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Research Report (July 10, 2026)

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Akamai (AKAM)

Stock Overview :

- Current Price: $113.17
- Beta: 0.6 (has been volatile lately)
- Market Cap: $16.4B
- Avg Volume: 4m shares
- 52 Week Range: 69.78 – 165.45 High Short Interest: 14% due to pairs trade with NET and FSLY

Stock Performance :

AKAM Nasdaq Cybersecurity

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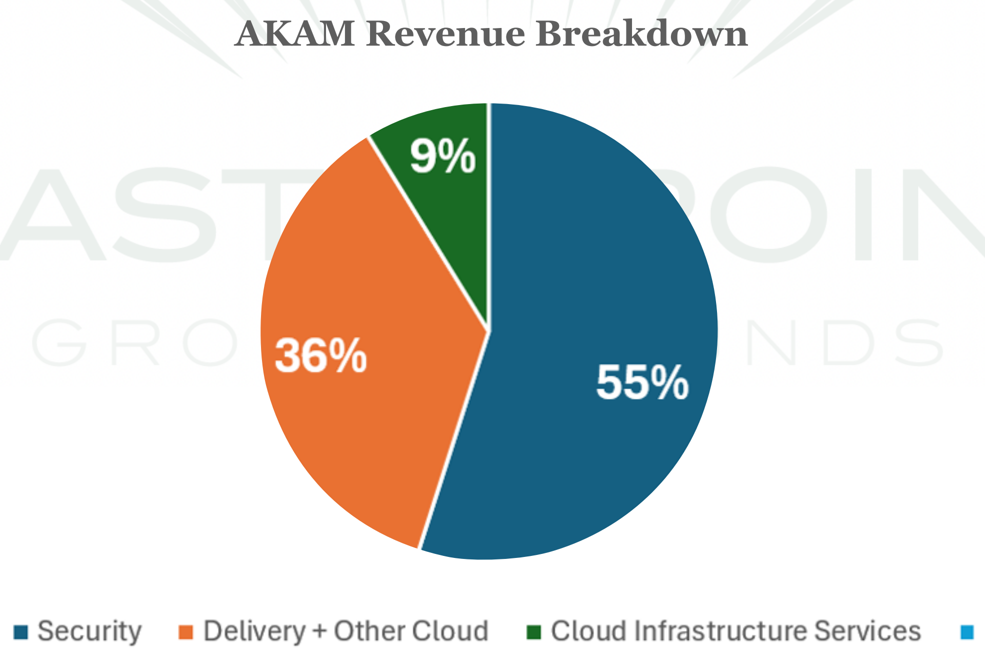
Akamai (AKAM)

Investment Summary: AKAM is a call option

1. AKAM has the supplier relationships necessary for infra buildout (chips and colo)
2. Strong potential for edge inference, AKAM is the best positioned for this
3. Security, its bread and butter, acts as ballast to mitigate downside
    - Price Target: $172.02
    - Upside: $58.85/52% per Share
    - Base: $5.722/5% per Share
    - Bear: -$25.35/-22% per Share
    - Next Meeting: Aug 6th
    - Time Horizon: 2 years+

AKAM Breakdown



- ~1b revenue per quarter
- Security +11% Delivery -7% CIS +39% (Guided 50%)

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Akamai (AKAM)

What is AKAM?

- Points of Presence, or PoP (CPU servers), in 4,300 locations, across 700 cities
  - Broadest network in the world, more than Cloudflare
- GPU Clusters in at least 20 cities (core compute locations listed as 40)
  - Recent development as part of Akamai Inference Cloud

What does AKAM do?

1. Security
   - Application Security (Firewall, API Security)
   - Zero Trust Network Architecture
2. Delivery
   - Local caching (Steam, TikTok, etc)
3. CIS; edge compute
   - Functions-as-a-Service on all 4,300 cities
   - Managed containers in 100 cities
   - Inference-as-a-Service in 20+ cities

Why now?

