

Tech Research: Citrix Systems

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Looking For The Next Wave – 1Q10 Preview

- 1Q10 Results On Wednesday, April 21st After The Close**

We are modeling total revenues and EPS of \$409m and \$0.40 respectively, in line with consensus and compared with guidance of \$405-410m in revenues and EPS of \$0.39-0.40. Our license forecast of \$127m (down 25% q/q, or up 14% y/y) compares with our estimate of consensus of \$124m (up 11% y/y). We expect Citrix to generate operating cash flow of \$87m (up 6% y/y) and post a deferreds balance of \$629m, up 2% q/q.

- Upside To Bookings From Greater License Deferrals?**

We believe there is upside to consensus bookings of \$409m (up 10% y/y) as Citrix will benefit from an improving demand environment, stronger traction of its upgrade offer, and the bundling of XenApp and XenDesktop will increase the deferral of license revenue. We are modeling March quarter bookings of \$419m (up 13% y/y). Our checks indicate Citrix's upgrade promotion is likely pulling some business forward from 2H10 as some companies are renewing contracts earlier to benefit from the lower pricing. We expect bookings growth for the quarter to be closer to mid-teens.

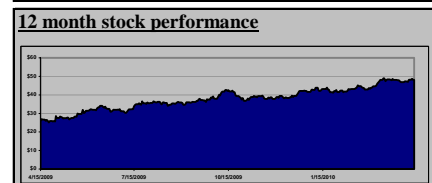
- Expecting Conservative June Guidance**

We expect management to remain conservative and guide June quarter revenues to be up in the low to mid single digits q/q which compares to average growth of 6% q/q in the prior three 2Q's. Current consensus calls for sequential growth of 5% in total sales. We expect below normal seasonality due to increased bundling of XenApp and XenDesktop solutions. Also, Citrix will reclassify its segments and might not report XenApp and XenDesktop revenues separately as it is combining the two product lines into the Desktop Solutions group. For 2010, management will likely reiterate its outlook of 8-9% top line growth and 75-100bps of margin expansion, which we view as attainable but offering little to no upside given Citrix's need to invest in the virtualization space.

- Maintain Hold Rating And \$46 Price Target**

At \$48, the stock is trading at 17x our 2010 CFO per share estimate of \$2.79.

Ticker	CTXS
Price:	\$48.05
Price target:	\$46.00
Rating:	Hold
Risk Rating:	Medium
Market cap (\$m):	\$8,774
52-week high	\$48.05
52-week low	\$24.53
Shares outstanding (m):	183
Float (%):	100%
3m average volume (m):	4.0
<i>Source: ISI</i>	



Short interest		
	Current	12m Average
# Shares Short	11.1	9.4
% of shares o/s	6.0%	5.2%
% of float	6.1%	5.2%
Coverage Ratio	2.8	3.0
<i>Source: FactSet (as of 3/31/10)</i>		

Valuation		
	FY09	FY10
P/ Earnings	26.6x	25.3x
EV/Operating EPS	25.8x	24.5x
FCF Yield	6.3%	6.7%
Dividend Yield	0.0%	0.0%
<i>Source: ISI</i>		

Financial Metrics	FY08	FY09E	FY10E	FY11E	FY12E	EPS Estimates	ISI	Consensus
Revenue	\$1,583	\$1,614	\$1,755	\$1,864	\$1,975	F1Q10E	\$0.40	\$0.40
YoY Growth	13.8%	1.9%	8.7%	6.2%	6.0%	F2Q10E	\$0.42	\$0.45
EPS	\$1.63	\$1.81	\$1.90	\$2.08	\$2.25	F3Q10E	\$0.49	\$0.48
YoY Growth	1.9%	11.0%	5.0%	9.5%	8.6%	F4Q10E	\$0.59	\$0.57
Operating CF	\$462.1	\$484.0	\$508.8	\$550.3	\$601.9	FY10E	\$1.90	\$1.90
YoY Growth	9.0%	4.7%	5.1%	8.2%	9.4%	FY11E	\$2.08	\$2.13
<i>Source: ISI</i>						<i>Source: ISI and FactSet</i>		

*See the last page for an important disclosure regarding these stocks and this report.

Looking For The Next Wave – 1Q10 Preview

Citrix will report 1Q10 results on Wednesday, April 21st after the close. We see consensus revenue and EPS for the March quarter as reasonable. However, we believe there is upside to consensus bookings of \$409m (up 10% year over year) as the company will benefit from an improving demand environment, stronger traction of its upgrade offer, and growth in deferred license revenue from the bundling of XenApp and XenDesktop. We are modeling March quarter bookings of \$419m (up 13% year over year). Our checks indicate that the company's upgrade promotion likely pulled some business forward from 2H10 as some companies are renewing their contracts earlier to benefit from the lower pricing. We expect bookings growth for the quarter to be closer to the mid-teens. For license revenues, current consensus of \$124m, -26% q/q versus historical average seasonality of down 16%, is reasonable as Citrix will recognize more sales on a ratable basis. As for expenses, we are modeling total expenses to decrease 2% q/q in the March quarter to \$317m from \$324m last quarter which compares to a 3% sequential decline in the year ago period and an of average 1% q/q growth for 1Q07 and 1Q08.

