Rand Worldwide (OTC:RWWI)

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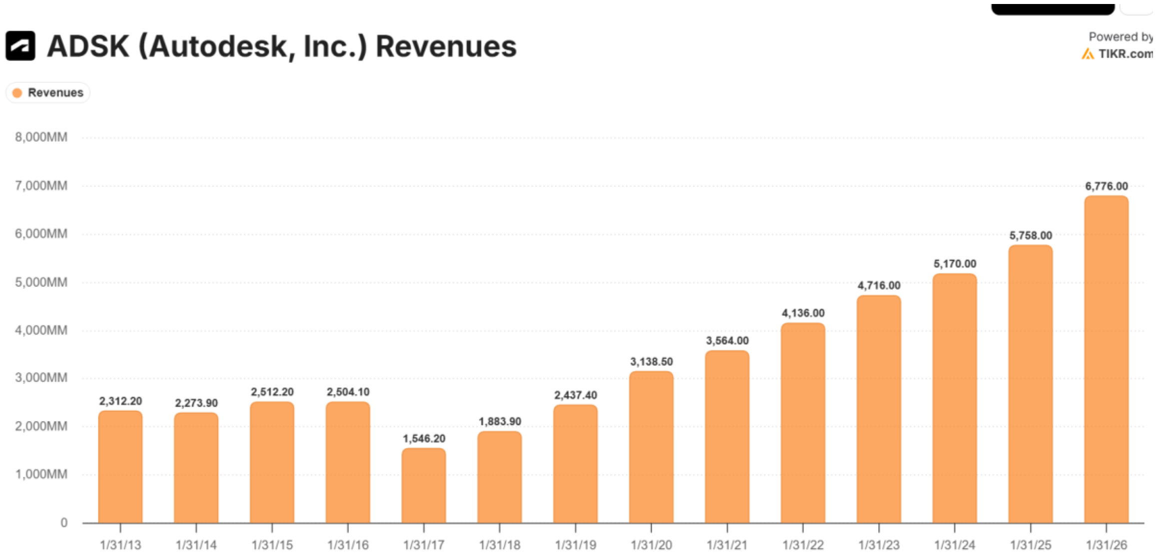
Rand Worldwide

- Largest value-added reseller (VAR) of Autodesk products and related services in North America.
- Steady income with minimal capex that grows as Autodesk grows > 8%/yr.
- 85+% of EPS paid out as dividends since Covid.
- True earning power beginning to reveal itself as old contracts runoff.
- EV=500mm USD, screens poorly

You are betting on Autodesk and that's a pretty good bet.

SaaS introduction in 2016



The future is still cheery at ADSK

Outlook

(In millions, except percentages and per share amounts)	Q1 FY27 (ending April 30, 2026)	FY27 (ending January 31, 2027)
Billings		$8,480 - $8,580
y/y growth		9% - 10%
y/y growth in cc[3]		8% - 9%
y/y growth in cc[3] and adj. for new transaction model		8% - 9%
Revenue	$1,885 - $1,900	$8,100 - $8,170
y/y growth		12% - 13%
y/y growth in cc[3]		10% - 11%
y/y growth in cc[3] and adj. for new transaction model		9% - 10%
GAAP operating margin		26% - 28%
Non-GAAP operating margin[1]		38.5% - 39%
EPS GAAP	$1.68 - $1.83	$7.76 - $8.39
EPS Non-GAAP[1]	$2.82 - $2.86	$12.29 - $12.56
Free cash flow[2]		$2,700 - $2,800

Year-over-year growth rates rounded to the nearest whole percent

(1) GAAP to Non-GAAP reconciliation in the appendix.
(2) Free cash flow is cash flow from operating activities less approximately $50 million of capital expenditures.
(3) CC refers to constant currency at FY26 currency rates.

