

## LogMeIn, Inc. (LOGM)

**\$83.46** (As of 04/02/20)

Price Target (6-12 Months): **\$96.00**

Long Term: 6-12 Months

**Zacks Recommendation:**
**Outperform**

(Since: 04/01/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**2-Buy**

Zacks Style Scores:

VGM:C

Value: C

Growth: C

Momentum: D

## Summary

LogMeIn is poised to benefit from rising demand for offsite working as rising incidences of coronavirus across the world has led several organizations across the globe allowing their employees to work from home. Improvement in product quality and performance, multiple product launches and increasing marketing efforts in support of the company's new GoTo brand is a positive. The newly-launched GoToConnect and GoToRoom products also make management optimistic about the stock's prospects. The expansion of its product portfolio through acquisitions, coupled with its rising sales initiatives, is expected to accelerate growth momentum in major markets, namely UCC, IDaaS and Digital Engagement. However, rising expenses and intensifying competition from Zoom, Adobe Connect, Google and Microsoft Skype raises concerns.

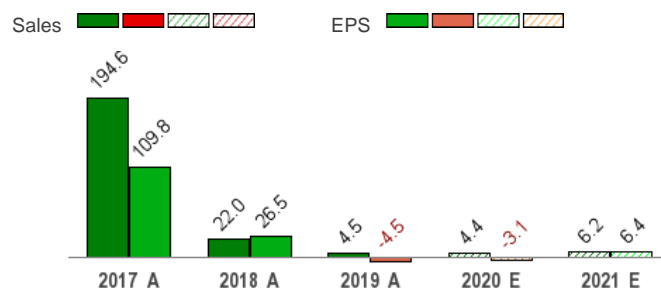
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$86.63 - \$62.02</b>
20 Day Average Volume (sh)	<b>1,336,468</b>
Market Cap	<b>\$4.2 B</b>
YTD Price Change	<b>-2.7%</b>
Beta	<b>0.89</b>
Dividend / Div Yld	<b>\$1.30 / 1.6%</b>
Industry	<b><a href="#">Computer - Services</a></b>
Zacks Industry Rank	<b>Top 35% (90 out of 254)</b>

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>2.1%</b>
Last Sales Surprise	<b>0.9%</b>
EPS F1 Est- 4 week change	<b>0.0%</b>
Expected Report Date	<b>04/23/2020</b>
Earnings ESP	<b>0.0%</b>
P/E TTM	<b>16.2</b>
P/E F1	<b>16.7</b>
PEG F1	<b>1.3</b>
P/S TTM	<b>3.3</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	342 E	347 E	352 E	360 E	1,399 E
2020	322 E	327 E	333 E	338 E	1,317 E
2019	308 A	313 A	317 A	323 A	1,262 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.27 E	\$1.30 E	\$1.39 E	\$1.44 E	\$5.31 E
2020	\$1.22 E	\$1.21 E	\$1.27 E	\$1.29 E	\$4.99 E
2019	\$1.17 A	\$1.17 A	\$1.39 A	\$1.43 A	\$5.15 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/02/2020. The reports text is as of 04/03/2020.

## Overview

LogMeIn, headquartered near Boston in Woburn, MA, is a leading provider of on-demand, remote-connectivity and support solutions to small businesses, IT service providers and consumers. The company has additional locations in North America, South America, Europe, Asia and Australia.

LogMeIn's software-as-a-service (SaaS) suite of solutions includes capabilities for on-demand customer support of PCs, smartphones and other devices, systems administration, remote access, remote control, file-sharing, virtual private networking, data back-up and online meeting.