We expect management to remain conservative and guide June quarter revenues to be up in the low to mid single digits q/q which compares to average growth of 6% q/q in the prior three 2Q's. Current consensus calls for sequential growth of 5% in total sales. We expect below normal seasonality due to increased bundling of XenApp and XenDesktop solutions that creates more deferred revenues as well as ratable recognition of bookings from the upgrade promotion. For 2010, management will likely reiterate its outlook of 8-9% top line growth and 75-100bps of margin expansion, which we view as attainable but offering little to no upside given the company's need to invest in the virtualization space to remain competitive. Additionally, Citrix's recent decision to embark on a joint marketing tour with Microsoft for promoting its desktop virtualization solutions will require it to spend more on sales and marketing than initially planned, which will create pressure on the company's operating margin for the year.

We see desktop virtualization as key to the Citrix story, and we believe that it will be a market that will be slow to ramp given the significant upfront capital investments needed to implement the technology. The company's recent performance indicates potential for cannibalization of its core business as XenDesktop adoption grows. For instance, in 4Q09, Citrix's XenDesktop revenues came in at \$30m whereas its XenApp sales declined by 5% year over year. Further, our checks suggest VMware enjoys a lead in the desktop virtualization market as a result of its position as the incumbent server virtualization vendor, which we believe will make it difficult for Citrix to meet investor expectations over the long term. However, given the company's aggressive push to promote its XenDesktop offering, its bookings and cash flow will continue to outperform in the near term, which will provide support to the stock. At \$48, Citrix is trading at 17x our 2010 CFO per share estimate of \$2.79.

1Q10 Estimates

We are modeling total revenues and EPS of \$409m and \$0.40 respectively, in line with consensus and compared with management's guidance of \$405-410m in revenues and EPS of \$0.39-0.40. Our license forecast of \$127m (down 25% sequentially, or up 14% year over year) compares with our estimate of consensus of \$124m (up 11% year over year). We expect the company to generate operating cash flow of \$87m (up 6% year over year) and post a deferreds balance of \$629m, up 2% sequentially.

The following table compares our expectations with consensus forecast.

Table 1: ISI Estimates Versus Consensus

Citrix Systems (ISI vs. Consensus)	CY-2009A	CY-1Q10E	CY-2Q10E	CY-3Q10E	CY-4Q10E	CY-2010E
Consensus License Revs	\$539	\$124	\$138	\$143	\$174	\$579
<i>Consensus Q/Q - YoY Growth</i>	-13.1%	-26.1%	10.9%	3.5%	21.6%	7.4%
ISI License Revs	\$539	\$127	\$135	\$153	\$179	\$594
<i>ISI Q/Q - YoY Growth</i>	-13.1%	-24.5%	6.5%	13.0%	16.7%	10.2%
Consensus Total Revs	\$1,614	\$408	\$428	\$443	\$484	\$1,764
<i>Consensus Q/Q - YoY Lic Rev Growth</i>	1.9%	-9.5%	4.9%	3.4%	9.4%	9.3%
ISI Total Revs	\$1,614	\$409	\$421	\$444	\$481	\$1,755
<i>ISI Q/Q - YoY Growth</i>	1.9%	-9.4%	3.0%	5.5%	8.4%	8.7%
Consensus EPS (excluding ESO expense)	\$1.81	\$0.40	\$0.45	\$0.48	\$0.57	\$1.90
ISI EPS (excluding ESO expense)	\$1.81	\$0.40	\$0.42	\$0.49	\$0.59	\$1.90
Consensus Op Margin	23.9%	22.7%	24.3%	25.3%	27.2%	25.0%
ISI Op Margin	23.9%	22.5%	22.6%	25.3%	27.5%	24.6%

Source: Company documents, FactSet, ISI estimates

Expecting More XenApp And XenDesktop Revenues To Be Deferred

We are modeling XenApp license and total revenues of \$65m (down 31% sequentially, or down 17% y/y) and \$233m (down 3% year over year), respectively. We note the average sequential change in XenApp license revenue for 2007 and 2008 was -17%. As detailed later in the note, Citrix will reclassify its segments and might not report XenApp and XenDesktop revenues separately as it is combining the two product lines into the Desktop Solutions group. For XenDesktop, we are modeling license and total revenues of \$20m and \$24m (down 19% sequentially). As such, we are forecasting \$257m (up 6% year over year) for the Desktop Solutions segment.

