

**December 4, 2025** 

**Team Number: 7** 

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## **Transaction Snapshot**

Company	Gen Digital, Inc	
Industry   Headquarters	Technology   Tempe, AZ	
Investment Type	7.125% Senior Unsecured N	Notes due 2030
Net Leverage	2.3x	
Interest Coverage	6.1x	
Gross Returns: (Par Paydown)	1-Year	Maturity
IRR	6.5%	6.5%
MOIC	1.1x	1.3x
Maturity	09/30/2030	
Price	\$103.21 (as of 11/21/2025)	
Interest	7.125%	
Callable?	Yes	



## **Investment Thesis Summary**

Proposal

**Investment Recommendation** 

We recommend BUY on GEN — 7.125% 2030 Senior Unsecured Notes (BB-/B1) trading at \$103.21, implying a 5.28% yield to maturity and 194 bps z-spread (11/21/2025). Target Price \$101.781, base-case target total return: 6.5% over 10 months if early take-out on 9/30/2026 call date

Thesis 1: Recurring, Predictable
Cash Flows Anchor Downside
Protection

GEN's revenue base is **over 80% recurring**, supported by **sticky customer relationships (75–80% renewal rates)** and **multi-year subscription contracts**. **Upfront annual billing** provides strong cash conversion, while **deferred revenue and backlog** smooth earnings volatility. *Even in a downside case with 30% EBITDA decline, EV would still cover unsecured debt by more than 1.3×—implying roughly 90% recovery in a modeled default scenario (asymmetric downside protection).* 

Thesis 2: Deleveraging Trajectory
Unlocks Rating Momentum and
Spread Compression

Generates >\$1.8B in annual FCF with minimal capex and no maturities until FY27, enabling a clear path to <2.5× leverage by FY27. Integration of NortonLifeLock and Avast is complete, yielding >\$300M in synergies and +200 bps margin expansion since FY23. Mgmt's focus on debt reduction and dividend stability supports a BB trajectory. This deleveraging should drive spread compression to BB levels.

Thesis 3: Relative Value
Dislocation vs. Software and
Cybersecurity Peers

Gen trades over **80 bps wide** of cybersecurity peers (FTNT, PANW, CHKP) despite similar leverage and stronger cash generation, a gap driven by legacy integration stigma. As synergies materialize from MoneyLion acquisition and margins hold, spreads should reprice toward **BB tech levels.** Limited BB software supply and investor rotation into high-carry securities following interest rate cuts provides strong technical to support tightening, offering a compelling relative-value setup.



# Gen Digital (NYSE: GEN) provides subscription-based cybersecurity, identity protection, and digital finance tools that safeguard consumers' online lives and personal data across devices.

**Key History:** GEN was founded as *Symantec* and has operated in the antivirus market since 1990. In 2017, it acquired *LifeLock*, and in 2019, spun out its enterprise security business to Broadcom, rebranding its consumer segment to *NortonLifeLock*. By 2022, *NLL* had acquired *Avira* and completed an ~\$8B merger with *Avast*, a Czech-based cybersecurity company. renaming to *GenDigital*. In April 2025, Gen completed a ~\$1B acquisition of *MoneyLion*, launching the company into the financial wellness market.

#### **Cyber Safety Platform (CSP)**

Core consumer cybersecurity business (~69% of FY25 revenue)

#### **Key Brands:**









**Products:** antivirus, VPN, identity protection, device utilities **Users:** ~500M globally; ~40M direct paying customers

Market share: ~44% of global consumer antivirus market

**FY25 Operating margin:** ~60%

**Revenue model:** Subscription-based, high renewal rate (78%)

#### **Trust-Based Solutions (TBS)**

Consumer fintech and privacy tools (~31% of FY25 revenue)



Products: cash advances, credit builder, personal finance, mobile

banking

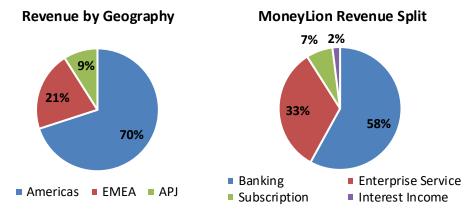
Users: ~23M registered as of acquisition

