

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report: May 9, 2024
(Date of earliest event reported)

AKAMAI TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)

000-27275
(Commission File Number)

04-3432319
(IRS Employer Identification No.)

145 Broadway
Cambridge, Massachusetts 02142
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (617) 444-3000

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|-------------------------------|-------------------|---|
| Common Stock, \$.01 par value | AKAM | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On May 9, 2024, Akamai Technologies, Inc. announced its financial results for the fiscal quarter ended March 31, 2024. The full text of the press release issued in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information provided under this Form 8-K (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press release dated May 9, 2024 |
| 104 | Cover page interactive data file (the cover page XBRL tags are embedded within the inline XBRL document) |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: May 9, 2024

AKAMAI TECHNOLOGIES, INC.

/s/ Edward McGowan

Edward McGowan

Executive Vice President, Chief Financial Officer and Treasurer

FOR IMMEDIATE RELEASE**Contacts:**

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AKAMAI REPORTS FIRST QUARTER 2024 FINANCIAL RESULTS

First quarter revenue of \$987 million, up 8% year-over-year and when adjusted for foreign exchange*

Security and compute revenue represented 64% of total revenue in the first quarter and combined grew 22% year-over-year and when adjusted for foreign exchange*

GAAP net income per diluted share of \$1.11, up 79% year-over-year and up 81% when adjusted for foreign exchange*, and non-GAAP net income per diluted share* of \$1.64, up 17% year-over-year and up 18% when adjusted for foreign exchange*

Board of directors authorizes a new, three-year, \$2.0 billion share repurchase program

CAMBRIDGE, Mass. – May 9, 2024 – Akamai Technologies, Inc. (NASDAQ: AKAM), the cloud company that powers and protects life online, today reported financial results for the first quarter ended March 31, 2024.

“We are pleased with our continuing execution on our long-term strategy to drive revenue growth in our security and compute solutions,” said Dr. Tom Leighton, Akamai’s Chief Executive Officer. “Both solutions had a strong start to 2024 and collectively grew more than 20% year-over-year, representing almost two-thirds of total revenue. We’re particularly excited about our planned acquisition of Noname Security, which will enhance Akamai’s existing API Security solution and accelerate our ability to meet growing customer demand.”

Akamai delivered the following results for the first quarter ended March 31, 2024:

Revenue: Revenue was \$987 million, an 8% increase over first quarter 2023 revenue of \$916 million and an 8% increase when adjusted for foreign exchange.*

Revenue by solution:

- Security revenue was \$491 million, up 21% year-over-year and when adjusted for foreign exchange*
- Delivery revenue was \$352 million, down 11% year-over-year and down 10% when adjusted for foreign exchange*
- Compute revenue was \$145 million, up 25% year-over-year and when adjusted for foreign exchange*

Revenue by geography:

- U.S. revenue was \$512 million, up 8% year-over-year
- International revenue was \$475 million, up 7% year-over-year and up 8% when adjusted for foreign exchange*

Income from operations: GAAP income from operations was \$167 million, a 32% increase from first quarter 2023. GAAP operating margin for the first quarter was 17%, up 3 percentage points from the same period last year.

Non-GAAP income from operations* was \$292 million, an 11% increase from first quarter 2023. Non-GAAP operating margin* for the first quarter was 30%, up 1 percentage point from the same period last year.

Net income: GAAP net income was \$175 million, an 81% increase from first quarter 2023. Non-GAAP net income* was \$255 million, a 17% increase from first quarter 2023.

EPS: GAAP net income per diluted share was \$1.11, a 79% increase from first quarter 2023 and an 81% increase when adjusted for foreign exchange.* Non-GAAP net income per diluted share* was \$1.64, a 17% increase from first quarter 2023 and an 18% increase when adjusted for foreign exchange.*

Adjusted EBITDA*: Adjusted EBITDA* was \$417 million, an 11% increase from first quarter 2023.

Supplemental cash information: Cash from operations for the first quarter of 2024 was \$352 million, or 36% of revenue. Cash, cash equivalents and marketable securities was \$2.3 billion as of March 31, 2024.

Share repurchases: The Company spent \$125 million in the first quarter of 2024 to repurchase 1.1 million shares of its common stock at an average price of \$109.79 per share. The Company had 152 million shares of common stock outstanding as of March 31, 2024.