Our expectations of below normal seasonality for the application virtualization business are a result of some replacement of XenApp revenues by XenDesktop as well as the trend towards more ratable revenue recognition from a combination of customers looking to enter multiyear deals involving multiple products and deal sizes moving up. Additionally, subscription pricing for Citrix's XenDesktop 4 solution also includes a license of XenApp bundled in the offering, which combined with growing traction for the upgrade option (allowing customers to upgrade their existing XenApp licenses priced on a concurrent user basis to XenDesktop 4 seats priced on a named user basis) will create a higher deferral rate of new sales. As such, similar to the December quarter, we believe the company will again add more to its deferred balance versus normal years. The following chart shows the company's change in deferred revenues in last five Q1's and compares them with consensus and our forecast for change in deferreds for 1Q10. Current consensus is looking for a net change in the deferred balance to be below with the historical average of about 3% whereas due to the recent product pricing changes, we would expect the deferral rate to be much higher. As such, we believe there is a meaningful upside to consensus deferreds and bookings forecasts, and potential for upside to our +2% estimate. However, we note that historically, investors evaluate Citrix on revenue and earnings basis and the shift to bookings and deferreds as important metrics has yet to be fully understood.

Table 2: Absolute And Percentage Change In Citrix's 1Q Deferreds, 2005 to 2009 (\$ in millions)

	Mar-05	Mar-06	Mar-07	Mar-08	Mar-09	Mar-10	
						ISle	Consensus
Absolute change in deferreds	\$5	\$6	\$20	\$16	\$2	\$10	\$1
Q/Q % change	2%	2%	6%	4%	0%	2%	0%

Source: Company documents, ISI estimates

Segment Reclassification

Beginning with the March quarter Citrix will realign its reporting segments. Going forward, the company will report results for four segments: Desktop Solutions, Data Center and Cloud Solutions, Citrix Online, and Other. The Desktop Solutions segment will include the former Application Virtualization Group, essentially XenApp, as well as the company's Desktop Virtualization Products (XenDesktop) previously included in the Other segment. Folding XenApp and XenDesktop into one reporting segment was motivated by the introduction of the bundled product offering as well as increasing customer interest in a combination of the two solutions. Going forward, we do not expect the company to provide a breakdown of its desktop virtualization revenues, which will make it difficult to monitor the traction of XenDesktop as well as any impact on the company's core business. Data Center and Cloud Solutions will include the former Application Networking Group along with Citrix's server virtualization offering, previously reported as Other. The Citrix Online Segment remains unchanged. The Other segment now includes just Citrix's Application Gateway, EdgeSight, Provisioning Server, and EasyCall products. The follow table highlights the segment reporting changes.

Table 3: Citrix's Segment Reclassification

Citrix FY08 Product Classification			Citrix FY09 Product Classification		
Application Virtualization Group	XenApp	Password Manager	Application Virtualization Products	XenApp	Password Manager
	Access Essentials			XenApp Fundamentals	
			Desktop Virtualization Products	XenDesktop	
Data Center and Cloud Solutions					
Application Networking Group	NetScaler	WANScaler	Application Networking Products	NetScaler	WANScaler
	SSL Access Gateway	Application Firewall		SSL Access Gateway	Application Firewall
			Server Virtualization Products	Citrix Essentials	
Online Services	Go ToMyPC	Go ToMeeting	Other Products	Application Gateway	Provisioning Server
	Go ToAssist	Go ToWebinar		EdgeSight	EasyCall
	Hi-Def Conferencing				
Other Products	XenDesktop	XenServier	Online Services	Go ToMyPC	Go ToMeeting
	Application Gateway	Provisioning Server		Go ToAssist	Go ToWebinar
	EdgeSight	EasyCall		Hi-Def Conferencing	

Source: Company documents, ISI estimates

Expecting Management To Reiterate 2010 Guidance

We believe management will maintain its revenue growth outlook of 8-9% and EPS guidance of \$1.87-\$1.90 (consensus: \$1.90). We also expect management to reiterate its guidance of 75-100bps of margin expansion in 2010. In our view, management's recent decision to jointly market its virtual desktop offerings with Microsoft will cause it to increase its sales and marketing budget beyond initial plans. As such, we view 75-100bps of margin expansion attainable but offering little to no upside given the company's need to invest in the virtualization space to remain competitive

Price Target Derivation

At \$48, the stock is trading at 17x our 2010 CFO per share estimate of \$2.79.

Our price target is derived using an equally weighted three-pronged valuation approach, which includes a DCF, price to cash flow, and enterprise value (EV) to revenue analysis. Our assumptions are based on comparables in the application software and enterprise software universe. Based on an EV to revenue multiple of 4x, we come up with a share price of \$44. For our price to forward 12-month CFO analysis, we have calculated a share price of \$45 based on a 16x multiple on our CY 2010 CFO estimate. Finally, our DCF assumes a discount rate of 8% and a terminal FCF multiple of 14x, suggesting fair value 12 months hence of \$49. This implies a free cash flow perpetuity growth rate of about 1%. Given these inputs, we reach our 12-month price target of \$46.

