

Q2: Quarterly Industry Update

AS OF June 30, 2019



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 June 30, 2018, the median 52-week share price return of the Cyber Security industry was 8.3%. Between June 30, 2017 and June 30, 2019, the median EV/EBITDA multiple increased from 13.9 to 15.3. However, the median price-to-earnings multiple decreased from 42.8 to 13.8 over the same period. The median revenue growth and EBITDA margins for the industry for the quarter were 3.5% and 9.8%, respectively.

Public Company Key Statistics

Median 52-Week
Return

8.3%

Median 3-Year CAGR
Return

4.4%

Median EV/Revenue
Multiple

3.8x

Median EV/EBITDA
Multiple

15.3x

Median Price/Earnings
Multiple

13.8x

Median EV/Gross CF
Multiple

41.1x

Comparable Public Company Market Price Returns as of June 30, 2019

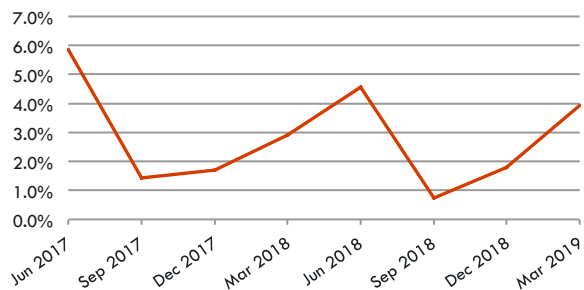
	2019	3 Month	1 Year	2 Year	3 Year	2018	2017	2016
Ability Inc.	-25.5%	-25.5%	-83.4%	-77.0%	N/A	-84.1%	-72.0%	N/A
CyberArk Software Ltd.	23.3%	23.3%	0.3%	9.4%	8.6%	-9.0%	0.8%	13.8%
Finjan Holdings, Inc.	50.5%	50.5%	87.2%	89.0%	-11.0%	90.7%	-1.5%	-57.4%
Fortinet, Inc.	22.6%	22.6%	39.7%	32.3%	12.4%	45.1%	-3.4%	1.7%
Imperva, Inc.	9.1%	9.1%	5.5%	-7.4%	14.7%	3.4%	-39.3%	28.1%
ManTech International Corporation	14.0%	14.0%	-23.3%	7.7%	17.9%	-0.2%	19.4%	-26.9%
NetScout Systems, Inc.	10.5%	10.5%	60.2%	31.7%	-10.9%	18.8%	39.7%	0.0%
Radware Ltd.	-13.5%	-13.5%	-30.6%	7.1%	-1.5%	-3.3%	2.6%	-16.0%
Rapid7, Inc.	10.1%	10.1%	32.1%	34.3%	N/A	33.1%	-5.0%	-30.3%
Symantec Corporation	37.0%	37.0%	70.7%	39.9%	11.8%	53.3%	-19.6%	N/A
Median of Industry Public Companies	10.5%	10.5%	5.5%	18.6%	8.6%	17.5%	-1.5%	-16.0%

Multiple year periods are calculated as the average annual return.

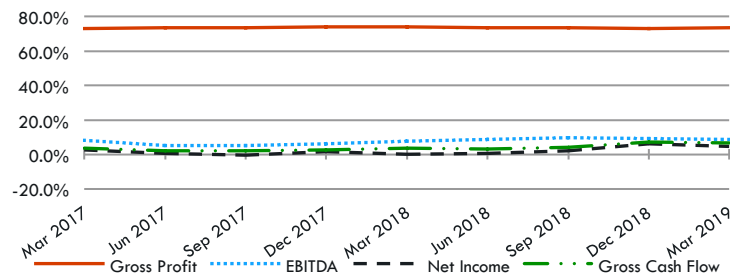
■ Highest Return
 ■ Lowest Return
 ■ Median Return

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



Public Company Median Multiples by Quarter

	6/30/19	3/31/19	12/31/18	9/30/18	6/30/18	3/31/18	12/31/17	9/30/17
EV/Revenues Multiple	3.8x	3.4x	3.1x	3.5x	3.1x	3.3x	2.8x	4.4x
EV/EBITDA Multiple	15.3x	15.9x	23.9x	29.5x	28.0x	22.9x	18.6x	13.7x
Price/Earnings Multiple	13.8x	16.1x	24.2x	46.0x	27.3x	23.1x	42.2x	43.0x
EV/Gross Cash Flows Multiple	41.1x	19.5x	21.2x	41.7x	48.4x	43.7x	37.8x	32.4x

■ Highest Multiple
 ■ Lowest Multiple
 ■ Median Multiple

Industry Initial Public Offerings—Cyber Security (dollars in millions, except share prices)

