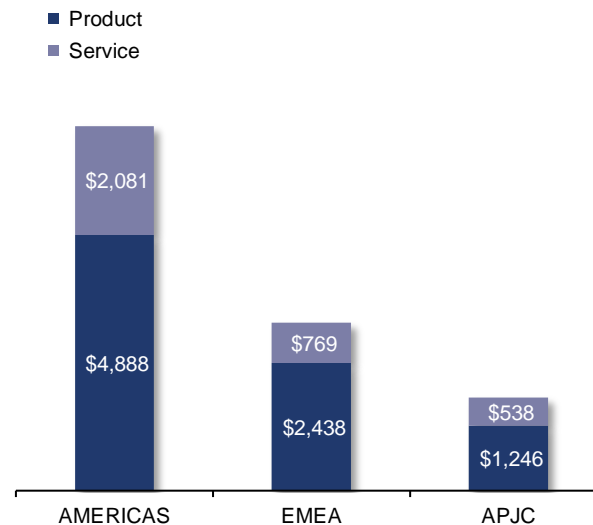


■ Product ■ Infrastructure Platforms ■ Applications ■ Security

Business Model

- Cisco Systems, Inc. is an American multinational technology conglomerate headquartered in San Jose, California, in the center of Silicon Valley. Cisco develops, manufactures and sells networking hardware, software, telecommunications equipment and other high-technology services and products
 - **Product Segment:** Switches, Routers, Wireless, Networking Management, Interfaces & Modules, Optical Networking
 - **Infrastructure Platforms:** Data Center Management and Automation, Data Center Security, Data Center Switches, Hyperconverged Infrastructure, Storage Networking, Virtual Networking
 - **Security:** Next-Generation Firewalls, Advanced Malware Protection, Policy and Access, VP Security Clients, Email Security, Web Security

Q2 2021 Breakdown by Region (Millions)



Financial Information

Enterprise Value	\$204.5B
LTM EBITDA Margin	43.64%
LTM ROIC	15.80%
EV / FY1 EBITDA	11.31x
P / FY1 Earnings	15.75x
Net Debt / LTM EBITDA	0.0x
Share Price	\$51.98

Cisco is Well Diversified Across their Segments

Network Platforms



- Cisco's switches portfolio, encompasses campus switching as well as data center switching offerings. Campus switching provides the foundation for converged data, voice, video, and IoT services



- The router portfolio interconnects public and private wireline and mobile networks, delivering highly secure and reliable connectivity to campus, data center and branch networks



- The wireless coverage portfolio provides indoor and outdoor wireless coverage designed for seamless roaming use of voice, video, and data applications. Products include wireless access points, and Meraki cloud-managed offerings (remote connectivity platform)



- The data center portfolio incorporates various technologies and solutions including the Cisco Unified Computing System (data room) and Hyperflex, which are software management capabilities which combine computing, networking, and storage infrastructure management and virtualization to deliver agility, simplicity and scale

Applications



- Collaboration products integrate voice, video, and messaging on fixed and mobile networks across a wide range of devices such as mobile phones, tablets, desktop and laptops. The most popular platform, being Cisco Webex used by businesses worldwide



- Analytics solutions help businesses deliver digital experiences by connecting the end-user panel seamlessly. The control center platform enables enterprises to automate the lifecycle of connected devices

Security

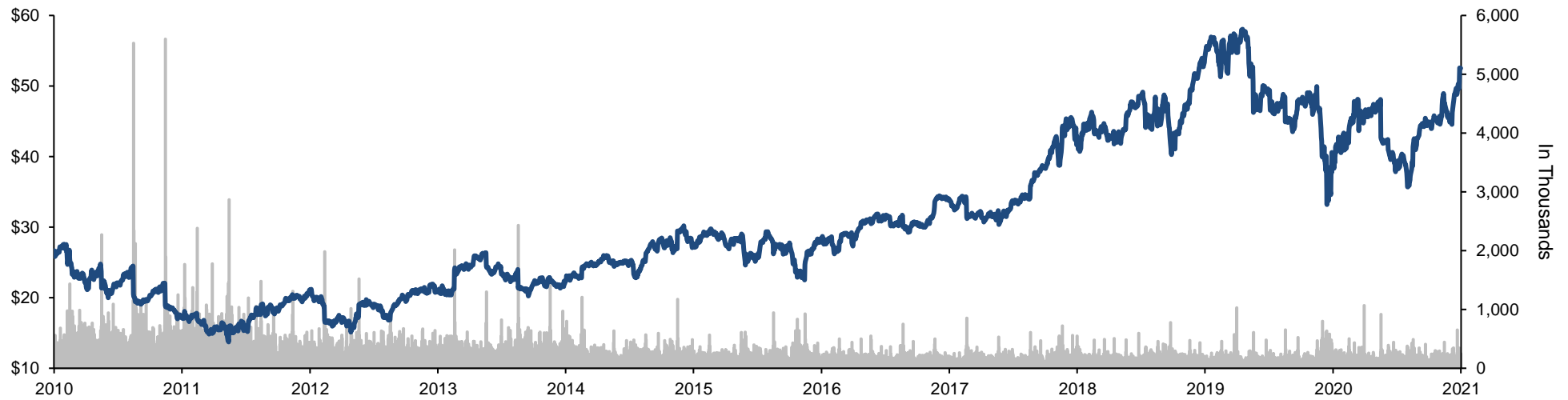


- Includes network security, cloud and email security, identity and access management, advanced threat protection, and unified threat management products. All offerings are powered by cloud-delivered threat intelligence based on the Cisco Talos technology

Share Performance

Stock Price Graph & 10 Year LTM EV/EBITDA

10-Year Stock Performance Chart



10-Year LTM EV/EBITDA



Industry Overview

Industry Dynamics & Major Players

Overview of the Enterprise Networking Industry

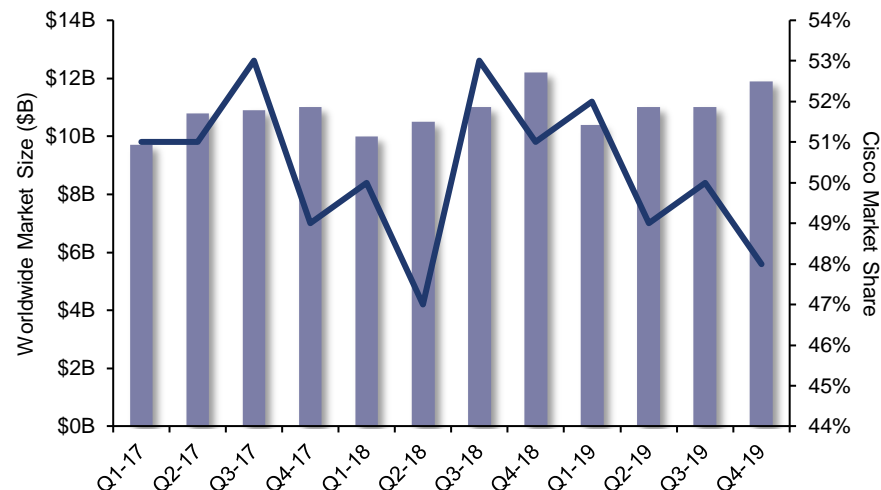
Enterprise Networking Market Overview

- The Enterprise Networking Industry seeks to connect users and systems on a Local Area Network (LAN) to applications in the data center and cloud
 - It comprises of many different segments in which Cisco has majority share
 - Cisco's market share has declined in many of their hardware segments over the last decade, but has stabilized in recent years
- The industry is expected to grow at a 7% CAGR to 2024E, with a large amount of growth coming the Asia Pacific region
 - Total industry revenues in 2024E are expected to reach \$64.63 Billion

Industry Trends

- **The evolving application landscape:** Apps are being built continuously and rapidly on-premises and are migrating from infrastructure to serverless architectures
- **IoT:** The exploding use of IoT devices is driving the creation of new distributed computing models that have greater scale
- **AI:** The emergence of AI-powered apps is leading to a new world of connected devices being deployed everywhere
- **Mobility:** Cisco's VNI Forecast projects global business mobile data traffic to grow sixfold from 2017 to 2022E and users expect high performance connectivity
- **Security:** Cybersecurity threats are becoming increasingly sophisticated and dangerous

Switch & Router Market Size & Cisco Share



Key Drivers

- **Globalization:** According to the World Economic Forum, we are entering a new digital-driven age of globalization with digital goods and services, enabled by digital capabilities and AI, as the leading exports
- **Digital Business Transformation:** According to the IMD and Cisco *Digital Vortex 2019* report, 88% of executives believe that digital disruption will have a major or transformative impact on their industries
- **Business Automation:** The use of automation and robotics in the coming years will continue to surge as companies look to improve quality, workforce productivity, customer satisfaction, etc

Competitors with Cisco in their Various Markets

Network Platforms and Equipment	 ARISTA Revenue: US\$2.3B	<ul style="list-style-type: none"> Arista Networks Inc. engages in the development, marketing and sale of cloud networking solutions. Its cloud networking solutions consist of Extensible Operating Systems (EOS) a set of network applications and Ethernet switching and routing platforms
	 JUNIPER NETWORKS Revenue: US\$4.4B	<ul style="list-style-type: none"> Juniper Networks Inc. engages in the design, development and sale of products and services for high performance networks. Its products address network requirements for global service providers, cloud providers, national governments, and other enterprises
	 ciena Revenue: US\$3.4B	<ul style="list-style-type: none"> Ciena Corporation engages in the provision of network and communication infrastructure. It primarily operates in three segments: Networking Platforms, Platform Software and Services, Blue Planet Automation Software and Services, and Global Services
	 BROADCOM [®] Revenue: US\$23.9B	<ul style="list-style-type: none"> Broadcom is an American designer, developer, manufacturer and global supplier of a wide range of semiconductor and infrastructure software products. Broadcom's product offerings serve the data center, networking, software, broadband, wireless, storage, and industrial markets
	 DELL Revenue: US\$94.0B	<ul style="list-style-type: none"> Dell is an American multinational computer technology company that develops, sells, repairs, and supports computers and related products and services
	 COMMSCOPE [®] Revenue: US\$94.0B	<ul style="list-style-type: none"> Commscope Inc is a company that designs and manufactures coaxial and fiber optic cable and related products used by cable and satellite television providers and other applications, including data networking, Internet access, wireless communications, and telephony
Conference and Integration Applications	 zoom Revenue: US\$2.7B	<ul style="list-style-type: none"> Zoom Video Communications, Inc. is an American communications technology company that provides videotelephony and online chat services through a cloud-based peer-to-peer software platform and is used for teleconferencing, telecommuting, distance education, and social relations
	 Microsoft Revenue: US\$143.0B	<ul style="list-style-type: none"> Microsoft Corporation is an American diversified multinational technology company that develops, manufactures, licenses, supports, and sells computer software that helps businesses integrate their employees through its Outlook, Skype, and Teams platforms
Security	 paloalto NETWORKS Revenue: US\$3.4B	<ul style="list-style-type: none"> Palo Alto Networks, Inc. is an American multinational cybersecurity company whose core products are a platform that includes advanced firewalls and cloud-based offerings that extend those firewalls to cover other aspects of security
	 FORTINET [®] Revenue: US\$2.2B	<ul style="list-style-type: none"> Fortinet is an American multinational corporation that develops and sells cybersecurity solutions, including but not limited to physical products such as firewalls, plus software and services such as anti-virus protection, intrusion prevention systems, and endpoint security components.

