

# Quarterly Industry Update

As of September 30, 2016

Industry: Cyber Security

## Industry Summary

Cogent Valuation identified Cyber Security publicly traded companies, IPOs, and recent M&A transactions within the Cyber Security industry, which provides a basis for market and transaction pricing that can be used by your firm in estimating market sentiment and its impact on your firm's value. Over the last year since September 30, 2015, the median 52-week share price return of the Cyber Security industry was -12.8%. Between September 30, 2014 and September 30, 2016, the median EV/EBITDA multiple increased from 11.9 to 13.4. Furthermore, the median price-to-earnings multiple increased from 25.3 to 26.2 over the same period.

## Comparable Public Company Key Statistics

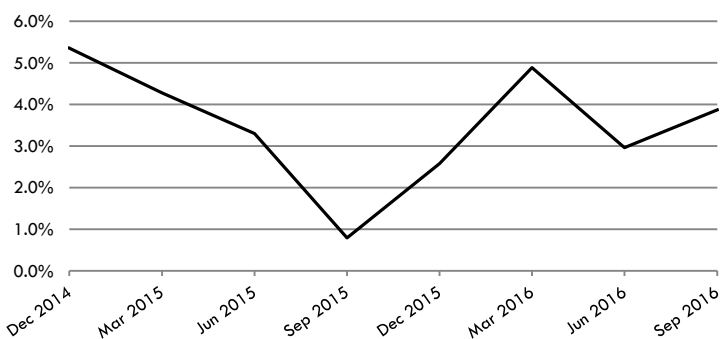
Median 52-Week Return	-12.8%	Median EV/Revenue Multiple	3.2x	Median Price/Earnings Multiple	26.2x
Median 3-Year CAGR Return	6.7%	Median EV/EBITDA Multiple	13.4x	Median EV/Gross CF Multiple	30.9x

## Comparable Public Company Market Price Returns As of September 30, 2016

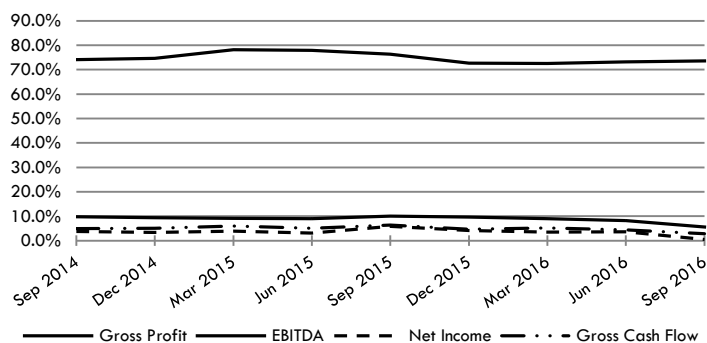
	YTD	3 Month	1 Year	2 Year	3 Year	5 Year	2015	2014	2013	2012	2011
Ability Inc.	-61.2%	-2.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CyberArk Software, Ltd.	9.8%	2.0%	-1.1%	24.4%	N/A	N/A	13.8%	N/A	N/A	N/A	N/A
Finjan Holdings, Inc.	48.1%	-6.4%	3.2%	-28.5%	-33.9%	N/A	-57.4%	-58.0%	N/A	N/A	N/A
Fortinet, Inc.	18.5%	16.9%	-13.1%	20.9%	22.2%	17.1%	1.7%	60.3%	-9.0%	-3.6%	34.8%
Imperva, Inc.	-15.2%	24.9%	-18.0%	36.7%	8.5%	N/A	28.1%	2.7%	52.6%	-9.4%	N/A
Magal Security Systems Ltd.	-0.6%	-11.5%	0.7%	-0.8%	6.7%	12.7%	-26.9%	63.2%	-13.0%	9.4%	20.3%
ManTech International Corporation	24.6%	-0.3%	46.7%	18.3%	9.4%	3.7%	0.0%	1.0%	15.4%	-17.0%	-24.4%
NCI, Inc.	-15.2%	-17.7%	-12.8%	10.3%	27.1%	-0.6%	33.7%	54.2%	41.2%	-59.7%	-49.3%
NetScout Systems, Inc.	-4.7%	31.5%	-17.3%	-20.1%	4.6%	20.7%	-16.0%	23.5%	13.9%	47.7%	-23.5%
Radware Ltd.	-10.4%	22.0%	-15.5%	-11.8%	-0.5%	4.9%	-30.3%	22.5%	9.0%	12.8%	-22.0%
Rapid7, Inc.	16.7%	40.3%	-22.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Symantec Corporation	19.5%	22.2%	28.9%	3.3%	0.5%	9.0%	-18.1%	8.8%	25.3%	20.3%	-6.5%
<b>Median of Industry Public Companies</b>	<b>4.6%</b>	<b>9.5%</b>	<b>-12.8%</b>	<b>6.8%</b>	<b>6.7%</b>	<b>9.0%</b>	<b>-8.0%</b>	<b>22.5%</b>	<b>14.6%</b>	<b>2.9%</b>	<b>-22.0%</b>