Share repurchase program: The Company also announces today that its board of directors has authorized a new, \$2.0 billion share repurchase program, effective from today through June 30, 2027. The new authorization is in addition to the Company's remaining stock purchase authorization of \$412 million (as of March 31, 2024), which expires at the end of 2024. The Company's goals for the share repurchase program are to offset the dilution created by its employee equity compensation programs over time and provide the flexibility to return capital to shareholders as business and market conditions warrant, while still preserving its ability to pursue other strategic opportunities.

The timing and amount of any shares repurchased will be determined by the Company's management based upon the evaluation of market conditions and other factors. Repurchases will be executed in the open market subject to Rule 10b-18, and may also be made under a Rule 10b5-1 plan, which would permit the Company to repurchase shares when the Company might otherwise be precluded from doing so under insider trading laws. Other structured repurchase programs may be considered from time to time. The Company may choose to suspend, expand or discontinue the repurchase program at any time.

Financial guidance:

“Our updated full year 2024 guidance reflects the impacts of the strengthening U.S. dollar, a large social media customer optimizing costs and slowing traffic growth across the industry,” said Ed McGowan, Akamai’s Executive Vice President and Chief Financial Officer. “It also reflects increased full year expectations for our security and compute solutions.”

The Company reports the following financial guidance for the second quarter and full year 2024:

| | Three Months Ended June 30, 2024 | | Year Ended December 31, 2024 | |
|--|-------------------------------------|----------|---------------------------------|----------|
| | Low End | High End | Low End | High End |
| Revenue (in millions) | \$ 967 | \$ 986 | \$ 3,950 | \$ 4,020 |
| Security revenue growth rates year-over-year * | | | 15 % | 17 % |
| Compute revenue growth rates year-over-year * | | | 21 % | 23 % |
| Non-GAAP operating margin * | 28 % | 29 % | 28 % | 29 % |
| Non-GAAP net income per diluted share * | \$ 1.51 | \$ 1.56 | \$ 6.20 | \$ 6.40 |
| Non-GAAP tax rate* | 19.0 % | 19.5 % | 19.0 % | 19.5 % |
| Shares used in non-GAAP per diluted share calculations * (in millions) | 155 | 155 | 155 | 155 |
| Capex as a percentage of revenue * | 18 % | 19 % | 16 % | 16 % |

This guidance is provided on a non-GAAP basis and cannot be reconciled to the closest GAAP measures without unreasonable effort because of the unpredictability of the amounts and timing of events affecting the items Akamai excludes from non-GAAP measures. For example, stock-based compensation is unpredictable for Akamai’s performance-based awards, which can fluctuate significantly based on current expectations of the future achievement of performance-based targets. Amortization of intangible assets, acquisition-related costs and restructuring costs are all impacted by the timing and size of potential future actions, which are difficult to predict. In addition, from time to time, Akamai excludes certain items that occur infrequently, which are also inherently difficult to predict and estimate. It is also difficult to predict the tax effect of the items Akamai excludes and to estimate certain discrete tax items, such as the resolution of tax audits or changes to tax laws. As such, the costs that are being excluded from non-GAAP guidance are difficult to predict and a reconciliation or a range of results could lead to

disclosure that would be imprecise or potentially misleading. Material changes to any one of the exclusions could have a significant effect on our guidance and future GAAP results.

* See Use of Non-GAAP Financial Measures below for definitions

Quarterly Conference Call

Akamai will host a conference call today at 4:30 p.m. ET that can be accessed through 1-833-634-5020 (or 1-412-902-4238 for international calls) and using passcode Akamai Technologies call. A live webcast of the call may be accessed at www.akamai.com in the Investor Relations section. In addition, a replay of the call will be available for two weeks following the conference by calling 1-877-344-7529 (or 1-412-317-0088 for international calls) and using passcode 6371585. The archived webcast of this event may be accessed through the Akamai website.

About Akamai

Akamai powers and protects life online. Leading companies worldwide choose Akamai to build, deliver, and secure their digital experiences – helping billions of people live, work, and play every day. Akamai Connected Cloud, a massively distributed edge and cloud platform, puts apps and experiences closer to users and keeps threats farther away. Learn more about Akamai's cloud computing, security, and content delivery solutions at akamai.com and akamai.com/blog, or follow Akamai Technologies on X, formerly known as Twitter, and LinkedIn.