Porter's Five Forces Analysis

Analysis of the Enterprise Networking Industry

Intensity of Rivalry	HIGH	<ul style="list-style-type: none"> ▪ The company faces intense competition in the networking and communications equipment markets ▪ These markets are characterized by rapid change, converging technologies, and a migration to networking and communications solutions that offer relative advantages ▪ Cisco competes with several vendors in each product category
Supplier Power	MODERATE	<ul style="list-style-type: none"> ▪ The company is significantly dependent on its suppliers and contract manufacturers for certain components ▪ Due to its outsourced manufacturing strategy, Cisco has limited control on the delivery schedules and has suffered component shortages due to manufacturing process issues ▪ Despite this many of their components are commodities with little differentiation
Customer Power	MODERATE	<ul style="list-style-type: none"> ▪ The company faces competition from customers to which it licenses or supplies technology and suppliers ▪ Any inability to effectively manage these complicated relationships with customers, suppliers, and strategic alliance partners may have a material adverse effect on Cisco's business
Threat of New Entrants	LOW	<ul style="list-style-type: none"> ▪ Large input costs make it difficult for small companies to break into the market. Not to mention, other large players that are vertically integrated with economies of scale. This leads to pricing power when compared to new market entrants
Threat of Substitutes	MODERATE	<ul style="list-style-type: none"> ▪ Some of its products are similar to those sold by many of their competitors ▪ The company's major competitors include Check Point Software Technologies, Dell Technologies Inc, 5 Networks, FireEye, Fortinet, HP, Huawei Technologies, IBM, Juniper Networks, Microsoft, Palo Alto Networks; Ubiquiti Networks; and VMware; among others. Cisco also faces price-focused competition from competitors in Asia, especially from China

Investment Thesis

Recovery in Discretionary IT Spending will Drive Demand for Cisco's Products

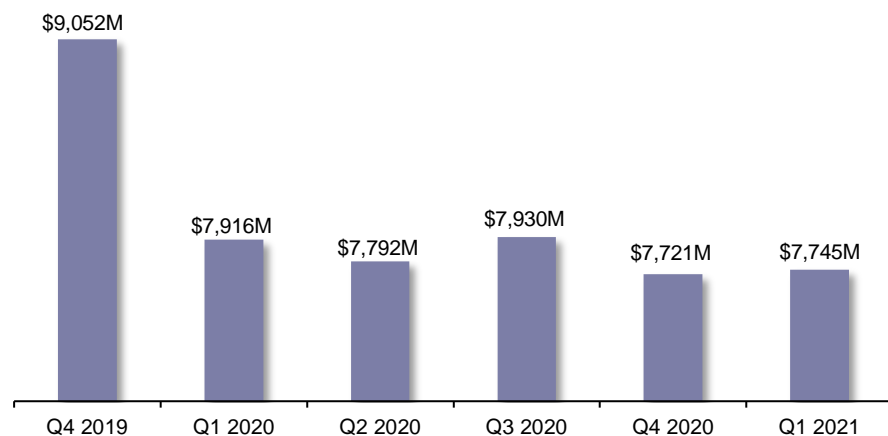
Looming Recovery in Discretionary IT Spending

- Many CIO's were forced to cut discretionary IT Spending in 2020 due to earnings contraction and internal budget constraints within their company
 - This impacted Cisco's business as many companies delayed investment in new hardware and cloud-based networking software
- We are seeing faster recovery in IT Spending compared with the rest of the economy, as companies must invest in IT consistent with growth expectations and aligned with their internal digital transformation strategy
 - As there is more clarity surrounding the economic recovery and vaccinations, companies will begin returning to the office and return to spending on IT products and services

Worldwide IT Spending Forecast (\$M of USD)

	2020 Spending	2020 Growth%	2021E Spending	2021E Growth%
Data Center Systems	\$214,985	0.0%	\$228,360	6.2%
Enterprise Software	\$465,023	-2.4%	\$505,724	8.8%
Devices	\$653,172	-8.2%	\$705,423	8.0%
IT Services	\$1,011,795	-2.7%	\$1,072,581	6.0%
Communication Services	\$1,349,891	-1.7%	\$1,410,745	4.5%
Total	\$3,694,867	-3.2%	\$3,922,833	6.2%

Networking Revenues Still Depressed from Pre-COVID Levels¹



Hybrid-Work Future Highlights the Need for Infrastructure

- With vaccinations underway in the US, companies will likely return to the office in the mid-to-late summer in some capacity
 - This will drive demand for Cisco's products, as people coming back to the office will put a strain on their networks
- COVID-19 has highlighted the demand for employees to work-from-home, as it is a cheaper and more efficient alternative for individuals and businesses alike
 - A permanent hybrid-work model highlights the need for video infrastructure in conference rooms which will permanently drive bandwidth requirements
 - This will likely further drive demand for switching infrastructure and Cisco's networking software

Source(s): Company Earnings Calls, Gartner
¹Infrastructure Platforms + Applications Constitute "Networking Revenue"

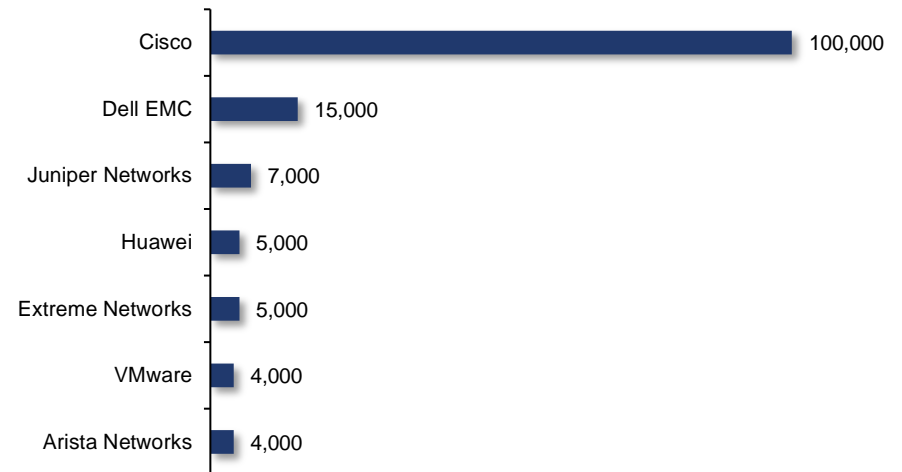
Thesis II: Strong Brand with Sticky Customer Base

High Switching Costs Allow Cisco to Cross-Sell Products into their High Margin Segments

Strong Global Brand with High Switching Costs

- Cisco is currently the 16th best brand globally according to the 2020 global brand rankings and their products have a high penetration in Fortune 500 companies
 - Many companies have built their entire network on Cisco's hardware and software, and in-turn these customers have a high degree of stickiness with Cisco's business
- These high switching costs and customer loyalty drive demand for Cisco's alternative product and service offerings that are higher margin
 - Cisco has tailored software offerings in Cybersecurity and IoT that are growing at double digit rates and have huge growth tailwinds
 - They also have financial capacity to continue making synergistic acquisitions

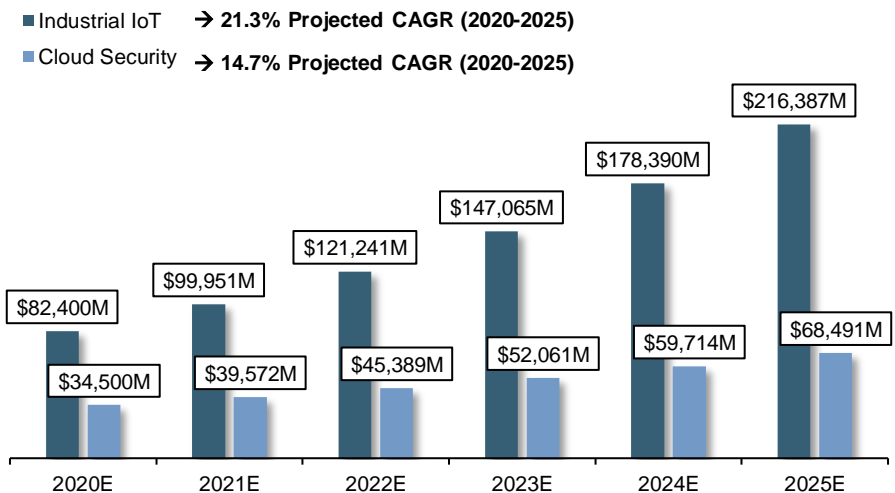
Networking Vendors Ranked by Number of Customers Globally



High-Growth Alternative Offerings

- **Cybersecurity**
 - Cisco has several product offerings in security including unified threat management, advanced threat + web security, and cloud-based SecureX all growing at double digit rates
 - Their customer stickiness in networking position them well to be successful in security
- **Internet of Things**
 - Cisco's hardware switches are vital to IoT innovation at various companies, as well as their software solutions in hosting, as well as industrial and field network directing
 - Cisco's products and services will be at the core of IoT innovation

Industry Growth Tailwinds in Cloud Security and IoT



Cisco is Shifting their Business to Focus on Recurring and Stable Cash Flows

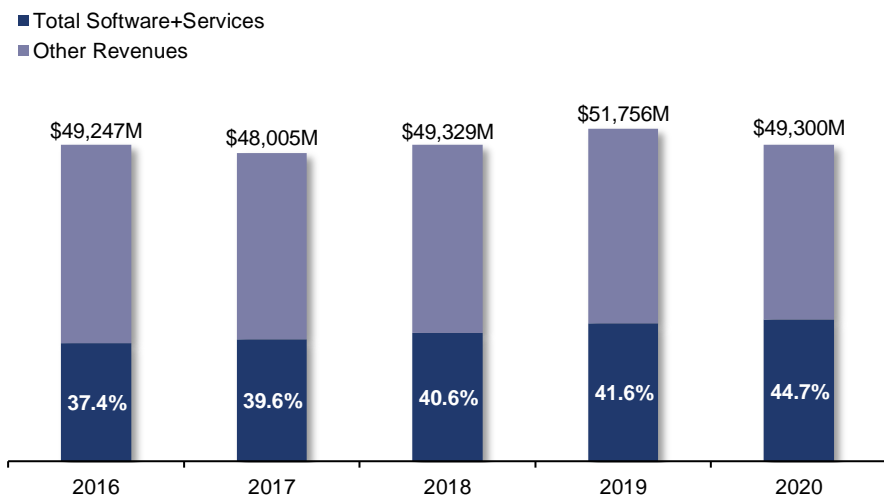
Changing Business Model

- Cisco is aware that their commodity-like networking equipment is slowly losing favor, as companies seek easy-to-use, highly scalable, and low maintenance networks for their employees
 - Because of this, Cisco has been less focused on growing their hardware segments which has led to flat to declining market share in these segments
- While continuing to maintain its market leadership in networking, the company announced a strategic shift from hardware sales into software and service sales giving the company a revenue mix that positions them well for the future
 - They have been consistently reducing their exposure to hardware sales and increasing their software + services as a % of Revenue

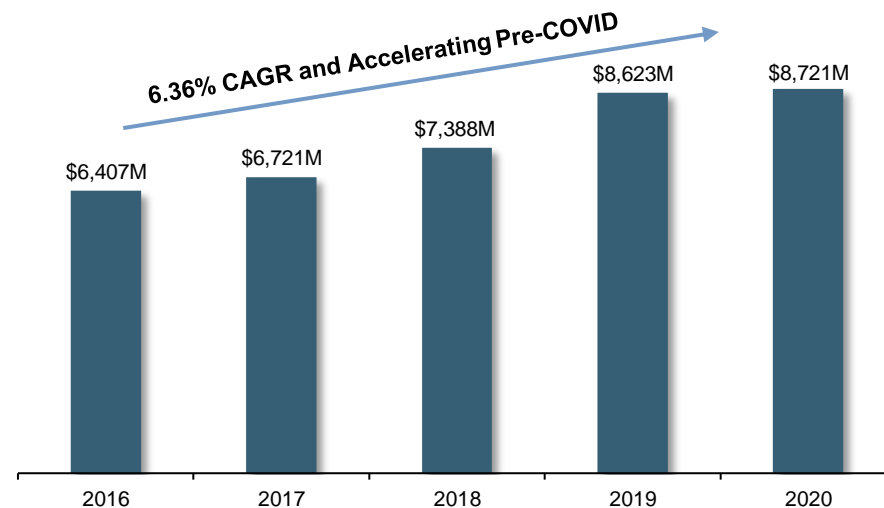
The Shift to SaaS

- Cisco has recently developed a Software business which consists of their Applications segment and Security Segment
 - **Applications:** Cisco Telepresence, Conferencing, IoT and AppDynamics
 - **Security:** Advanced Threat Security, Unified Threat Management, Web Security Products, Duo, and Umbrella
- Currently, the Application and Security business represents about 24% of Cisco's overall total revenues in 2020 and 75% of segment revenues come from subscriptions
- Given the growing Software segment, we expect Cisco's sale mix to change as the higher margin Software segments overtakes the lower margin hardware revenues – leading to significant EBITDA margin expansion

