

June 6, 2024

## TEGO CYBER INC. (OTCQB: TGCB)

Tego Cyber Inc. provides software solutions for cyberthreat hunting. The company's platform-agnostic, curated threat intelligence identifies potential indicators of compromise as well as additional context, including specific details needed to counteract threats so that security teams can spend less time searching for disjointed indicators of compromise. Tego's Threat Correlation Engine integrates with top security and data lake platforms to proactively identify threats.

### INVESTMENT HIGHLIGHTS

- \* Tego Cyber is in the early stages of commercializing a software platform designed to curate threat intelligence data to detect and respond to threats in real time. The platform-agnostic solution, powered by advanced analytics and machine learning, is designed to seamlessly integrate across disparate systems, supporting a rapidly expanding cybersecurity industry that faces trillions of dollars in economic impact annually.
- \* In early 2024, Tego Cyber implemented a multichannel sales strategy, including inside sales, managed security service providers (MSSPs), value added resellers (VARs), and original equipment manufacturers (OEMs) licensing. We view positively recent progress towards these goals, including several signed licensing agreements that should begin to validate the platform and its go-to-market strategy and drive revenue generation.
- \* Tego Cyber has targeted profitability by the end of calendar 2024 and has stated an intention to pursue a listing on a senior exchange such as Nasdaq or the NYSE American within the next 12-18 months.

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### KEY STATISTICS

#### Key Stock Statistics

Recent price (6/5/24)	\$0.13
52 week high/low	\$0.90/\$0.04
Shares outstanding (M)	76.1
Market cap (M)	9.9
Dividend	Nil
Yield	Nil

#### Sector Overview

Sector	Information Technology
Sector % of S&P 500	29.6%

#### Financials (\$M, as of 3/31/24)

Cash & Mkt Securities	0.1
Debt	1.0
Working Capital (\$M)	-0.4
Current Ratio	0.0
Total Debt/Equity (%)	NM
Payout ratio	NM
Revenue (M) TTM	NM
Net Income (M) TTM	NM
Net Margin	NM

#### Risk

Beta	0.19
Inst. ownership	10%

#### Valuation

P/E forward EPS	NA
Price/Sales (TTM)	NA
Price/Book (TTM)	NA

#### Top Holders

AJB Capital Investments LLC  
Bigger Capital LLC  
District 2 Capital LP

#### Management

Interim CEO/CFO	Mr. Bobby Mikkelsen
CTO/Director	Ms. Shannon Wilkinson
Chief Marketing Officer	Ms. Melissa Knight
Company website	www.tegocyber.com

### PRICE CHART



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## BUSINESS DESCRIPTION

Founded in 2019, Tego Cyber is a cybersecurity software-as-a-service company focused on innovation. Its product suite provides enriched cyberthreat intelligence, hunting, and correlation data to leading enterprise and data storage clients that we believe represents a value-add over other products and serves a rapidly expanding market.

Tego's curated Threat Intelligence Feed (TIF) utilizes the power of advanced analytics and machine learning and analyzes and delivers data that is contextual, timely, informative, and, most importantly, actionable by the client as the backbone of its cybersecurity efforts. Its Threat Correlation Engine (TCE) provides enterprises with the ability they require to quickly track threats, map out exposures, and expedite remediation in order to allow security teams to find threats faster, thus reducing the time for detection and response.

The Threat Intelligence platform is designed to be bolted on and operates within an existing customer's platform, rather than requiring separate logins and platform analyses. It can also reside either on premises or in a cloud-based environment. Its capabilities are open application programming interface and platform agnostic, thus increasing the value of a client's existing security controls by making them more efficient and intelligent.

There are myriad statistics that underscore the disruption and impact caused by the rapidly growing number of worldwide cyberattacks. According to Cybersecurity Ventures, costs related to cybercrime globally are expected to grow by 15% each year over the next five years and reach \$10.5 trillion annually by 2025, up from \$3 trillion in 2015. According to Next Move Strategy Consulting, the global cyber security software market was valued at nearly \$222 billion in 2022 and is expected to exceed \$650 billion by 2030. Within that broader category, according to Fortune Business Insights, the global threat intelligence market size is projected to grow from \$4.93 billion in 2023 to \$18.11 billion by 2030, a compound annual growth rate of 20.4%.