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

| <i>(in thousands)</i> | March 31, 2024 | December 31, 2023 |
|---|---------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 467,717 | \$ 489,468 |
| Marketable securities | 1,206,971 | 374,971 |
| Accounts receivable, net | 716,638 | 724,302 |
| Prepaid expenses and other current assets | 233,853 | 216,114 |
| Total current assets | 2,625,179 | 1,804,855 |
| Marketable securities | 582,023 | 1,431,354 |
| Property and equipment, net | 1,864,307 | 1,825,944 |
| Operating lease right-of-use assets | 947,049 | 908,634 |
| Acquired intangible assets, net | 512,554 | 536,143 |
| Goodwill | 2,846,535 | 2,850,470 |
| Deferred income tax assets | 430,428 | 418,297 |
| Other assets | 127,531 | 124,340 |
| Total assets | <u>\$ 9,935,606</u> | <u>\$ 9,900,037</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 134,677 | \$ 146,927 |
| Accrued expenses | 291,986 | 352,181 |
| Deferred revenue | 142,527 | 107,544 |
| Operating lease liabilities | 232,731 | 222,944 |
| Other current liabilities | 7,017 | 6,442 |
| Total current liabilities | 808,938 | 836,038 |
| Deferred revenue | 20,929 | 23,006 |
| Deferred income tax liabilities | 24,977 | 24,622 |
| Convertible senior notes | 3,540,120 | 3,538,229 |
| Operating lease liabilities | 800,107 | 774,806 |
| Other liabilities | 106,768 | 106,181 |
| Total liabilities | 5,301,839 | 5,302,882 |
| Total stockholders' equity | 4,633,767 | 4,597,155 |
| Total liabilities and stockholders' equity | <u>\$ 9,935,606</u> | <u>\$ 9,900,037</u> |

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

| | Three Months Ended | | |
|--|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| <i>(in thousands, except per share data)</i> | | | |
| Revenue | \$ 986,970 | \$ 995,017 | \$ 915,698 |
| Costs and operating expenses: | | | |
| Cost of revenue ⁽¹⁾⁽²⁾ | 394,743 | 393,397 | 361,316 |
| Research and development ⁽¹⁾ | 116,932 | 109,202 | 91,863 |
| Sales and marketing ⁽¹⁾ | 134,570 | 135,256 | 129,107 |
| General and administrative ⁽¹⁾⁽²⁾ | 152,430 | 155,575 | 146,139 |
| Amortization of acquired intangible assets | 21,023 | 16,833 | 15,912 |
| Restructuring charge (benefit) | 544 | (32) | 44,723 |
| Total costs and operating expenses | <u>820,242</u> | <u>810,231</u> | <u>789,060</u> |
| Income from operations | 166,728 | 184,786 | 126,638 |
| Interest and marketable securities income, net | 27,841 | 23,981 | 5,292 |
| Interest expense | (6,818) | (6,884) | (2,681) |
| Other income (expense), net | 511 | (5,642) | (2,363) |
| Income before provision for income taxes | 188,262 | 196,241 | 126,886 |
| Provision for income taxes | <u>(12,844)</u> | <u>(35,076)</u> | <u>(29,780)</u> |
| Net income | <u>\$ 175,418</u> | <u>\$ 161,165</u> | <u>\$ 97,106</u> |
| Net income per share: | | | |
| Basic | \$ 1.16 | \$ 1.07 | \$ 0.62 |
| Diluted | \$ 1.11 | \$ 1.03 | \$ 0.62 |
| Shares used in per share calculations: | | | |
| Basic | 151,628 | 150,979 | 155,637 |
| Diluted | 157,466 | 157,024 | 156,135 |

(1) Includes stock-based compensation (see supplemental table for figures)

(2) Includes depreciation and amortization (see supplemental table for figures)