Higher % of Revenues from Software and Services



Software Revenue Growth



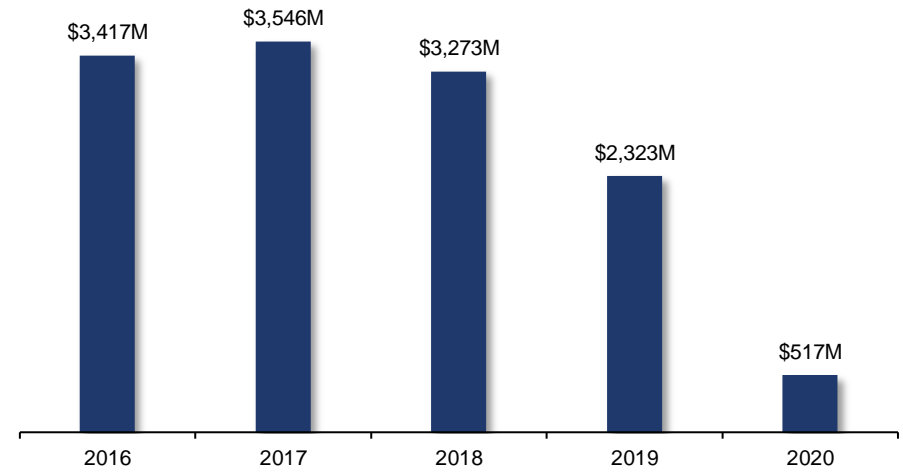
Capital Allocation

Management's Track Record of Returning Capital to Shareholders

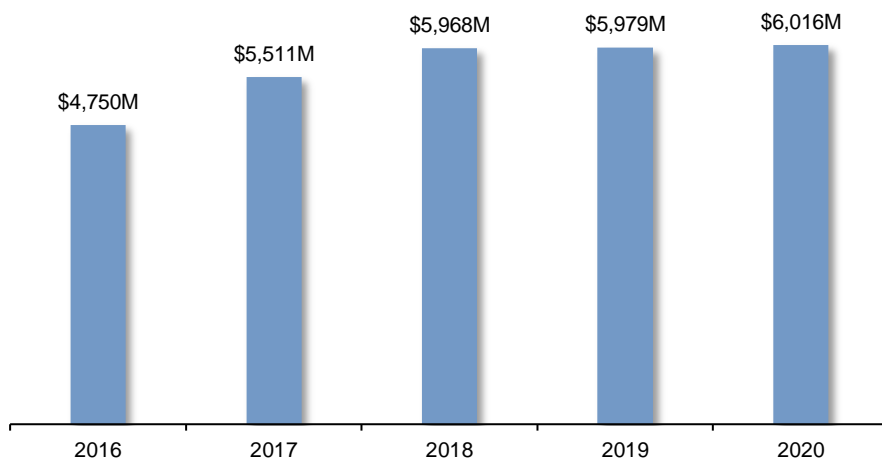
Overview

- Cisco consistently reinvests back into the business, as their total R&D is larger than their competitors
- 5 Year Average ROIC: 48.40%
- Share Repurchases and acquisitions were slowed in 2020 due to the impact on their business and overall economic uncertainty, but are expected to resume from 2021 on
- Dividends are consistent and their dividends have grown at a double digit pace over the last decade
- 5 Year Average % of OCF Re-Invested: 25%
- 5 Year Average % of OCF Returned to Shareholders: 105%

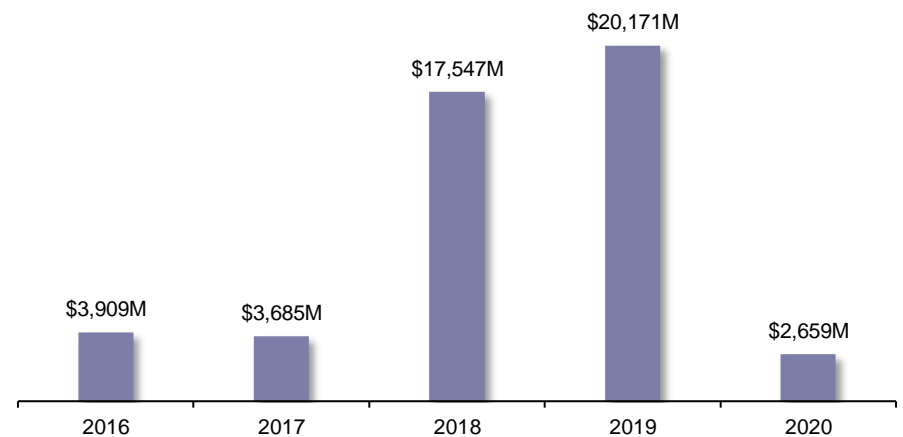
Acquisitions



Dividends



Share Repurchases



Key Investment Considerations Impacting Outlook

Select Investment Risks

- **Competitive Risks with Scaled Competitors**
 - Cisco competes with many of the large companies like Amazon Web Services, Arista Networks, Broadcom which can create long-term margin deterioration and material loss in sales
- **Cyclical Risks with Revenues Tied to Global IT Spend**
 - Cisco's focus on enterprise and commercial customers exposes its revenues to downturns in global IT spending, which can create significant losses in sales during recessions
- **Slowing Hardware Segment Creating Margin Compression**
 - Cisco's legacy Hardware business has been experiencing volatility in terms of growth and margins, which may lead to persistent declines in profits moving forward

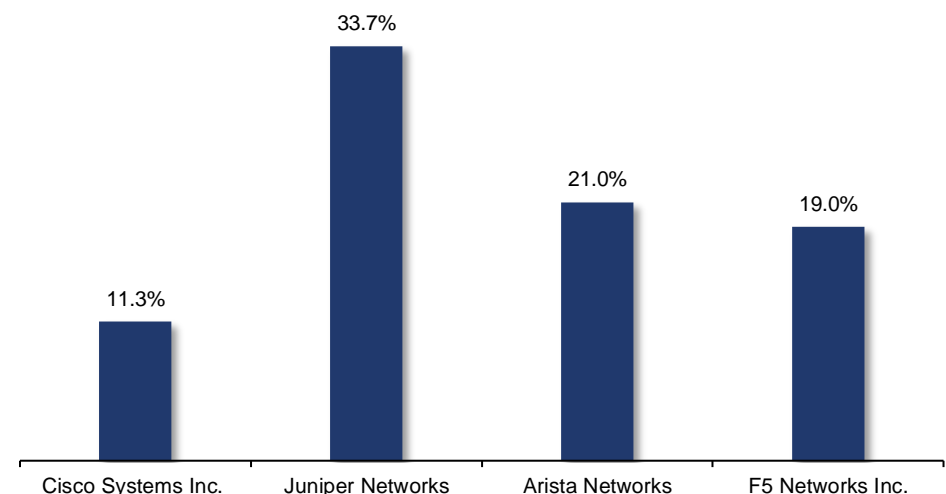
Catalysts

- **Share Repurchases at Low Valuations**
 - Cisco currently trades for an 8% unlevered free cash flow yield which implies a 12-13x TTM multiple
 - Given Cisco's history of pursuing significant repurchases during below average market valuations, it would be reasonable to expect Cisco to buyback their stock over the upcoming quarters
- **M&A Potential to Drive Inorganic Growth**
 - Cisco holds around \$16B in net cash on the balance sheet ready to be deployed to make acquisitions and spent over \$10B on M&A activities over the past 5 years
 - If Cisco finds a way to re-deploy their cash balance to pursue accretive M&A opportunities to drive inorganic growth and strengthen their growth, shareholders can expect a multiple re-rating on the upside

Mitigation Strategies

- **Competitive Risks with Scaled Competitors**
 - Cisco's strong brand name and global reach allows it to compete and maintain a loyal customer
- **Cyclical Risks with Revenues Tied to Global IT Spend**
 - While Global IT spending is a key variable that dictates Cisco's long-term success, many of Cisco's products/services are mission-critical to most of their customers which decreases the severity in revenue declines during recessionary periods
- **Slowing Hardware Segment Creating Margin Compression**
 - Cisco's brand name and scale economies will allow it to re-invest into R&D and global expansion to outpace and outcompete its competitors within the Hardware space

Cisco's Scaling R&D Advantage



Valuation

Comparable Companies Analysis

CSCO Trades at a Slight Discount to Comparables with Higher Return Metrics

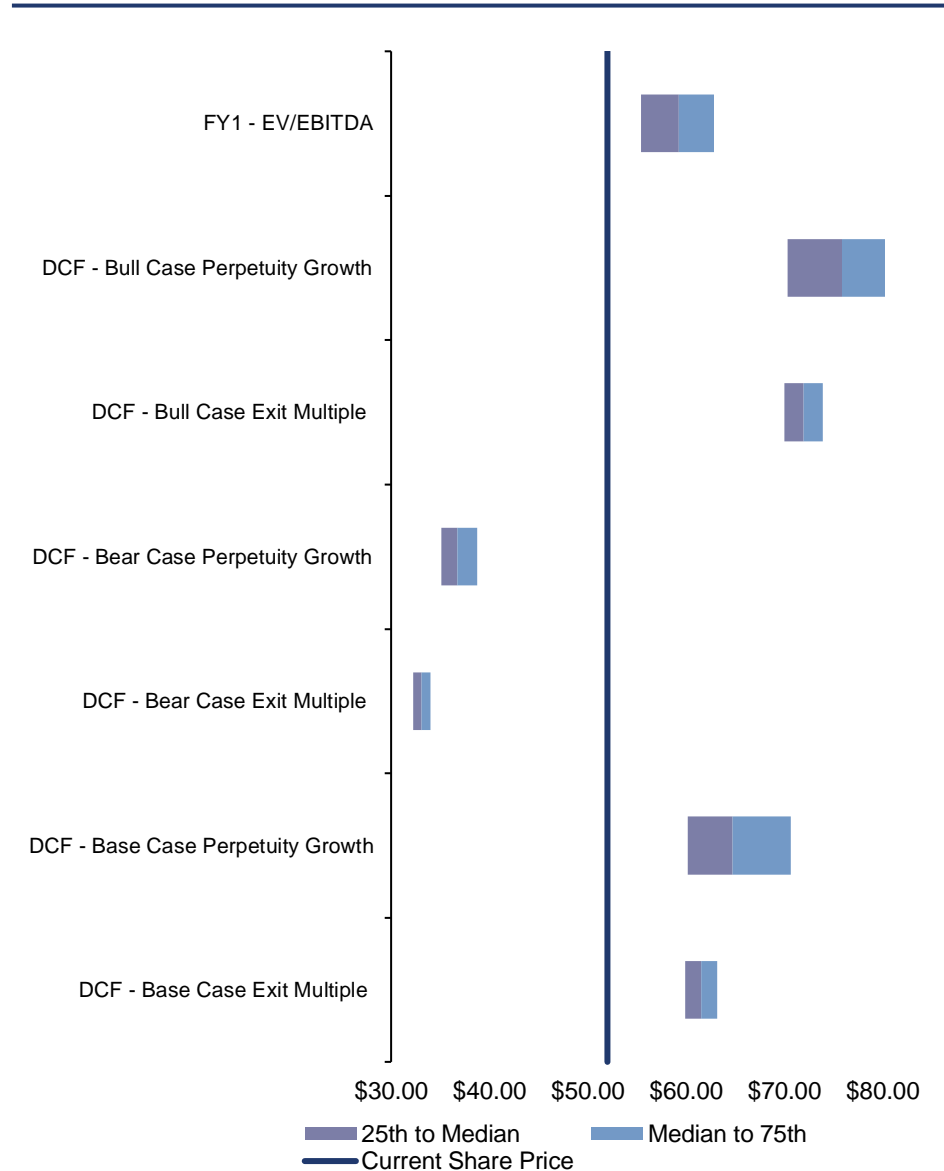
*Note financial dollar values in millions