Tego Cyber has cited that cyberattacks are increasing in number, complexity, and frequency, indicating that they occur more than once per minute globally and more than 2,000 times each day, having increased by approximately 300% since the COVID-19 pandemic. In just one notable example that occurred in June 2023, several U.S. federal government agencies were hit in a global cyberattack by Russian cybercriminals that exploited vulnerability in the widely used MOVEit software application. In our view, Tego is thus operating in a market that is attractively poised for rapid commercial adoption of its solution platform in the years ahead.

As mentioned earlier, cybersecurity threats have been growing and are front of mind for an increasing number of companies. In recent years, there has been a significant increase in the number of cyberincursions, which has led to large data and financial losses for companies. The prevalence of these attacks has risen substantially since the onset of the COVID-19 pandemic, which increased the usage of remote connectivity and the types of devices that are subject to attack, including workplace PCs and laptops attached wirelessly and remotely to Wi-Fi, VPNs, and LANs; tablets; cellphones; and Internet of Things devices. Previously simple "phishing" attacks have evolved into more-complicated and more-sophisticated events. Ransomware (malware that is installed on a device and locks that device until a ransom is paid) has also evolved in terms of frequency and impact.

In our view, Tego Cyber's platform has also been validated through its inclusion in various industry vendor marketplaces and through licensing and integration arrangements with industry leading security information and event management player Splunk, which was recently acquired by Cisco Systems for \$28 billion, and data lakehouse and data warehouse storage market leaders Databricks and Amazon Security Lake.

In mid-2023, Tego Cyber hired a chief revenue officer to help leverage such channel relationships into revenue-generating opportunities more efficiently. In early 2024, the company implemented a broader sales strategy through four core channels — inside sales, MSSPs, VARs, and OEMs licensing — in which the company can utilize partners' established marketing and sales networks to better penetrate these markets.

We are encouraged by Tego Cyber's progress and execution in this regard, noting announcements to date with a top-15 MSSP and with tier 1 reseller Presidio Networked Solutions LLC. As Tego Cyber builds scale and visibility in the marketplace, we think it should be better positioned to leverage its marketplace presence and channel relationships to generate enhanced sales penetration through internal sales and marketing over time.

## COMPETITIVE ADVANTAGE

We view TIF and TCE's ability to provide detailed context into the "who, what, where, and when" of potential threats as a key competitive advantage over other applications that often only identify that an attack has occurred. This lack of context and actionable data can make threats difficult to diagnose and remediate. In many cases, it is up to the client's cybersecurity team to correlate threats and establish needed actions, which is a key industry shortcoming.

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## PEER COMPARISON

Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt. Cap (\$MIL)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
TEGO CYBER INC.	OTCQB: TGCB	0.13	1.10	0.04	10	-82	NM	NM	NM	0.19	NA
T STAMP INC	NASDAQ: IDAI	0.59	3.50	0.52	6	-72	-15	NM	NM	-0.57	NA
INTRUSION INC	NASDAQ: INTZ	1.43	32.80	1.37	7	-95	-25	NM	NM	0.59	NA
INTELLICHECK INC.	NASDAQ: IDN	3.79	4.25	1.56	74	37	18	NM	NM	1.81	NA

In 2022, threat detection, diagnosis, and response took 277 days, on average, according to a study by IBM.

The dashboards on Tego's platform are integrated with existing cybersecurity platforms, allowing a cybersecurity team to quickly see which threats have been detected within the environment, the categorization of the threats, and which assets in the environment have been impacted. The engine pulls in raw cyberthreat intelligence from highly trusted sources, including FBI Infragard, the U.S. Department of Homeland Security, Abuse.CH, and SpamHAUS.

Importantly, the Tego platform cross-correlates threats in real time and not only looks forward but also backwards, in order to see if the organization's network had previously been exposed (active foresight and hindsight). As such, we see Tego as uniquely positioned to be a force multiplier for stretched-thin security operations teams and provide tremendous value in reducing mean time to detection and mean time to response, thus increasing the return on investment of currently deployed cybersecurity resources.

In our view, Tego's product offering, which includes its TIF as both a standalone product as well as a part of a suite with its TCE, is unique in the current competitive landscape. We see this bifurcated, value-based product offering expanding end-user access to Tego's solutions across enterprises of various sizes, end users, geographies (including underserved markets), and price points.

We positively view Tego's seasoned management team, with its many years of experience in software, security, and information systems, as well as its important channel relationships that we think will help fuel company growth. We believe the company has assembled expertise in both technology and marketing over the past few years, as well as having created an advisory board made up of internationally recognized cybersecurity experts that provides a depth of experience and leadership to provide guidance and direction to the company's executive team and to align with its platform's readiness to be rolled out broadly. Notably, the entire advisory board is comprised of women with diverse backgrounds, which we view positively for highlighting the company's focus on diversity and inclusion as part of its governance policy.

