

# Big Data Value Propositions

## Best in Class

We have selected four companies in the tech sector that are involved with data management. At first glance they would all seem to provide a value proposition. We take a closer look at recent news and provide some insight to each. We have put the companies in order of least value to greatest value in our opinion based on current market conditions.

### Limelight Networks (NASDAQ: LLNW) (Least Value)

#### Company Profile

Limelight Networks, Inc. provides content delivery network services to deliver digital content over the Internet in the Americas, Europe, the Middle East, Africa, and the Asia Pacific. The company offers the Orchestrate Platform, a suite of integrated services, which include content delivery services, video content management services, performance services for Website and Web application acceleration, and cloud storage services for various devices. It also offers professional services and other infrastructure services, such as transit and rack space services. The company serves traditional and emerging media companies operating in the television, music, radio, newspaper, magazine, movie, game, software, and social media industries, as well as enterprises, technology companies, and government entities conducting business online. Limelight Networks, Inc. was founded in 2001 and is headquartered in Tempe, Arizona.



#### Recent News and Analysis

LLNW is traded at \$2.75 at the end of Monday August 17, 2015. 52 week range is \$2.11 - \$4.43. The firm's market capitalization is \$276.22 M. Share price dropped significantly (32.7%) from \$3.97 on August 3 to \$2.67 on August 13 after the U.S. court revived \$45 mil. patent verdict

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against Limelight. There are 5 brokers currently cover LLNW, with a one-year price target of \$4.75.

Limelight and the sector giant Akamai has been involved in a long-standing lawsuit that originated in 2006. The legal dispute negatively affects both companies' share prices. On August 13, 2015, after the U.S. court filed its decision, Limelight shares fell as much as 23.3 percent following the decision. Akamai shares fell 8 cents to \$73.84.

*A jury in 2008 found in Akamai's favor, but the judge threw out the verdict, saying Limelight did not itself use all of Akamai's technology. A divided Federal Circuit ruled for Akamai in 2012. Limelight petitioned the Supreme Court to hear the case, supported by companies such as Google Inc and Cisco Systems Inc, saying the ruling could prompt more infringement lawsuits. The high court overturned the decision in June 2014, saying a defendant is not liable for inducing infringement when not a single party directly infringed a patent. In May, a Federal Circuit panel said Limelight did not infringe and that if Limelight could be found jointly liable with its downstream<sup>1</sup> users, innocent customers doing as little as swiping a debit card could be targeted by predatory patent suits.*

The firm reported a net loss of \$7.1M for Q2 2016 despite of a 6% revenue growth. The firm's CEO stated that the firm continued to invest in R&D aggressively, introduced new products, as well as maintained a low employee turnover rate. The firm recently released its SmartPurge solution to remove unwanted online content easily from the global network. Companies can now purge online content in minute instead of hours. The firm retains a strong cash position, with a positive net cash flow from operating activities and a high current asset ratio (around 5x) within the last three years. Also, debt-to-asset ratio remains small over years, indicating little dependency on debt. This is critical to the survival of the firm in the technology industry.

LLNW recently lost one of its renowned customers, Netflix. The Internet television network accounted for 10% revenue of LLNW. To compensate for the loss, LLNW has been focusing on acquiring new customers.

The recent loss of Netflix with no near term solution combined with recent legal dispute does not provide any near term opportunity in our opinion. Would be best to revisit this stock next year.

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<sup>1</sup> <http://finance.yahoo.com/news/u-court-revives-45-mln-153627153.html>

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### Intercloud System (NASDAQ: ICLD) (Second-rate Value)

#### Company Profile

InterCloud Systems, Inc. provides end-to-end IT and network solutions to the telecommunications service provider and corporate enterprise markets through cloud platforms and professional services in the United States and internationally. It operates through three segments: Applications and Infrastructure, Professional Services, and Cloud and Managed Services. The firm was founded in 2006 with its headquarter located in Shrewbury, New Jersey.