1. AKAM is a legacy cybersecurity player in midst of a business model transition towards compute/AI Infra
2. AKAM signed a historic 1.8B/7Y deal with Anthropic for CIS, validating its potential
3. Infra requires expensive upfront investment, raising concerns about CapEx and revenue quality (compressed FCF and margins)
4. The key question: Can AKAM continue landing home-run deals?

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Akamai (AKAM)

Thesis 1: AKAM has necessary supplier relationships for AI Infra buildout

1. Deep relationship with NVDA, a long-time customer of AKAM
   - NVDA refers customers with low-latency requirements to AKAM without formal agreement
   - Though AKAM's orders are small, its deep relationship pushes its orders to the top of queue

akamai.com
https://www.akamai.com

NVIDIA akamai

NVIDIA RTX 4000 Ada **GPU** 云 — **Akamai GPU** 推理云支持 Kubernetes 与主流 AI 框架，企业可快速搭建灵活安全的 AI 计算环境。结合 **GPU** 集群与边缘节点，**Akamai GPU** 云助力企业加速全球 AI 训练与推理任务。

PRESS RELEASE

Akamai Brings Security Inside AI Factories with NVIDIA

Akamai Guardicore Segmentation and NVIDIA DOCA bring real-time, Zero Trust enforcement to AI factory data, context memory, and agentic AI workloads, with NVIDIA Vera BlueField-4 STX

Cambridge, MA USA | June 02, 2026 Share

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Akamai (AKAM)

Thesis 1: AKAM has necessary supplier relationships for AI Infra buildout

2. Extremely strong relationships with data center operators (since 1998)
   - "We probably deal with more data center companies than anybody"
   - "if the concern is access to enough power or colo, that is not a concern of ours right now at all"
   - "we have great relationships and are a very attractive client for data center providers"
   - Means 2 things: AKAM CAN obtain colo, at a LOWER cost
   - Better able to build out infra than its peers

Thesis 2: Distributed Inference has Strong Potential; AKAM is the Best Positioned for it.

1. Edge inference is not yet mainstream
2. Today, most compute is centralised, either with hyperscalers or neoclouds
3. Why should you care about Edge Inference?
   - Latency sensitive applications of AI
   - "speed of thought" applications
     - Live translation, voice agent
   - Physical navigation
     - Automated driving, robotics
   - Real-time monitoring (physical and digital/data)
4. Saves money when bandwidth is high and data is local
   - Applies very strongly to media, gaming, and e-commerce companies
   - It is expensive for video/images to be transported to and from a centralised cloud
   - If media-related inference becomes structurally important, AKAM's edge compute becomes necessary
     - Generating a video of a user in the clothes they want to buy

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Thesis 2: Distributed Inference has Strong Potential; AKAM is the Best Positioned for it.

5. Why is AKAM the best positioned for edge inference?
   - Already has headstart via AIC
     - Couple dozen (at least 20) locations with RTX 6000 GPU clusters
   - AKAM could adapt its existing CPU network for AI
     - Deep relationships with chip makers AND data centers, claims expanding colo not an issue
     - Add AI racks to existing CDN locations or swap out CPUs for GPUs

6. What evidence have we seen so far to support Edge Inference?
   - Initial deployment of AIC in 3Q25 sold out instantly
   - Mgmt cites very strong pipeline for CIS, guiding 50% YoY, willingness to deploy even more CapEx
   - Plethora of small deals for voice solutions, computer vision, ad personalization, personalized agents, low latency streaming

Thesis 3: Security is a revenue anchor, limit downside

1. Security is AKAM's largest segment by revenue, DD growth every year
   - Structurally more stable than Delivery or Compute because it is recurring enterprise revenue obtained through 1y+ contracts instead of usage pricing
   - Produces stable cash flow and prevents severe downside due to its consistency and scale