Company	Ticker	Share Price	Market Capitalization	Enterprise Value	Net Debt / LTM EBITDA	EV / EBITDA		EV / EBIT		P/E	Margins			Return Metrics			Revenue 5yr CAGR
						LTM	FY1	LTM	LTM		Gross Margin	EBITDA	EBIT	ROE	ROA	ROC	
Arista Networks, Inc.	ANET	\$307.69	\$23,487	\$20,704	-	26.5x	19.9x	29.3x	38.6x		64%	32.4%	30.5%	20.4%	9.9%	13.8%	22.6%
Juniper Networks, Inc.	JNPR	\$25.68	\$8,428	\$8,984	0.8x	12.5x	9.7x	20.2x	33.3x		58%	14.7%	10.0%	5.6%	3.1%	4.2%	(1.8%)
Ciena Corporation	CIEN	\$54.91	\$8,511	\$8,080	-	12.2x	12.4x	15.8x	24.9x		48%	18.6%	14.8%	14.8%	8.0%	9.9%	6.8%
CommScope Holding Company, Inc.	COMM	\$15.27	\$3,067	\$13,319	7.7x	11.1x	10.1x	49.7x	-		33%	12.9%	3.2%	(35.5%)	1.2%	1.5%	17.2%
Motorola Solutions, Inc.	MSI	\$188.88	\$31,926	\$36,392	2.1x	17.3x	15.8x	23.8x	34.6x		49%	26.1%	20.6%	-	8.9%	18.6%	5.4%
Nokia Corporation	NOKIA	\$4.02	\$22,653	\$20,819	-	6.2x	7.2x	10.4x	-		39%	11.9%	7.7%	(18.0%)	2.8%	5.3%	11.7%
Plantronics, Inc.	PLT	\$36.84	\$1,434	\$2,765	8.2x	17.1x	9.5x	-	-		45%	9.8%	(0.7%)	(314.2%)	(0.3%)	(0.4%)	14.3%
Lumentum Holdings Inc.	LITE	\$90.09	\$6,820	\$6,335	-	12.3x	9.2x	20.0x	38.0x		47%	29.4%	18.6%	10.5%	5.9%	6.6%	15.2%
CalAmp Corp.	CAMP	\$10.55	\$370	\$489	9.7x	39.6x	16.5x	-	-		39%	1.3%	(5.6%)	(71.3%)	(2.4%)	(3.2%)	4.0%
Digi International Inc.	DGII	\$18.58	\$617	\$635	0.5x	15.7x	13.3x	41.9x	74.3x		55%	12.4%	5.2%	2.2%	1.7%	2.0%	7.0%
Maximum		\$307.69	\$31,926	\$36,392	9.7x	39.6x	19.9x	49.7x	74.3x		64%	32%	31%	20%	10%	19%	23%
75% Quartile		\$81.30	\$19,117	\$18,858	8.1x	17.3x	15.2x	32.5x	38.5x		53%	24%	18%	11%	7%	9%	15%
Median		\$31.26	\$7,624	\$8,532	4.9x	14.1x	11.3x	22.0x	36.3x		47%	14%	9%	2%	3%	5%	9%
25% Quartile		\$16.10	\$1,842	\$3,658	1.1x	12.2x	9.6x	19.0x	33.6x		41%	12%	4%	-36%	1%	2%	6%
Minimum		\$4.02	\$370	\$489	0.5x	6.2x	7.2x	10.4x	24.9x		33%	1%	-6%	-314%	-2%	-3%	-2%
Cisco Systems, Inc.	CSCO	52.52	\$221,728	\$206,761	-	13.0x	11.3x	15.2x	21.8x		60%	31.7%	28.2%	27%	9%	16%	(0.6%)

Valuation Summary

CSCO is Currently Undervalued Based on our Analysis

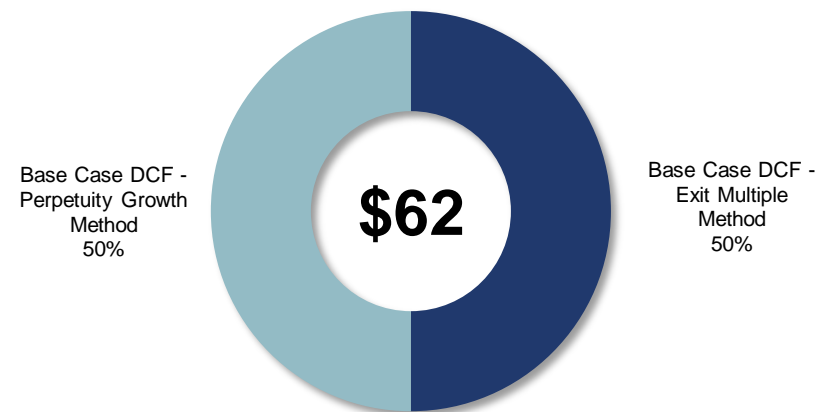
Football Field



Summary

- We valued Cisco intrinsically using the discounted cash flow analysis with conservative assumptions
- We did not believe valuing the company on a relative basis should not be factored into our target price, as there are no real true comparable companies
- For our Discounted Cash Flow Valuation, we did a base case, bear case, and bull case to assess all potential outcomes
- For our weighted average share price, we used the base case discounted cash flow with a 50/50 weighting of the exit multiple, and perpetuity growth methods
- We recommend a **BUY** rating on CSCO with a target price of **\$61.53** indicating **18.4% upside**

Weighted Average Share Price



Appendix

Charles H. Robbins

Chairman & CEO



Mr. Robbins has served as Chief Executive Officer since July 2015, as a member of the Board of Directors since May 2015 and as Chairman of the Board since December 2017. He joined Cisco in December 1997, from which time until March 2002 he held a number of managerial positions within Cisco's sales organization

Kelly A. Kramer

CFO



Ms. Kramer joined Cisco in January 2012 as Senior Vice President, Corporate Finance. She served in that position until October 2014 and served as Cisco's Senior Vice President, Business Technology and Operations Finance from October 2013 until December 2014. She was appointed to her current position effective January 2015

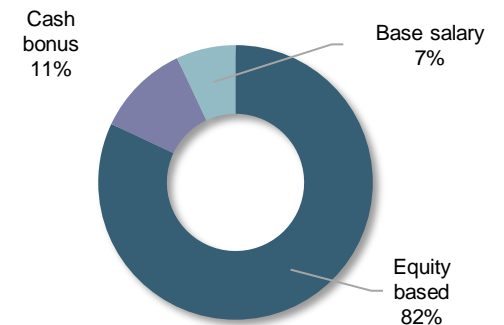
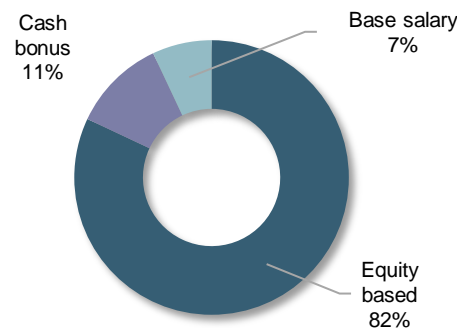
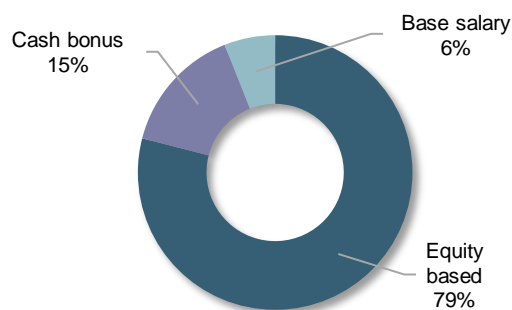
Irving Tan

COO



Mr. Tan joined Cisco in December 2005, serving in manager-level and director-level positions within Cisco's Sales and Managed Services functions. In April 2009, Mr. Tan rejoined Cisco, serving as Sales Director in charge of Malaysia and Singapore, and in February 2013 he was promoted to Vice President, Sales

Compensation



Ownership

Insider Ownership Only Represents 0.05%

Institutional Ownership

Shareholder Name	% Ownership	Cumulative Ownership
BlackRock Inc	7.8%	7.8%
State Street Corp	4.3%	12.0%
Bank of America Corp	2.1%	14.1%
Wellington Management Group LLP	2.0%	16.1%
BANK OF NEW YORK MELLON CORI	1.8%	17.9%
Geode Capital Management LLC	1.6%	19.5%
Wells Fargo & Co	1.4%	20.9%
Northern Trust Corp	1.3%	22.2%
Ameriprise Financial Inc	1.3%	23.4%
UBS AG	1.2%	24.6%
Norges Bank	1.1%	25.7%
Morgan Stanley	0.9%	26.6%
Dodge & Cox	0.9%	27.5%
T Rowe Price Group Inc	0.9%	28.4%
Government Pension Investment Fund	0.9%	29.3%
Nordea Bank Abp	0.9%	30.2%
FMR LLC	0.9%	31.0%
Legal & General Group PLC	0.7%	31.7%
First Trust Advisors LP	0.7%	32.4%
Royal Bank of Canada	0.7%	33.1%
Charles Schwab Corp/The	0.7%	33.8%
Teachers Insurance & Annuity Assoc	0.6%	34.4%
Goldman Sachs Group Inc/The	0.6%	34.9%
Deutsche Bank AG	0.6%	35.5%
State of California	0.6%	36.1%
Top 25 Shareholders	36.1%	

Insider Ownership

Shareholder Name	% Ownership	Cumulative Ownership
Robbins Charles H	0.01%	0.01%
Martinez Maria	0.01%	0.02%
Elliott Geraldine T	0.01%	0.03%
Goeckeler David V	0.01%	0.04%
Kramer Kelly A	0.01%	0.05%
Herren R Scott	0.00%	0.05%
Chandler Mark	0.00%	0.05%
Tan Tiang Yew	0.00%	0.05%
Capellas Michael D	0.00%	0.05%
Bhatt Pratik S	0.00%	0.05%
Top 10 Shareholders	0.05%	

Valuation

Comparable Companies Valuation

Results

FY1 EV/EBITDA	
FY1 EV/EBITDA	11.25x
FY1 EBITDA	\$18,391
Implied Enterprise Value	\$206,898
Less: Debt	\$14,554
Add: Cash	\$30,588
Implied Equity Value	\$252,040
Shares outstanding	4,254
Implied Price per Share	\$59.25
Current Share Price	\$51.98
Implied Upside	14.0%

Exit Multiple

		10.3x	10.8x	11.3x	11.8x	12.3x
EBITDA	16,391M	\$50.11	\$52.03	\$53.96	\$55.89	\$57.81
	17,391M	\$52.52	\$54.56	\$56.60	\$58.65	\$60.69
	18,391M	\$54.92	\$57.09	\$59.25	\$61.41	\$63.57
	19,391M	\$57.33	\$59.61	\$61.89	\$64.17	\$66.45
	20,391M	\$59.74	\$62.14	\$64.54	\$66.93	\$69.33

Exit Multiple

		10.3x	10.8x	11.3x	11.8x	12.3x
EBITDA	16,391M	(3.6%)	0.1%	3.8%	7.5%	11.2%
	17,391M	1.0%	5.0%	8.9%	12.8%	16.8%
	18,391M	5.7%	9.8%	14.0%	18.1%	22.3%
	19,391M	10.3%	14.7%	19.1%	23.5%	27.8%
	20,391M	14.9%	19.5%	24.2%	28.8%	33.4%