Financials

Figure 1: Citrix Revenue Detail (\$ in millions)

Citrix Systems - Revenue Drivers (\$ millions)	10A Mar-09	20A Jun-09	30A Sep-09	40A Dec-09	Total FY09	10E Mar-10	20E Jun-10	30E Sep-10	40E Dec-10	Total FY10	Total FY11
Revenue by Business Division											
Desktop Solutions											
XenApp License	\$78.9	\$81.0	\$84.8	\$95.2	\$340.0	\$65.3	\$72.9	\$87.5	\$102.4	\$328.1	\$332.3
Seasonality	23%	24%	25%	28%		20%	22%	27%	31%		
% of total license revenue	71%	62%	66%	57%	63%	51%	54%	57%	57%	55%	52%
% chg QoQ	-30%	3%	5%	12%		-31%	12%	20%	17%		
% chg yr to yr	-31%	-25%	-25%	-16%	-24%	-14%	-7%	7%	11%	-3%	1%
XenDesktop License	\$4.8	\$8.3	\$9.3	\$26.2	\$48.6	\$19.7	\$20.0	\$19.3	\$25.8	\$85.0	\$117.5
Seasonality	10%	17%	19%	54%		23%	24%	23%	30%		
% of total license revenue	4%	6%	7%	16%	9%	16%	15%	13%	14%	14%	18%
% chg QoQ	-20%	73%	11%	183%		-25%	1%	-3%	34%		
% chg yr to yr	-26%	10%	-39%	25%	224%	135%	38%	19%	-44%	75%	38%
Desktop Solutions License Revenue	\$83.7	\$89.3	\$94.1	\$121.5	\$388.6	\$85.0	\$92.9	\$106.9	\$128.3	\$413.1	\$449.8
% of total license revenue	75%	69%	73%	72%	72%	67%	69%	70%	72%	70%	70%
% chg QoQ	-30%	7%	5%	29%		-30%	9%	15%	20%		
% chg yr to yr	-28%	-19%	-20%	2%	-16%	2%	4%	14%	6%	6%	9%
Desktop Solutions Maintenance Revenue	\$143.8	\$144.9	\$146.5	\$151.7	\$586.8	\$153.3	\$155.0	\$156.6	\$159.9	\$624.8	\$651.6
% of total maintenance revenue	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%	97%
% chg QoQ	1%	1%	1%	4%		1%	1%	1%	2%		
% chg yr to yr	11%	9%	7%	6%	8%	7%	7%	7%	5%	6%	4%
Desktop Solutions Service Revenue	\$15.5	\$17.3	\$18.5	\$19.1	\$70.5	\$18.9	\$19.6	\$20.6	\$22.9	\$82.0	\$84.4
% of total service revenue	42%	45%	44%	43%	44%	47%	47%	48%	48%	48%	46%
% chg QoQ	-23%	11%	7%	3%		-1%	3%	5%	11.4%		
% chg yr to yr	-34%	-27%	-20%	-6%	-22%	22%	13%	11%	20%	16%	3%
Total Desktop Solutions Revenue	\$243.0	\$251.5	\$259.1	\$292.3	\$1,045.9	\$257.3	\$267.5	\$284.0	\$311.1	\$1,119.9	\$1,185.8
% of total revenue	66%	64%	65%	65%	65%	63%	64%	64%	65%	64%	64%
% chg QoQ	-14%	3%	3%	12.8%		-12%	4%	6%	9.5%		
% chg yr to yr	-10%	-6%	-7%	4%	-5%	6%	6%	10%	6%	7%	6%
Data Center and Cloud Solutions											
Data Center and Cloud License Revenue	\$26.7	\$38.9	\$34.8	\$44.4	\$144.7	\$36.5	\$36.9	\$40.4	\$44.2	\$157.9	\$168
% of total license revenue	24%	30%	27%	26%	27%	29%	27%	26%	25%	27%	26%
% chg QoQ	-35%	45%	-11%	28%		-18%	1%	10%	10%		
% chg yr to yr	7%	-4%	-1%	7%	2%	36%	-5%	16%	0%	9%	7%
Data Center and Cloud Maintenance Revenue	\$4.4	\$4.5	\$4.5	\$4.7	\$18.1	\$4.6	\$4.7	\$4.7	\$4.8	\$18.8	\$19.4
% of total maintenance revenue	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
% chg QoQ	1%	1%	1%	4%		-1%	1%	0%	2%		
