

December 9, 2021

TEGO CYBER INC. (OTCQB: TGCB)

BUSINESS DESCRIPTION

Tego Cyber is a cybersecurity threat intelligence company. Its main product, the Tego Threat Intelligence Platform (TTIP), seamlessly integrates with existing cybersecurity software platforms. Unlike cybersecurity products that provide data about a potential threat only in a broad manner, the TTIP compiles raw cyber-threat intelligence and then utilizes a proprietary process to analyze the threat and deliver data about it in a format that is contextual, timely, informative, and importantly, actionable by the client.

Cybersecurity threats have been growing over time and are front of mind for many companies. Over the past couple of years, there has been a significant increase in the number of cyber incursions, which has led to large financial and data losses for companies. The types of devices that are subject to attack include common workplace PCs and laptops attached to Wi-Fi, VPNs and LANs, tablets, cellphones, and IoT (Internet of Things) devices. Cyber threats have also been increasing in complexity. What started out as simple “phishing” attacks has evolved into more-complicated and sophisticated events. Ransomware, where malware installed on a device locks that device until a ransom is paid, has also become much more prevalent over the past couple of years. According to Cybersecurity Ventures, cybercrime inflicted damages of \$6 trillion globally in 2021 and is expected to grow to \$10.5 trillion by 2025; that equates to a CAGR (compound annual growth rate) of 15%. According to Accenture, security breaches have increased by 11% since 2018, and 67% since 2014. Cyber criminals attack a connected computer every 39 seconds, or 2,244 times a day, according to a study by the University of Maryland.

The overall cybersecurity market is currently a \$156 billion market, and is expected to grow at an 11% CAGR through 2025, when it will hit \$241 billion, according to research from Gartner Group. The cybersecurity threat intelligence business is a subset of the market, and currently is estimated to be valued at about \$10.9 billion, according to research from MarketsandMarkets, a market researcher focused on B2B research. This part of the market is growing at an expected CAGR

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KEY STATISTICS

Key Stock Statistics

| | |
|------------------------|---------------|
| Recent price (12/3/21) | \$0.90 |
| 52 week high/low | \$1.25-\$0.30 |
| Shares outstanding (M) | 23.8 |
| Market cap (M) | 21 |
| Dividend | Nil |
| Yield | Nil |

Sector Overview

| | |
|---------------------|------------------------|
| Sector | Information Technology |
| Sector % of S&P 500 | 29.4% |

Financials (\$M)

| | |
|-----------------------|------|
| Cash & Mkt Securities | 1.5 |
| Debt | 0.1 |
| Working Capital (\$M) | 1.5 |
| Current Ratio | 17.4 |
| Total Debt/Equity (%) | NM |
| Payout ratio | NM |
| Revenue (M) TTM | 0.01 |
| Net Income (M) TTM | NM |
| Net Margin | NM |

Risk

| | |
|-----------------|----|
| Beta | NA |
| Inst. ownership | 0% |

Valuation

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

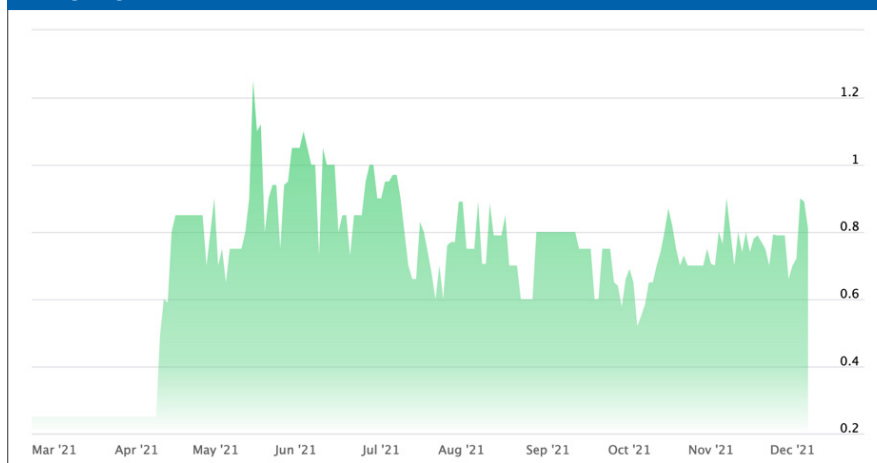
Top Holders

NA
NA
NA

Management

| | |
|-----------------|-----------------------|
| CEO | Ms. Shannon Wilkinson |
| Pres | Mr. Troy Wilkinson |
| CISO | Mr. Chris White |
| Company website | www.tegocyber.com |