AKAMAI TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| <i>(in thousands)</i> | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Cash flows from operating activities: | | | |
| Net income | \$ 175,418 | \$ 161,165 | \$ 97,106 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 156,183 | 147,634 | 135,457 |
| Stock-based compensation | 93,260 | 92,123 | 61,883 |
| (Benefit) provision for deferred income taxes | (10,467) | (13,224) | 4,925 |
| Amortization of debt issuance costs | 1,682 | 1,741 | 1,098 |
| Gain on investments | — | — | (174) |
| Other non-cash reconciling items, net | 2,062 | 5,019 | 21,602 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (736) | (2,941) | (25,251) |
| Prepaid expenses and other current assets | (26,016) | (2,623) | (26,009) |
| Accounts payable and accrued expenses | (66,949) | 20,345 | (97,263) |
| Deferred revenue | 34,316 | (24,098) | 36,449 |
| Other current liabilities | 356 | (774) | 25,834 |
| Other non-current assets and liabilities | (7,231) | 4,826 | (2,158) |
| Net cash provided by operating activities | <u>351,878</u> | <u>389,193</u> | <u>233,499</u> |
| Cash flows from investing activities: | | | |
| Cash paid for business acquisition, net of cash acquired | — | — | (20,070) |
| Cash paid for asset acquisitions | — | (84,637) | — |
| Purchases of property and equipment and capitalization of internal-use software development costs | (173,754) | (133,887) | (222,245) |
| Purchases of short- and long-term marketable securities | (170,019) | (277,053) | (134,191) |
| Proceeds from sales, maturities and redemptions of short- and long-term marketable securities | 182,255 | 178,382 | 276,886 |
| Other, net | 9,935 | 1,362 | (20,268) |
| Net cash used in investing activities | <u>(151,583)</u> | <u>(315,833)</u> | <u>(119,888)</u> |
| Cash flows from financing activities: | | | |
| Proceeds from the issuance of common stock under stock plans | 20,310 | 13,426 | 21,257 |
| Employee taxes paid related to net share settlement of stock-based awards | (109,333) | (15,312) | (29,894) |
| Repurchases of common stock | (125,449) | (54,891) | (348,600) |
| Other, net | (1,509) | — | (52) |
| Net cash used in financing activities | <u>(215,981)</u> | <u>(56,777)</u> | <u>(357,289)</u> |
| Effects of exchange rate changes on cash, cash equivalents and restricted cash | (4,013) | 11,597 | 2,297 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (19,699) | 28,180 | (241,381) |
| Cash, cash equivalents and restricted cash at beginning of period | 490,470 | 462,290 | 543,022 |
| Cash, cash equivalents and restricted cash at end of period | <u>\$ 470,771</u> | <u>\$ 490,470</u> | <u>\$ 301,641</u> |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA – REVENUE BY SOLUTION

| <i>(in thousands)</i> | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Security | \$ 490,681 | \$ 470,977 | \$ 405,552 |
| Delivery | 351,758 | 389,048 | 394,384 |
| Compute | 144,531 | 134,992 | 115,762 |
| Total revenue | <u>\$ 986,970</u> | <u>\$ 995,017</u> | <u>\$ 915,698</u> |
| Revenue growth rates year-over-year: | | | |
| Security | 21 % | 18 % | 6 % |
| Delivery | (11) | (6) | (11) |
| Compute | 25 | 20 | 49 |
| Total revenue | <u>8 %</u> | <u>7 %</u> | <u>1 %</u> |
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates ⁽¹⁾: | | | |
| Security | 21 % | 17 % | 9 % |
| Delivery | (10) | (7) | (9) |
| Compute | 25 | 20 | 51 |
| Total revenue | <u>8 %</u> | <u>7 %</u> | <u>4 %</u> |

AKAMAI TECHNOLOGIES, INC.
SUPPLEMENTAL REVENUE DATA – REVENUE BY GEOGRAPHY

| <i>(in thousands)</i> | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| U.S. | \$ 512,347 | \$ 516,348 | \$ 473,833 |
| International | 474,623 | 478,669 | 441,865 |
| Total revenue | <u>\$ 986,970</u> | <u>\$ 995,017</u> | <u>\$ 915,698</u> |
| Revenue growth rates year-over-year: | | | |
| U.S. | 8 % | 7 % | (1)% |
| International | 7 | 8 | 5 |
| Total revenue | <u>8 %</u> | <u>7 %</u> | <u>1 %</u> |
| Revenue growth rates year-over-year, adjusted for the impact of foreign exchange rates ⁽¹⁾: | | | |
| U.S. | 8 % | 7 % | (1)% |
| International | 8 | 6 | 9 |
| Total revenue | <u>8 %</u> | <u>7 %</u> | <u>4 %</u> |