% chg yr to yr	11%	9%	7%	6%	8%	4%	5%	4%	2%	4%	3%
Data Center and Cloud Service Revenue	\$18.1	\$18.5	\$20.6	\$21.3	\$78.5	\$21.2	\$21.7	\$22.4	\$25.1	\$90.4	\$97.9
% of total service revenue	49%	48%	49%	48%	48%	53%	53%	52%	52%	52%	54%
% chg QoQ	41%	2%	12%	4%	4%	-1%	2%	3%	12%		
% chg yr to yr	82%	55%	85%	66%	71%	17%	17%	9%	18%	15%	8%
Total Data Center and Cloud Revenue	\$49.3	\$61.8	\$59.9	\$70.4	\$241.4	\$62.3	\$63.2	\$67.5	\$74.2	\$267.2	\$285.6
% of total revenue	13%	16%	15%	16%	15%	15%	15%	15%	15%	15%	15%
% chg QoQ	-16%	25%	-3%	18%		-12%	2%	7%	10%		
% chg yr to yr	26%	10%	19%	20%	18%	26%	2%	13%	5%	11%	7%
Citrix Online											
Total Citrix Online	\$72.0	\$75.4	\$78.9	\$82.0	\$308.2	\$83.5	\$84.7	\$86.7	\$90.2	\$345.1	\$369.1
% of total revenue	20%	19%	20%	18%	19%	20%	20%	20%	19%	20%	20%
% chg QoQ	4%	5%	5%	4%		2%	1%	2%	4%		
% chg yr to yr	16%	18%	21%	18%	18%	16%	12%	10%	10%	12%	7%
Other											
Other License	\$1.5	\$1.5	\$0.3	\$2.5	\$5.7	\$2.1	\$2.1	\$2.2	\$2.3	\$8.7	\$9.0
% of total license revenue	1%	1%	0%	1%	0%	2%	2%	1%	1%	0%	0%
% chg QoQ	-1%	2%	-83%	877%		-15%	0%	3%	5%		
% chg yr to yr	-74%	-46%	-95%	68%	-61%	44%	41%	755%	-8%	52%	3%
Other Services	\$3.3	\$2.7	\$2.9	\$4.0	\$13.0	\$3.4	\$3.4	\$3.5	\$3.7	\$14.0	\$14.5
% of total service revenue	9%	7%	7%	9%	8%	8%	8%	8%	8%	8%	8%
% chg QoQ	-18%	-19%	9%	36%		-15%	0%	3%	5%		
% chg yr to yr	308%	65%	174%	-2%	71%	2%	26%	19%	-8%	8%	3%
Total Other	\$4.8	\$4.2	\$3.2	\$6.5	\$18.7	\$5.5	\$5.5	\$5.7	\$6.0	\$22.7	\$23.5
% of total revenue	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
% chg QoQ	-14%	-13%	-24%	103%		-15%	0%	3%	5%		
% chg yr to yr	-25%	-6%	-45%	17%	-16%	15%	32%	78%	-8%	21%	3%
Total License Revenue	\$111.9	\$129.7	\$129.1	\$168.3	\$539.0	\$127.0	\$135.3	\$152.9	\$178.5	\$593.7	\$641.5
% of total revenue	30%	33%	32%	37%	33%	31%	32%	34%	37%	34%	34%
% chg QoQ	-31%	16%	0%	30%		-25%	7%	13%	17%		
% chg yr to yr	-23.9%	-15.5%	-18.1%	4%	-13%	14%	4%	18%	6%	10%	8%
Maintenance Revenue	\$148.2	\$149.3	\$151.0	\$156.4	\$605.0	\$157.9	\$159.6	\$161.3	\$164.7	\$643.6	\$671.0
% of total revenue	40%	38%	38%	35%	37%	39%	38%	36%	34%	37%	36%
% chg QoQ	1%	1%	1%	4%		1%	1%	1%	2%		
% chg yr to yr	11%	9%	7%	6%	8%	7%	7%	7%	5%	6%	4%
Technical Services Revenue	\$37.0	\$38.5	\$42.1	\$44.5	\$162.0	\$40.1	\$41.3	\$43.0	\$48.0	\$172.4	\$182.3
% of total revenue	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
% chg QoQ	0%	4%	9%	6%		-10%	3%	4%	12%		
% chg yr to yr	8%	3%	20%	20%	13%	8%	7%	2%	8%	6%	6%
Net Revenue	\$369.1	\$392.8	\$401.0	\$451.2	\$1,614.1	\$408.6	\$420.9	\$444.0	\$481.5	\$1,754.9	\$1,864.1
% chg QoQ	-11.2%	6.4%	2.1%	12.5%		-9.4%	3.0%	5.5%	8.4%		
% chg yr to yr	-2.1%	0.3%	0.5%	8.5%	1.9%	10.7%	7.1%	10.7%	6.7%	8.7%	6.2%