#### Recent News and Analysis

ICLD share price on Monday August 17, 2015 is \$1.96. 52 week range is \$1.45 - \$5.71. Share price jumped from \$1.52 to \$4.10 on May 4, 2015 after the company product announcement. Since July 2015, share price has been fluctuating around \$2 in spite of having multiple positive headlines.

On August 17, 2015, InterCloud Systems announced that it has been selected by one of the world's largest Tier 1 communications service providers based in the United States as a prime vendor to deliver outsourced professional services and support for their wireline and wireless next generation voice, data, and transport infrastructure solutions. ICLD stock price moved up 11.4% to \$2.06 on contract winning news. The contract term is for three years with two one-year options, and is projected to be worth at least \$9 million during the base term, with expansion to over \$15 million. The contract award is effective immediately and transition of services is currently underway.

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This is the single largest contract InterCloud Systems has been awarded and thus opens up new opportunities and represents the market's greater acceptance of the Company's products.

The Company currently has a market capitalization of \$48 million, which is only 60% of its 2014 revenue. The Company has seen steady revenue increase in the past few years though operating loss has increased. Another red flag of the Company is its high level of debt. Sitting at \$30 million, the debt level is about one third of its total assets. Further about half of its assets comes from goodwill. The Company has increased its goodwill value significantly over the years. The valuation of its goodwill account is subject to management discretion and thus does not well represent Company's asset value.

Return on equity has greatly decreased when compared to its ROE from the same quarter one year prior. This is a signal of major weakness within the corporation. Further ICLD's stock share price has done very poorly compared to where it was a year ago: Despite any rallies, the net result is that it is down by 59.28%. However, in one sense, the stock's sharp decline last year is a positive for future investors, making it cheaper (in proportion to its earnings over the past year) than most other stocks in its industry.

Despite the recent good news the stock seems unable to make a move up and hold those levels. This seems to indicate that there may dilution ongoing. It may be wise to take a wait and see approach to this stock. Before the company product announcement in early May the stock hit a 52 week bottom of \$1.45. This stock may consider your attention when it approaches these levels.

### [Quantum Corporation \(NYSE-MKT: QTM\) \(Good Value\)](#)

#### [Company Profile](#)

Quantum Corporation provides scale-out storage, archive, and data protection solutions for small businesses to major enterprises in the Americas, Europe, and the Asia Pacific. Its scale-out storage portfolio includes StorNext software, appliances and full systems called StorNext Pro Solutions, as well as Lattus extended online storage and Q-Cloud Archive services. The company sells its products through distributors, value-added resellers, direct marketing resellers, original equipment manufacturers, and other suppliers primarily under the Quantum brand. Quantum Corporation was founded in 1980 and is headquartered in San Jose, California.

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### Recent News and Analysis

As of August 19, 2015, QTM is currently traded at \$1.14 per share. 52 week range is from \$1.02 to \$2.22. The firm is in a negative momentum, with a drop in share price since the beginning of July 2015. However, due to a strong company fundamental and the potential growth of the industry the firm operates in, QTM was upgraded from Market Perform to Outperform in May 2015 by Northland Capital.

On August 13, 2015, the firm announced that it amended its credit agreement with Wells Fargo Capital Finance, LLC to provide additional flexibility in using proceeds from loans under the agreement to repay the \$84 million in convertible notes due Nov. 15, 2015. This agreement offers the firm more flexibility to determine a source to fulfill the obligation.

Despite some negative headlines due to a failing in expected return, QTM remains a hot ticker with a strong fundamental. The firm reported a net profit of \$16.76 M for the fiscal year of 2015 (reported as of March 31, 2015). Revenue slightly decreased, but QTM successfully cut back both COGS and SG&A by 1.6% and 4.3% respectively.

The biggest red flag to this point is the firm's dependency on liabilities. The firm's accumulated net loss over year makes it highly dependent on debt. As of March 31, 2015, the firm's total liabilities-to-total asset ratio is 1.17, meaning its liabilities outpace its assets.

