Limelight Networks

Limelight Edgecast Merger Conference Call

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PRESENTATION

Operator

Good morning, and welcome to the Limelight Network's Edgecast Merger Conference Call.

At this time, all participants are in listen-only mode. At the end of the prepared remarks, we will provide instructions for those interested in entering the queue for the question-and-answer session.

I would now turn the call over to Sameet Sinha, Vice President, Investor Relations and Corporate Development for Limelight.

Sameet Sinha

Thank you, Operator and good morning, everyone. We appreciate all of you joining us on short notice to discuss the proposed combination of Limelight and Edgecast. As a reminder, this conference call is being recorded.

I would like to point out that a press release and a presentation deck is also posted on the Limelight Investor Relations site and the Edgecast website. During the call, we will begin with prepared remarks about the rationale for the combination, the complementary assets, synergies, the scale of the combined company, and the vision to be a leader in edge solutions. Then we will open up the call for a question-and-answer session.

Before we start off today, I'd like to say that we'll be discussing certain matters that inherently involve forward-looking statements and a proposed merger transaction that ultimately may or may not be consummated. As a result, I would caution you to refer to the risk factors which are outlined in our press release and SEC filings where you will find a more detailed discussion of those risks and uncertainties. Also, in connection with the proposed merger that we'll be discussing today, we will be filing certain documents, including a proxy statement with the SEC in the future, which I encourage all of you and your stockholders to read because they contain important information. These documents can be found, when filed, on the SEC's website.

Joining me on the call today are Bob Lyons, President and Chief Executive Officer of Limelight, and Dan Boncel, Chief Financial Officer. Bob will talk about the investment thesis behind this combination, the vision, and the long-term plan of this combined entity. Dan will then provide some more context on the financial details.

Over to you, Bob.

Bob Lyons

Thank you, Sameet and welcome everyone. We are excited to be speaking with you today to announce our agreement to acquire and merge Yahoo's Edgecast with Limelight in a stock for stock transaction. This opportunity will create a globally scaled leader in edge enabled applications, content, and video solutions for the outcome buyer. In another bit of exciting news, Limelight will soon rebrand as Edgio with the combined companies continuing to operate as Edgio following the close.

We have been very transparent and forthcoming about our strategy and vision to transition Limelight from a video focused CDN to an edge enabled solutions company. A company with a full suite of solutions delivering high margin and diverse, recurring revenue. A company that grows both organically and through acquisitions. We started delivering on that promise very early in my tenure by first stabilizing the Company and then acquiring Layer0. We now take another significant step forward with the acquisition and merging of Edgecast.

Let me share a few of the highlights of this exciting combination. First, our combined 2021 revenues exceeded $500 million.

Second, we expect to improve our gross margins to approximately 60% over the next two years with improved platform utilization, more high margin revenue, and identified net operational synergies of bigger than $50 million.

Third, we believe we will be recognized as having a market-leading application solution, supported with Edgecast multilayered security and Limelight's Layer0 products. Combined, we will have approximately $100 million of high growth, high margin, security, and applications revenue.

Fourth, our combined networks will deliver more than 200 terabytes per second across more than 300 PoPs, strategically located in most population centers around the world.

Fifth, we will add new strategic equity partners in Apollo and Verizon through their sole ownership of Yahoo, who are excited to support our vision and are fully aligned with our common shareholders.

Last, with this combination we believe we have taken a meaningful step toward our aspirational goal of being a rule of 40 company.

As a business unit of Yahoo, Edgecast is a leading provider of security, edge video services, and is the world's third largest content delivery network. Today, Edgecast supports blue chip media and technology companies around the world, delivering approximately 10% of global Internet traffic. Our combination immediately provides global scale at the edge and represents an important milestone in Limelight's strategic shift to being a leader in edge enabled solutions.

