



Slack Technologies, Inc Stock Report

By : Yogesh Bhalerao

Company: Daizika LLC

Date: Jan 3rd 2020

Executive Summary

Our valuation model for Slack Technologies Inc., (NYSE: WORK) estimates a target price of \$29.20 by Oct 31st 2020 with a “Hold” rating on the stock.

Last stock price (Jan 3 rd 2020)	1 year target (Oct 31 st 2020)	Consider buy	Consider Sell
\$22.46	\$29.20	\$17.00	\$35.00

Table 1: Stock price - forward looking

Slack Technologies is currently not profitable and their operational expenses increase as they add customers. The company owed short-term debt (~1million) to its suppliers and there was a 65.91% increase in the operating cost since July 31st 2019.

Analysis indicates that there is some interest in Institutional Investment Managers to increase their holdings in the stock, which may help boost the stock price.

Valuation

We recommend a “Hold” rating on the stock with a 1 year price target of \$29.20, the stock ($\beta=1.30$) itself is highly volatile compared to the S&P 500 Index, with a compound return of -0.87% as of Jan 3rd 2020. The company hasn't paid any dividends as of Jan 3rd 2020. The following are the forecasts for the stock price based on 3 different approaches

Method	1 year Expected Price (Oct 2020)		
	Low	Average	High
Percentage of Sales approach	\$13.39	\$29.20	\$45.02
Residual Income Model		\$11.31	
Price-Earnings Model		\$35.20	

Table 2: Stock price forecast

The company is currently not generating any profits and is losing money (has a negative P/E ratio), the stock is losing value and we expect it continue losing value for the next two quarters.

Slack Technologies Inc., Stock Report

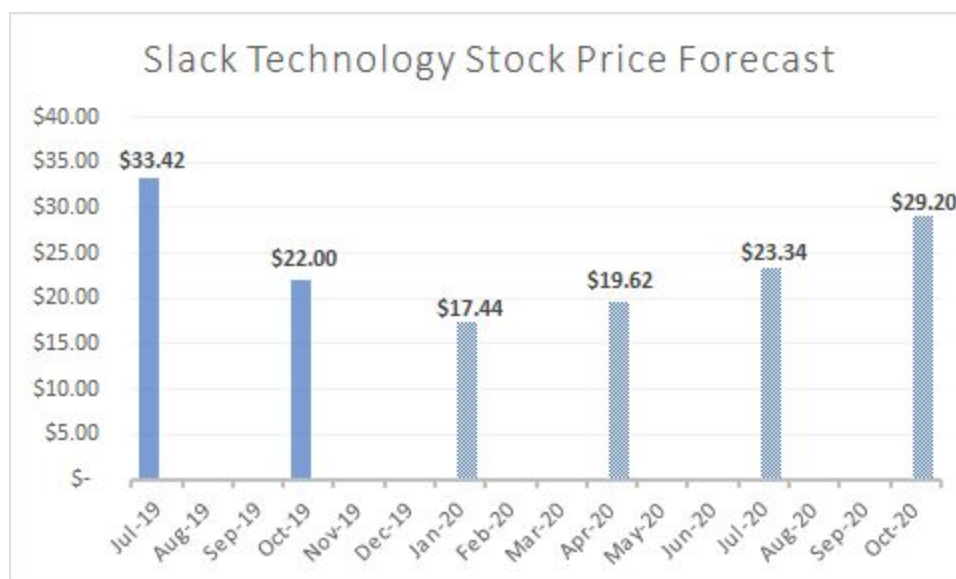


Fig 1: Stock forecast for the next four quarters

The below forecasts some of the financial ratio for the next four quarters.

Item	Jul-19	Oct-19	Jan-20	Apr-20	Jul-20	Oct-20
Gross Margin	82%	84%	86%	86%	86%	86%
Operating Margin	-144%	-111%	-56%	-56%	-56%	-56%
Return on Asset (ROA)	-33%	-41%	-10%	-10%	-10%	-10%
Return on Equity (ROE)	-53%	-66%	-52%	-85%	-137%	-221%
Book value per share (BVPS)	\$ 2.84	\$ 2.51	\$ 2.22	\$ 1.96	\$ 1.73	\$ 1.53
Earnings per share (EPS)	\$ (1.51)	\$ (1.65)	\$ (1.16)	\$ (1.66)	\$ (2.37)	\$ (3.39)
Cash flow per share (CFPS)	\$ (0.05)	\$ (0.08)	\$ (0.12)	\$ (0.17)	\$ (0.24)	\$ (0.35)
Market Capitalization	\$8.68B	\$6.41B	\$6.35B	\$6.3B	\$6.24B	\$6.2B

