

Q1: Quarterly Industry Update

AS OF March 31, 2018

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 March 31, 2017, the median 52-week share price return of the Cyber Security industry was 5.5%. Between March 31, 2016 and March 31, 2018, the median EV/EBITDA multiple increased from 14.2 to 15.9. However, the median price-to-earnings multiple decreased from 24.6 to 16.1 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 3.9% and 9.0%, respectively.

Public Company Key Statistics

Median 52-Week
Return

5.5%

Median 3-Year CAGR
Return

1.9%

Median EV/Revenue
Multiple

3.4x

Median EV/EBITDA
Multiple

23.9x

Median Price/Earnings
Multiple

16.1x

Median EV/Gross CF
Multiple

29.2x

Comparable Public Company Market Price Returns as of March 31, 2018

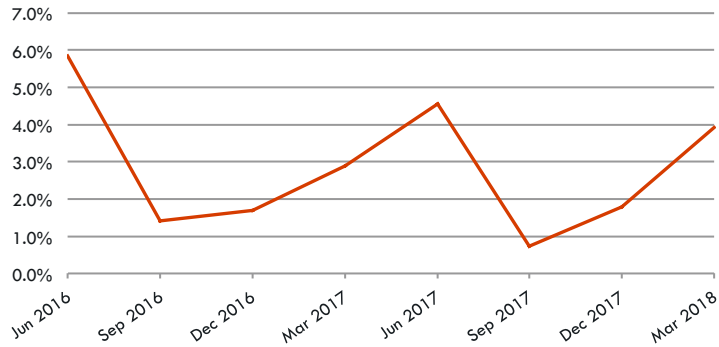
	YTD	3 Month	1 Year	2 Year	3 Year	2016	2015	2014
Ability Inc.	-25.5%	-38.5%	-83.4%	-77.0%	N/A	-72.0%	N/A	N/A
CyberArk Software Ltd.	23.3%	1.0%	0.3%	9.4%	8.6%	0.8%	13.8%	N/A
Finjan Holdings, Inc.	50.5%	-8.1%	87.2%	89.0%	-11.0%	-1.5%	-57.4%	-58.0%
Fortinet, Inc.	22.6%	21.9%	39.7%	32.3%	12.4%	-3.4%	1.7%	60.3%
Imperva, Inc.	9.1%	-8.5%	5.5%	-7.4%	14.7%	-39.3%	28.1%	2.7%
ManTech International Corporation	14.0%	5.4%	-23.3%	7.7%	17.9%	19.4%	0.0%	1.0%
NetScout Systems, Inc.	10.5%	13.7%	60.2%	31.7%	-10.9%	39.7%	-16.0%	23.5%
Radware Ltd.	-13.5%	-5.9%	-30.6%	7.1%	-1.5%	2.6%	-30.3%	22.5%
Rapid7, Inc.	10.1%	15.1%	32.1%	34.3%	N/A	-5.0%	N/A	N/A
Symantec Corporation	37.0%	6.0%	70.7%	39.9%	11.8%	-19.6%	-18.1%	8.8%
Median of Industry Public Companies	10.5%	-14.5%	5.5%	18.6%	8.6%	13.8%	-16.0%	15.6%

Multiple year periods are calculated as the average annual return.

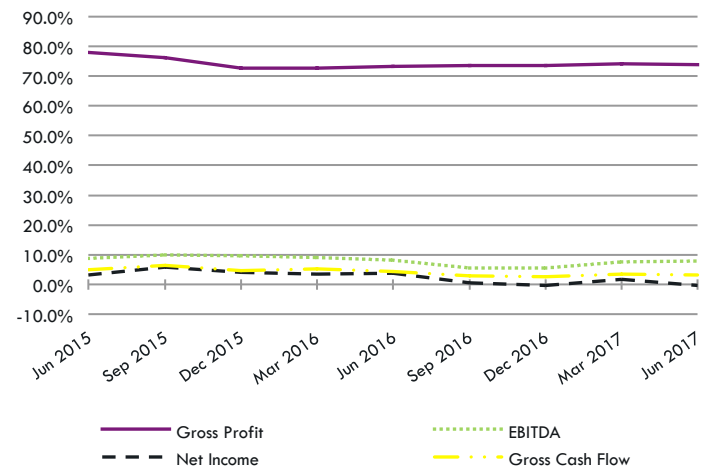
■ Highest Return
 ■ Lowest Return
 ■ Median Return

Industry Revenue Growth and Profit Margins for the Past Two Years

Median Quarterly Revenue Growth of All Cyber Security Companies



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



Median Public Companies

The chart below illustrates Public Company Multiples.

	3/31/18	12/31/17	6/30/17	3/31/17	12/31/16	9/30/16	6/30/16	3/31/16
EV/Revenues Multiple	3.4x	3.1x	3.1x	3.3x	2.8x	4.4x	3.1x	3.2x
EV/EBITDA Multiple	15.9x	23.9x	28.0x	22.9x	18.6x	13.7x	13.9x	14.2x
Price/Earnings Multiple	16.1x	24.2x	27.3x	23.1x	42.2x	43.0x	42.8x	24.6x
EV/Gross Cash Flows Multiple	29.2x	21.2x	48.4x	43.7x	42.7x	43.7x	28.6x	18.3x