**Strategic rationale:** Integrate & X-sell into CSP customer base

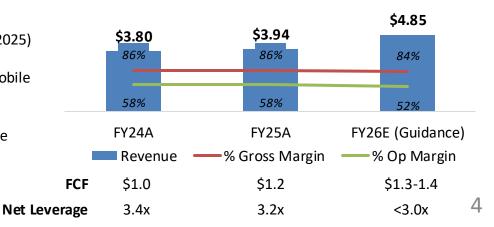
FY25 EBITDA margin: ~35%

Revenue model: Mix of subscription and transaction fees

#### **Summary Financials:**



#### Financials over Time (\$B, Incl. MoneyLion)





## Thesis 1: GEN provides a comprehensive, critical value proposition serving consumers' end-to-end cybersecurity needs - 80%+ recurring revenue with low tendency to churn (75-80% gross retention)

#### **Consumer Cyber Value Chain**

## **Key Players**

#### 1. Internet Connection & **Browser Safety:** Secure internet access and protect devices from malware.

### 2. Identity & Personal Data **Protection**: Prevent identity theft, data leaks, and credit fraud

### 3. Privacy & Anonymity: Private browsing to prevent tracking and location exposure

### 4. Access & Credential Management: Securely store and autofill passwords; reduce phishing risk

5. Device Optimization & Maintenance: Keep devices operating fast and securely over time

6. Digital Finance Trust Management: Secure digital banking payments, build credit, and detect scams



















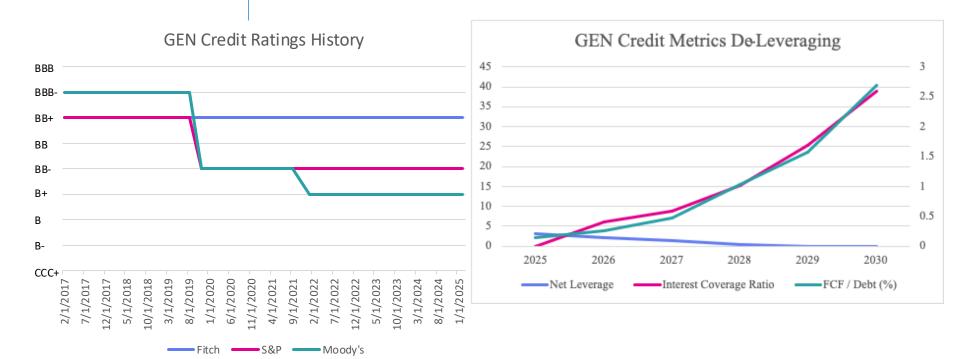
Denotes GEN product

#### **Consumer Cybersecurity Purchase Dynamics & Behavior**

- Anchor-and-expand adoption pattern: Consumers typically enter via antivirus or identity products and add features (VPN, password manager, utilities) over time, increasing ARPU and switching costs
- Platform integration drives inertia: Unified cyber suites consolidate multiple functions (security, privacy, identity, performance) in one interface and billing relationship, reducing likelihood of churn
- Risk-averse demographic: Customer base skews older and higher-income households that view these services as an essential utility vs. discretionary, leading to resilient renewals and acyclicality
- Limited price sensitivity and low substitution: Consumers tend to prioritize continuity and reliability over marginal price differences; competitive offerings are similar in cost and often considered only when switching hardware
  - Data and account continuity as lock-in: Stored credentials, credit monitoring histories, and devicespecific configurations discourage switching, reinforcing long-term retention and predictable customer relationships 5



## Thesis 2: Accelerated de-leveraging path to ratings upgrade offers upside potential



- ➤ Leverage currently elevated following acquisition of MoneyLion in April 2025; expect de-leveraging following successful integration of MoneyLion which could lift EBITDA
- > GEN's gross and net leverage look high vs. investment-grade tech peers, but:
  - These are down from >5x a year ago
  - o Free cash flow is strong and recurring (high-margin subscription revenue)
  - o De-leveraging is achievable within 18-24 months via organic EBITDA growth and debt paydown
- ➤ De-leveraging provides meaningful upside if notched up by S&P, Moody's and Fitch and composite rating is lifted from BB- to BB



## Thesis 2: Gen Digital maintains a conservative capital structure with well-laddered maturities and no near-term refinancing risk

- Attractive entry point: The **7.125% 2030 Senior Unsecured Notes** sit in the **sweet spot of the capital stack**, offering high carry and intermediate duration (~4 years) with **no secured notes ahead**.
- No near-term maturities: First significant maturity not until **FY27**, giving a multi-year runway for deleveraging through >\$1.8B of annual FCF.
- **Simplified post-merger balance sheet:** Integration of NortonLifeLock and Avast reduced subsidiary debt and guarantees, **consolidating credit risk at the parent**