(1) See *Use of Non-GAAP Financial Measures* below for a definition

AKAMAI TECHNOLOGIES, INC.
OTHER SUPPLEMENTAL DATA

| | Three Months Ended | | |
|--|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| <i>(in thousands, except end of period statistics)</i> | | | |
| Stock-based compensation: | | | |
| Cost of revenue | \$ 12,618 | \$ 11,898 | \$ 9,329 |
| Research and development | 38,045 | 36,428 | 21,844 |
| Sales and marketing | 18,811 | 17,895 | 13,545 |
| General and administrative | 23,786 | 25,902 | 17,165 |
| Total stock-based compensation | <u>\$ 93,260</u> | <u>\$ 92,123</u> | <u>\$ 61,883</u> |
| Depreciation and amortization: | | | |
| Network-related depreciation | \$ 65,675 | \$ 63,225 | \$ 52,176 |
| Capitalized internal-use software development amortization | 43,632 | 43,919 | 43,477 |
| Other depreciation and amortization | 16,030 | 16,170 | 16,234 |
| Depreciation of property and equipment | 125,337 | 123,314 | 111,887 |
| Capitalized stock-based compensation amortization ⁽¹⁾ | 9,712 | 7,379 | 7,533 |
| Capitalized interest expense amortization ⁽¹⁾ | 111 | 108 | 125 |
| Amortization of acquired intangible assets | 21,023 | 16,833 | 15,912 |
| Total depreciation and amortization | <u>\$ 156,183</u> | <u>\$ 147,634</u> | <u>\$ 135,457</u> |
| Capital expenditures, excluding stock-based compensation and interest expense ^{(2) (3)}: | | | |
| Purchases of property and equipment | \$ 74,635 | \$ 80,408 | \$ 157,530 |
| Capitalized internal-use software development costs | 77,491 | 62,355 | 66,264 |
| Total capital expenditures, excluding stock-based compensation and interest expense | <u>\$ 152,126</u> | <u>\$ 142,763</u> | <u>\$ 223,794</u> |
| <i>Capex as a percentage of revenue ⁽³⁾</i> | <i>15 %</i> | <i>14 %</i> | <i>24 %</i> |
| End of period statistics: | | | |
| Number of employees | 10,533 | 10,281 | 9,960 |

(1) Amortization of capitalized stock-based compensation and interest expense in this table excludes amortization of capitalized stock-based compensation and interest expense capitalized related to cloud-computing arrangements and contract fulfillment costs. However, the amounts are included in our total amortization of capitalized stock-based compensation and interest expense that is excluded from our non-GAAP measures (see reconciliations of GAAP to non-GAAP measures).

(2) Capital expenditures presented in this table are reported on an accrual basis, which differs from the cash-basis presentation in the statements of cash flows. The primary difference between the two is the change in purchases of property and equipment and capitalization of internal-use software development costs accrued for, but not paid, at period end versus prior periods.

(3) See *Use of Non-GAAP Financial Measures* below for a definition

AKAMAI TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP INCOME FROM OPERATIONS, NET INCOME AND TAX RATE

| <i>(in thousands)</i> | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Income from operations | \$ 166,728 | \$ 184,786 | \$ 126,638 |
| <i>GAAP operating margin</i> | <i>17 %</i> | <i>19 %</i> | <i>14 %</i> |
| Amortization of acquired intangible assets | 21,023 | 16,833 | 15,912 |
| Stock-based compensation | 93,260 | 92,123 | 61,883 |
| Amortization of capitalized stock-based compensation and capitalized interest expense | 10,123 | 7,774 | 7,913 |
| Restructuring charge (benefit) | 544 | (32) | 44,723 |
| Acquisition-related costs | 172 | 1,189 | 6,768 |
| Operating adjustments | 125,122 | 117,887 | 137,199 |
| Non-GAAP income from operations | <u>\$ 291,850</u> | <u>\$ 302,673</u> | <u>\$ 263,837</u> |
| <i>Non-GAAP operating margin</i> | <i>30 %</i> | <i>30 %</i> | <i>29 %</i> |
| Net income | \$ 175,418 | \$ 161,165 | \$ 97,106 |
| Operating adjustments (from above) | 125,122 | 117,887 | 137,199 |
| Amortization of debt issuance costs | 1,682 | 1,741 | 1,098 |
| Gain on investments | — | — | (174) |
| Income tax effect of above non-GAAP adjustments and certain discrete tax items | (46,727) | (18,162) | (16,915) |
| Non-GAAP net income | <u>\$ 255,495</u> | <u>\$ 262,631</u> | <u>\$ 218,314</u> |
| GAAP tax rate | 7 % | 18 % | 23 % |
| Income tax effect of non-GAAP adjustments and certain discrete tax items | 12 | (1) | (5) |
| Non-GAAP tax rate | <u>19 %</u> | <u>17 %</u> | <u>18 %</u> |