Source: Company data and ISI estimates

4/14/2010

PLEASE do not forward.

ISI Group

Figure 2: Citrix Income Statement (\$ in millions, except for per share data)

	2009A				2009A	2010E				2010E	2011E
	1Q-09A	2Q-09A	3Q-09A	4Q-09A		1Q-10E	2Q-10E	3Q-10E	4Q-10E		
Software License Revenue	111.9	129.7	129.1	168.3	539.0	127.0	135.3	152.9	178.5	593.7	641.5
% of revenues	30.3%	33.0%	32.2%	37.3%	33.4%	31.1%	32.1%	34.4%	37.1%	33.8%	34.4%
sequential growth %	-31.0%	15.9%	-0.5%	30.4%		-24.5%	6.5%	13.0%	16.7%		
year over year growth %	-23.9%	-15.5%	-18.1%	3.7%	-13.1%	13.5%	4.3%	18.5%	6.0%	10.2%	8.1%
Software License Updates Revenue	148.2	149.3	151.0	156.4	605.0	157.9	159.6	161.3	164.7	643.6	671.0
% of revenues	40.2%	38.0%	37.7%	34.7%	37.5%	38.7%	37.9%	36.3%	34.2%	36.7%	36.0%
sequential growth %	0.9%	0.8%	1.1%	3.5%		1.0%	1.0%	1.1%	2.1%		
year over year growth %	10.7%	8.8%	6.9%	6.5%	8.2%	6.6%	6.9%	6.8%	5.3%	6.4%	4.3%
Other Services Revenue	37.0	38.5	42.1	44.5	162.0	40.1	41.3	43.0	48.0	172.4	182.3
% of revenues	10.0%	9.8%	10.5%	9.9%	10.0%	9.8%	9.8%	9.7%	10.0%	9.8%	9.8%
sequential growth %	-0.4%	4.0%	9.4%	5.7%		-9.9%	3.0%	4.2%	11.6%		
year over year growth %	8.3%	3.1%	19.6%	19.8%	12.7%	8.4%	7.4%	2.3%	7.9%	6.4%	5.7%
Citrix Online Revenue	72.0	75.4	78.9	82.0	308.2	83.5	84.7	86.8	90.3	345.2	369.2
% of revenues	19.5%	19.2%	19.7%	18.2%	19.1%	20.4%	20.1%	19.5%	18.7%	19.7%	19.8%
sequential growth %	3.7%	4.7%	4.7%	3.9%		1.9%	1.4%	2.4%	4.0%		
year over year growth %	16.1%	18.3%	21.4%	18.0%	18.5%	16.0%	12.4%	10.0%	10.1%	12.0%	7.0%
Total Revenue	369.1	392.8	401.0	451.2	1,614.1	408.6	420.9	444.0	481.5	1,754.9	1,864.1
sequential growth %	-11.2%	6.4%	2.1%	12.5%		-9.4%	3.0%	5.5%	8.4%		
year over year growth %	-2.1%	0.3%	0.5%	8.5%	1.9%	10.7%	7.1%	10.7%	6.7%	8.7%	6.2%
Cost of Software	11.5	11.5	13.2	16.0	52.2	9.3	11.7	15.2	16.5	52.7	53.4
sequential growth %	-13.7%	0.1%	14.6%	21.1%		-41.7%	25.2%	30.7%	8.2%		
year over year growth %	3.2%	-10.0%	25.0%	19.9%	9.1%	-19.0%	1.4%	15.6%	3.3%	1.1%	1.3%
Software Gross Margin	89.7%	91.1%	89.8%	90.5%	90.3%	92.7%	91.4%	90.0%	90.8%	91.1%	91.7%
Cost of Services	21.2	20.7	20.3	23.1	85.4	22.5	23.1	22.3	25.4	93.3	92.1
sequential growth %	4.5%	-2.2%	-2.0%	13.8%		-2.6%	2.5%	-3.3%	13.6%		
year over year growth %	16.4%	5.5%	5.3%	13.9%	10.2%	6.2%	11.3%	9.9%	9.7%	9.3%	-1.3%
Services Gross Margin	91.8%	92.1%	92.5%	91.8%	92.1%	92.0%	91.9%	92.3%	91.6%	92.0%	92.5%
Total Cost of Revenue	32.7	32.2	33.5	39.1	137.5	31.8	34.7	37.6	41.9	146.0	145.5
year over year growth %	11.4%	-0.6%	12.3%	16.3%	9.8%	-2.6%	7.7%	12.1%	7.1%	6.2%	-0.3%