PRICE CHART



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of 8.2% through 2025, when it will hit \$16.1 billion. According to MarketsandMarkets, major drivers for growth in cybersecurity threat intelligence include the rapidly changing threat landscape, including rise in phishing, ransomware, malware, vishing, browser gateway frauds, Distributed Denial of Service (DDoS), whaling and spear phishing. As such, we believe Tego is operating in an attractive and rapidly growing area of technology.

Tego's TTIP threat data provides appended context, including specific details needed to identify and counteract threats. This significantly reduces the time spent searching for information. TTIP integrates with existing cybersecurity platforms and increases the ROI of cybersecurity tools that an enterprise is already using. Tego Cyber Inc's TTIP leverages data that customers already possess to not only look forward, but recursively to see if there has been exposure to threats. When an IP address, URL, server name, or other individual indicator of compromise (IoC) is added to public and private blacklists, the adversary has likely already moved on. Looking for those IoCs going forward has been the industry standard, however looking recursively for those IoCs to see if the customer had exposure during the time those IoCs were in use by the adversary is crucial to determining past impact and then coordinating remediation, and is a differentiator for Tego Cyber Inc.

Initially, Tego has launched TTIP to integrate with the Splunk SIEM (Security Information and Event Management) platform. Splunk is a tech company based in San Francisco that provides software for monitoring, searching, and analyzing machine-generated data. It is a Nasdaq-100 company with a market cap of \$26.6 billion. The Splunk platform collects, analyzes and correlates high volumes of network and other machine data in real-time. Splunk is also the leading SIEM provider in the world and is used by 92 of the Fortune 100 companies. Currently, Splunk has more than 15,000 customers and recently has been adding more than 450 enterprise clients per quarter. Tego's TTIP product is available for download on SplunkBase, Splunk's app store.

Tego's growth strategy is to expand integrations with companies that are found on the Gartner Magic Quadrant and Forrester research reports, as these companies have the largest market share. More specifically, Tego is targeting SIEMs from Elastic, AT&T Cybersecurity (formerly AlienVault), IBM QRadar, Chronicle (now part of Google), and LogRhythm.

The revenue model is SaaS (Software as a Service) based, with an annual license fee supplemented by additional cyber threat intelligence services to the clients. After its recent launch, Tego forecasts gross revenue of \$7.5 million in fiscal 2022 (June), attainable by winning a forecasted 100 customers in its first year at a licensing fee of \$75,000 per customer. Tego forecasts that the initial

100 customers will grow to 250 customers in year two (FY 23) and 500 customers in year three (FY 24). Given Splunk's existing customer base (estimated at 15,000 clients), the above represents capturing 0.66% of Splunk clients in year one, 1.66% by year two, and 3.33% by year three. Tego also forecasts gross profit of \$6.4 million in FY 22, \$15.9 million in FY 23, and \$31.9 million in FY 24. That would represent a compound annual growth rate (CAGR) of 70.8% over the three-year period. Net profit is forecast at \$5.5 million in FY 22, \$14.0 million in FY 23, and \$28.4 million in FY 24, which would represent a CAGR of 72.8%. We think these goals are achievable given the low customer penetration rate needed, as well as Splunk's own growth.

COMPETITIVE ADVANTAGE

In our view, Tego has several competitive advantages. First, it has the ability to sit on top of and integrate with the Splunk platform. In our view, Tego needs to win only a small amount of Splunk's existing clients to be profitable and growing. As well, many cyber intelligence companies charge significantly more than Tego's expected \$75,000 per license. By pricing below a threshold that tends to delay contracts and implementation timelines, we think Tego should be able to carve out a niche within the Splunk user base over the next few years. At the same time, Splunk's user base is growing rapidly, increasing Tego's addressable market opportunity. In addition, Tego plans to target other leading SIEMs, which should also rapidly increase its market opportunity.

The company's first commercial launch, known as Tego Guardian, was in October 2021, on the Splunk SIEM platform. The product went from concept to commercialization in less than two years, including successful pilot and beta testing. The application is designed to fill a void from current applications, thus adding significant value to existing security platforms. The company is now entering the revenue phase of its business model.