Base Case Discounted Cash Flow Valuation

Revenue Build

Revenue Assumptions: (USD millions, FY End Dec. 31)	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product Segment													
Hardware	30,847	28,984	29,320	30,234	27,256	27,096	26,937	26,778	26,621	26,465	26,309	26,154	26,001
% of Total	83%	81%	80%	78%	76%	73%	70%	67%	64%	61%	59%	58%	57%
% Change Y/Y		(6%)	1%	3%	(10%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)
Software	6,407	6,721	7,388	8,623	8,721	10,029	11,534	13,148	14,857	16,640	17,972	19,050	20,002
% of Total	17%	19%	20%	22%	24%	27%	30%	33%	36%	39%	41%	42%	43%
% Change Y/Y		5%	10%	17%	1%	15%	15%	14%	13%	12%	8%	6%	5%
6.36%													
Total Core Product Revenues	37,254	35,705	36,708	38,857	35,977	37,125	38,470	39,927	41,478	43,105	44,281	45,204	46,003
% of Total Revenues	76%	74%	74%	75%	73%	73%	73%	73%	73%	74%	74%	73%	73%
% Change Y/Y		(4%)	3%	6%	(7%)	6%	4%	4%	4%	4%	3%	2%	2%
Service Revenues													
Total Service Revenues	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% of Total Revenues	24%	26%	26%	25%	27%	27%	27%	27%	27%	26%	26%	27%	27%
% Change Y/Y		3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total Revenues	49,247	48,005	49,329	51,756	49,300	50,848	52,605	54,485	56,474	58,550	60,189	61,590	62,880
% Change Y/Y		(3%)	3%	5%	(5%)	3%	3%	4%	4%	4%	3%	2%	2%

Base Case Discounted Cash Flow Valuation

Free Cash Flow Build

Discounted Cash Flow	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product	37,254	35,705	36,708	38,857	35,977	37,125	38,470	39,927	41,478	43,105	44,281	45,204	46,003
% Growth Rate		(4.2%)	2.8%	5.9%	(7.4%)	3.2%	3.6%	3.8%	3.9%	3.9%	2.7%	2.1%	1.8%
Services	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% Growth Rate		2.6%	2.6%	2.2%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Revenue	49,247	48,005	49,329	51,756	49,300	50,848	52,605	54,485	56,474	58,550	60,189	61,590	62,880
		(3%)	3%	5%	(5%)	3%	3%	4%	4%	4%	3%	2%	2%
Operating Expenses													
Cost of Revenues	(17,643)	(17,125)	(17,867)	(18,424)	(16,763)	(18,305)	(18,938)	(19,615)	(20,330)	(21,078)	(21,668)	(22,172)	(22,637)
% of Revenue	36%	36%	36%	36%	34%	36%	36%	36%	36%	36%	36%	36%	36%
Research and Development	(6,296)	(6,059)	(6,332)	(6,577)	(6,347)	(6,102)	(6,313)	(6,538)	(6,777)	(7,026)	(7,223)	(7,391)	(7,546)
% of Revenue	13%	13%	13%	13%	13%	12%	12%	12%	12%	12%	12%	12%	12%
Sales & Marketing	(9,619)	(9,184)	(9,242)	(9,571)	(9,169)	(9,444)	(9,539)	(9,634)	(9,730)	(9,828)	(9,926)	(10,025)	(10,125)
% of Growth		(5%)	1%	4%	(4%)	3%	1%	1%	1%	1%	1%	1%	1%
General & Administrative	(1,814)	(1,993)	(2,144)	(1,827)	(1,925)	(1,271)	(1,315)	(1,362)	(1,412)	(1,464)	(1,505)	(1,232)	(1,258)
% of Revenue	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	2%	2%
Operating Income (EBIT)	13,875	13,644	13,744	15,357	15,096	15,726	16,501	17,336	18,224	19,155	19,868	20,770	21,315
EBIT Growth		(2%)	1%	12%	(2%)	4%	5%	5%	5%	5%	4%	5%	3%
EBIT Margin	28%	28%	28%	30%	31%	31%	31%	32%	32%	33%	33%	34%	34%
Tax Rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	25%
NOPAT	10,823	10,642	10,720	11,978	11,775	12,266	12,871	13,522	14,215	14,941	15,497	16,201	15,986
D&A	2,150	2,286	2,192	1,897	1,808	1,865	1,929	1,998	2,071	2,147	2,207	2,259	2,306
% of Revenue	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex	(1,135)	(957)	(775)	(887)	(726)	(1,881)	(1,946)	(2,016)	(2,090)	(2,166)	(2,227)	(2,279)	(2,327)
% of Revenue	2%	2%	2%	2%	1%	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)
Changes in NWC													
Changes in NWC	(128)	586	9,344	1,077	918	1,017	1,052	1,090	1,129	1,171	1,204	1,232	1,258
% of Revenue	0%	1%	19%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow	11,710	12,557	21,481	14,065	13,775	13,266	13,905	14,594	15,326	16,093	16,681	17,412	17,223
Discount Period						0.33	1.33	2.33	3.33	4.33	5.33	6.33	7.33
WACC						8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Discount Factor						0.97	0.90	0.84	0.77	0.72	0.66	0.61	0.57
PV of Unlevered Free Cash Flow						12,934	12,553	12,198	11,861	11,532	11,068	10,697	9,798
Unlevered Free Cash Flow Margin	24%	26%	44%	27%	28%	26%	26%	27%	27%	27%	28%	28%	27%

Base Case Discounted Cash Flow Valuation

Results

Terminal Value: Exit Multiple Method	
Cumulative PV of FCF	\$92,641
% of Enterprise Value	37.7%
Terminal Value	
Terminal Year EBITDA	\$23,621
Exit EV/EBITDA Multiple	12.0x
Terminal Value	\$283,450
PV of Terminal Value	\$153,139
% of Enterprise Value	62.3%
Enterprise Value	\$245,780
Less: Debt	\$14,554
Add: Cash	\$30,588
Equity Value	\$261,814
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$61.55
Current Share Price	\$51.98
Implied Upside	18.4%

Terminal Value: Gordon Growth Method	
Cumulative PV of FCF	\$92,641
% of Enterprise Value	37.7%
Terminal Value	
Terminal Year UFCF	\$17,223
Perpetuity Growth Rate	1.50%
Terminal Value	\$268,947
PV of Terminal Value	\$152,993
% of Enterprise Value	62.3%
Enterprise Value	\$245,633
Less: Debt	\$14,554
Add: Cash	\$30,588
Equity Value	\$261,667
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$61.51
Current Share Price	\$51.98
Implied Upside	18.3%

Base Case Discounted Cash Flow Valuation

Sensitivity Analysis

Exit Multiple

		11.0x	11.5x	12.0x	12.5x	13.0x
WACC	7.00%	\$58.71	\$60.21	\$61.71	\$63.21	\$64.71
	7.50%	\$58.63	\$60.13	\$61.63	\$63.13	\$64.62
	8.00%	\$58.55	\$60.05	\$61.55	\$63.05	\$64.55
	8.50%	\$58.47	\$59.97	\$61.47	\$62.97	\$64.47
	9.00%	\$58.39	\$59.89	\$61.39	\$62.89	\$64.39

Exit Multiple

		11.0x	11.5x	12.0x	12.5x	13.0x
WACC	7.00%	12.9%	15.8%	18.7%	21.6%	24.5%
	7.50%	12.8%	15.7%	18.6%	21.4%	24.3%
	8.00%	12.6%	15.5%	18.4%	21.3%	24.2%
	8.50%	12.5%	15.4%	18.3%	21.1%	24.0%
	9.00%	12.3%	15.2%	18.1%	21.0%	23.9%

Growth Rate

		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	7.00%	\$64.48	\$68.21	\$72.69	\$78.17	\$85.01
	7.50%	\$61.41	\$64.59	\$68.34	\$72.84	\$78.34
	8.00%	\$58.78	\$61.51	\$64.70	\$68.47	\$72.99
	8.50%	\$56.49	\$58.87	\$61.61	\$64.82	\$68.60
	9.00%	\$54.47	\$56.57	\$58.96	\$61.71	\$64.93

Growth Rate

		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	7.00%	24.0%	31.2%	39.8%	50.4%	63.6%
	7.50%	18.1%	24.3%	31.5%	40.1%	50.7%
	8.00%	13.1%	18.3%	24.5%	31.7%	40.4%
	8.50%	8.7%	13.2%	18.5%	24.7%	32.0%
	9.00%	4.8%	8.8%	13.4%	18.7%	24.9%

Bear Case Discounted Cash Flow Valuation

Revenue Build

Revenue Assumptions: (USD millions, FY End Dec. 31)	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product Segment													
Hardware	30,847	28,984	29,320	30,234	27,256	25,893	24,599	23,369	22,200	21,090	20,036	19,034	18,082
% of Total	83%	81%	80%	78%	76%	74%	73%	71%	69%	68%	66%	65%	63%
% Change Y/Y		(6%)	1%	3%	(10%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)	(5%)
Software	6,407	6,721	7,388	8,623	8,721	8,983	9,252	9,530	9,816	10,110	10,312	10,415	10,457
% of Total	17%	19%	20%	22%	24%	26%	27%	29%	31%	32%	34%	35%	37%
% Change Y/Y		5%	10%	17%	1%	3%	3%	3%	3%	3%	2%	1%	0%
Total Core Product Revenues	37,254	35,705	36,708	38,857	35,977	34,876	33,851	32,898	32,016	31,200	30,348	29,449	28,539
% of Total Revenues	76%	74%	74%	75%	73%	72%	71%	69%	68%	67%	66%	64%	63%
% Change Y/Y		(4%)	3%	6%	(7%)	6%	(3%)	(3%)	(3%)	(3%)	(3%)	(3%)	(3%)
Service Revenues													
Total Service Revenues	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% of Total Revenues	24%	26%	26%	25%	27%	28%	29%	31%	32%	33%	34%	36%	37%
% Change Y/Y		3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total Revenues	49,247	48,005	49,329	51,756	49,300	48,599	47,985	47,457	47,011	46,645	46,256	45,835	45,416
% Change Y/Y		(2.5%)	2.8%	4.9%	(4.7%)	(1.4%)	(1.3%)	(1.1%)	(0.9%)	(0.8%)	(0.8%)	(0.9%)	(0.9%)