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Regardless, QTM is still a firm with potential in the long-term. The firm possesses a large customer base within different industries. Some of the QTM's long-term customers include Toronto Maple Leaf, The Salvation Army, Red Bull Media House, etc. A wide customer base in three different continents, coupling with a strong core technology would be a catalyst for a long-term revenue growth for the company.

We are assigning this company with a good value tag. This is due to the recent bounce that it seems to be underway. It is not too late to possibly benefit from some gains but we believe that the recent 10% gains will hold before moving up to the next level. You may want to watch for a pull back before entry.

### IDI, Inc. (NYSE-MKT: IDI) (Best Value)

#### Company Profile

IDI, Inc. (NYSE-MKT: IDI) is an information solutions provider strategically positioned within the multi-billion dollar data fusion market. Following its merger with The Best One, Inc. on March 21, 2015, IDI is now exclusively focused on this sizable high-growth opportunity. Data fusion involves integrating and statistically matching metrics from different datasets based on their common variables, the underlying principle being that the common characteristics can reliably predict patterns and identify relationships. IDI delivers otherwise unattainable insight into the ever expanding universe of consumer and business data through its proprietary linking technology, advanced systems architecture and massive data repository.

The Company has initially targeted the Risk Management and Marketing and Data Analytics sectors, which it identifies as having a combined market value estimated at \$13.6 billion. IDI addresses the rapidly growing need for actionable intelligence to support the risk management industry for due diligence, risk assessment, fraud detection and prevention, authentication and verification, and more. Additionally, IDI's cross-functional core systems and processes are designed to deliver products and solutions to the marketing industry and to enable the public and private sectors to layer our solutions over their unique data sets, providing otherwise unattainable insight.

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### Recent News and Analysis

Currently, we believe the Company is set to a good start for a near and long term growth operationally, as seen in its most recent quarter results.

As of August 2015, the company is valued at approximately \$110 million. From 2013 to 2014, the Company witnessed steady and slightly increased top line growth and a decline in operating loss. Valuation for the Company has been fairly steady in last couple of years, after an initial decline in 2011 and 2012. This means that general investors have confidence in the future of the company.

We are confident that the Company will be able to drastically improve its operating margin in the coming months. Its new brand and strategy, coupled with its strong cash position, will provide the Company capital and ability to improve. Most importantly IDI does not have long-term debt, this is very critical to any company. Therefore, this lightweight will give the Company higher valuation than its competitors.

Mr. Derek Dubner, Co-CEO of IDI, Inc. stated, "IDI is entering the data fusion space at a point in time when existing technologies are becoming dated and there is an addressable need for enhanced systems to support increased customer demand. Having completed the strategic acquisition of Interactive Data and the rebuild of our management team and infrastructure, we believe we have an immediate opportunity to enter a number of high-growth markets with today's most advanced data intelligence offerings. Our focus going forward is to leverage our next-generation data fusion platform to become the information solutions leader for the risk management industry and a provider of cutting-edge marketing analytics for all industries. We

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believe our new brand will resonate with shareholders and the marketplace, representing what IDI truly stands for today and the path forward.”

We rate this stock as the best value for a number of reasons.

- Excellent Management Team with proven track record of building and selling technology companies successfully.
- Well financed - no need for funding.
- Strong investors in the deal. Notably Phillip Frost. If your not familiar use link below: [https://en.wikipedia.org/wiki/Phillip\\_Frost](https://en.wikipedia.org/wiki/Phillip_Frost)
- Recent insider buying – look at form 4’s in SEC filings.

This is a company that is in a rapidly growing industry that is offering a shares near the 52-week low with great potential to revisit the 52-week highs of \$12.80 in the near future. The company has a large cash position to fund operations while continuing to gain new clients. Over the near term we could see many positive developments to push this stock back to its highs. It is our opinion that this stock may provide the best opportunity.