■ Highest Multiple
 ■ Lowest Multiple
 ■ Median Multiple

Industry Initial Public Offerings—Industry: Cyber Security (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
3/4/18	GRC International Group plc	\$0.96	8.4	\$8.1	\$4.2	\$13.7	\$8.6	\$3.9	\$1.0	\$5.9
6/1/17	WIIT S.p.A.	\$50.48	0.6	\$31.2	\$42.4	\$0.0	\$16.9	\$6.1	\$3.2	\$6.3
3/7/17	Microware Group Limited	\$0.19	60.0	\$11.3	\$44.5	\$0.0	\$138.7	\$0.8	\$0.6	\$0.8
12/13/16	ECSC Group plc	\$2.12	3.5	\$7.4	\$2.1	\$28.0	\$4.0	(\$60.5)	(\$72.4)	(\$48.1)
4/21/16	SecureWorks Corp.	\$14.00	8.0	\$112.0	\$917.8	\$0.0	\$339.5	(\$1.3)	(\$1.1)	(\$1.3)
4/11/16	Osirium Technologies plc	\$2.22	5.7	\$12.6	\$8.4	\$0.0	\$0.4	\$0.2	\$0.9	\$0.2
1/27/16	Secura Group Limited	\$0.17	112.0	\$19.6	\$6.7	\$17.0	\$14.5	(\$23.6)	(\$31.8)	(\$20.1)
7/16/15	Rapid7, Inc.	\$16.00	6.5	\$103.2	\$86.5	N/A	\$91.6	N/A	N/A	N/A
6/29/17	Median of all IPOs	nm	nm	\$16.1	\$22.6	\$0.0	\$15.4	\$0.2	\$0.6	\$0.2

Multiple year periods are calculated as the average annual return.

■ Highest Return
 ■ Lowest Return
 ■ Median Return

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/ Revenues
2/28/18	Wombat Security Tech.	Proofpoint, Inc.	\$225.0	100%	N/A	0.9x
1/31/18	Cyberinc	KPMG LLP	\$34.3	100%	\$27.1	N/A
8/15/17	NCI, Inc.	H.I.G. Capital	\$289.2	100%	\$325.4	1.0x
7/3/17	NES Associates, LLC	CSRA Inc.	\$105.0	100%	N/A	1.7x
12/1/16	Camber Corporation	Huntington Ingalls	\$380.0	100%	\$364.0	N/A
11/8/16	ITC Secure Networking	C5 Capital Ltd	\$29.8	100%	\$18.0	N/A
8/31/16	Wave Systems Corp.	ESW Capital, LLC	\$3.8	100%	N/A	2.8x
3/10/16	TowerSec Inc.	Harman Becker Automotive	\$42.0	55%	N/A	N/A
2/25/16	Amicus ITS Ltd.	N/A	\$7.4	100%	N/A	N/A
2/3/16	R&L AG	targit GmbH	\$1.6	100%	N/A	N/A
11/27/15	Fox-IT Group B.V.	NCC Group (Solutions)	\$140.6	100%	\$29.0	4.9x

■ USA
 ■ International
 ■ Highest
 ■ Lowest
 ■ Median

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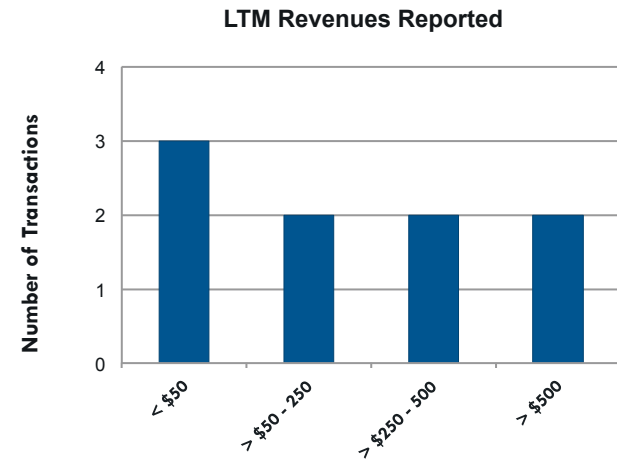
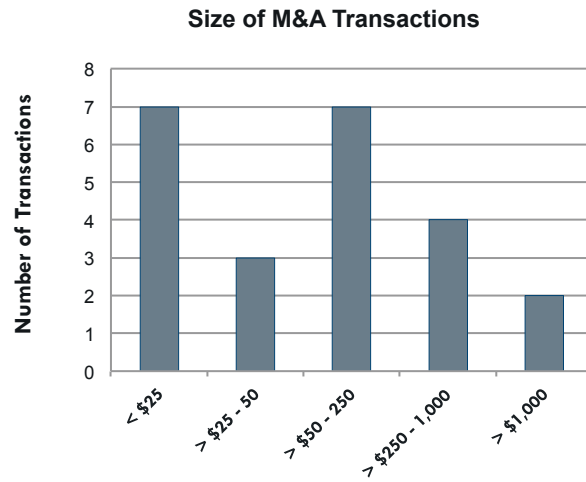
Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

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Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/ Revenues
9/1/15	Code Green Networks	Digital Guardian, Inc.	\$18.0	100%	N/A	N/A
7/9/15	Caspida, Inc.	Splunk, Inc.	\$190.0	100%	N/A	N/A
6/15/15	Knowledge Consulting	ManTech International	\$68.0	100%	N/A	N/A
4/1/15	LTC Engineering Associates	CACI International Inc	\$16.0	100%	\$16.0	1.0x
2/27/15	CloudShield Technologies	LookingGlass Cyber	\$5.0	100%	N/A	N/A
2/26/15	TASC, Inc.	Engility Holdings, Inc.	\$1,100.0	100%	N/A	N/A
1/2/15	Tripwire, Inc.	Belden Inc.	\$710.0	100%	\$118.5	6.0x
12/11/14	BAE Systems	BAE Systems plc	\$232.5	100%	N/A	N/A
Median of the 20 M&A Transaction Targets			\$18.0	100%	N/A	N/A

USA
 International
 Highest
 Lowest
 Median

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions) as of March 31, 2018



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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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