The company's cloud-based services can be categorized into three business lines:

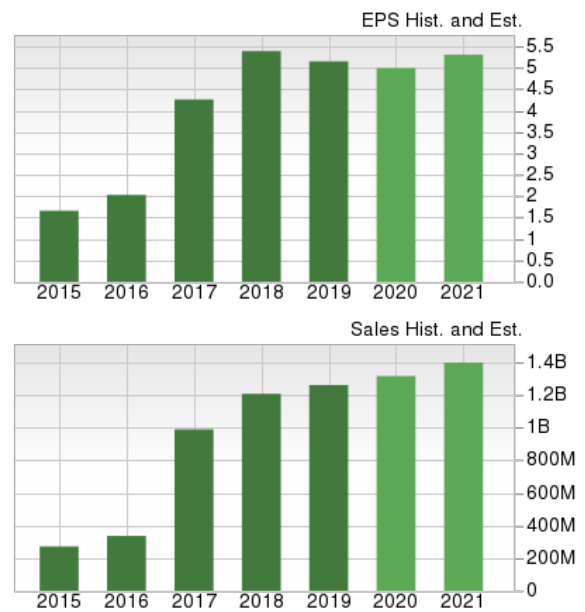
Unified Communications and Collaboration (54.5% of 2019 revenues) portfolio consists of solutions like GoToConference — a video and audio conferencing solution; GoToMeeting — a product for online meetings, sales demonstrations and collaborative gatherings; GoToTraining — an online training product; GoToWebinar — a do-it-yourself Webinar product for companies; Grasshopper, Jive, join.me and OpenVoice.

Identity and Access Management (31.8%) portfolio include web-based management console LogMeIn Central, premium remote access service LogMeIn Pro, password management and single sign on (SSO) solution LastPass and GoToMyPC which provides secure, remote access to a PC or Mac.

Customer Engagement and Support (13.7%) portfolio has omni-channel engagement platform —Bold360; and an automated customer service, help-desk and CRM platform — Bold360 ai; RescueAssist, GoToAssist Corporate and GoToAssist Seeit — which provide cloud-based remote support solutions to remotely troubleshoot and fix computers, mobile devices and apps etc; and LogMeIn Rescue.

In 2019, the company delivered revenues of \$1.26 billion. Geographically, LogMeIn generates majority of its revenues from the United States which contributed 79% to 2019 revenues. All other International markets contributed 21%.

The company derives revenues, primarily on the back of customers' subscription fees, ranging from individual consumers to small and medium businesses (SMBs) and multi-national enterprises.



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## Reasons To Buy:

▲ Due to the mounting coronavirus fears, organizations across the globe are also advising their employees to work from home unless their role on-site is essential to the company. As the demand for offsite-working increases, companies offering remote-working software and services like LogMeIn are expected to grow exponentially. LogMeIn's GoToMeeting, a solution for online meetings, sales demonstrations and collaborative gatherings, offers an array of attractive features. One of the notable features is integration with calendar solutions and platforms from Office 365, Google's G Suite, salesforce, Zoho and Slack. The company offers two paid plan options. While the professional costs \$12 per organizer on a monthly basis for up to 150 participants, the business costs \$16 per organizer for up to 250 participants. Additionally, an enterprise plan supports up to 3000 participants.

LogMeIn is likely to benefit from rising remote-working trend amid coronavirus-led global lockdown. Strategic acquisitions and product strength will keep supporting its growth.

▲ LogMeIn has resorted to acquisitions to enhance its capabilities and tap the solid growth opportunities in newer markets. Since its listing on the NASDAQ Stock Exchange, the company has acquired as many as eight companies, opening up new avenues of growth. For example, the acquisition of Bold Software helped LogMeIn offer additional features and capabilities. Later on, the buyout of Zamurai in 2015 brought the join.me app to its kitty which helped LogMeIn expand its capabilities in the collaboration and video conferencing area. The acquisition of GetGo assets from Citrix in 2017 and the recently-acquired Jive Communications further strengthen its position in the collaboration space. These acquisitions have helped LogMeIn expand its total addressable market (TAM) and solidify the company's presence in the broad IT support market.