Facility	Principal Out(\$MM)		Coupon or Rate	Maturity
Revolving Credit Facility (secured)	Capacity \$1,500 (undrawn \$1,494)		SOFR + margin	Sep-2027
Term Loan A (secured)		3519	Term SOFR + CSA + margin (5.92%)	Sep-12-2027
Term Loan B (secured)		2386	Term SOFR + 1.75% (6.07%)	Sep-12-2029
6.75% Senior Notes (unsecured)		900	6.75%	Sep-30-2027
7.125% Senior Notes (unsecured)		600	7.125%	Sep-30-2030
6.25% Senior Notes (unsecured)		950	6.25%	Apr-01-2033
Total Principal		8355		
Less: Unamortized discounts/fees		-96		
Total Debt (GAAP carrying)		8259		
Less: Current Portion		-291		
Total Long-Term Debt		7968		
Cash & Cash Equivalents		1006		



## Thesis 3: Cybersecurity & Identity Software comparables indicate GEN credit is relatively devalued

Sector	Company	Security	Mty	Cpn	FV	Рх	Yield	Rating	EV/ Rev	EV/ EBITDA	Gross Leverage	Net Leverage
	Crowdstrike (CRWD)	Sr Notes	02/15/2029	3.000%	\$750M	\$95.46	4.48%	BB+	28.5x	NM	NM	NM
Cybersecurity	Fortinet (FTNT)	Sr Notes	03/15/2031	2.200%	\$500M	\$89.96	4.29%	BBB+	9.6x	28.4x	0.5x	NM
Cybersecurity	Cisco Systems (CSCO)	Sr Notes	02/24/2030	4.750%	\$1B	\$103.24	3.91%	A+	5.1x	18.0x	1.8x	0.8x
	Akamai (AKAM)	Convertible Sr Notes	2/15/2029	1.125%	\$1.25B	\$94.25	2.95%	A-	3.5x	9.2x	3.4x	2.4x
Identity	CyberArk (CYBR)	Convertible Sr Notes	6/15/2030	0.000%	\$750M	\$112	N/A	N/A	20.7x	NM	37.8x	NM
É	Equifax (EFX)	Sr Notes	05/15/2030	3.100%	\$600M	\$95.14	4.27%	BBB	5.6x	17.6x	2.6x	2.5x
	Gen Digital (GEN)	Sr Notes	09/30/2030	7.125%	\$600M	\$103.21	5.19%	BB-	5.8x	12.6x	2.6x	2.3x

- ➤ GEN's 5.19 % yield is higher than other HY bonds in the cybersecurity industry, with an over 80 bps pickup in spread compared to CRWD
- Compared to investment grade BBB+ bonds, the spread differential increases to roughly 100 bps wider
- ➤ GEN's high coupon (7.125 %) provides a strong carry component and price stability if rates stay volatile

Source: Capital IQ



## Deleveraging Toward 2.5× Supports BB Upgrade and ~40 bps Spread Compression

Metric	GEN FY26E (Mar-FYE)	BB Median	Status
Net Debt / EBITDA	2.3×	~2.8×	Below Median
Interest Coverage	6.1×	~5.0×	Above
EBITDA Margin	53%	~45%	Above
FCF / Debt	>25%	~15%	Above
Cash / Debt	12%	~8%	Above

GEN's metrics already exceed BB-level benchmarks on coverage, margins, and cash generation; sustained deleveraging below 2.5× would support a BB upgrade and tighten spreads modestly.

GEN now meets or exceeds BB peer medians on all key metrics; deleveraging toward 2.5× should catalyze a one-notch upgrade to BB and incremental spread compression.



