

LogMeIn, Inc. (LOGM)

\$85.89 (As of 08/07/20)

Price Target (6-12 Months): **\$86.05**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 08/05/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:C

Value: C

Growth: D

Momentum: B

Summary

LogMeIn's second-quarter revenues and earnings grew year-over-year. The company is benefiting from rising demand for office working tools amid coronavirus-led global lockdown. 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 expansion of its product portfolio through acquisitions, coupled with its sales initiatives, is expected to accelerate growth momentum in major markets. Shares of LogMeIn have outperformed the industry in year to date. However, rising expenses and intensifying competition raises concerns. Notably, in December 2019, the company entered into a definitive agreement to be acquired by global private equity firms Francisco Partners and Evergreen Coast Capital Corp.

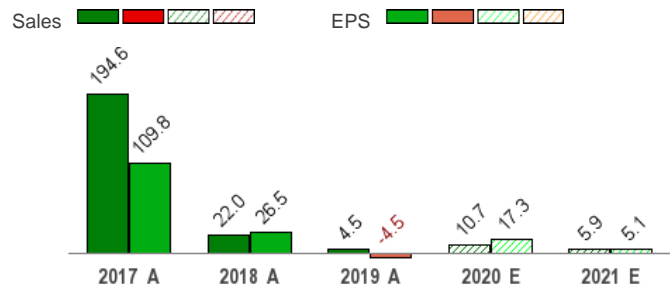
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$86.63 - \$62.02
20 Day Average Volume (sh)	380,393
Market Cap	\$4.2 B
YTD Price Change	0.2%
Beta	0.74
Dividend / Div Yld	\$0.32 / 0.4%
Industry	Computer - Services
Zacks Industry Rank	Top 11% (27 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	37.5%
Last Sales Surprise	7.3%
EPS F1 Est- 4 week change	30.3%
Expected Report Date	NA
Earnings ESP	0.0%
P/E TTM	15.4
P/E F1	14.2
PEG F1	1.1
P/S TTM	3.2

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	366 E	366 E	368 E	381 E	1,480 E
2020	322 A	351 A	360 E	363 E	1,397 E
2019	308 A	313 A	317 A	323 A	1,262 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.57 E	\$1.54 E	\$1.58 E	\$1.66 E	\$6.35 E
2020	\$1.21 A	\$1.54 A	\$1.67 E	\$1.63 E	\$6.04 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 08/07/2020. The reports text is as of 08/10/2020.

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:

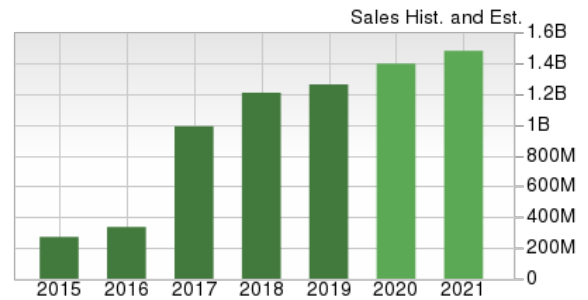
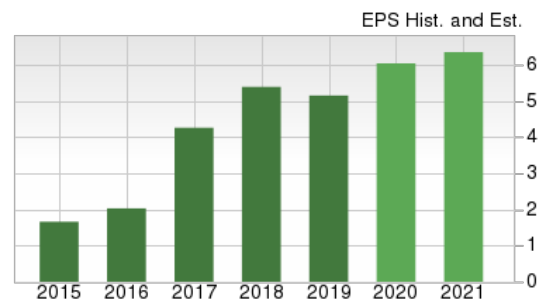
Unified Communications and Collaboration (54.5% of 2019 revenues) portfolio consists of solutions like GoToConference — a video and audio conferencing solution; GoToMeeting — a product for online meetings, sales demonstrations and collaborative gatherings; GoToTraining — an online training product; GoToWebinar — 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.



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 strong balance sheet with ample liquidity position and no debt obligations. Cash and cash equivalents were \$249.5 million as of Jun 30, 2020. Since it carries no long-term debt, the cash is available for pursuing strategic acquisitions, investment in growth initiatives and distribution to shareholders. The company generated \$107 million of adjusted cash flow from operational activities and \$88.6 million of adjusted free cash flow in the reported quarter. LogMeIn's ability to generate solid free cash flow is expected to help it sustain current dividend payout level, at least in the near term.

Reasons To Sell:

- ▼ 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.

Increasing expenses and stiff competition remain primary headwinds.