AKAMAI TECHNOLOGIES, INC.
RECONCILIATION OF GAAP TO NON-GAAP NET INCOME PER DILUTED SHARE

| | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| <i>(in thousands, except per share data)</i> | | | |
| GAAP net income per diluted share | \$ 1.11 | \$ 1.03 | \$ 0.62 |
| Adjustments to net income: | | | |
| Amortization of acquired intangible assets | 0.13 | 0.11 | 0.10 |
| Stock-based compensation | 0.59 | 0.59 | 0.40 |
| Amortization of capitalized stock-based compensation and capitalized interest expense | 0.06 | 0.05 | 0.05 |
| Restructuring charge (benefit) | — | — | 0.29 |
| Acquisition-related costs | — | 0.01 | 0.04 |
| Amortization of debt issuance costs | 0.01 | 0.01 | 0.01 |
| Gain on investments | — | — | — |
| Income tax effect of above non-GAAP adjustments and certain discrete tax items | (0.30) | (0.12) | (0.11) |
| Adjustment for shares ⁽¹⁾ | 0.02 | 0.02 | — |
| Non-GAAP net income per diluted share | \$ 1.64 | \$ 1.69 | \$ 1.40 |
| Shares used in GAAP per diluted share calculations | 157,466 | 157,024 | 156,135 |
| Impact of benefit from note hedge transactions ⁽¹⁾ | (2,114) | (1,755) | — |
| Shares used in non-GAAP per diluted share calculations ⁽¹⁾ | 155,352 | 155,269 | 156,135 |

(1) Shares used in non-GAAP per diluted share calculations have been adjusted for the three months ended March 31, 2024 and December 31, 2023 for the benefit of Akamai's note hedge transactions. During those periods, Akamai's average stock price was in excess of \$95.10, which is the initial conversion price of Akamai's convertible senior notes due in 2025. See *Use of Non-GAAP Financial Measures* below for further definition.

AKAMAI TECHNOLOGIES, INC.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA

| <i>(in thousands)</i> | Three Months Ended | | |
|---|--------------------|----------------------|-------------------|
| | March 31, 2024 | December 31, 2023 | March 31, 2023 |
| Net income | \$ 175,418 | \$ 161,165 | \$ 97,106 |
| <i>Net income margin</i> | 18 % | 16 % | 11 % |
| Interest and marketable securities income, net | (27,841) | (23,981) | (5,292) |
| Provision for income taxes | 12,844 | 35,076 | 29,780 |
| Depreciation and amortization | 125,337 | 123,314 | 111,887 |
| Amortization of capitalized stock-based compensation and capitalized interest expense | 10,123 | 7,774 | 7,913 |
| Amortization of acquired intangible assets | 21,023 | 16,833 | 15,912 |
| Stock-based compensation | 93,260 | 92,123 | 61,883 |
| Restructuring charge (benefit) | 544 | (32) | 44,723 |
| Acquisition-related costs | 172 | 1,189 | 6,768 |
| Interest expense | 6,818 | 6,884 | 2,681 |
| Gain on investments | — | — | (174) |
| Other (income) expense, net | (511) | 5,642 | 2,537 |
| Adjusted EBITDA | \$ 417,187 | \$ 425,987 | \$ 375,724 |
| <i>Adjusted EBITDA margin</i> | 42 % | 43 % | 41 % |

Use of Non-GAAP Financial Measures

In addition to providing financial measurements based on generally accepted accounting principles in the United States of America (GAAP), Akamai provides additional financial metrics that are not prepared in accordance with GAAP (non-GAAP financial measures). Management uses non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes, to measure executive compensation and to evaluate Akamai's financial performance. These non-GAAP financial measures are non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per diluted share, Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP tax rate, capital expenditures and impact of foreign currency exchange rates, as discussed below.

Management believes that these non-GAAP financial measures reflect Akamai's ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparison of financial results across accounting periods and to those of our peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate Akamai's operating results and future prospects in the same manner as management. These non-GAAP financial measures may exclude expenses and gains that may be unusual in nature, infrequent or not reflective of Akamai's ongoing operating results.

The non-GAAP financial measures do not replace the presentation of Akamai's GAAP financial measures and should only be used as a supplement to, not as a substitute for, Akamai's financial results presented in accordance with GAAP. Akamai has provided a reconciliation of each non-GAAP financial measure used in its financial reporting and investor presentations to the most directly comparable GAAP financial measure. This reconciliation captioned "Reconciliation of GAAP to Non-GAAP Financial Measures" can be found on the Investor Relations section of Akamai's website.