## **Modeling Assumptions**

Scenario	Probability	Description	Model Drivers ('26E-'34E)	Solvency?
Base	75%+ (includes out- performance)	<ul> <li>Core cyber products remain stable without pricing pressure</li> <li>Cost controls sustain high margins</li> <li>Module X-sell offsets AV saturation</li> <li>Strong FCF supports rapid deleveraging</li> </ul>	<ul> <li>&lt;20% Logo Churn by '34E</li> <li>Flat direct ARPU</li> <li>3.3% Billings CAGR</li> <li>57% '34E EBITDA margin</li> <li>\$2.5B ann. FCF thru '34E</li> </ul>	Yes
Downside	18%	<ul> <li>Competition and weak attach rates drive mild ARPU contraction</li> <li>Churn rises as GEN loses market share</li> <li>Botched MoneyLion integration limits X-sell effectiveness and causes FCF leakage</li> </ul>	<ul> <li>~25% Logo Churn by '34E</li> <li>(2.0%) direct ARPU CAGR</li> <li>(0.7%) Billings CAGR</li> <li>44% '34E EBITDA margin</li> <li>\$1.8B ann. FCF thru '34E</li> </ul>	Yes
Severe Downside	5%	<ul> <li>Comprehensive free substitutes released causing price compression</li> <li>Scale contraction reverses operating leverage; fixed cost base erodes margin</li> <li>Melting ice-cube operating for cash</li> </ul>	<ul> <li>~40% Logo Churn by '34E</li> <li>(5.0%) direct ARPU CAGR</li> <li>(5.5%) Billings CAGR</li> <li>30% '34E EBITDA margin</li> <li>\$1.1B ann. FCF thru '34E</li> </ul>	Yes
Extreme Downside	<2%	<ul> <li>New AI cyber paradigms eliminate value from legacy tooling, causing near-term redundancy of GEN offerings</li> <li>Represents a structural break in the paid consumer-security model</li> </ul>	<ul> <li>~45% Logo Churn by '34E</li> <li>(5.0%) direct ARPU CAGR</li> <li>(6.1%) Billings CAGR</li> <li>28% '34E EBITDA margin</li> <li>\$1.0B ann. FCF thru '34E</li> </ul>	Bankruptcy in 2030 (7.125% Senior Notes due Sep-2030 \$600M principal repayment shortfall of ~\$300M)



## Above-peer margins and FCF growth allow GEN to effectively deleverage its capital structure

Financial Projections			Base Case			Downside	Severe	Extreme
\$M	2026E	2027E	2028E	2029E	2030E	2030E	2030E	2030E
Revenue	4,860	5,098	5,427	5,601	5,772	4,772	3,542	3,409
EBITDA	2,575	2,706	2,889	3,015	3,146	2,325	1,492	1,419
FCF	1,721	2,125	2,302	2,443	2,558	1,863	1,161	1,100
Cash	820	820	820	2,607	4,565	2,758	951	600
Available Cash	520	520	520	2,307	4,265	2,458	651	300
								OM shortfall
Leverage Ratios								epay \$600M principal
Debt / EBITDA	2.6x	1.7x	0.8x	0.5x	0.3x	0.4x	0.6x	0.7x
Net Debt / EBITDA	2.3x	1.4x	0.5x	_	_	-	0.1x	0.2x
FCF / Debt	26%	47%	104%	158%	269%	196%	122%	116%
EBITDA / Interest	6.1x	8.9x	15.2x	25.4x	39.0x	28.8x	18.5x	17.6x



### **Tranche Selection Considerations**

We selected the 7.125% notes for their best risk-adjusted carry, supported by solid fundamentals and a clear deleveraging path — balanced duration, attractive spread.

Attractive Yield & Z-Spread: ~5.2% YTW / +168 bps spread offers best carry in the stack with limited incremental duration

**Favorable Risk-Reward Profile:** Compelling total return potential as leverage trends lower

**Structural Seniority:** Unsecured tranche pari with other notes; subordinated only to term loan and revolver

**Relative Value Opportunity:** Attractive spread premium vs. peer unsecured software credits

Improving Credit Trajectory: Strong FCF (80 %+ conversion) and recurring revenue base (> 90 %) underpin deleveraging and refinancing capacity

**Liquidity & Technical Support:** Larger issue size and stronger secondary liquidity; likely tightening as execution continues.



## **Illustrative Downside & Bankruptcy Case**

#### Enterprise Value:

(+) Cash

= Total Distributable Value

- Secured Debt (RCF + TLB)

= Value Available to Unsecured

- Realization / Admin Haircut (~25%)

= Net to Unsecureds

Even at **7**× **stressed EBITDA** and a **30**% **earnings decline**, residual value after secured debt covers unsecureds **~1.8**×; after standard discounts, recovery approximates **90**% **of par** 

#### **Voting Alignment (§ 1126):**

With ~90 ¢ recovery, unsecured bondholders are incentivized to accept any feasible plan, easily meeting the § 1126 threshold (2/3 by value, ½ by number). Secured lenders are unimpaired; equity is out of the money.



