

Edgio:

“Fasten Your Seatbelts: Generative AI Is Accelerating

The Edge ... Forbes: ([Link](#))

Normalized Multiple \$60+

You need to have your head in the cloud not to see the excitement around Edge Computing. In just the past 2 days we have seen both Super Micro And Dell investing more in edge operations:

“How Dell Technologies is Reimagining Edge Operations”

Technology Mag ([Link](#))

“Supermicro Expands Edge Compute Portfolio to Accelerate IoT and Edge AI Workloads with New Generation of Embedded Solutions”

SMCI PR: ([Link](#))

The headlines are all over:

“AI drives explosion in edge computing”

[Axios: \(Link \)](#)

“New AI and 5G advancements will usher in the era of edge computing on smartphones, autonomous cars and more”

[Business Insider \(Link \)](#)

“Edge computing spending set to skyrocket as AI takes hold”

[TechRadar \(Link \)](#)

“A Clear Vision for Edge AI Efficiency”

[hackster.io \(Link \)](#)

Don't believe us, just Google News “Edge Computing”. Here is a sampling of the quotes:

“Edge computing will be a "huge energy saver.”

[Jillian Kaplan, the head of global 5G at Dell \(Link \)](#)

“ Edge AI—or AI at the network's edge—may be the most important development for the future of business and AI symbiosis.”

[Aurangzeb Khan, Senior Vice President, Intelligent Vision Systems at GN Jabra \(Link \)](#)

"The whole industry is figuring out how to trim these [AI] models to fit at the edge without loss of accuracy,"

[Sameer Vuyyuru, AWS head of worldwide telecommunications business development \(Link \)](#)

"75% of data compute is moving to the edge,"

[Kirk Skaugen, head of Lenovo's infrastructure business \(Link \)](#)

Aside from the obvious tech behemoths, the one company that stands to benefit from the shift to the edge is Edgio:(NASDAQ:EGIO). Despite the stock being down 95% over the past 4 years, Edgio is well positioned to benefit from the upcoming surge in edge computing, as it has more POP locations than either Fastly or Amazon, a new leadership team with deep experience, and a strong, well-accepted technology platform with a very credible customer list.

Citron does not expect Edgio to stay an independent company for long and believe a takeout should be at a price of **\$65 MINIMUM**.

Edgio operates at the intersection of AI, Cybersecurity, and streaming. Its marquee customers include **Microsoft**, **Verizon**, and **Amazon** (each over \$40 million per year. Their product suite stacks up well in independent reviews against products from brand names like Akamai and Cloudflare, but with a valuation of less than 1% of their competitors. Edgio operates one of the larger high bandwidth points of presence (PoP) networks with over 300 connections worldwide.

Under new leadership as described in this report, Citron expects that Edgio will clean up its reporting issues which have already been addressed and then shop itself to the many technology companies who want to have a seat on the edge.

Before we validate the business, let's look at the elephant in the room: this is a comparative chart of Edgio vs. Competitors. We believe P/S is a fair metric because the industry has been plagued by lack of profitability. Until recently, excess capacity has been a recurring issue. Furthermore, Edgio is operating almost break even now. As we expect a takeover, they would immediately shed the excess expenses of being stand alone.

P/S Sales comparison of Edge Computing players

Company	Ticker	Market Cap	Annual Revs	Annual Net Income	Price/Sales multiple
Akamai Technologies	AKAM	16.6 b	3.8b	547m	4.37
Cloudflare	NET	32.3b	1.3b	-184m	24.80
Fastly	FSLY	1.7b	506m	-133m	3.36
Edgio, Inc.	EGIO	60m*	390m	** -110m	0.13

(* 2M share dilution will be reported from Lynrock Lake's warrant issue in the delayed 2023 10-K.) ** < \$2 million loss adjusted EBITDA basis MRQ

Among these, we believe Edgio, whose adjusted EBITDA q4 loss flattened to less than \$2 million, is likely to turn profitable before Fastly and possibly Cloudflare.

It is fair to say that Edgio should be valued at least 1x sales which would put the stock at \$65 this year. If given the same multiple as Fastly, Edgio would be \$200/share.

Instead of Citron editorializing Edgio vs. Competitors, let's see it directly from AWS and Microsoft's websites.

AWS promotes Edgio's Involvement in streaming the Super Bowl and the size of the network capacity as #1 or #2 globally.

Product Overview

Edgio ensures the world's most demanding digital businesses deliver exceptional experiences with the scale, speed, and security that their customers expect. Edgio's engagement edge is one of the world's largest, globally distributed edge platforms that is designed to take advantage of high-performance internet systems and work seamlessly with major cloud providers like AWS.