In previous conversations, we have shared our fundamental commitment to only consider M&A opportunities that we believe can immediately improve shareholder value. Additionally, we have focused on three specific strategic objectives. One, improving our relative industry scale. Two, expanding our security story. Three, extending our edge enabled solutions to better utilize off-peak capacity. In Edgecast, we believe we have been able to achieve each of these strategic objectives. We will double our edge platform scale, while at the same time increasing the scale of our edge application solutions by five times to about $100 million in revenue.

We strengthen our security story with the addition of enterprise grade WAF, DDoS, and bot security products. The addition of Edgecast industry leading edge video platform further diversifies our revenue and the solutions that we can deliver from our edge platform. We also expect the transaction to be substantially and immediately accretive to shareholders at an acquisition multiple of approximately one times 2021 annual revenue, which includes an additional $30 million of cash added to our balance sheet.

Together, we will be one of the largest independent CDN companies in the world. Our edge platform, powered by more than 300 globally distributed PoPs will provide a combined capacity of more than 200 terabytes per second and will carry a meaningful amount of global Internet traffic. We expect that our combined products will also accelerate our ability to capture more share of our $40 billion total addressable market. In six short months, we have taken our total addressable market from $12 billion to $40 billion and are now experiencing high growth. With Edgecast, we are further solidifying our ability to be recognized as a leader in edge software solutions for the outcome buyer.

On a combined basis, our security and applications business will represent approximately $100 million of revenue with greater than 70% gross margins. More importantly, we will now have the most complete set of seamlessly integrated APIs for developers, including JAMstack, scale edge, security, application operations, and developer productivity tools as they look to migrate their platform to Web 3.0 architectures. Our API first app opps framework for developers seamlessly leverages our platform so they can build better digital experiences by delivering applications faster and more securely, unlike any other solution offered by competitors.

We believe the combined company will be uniquely positioned to provide unmatched performance, productivity, and security value at the edge for the outcome buyer. We will do this for a more diversified set of clients, with better end to end services and more complete edge solutions platform and an exceptionally scaled global network. All of this means that we can better serve the combined companies diversified blue chip customer base, including Amazon, Coach, Disney, First Republic Bank, HBO Max, Hulo, Yahoo, British Telecom, Verizon, Microsoft, Peacock, Sony, TikTok, and Twitter, to name a few. In short, we believe the combined company will provide unmatched value to brands supporting many of the world's most visited websites across technology, media, financial, communications, and retail.

Beyond the strategic value of this combination, we expect to also benefit from a number of important synergies. We have identified meaningful platform, operational, and commercial synergies that we believe will improve our profitability and growth profile. As previously shared, Limelight has been keenly focused on improving gross margins from improved automation and a migration of our network to a Linux operating system. With Edgecast, we have the opportunity to accelerate this initiative, given their previous investments in automation and current use of Linux across their edge network.

Limelight has significant international presence, expertise in large file delivery, a growing sales and marketing team with proven client success practices, a high growth app opps platform, and a number one performing network with superior video on demand capabilities. With Edgecast, we add a proven channel program with partners such as Azure and Verizon, industry leading live event capabilities, a multilayered edge security platform with scaled WAF, DDoS, and bot management, a highly synergistic edge video platform, a highly automated CDN platform based on the Linux operating system and the IT resulting from over $85 million of product and development spend over the last four years.

Our combined client roster is very complementary in nature with very little overlap. As such, we expect that the proposed transaction will meaningfully reduce client and revenue concentration. We expect revenue from our top 20 customers to reduce from a current 74% to a forecasted 61% and anticipate that our largest customer will not exceed 13% of total revenue based on current run rates. Additionally, we believe our extended product strengths and geographic footprint will provide ample opportunity for upsell and cross sell enabled growth.