(Multiple year periods are calculated as the average annual return.)

## Median Quarterly Revenue Growth of All Cyber Security Companies



## Median Gross Profit, EBITDA, Net Income and Gross Cash Flow Margins



## Median Public Company Multiples of the Cyber Security Industry

Date:	9/30/2014	12/31/2014	3/31/2015	6/30/2015	9/30/2015	12/31/2015	3/31/2016	6/30/2016	9/30/2016
EV/Revenues Multiple	3.1x	2.7x	3.7x	2.8x	2.9x	3.7x	2.7x	2.3x	3.2x
EV/EBITDA Multiple	11.9x	10.2x	10.3x	8.0x	8.3x	9.4x	10.0x	10.7x	13.4x
Price/Earnings Multiple	25.3x	26.5x	26.4x	20.0x	17.8x	22.0x	24.8x	25.1x	26.2x
EV/Gross Cash Flows Multiple	25.6x	26.0x	17.8x	14.8x	16.0x	18.0x	14.4x	15.0x	30.9x

This industry research is provided at no charge to Cogent Valuation's clients. Research or detailed information not covered in this report can be obtained for a fee. Contact [Steven Kam](mailto:Steven.Kam@CogentValuation.com) at 415-392-0888 for additional information or questions in connection with this research report. Copyright © 2016 Cogent Valuation. All Rights Reserved.

# Quarterly Industry Update

As of September 30, 2016

Industry: Cyber Security



## Industry Initial Public Offerings (dollars in millions, except share prices)

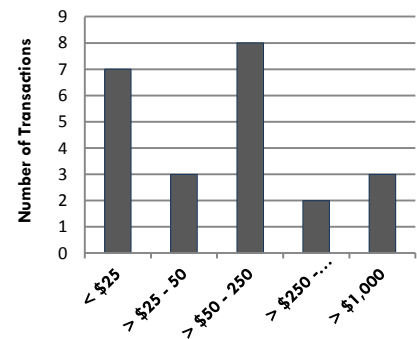
Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenues	LTM EBITDA	LTM Net Income	LTM Cash Flows
4/21/2016	SecureWorks Corp.	\$14.00	8.0	\$112.0	\$917.8	\$28.0	\$339.5	(\$60.5)	(\$72.4)	(\$48.1)
4/11/2016	Osirium Technologies plc	\$2.22	5.7	\$12.6	\$1.9	\$0.0	\$0.4	(\$1.3)	(\$1.1)	(\$1.3)
1/27/2016	Secura Group Limited	\$0.17	112.0	\$19.6	\$5.2	\$0.0	\$14.0	\$0.2	\$0.9	\$0.2
7/16/2015	Rapid7, Inc.	\$16.00	6.5	\$103.2	\$79.4	\$17.0	\$83.7	(\$23.6)	(\$31.8)	(\$20.1)
9/29/2014	FFRI, Inc.	\$13.26	0.3	\$4.4	\$9.0	\$0.0	\$6.4	\$0.0	\$1.1	\$0.0
12/4/2013	Napatech A/S	\$9.43	2.4	\$22.6	\$22.5	\$1.0	\$34.5	\$2.6	\$0.8	\$3.6
7/18/2013	Wynyard Group Limited	\$0.91	56.5	\$51.3	N/A	N/A	N/A	N/A	N/A	N/A
2/17/2012	INSIDE Secure	\$10.91	8.3	\$90.7	\$105.3	\$1.2	\$145.2	(\$13.3)	(\$24.0)	(\$6.9)
<b>Median of All IPOs</b>		<b>nm</b>	<b>nm</b>	<b>\$36.9</b>	<b>\$22.5</b>	<b>\$1.0</b>	<b>\$34.5</b>	<b>(\$1.3)</b>	<b>(\$1.1)</b>	<b>(\$1.3)</b>