2. Security actually has several tailwinds
   - GenAI makes sophisticated attacks easier, breaches are more expensive
   - Increased scale of attacks necessitates scaled defense
     - DDoS attacks increased 121% YoY 2025, 47.1m total attacks, 5376 per h
     - Several attacks exceeded 20m requests per sec, max 205 requests per sec
   - Directly bullish for AKAM
   - Modern webpages are not static, but rather full of API for search, payment, etc
   - AI driven traffic increased 187% YoY 2025, outpacing human traffic by 8x
     - Agents accounted for 1.7% of AI traffic, but growing 7851% YoY
   - Websites need to process AI API flow to determine malicious/benign intent

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Comps Table

*** Took out Cloudflare due to distortion

Company	Revenue Growth %	EV/Sales	EV/EBITDA
AKAMAI	**6.0%**	**5.00**	**16.39**
Edge Players:			
Fastly	20.0%	2.04	N/A
Cloudflare***	34.0%	37.27	629.40
Akamai	6.0%	5.00	16.39
AVG	**20.0%**	**3.52**	**322.90**
Cybersecurity Core:			
F5	11.0%	7.05	25.13
Fortinet	20.0%	15.99	43.81
Zscaler	25.0%	6.93	152.79
Checkpoint	5.0%	4.78	12.86
AVG	**15%**	**8.69**	**58.65**
Cloud Infra:			
DigitalOcean	22.0%	16.49	42.32
Oracle	21.0%	8.01	16.14
AVG	**21.5%**	**12.25**	**29.23**
Neocloud/AI Infra:			
CoreWeave	211.6%	12.79	26.05
Nebius	684.0%	66.51	38.62
Applied Digital	179.0%	35.23	N/A
IREN	0.0%	22.77	30.43
AVG	**268.6%**	**34.33**	**31.70**

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Multiples Based Valuation

	Company	Weight	Metric (EV/Sales)	Weight * Metric	Target Price	Win/Loss per Share	% Change
Bear							
Durable, low growth, high margin, mature, no inflection	Check Point	20%	4.78	0.956			
	Akamai 3/31/2025	80%	3.71	2.968	**88.815816**	**-24.354184**	**-22%**
			Sum:	3.924			
Base							
Security platform continues to drive topline, Delivery continues to decline, CIS achieves significant growth	Akamai 3/31/2025	60%	3.71	2.23			
	Check Point	20%	4.78	0.96	**118.89**	**5.722**	**5%**
	F5	13%	7.05	0.92			
	Digital Ocean	7%	16.49	1.15			
			Sum:	5.25			
Bull							
AKAM wins more deals, partial Neocloud TAM, CIS expansion is successful and grows revenue mix, security becomes more profitable, platformisation	F5	15%	7.05	1.06			
	CoreWeave	15%	12.79	1.92			
	Digital Ocean	5%	16.49	0.82	**172.02**	**58.85**	**52%**
	Fortinet	5%	15.99	0.80			
	Akamai	60%	5	3.00			
			Sum:	7.60			

Risk

1. Heavy upfront CapEx to support infrastructure buildout
    - Full year capex guided 40-42%, without considering additional GPU buildout
    - Revenue quality and FCF compression genuinely an important question
        - Depreciation of GPU compresses GM, CFI compresses FCF
2. Vulnerable to component cost, though partially hedged by mgmt
3. Delivery remains a drag
    - 9% of human requests required a trip to the origin, vs 51% for AI/Bot
4. Security inherently competitive environment

Catalyst

1. **One more home run deal**
    - Could come from frontier lab or media/e-comm/gaming
2. Continued high demand for CIS
3. Revenue mix change

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Execution

1. Buy now and hold 2y
2. Moderate-High conviction
3. What would make me concerned

- Slowing CIS momentum
- If AKAM issues debt, how much and at what rate?
  - Credit downgrade from BBB to BBB- just now

Comps Table

Fortinet: profitable, well-performing security company
f5: WAF, DDoS, API. Comparable to Zscalar, a ZTNA company with similar EV/Rev
Checkpoint and Old Akamai: mature, high margin cybersecurity whose growth cycle has ended. Solid businesses with no real inflexion possibility
CoreWeave: new Neocloud, high RPO but high execution risk due to debt exposure, interest payments, and execution risk
Digital Ocean: Cloud infra, similar to AWS, Azure, GCP