Autodesk policy changes on 3-year licenses

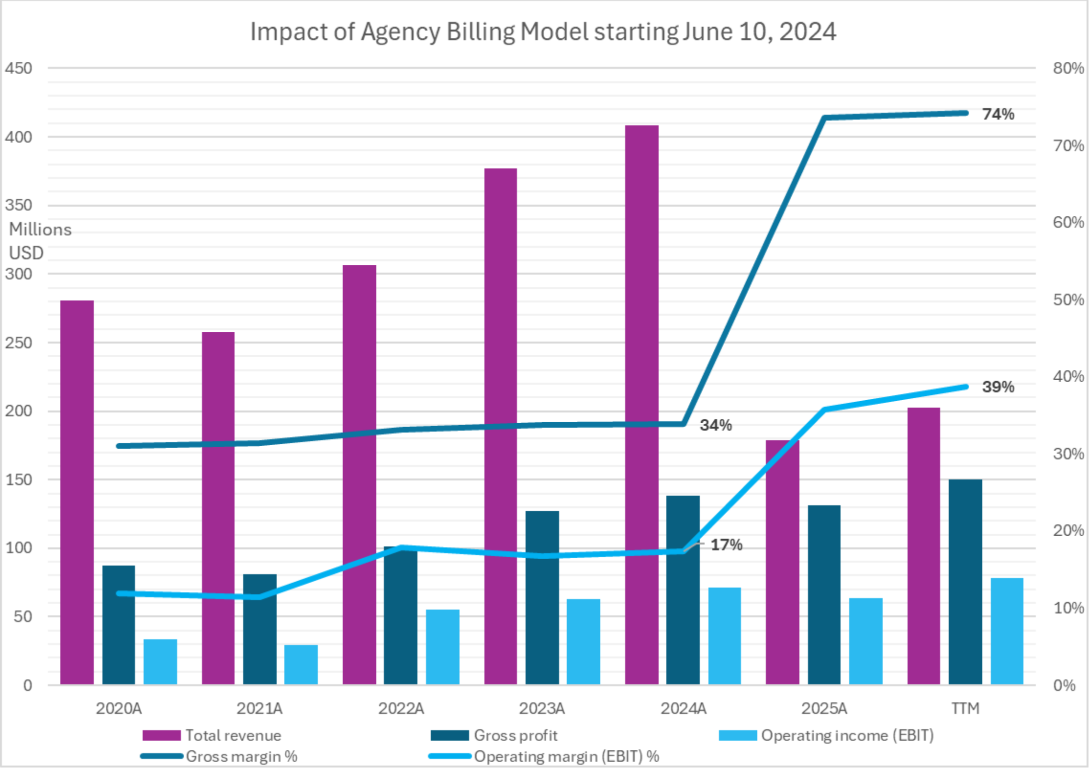
- Autodesk ended a sales promotion in March 2023 that began in Dec 2018 on 3-year licenses. The last contracts runoff in 2026.
- Rand recorded the revenue upon issuing the licenses after receipt of a single payment from the customer. Meanwhile, Rand paid Autodesk over 3 annual payments. Offsetting contact assets and liabilities were used to record payments and obligations which are coming to an end.
- 3-year contracts are still available, but the discounts were removed and both customer and VAR now only pay for one year at a time.

Autodesk sales channel changes

VAR changes – June 10, 2024

- Autodesk adopts “agency” model where VAR develops a sales proposal and presents it to ADSK who bills and collects from customer and then pays pays a commission to Rand.
- The VAR’s revenue drops over half, but by design, VAR’s net EBIT is roughly equivalent to previous model.
- ADSK also raised standards for VARs and eliminated the lowest tier VARs of who provided little value-add and mostly just sold licenses at a discount. The remaining top levels, platinum VARs like the change, but the move raises some questions…
- While VARs are mission critical to Autodesk today, what about the future? An obvious path to bringing sales, support, and training revenue in house would be to buyout the largest VARs…But selling bits is much higher margin than service work…Does ADSK really want the VAR business? Why does McDonald’s franchise?
- Few investors screen for 50% revenue drops when searching for longs…