Our combined 2021 revenue, baseline of approximately $500 million is supported by three strategic edge solutions: applications, content, and video. On an annualized run rate basis, we expect to see a $20 million to $30 million initial burn rate that will be offset with $50 million of identified run rate net cost synergies. Post integration and upon successful completion of these synergy initiatives, the combined company is anticipated to have a growth rate of approximately 10% to 15%, better than 50% gross margins, moving to 60%, approximately 10% to 15% EBITDA and positive free cash flow.

A subtle yet very exciting aspect of this transaction is that we gain a valuable strategic partner in Apollo through its ownership of Yahoo. Apollo has a proven track record of improving some of the world's most innovative technology companies. With this transaction, both Apollo and Yahoo are strategic partners and are closely aligned with our go-forward strategy. We believe they are perfectly aligned with our common shareholders, believe our strategy and management team, and are adequately incentivized to support achieving our growth and profitability story. We are excited to have Apollo participate as both a large shareholder, as well as Board members. We believe the experience, access, and resources they bring to this opportunity will ensure that we continue building on our recent momentum.

I'll now turn the call over to Dan to provide additional details.

Daniel Boncel

Thank you, Bob.

We are confident that the combination of Limelight and Edgecast will expand our global reach, offer clients comprehensive end to end solutions, and will accelerate our transformation to become the partner of choice for outcome buyers at the edge. Our two companies have many complementary platforms and services that together we believe will accelerate our revenue growth rate and gross margin and Adjusted EBITDA margin expansion through more robust delivery solutions, security product acceleration and expansion into adjacent areas. We believe this is a winning combination that has been unanimously approved by the Board of Directors of both companies.

This combination is a stock for stock merger and Limelight will pay an initial equity consideration of $300 million. The equity is subject to customary adjustments at closing and is based on a 30-day volume weighted average price of $4.12, implying approximately one times 2021 revenue. The purchase price also includes a $30 million investment in the combined company by Apollo through its ownership of Yahoo, further demonstrating its conviction to this partnership and providing further liquidity following the transaction.

At this valuation, we believe the transaction is immediately accretive for our shareholders. Yahoo will receive 72.2 million shares of Limelight common stock at closing and will hold a 32% position in the combined company following close. In conjunction, the Limelight board will expand to nine members, three of which will be filled by Apollo appointed directors. We are targeting to close in the summer of

2022, subject to approval of the stock issuance by Limelight's stockholders, receipt of regulatory approvals, and the satisfaction of other customary closing conditions. Yahoo also may receive $100 million in additional equity based on stock price performance.

To illustrate, Yahoo gets the first tranche of $33 million worth of shares only after our stock trades at or above $6.18 per share for 10 trading days in any 30-day period, implying an additional $450 million in shareholder value during that period. Using that logic, the achievement of the entire $100 million stock performance earn out would imply in excess of an additional $1 billion in shareholder value. We believe we structured this transaction in a manner such that the earn out pays for itself many times over.

For 2021, Limelight and Edgecast together generated annual revenue of approximately $500 million. On a combined basis, revenue was approximately 53% from edge delivery, 22% from edge applications, and 25% from edge video. On a combined basis, in 2021 Limelight's customer concentration with the top 20 clients would have reduced to 61% of revenue, down from 74% and our top clients would have been 13%, down from 29% during the same period. On a pro forma basis, this combination significantly diversifies our revenue among products and clients.

In addition, Edgecast gross margins were significantly higher than our gross margins in 2021, driven by a higher proportion of their revenue coming from security and video SaaS like products. With current gross margins in excess of 50% and approximately $25 million to $30 million in cost synergies expected to come from reduced colocation in Internet peering senses, we believe this acquisition accelerates our goal of significantly improving our gross margin profile.

We also expect $15 million to $20 million in net operating cost savings, focused on headcount at facilities when coupled with the expected $25 million to $30 million of COGs related synergies that brings the expected total of net annual run rate synergies to approximately $50 million. We expect to achieve approximately half of the $50 million in the first two quarters after closing, which will offset our forecasted initial cash burn. We also anticipate significant revenue synergies and will provide more clarity around them as part of our integration process post close.