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Research Report (July 10, 2026)

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(in thousands)	March 31, 2026	December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 622,383	$ 930,231
Marketable securities	308,062	256,302
Accounts receivable, net	881,076	793,666
Prepaid expenses and other current assets	319,102	306,481
Total current assets	2,130,623	2,286,680
Marketable securities	802,670	733,228
Property and equipment, net	2,411,721	2,333,462
Operating lease right-of-use assets	1,665,915	1,469,700
Acquired intangible assets, net	589,355	614,542
Goodwill	3,202,906	3,206,525
Deferred income tax assets	627,603	622,776
Other assets	214,959	212,730
Total assets	$ 11,645,752	$ 11,479,643
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 151,439	$ 125,054
Accrued expenses	286,427	319,622
Deferred revenue	203,681	151,186
Operating lease liabilities	369,110	336,613
Other current liabilities	25,130	35,043
Total current liabilities	1,035,787	967,518
Deferred revenue	19,929	17,088
Deferred income tax liabilities	34,840	31,089
Convertible senior notes	4,107,607	4,105,355
Operating lease liabilities	1,390,988	1,233,420
Other liabilities	147,776	147,802
Total liabilities	6,736,927	6,502,272
Total stockholders' equity	4,908,825	4,977,371
Total liabilities and stockholders' equity	$ 11,645,752	$ 11,479,643

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- 0 FCF, cash only declined because stock buyback
- Maybe more resilient than we think

(in thousands)	Three Months Ended March 31, 2026	Three Months Ended December 31, 2025	Three Months Ended March 31, 2025
Cash flows from operating activities:			
Net income	$ 106,319	$ 85,072	$ 123,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	183,751	182,505	174,022
Stock-based compensation	128,651	119,925	111,978
(Benefit) provision for deferred income taxes	(1,749)	2,307	31,383
Amortization of debt issuance costs	2,148	1,877	1,605
Gain on investments	—	(17)	(9,313)
Other non-cash reconsiling items, net	2,709	42,121	2,142
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(94,272)	(34,871)	(25,677)
Prepaid expenses and other current assets	(10,096)	(25,648)	(37,129)
Accounts payable and accrued expenses	(42,035)	13,917	(109,906)
Deferred revenue	56,281	(16,811)	14,948
Other current liabilities	(10,333)	25,527	(20,276)
Other non-current assets and liabilities	(8,876)	(28,580)	(5,748)
Net cash provided by operating activities	312,948	366,684	251,200
Cash flows from investing activities:			
Cash paid for business acquisition, net of cash acquired	—	(55,902)	—
Cash paid for asset acquisition	—	—	(29,930)
Purchases of property and equipment and capitalization of internal-use software development costs	(191,847)	(204,495)	(196,008)
Purchases of short- and long-term marketable securities	(161,455)	(113,323)	(7,080)
Proceeds from sales, maturities and redemptions of short- and long-term marketable securities	35,606	7,459	1,112,955
Other, net	(1,798)	71	(3,091)
Net cash (used in) provided by investing activities	(319,494)	(366,292)	876,846
Cash flows from financing activities:			
Payments from the issuance of convertible senior notes, net of issuance costs	—	(694)	—
Proceeds from the issuance of common stock under stock plans	21,619	15,553	20,182
Employee taxes paid related to net share settlement of stock-based awards	(106,574)	(13,789)	(72,063)
Repurchases of common stank	(205,886)	—	(499,963)
Other, net	(868)	(872)	(406)
Net cash used in financing activities	(291,709)	(1,700)	(552,250)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(5,672)	1,496	5,431
Net (decrease) increase in cash, cash equivalents and restricted cash	(304,347)	(14)	581,227
Cash, cash equivalents and restricted cash at beginning of period	931,308	931,332	519,084
Cash, cash equivalents and restricted cash at end of period	$ 626,941	$ 931,308	$ 1,100,311

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