Table 3: Financial ratio forecasts for Slack Technologies using percentage of sales approach

Business Summary

Slack Technologies, Inc. operates a business technology software platform that brings together people, applications, and data and sells its offering under a software-as-a-service model. The Company was

Slack Technologies Inc., Stock Report

incorporated in Delaware in 2009 as Tiny Speck, Inc. In 2014, the Company changed its name to Slack Technologies, Inc. and publicly launched its current offering. The Company is headquartered in San Francisco, California. Below are the company statistics as of Oct 31st 2019.

Ticker	WORK
Exchange	NYSE
Sector/Industry	Technology / Software Application
Revenue	\$448.52 Million ¹
Net Income Loss	\$(482.10) Million ¹
Earnings per share	(1.38) ¹
Cash flow per share	\$(0.0786) ²
Shares outstanding	291.36 Million ²
Return on Equity	-65.85% ²
Last price	\$22.46 ³
Market Capitalization	\$6.544 Billion ³

1 as reported for 9 month period Feb 2019 - Oct 2019

2 for period Feb 2019 - Oct 2019

3 as of Jan 03 2020 close price

Fundamental Analysis

Slack Technologies Revenue grew by 60% in Q3 of 2019, expenses by 47%, and were able to generate a gross profit of \$145 Million in the same period. The company also reported an operating income loss of \$95 Million.

Item	Starting Feb 2019	
	6 months ended July 31 st 2019	9 months ended Oct 31 st 2019
Revenue	\$ 279,794,000.00	\$ 448,519,000.00
Cost of Revenue	\$ 49,680,000.00	\$ 72,820,000.00
Gross Profit	\$ 230,114,000.00	\$ 375,699,000.00

Slack Technologies Inc., Stock Report

Operating Income Loss	\$ (402,088,000.00)	\$ (497,090,000.00)
Net Income Loss	\$ (392,894,000.00)	\$ (482,055,000.00)
Cash and Cash Equivalent	\$ 498,275,000.00	\$ 476,474,000.00
Total Current Assets	\$ 918,174,000.00	\$ 917,894,000.00
Total Assets	\$ 1,175,714,000.00	\$ 1,184,852,000.00
Total Current Liabilities	\$ 402,267,000.00	\$ 405,519,000.00
Total Liabilities	\$ 425,931,000.00	\$ 437,621,000.00
Operating cash flow	\$ (13,805,000.00)	\$ (22,904,000.00)
Shares outstanding	259,605,979	291,362,103
Shareholder Equity	\$ 738,466,000.00	\$ 732,051,000.00
P/E Ratio	-22.08	-13.30
P/B Ratio	11.75	8.76
P/CFPS Ratio	-628.47	-279.867

Table 5: Financial information is obtained from Form 10-Q filings with U.S. Securities and Exchange Commission (SEC)

The company may have sold most of its services on credit or owes a refund to its customers in the past, and that the situation had improved as of Oct 31st 2019. It has significantly reduced its employee liabilities. Some of the reasons of negative net income are

- 1) The company owed short-term debt (~1million) to its suppliers
- 2) A 65.91% increase in the operating cost, due to the company challenges in scaling their operations since July 31st 2019

Insider Trading Activity

Observing the insider trading activity, there is a slight increase in the number of shares the insiders sold recently, after the initial profit taking back in June 2019.