▲ We believe the recent acquisition of Jive Communications to have provided the missing links in the Unified Communications and Collaborations (UCC) space for LogMeIn. Jive Communications, which offers cloud-based phone systems and Unified Communications (UC) services, is one of the fastest growing companies in the Unified Communications-as-a-Service (UCaaS) space. Therefore, apart from bolstering its existing communications and collaboration portfolio, the buyout will assist LogMeIn to enter into the business telephony market. With the integration of Jive Communications' services with the company's existing offerings, like GoToMeeting, GoToTraining, GoToWebinar, OpenVoice, Grasshopper and join.me, LogMeIn will have now a large cross-sell opportunity. Also, with this buyout the company will now be able to accelerate its own UCaaS strategy.

▲ LogMeIn has a debt free balance sheet with cash and cash equivalents of \$128 million as of Dec 31, 2019. Furthermore, during the fourth quarter of 2019, the company generated \$74.5 million of adjusted cash flow from operational activities and \$62.6 million of adjusted free cash flow. This provides LogMeIn with ample liquidity for pursuing strategic acquisitions, investment in growth initiatives and distribution to its shareholders.

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## Risks

- The market in which LogMeIn operates is continuously evolving and competition is intensifying with each passing year. In the last few quarters, the popularity of Slack and Zoom has increased immensely which may pose a threat to LogMeIn in the form of pricing, as well as getting new or renewal of contracts. Adobe Connect, Amazon, Cisco Systems' WebEx division, Google and Microsoft Skype are some of LogMeIn's major competitors. The company's audio services compete with products from AT&T, BT, Intercall, PGi, RingCentral, Verizon and Vonage. This apart, some of the company's services face competition from similar types of solutions provided by organizations like AgileBits, Apple, BlueJeans Networks, Box, Dashlane, Dropbox, GFI, IBM, KeePass, LivePerson, OKTA, Oracle, Splashtop, TeamViewer and Zoom Video Communications.
  - To remain competitive, the company spends significantly on sales & marketing expense, which increased from \$88.8 million in 2013 to \$461.1 million in 2019. Although the spending is necessary to generate revenues, stiff competition is likely to hurt its pricing power, putting margins under pressure.
  - LogMeIn continues to acquire a large number of companies. While this improves revenue growth opportunities, business mix and profitability, it also adds to integration risks. Moreover, frequent acquisitions are a distraction for management, which could impact organic growth, moving ahead.
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## Last Earnings Report

### LogMeIn Q4 Earnings and Revenues Surpass Estimates

LogMeIn recently released fourth-quarter 2019 results, wherein both top and bottom lines beat estimates. Non-GAAP revenues of \$322.9 million beat the Zacks Consensus Estimate by 0.87% and increased 3.9% year over year.

Non-GAAP earnings of \$1.43 per share beat the consensus mark by 2.14%. However, the figure decreased 2.7% year over year.

In December 2019, the company entered into a definitive agreement to be acquired by technology-focused global private equity firms Francisco Partners and Evergreen Coast Capital Corp. The transaction is expected to be completed by mid-2020.

LogMeIn did not hold a conference discussing the recently released fourth-quarter 2019 result or provide any guidance due to its impending acquisition agreement.

### Q4 Details

Unified Communication and Collaboration (UCC) business revenues dipped 1% year over year to \$173 million.

Identity and Access Management revenues rose 15% from the year-ago quarter to \$106 million.

Customer Engagement and Support business revenues declined 1% on a year-over-year basis to \$44 million.

The company's gross renewal rate across all products was nearly 85%.

International revenues constituted 21% of total revenues during the quarter.

### Margins

In the fourth quarter, the company's non-GAAP operating income decreased 7.1% year over year to \$95 million. Also, operating margin contracted 350 bps to 29.4%.

Adjusted EBITDA was down 6.4% year over year to \$111.1 million. Additionally, adjusted EBITDA margin shrank 380 bps to 34.4%.

### Balance Sheet and Other Financial Details

LogMeIn ended the quarter with cash and cash equivalents of \$128 million compared with \$119.2 million, sequentially.