The non-GAAP adjustments, and Akamai's basis for excluding them from non-GAAP financial measures, are outlined below:

- **Amortization of acquired intangible assets** – Akamai has incurred amortization of intangible assets, included in its GAAP financial statements, related to various acquisitions Akamai has made. The amount of an acquisition's purchase price allocated to intangible assets and term of its related amortization can vary significantly and is unique to each acquisition; therefore, Akamai excludes amortization of acquired intangible assets from its non-GAAP financial measures to provide investors with a consistent basis for comparing pre- and post-acquisition operating results.
- **Stock-based compensation and amortization of capitalized stock-based compensation** – Although stock-based compensation is an important aspect of the compensation paid to Akamai's employees, the grant date fair value varies based on the stock price at the time of grant, varying valuation methodologies, subjective assumptions and the variety of award types. This makes the comparison of Akamai's current financial results to previous and future periods difficult to interpret; therefore, Akamai believes it is useful to exclude stock-based compensation and amortization of capitalized stock-based compensation from its non-GAAP financial measures in order to highlight the performance of Akamai's core business and to be consistent with the way many investors evaluate its performance and compare its operating results to peer companies.
- **Acquisition-related costs** – Acquisition-related costs include transaction fees, advisory fees, due diligence costs and other direct costs associated with strategic activities, as well as certain additional compensation costs payable to employees acquired from the Linode acquisition if employed for a certain period of time. The additional compensation cost was initiated by and determined by the seller, and is in addition to normal levels of compensation, including retention programs, offered by Akamai. Acquisition-related costs are impacted by the timing and size of the acquisitions, and Akamai excludes acquisition-related costs from its non-GAAP financial measures to provide a useful comparison of operating results to prior periods and to peer companies because such amounts vary significantly based on the magnitude of the acquisition transactions and do not reflect Akamai's core operations.
- **Restructuring charge** – Akamai has incurred restructuring charges from programs that have significantly changed either the scope of the business undertaken by the Company or the manner in which that business is conducted. These charges include severance and related expenses for workforce reductions, impairments of long-lived assets that will no longer be used in operations (including right-of-use assets, other facility-related property and equipment and internal-use software) and termination fees for any contracts cancelled as part of these programs. Akamai excludes these items from its non-GAAP financial measures when evaluating its continuing business performance as such items vary significantly based on the magnitude of the restructuring action and do not reflect expected future operating expenses. In addition, these charges do not necessarily provide meaningful insight into the fundamentals of current or past operations of its business.

- **Amortization of debt issuance costs and capitalized interest expense** – Akamai has convertible senior notes outstanding that mature in 2029, 2027 and 2025. The issuance costs of the convertible senior notes are amortized to interest expense and are excluded from Akamai's non-GAAP results because management believes the non-cash amortization expense is not representative of ongoing operating performance.
- **Gains and losses on investments** – Akamai has recorded gains and losses from the disposition, changes to fair value and impairment of certain investments. Akamai believes excluding these amounts from its non-GAAP financial measures is useful to investors as the types of events giving rise to these gains and losses are not representative of Akamai's core business operations and ongoing operating performance.
- **Gains and losses from equity method investment** – Akamai records income or losses on its share of earnings and losses from its equity method investment, and any gains from returns of investments or impairments. Akamai excludes such income and losses because it does not have direct control over the operations of the investment and the related income and losses are not representative of its core business operations.
- **Income tax effect of non-GAAP adjustments and certain discrete tax items** – The non-GAAP adjustments described above are reported on a pre-tax basis. The income tax effect of non-GAAP adjustments is the difference between GAAP and non-GAAP income tax expense. Non-GAAP income tax expense is computed on non-GAAP pre-tax income (GAAP pre-tax income adjusted for non-GAAP adjustments) and excludes certain discrete tax items (such as the impact of intercompany sales of intellectual property related to acquisitions), if any. Akamai believes that applying the non-GAAP adjustments and their related income tax effect allows Akamai to highlight income attributable to its core operations.

Akamai's definitions of its non-GAAP financial measures are outlined below:

Non-GAAP income from operations – GAAP income from operations adjusted for the following items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; amortization of capitalized interest expense; acquisition-related costs; restructuring charges; and other non-recurring or unusual items that may arise from time to time.

Non-GAAP operating margin – Non-GAAP income from operations stated as a percentage of revenue.

Non-GAAP net income – GAAP net income adjusted for the following tax-affected items: amortization of acquired intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; amortization of debt issuance costs; amortization of capitalized interest expense; certain gains and losses on investments; gains and losses from equity method investment; and other non-recurring or unusual items that may arise from time to time.

Non-GAAP tax rate – GAAP tax rate excluding the tax effect of non-GAAP adjustments and certain discrete tax items.