Bear Case Discounted Cash Flow Valuation

Free Cash Flow Build

Discounted Cash Flow	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product	37,254	35,705	36,708	38,857	35,977	34,876	33,851	32,898	32,016	31,200	30,348	29,449	28,539
% Growth Rate		(4.2%)	2.8%	5.9%	(7.4%)	(1.4%)	(1.3%)	(1.1%)	(0.9%)	(0.8%)	(0.8%)	(0.9%)	(0.9%)
Services	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% Growth Rate		2.6%	2.6%	2.2%	3.3%	(1.4%)	(1.3%)	(1.1%)	(0.9%)	(0.8%)	(0.8%)	(0.9%)	(0.9%)
Total Revenue	49,247	48,005	49,329	51,756	49,300	48,599	47,985	47,457	47,011	46,645	46,256	45,835	45,416
		(3%)	3%	5%	(5%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)	(1%)
Operating Expenses													
Cost of Revenues	(17,643)	(17,125)	(17,867)	(18,424)	(16,763)	(17,495)	(17,275)	(17,084)	(16,924)	(16,792)	(16,652)	(16,501)	(16,350)
% of Revenue	36%	36%	36%	36%	34%	36%	36%	36%	36%	36%	36%	36%	36%
Research and Development	(6,296)	(6,059)	(6,332)	(6,577)	(6,347)	(5,346)	(5,278)	(5,220)	(5,171)	(5,131)	(5,088)	(5,042)	(4,996)
% of Revenue	13%	13%	13%	13%	13%	11%	11%	11%	11%	11%	11%	11%	11%
Sales & Marketing	(9,619)	(9,184)	(9,242)	(9,571)	(9,169)	(9,444)	(9,727)	(10,019)	(10,320)	(10,629)	(10,948)	(11,277)	(11,615)
% Growth		(5%)	1%	4%	(4%)	3%	3%	3%	3%	3%	3%	3%	3%
General & Administrative	(1,814)	(1,993)	(2,144)	(1,827)	(1,925)	(1,215)	(1,200)	(1,186)	(1,175)	(1,166)	(1,156)	(1,146)	(1,135)
% of Revenue	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%
Operating Income (EBIT)	13,875	13,644	13,744	15,357	15,096	15,098	14,505	13,946	13,421	12,926	12,411	11,870	11,320
EBIT Growth		(2%)	1%	12%	(2%)	0%	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)	(5%)
EBIT Margin	28%	28%	28%	30%	31%	31%	30%	29%	29%	28%	27%	26%	25%
Tax Rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	25%
NOPAT	10,823	10,642	10,720	11,978	11,775	11,777	11,314	10,878	10,468	10,083	9,681	9,259	8,490
D&A	2,150	2,286	2,192	1,897	1,808	1,782	1,760	1,740	1,724	1,711	1,696	1,681	1,666
% of Revenue	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex	(1,135)	(957)	(775)	(887)	(726)	(1,798)	(1,775)	(1,756)	(1,739)	(1,726)	(1,711)	(1,696)	(1,680)
% of Revenue	2%	2%	2%	2%	1%	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)	(4%)
Changes in NWC													
Changes in NWC	(128)	586	9,344	1,077	918	972	960	949	940	933	925	917	908
% of Revenue	0%	1%	19%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow	11,710	12,557	21,481	14,065	13,775	12,733	12,258	11,812	11,393	11,000	10,591	10,160	9,384
Discount Period						0.33	1.33	2.33	3.33	4.33	5.33	6.33	7.33
WACC						8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Discount Factor						0.97	0.90	0.84	0.77	0.72	0.66	0.61	0.57
PV of Unlevered Free Cash Flow						12,413	11,065	9,873	8,817	7,883	7,027	6,242	5,338
Unlevered Free Cash Flow Margin	24%	26%	44%	27%	28%	26%	26%	25%	24%	24%	23%	22%	21%

Bear Case Discounted Cash Flow Valuation

Results

Terminal Value: Exit Multiple Method	
Cumulative PV of FCF	\$68,659
% of Enterprise Value	55.0%
Terminal Value	
Terminal Year EBITDA	\$12,986
Exit EV/EBITDA Multiple	8.0x
Terminal Value	\$103,887
PV of Terminal Value	\$56,127
% of Enterprise Value	45.0%
Enterprise Value	\$124,786
Less: Debt	\$14,554
Add: Cash	\$30,588
Equity Value	\$140,820
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$33.10
Current Share Price	\$51.98
Implied Upside	(36.3%)

Terminal Value: Gordon Growth Method	
Cumulative PV of FCF	\$68,659
% of Enterprise Value	49.0%
Terminal Value	
Terminal Year UFCF	\$9,384
Perpetuity Growth Rate	0.50%
Terminal Value	\$125,741
PV of Terminal Value	\$71,529
% of Enterprise Value	51.0%
Enterprise Value	\$140,188
Less: Debt	\$14,554
Add: Cash	\$30,588
Equity Value	\$156,222
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$ 36.72
Current Share Price	\$ 51.98
Implied Upside	(29.4%)

Bear Case Discounted Cash Flow Valuation

Sensitivity Analysis

Exit
Multiple

		7.0x	7.5x	8.0x	8.5x	9.0x
WACC	7.00%	\$31.54	\$32.37	\$33.19	\$34.02	\$34.84
	7.50%	\$31.50	\$32.32	\$33.15	\$33.97	\$34.80
	8.00%	\$31.45	\$32.28	\$33.10	\$33.93	\$34.75
	8.50%	\$31.41	\$32.24	\$33.06	\$33.89	\$34.71
	9.00%	\$31.37	\$32.20	\$33.02	\$33.85	\$34.67

Exit
Multiple

		7.0x	7.5x	8.0x	8.5x	9.0x
WACC	7.00%	(39.3%)	(37.7%)	(36.1%)	(34.6%)	(33.0%)
	7.50%	(39.4%)	(37.8%)	(36.2%)	(34.6%)	(33.1%)
	8.00%	(39.5%)	(37.9%)	(36.3%)	(34.7%)	(33.1%)
	8.50%	(39.6%)	(38.0%)	(36.4%)	(34.8%)	(33.2%)
	9.00%	(39.6%)	(38.1%)	(36.5%)	(34.9%)	(33.3%)

Growth
Rate

		(0.50%)	0.00%	0.50%	1.00%	1.50%
WACC	7.00%	\$36.64	\$37.92	\$39.40	\$41.12	\$43.15
	7.50%	\$35.56	\$36.68	\$37.97	\$39.45	\$41.18
	8.00%	\$34.60	\$35.59	\$36.72	\$38.01	\$39.50
	8.50%	\$33.74	\$34.63	\$35.63	\$36.77	\$38.06
	9.00%	\$32.97	\$33.77	\$34.66	\$35.67	\$36.81

Growth
Rate

		(0.50%)	0.00%	0.50%	1.00%	1.50%
WACC	7.00%	(29.5%)	(27.0%)	(24.2%)	(20.9%)	(17.0%)
	7.50%	(31.6%)	(29.4%)	(27.0%)	(24.1%)	(20.8%)
	8.00%	(33.4%)	(31.5%)	(29.4%)	(26.9%)	(24.0%)
	8.50%	(35.1%)	(33.4%)	(31.5%)	(29.3%)	(26.8%)
	9.00%	(36.6%)	(35.0%)	(33.3%)	(31.4%)	(29.2%)

Bull Case Discounted Cash Flow Valuation

Revenue Build

Revenue Assumptions: (USD millions, FY End Dec. 31)	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product Segment													
Hardware	30,847	28,984	29,320	30,234	27,256	27,801	28,357	28,924	29,503	30,093	30,695	31,309	31,935
% of Total	83%	81%	80%	78%	76%	73%	71%	69%	66%	63%	61%	59%	57%
% Change Y/Y		(6%)	1%	3%	(10%)	2%	2%	2%	2%	2%	2%	2%	2%
Software	6,407	6,721	7,388	8,623	8,721	10,029	11,534	13,264	15,253	17,389	19,823	21,805	23,986
% of Total	17%	19%	20%	22%	24%	27%	29%	31%	34%	37%	39%	41%	43%
% Change Y/Y		5%	10%	17%	1%	15%	15%	15%	15%	14%	14%	10%	10%
6.36%													
Total Core Product Revenues	37,254	35,705	36,708	38,857	35,977	37,830	39,891	42,188	44,756	47,481	50,518	53,114	55,920
% of Total Revenues	76%	74%	74%	75%	73%	73%	74%	74%	75%	75%	76%	76%	77%
% Change Y/Y		(4%)	3%	6%	(7%)	6%	5%	6%	6%	6%	6%	5%	5%
Service Revenues													
Total Service Revenues	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% of Total Revenues	24%	26%	26%	25%	27%	27%	26%	26%	25%	25%	24%	24%	23%
% Change Y/Y		3%	3%	2%	3%	3%	3%	3%	3%	3%	3%	3%	3%
Total Revenues	49,247	48,005	49,329	51,756	49,300	51,553	54,025	56,746	59,751	62,926	66,426	69,499	72,798
% Change Y/Y		(3%)	3%	5%	(5%)	5%	5%	5%	5%	5%	6%	5%	5%

Bull Case Discounted Cash Flow Valuation

Free Cash Flow Build

Discounted Cash Flow	Actual					Projected							
	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Core Product	37,254	35,705	36,708	38,857	35,977	37,830	39,891	42,188	44,756	47,481	50,518	53,114	55,920
% Growth Rate		(4.2%)	2.8%	5.9%	(7.4%)	5.2%	5.4%	5.8%	6.1%	6.1%	6.4%	5.1%	5.3%
Services	11,993	12,300	12,621	12,899	13,323	13,723	14,134	14,558	14,995	15,445	15,908	16,386	16,877
% Growth Rate		2.6%	2.6%	2.2%	3.3%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Revenue	49,247	48,005	49,329	51,756	49,300	51,553	54,025	56,746	59,751	62,926	66,426	69,499	72,798
		(3%)	3%	5%	(5%)	5%	5%	5%	5%	5%	6%	5%	5%
Operating Expenses													
Cost of Revenues	(17,643)	(17,125)	(17,867)	(18,424)	(16,763)	(18,559)	(19,449)	(20,429)	(21,510)	(22,653)	(23,913)	(25,020)	(26,207)
% of Revenue	36%	36%	36%	36%	34%	36%	36%	36%	36%	36%	36%	36%	36%
Research and Development	(6,296)	(6,059)	(6,332)	(6,577)	(6,347)	(6,186)	(6,483)	(6,810)	(7,170)	(7,551)	(7,971)	(8,340)	(8,736)
% of Revenue	13%	13%	13%	13%	13%	12%	12%	12%	12%	12%	12%	12%	12%
Sales & Marketing	(9,619)	(9,184)	(9,242)	(9,571)	(9,169)	(9,444)	(9,539)	(9,634)	(9,730)	(9,828)	(9,926)	(10,025)	(10,125)
% of Growth		(5%)	1%	4%	(4%)	3%	1%	1%	1%	1%	1%	1%	1%
General & Administrative	(1,814)	(1,993)	(2,144)	(1,827)	(1,925)	(1,289)	(1,351)	(1,419)	(1,494)	(1,573)	(1,661)	(1,390)	(1,456)
% of Revenue	4%	4%	4%	4%	4%	3%	3%	3%	3%	3%	3%	2%	2%
Operating Income (EBIT)	13,875	13,644	13,744	15,357	15,096	16,075	17,204	18,455	19,847	21,321	22,955	24,725	26,274
EBIT Growth		(2%)	1%	12%	(2%)	6%	7%	7%	8%	7%	8%	8%	6%
EBIT Margin	28%	28%	28%	30%	31%	31%	32%	33%	33%	34%	35%	36%	36%
Tax Rate	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	25%
NOPAT	10,823	10,642	10,720	11,978	11,775	12,538	13,419	14,395	15,480	16,630	17,905	19,285	19,705
D&A	2,150	2,286	2,192	1,897	1,808	1,891	1,981	2,081	2,191	2,308	2,436	2,549	2,670
% of Revenue	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Capex	(1,135)	(957)	(775)	(887)	(726)	(1,907)	(1,999)	(2,100)	(2,211)	(2,328)	(2,458)	(2,571)	(2,694)
% of Revenue	2%	2%	2%	2%	1%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%
Changes in NWC													
Changes in NWC	(128)	586	9,344	1,077	918	1,031	1,081	1,135	1,195	1,259	1,329	1,390	1,456
% of Revenue	0%	1%	19%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Unlevered Free Cash Flow	11,710	12,557	21,481	14,065	13,775	13,552	14,482	15,512	16,656	17,868	19,212	20,652	21,137
Discount Period						0.33	1.33	2.33	3.33	4.33	5.33	6.33	7.33
WACC						8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Discount Factor						0.97	0.90	0.84	0.77	0.72	0.66	0.61	0.57
PV of Unlevered Free Cash Flow						13,213	13,073	12,965	12,890	12,804	12,747	12,688	12,024
Unlevered Free Cash Flow Margin	24%	26%	44%	27%	28%	26%	27%	27%	28%	28%	29%	30%	29%