Total Gross Profit	336.4	360.6	367.5	412.1	1,476.6	376.7	386.1	406.4	439.6	1,608.9	1,718.6
year over year growth %	-3.3%	0.4%	-0.4%	7.9%	1.3%	12.0%	7.1%	10.6%	6.7%	9.0%	6.8%
Overall Gross Margin %	91.1%	91.8%	91.6%	91.3%	91.5%	92.2%	91.7%	91.5%	91.3%	91.7%	92.2%
Operating Expenses											
Research and Development	56.8	60.8	54.5	54.8	227.0	62.3	65.2	60.4	58.5	246.3	260.5
% of revenues	15.4%	15.5%	13.6%	12.1%	14.1%	15.3%	15.5%	13.6%	12.1%	14.0%	14.0%
year over year growth %	-0.5%	2.9%	-4.4%	7.2%	1.2%	9.7%	7.1%	10.7%	6.7%	8.5%	5.8%
Sales & Marketing	156.0	159.4	159.5	171.9	646.8	169.6	171.5	178.7	190.2	709.9	752.5
% of revenues	42.3%	40.6%	39.8%	38.1%	40.1%	41.5%	40.8%	40.3%	39.5%	40.5%	40.4%
year over year growth %	-1.8%	-1.1%	-0.6%	10.1%	1.6%	8.7%	7.6%	12.0%	10.6%	9.8%	6.0%
G&A	52.6	53.6	52.8	58.4	217.3	53.1	54.3	55.1	58.7	221.2	228.6
% of revenues	14.2%	13.6%	13.2%	12.9%	13.5%	13.0%	12.9%	12.4%	12.2%	12.6%	12.3%
year over year growth %	-8.9%	-7.3%	-6.4%	-10.4%	-8.3%	1.1%	1.2%	4.4%	0.5%	1.8%	3.4%
Total Operating Expenses	265.4	273.8	266.8	285.1	1,091.1	285.0	290.9	294.2	307.3	1,177.4	1,241.7
% of revenues	71.9%	69.7%	66.5%	63.2%	67.6%	69.8%	69.1%	66.3%	63.8%	67.1%	66.6%
sequential growth %	-2.6%	3.2%	-2.5%	6.8%		0.0%	2.1%	1.1%	4.5%		
year over year growth %	-3.0%	-1.6%	-2.6%	4.7%	-0.7%	7.4%	6.3%	10.3%	7.8%	7.9%	5.5%
Operating Income (Loss)	71.0	86.8	100.7	127.0	385.5	91.8	95.2	112.2	132.3	431.4	476.9
year over year growth %	-4.1%	6.9%	6.0%	15.8%	7.1%	29.3%	9.7%	11.4%	4.2%	11.9%	10.5%
Operating Margin %	19.2%	22.1%	25.1%	28.1%	23.9%	22.5%	22.6%	25.3%	27.5%	24.6%	25.6%
Interest Inc. (Expense), net	1.2	5.1	5.6	3.4	15.2	3.6	3.6	3.7	5.1	16.0	17.9
Pre-tax Income	72.1	91.9	106.3	130.3	400.7	95.4	98.8	115.9	137.4	447.4	494.7
year over year growth %	-12.5%	5.0%	8.3%	9.9%	3.6%	32.2%	7.6%	9.0%	5.4%	11.7%	10.6%
Pre-tax Margin %	19.5%	23.4%	26.5%	28.9%	24.8%	23.3%	23.5%	26.1%	28.5%	25.5%	26.5%
Income Tax (Benefit)	13.3	20.3	26.0	6.9	66.5	21.5	22.2	26.1	30.9	100.7	118.7
Tax Rate %	18.4%	22.1%	24.5%	5.3%	16.6%	22.5%	22.5%	22.5%	22.5%	22.5%	24.0%
Net Income (Loss)	58.9	71.6	80.3	123.4	334.2	73.9	76.6	89.8	106.5	346.8	376.0
year over year growth %	-10.9%	0.9%	0.9%	41.8%	10.1%	25.6%	7.0%	11.8%	-13.7%	3.8%	8.4%
Net Margin %	16.0%	18.2%	20.0%	27.4%	20.7%	18.1%	18.2%	20.2%	22.1%	19.8%	20.2%
Shares Outstanding	182.4	184.7	186.3	186.7	185.0	185.2	183.6	182.2	180.7	182.9	181.2
Pro-forma EPS (ex ESO)	0.32	0.39	0.43	0.66	1.81	0.40	0.42	0.49	0.59	1.90	2.08
sequential growth %	-32.1%	20.0%	11.2%	53.4%		-39.6%	4.4%	18.2%	19.5%		
year over year growth %	-7.2%	2.7%	0.5%	39.1%	11.0%	23.7%	7.6%	14.4%	-10.9%	5.0%	9.5%