Non-GAAP net income per diluted share, or EPS – Non-GAAP net income divided by weighted average diluted common shares outstanding. Diluted weighted average common shares outstanding are adjusted in non-GAAP per share calculations for the shares that would be delivered to Akamai pursuant to the note hedge transactions entered into in connection with the issuances of \$1,265 million of convertible senior notes due 2029 and the issuances of \$1,150 million of convertible senior notes due 2027 and 2025, respectively. Under GAAP, shares delivered under hedge transactions are not considered offsetting shares in the fully-diluted share calculation until they are delivered. However, Akamai would receive a benefit from the note hedge transactions and would not allow the dilution to occur, so management believes that adjusting for this benefit provides a meaningful view of operating performance. With respect to the convertible senior notes due in each of 2029, 2027 and 2025, unless Akamai's weighted average stock price is greater than \$126.31, \$116.18 and \$95.10, respectively, the initial conversion prices, there will be no difference between GAAP and non-GAAP diluted weighted average common shares outstanding.

Adjusted EBITDA – GAAP net income excluding the following items: interest and marketable securities income and losses; income taxes; depreciation and amortization of tangible and intangible assets; stock-based compensation; amortization of capitalized stock-based compensation; acquisition-related costs; restructuring charges; foreign exchange gains and losses; interest expense; amortization of capitalized interest expense; certain gains and losses on investments; gains and losses from equity method investment; and other non-recurring or unusual items that may arise from time to time.

Adjusted EBITDA margin – Adjusted EBITDA stated as a percentage of revenue.

Capital expenditures, or capex, excluding stock-based compensation and interest expense – Purchases of property and equipment and capitalization of internal-use software development costs presented on an accrual basis, which differs from the cash-basis presentation included in the statements of cash flows. The primary difference between the two is the change in purchases of property and equipment and capitalization of internal-use software development costs accrued for, but not paid, at period end versus prior periods.

Capex as a percentage of revenue – Capital expenditures, or capex, excluding stock-based compensation and interest expense, stated as a percentage of revenue.

Impact of foreign currency exchange rate – Revenue and earnings from international operations have historically been important contributors to Akamai's financial results. Consequently, Akamai's financial results have been impacted, and management expects they will continue to be impacted, by fluctuations in foreign currency exchange rates. For example, when the local currencies of our international subsidiaries weaken, our consolidated results stated in U.S. dollars are negatively impacted.

Because exchange rates are a meaningful factor in understanding period-to-period comparisons, management believes the presentation of the impact of foreign currency exchange rates on revenue and earnings enhances the understanding of our financial results and evaluation of performance in comparison to prior periods. The dollar impact of changes in foreign currency exchange rates presented is calculated by translating current period results using monthly average foreign currency exchange rates from the comparative period and comparing them to the reported amount. The percentage change at constant currency presented is calculated by comparing the prior period amounts as reported and the current period amounts translated using the same monthly average foreign currency exchange rates from the comparative period.

Akamai Statement Under the Private Securities Litigation Reform Act

This release and/or our quarterly earnings conference call scheduled for later today contain statements that are not statements of historical fact and constitute forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995, including, but not limited to, statements about expected future financial performance, expectations, plans and prospects of Akamai. Actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors including, but not limited to, inability to continue to generate cash at the same level as prior years; failure of our investments in innovation to generate solutions that are accepted in the market; inability to increase our revenue at the same rate as in the past and keep our expenses from increasing at a greater rate than our revenues; effects of competition, including pricing pressure and changing business models; impact of macroeconomic trends, including economic uncertainty, turmoil in the financial services industry, the effects of inflation, rising and fluctuating interest rates, foreign currency exchange rate fluctuations, securities market volatility and monetary supply fluctuations; conditions and uncertainties in the geopolitical environment, including sanctions and disruptions resulting from the ongoing war in Ukraine; continuing supply chain and logistics costs, constraints, changes or disruptions; defects or disruptions in our products or IT systems, including cyber-attacks, data breaches or malware; failure to realize the expected benefits of any of our acquisitions or reorganizations; changes to economic, political and regulatory conditions in the United States and internationally; our ability to attract and retain key personnel; impact of the COVID-19 pandemic; delay in developing or failure to develop new service offerings or functionalities, and if developed, lack of market acceptance of such service offerings and functionalities or failure of such solutions to operate as expected, and other factors that are discussed in our Annual Report on Form 10-K, quarterly reports on Form 10-Q, and other documents filed with the SEC.

In addition, the statements in this press release and on our quarterly earnings conference call represent Akamai's expectations and beliefs as of the date of this press release. Akamai anticipates that subsequent events and developments may cause these expectations and beliefs to change. However, while Akamai may elect to update these forward-looking statements at some point in the future, it specifically disclaims any obligation to do so. These forward-looking statements should not be relied upon as representing Akamai's expectations or beliefs as of any date subsequent to the date of this press release.