## Risks & Mitigants

**AI-Driven Disruption in Consumer Cybersecurity** Behavior

**Encroachment** 

#### Risks

- Bad actors may leverage AI to create more sophisticated phishing, scams, or deep fakes, outpacing GEN's detection capabilities
- Emerging Al-native security models could shift consumer behavior and erode demand for legacy tools

**Heightened Competitive Pressure & Pricing Risk** 

- Heightened pricing pressure (i.e. McAfee starts undercutting prices) from legacy peers or new entrants offering discounts could compress margins and slow subscriber growth
- Increased marketing or promotional spend may be needed to defend market share

- **Platform Bundling & Ecosystem**
- **Bundled security features from** mature competitors such as Microsoft could commoditize core antivirus and privacy tools should they release a full suite of cyber tools for free via i.e. Office 365

#### **Mitigants**

- GEN reinvests >7% of revenue in **R&D** with a focus on Al-driven threat detection and adaptive protection deleveraging
- Ongoing product roadmap incorporates generative AI tools for proactive identity and fraud alerts, maintaining tech leadership
- GEN's scale and diversified product suite (antivirus, VPN, identity, privacy, fintech) provide superior perceived value
- High customer stickiness: 75-80% gross retention, multi-device continuity, and stored credentials reduce switching risk
- GEN remains cross-platform (Mac, iOS, Android, Windows) with deeper privacy, identity, and financial protection layers
- Differentiated "Cyber Safety **Platform"** integrates identity protection, credit monitoring, and fraud detection beyond Microsoft's scope



## **Next Steps: Further Diligence Areas**

Monitor MoneyLion Post-Acquisition Performance

- Track integration milestones, user growth, and cross-sell penetration within GEN's "Cyber Safety Platform"
- Evaluate early indicators of synergy capture, margin expansion, and regulatory or operational risks in the fintech segment

Benchmark Al-Driven Disruption among Competitive Landscape

- Compare GEN's AI capabilities and product innovation pace against peers (Microsoft, McAfee, CrowdStrike)
- Assess potential for AI-native security models to alter consumer adoption patterns or compress ARPU

**Primary Research Deeper Dive** 

- Conduct management calls with Investor Relations team and/or CFO to inquire about MoneyLion and AI progress
- Finetune forecasts from resulting company calls

Track Rating Agency Commentary

- Track Moody's/S&P/Fitch/Kroll/DBRS commentary on deleveraging trajectory
- Monitor ratings outlooks and news of being placed on positive/negative watches
- Reassess spread tightening potential as upgrade catalysts emerge



**APPENDIX** 



## **Trading Comparables**

Ticker	Coupon Rank	Convertible?	Maturity	Price	Spread	Z-Spread OAS	YTV	V Rating
CRWD	3.00% Sr Unsec	N	2/15/2029	\$95.46	90	127	97.6	4.48% BB+
FTNT	2.20% Sr Unsec	N	3/15/2031	\$89.96	71	. 101	65	4.29% BBB+
csco	4.75% Sr Unsec	N	2/24/2030	\$103.24	36	71	38	3.91% A+
AKAM	1.13% Sr Unsec	Υ	2/15/2029	\$94.25	-57	-47 N/A		2.95% BBB+
CYBR	0.00% Sr Unsec	Υ	6/15/2030	\$112.00	-590	-569 N/A	N/A	N/A
EFX	3.10% Sr Unsec	N	5/15/2030	\$95.14	71	. 105	73	4.27% BBB
GEN	6.25% Sr Unsec	N	4/1/2033	\$102.87	191	225	147	5.51% BB-
GEN	7.13% Sr Unsec	N	9/30/2030	\$103.21	174	168	126.1	5.19% BB-