We are very excited about the future of the combined entity and will provide updated guidance upon closing. Between the increased industry TAM, our broader capabilities in platform when you combine our edge application products with their security and web CDN offerings, we expect significant revenue acceleration and margin expansion. From a long-term perspective, we expect the combined company to have the following profile: revenue growth of 20% to 25% and Adjusted EBITDA margin of at least 15% to 20%.

I'll now turn the call back over to Bob. Bob?

Bob Lyons

Thanks Dan.

I want to again reiterate the compelling value and benefits we believe this transaction will deliver for our combined clients, shareholders, and employees. It bolsters our solutions roadmap by enabling us to go after a larger total addressable market, diversifies our customer base, reduces revenue concentration, increases gross margins, and adds significant recurring revenue. We believe the proposed acquisition of Edgecast is structured at a very attractive multiple with meaningful synergies and a large cash infusion to accelerate our ability to capture those synergies. We believe this will create meaningful value for our shareholders.

Before turning to Q&A, I would also like to take a moment to touch on our new corporate identity. I had previously communicated our intention to rebrand Limelight but to do so from a position of strength. Our recent business momentum and this transaction makes this the right time to do that. We will soon operate under the Edgio banner, and the combined company will continue operating as Edgio post-closing. This brand identity better captures our strategic intent to be the leading-edge solutions provider for the outcome buyer. We will provide additional information and details on this rebranding in the coming weeks. Please feel free to visit edg.io for more information on today's announcement and our new company identity.

I will now turn the call over to the Operator for Q&A.

Operator

Thank you.

Our first question comes from Jeff Van Rhee from Craig-Hallum Capital Group. Jeff, please go ahead.

Jeff Van Rhee

Great. Thanks for taking my questions. Congrats, guys. Settle for me if you would. I guess first, talk about the integration, just key stages, and steps. You talked about the common Linux platforms but just in terms of sort of the top three things you've got to get done here right away in terms of integrating the businesses. Then secondly, I'm interested in the outcomes-based buyer. Obviously, you've mapped out this strategy to take Layer0 and the combined capabilities in pursuit of outcomes-based buyer. With these two large installed bases, is the sales org still going to be very keyed on going after new business or how do you think about upsell, cross sell into the install bases?

Bob Lyons

Hi Jeff. Hi, it's Bob. How are you doing? Thanks for the question and thanks for the congratulations. We're pretty excited about this deal, as you can imagine.

As far as the integration, we spent a lot of time on that. We have a lot more work to do but I think there's a couple key elements that we need to focus on. Obviously, primarily we're going to have two networks that we want to combine into one. The synergy between the two networks is pretty nice, actually, when you think about it. Their network is really optimized for small object, security, and web apps. Ours is for large object, large library. When we combine those together, not only is it a better experience for our customers because we have that all in one place but also, they're running on Unix. We've already talked about the fact that we had a lot of upside to Window to Unix so they're going to help us do that more aggressively and faster.

But, having said all that, as we migrate these networks together, we're going to be very thoughtful about it. We're not going to—we're going to stay true to our performance first mentality and make sure we do it thoughtfully. It's not going to happen in six months. It's also not going to be two years either. It's somewhere in between those times and we'll probably do it in stages. Now that we've gotten the announcement out there we can bring more people into the conversation, and we'll be able to build those detailed plans. We have enough to understand that we can do it and drive these synergies and we're pretty comfortable but a lot more planning to do over the next three months.

As far as the outcomes buyer, that's an area we announced that. It's a big untapped, unmet need in the marketplace. We think there's a need for somebody to bring that together. One of the areas that we're really excited about with this deal, too is we have in our Layer0 acquisition what we think is one of the best advocations, development frameworks, JAMstack frameworks. Now we also bring to that (audio interference) ready to go with that. Bring these two things together, plus our scale that we're bringing with this deal, I would argue we have the most complete solution on the market today for application acceleration, performance, and security. We're pretty excited about that.

