

Citrix Systems Inc. (NASDAQ: CTXS)

Sector: Technology

Target Price	Current Price	52W High	52W Low	P/E	Market Cap	Div Yield
124.88	117.11	173.56	100.31	25.57	14,382M	1.18%

Investment Thesis

Citrix is at the forefront of a long and persisting shift to work from home and flexible work options. They are well positioned to take advantage of this due to their transformation to a subscription SaaS business model, longstanding (sometimes 30+ year) partnerships and client base (including 98% of the Fortune 500). All of this working in tandem with Citrix's reasonable price relative to its peers, puts Citrix in a unique opportunity to create and sustain tremendous value.

Business Description

Citrix is an enterprise software company who creates a digital workspace that provides unified, secure, and reliable access to all applications and content employees need to be productive - anytime, anywhere, on any device. This is all because they want to help companies improve the productivity and user experience of their most valuable assets, their employees. Citrix accomplishes this goal through their flagship product, Workspace (70% of revenue), and associated services. Citrix is in the process of transitioning their customers to the cloud, and from a perpetual license to a subscription business model. This will include benefits such as predictable revenue streams and reduced COGS. Citrix also has long standing partnerships with firms such as Microsoft and Google and a number of large and reliable customers including 99% of the Fortune 100.

Industry Trends

Although the reopening of the U.S. economy may result in businesses moving a range of employees back into offices, it is likely that the work-from-home structure and employee flexibility will remain in place. In 2019, 16% of workers were fully remote, this number has jumped to 80% in 2020. It is unlikely that this trend will continue perpetually, however even if this number reverts back to ~20% in 2021/2022 it is likely that clients will retain the software regardless, still requiring a base level of

remote work infrastructure. In addition to accelerating work from home (WFH) software adoption, COVID-19 has also validated the idea that people can be productive at home. It has proven that businesses can continue to operate despite a bulk of their workforce working from the confines of their own home. This validation paired with peoples neutral or positive experiences with WFH will be a long-term driver of Citrix client retention and growth.

Risks

- Reliance on strategic partnerships that are essential to their business
- Specialized new SaaS competitors may disrupt their business

Valuation Assumptions

Terminal Value Assumptions	
Discount Rate	9.00%
Perpetuity Growth Rate	4.50%
Terminal Value	18,685,854.90

Implied Value	
PV Terminal Value	11,141,764.75
PV Cash Flows	4,447,430.59
Enterprise Value	15,589,195.35
Less: Debt	742,926
Add: Cash+ Marketable. Sec.	545,761.0
Equity Value	15,392,030.35
Shares Outstanding	123,255.0
Implied Share Price	\$ 124.88
Current Stock Price (11/16/2020)	\$ 118.48
Margin of Safety	5.4%

		Sensitivity Analysis				
		Discount Rate				
		8.0%	8.5%	9.0%	9.5%	10.0%
Perpetuity Rate	\$ 124.88					
	3.5%	135.67	120.22	107.74	97.47	88.90
	4.0%	148.71	130.14	115.45	103.59	93.82
	4.5%	165.48	142.53	124.88	110.92	99.64
	5.0%	187.84	158.47	136.67	119.89	106.62
	5.5%	219.15	179.73	151.82	131.09	115.14

Corporate Social Responsibility/ ESG

Citrix strives to reduce their carbon footprint, build a diverse and inclusive workforce, and make positive differences for their customers, the environment and global communities where employees live and work.

Total Community Investment



Total ESG Risk score

18 15th percentile
Low

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