## **Detailed Financials Build-Up: Revenue**

Year	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	'25E-'34E
Customer Build				i	i									
BoP Direct Customers		39.6	38.2	39.2 <sup>l</sup>	40.4	41.9	43.4	44.7	46.0	47.3	48.6	49.9	51.2	
(-) Churned Logos		(9.5)	(8.8)	(9.1)	(9.0) <sup>l</sup>	(9.2)	(9.4)	(9.6)	(9.7)	(9.9)	(10.0)	(10.1)	(102)	
Retained Customers		30.1	29.5	30.0	31.4	32.7	33.9	35.1	36.3	37.5	38.6	39.8	41.0	
(+) New Logos	9.9	8.2	9.7	10.4	10.5	10.6	10.8	10.9	11.0	11.2	11.3	11.4	11.6	
EoP Direct Customers	39.6	38.2	39.2	40.4	41.9	43.4	44.7	46.0	47.3	48.6	49.9	51.2	526	2.9%
% YoY Growth		(3.3%)	2.4%	3.3%	3. <i>7%</i>	3.4%	3.1%	3.0%	2.8%	2.7%	2.7%	2.6%	2.6%	
% Gross Logo Retention		76.0%	77.0%	76.7%	77.7%	78.0%	78.3%	78.6%	78.9%	79.1%	79.4%	79.7%	80.0%	
% New Logo Growth		(16.9%)	18.5%	7.0%	1.3%	1.1%	1.3%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Billings Build				į	į									
Direct Customer ARPU (Annual)			\$85.80	\$85.96	\$85.96	\$85.96	\$85.96	\$85.96	\$85.96	\$85.9€	\$85.96	\$85.96	\$85.96	_
% YoY Growth				0. <i>2%</i> I	1	-	-	-	-	-	-	-	_	
Direct			3,360	3,47 <b>d</b>	3,606	3,727	3,844	3,957	4,069	4,181	4,292	4,405	4,520	2.9%
(+) Partner & Legacy			452	555	1,310	1,415	1,486	1,553	1,618	1,681	1,742	1,801	1,858	4.5%
Total Billings			\$3,812	\$4,031	\$4,915	\$5,142	\$5,330	\$5,510	\$5,687	\$5,862	\$6,034	\$6,206	\$6,378	3.3%
% YoY Growth				5. <i>7%</i>   	21.9% I	4.6%	3.6%	3.4%	3.2%	3.1%	2.9%	2.9%	2.8%	
% YoY Growth - Direct				3.5%	3.7%	3.4%	3.1%	3.0%	2.8%	2.7%	2.7%	2.6%	2.6%	
% YoY Growth - Partner & Legacy				22.8% I	135.9% I	8.0%	5.0%	4.5%	4.2%	3.9%	3.6%	3.4%	3.2%	
BoP Deferred Revenue		1,306	1,788	1,788	1,884	1,939	1,983	1,886	1,795	1,709	1,629	1,553	1,481	(3.0%)
(+) Change in Deferred Revenue		482	_	96	55	44	(98)	(91)	(85)	(80)	(76)	(73)	(70)	
EoP Deferred Revenue	\$1,306	\$1,788	\$1,788	\$1,884	\$1,939	\$1,983	\$1,886	\$1,795	\$1,709	\$1,629	\$1,553	\$1,481	\$1,410	(3.9%)
% YoY Growth				5. <i>4</i> %	2.9%	2.3%	(4.9%)	(4.8%)	(4.8%)	(4.7%)	(4.7%)	(4.7%)	(4.7%)	
P&L Build				I	1									
Direct	2,426	2,916	3,353	3,463	4,074	4,249	4,536	4,670	4,802	4,933	5,065	5,198	5,333	3.4%
(+) Partner & Legacy	381	423	459	522	786	849	891	932	971	1,009	1,045	1,080	1,115	4.5%
Total Revenue	\$2,807	\$3,339	\$3,812	\$3,985	\$4,860	\$5,098	\$5,427	\$5,601	\$5,772	\$5,942	\$6,110	\$6,278	\$6,448	3.6%
% YoY Growth		19.0%	14.2%	4.5%	22.0%	4.9%	6.5%	3.2%	3.1%	2.9%	2.8%	2.8%	2.7%	
Revenue as % of Billings - Direct			99.8%	99.6%	113.0%	114.0%	1 18.0%	118.0%	118.0%	118.0%	118.0%	118.0%	118.0%	
Revenue as % of Billings - Partner & Lega	эсу		101.5%	94.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	
				1	1									
Product Allocation				I	1									
Cyber Safety Platform	2,807	3,339	3,812	3,176	3,368	3,449	3,642	3,727	3,823	3,934	4,042	4,149	4,254	3.0%
(+) Trust-Based Solutions			<del></del>	759	1,493	1,649	1,785	1,874	1,949	2,007	2,068	2,130	2,194	4.9%
Total Revenue	\$2,807	\$3,339	\$3,812	\$3,985	\$4,86Q	\$5,098	\$5,427	\$5,601	\$5,772	\$5,942	\$6,110	\$6,278	\$6,448	3.6%
% YoY Growth		19.0%	14.2%	4.5%	220%	4.9%	6.5%	3.2%	3.1%	2.9%	2.8%	2.8%	2.7%	