With that being said, there's a couple areas where we're going to focus the sales team. We're definitely going to focus on new growth. We're going to be a growth company. We've said that. Some of the synergies there, they have a strong channel program which we have not had historically. We're in the process of thinking about building one. Now we'll be able to put those two together. We've ramped up our sales team in the last few months, as you know. We've talked about that. The combination of our direct sales ramp up, their channel program, really creates a very compelling go to market channel for us.

There is no doubt opportunities for cross sell, upsell. We're going to do that and we're going to do that very aggressively but we're going to do that in concert with being able to organically grow as well. We think we have the best application product out there. We want to make sure that we take advantage of that in the marketplace. We're pretty excited about that.

Jeff Van Rhee

That's great. Two last quick ones if I could. In terms of Edgecast, how—give us a little bit of a history lesson. How was this business in terms of revenue growth over the last three years? What kind of operating margins were they delivering? I think you gave that $20 million to $30 million burn now but maybe just a little history there. Then last one from me, you've talked a lot about taking the base business and driving utilization, every point of utilization being $6 million, $7 million, $8 million, $9 million in incremental EBITDA. What does this do on a combined basis to utilization? Maybe just those two: historical revenue growth and operating margin and some thoughts on utilization.

Bob Lyons

Yes, let me start with utilization first. There's a couple key points to that. Number one, obviously moving to Linux faster will help us drive that utilization up. Number two, the fact that now 40% of our revenue would be non-video CDN revenue, which really helps our utilization. That was our core strategy as you recall. Then the other additional thing is really interesting. They have a pretty heavy concentration with live events. Their peak seasons are, let's say March Madness and things like that. (Audio interference) seasons, are actually (inaudible) to our lows and our seasonality. You put the two together and that's certainly going to translate into driving more utilization on our network. We've got some work to do to figure out what that will exactly turn out, but we think there's a lot of opportunity there and we're pretty excited about that.

As far as Edgecast, the way to think about Edgecast, their business was largely focused on applications and security, largely security, traditional CDN for video, and then video platform. The video platform business was growing at a double-digit rate pretty reasonably for the last few years. Their security was growing robustly as well. CDN (inaudible) a little bit soft but they overcame that with the other two pieces. The way we think about it is that the security growth, tied with our layer of real rapid growth is going to make a very robust growth platform for us. The video space will continue to be a growth. We're going to continue investing in that and focus on that. Then what we've done over the last nine months with our operational model we think we can also bring that to the CDN business and drive growth there.

The other thing to keep in mind is that Edgecast was tucked into in the last four years, a very large company where they were really not main stage thing. They have largely been run as a product-oriented organization, not a sales or commercial organization. They've been driving those growth (inaudible) because they have not really had a primary go to channel focus. We think we can actually build on that with the combination of the two companies.

Jeff Van Rhee

Yes, for sure. Great, thank you. Thanks for taking my questions. Congrats.

Bob Lyons

Yes, thanks Jeff.

Operator

Our next question comes from the line of Michael Elias from Cowen and Company. Michael, please go ahead.

Michael Elias

Hi guys. Thank you for taking the question. Yes, earlier in the script I believe you mentioned growing the company organically, as well as being via M&A. I mean, this is a great but pretty notable transaction in terms of size. I just want to get a sense of moving forward, how should we think about your willingness or desire to pursue additional M&A deals? Then second, just wondering, it seems like you guys are putting the pieces of the puzzle together, growing the company. I just, I would like to know, what additional capabilities do you feel like you need to add in order to be successful in driving the Limelight or Edgio in the direction that you see it going? Thanks.

Bob Lyons

Hi Michael. Thanks for the question. There are really three strategic objectives that we have tied to our M&A strategy. First is to drive relevant scale in the industry and we've talked about the fact that in our industry, performance and price are the two biggest for taking market share. Price obviously, depending on your cost model. Those two things are mostly driven by scale, so the more that we can drive scale in our business, the more we can compete and take market share. We'll continue to drive that.