We have included a segment below to help clarify why we are so bullish on the Data Fusion Industry.

### Data Fusion Industry

Data fusion was originated in the United States in the 1970’s and has been deployed in media research in Europe since the late 1980’s. It is now used globally in media and marketing research. Despite originating in the United States, its use in the country has lagged behind Europe until recently, perhaps due to the country’s limited access to the respondent-level data which is essential to the process.

The main advantages of using data fusion include the following:

1. It is cost-effective and convenient
2. Data fusion gives respondent level frequency enabling schedule analysis and optimization
3. It is the most accurate method of targeting in the absence of single source data
4. It improves planning efficiency, making clients more profitable.<sup>2</sup>

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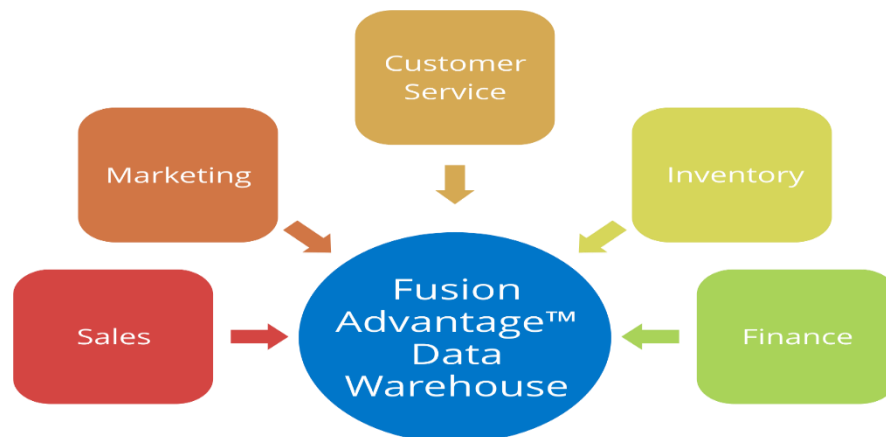
<sup>2</sup> <http://www.nielsen.com/content/dam/corporate/us/en/docs/solutions/Nielsen-Introduction-to-Data-Fusion.pdf>



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Data fusion processes are categorized as low, intermediate or high, depending on the processing stage at which process takes place. Low level data fusion combines several sources of raw data to produce new raw data. The expectation is that fused data is more informative than the original inputs. The term Data fusion is usually mistakenly interpreted as Data integration. In applications outside of the geospatial domain, differences in the usage of the terms Data integration and Data Fusion apply. In areas such as business intelligence, for example, data integration is used to describe the combining of data, whereas data fusion is integration followed by reduction or replacement. Data integration might be viewed as set combination wherein the larger set is retained, whereas fusion is a set reduction technique with improved confidence.<sup>3</sup>



Data fusion has applications in a wide range of businesses, from manufacturing, financial service, to healthcare, public administration, law enforcement, and so on.

Below are some examples of Data fusion applications:

*In manufacturing, multiple sensors must be integrated to control machine tools, work centers, production lines, and factories. This fusion becomes even more important as we move further into computer integrated and agile manufacturing.*

*Environmental monitoring can also involve integrated data from a variety of sources to get a better understanding of levels and flow of contaminants in air or water supplies (both surface and ground water).*

*Integrating data from various medical sensors and devices is also an example of data fusion, for either diagnostic purposes or patient monitoring in an Intensive Care Unit, a long-term care facility, or at home.*

*Finally, transportation work with intelligent vehicles and highways will require extensive use of sensors and data fusion.*

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<sup>3</sup> Wikipedia

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The Data Fusion Industry will continue its rapid growth for the foreseeable future and we believe that IDI, Inc. is well positioned to benefit from this in the near term.

Disclosure: Broad Street Alerts has no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours. I wrote this article myself, and it expresses my own opinions and I have no business relationship with any company whose stock is mentioned in the article.

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