Bull Case Discounted Cash Flow Valuation

Results

Terminal Value: Exit Multiple Method	
Cumulative PV of FCF	\$102,405
% of Enterprise Value	31.9%
Terminal Value	
Terminal Year EBITDA	\$28,943
Exit EV/EBITDA Multiple	14.0x
Terminal Value	\$405,205
PV of Terminal Value	\$218,920
% of Enterprise Value	68.1%
Enterprise Value	\$321,325
Less: Debt	\$14,554
Add: Cash	\$30,588
Equity Value	\$337,359
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$79.30
Current Share Price	\$51.98
Implied Upside	52.6%

Terminal Value: Gordon Growth Method	
Cumulative PV of FCF	\$102,405
% of Enterprise Value	33.4%
Terminal Value	
Terminal Year UFCF	\$21,137
Perpetuity Growth Rate	2.00%
Terminal Value	\$359,334
PV of Terminal Value	\$204,410
% of Enterprise Value	66.6%
Enterprise Value	\$306,815
Less: Debt	\$14,554.0
Add: Cash	\$30,588.0
Equity Value	\$322,849
Fully Diluted Shares Outstanding	4254
Implied Share Price	\$75.89
Current Share Price	\$51.98
Implied Upside	46.0%

Bull Case Discounted Cash Flow Valuation

Sensitivity Analysis

Exit
Multiple

		11.0x	11.5x	12.0x	12.5x	13.0x
WACC	7.00%	\$68.48	\$70.31	\$72.15	\$73.99	\$75.83
	7.50%	\$68.37	\$70.21	\$72.05	\$73.89	\$75.73
	8.00%	\$68.28	\$70.11	\$71.95	\$73.79	\$75.63
	8.50%	\$68.18	\$70.02	\$71.86	\$73.70	\$75.53
	9.00%	\$68.09	\$69.93	\$71.77	\$73.61	\$75.44

Exit
Multiple

		11.0x	11.5x	12.0x	12.5x	13.0x
WACC	7.00%	31.7%	35.3%	38.8%	42.3%	45.9%
	7.50%	31.5%	35.1%	38.6%	42.1%	45.7%
	8.00%	31.4%	34.9%	38.4%	42.0%	45.5%
	8.50%	31.2%	34.7%	38.2%	41.8%	45.3%
	9.00%	31.0%	34.5%	38.1%	41.6%	45.1%

Growth
Rate

		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	7.00%	\$75.62	\$80.20	\$85.70	\$92.42	\$100.82
	7.50%	\$71.86	\$75.76	\$80.36	\$85.88	\$92.64
	8.00%	\$68.62	\$71.98	\$75.89	\$80.52	\$86.07
	8.50%	\$65.81	\$68.73	\$72.10	\$76.03	\$80.68
	9.00%	\$63.34	\$65.91	\$68.84	\$72.23	\$76.18

Growth
Rate

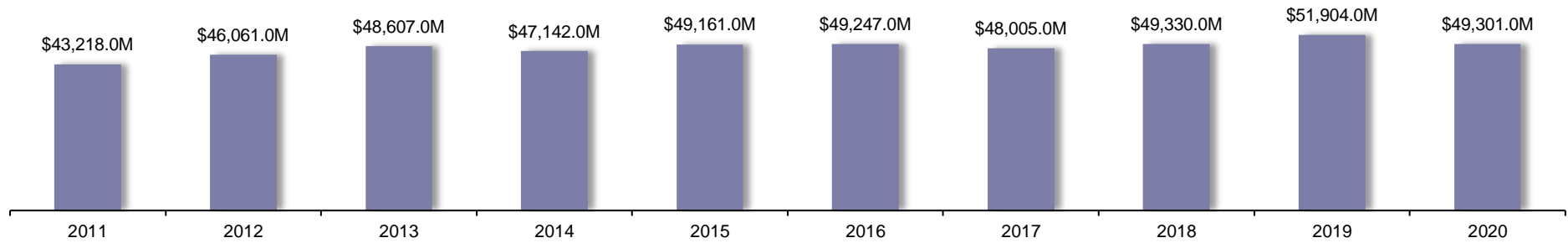
		1.00%	1.50%	2.00%	2.50%	3.00%
WACC	7.00%	45.5%	54.3%	64.9%	77.8%	94.0%
	7.50%	38.2%	45.7%	54.6%	65.2%	78.2%
	8.00%	32.0%	38.5%	46.0%	54.9%	65.6%
	8.50%	26.6%	32.2%	38.7%	46.3%	55.2%
	9.00%	21.9%	26.8%	32.4%	39.0%	46.6%