The company generated \$78.6 million of adjusted cash flow from operational activities and \$62.6 million of adjusted free cash flow in the quarter under review.

### Full-Year Highlights

LogMeIn reported full-year revenues of \$1.26 billion, up 4.2% year over year. However, non-GAAP earnings of \$5.15 per share declined 4.5% year over year.

In 2019, the company repurchased shares worth \$208.5 million and paid out \$64.6 million as dividends.

Quarter Ending **12/2019**

Report Date	<b>Feb 13, 2020</b>
Sales Surprise	<b>0.87%</b>
EPS Surprise	<b>2.14%</b>
Quarterly EPS	<b>1.43</b>
Annual EPS (TTM)	<b>5.16</b>

## Recent News

On Mar 12, 2020, LogMeIn announced that its stockholders have voted in favor of the company's definitive agreement wherein LogMeIn will be acquired by Francisco Partners.

On Dec 19, 2019, LogMeIn announced that it has entered into a definitive agreement to be acquired in a transaction led by affiliates of Francisco Partners and Evergreen Coast Capital for \$43 billion.

On Nov 18, 2019, LogMeIn announced its partnership with Bitdefender to power LogMeIn Antivirus (AV), through which it will deliver a antimalware solution designed to protect against viruses, malware and sophisticated online threats.

On Nov 13, 2019, LogMeIn announced that its password management solution, LastPass, will be offered by HP to customers who purchase the new HP Spectre x360 13.

On Oct 23, 2019, LogMeIn launched Bold360 Helpdesk designed to modernize employee support.

On Oct 1, 2019, LogMeIn updated its GoTo portfolio by bringing forward a "completely new experience for GoToMeeting".

## Valuation

Shares of LogMeIn have decreased 2.6% in the year so far, while has increased 0.4% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer & Technology sector declined 30.6% and 14.4%, respectively, in the year-to-date (YTD) period. Over the past year, while the Zacks sub-industry has decreased 17.7%, the sector fell 6.3%.

The S&P 500 Index has fallen 23.1% YTD and 14.3% in the past year.

The stock is currently trading at 16.45X forward 12-month earnings, which compares to 13.9X for the Zacks sub-industry, 18.56X for the Zacks sector and 15.37X for the S&P 500 index.

Over the past five years, the stock has traded as high as 117.42X and as low as 16.45X with a 5-year median of 30.92X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$96 price target reflects 18.92X forward 12-month earnings.

The table below shows summary valuation data for LOGM

Valuation Multiples - LOGM					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.45	13.90	18.56	15.37
	5-Year High	117.42	25.59	22.02	19.34
	5-Year Low	16.45	13.90	16.85	15.18
	5-Year Median	30.92	22.13	19.30	17.44
P/S F12M	Current	3.11	1.51	2.97	2.70
	5-Year High	13.93	2.93	3.59	3.43
	5-Year Low	2.49	0.95	2.30	2.54
	5-Year Median	4.92	1.39	3.05	3.00
EV/SalesTTM	Current	3.43	1.68	3.43	2.48
	5-Year High	13.76	2.33	4.45	3.46
	5-Year Low	2.76	1.22	2.57	2.16
	5-Year Median	5.09	1.71	3.54	2.83

As of 04/02/2020

## Industry Analysis Zacks Industry Rank: Top 35% (90 out of 254)



## Top Peers

Adobe Systems Incorporated ( <b>ADBE</b> )	Neutral
Amazon.com, Inc. ( <b>AMZN</b> )	Neutral
Cisco Systems, Inc. ( <b>CSCO</b> )	Neutral
Alphabet Inc. ( <b>GOOGL</b> )	Neutral
Microsoft Corporation ( <b>MSFT</b> )	Neutral
Oracle Corporation ( <b>ORCL</b> )	Neutral
Ringcentral, Inc. ( <b>RNG</b> )	Neutral
Verizon Communications Inc. ( <b>VZ</b> )	Neutral