Offer Date	Company Name	Offer Price	Shares Offered	Amount Raised	Total Assets	Debt	LTM Revenue	LTM EBITDA	LTM Net Income	LTM Cash Flows
6/14/19	GRC International Group plc	\$0.96	8.4	\$8.1	\$4.2	\$13.7	\$8.6	\$1.0	\$1.0	\$5.9
5/1/19	WIIT S.p.A.	\$50.48	0.6	\$31.2	\$42.4	\$0.0	\$16.9	\$4.6	\$3.2	\$6.3
3/7/19	Microware Group Limited	\$0.19	60.0	\$11.3	\$44.5	\$0.0	\$138.7	\$5.3	\$0.6	\$0.8
12/13/18	ECSC Group plc	\$2.12	3.5	\$7.4	\$2.1	\$28.0	\$4.0	\$0.8	(\$72.4)	(\$48.1)
11/21/18	SecureWorks Corp.	\$14.00	8.0	\$112.0	\$917.8	\$0.0	\$339.5	(\$65.4)	(\$1.1)	(\$1.3)
4/11/18	Osirium Technologies plc	\$2.22	5.7	\$12.6	\$8.4	\$0.0	\$0.4	(\$1.3)	\$0.9	\$0.2
1/27/16	Secura Group Limited	\$0.17	112.0	\$19.6	\$6.7	\$17.0	\$14.5	\$2.0	(\$31.8)	(\$20.1)
7/16/15	Rapid7, Inc.	\$16.00	6.5	\$103.2	\$86.5	N/A	\$91.6	(\$24.2)	N/A	N/A
6/29/17	Median of all IPOs	nm	nm	\$16.1	\$22.6	\$0.0	\$15.7	\$0.9	\$0.6	\$0.2

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

Transaction Date	Target	Acquirer	Transaction Size	% Bought	LTM Revenues	EV/ Revenues
4/28/19	Wombat Security Tech.	Proofpoint, Inc.	\$225.0	100%	\$3.5	0.9x
3/31/19	Cyberinc	KPMG LLP	\$34.3	100%	\$5,064	N/A
2/15/19	NCI, Inc.	H.I.G. Capital	\$289.2	100%	N/A	1.0x
12/3/18	NES Associates, LLC	CSRA Inc.	\$105.0	100%	\$27.1	1.7x
12/1/17	Camber Corporation	Huntington Ingalls	\$380.0	100%	\$325.4	N/A
11/8/16	ITC Secure Networking	C5 Capital Ltd	\$29.8	100%	N/A	N/A
8/31/16	Wave Systems Corp.	ESW Capital, LLC	\$3.8	100%	\$364.0	2.8x
8/16/16	Sypris Electronics, LLC	Analog Devices, Inc.	\$42.0	55%	\$18.0	N/A
5/2/16	Recall Holdings Limited	Iron Mountain Inc.	\$2,452.5	100%	N/A	N/A
2/3/16	Sypris Electronics, LLC	Analog Devices, Inc.	\$42.0	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

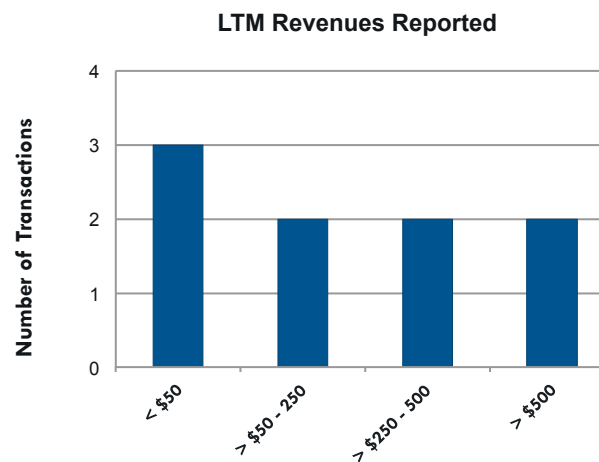
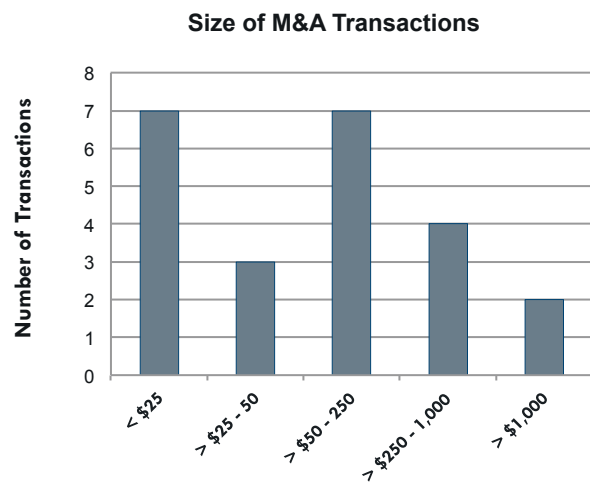
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Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions)

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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

Recent Merger and Acquisition Transactions for a Majority Stake (dollars in millions) as of June 30, 2019



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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): 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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