No matter where our clients' customers are in the world, Edgio application solutions allow clients to securely build and deploy web and mobile applications as well as APIs effortlessly. Our multi-layer edge WAAP with integrated bot management, DDoS and API protections boosts security without sacrificing performance all on a single pane of glass making DevOps teams more efficient.

Edgio's full-featured streaming platform allows our clients the ability to orchestrate video content, manage live and on-demand video streams, and insert personalized ads with studio grade content and access security, to millions of viewers with a fraction of the resources. With simple workflows and integrations through our ecosystem partners, managing and monetizing video content has never be easier.

Edgio's content delivery network [CDN] served on one of the world's largest private networks is built to outperform. Our 300+ strategically located points of presence and 7,000+ interconnects to last mile networks ensure lightning fast response times to any device. Coupled with the granular levels of control and customization as well as intelligent analytics and security, Edgio provides customers with reliability at massive scale.

The entire Edgio solution set can be purchased through a private offer. For custom pricing, EULA or private contract, please contact edgio.awsmmp@edgio.io.

Sold by	Edgio
Fulfillment Method	Software as a Service (SaaS)

Highlights

- Edgio's Web Application and API Protection [WAAP] boosts security across a broad range of threats including DDoS and Bad Bots while reducing security exploit mitigation time by 85%
- Edgio's network has 250+ Tbps of capacity that ranks #1 or #2 globally [and in most regions] for the fastest response times by independent data providers
- The world's largest live events, like the World Cup or Super Bowl, down to community level streamers depend on Edgio's solutions to curate and syndicate their content

Amazon AWS Marketplace listing ([Link](#))

In an updated post just last month Microsoft was encouraging customers to upgrade to Edgio Premium from Edgio Standard.

Profile comparison

Azure CDN Premium from Edgio profiles have the following key differences from Azure CDN Standard from Edgio profiles:

- For certain Azure Content Delivery Network features such as [compression](#), [caching rules](#), and [geo filtering](#), you can't use the Azure content delivery network interface, you must use the Edgio portal via the **Manage** button.
- API: Unlike with Standard Edgio, you can't use the API to control those features that are accessed from the Premium Edgio portal. However, you can use the API to control other common features, such as creating/deleting an endpoint, purging/load cached assets, and enabling/disable a custom domain.
- Pricing: Premium Edgio has a different pricing structure for data transfers than Standard Edgio. For more information, see [Content Delivery Network pricing](#).

Azure CDN Premium from Edgio profiles have the following extra features:

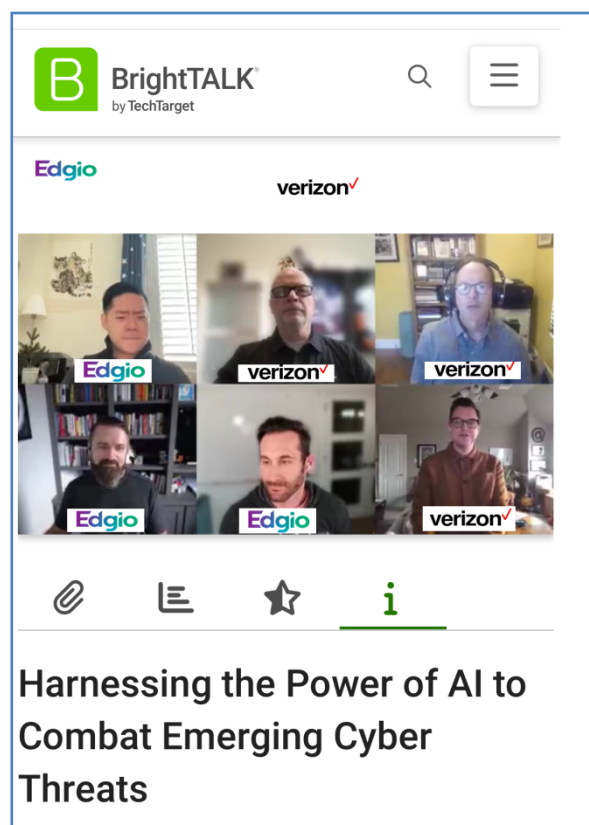
- [Token authentication](#): Allows users to obtain and use a token to fetch secure resources.
- [Rules engine](#): Enables you to customize how HTTP requests are handled.
- Advanced analytics tools:
 - [Detailed HTTP analytics](#)
 - [Edge performance analytics](#)
 - [Real-time analytics](#)

Microsoft Azure Profile ([Link](#))

Edgio is known for its security implementation. It even won a software award in 2023: **“Overall Web Security Solution of the Year”** in the 7th Annual CyberSecurity Breakthrough ([Link](#)).

Verizon, one of Edgio's "more than 10% of revenue" customers, holds Edgio in high regard for expertise in its **online security capabilities**.