Last Earnings Report

LogMeIn Q2 Earnings & Revenues Surpass Estimates

LogMeIn reported second-quarter 2020 adjusted earnings of \$1.54 per share, which beat the Zacks Consensus Estimate by 24.2% and also jumped 31.6% year over year.

Revenues of \$350.7 million surpassed the consensus mark by 7.3% and also improved 11.9% year over year.

LogMeIn did not hold a conference discussing second-quarter 2020 results or issue any guidance due to its impending acquisition. Notably, in December 2019, the company entered into a definitive agreement to be acquired by global private equity firms Francisco Partners and Evergreen Coast Capital Corp.

Quarter Ending **06/2020**

Report Date	Jul 29, 2020
Sales Surprise	7.27%
EPS Surprise	37.50%
Quarterly EPS	1.54
Annual EPS (TTM)	4.53

Quarter Details

Unified Communication and Collaboration business revenues increased 12.8% year over year to \$194 million.

Identity and Access Management revenues rose 14.3% from the year-ago quarter to \$112 million.

Customer Engagement and Support business revenues climbed 4.7% on a year-over-year basis to \$45 million.

The company's gross renewal rate across all products was nearly 80%.

International revenues constituted 22% of total revenues in the second quarter.

Moreover, in the quarter under review, adjusted EBITDA increased 24.9% year over year to \$119.3 million. Adjusted EBITDA margin expanded 350 basis points (bps) on a year-over-year basis to 30.5%.

LogMeIn's non-GAAP operating income increased 28.5% year over year to \$102.3 million. Operating margin expanded 380 bps on a year-over-year basis to 29.2%.

Balance Sheet and Cash Flow

LogMeIn had cash and cash equivalents of \$249.5 million as of Jun 30, 2020, compared with \$189.6 million at the end of first-quarter 2020.

The company generated \$107 million of adjusted cash flow from operational activities and \$88.6 million of adjusted free cash flow in the reported quarter.

Recent News

On Jun 2, LogMeIn's LastPass and Vanson Bourne conducted a joint study, under which they found that identity and access management (IAM) priorities differ by industry vertical, emphasizing how a one-size-fits-all approach to IAM doesn't work when every industry and business within that industry is unique.

On May 27, LogMeIn revealed that it has been awarded with two SIIA CODIE Awards for the straight second year.

On May 21, LogMeIn announced that it was awarded two Stevie Awards in the 18th Annual American Business Awards.

On May 13, LogMeIn launched Remote Deployment for GoToMyPC enabling IT administrators and business professionals to remotely deploy, install, and configure GoToMyPC remote access software across any number of computers simultaneously.

On May 12, LogMeIn launched Rescue Live Guide, which provides instant and secure co-browsing capabilities that enable customer service agents to resolve issues faster via guided, personalized support.

On May 6, LogMeIn introduced a new addition to its GoTo Unified Communications & Collaboration portfolio with a new version of GoToMeeting designed with the needs of telehealth professionals in mind.

On Apr 21, LogMeIn announced that it has appointed Rick Ribas as the company's vice president of Global Channels

On Apr 15, LogMeIn announced a new offering in the Contact-Center-as-a-Service (CCaaS) space with the launch of GoToConnect Support Center.

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

Valuation

Shares of LogMeIn have increased 0.2% in the year so far, while has increased 21.2% over the trailing 12-month period. Stocks in the Zacks sub-industry declined 12.5% while the Zacks Computer & Technology sector increased 20.5% in the year-to-date (YTD) period. Over the past year, the Zacks sub-industry and sector have increased 1.1% and 37.2%, respectively.

The S&P 500 Index is up 3.9% YTD while has gained 16.3% in the past year.

The stock is currently trading at 13.79X forward 12-month earnings, which compares to 19.05X for the Zacks sub-industry, 26.39X for the Zacks sector and 22.83X for the S&P 500 index.