We also note that Tego Cyber is at the early stages of exploring opportunities to leverage its technology and underlying platform, including the potential of reselling cyberthreat intelligence data used by its platform, which could represent an additional long-term growth driver.

## ANALYST COMMENTARY: EARNINGS

Tego Cyber trades on the OTCQB under the symbol TGCB. The shares recently closed at \$0.134, near the lower end of its 52-week range of \$0.04 to \$0.90.

As of March 31, 2024, the company had current assets of \$82,500, including \$69,300 in cash on hand, and \$1,020,000 in debt on its balance sheet. Tego Cyber has been working to negotiate extensions on these obligations. As of March 31, 2024, the company had a negative working capital position of \$432,000.

To date, Tego Cyber has recorded minimal revenue, as a largely pre-commercial and pre-active license status company. Through the first nine months of fiscal 2024 (ended March 31), the company generated approximately \$25,000 in revenues, compared with no

revenues in the prior-year period. To date in fiscal 2024, operating expenses declined \$2.65 million, compared with \$4.7 million in the corresponding fiscal 2023 period. In January 2024, the company formally launched TIF under a new path-to-market strategy that has resulted in the commencement of commercial orders.

During fiscal 2024, Tego Cyber has significantly reduced its cash burn rate and anticipates a monthly burn of approximately \$75,000, which we estimate to be half its previous rate. Thus, we see Tego Cyber as increasingly well positioned to achieve profitability as its commercial efforts gain traction in the market and generate revenues above \$1 million. In March 2024, the company stated a goal of reaching profitability by the end of calendar 2024.

In March 2024, Tego Cyber stated its intention to pursue a listing of its common shares on a senior exchange such as Nasdaq or the NYSE American within the next 12-18 months.

As of March 31, 2024, there were approximately 71.1 million shares outstanding (approximately 76 million as of May 2024), along with 6 million stock options, 15.1 million warrants, and 2.7 million performance stock units issued. Although Tego Cyber has largely been issuing equity to fund its operations, we expect the pace of future issuances to slow over the balance of calendar 2024, as it shifts into commercial revenue generation.

We note that in recent years, its reported net losses (\$10.7 million in fiscal 2023 and \$7.4 million for the nine months ended March 31, 2024) are largely attributable to noncash items, including share-based compensation, and financing-related expenses, which we do not view as likely to be key drivers in the long-term financial outlook.

For the nine months ended March 31, 2024, the company generated negative cash flow from operations of \$673,962. For the fiscal year ended June 30, 2023, it used \$1.6 million in cash for its operations. The company has had minimal cash used from investing activities. For the nine months ended March 31, 2024, Tego Cyber generated \$562,000 in cash from financing activities, from the issuance of equity and notes payable. For fiscal 2023, the company generated cash of \$2.1 million from financing activities.

As of March 31, 2024, Tego Cyber had a net operating loss carryforward of approximately \$8.1 million that will be available to offset future taxable income through calendar year 2043.

## MANAGEMENT

Robert E. (Bobby) Mikkelsen was appointed as Tego Cyber's interim chief executive officer in January 2024. Mr. Mikkelsen had joined the company as its chief financial officer in September 2023. He brings nearly 20 years of diverse perspective, spanning finance and accounting, strategy leadership, and investor relations. Mr. Mikkelsen has developed and overseen transactions exceeding \$100 million in total value and received his bachelor's degree in accounting in 2004 from the Eller College of Business, University of Arizona.

In conjunction with Mr. Mikkelsen's appointment as interim CEO, Shannon Wilkinson, Tego Cyber's founder and prior CEO, transitioned into the role of chief technology officer, where she is focused on product support, new product development, and technical support for the company's channel partners. Ms. Wilkinson remains on Tego Cyber's board. Prior to co-founding the company in 2019, she spent 12 years working for the United Nations Department of Peacekeeping Operations building mission-critical software platforms.

## RECENT DEVELOPMENTS

Over the past couple of years, Tego Cyber has established its infrastructure with sales and marketing support that we think has positioned the company to shift into more of a commercial role, moving beyond product development. Importantly, the company added a chief revenue officer in mid-2023, SecureX LLC principal Kirk Horton, which we see supporting Tego Cyber's target market and sales channel expansion, while saving time and resources that would have been required to otherwise build out a team internally.