On Feb 29, 2024, it hosted this **AI themed** webinar with top Verizon cybersecurity experts and 3 and threat defense landscapes. Edgio product and security experts, discussing the role of AI in the rapidly evolving cyberthreat landscape:



It ended with the moderator, a Verizon Senior Product Manager, stating ([Link](#)):

*"This has been a great discussion. To keep that going, we invite you to **learn more about how Verizon and Edgio are helping** by visiting our website security page at Verizon.com. You can find that link at the bottom of this page.."*

Verizon is a \$169 billion dollar company. Edgio's market cap is ... \$60 million.

Aside from being in there with Akamai streaming the Super Bowl, here's how they stack up in feature-to-feature independent reviews against competitive offerings from far larger companies:

Independent web tech authority, [CDN Planet](#) compared Edge Network offerings by Akamai and Edgio. Keep in mind as you explore this table ([Link](#)) that Edgio is valued at \$60m, and Akamai is a \$16b market cap company, **250 times larger in valuation, while only 9x Edgio’s revenues.**

Edgio versus Akamai

Products Network Pricing Features Support Contact

Easily compare [Edgio](#) and [Akamai](#) for POP locations, products, pricing, features & support. We hope this helps you better understand the similarities and differences between these content delivery networks.

Company

Company	Edgio	Akamai
Short profile	Edgio is the result of the merger between well-known CDNs Edgecast and Limelight Networks and now a global edge platform with 300+ edge locations across the globe. The Edgio platform has four pillars: Delivery, Streaming, Security and AppOps.	Akamai is one of the oldest CDNs and generally considered to be the largest global CDN. They have 'servers everywhere' and a wide range of products and services. The company is actively involved in Let's Encrypt and is pushing HTTP/2 adoption.

Products

● Yes ○ Sort of/partially ○ No \$ Extra costs ? Unknown

Product	Edgio	Akamai
Dynamic content delivery	● Performance ☑	● Dynamic Site Accelerator ☑
Video on demand	● Delivery ☑	●

Features

● Yes ○ Sort of/partially ○ No \$ Extra costs ? Unknown

Web acceleration	Edgio	Akamai
Instant setup	○ Available through Microsoft Azure	○ Can't sign up and get started. Must talk to sales.

Instant Startup? No problem. Edgio gets you there via Microsoft Azure!

Excerpted comparison table, Edgio and Akamai Edge Network offerings by CDNPlanet.com ([Link](#))

It appears Akamai lost Microsoft as a customer for this platform... to Edgio. ([Link](#))

The headline:

“Azure CDN will be retiring Azure CDN Standard from Akamai on 31 October 2023 – transition to another CDN profile to avoid service interruption”

Microsoft support question:

About 6 months ago I got a message from Azure saying that the Verizon CDN was going to be retired in June 2024. Since then it has been renamed Edgio.

Microsoft support answer:

Welcome to Microsoft Q&A Platform. Thank you for reaching out & hope you are doing well. I understand that you would like to know if Azure Verizon CDN is being retired.

No, Azure CDN Standard/Premium from Verizon has been renamed to Azure CDN Standard/Premium from Edgio and this change was from Verizon.

Apart from the name change, there are no other changes/impacts as of today. The only CDN product retiring from Azure is Azure CDN Standard from Akamai.

Azure CDN Standard/Premium from Edgio (formerly Verizon) is still an active product offered by Azure and there are no updates of it being retired anytime soon.

([Link](#))

Cloudflare

Look at how the same source, CDN Planet, compared Cloudflare and Edgio. No, Edgio doesn't have quite the number of PoP's as Cloudflare, but it has live 24/7 customer support, which Cloudflare offers only to enterprise customers. Note that Edgio is valued at **\$60m**, and Cloudflare is a **\$32b** market cap company, over **500 times larger valuation**. ([Link](#)) **Edgio's revenue run rate for 2023 is over 30% of Cloudflare's.**

Largest Customers

Edgio counts among its disclosed customers (each representing more than 10% of revenue), **Amazon, Microsoft** and **Verizon**. Each of those customers is maintaining at least a \$40 million annual revenue stream to Edgio. Clearly, they all could go elsewhere, but Edgio is retaining them.

Real Tech

Edgio managed to maintain R&D levels through the worst of times. The company states it has received 285 U.S. patents expiring between 2023 and 2041, and has 14 more pending. This is yet another indicator it's not some empty SPAC, but rather a real company building real products that are finding a market.

Q: Why is the Stock in such a Swamp?**A: Former Management was Putrid**

We could write chapters about former management's incompetence. One example is discovering their accounting treatment of equipment/lease transactions may have violated their own debt covenants, and forced a huge earnings restatement. ([Link](#)) Changing their NASDAQ listing status caused another covenant breach.