Slack Technologies Inc., Stock Report

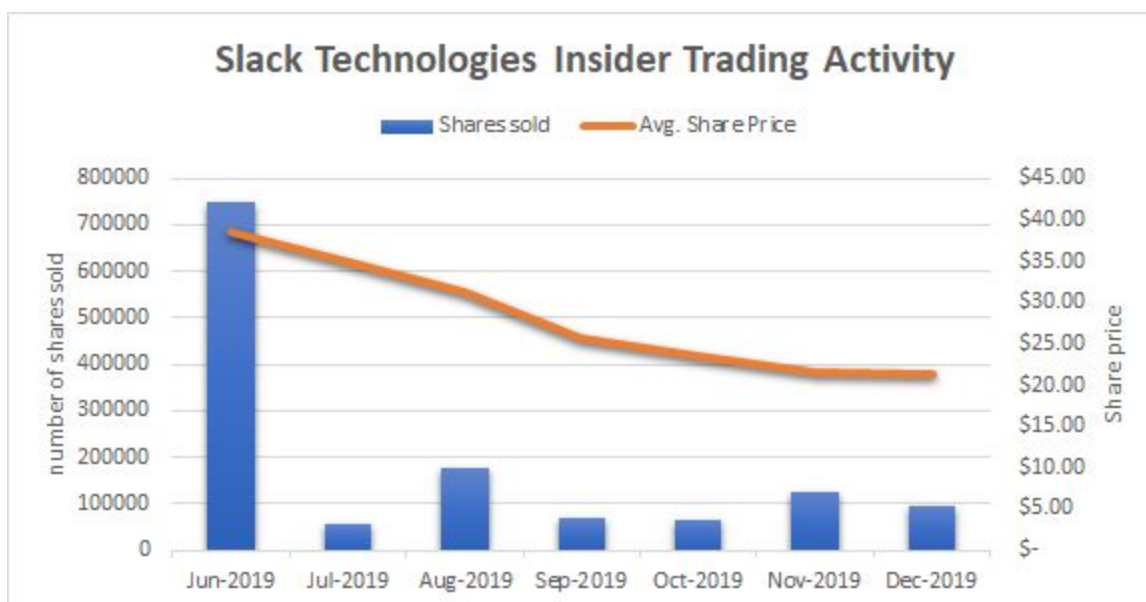


Fig 2: Insider Trading Activity obtained from Form 4 filings with U.S. Securities and Exchange Commission (SEC)

There is a 68% increase in the number of shares owned by IIMs in Q3 of 2019 as compared to Q2 of 2019, thus indicating that there is some interest in the stock by these IIMs.

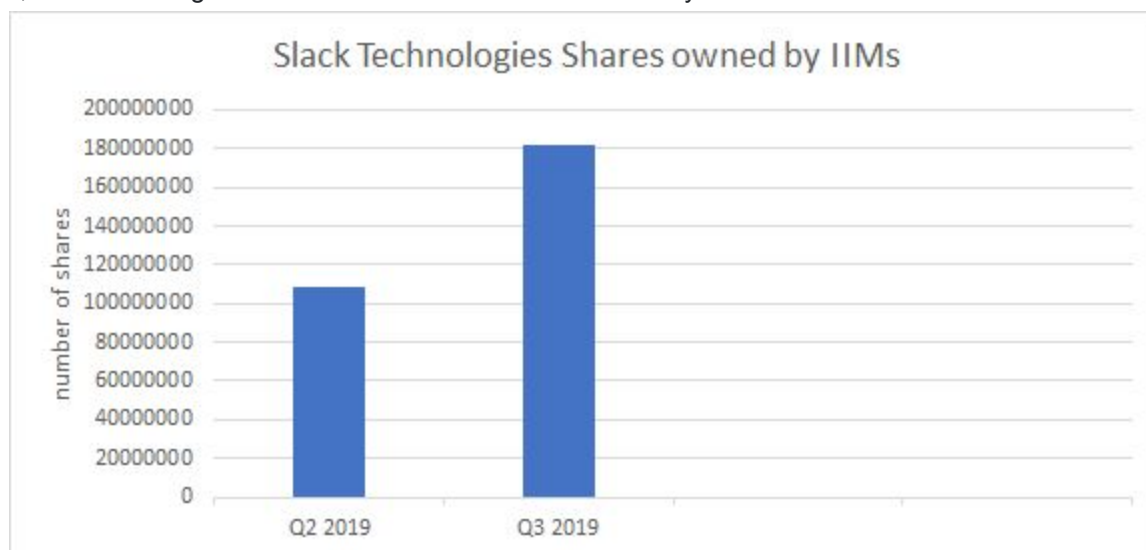


Fig 3: IIMs holdings information is sourced from Form 13F filings with U.S. Securities and Exchange Commission (SEC)

Disclaimer

The information provided in the document is for general informational and educational purposes only and is not intended to provide specific investment advice.

The data and content presented herein is only as reliable as the sources from which it is obtained, and the accuracy and completeness of the information presented cannot be guaranteed. You agree to indemnify Daizika, LLC, all its employees and Author of this blog and hold it harmless from any actions, claims, proceedings, or liabilities arising from your use of the Content

You agree that Daizika LLC and the Author is not liable for any success or failure of your business that is directly or indirectly related to the use of our information

A company's actual performance could greatly differ from those described in any forward looking statements or announcements mentioned in this report

All statements and expressions are the sole opinion of the Author and are subject to change at any time without notice