Industry Comparison Industry: Computer - Services				Industry Peers		
	LOGM Outperform	X Industry	S&P 500	ADBE Neutral	AMZN Neutral	MSFT Neutral
<b>VGM Score</b>	<b>C</b>	-	-	<b>C</b>	<b>C</b>	<b>C</b>
Market Cap	4.16 B	682.44 M	17.16 B	146.45 B	955.30 B	1,180.91 B
# of Analysts	3	3	13	12	12	14
Dividend Yield	1.56%	0.00%	2.5%	0.00%	0.00%	1.31%
<b>Value Score</b>	<b>C</b>	-	-	<b>D</b>	<b>F</b>	<b>D</b>
Cash/Price	0.03	0.22	0.06	0.03	0.06	0.12
EV/EBITDA	14.21	9.97	10.80	35.72	24.72	19.24
PEG Ratio	1.34	1.48	1.74	1.91	3.02	2.14
Price/Book (P/B)	1.52	1.96	2.33	13.99	15.39	10.73
Price/Cash Flow (P/CF)	8.19	11.41	9.11	37.12	28.62	24.44
P/E (F1)	16.73	16.57	14.73	31.05	69.99	27.77
Price/Sales (P/S)	3.30	1.10	1.81	12.56	3.41	8.80
Earnings Yield	5.98%	6.03%	6.71%	3.22%	1.43%	3.60%
Debt/Equity	0.11	0.33	0.70	0.39	0.38	0.64
Cash Flow (\$/share)	10.19	2.63	7.01	8.19	67.05	6.35
<b>Growth Score</b>	<b>C</b>	-	-	<b>B</b>	<b>A</b>	<b>B</b>
Hist. EPS Growth (3-5 yrs)	60.97%	9.82%	10.92%	48.86%	110.19%	17.68%
Proj. EPS Growth (F1/F0)	-3.04%	8.31%	1.02%	24.40%	19.16%	17.68%
Curr. Cash Flow Growth	-5.89%	4.40%	5.93%	27.62%	31.33%	19.70%
Hist. Cash Flow Growth (3-5 yrs)	85.26%	8.51%	8.55%	41.64%	49.26%	11.99%
Current Ratio	0.52	1.57	1.24	1.23	1.10	2.80
Debt/Capital	9.53%	22.98%	42.33%	28.21%	27.39%	39.05%
Net Margin	-1.15%	2.60%	11.67%	27.72%	4.13%	33.02%
Return on Equity	7.25%	7.29%	16.70%	33.54%	21.07%	40.41%
Sales/Assets	0.32	0.88	0.54	0.57	1.41	0.48
Proj. Sales Growth (F1/F0)	4.38%	3.26%	1.54%	16.25%	19.57%	12.00%
<b>Momentum Score</b>	<b>D</b>	-	-	<b>C</b>	<b>D</b>	<b>C</b>
Daily Price Chg	0.68%	0.00%	1.45%	0.91%	0.58%	2.07%
1 Week Price Chg	4.57%	4.57%	12.29%	3.55%	2.93%	8.99%
4 Week Price Chg	-1.57%	-17.22%	-21.33%	-13.41%	-0.27%	-6.62%
12 Week Price Chg	-2.83%	-21.10%	-28.56%	-10.72%	0.94%	-4.21%
52 Week Price Chg	0.38%	-22.60%	-22.55%	13.46%	5.50%	30.08%
20 Day Average Volume	1,336,468	84,293	4,257,668	5,855,993	7,424,252	74,010,368
(F1) EPS Est 1 week change	0.00%	0.00%	-0.04%	-0.17%	0.00%	-0.29%
(F1) EPS Est 4 week change	0.00%	-1.09%	-4.30%	-0.24%	-0.71%	-0.51%
(F1) EPS Est 12 week change	1.57%	-2.02%	-5.47%	-0.11%	4.53%	4.46%
(Q1) EPS Est Mthly Chg	0.00%	-3.82%	-5.91%	-0.57%	-3.06%	-3.04%

## Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	C
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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