Agency Billing Model



The Opportunity

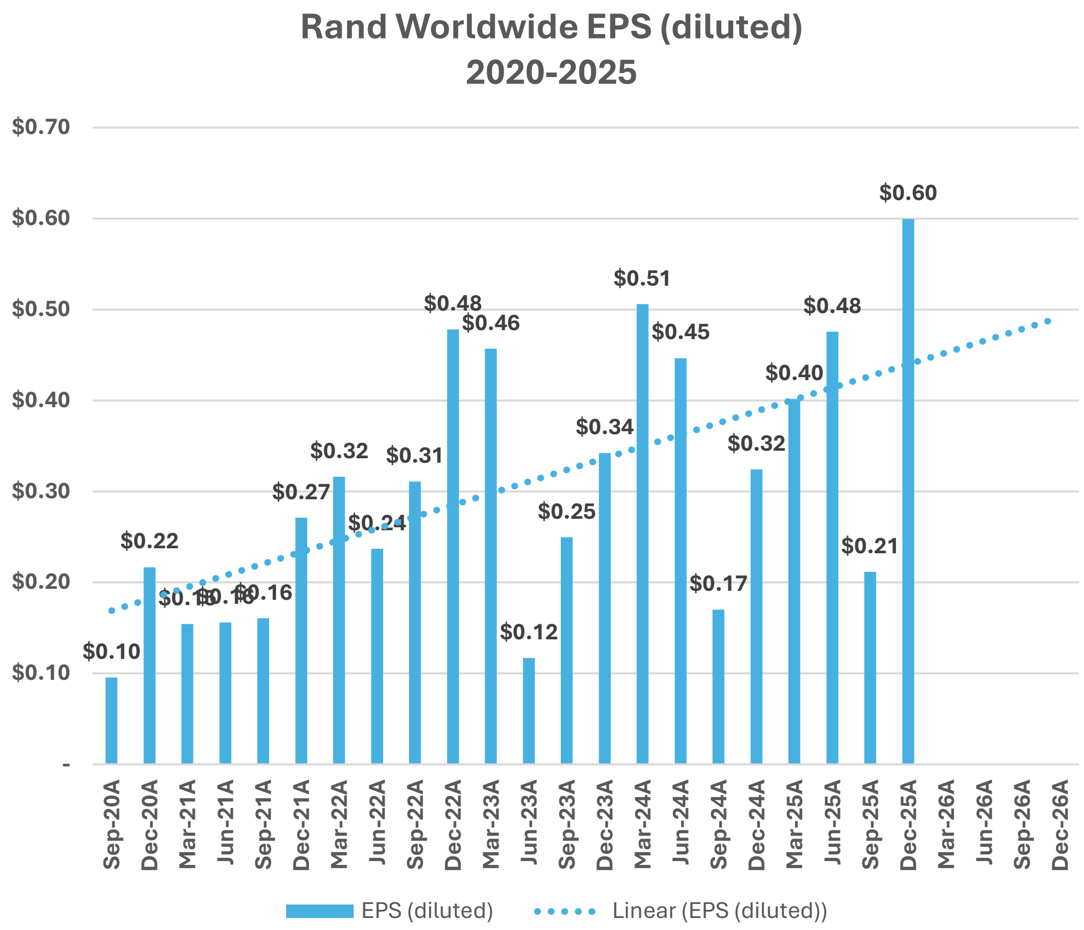
It's cheap and growing

	FY2021	FY2022	FY2023	FY2024	FY 2025	TTM
Share Price	$ 15.10	$ 17.30	$ 23.20	$ 19.75	$ 15.50	$ 15.00
Share Count (MM)	33.4	33.7	34	34	34	34
Market Cap (MM)	504	583	789	672	527	510
Net Debt (MM)	37.4	10	18	1.3	4.9	2.8
EV (MM)	542	593	807	673	532	513
EBIT (MM)	30	55	63	71	64	79
EV/EBIT	18.1	10.8	12.8	9.5	8.3	**6.5**
EPS	$ 0.63	$ 0.98	$ 1.35	$ 1.54	$ 1.37	$ 1.69
P/E	24.0	17.6	17.2	12.8	11.3	**8.9**
Dividend	$ 0.50	$ 2.00	$ 1.50	$ 1.00	$ 0.50	$ 0.50
Yield	3.3%	11.6%	6.5%	5.1%	3.3%	3.3%

But why is it ignored

- Screens poorly due to accounting/business changes.
- RWWI stock is OTC listed, illiquid, and not a SEC filer.
- Disclosure is minimal, audited annual and 3 quarterlies.
- Peter Kamin, 55% owner, has history of profitable small company takeovers but almost no communication.

What does the future hold



- Swings in working capital just about through the snake.
- Highly favorable y/o/y comparisons (>20%) in 2026. Long term growth closer to ~8-10% ADSK growth rate.
- Only 3.8mm in principal remains outstanding in July 2021 38mm 5-year term loan.
- $ >2 EPS/yr, $1.50 in dividends likely in next twelve months.

Valuations under different scenarios for Next 12 Months (NTM) vs. Trailing 12 Months (TTM)

Trailing 12 Months

Share price = $15

EV/EBIT = 510/79 = 6.5

EPS = $1.69

Dividend = 17mm or $0.50/share

Yield = 3.3%

NTM's EBIT and EPS grow ~20% over TTM

If EBIT = 95 and EV/EBIT rerates to 10, then EV = 950 and share price = $28

If EPS = $2.00 and PE rerates to 14, share price = $28.

If dividend grows to 51 MM or $1.50/share & trades at 6.0% yield, then share price = $25