## **Detailed Financials Build-Up: Operating Income**

Year	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	'25E-'34E
Operating Income				i	i									
Cyber Safety Platform	1,480	1,834	2,221	1,911	2,037	2,086	2,203	2,254	2,313	2,380	2,445	2,509	2,573	3.0%
(+) Trust-Based Solutions	· -	· -	· -	387	513	595	659	733	804	872	944	1,018	1,097	10.0%
Total Operating Income	\$1,480	\$1,834	\$2,221	\$2,298	\$2,550	\$2,681	\$2,862	\$2,987	\$3,117	\$3,252	\$3,389	\$3,528	\$3,670	4.7%
% Operating Margin	527%	54.9%	58.3%	57.7%	52.5% I	526%	52.7%	53.3%	54.0%	54.7%	55.5%	56.2%	56.9%	
% Operating Margin - CSP	52.7%	54.9%	58.3%	60.2%	60.5%	60.5%	60.5%	60.5%	60.5%	60.5%	60.5%	60.5%	60.5%	
% Operating Margin - TBS				51.0%	34.4%	36.1%	36.9%	39.1%	41.3%	43.5%	45.6%	47.8%	50.0%	
(+) D&A	16	21	23	18	24	25	27	28	29	30	31	31	32	3.6%
Adi, EBITDA	\$1,496	\$1.855	\$2.244	\$2,316	\$2,575	\$2,706	\$2,889	\$3,015	\$3.146	\$3,282	\$3,419	\$3,559	\$3,702	4.6%
% EBITDA Margin	53.3%	55.6%	58.9%	58.1%	53.0%	53.1%	53.2%	53.8%	54.5%	55.2%	56.0%	56.7%	57.4%	
D&A as % of Revenue	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
(-) Interest Expense	(118)	(384)	(642)	(552)	(425)	(303)	(191)	(119)	(81)	(59)	(59)	(30)	-	(100.0%,
(+) Other Income	(2)	5	37	32	17	17	17	16	16	15	15	14	13	(3.4%)
Adj. EBT	\$1,360	\$1,455	\$1,616	\$1,778	\$2,143	\$2,395	\$2,688	\$2,885	\$3,052	\$3,208	\$3,344	\$3,512	\$3,683	7.0%
Other Income as % Revenue	(0.1%)	0.1%	1.0%	0.8% I	0.4% 	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	
(-) Tax Expense	(326)	(335)	(355)	(391)	(471)	(527)	(591)	(635)	(671)	(706)	(736)	(773)	(810)	7.0%
Adj. Net Income	\$1,034	\$1,120	\$1,261	\$1,387	\$1,671	\$1,868	\$2,097	\$2,250	\$2,381	\$2,502	\$2,608	\$2,739	\$2,873	7.0%
				I	I									
% Tax Rate	24.0%	23.0%	220%	22 <i>0%</i>	22 <i>0%</i>	220%	220%	220%	220%	220%	220%	220%	220%	
(-) Stock Compensation	(69)	(106)	(138)	(134)	(243)	(255)	(271)	(280)	(289)	(297)	(305)	(314)	(322)	3.6%
(-) Special Charges	(261)	(546)	(1,019)	(615)	(510)	(484)	(488)	(504)	(520)	(535)	(550)	(565)	(580)	1.6%
(-) GAAP Income Tax	(206)	545	157	(386)	(364)	(311)	(349)	(375)	(397)	(417)	(435)	(457)	(479)	3.5%
GAAP Net Income	\$824	\$1,348	\$616	\$643	\$1,025	\$1,345	\$1,579	\$1,726	\$1,847	\$1,959	\$2,054	\$2,176	\$2,302	10.6%