Unlike its competitors, former management was not able to convey the message to Wall St. that the advantages of building out an edge network would reap profits in the future. The lack of communication amongst other mishaps has caused the stock to be where it is today, despite revenues being at a record level.

Edgio Configures New Leadership for Traction

New management: Todd Hinders, Edgio's new CEO, leads a new management team, as of late 2023. Hinders led global sales and customer growth for AWS Elemental, an Amazon Web Services company, overseeing go-to-market activities, and before that at CloudFront and Twitch Interactive Video. Here are some of his quotes from his most recent letter to shareholders ...this does not look like someone who is babysitting a bankruptcy, rather ready to kick ass.

"I'm thrilled to be leading Edgio at this exciting time for the company"

Together with our new board of directors, the executive team, our dedicated employees, and valued customers and partners, we intend to build a world-class company, relentlessly delivering on customer success and maximizing shareholder value."

"We've already seen some impressive successes executing very large live events with Uplynk— such as successfully [streaming](#) the recent college bowl games for one of our clients to more than a million concurrent viewers, without issue."

"We have some customers who want us to manage much of their day-to-day operations for them, and others who desire components of our platform to work within their existing architecture. As such, we are integrating in with the most popular encoding vendors today , building out our ecosystem ... will triple our addressable market and help to optimize our global networks utilization."

"We will continue to aggressively add new security features to our application development environment ... In short, we alert our customers to threats more quickly than anyone."

-- Todd Hinders, January 2024 ([Link](#))

Recent company accomplishments include:

- Pipeline for applications increased almost 80%
- Churn reduced to less than 1%
- Powered over 50,000 live events on UpLynk platform, served up tens of millions of server-side ads
- Partnered in streaming the Super Bowl as well as the first College Bowl Game ever streamed exclusively, for Peacock.

The month before, the company reduced its Board of Directors from 9 to 5, with 3 new members, two independent, approved by the funder:

Ken Traub, a 30-year C-Suite vet who sits on the board of Tidewater (\$4.6b offshore oilfield service giant)

Frank Verdecanna, EVP and CFO of FireEye and Mandiant, bought out by Google in 2022 for \$5.4b ([Link](#))

Edgio Business is Growing and Stable

Despite the history of past glaring executive incompetence, Edgio's product suite appears in good shape, showing sizable revenue growth in 2023, approaching breakeven EBITDA. Its **sub-1% churn rate** is a noted accomplishment. They retain all their largest customers, **Amazon, Microsoft, and Verizon**, (each of which represents more than 10% Edgio of revenues) who had every opportunity to migrate elsewhere.

Financially, operations appear to have been stabilized, according to a March 15, 2024 8-K *:

- Bookings up 30% from first half of 2023
- Bookings in the second half of 2023 grew more than 30% versus the first half with Security/Applications bookings growth almost doubling in the same period.
- Quarterly revenue run rate \$93-\$95m (appx \$390m FY 23)
- Adjusted EBITDA -\$2m to breakeven in q4
- \$47m cash on hand

(* All info filed unaudited via 8-K, due to the December resignation of Edgio's auditor, and delay in filing its 10-K ([Link](#)) and ([Link](#)))

Accounting is being cleaned up. Edgio had to replace its auditor over a legacy revenue recognition issue (not expected to impact future results). According to an interview with a former employee, their core business is now higher margin and stickier, due to recent acquisitions and partnerships (acquired Yahoo's Edgecast, 2022), and various streaming partners in 2023. They've pruned off unprofitable customer engagements, and trimmed expenses.

There is so much more we can say about the capital structure and the turnaround of Edgio but we will save a few bits for Twitter (X).

Conclusion

Citron doesn't expect Edgio will necessarily remain an independent public company. Acquirers could easily include AI players, cloud service providers and streaming content creators. It would be accretive to all these suitors.

What Multiple will the Market give Edgio?

At the point Edgio is perceived as a relevant player in Edge Computing, it will be on the road to earning an SaaS-type multiple. With its miniscule share count (appx 7.8 million shares outstanding, including Lynrock's free warrants) any Edge Computing multiple will sweep this stock 6-10x up from current levels or more.

EGIO share price at various multiples and revenue levels *

Revenue Multiple	1	2	3	4
390,000,000	51	80	120	161
420,000,000	55	86	130	173
450,000,000	59	93	139	185
500,000,000	65	103	154	206

(* This chart accounts for all Lynrock warrants in the outstanding, 2.08m shares converted above multiple of 1 at about \$65 per share, but no bump for \$122 million additional cash the Lynrock convertible would bring into the company.)

If Edgio's multiple is just 1.0 x revenues, EGIO trades to 50-60; proportionately higher if it grows revenues even incrementally.

If and when it takes its place among the Fastly's, Akamai's and Cloudflare's of this world, it trades to 100-200.

Cautious Investing to All

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