Number two, we've also been pretty bullish on the fact that we want to be known as a security company, and so we will keep strengthening our security story. We'll look for opportunities there. We have all this unused capacity during non-peak times that we think we can use for other things, like access and multi cloud connectivity and zero trust and things like that. We'll look for opportunities there as well to better utilize this unused capacity in non-peak times.

We'll do those three things. This deal checks the box in all three of those things, but the other thing we've also said is that any deal we do has to be immediately value accretive to our shareholders. That's really important to us. We'll be patient until we can find those deals. The way we do that is the same way we did it with Layer0 and the same way we're doing it here, is the other party really believes in the story and the strategy and wants to participate going forward. We think that's an important part of these deals.

Going forward, we'll continue to (audio interference) to build on like we (audio interference). We're going to be very thoughtful and opportunistic about that saying that is too expensive or puts more burden on our balance sheet. We think there's opportunities out there. I would say where our focus is going to shift now is largely around the security and connectivity focus that we've talked about. Those will be a little bit more tuck in in nature, but as other scaled opportunities come along like this that actually meet that criteria, we'd certainly be open to it.

Michael Elias

Perfect, thank you guys.

Bob Lyons

It's going to be a part of our strategy going forward. Yes, no problem. It's definitely going to be a part of our strategy going forward.

Michael Elias

Understood. Sounds good. Thank you.

Operator

Our next question comes from Eric Martinuzzi from Lake Street Capital Markets. Eric, please go ahead.

Eric Martinuzzi

Hi guys. Congratulations on the significant transaction here. Not to take anything away from Limelight but you do have other competitors out there. I'm curious to know what in your mind made Limelight the obvious partner for Apollo to approach for this transaction versus your competitors.

Bob Lyons

Yes, I think there's a couple factors. I think when you look at consolidation in the CDN space, one of the challenges that we all have is that we oftentimes share customers. If you do a merger, you'll lose a lot of the value of that deal because customers will just rechange their traffic patterns to diversify again. In this case, we only had one customer that overlaps, and that one customer actually will see this as a benefit to them for a number of reasons. There was very little overlap. That was unique.

Secondarily, we spent a lot of time over the last 12 months putting together a strategy and executing on that and putting momentum back in the business. When we started these conversations back in late summer, early fall, I think what really kind of changed those conversations is when Apollo spent—did their homework and spent the time really understanding the opportunity, the outcome buyer strategy (audio interference), understood the synergies between the two companies. It really became very compelling.

It's one of the reasons why we structured the deal the way we did is we think there's more upside and when you do the math, they'll do much better going forward with us strategically than they would just trying to do a traditional transaction. That kind of got us to the right answer for meeting all of our criteria. But, while this may not have worked for other competitors, I think largely because of overlap, and this just fit really well with us. It was very complementary in so many dimensions.

Eric Martinuzzi

Okay. All right, so the investor event back in August, you apparently had other meetings besides that going on. Okay. Then second question from me. I guess you're making good use of your airplane ticket. Let me ask on the customer diversification. Do you have—obviously they've got their large customers. Do we have lock ins or contractual hand offs here? Obviously, the Yahoo, the Verizon traffic, is there—can they up and leave? How locked in are their significant customers?

Bob Lyons

The ones where we can like Yahoo and Verizon, we have those. That was part of getting to the announcement this morning was getting those things in place and we've done all that. We're pretty comfortable there. We've also done a lot of work on some of the channel partners like Microsoft and making sure we're good there. As far as the regular customers, obviously we couldn't talk to them so we're going to start that effort starting today and have those conversations.