## **Detailed Financials Build-Up: FCF**

Year	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	'25E-'34E
				-										
Levered FCF Build					- :									
GAAP Net Income	824	1,348	616	643	1,025	1,345	1,579	1,726	1,847	1,959	2,054	2,176	2,302	10.6%
(+) Depreciation	140	329	485	419	486 <sup>l</sup>	484	488	476	462	446	428	408	387	(2.8%)
(+) SBC	70	134	138	133 <sup>J</sup>	243	255	271	280	289	297	305	314	322	3.6%
(+) Deferred Income Taxes	(62)	(145)	(991)	(32)		_	_	-	_	_	-	-	-	
(-/+) Change in NWC	128	(969)	1,748	(72)	(88)	(92)	(98)	(101)	(104)	(107)	(110)	(113)	(117)	3.6%
(+) Other	(138)	59	68	130	73	153	81	84	87	89	92	94	97	3.6%
Net CFO	962	756	2,064	1,221	1,739	2,145	2,322	2,465	2,580	2,684	2,768	2,879	2,991	7.0%
				1										
Depreciation as % Revenue	5.0%	9.9%	127%	10.5%	10.0%	9.5%	9.0%	8.5%	8.0%	7.5%	7.0%	6.5%	6.0%	
SBC as % Revenue	2.5%	4.0%	3.6%	3.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Deferred Income Taxes as %				1	1									
Revenue	2.2%	4.3%	26.0%	0.8%	4	_	-	-	_	_	-	-	_	
Change in NWC as % Revenue	(4.6%)	29.0%	(45.9%)	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	
Other as % Revenue	4.9%	(1.8%)	(1.8%)	(3.3%)	(1.5%)I	(3.0%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	(1.5%)	
				I	I									
(-) Capex	(6)	(6)	(20)	(15)	(18)	(19)	(20)	(21)	(22)	(22)	(23)	(24)	(24)	3.6%
Free Cash Flow	956	750	2,044	1,206	1,721	2,125	2,302	2,443	2,558	2,661	2,745	2,855	2,967	7.0%



## **Detailed Financials Build-Up: Credit Metrics**

Year	2022A	2023A	2024A	2025A	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E		'25E-'34E
Credit Metrics						i	i								
Net Leverage						3.3x	2.3x	1.4x	0.5x	_	_	_	_	_	_
Interest Coverage Ratio						NA	6.1x	8.9x	15.2x	25.4x	39.0x	55.3x	57.6x	119.9x	NA
Liquidity						2,020	2,020	2,020	2,020	3,807	5,765	8,426	11,171	13,077	16,043
FCF / Debt (%)						14%	26%	47%	104%	158%	269%	280%	289%	. 0,0	. 0,0 .0
Covenant Limit						4.5x	4.5x	4.5x	4.5x	4.5x	4.5x	4.5x	4.5x	4.5x	4.5x
Covenant Headroom						1.2x	2.2x	3.1x	4.0x	4.5x	4.5x	4.5x	4.5x	4.5x	4.5x
Gross Leverage						3.6x	2.6x	1.7x	0.8x	0.5x	0.3x	0.3x	0.3x		ox
Cross Leverage						3.04	2.04	1.77	0.00	0.58	0.58	0.58	0.58	_	
Secured Leverage (x)						2.5x	1.6x	1.1x	0.2x	_			_	_	
Tranche Leverage – 5.00 % Notes						0.4xl	0.3x	1.1%	0.28		_	_			Ī
Tranche Leverage – 5.00 % Notes Tranche Leverage – 7.125 % Notes						0.4xi	0.0xl	0.0x	0.0x	0.0x	0.0x	_	_	_	_
						0.3xl	0.0xl 0.4xl	0.0x 0.4x	0.0x 0.3x	0.0x 0.3x	0.0x 0.3x	0.3x			_
Tranche Leverage – 6.25 % Notes Interest Burden (% of EBITDA)													0.3x	-	-
Debt Paydown (% YoY)						0%	16%	11%	7%	4%	3%	2%	2%	1%	0%
						- 1	21%	32%	51%	30%	39%	0%	0%	100%	
EBITDA - Capex Coverage (x)							6.0x	8.9x	15.1x	25.2x	38.7x	54.9x	57.2x	119.1x	
Liquidity / Revenue (%)						51%	42%	40%	37%	68%	100%	142%	183%	208%	249%
						- 1	- 1								
FCF/Interest															
(%)							405%	702%	1208%	2058%	3168%	4482%	4623%	9619%	



## **Detailed Financials Build-Up: Returns**

#### <u>Returns</u>

<u>1-year</u>							
Date		11/21/25	9/30/26				
Principal		(619.3)	610.7				
Interest		<u> </u>	42.8				
Total Cashflow		(619.3)	653.4				
IRR Moic	6.5% 1.1						
2-year							
Date		11/21/25	11/30/26	9/30/27			
Principal		(619.3)	_	600.0			
Interest			42.8	42.8			
Total Cashflow		(619.3)	42.8	642.8			
IRR	5.8%						
MOIC	1.1						
<u>Maturity</u>							
Date		11/21/25	11/30/26	11/30/27	11/30/28	11/30/29	9/30/30
Principal		(619.3)	_	_	_	_	600.0
Interest		<u> </u>	42.8	42.8	42.8	42.8	42.8
Total Cashflow		(619.3)	42.8	42.8	42.8	42.8	642.8

Source: Bloomberg

6.5%

1.3

IRR

MOIC