As mentioned earlier, Tego Cyber is executing on a multichannel go-to-market strategy, including four core channels: inside sales, MSSPs, VARs, and OEMs licensing. To date, the company has announced several licensing agreements that we believe validate the platform's acceptance of Tego Cyber's products and management's execution of its strategy.

In October 2023, Tego Cyber announced its first commercial revenue through one of its resellers and has seen initial license agreements from a top-15 global MSSP, with more than 7,000 commercial customers worldwide that will be reselling Tego's platform to its commercial customers using the Splunk Security Information & Event Management or Amazon Web Services Security Lake. In April 2024, Tego Cyber further expanded its resale partner network, with an agreement with Presidio Networked Solutions under which Presidio is a tier 1 reseller for TegoTIF and TCE.

In February 2024, Tego Cyber signed an authorized partner, white label, and licensing agreement with Query.ai Inc., under

which Query will license Tego TIF on a per-customer basis, for new and existing clients, feeding directly into the daily workflow of security operations and Query's search platform. Query customers will have complimentary access to Tego Cyber's intelligence feed during the trial license period. The companies initially entered into a strategic partnership in December 2023. We expect Tego Cyber to seek additional dynamic pricing model partnerships on additional security-focused software platforms.

In November 2023, Tego Cyber became an approved vendor with TD SYNEX (NYSE: SNX), a leading global distributor and solutions aggregator for the IT ecosystem that has generated revenues around \$60 billion over the past two years. TD SYNEX will initially offer the Splunk and Amazon Security Lake integrations of the Tego Threat Hunting & Correlation application to its vast portfolio of vendor partners' extensive catalog of the best technology and cybersecurity solution providers. It will also carry future integrations of Tego's application as they become commercially available.

In addition, we see Tego Cyber gaining recognition across the cybersecurity landscape, from which we see increased exposure potentially driving commercial opportunities. In May 2024, Tego Cyber was authorized as a CVE Numbering Authority by the Common Vulnerabilities and Exposures (CVE®) Program. This designation will allow Tego Cyber to contribute to the catalog of identified publicly disclosed cybersecurity vulnerabilities and collaborate to support broader industry goals of safeguarding organizations and their data.

Steve Silver,  
Argus Research Analyst

**INCOME STATEMENT**

	(6/30/21)	(6/30/22)	(6/30/23)	(9/30/2023)	(12/31/23)	(3/31/24)
<b>Growth Analysis (\$Mil.)</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Q1 FY 24</b>	<b>Q2 FY 2024</b>	<b>Q3 FY 2024</b>
Revenue	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0
Operating Expenses	0.7	3.1	5.8	0.9	1.0	0.7
Operating Income	-0.7	-3.1	-5.8	-0.9	-1.0	-0.7
Interest Expense	0.2	0.1	0.7	3.2	1.2	0.4
Pretax Income	-0.9	-3.1	-10.8	-4.1	-2.2	-1.1
Tax Rate (%)	NA	NA	NA	NA	NA	NA
Net income	-0.9	-3.1	-10.7	-4.1	-2.2	-1.1
Diluted Shares	13.6	24.2	32.9	51.0	56.5	66.3
EPS	-0.07	-0.13	-0.33	-0.08	-0.04	-0.02
Dividend	NA	NA	NA	NA	NA	NA
<b>Growth Rates (%)</b>						
Revenue	NA	NA	NA	NA	NA	NA
Operating Income	NA	NA	NA	NA	NA	NA
Net Income	NA	NA	NA	NA	NA	NA
EPS	NA	NA	NA	NA	NA	NA
<b>Valuation Analysis</b>						
Price (\$): High	0.27	0.97	1.10			
Price (\$):Low	0.03	0.35	0.04			
PE: High	NA	NA	NA			
PE: Low	NA	NA	NA			
PS: High	NA	NA	NA			
PS: Low	NA	NA	NA			
Yield: High	NA	NA	NA			
Yield: Low	NA	NA	NA			
<b>Financial &amp; Risk Analysis (\$MIL)</b>						
Cash	0.6	0.0	0.2			
Working Capital	0.7	0.0	-0.8			
Current Ratio	15.2	1.7	0.2			
LTDebt/Equity (%)	NM	NM	NM			
Total Debt/Equity (%)	NM	NM	NM			
<b>Ratio Analysis</b>						
Gross Profit Margin	NM	NM	NM			
Operating Margin	NM	NM	NM			
Net Margin	NM	NM	NM			
Return on Assets (%)	NA	NA	NA			
Return on Equity (%)	NA	NA	NA			
Op Inc/Int Exp	NA	NA	NA			
Div Payout	NA	NA	NA			

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