nm: not meaningful, N/A: not applicable

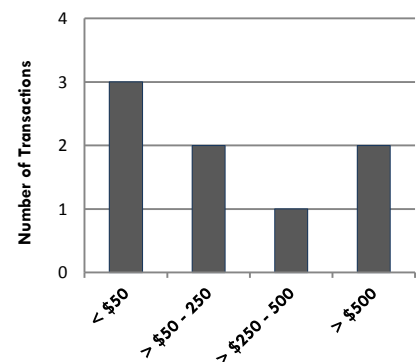
## Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/Revenues
11/8/2016	ITC Secure Networking	CS Capital Ltd	\$29.8	100%	\$18.0	1.7x
8/31/2016	Wave Systems Corp.	ESW Capital, LLC	\$3.8	100%	N/A	N/A
8/16/2016	Sypris Electronics, LLC	Analog Devices, Inc.	\$42.0	100%	N/A	N/A
5/2/2016	Recall Holdings Limited	Iron Mountain Inc.	\$2,452.9	100%	\$842.3	2.8x
3/10/2016	TowerSec Inc.	Harman Becker Automotive	\$75.8	100%	N/A	N/A
2/25/2016	Amicus ITS Ltd.	N/A	\$7.4	100%	N/A	N/A
2/3/2016	R&L AG	targit GmbH	\$1.6	55%	N/A	N/A
11/27/2015	Fox-IT Group B.V.	NCC Group (Solutions)	\$140.6	100%	\$29.0	4.9x
9/30/2015	Code Green Networks	Digital Guardian, Inc.	\$18.0	100%	N/A	N/A
7/9/2015	Caspida, Inc.	Splunk, Inc.	\$190.0	100%	N/A	N/A
6/15/2015	Knowledge Consulting	ManTech International	\$68.0	100%	N/A	N/A
4/1/2015	LTC Engineering Associates	CACI International Inc	\$16.0	100%	\$16.0	1.0x
2/27/2015	CloudShield Technologies	LookingGlass Cyber	\$5.0	100%	N/A	N/A
2/26/2015	TASC, Inc.	Engility Holdings, Inc.	\$1,100.0	100%	N/A	N/A
1/2/2015	Tripwire, Inc.	Belden Inc.	\$710.0	100%	\$118.5	6.0x
12/11/2014	BAE Systems	BAE Systems plc	\$232.5	100%	N/A	N/A
10/2/2014	Bull Société Anonyme	Atos SE	\$835.1	100%	\$1,708.3	0.4x
9/2/2014	SafeIT Security AB	Regeneris plc	\$2.3	100%	N/A	N/A
7/31/2014	Tenacity Solutions, Inc.	Computer Sciences Corp.	\$36.0	100%	N/A	N/A
3/7/2014	Inform P. Lykos S.A.	Lykos AG	\$77.9	57%	\$161.6	0.5x
3/4/2014	Data Tactics Corp.	L-3 Communications Holdings	\$57.0	100%	N/A	N/A
1/28/2014	Dynamics Research	Engility Holdings, Inc.	\$204.1	100%	\$286.7	0.7x
12/23/2013	ARINC Incorporated	Rockwell Collins Inc.	\$1,390.0	100%	N/A	N/A
<b>Median of the 23 M&amp;A Transaction Targets</b>			<b>\$68.0</b>	<b>100%</b>	<b>\$140.0</b>	<b>1.3x</b>

Size of M&A Transactions



LTM Revenues Reported



### Definitions of Financial Terms Used in this Quarterly Industry Update:

Enterprise Value (EV): Market Value of Equity + Market Value of Debt - Cash

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): Profitability metric sometimes also referred to as operating profit or operating earnings.

Gross Cash Flows: Net Income + Depreciation and Amortization Expense

Latest Twelve Months (LTM): Financial information is as of the latest twelve months through the date of this Quarterly Industry Update.

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