Source: Company data and ISI estimates

Figure 3: Citrix Balance Sheet (\$ in millions)

Fiscal Year End: December

	FY09E					FY10E					Total FY11E	
	1QA	2QA	3QA	4QA	Total	1QE	2QE	3QE	4QE	Total		
	Mar-09	Jun-09	Sep-09	Dec-09	FY09A	Mar-10	Jun-10	Sep-10	Dec-10	FY10E		
Operating Activities												
Net Income	6.9	42.5	53.4	88.1	191.0	38.3	40.6	54.4	72.0	205.3	234.6	
Adjustment to reconcile net loss to cash used in Operating Activities	-	-	-	-	-	-	-	-	-	-	-	
Depreciation	34.1	34.1	34.1	36.3	138.6	19.8	20.1	20.8	21.9	82.6	55.9	
Amortization of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	
Write-off of deferred debt issuance costs	-	-	-	-	-	-	-	-	-	-	-	
Realized gain on investments	-	-	-	-	-	-	-	-	-	-	-	
Purchased in-process research and development	-	-	-	-	-	-	-	-	-	-	-	
Provision for Doubtful Accounts	1.1	2.0	1.1	0.9	5.0	-	-	-	-	-	-	
Provision for product returns	-	-	-	-	-	-	-	-	-	-	-	
Provision for inventory reserves	-	-	-	-	-	-	-	-	-	-	-	
Tax benefit related to stock options	-	-	-	-	-	-	-	-	-	-	-	
Accretion of original issue discount and amort of finance cost	-	-	-	-	-	-	-	-	-	-	-	
Other	0.8	(1.5)	1.6	(50.5)	(49.7)	-	-	-	-	-	-	
Changes in operating assets and liabilities:	-	-	-	-	-	-	-	-	-	-	-	
Accounts receivable	31.5	(25.9)	(12.8)	(67.4)	(74.6)	77.9	(6.8)	2.0	(35.6)	37.4	4.8	
Inventories	-	-	-	-	-	(16.3)	3.7	(0.7)	(5.9)	(19.3)	(0.4)	
Prepaid expenses and other current assets	(19.0)	(10.8)	3.7	23.6	(2.5)	(98.1)	(7.2)	(5.8)	(9.4)	(120.4)	12.0	
Other assets	(1.4)	(2.7)	3.2	0.5	(0.5)	-	-	-	-	-	-	
Deferred tax assets	(4.3)	5.5	(1.3)	10.6	10.5	93.9	(1.2)	(10.3)	(19.8)	62.6	(1.7)	
Account payable	2.4	11.5	9.6	44.0	67.5	(236.6)	1.2	8.2	33.7	(193.5)	4.2	
Accrued liabilities	-	-	-	-	-	169.6	5.1	40.7	25.4	240.7	5.5	
Income Taxes Payable	-	-	-	-	-	-	-	-	-	-	-	
Deferred revenue	1.7	2.8	17.9	62.9	85.4	10.4	23.9	1.9	65.5	101.8	123.9	
Other liabilities	(0.1)	0.5	(0.3)	1.6	1.8	-	-	-	-	-	-	
Net cash provided by (used in) operating activities excluding ESO	\$54	\$58	\$110	\$150.7	\$372.6	\$58.8	\$79.5	\$111.2	\$147.9	\$397.3	\$438.9	
<i>YoY Growth</i>	-32%	41%	30%	14%	10%	10%	37%	1%	-2%	7%	10%	
Stock-based compensation	28.1	28.4	27.9	26.9	111.4	28.1	28.4	27.9	26.9	111.4	111.4	
Net cash provided by (used in) operating activities with ESO	\$82	\$86	\$138	\$177.7	\$484.0	\$87.0	\$107.9	\$139.1	\$174.8	\$508.8	\$550.3	
<i>YoY Growth</i>	-23%	16%	20%	7%	5%	6%	25%	1%	-2%	5%	8%	
Net Income Growth (YoY)	0	-11%	1%	1%	42%	10%	26%	7%	12%	-14%	4%	
Investing activities												
Purchases of investments	(112.9)	(58.7)	(88.5)	(156.3)	(416.4)	-	-	-	-	-	-	
Proceeds from sales/maturities of securities	-	-	-	0.7	0.7	-	-	-	-	-	-	
Purchase of property and equipment	(22.9)	(17.3)	(16.6)	(19.4)	(76.2)	(16.3)	(16.8)	(17.8)	(19.3)	(70.2)	(74.6)	
Cash paid for licensing agreements and core technology	(0.2)	(1.6)	(1.4)	-	(3.3)	-	-	-	-	-	-	
Acquisitions, net of cash acquired	(1.2)	(0.2)	(0.7)	(1.2)	(3.3)	-	-	-	-	-	-	
Net cash provided by (used for) investing activities	(137)	(78)	(107)	(176.3)	(498.6)	(16.3)	(16.8)	(17.8)	(19.3)	(70.2)	(74.6)	
Financing activities												
Proceeds from issuance of common stock, net	24.1	53.1	51.9	36.9	166.0	-	-	-	-	-	-	
Repurchase and retirement of common stock	(25.0)	(40.0)	(75.0)	(75.0)	(214.9)	(75.0)	(75.0)	(75.0)	(75.0)	(299.8)	(299.8)	
Cash paid to redeem (Proceeds from) convertible subordinated debent	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from sale of put warrants	-	-	-	-	-	-	-	-	-	-	-	
Other	0.5	2.4	4.0	(3.4)	3.4	-	-	-	-	-	-	
Net cash provided by financing activities	(0)	15	(19)	(41.5)	(45.5)	(75.0)	(75.0)	(75.0)	(75.0)	(299.8)	(299.8)	

Source: Company data and ISI estimates

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Buy Low Risk ETR	Buy Medium Risk ETR	Buy High Risk ETR
>+10%	>+15%	>+20%
Hold Low Risk ETR	Hold Medium Risk ETR	Hold High Risk ETR
0% to +10%	-5% to +15%	-10% to +20%
Sell Low Risk ETR	Sell Medium Risk ETR	Sell High Risk ETR
< 0%	< -5%	< -10%

RISK RATING:

Based on the stock's beta: Low: less than 0.75; Medium: 0.75 to 1.25; High: greater than 1.25