Over the past five years, the stock has traded as high as 106.37X and as low as 13.79X with a 5-year median of 29.08X. Our Outperform recommendation indicates that the stock will perform better than the market. Our \$86.05 price target reflects 13.82X 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	13.79	19.05	26.39	22.83
	5-Year High	106.37	25.29	26.39	22.83
	5-Year Low	13.79	14.4	16.72	15.25
	5-Year Median	29.08	21.46	19.47	17.55
P/S F12M	Current	2.91	1.41	4.08	3.67
	5-Year High	13.93	2.93	4.08	3.67
	5-Year Low	2.49	0.95	2.32	2.53
	5-Year Median	4.42	1.4	3.14	3.04
EV/Sales TTM	Current	3.24	2.03	4.8	3.33
	5-Year High	13.76	2.33	4.8	3.43
	5-Year Low	2.76	1.38	2.59	2.1
	5-Year Median	4.7	1.98	3.62	2.82

As of 08/07/2020

Industry Analysis Zacks Industry Rank: Top 11% (27 out of 252)



Top Peers

Company (Ticker)	Rec	Rank
Adobe Systems Incorporated (ADBE)	Neutral	3
Amazon.com, Inc. (AMZN)	Neutral	3
Cisco Systems, Inc. (CSCO)	Neutral	3
Alphabet Inc. (GOOGL)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
Verizon Communications Inc. (VZ)	Neutral	3
Ringcentral, Inc. (RNG)	Underperform	4

Industry Comparison Industry: Computer - Services				Industry Peers		
	LOGM	X Industry	S&P 500	ADBE	AMZN	MSFT
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	3	3
VGM Score	C	-	-	B	A	B
Market Cap	4.21 B	1.23 B	23.30 B	215.64 B	1,586.55 B	1,607.97 B
# of Analysts	1	3	14	12	14	14
Dividend Yield	0.38%	0.00%	1.76%	0.00%	0.00%	0.96%
Value Score	C	-	-	D	C	C
Cash/Price	0.06	0.12	0.07	0.02	0.05	0.09
EV/EBITDA	13.97	14.37	13.32	52.56	41.44	26.50
PEG Ratio	1.14	2.42	2.94	2.88	3.28	2.42
Price/Book (P/B)	1.52	2.48	3.19	19.82	21.52	13.59
Price/Cash Flow (P/CF)	8.43	14.82	12.51	54.90	47.24	28.17
P/E (F1)	14.22	20.23	22.02	46.03	98.99	33.24
Price/Sales (P/S)	3.21	1.46	2.53	17.90	4.93	11.24
Earnings Yield	7.03%	4.66%	4.37%	2.17%	1.01%	3.01%
Debt/Equity	0.10	0.31	0.77	0.38	0.45	0.57
Cash Flow (\$/share)	10.19	2.85	6.94	8.19	67.05	7.54
Growth Score	D	-	-	B	A	A
Hist. EPS Growth (3-5 yrs)	51.86%	12.05%	10.46%	45.00%	97.34%	19.44%
Proj. EPS Growth (F1/F0)	-15.88%	4.26%	-6.80%	24.10%	988.81%	-53.51%
Curr. Cash Flow Growth	-5.89%	7.96%	5.39%	27.62%	31.33%	17.66%
Hist. Cash Flow Growth (3-5 yrs)	85.26%	8.74%	8.55%	41.64%	49.26%	10.19%
Current Ratio	0.70	1.60	1.33	1.29	1.18	2.52
Debt/Capital	9.32%	22.91%	44.50%	27.44%	31.00%	36.24%
Net Margin	0.67%	3.32%	10.13%	30.72%	4.10%	30.96%
Return on Equity	8.08%	8.63%	14.39%	35.53%	20.47%	39.45%
Sales/Assets	0.34	0.87	0.51	0.58	1.42	0.50
Proj. Sales Growth (F1/F0)	10.70%	0.00%	-1.51%	13.81%	31.31%	8.57%
Momentum Score	B	-	-	B	A	D
Daily Price Chg	0.01%	0.00%	0.90%	-3.13%	-1.78%	-1.79%
1 Week Price Chg	0.20%	4.00%	0.14%	3.26%	5.18%	1.84%
4 Week Price Chg	0.35%	12.04%	8.95%	-2.45%	-0.48%	-0.86%
12 Week Price Chg	0.93%	31.98%	18.90%	26.50%	32.59%	17.70%
52 Week Price Chg	18.53%	11.83%	1.18%	50.97%	72.81%	52.98%
20 Day Average Volume	380,393	58,587	2,057,775	2,463,282	5,430,710	38,330,860
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	34.33%	0.00%
(F1) EPS Est 4 week change	30.29%	2.23%	1.36%	0.00%	59.34%	2.51%
(F1) EPS Est 12 week change	28.82%	1.53%	1.57%	0.57%	62.03%	3.00%
(Q1) EPS Est Mthly Chg	39.71%	0.90%	0.54%	0.00%	47.95%	3.89%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	D
Momentum Score	B
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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