10-Year Historical Analysis

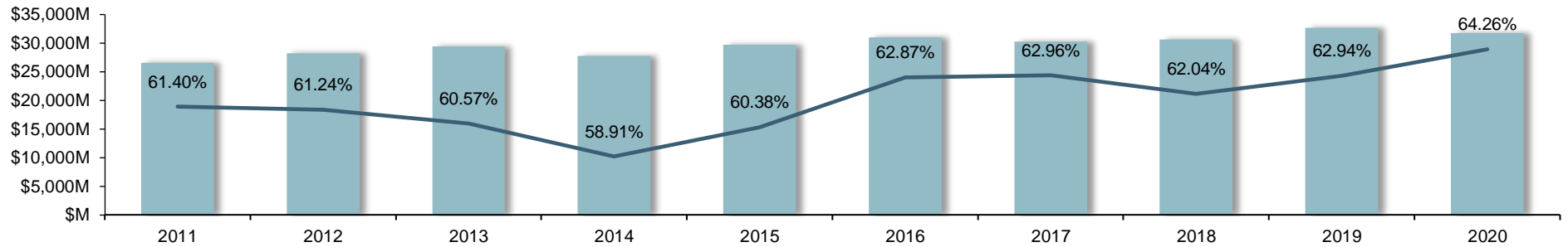
10-Year Historical Analysis

Revenue, Gross Margin, EBIT Margin

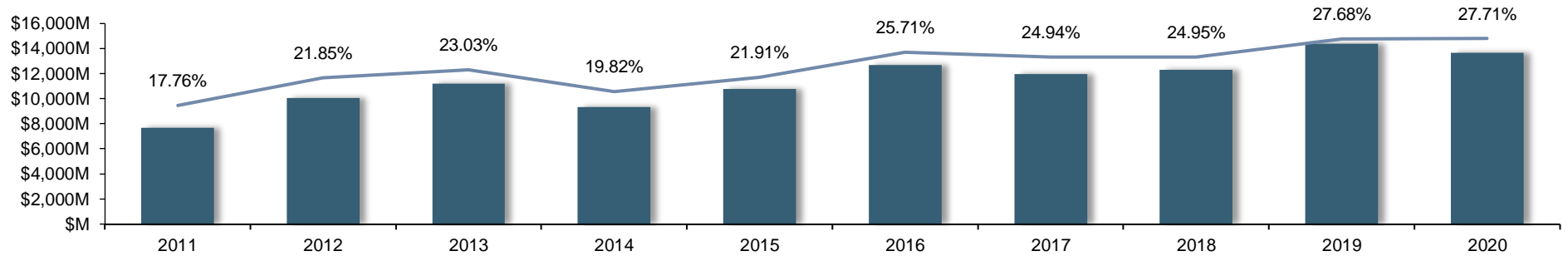
Revenue



Gross Profit & Margin



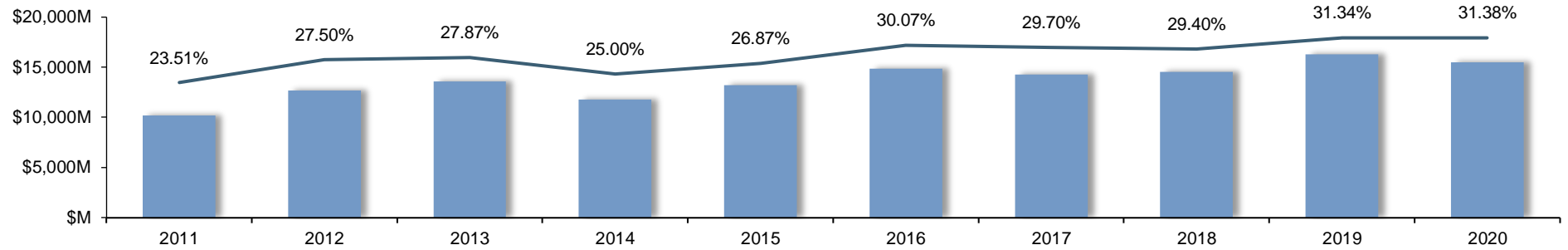
EBIT & Margin



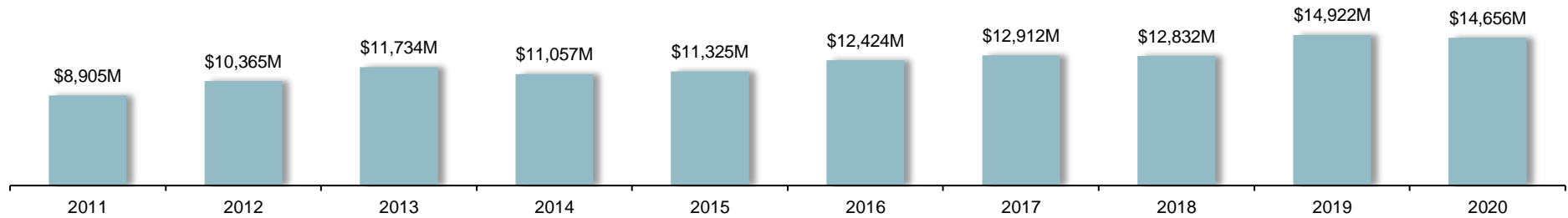
10-Year Historical Analysis

Operating Metrics

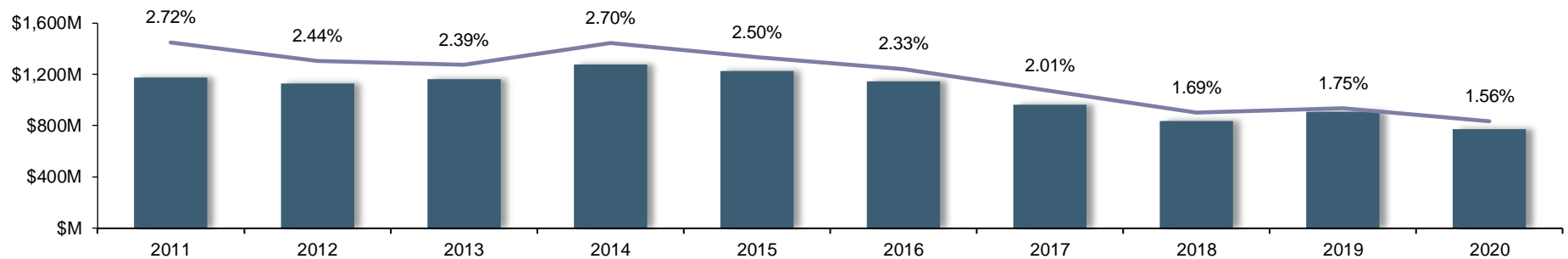
EBITDA & Margin



Free Cash Flow



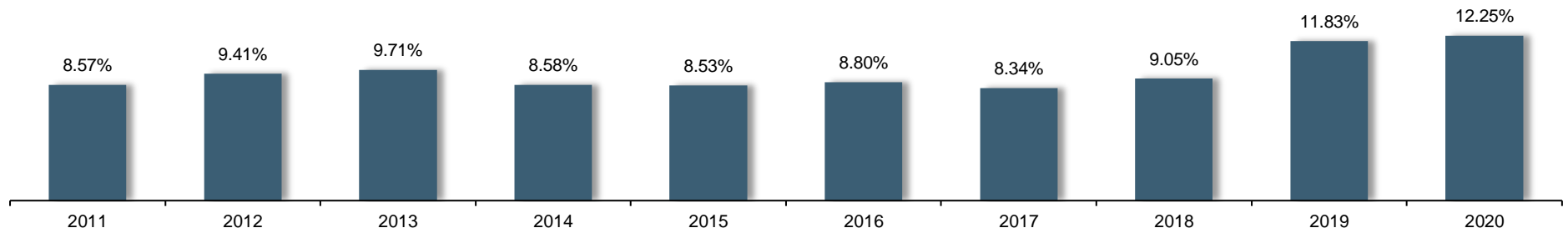
Capex and Margin



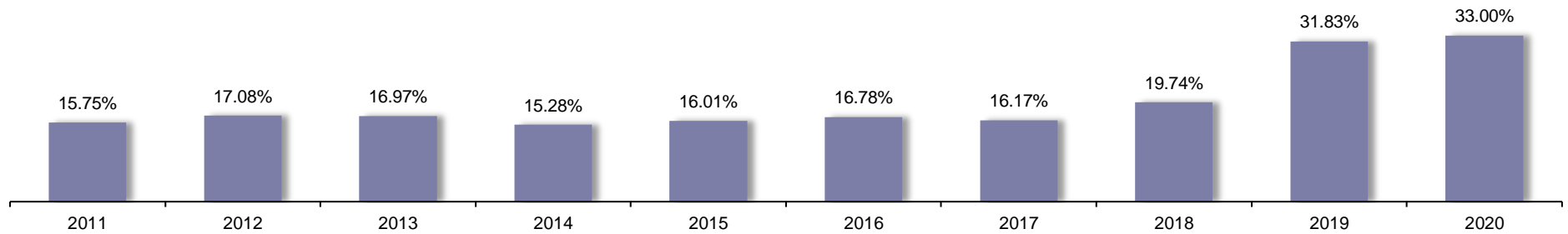
10-Year Historical Analysis

Return Ratios

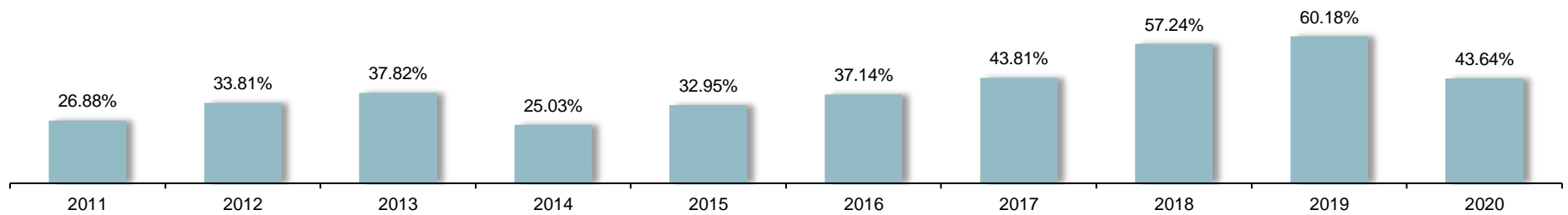
Return on Assets



Return on Equity



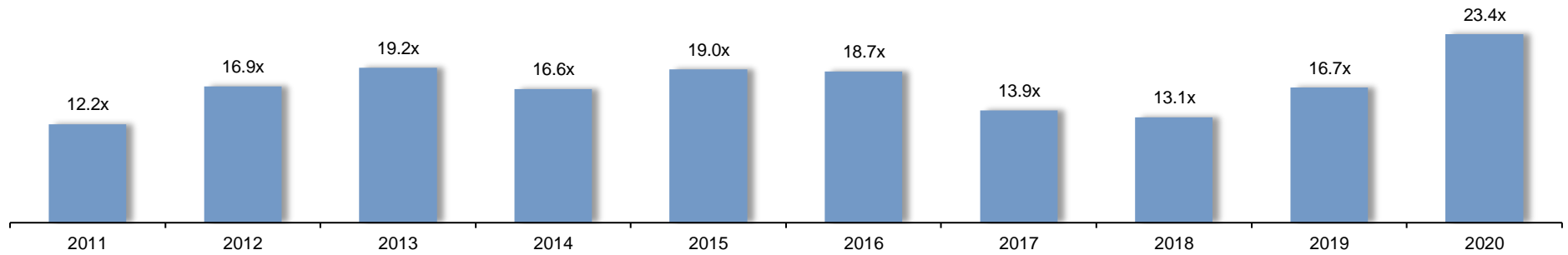
Return on Invested Capital



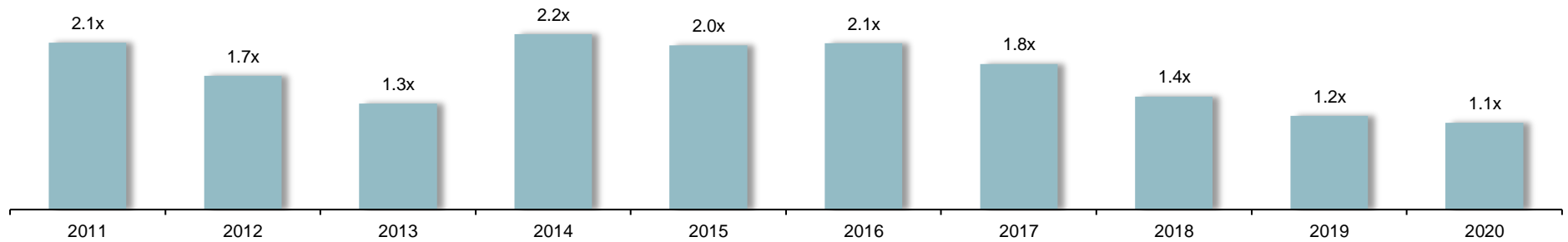
10-Year Historical Analysis

Leverage Ratios

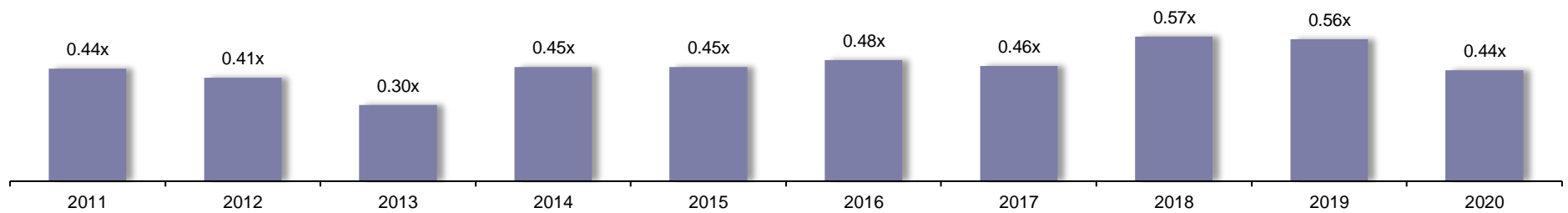
Interest Coverage Ratio



Debt / EBITDA



Debt / Equity



Historical Financials

10 Year Financials

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR		
											3-yr	5-yr	10-yr
Revenue/Sales Schedule													
Product	34,526	36,326	38,029	36,172	37,750	37,254	35,705	36,709	39,005	35,978	-1.0%	-0.9%	0.5%
Service	8,692	9,735	10,578	10,970	11,411	11,993	12,300	12,621	12,899	13,323	2.7%	2.7%	4.9%
Total Revenue	43,218	46,061	48,607	47,142	49,161	49,247	48,005	49,330	51,904	49,301	0.0%	0.0%	1.5%
Income Statement													
Cost of Goods Sold	16,682	17,852	19,167	19,373	19,480	18,287	17,781	18,724	19,238	17,618	-3.0%	-0.9%	0.6%
Gross Profit	26,536	28,209	29,440	27,769	29,681	30,960	30,224	30,606	32,666	31,683	1.7%	0.6%	2.0%
Sales and Marketing	9,812	9,647	9,538	9,503	9,821	9,619	9,184	9,242	9,571	9,169	-0.4%	-1.2%	-0.8%
SG&A Expense	1,908	2,322	2,264	1,934	2,040	1,814	1,993	2,144	1,827	1,925	-5.2%	1.5%	0.1%
R&D Expense	5,823	5,488	5,942	6,294	6,207	6,296	6,059	6,332	6,577	6,347	0.1%	0.2%	1.0%
Other charges	1,319	687	500	693	843	571	1,015	579	472	622	3.6%	2.2%	-8.0%
EBIT	7,674	10,065	11,196	9,345	10,770	12,660	11,973	12,309	14,219	13,620	5.2%	1.8%	6.6%
EPS													
EPS - Diluted	\$1.17	\$1.49	\$1.86	\$1.49	\$1.75	\$2.11	\$1.90	\$0.02	\$2.61	\$2.64	1048.9%	5.8%	9%
Weighted average shares outstanding - Diluted	5,529	5,370	5,380	5,234	5,146	5,088	5,049	4,881	4,453	4,837	-0.5%	-1.3%	-1.5%
Dividends/Share	\$0.12	\$0.28	\$0.62	\$0.72	\$0.80	\$0.94	\$1.10	\$1.24	\$0.85	\$0.85	-17.2%	-2.5%	
Cash Flow Statement													
Acquisitions and investments, net	(266)	(375)	(6,766)	(2,989)	(326)	(3,161)	(3,324)	(2,979)	(2,175)	(327)	-66.9%	-43.3%	2.3%
Capital Expenditures	(1,174)	(1,126)	(1,160)	(1,275)	(1,227)	(1,146)	(964)	(834)	(909)	(770)	-3.9%	-9.5%	-4.6%
Repayment of debt	(3,113)	-	(16)	(3,276)	(508)	(3,863)	(4,151)	(12,375)	(6,780)	(6,720)	-61.1%	-9.2%	-9.8%
Purchases of common stock	(6,713)	(4,560)	(2,273)	(9,413)	(4,324)	(3,909)	(3,685)	(17,547)	(20,717)	(2,659)	0.4%	6.1%	27.9%
Payment of dividends	(658)	(1,501)	(3,310)	(3,758)	(4,086)	(4,750)	(5,511)	(5,968)	(5,979)	(6,016)			
Balance Sheet													
Total assets	87,095	91,759	101,191	105,070	113,481	121,652	129,818	108,784	97,793	94,853	-6.6%	-6.0%	1.0%
Total Equity (deficit)	47,259	51,301	59,128	56,661	59,707	63,586	66,137	43,204	33,571	37,920	-6.3%	-12.1%	-2.4%
Long-term debt	16,297	16,234	12,928	20,337	21,457	24,483	25,725	20,331	14,475	11,578	-24.5%	-17.1%	-3.7%
Margin Analysis (% of Revenue)													
Gross Margin	61.4%	61.2%	60.6%	58.9%	60.4%	62.9%	63.0%	62.0%	62.9%	64.3%	222 bps	140 bps	286 bps
SG&A Expense	4.4%	5.0%	4.7%	4.1%	4.1%	3.7%	4.2%	4.3%	3.5%	3.9%	-44 bps	22 bps	-51 bps
R&D Expense	13.5%	11.9%	12.2%	13.4%	12.6%	12.8%	12.6%	12.8%	12.7%	12.9%	4 bps	9 bps	-60 bps
Sales and Marketing	22.7%	20.9%	19.6%	20.2%	20.0%	19.5%	19.1%	18.7%	18.4%	18.6%	-14 bps	-93 bps	-411 bps
Other charges	-3.1%	-1.5%	-1.0%	-1.5%	-1.7%	-1.2%	-2.1%	-1.2%	-0.9%	-1.3%	-9 bps	-10 bps	179 bps
EBIT Margin	17.8%	21.9%	23.0%	19.8%	21.9%	25.7%	24.9%	25.0%	27.4%	27.6%	267 bps	192 bps	987 bps
Capital Expenditures as a % of Revenue	2.7%	2.4%	2.4%	2.7%	2.5%	2.3%	2.0%	1.7%	1.8%	1.6%	-13 bps	-77 bps	-115 bps
Dividends as a % of EBIT	8.6%	14.9%	29.6%	40.2%	37.9%	37.5%	46.0%	48.5%	42.0%	44.2%	-431 bps	665 bps	3560 bps