We know the industry well and (audio interference) we've just better than anybody to make sure the pricing is fair, and we'll be fine there. But I think given the traction that we've put in Limelight over the last 12 months with our customer first and performance first model, we think that we actually are hopefully going to be (inaudible) going to be a benefit. But not only to stay with us, perhaps do more with us.

Eric Martinuzzi

Got it. Thanks for taking my questions.

Operator

Our next question comes from James Breen from William Blair. James, please go ahead.

James Breen

Thanks for taking the question. Just on the network side, can you just talk about sort of the overlap geographically in the U.S., outside the U.S. and then does this change at all how you think about capital expenditures going forward? Thanks.

Bob Lyons

Yes, great question, James. Thanks for the question. I'll start with the Capex. Initially, we don't expect that to change very much. Obviously, we're going to spend money to integrate the two networks, combine them. They're running at a very similar Capex rate as we are for the same reasons. We expect that for the foreseeable future to be largely the same. Obviously, when we have a unified network, there will certainly be some Capex synergies but nothing that we're going to project at this point.

As far as the overlap geographically, I think in the U.S. there is overlap for sure and there's synergies there. There's also areas where we're stronger and they're not, like LATAM and Canada, for example. I think Europe and AsiaPAC it's very complementary, so we'll just have much better penetration and capacity there than what we have today, which again translates into being able to deliver more for our clients that are looking to do more there.

I think the other important thing about the two networks is not only the geographic synergy and the architectural synergy (audio interference) we have over the last that we've talked about it really climbed into the number one spot for CDN, particularly North America and oftentimes globally for performance and they're right behind us. We take the two networks and put them together and we combine where they do really well in small object and security, and we do really well in large library, large video and put those together, we should have a very performance-oriented network that's going to be hard to compete with. That's one of the areas we've been really focused on.

James Breen

Then just secondly, any early idea in terms of mix, in terms of revenue inside the U.S. versus outside the U.S. for the combined company?

Daniel Boncel

Yes, I'll take that one, Jim. Their revenue is primarily focused in North America with North American customers. They have over 70% of their revenues driven from North American customers with the rest in Europe and Asia, primarily.

Bob Lyons

Yes. That's actually one of the areas for the cross sell, upsell opportunity. We can now leverage our AsiaPAC and EMEA teams to sell security that they have through those geographies.

James Breen

Great. Thanks a lot.

Bob Lyons

Thank you.

Operator

Our next question comes from Rudy Kessinger from D.A. Davidson. Rudy, please go ahead.

Rudy Kessinger

Hi guys. Thanks for taking my questions. Going back to I think the route splits you gave earlier. I think you said 22% was edge applications. I think slash security. I think inclusive of both. Can you further break down that 22% of rev? How much is security versus maybe application orchestration?

Daniel Boncel

Sure, I'll take that, Rudy. That 22% is combined revenue of Limelight plus Edgecast in 2021 numbers. With Limelight projected revenue for zero application actually going for '22, we estimate approximately $20 million related to that deal. Then you add on top of that the security and traffic that comes along with those customers, you get to approximately $100 million of the combined company.

Rudy Kessinger

Okay and then…

Bob Lyons

Think about (multiple speakers) margin. Sorry, go ahead, Rudy.

Rudy Kessinger

Yes, and then—no, no. No worries. Then I guess on the Edgecast customer base, just how many customers do they have? What's the average revenue per customer, average size, any further details you can give on that base just given the minimal overlap?

Bob Lyons

Yes, we have about 600 to 700 customers for them. You can do the math there. It's a significant average revenue per customer.

Rudy Kessinger

All right, got it. Thanks guys.

Bob Lyons

Thank you.

Operator

We currently have no further questions. I will now hand back over to the management team for any closing remarks.

Bob Lyons

Okay, well look, thank you everybody for the call. We're really excited about the opportunity to move this deal forward and we look forward to having further conversations over the coming days, and thank you for your time this morning.

Operator

This concludes today's call. Thank you for joining. You may now disconnect your lines.