In our view, Tego's ability to provide cybersecurity data enrichment represents a potential value-add over other marketed products. It gives a detailed "who, what, where, and when" of potential threats. Similar applications often identify that an attack has occurred but do not provide additional context. As such, it is up to the client's cybersecurity team to analyze threats and establish needed actions. Tego Guardian automates this process, saving time and money. The dashboards on Tego Guardian allow a cybersecurity team to see quickly what threats have been detected within the environment, the categorization of the threat, and which assets in the environment have been affected by the threat.

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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. | OTC: TGCB | 0.90 | 1.25 | 0.30 | 21 | NM | NM | NM | NM | NA | NA |
| CYREN LTD. | NASDAQ:CYRN | 0.31 | 1.75 | 0.31 | 28 | -71% | -7% | -3% | NA | 0.34 | NA |
| NXT-ID, INC. | NASDAQ: NXTD | 2.54 | 34.4 | 2.52 | 23 | -34% | -33% | 73% | NA | 1.9 | NA |
| SAFE-T GROUP LTD. | NASDAQ:SFET | 0.83 | 2.98 | 0.8 | 27 | -29% | 49% | NM | NA | 1 | NA |

In our view, Tego also has a seasoned management team, with many years of experience in software, security, and information systems, as well as important relationships that can help fuel growth.

Tego also seems well positioned in cyber intelligence. There are only a few companies that take raw data on cyber threats and analyzes and interprets that data. The company's ease of integration and low price point relative to peers should allow it to build its customer base rapidly -- all while the cyber market is likely growing rapidly.

ANALYST COMMENTARY: EARNINGS

Tego Cyber trades on the OTCQB, under the symbol TGCB. In September 2021, Tego Cyber announced full fiscal year results for the year ended June 30, 2021. The results were highlighted by revenues of \$8,100 versus \$2,325 during the same year-ago period. As of June 30, 2021, Tego had cash \$583,015 on its balance sheet and a working capital surplus of \$652,296. Subsequent to fiscal year-end, the company paid off \$22,600 in long-term debt, leaving it debt-free, and enhanced its balance sheet through a series of investments. As of September 29, 2021, it had \$1.4 million in cash on hand.

Although Tego largely was pre-commercial during the year ended June 30, 2021, we are encouraged by its lack of long-term debt and working capital surplus. We think that will enable the company to invest in its sales and marketing efforts, as it increases its sales teams and accelerates revenue growth by rolling out offerings over the Splunk SIEM platform.

As of June 30, 2021, Tego had 26.8 million shares outstanding, with additional warrants for 3.0 million shares that are currently in the money and likely to be exercised. That would bring in additional funding capital. We think that Tego's financial position enables the company to utilize equity-based financing, if needed, on favorable terms.

Tego also has the ability to add other cyber platforms in coming months, which we think could add thousands of new customers. We think the company's model, which forecasts adding 100 clients in the first year and 500 clients by year three, is achievable. Indeed, it could prove conservative given the rapid growth in the industry and at Splunk, along with the potential addition of other cyber platforms.

The company's revenue and profit forecasts contemplate a customer penetration rate of 0.66% in year one, 1.66% in year two, and 3.33% in year three. Again, we think this could prove conservative, given Tego's efforts to ramp up its sales and marketing team, Splunk's own customer growth, and Tego's efforts to add other SIEMs to its sales stream.

MANAGEMENT

Shannon Wilkinson co-founded Tego Cyber in 2019 and serves as CEO, CFO, secretary, and a director. Prior to her work at Tego, she spent 12 years working for the United Nations Department of Peacekeeping Operations, building mission-critical software platforms.

Troy Wilkinson is Tego Cyber's co-founder and serves on the board. He has worked in law enforcement, and at the U.S. Department of State in cybercrime training and investigations. Troy has been the chief information security officer at multiple billion-dollar enterprises and now serves as the global director of cybersecurity operations at a multi-national Fortune 500 company.

Chris White is Tego Cyber's chief information security officer (CISO) and serves on the board. Chris is a former cybersecurity technologist for the U.S. Air Force and served in multiple consulting roles including as a cleared contractor in the Federal Government sector. Chris has over 30 years of experience in cybersecurity, telecommunications, and automation.

Michael De Valera is an independent director, adding over thirty years' experience in information technology. He co-founded Internet Computers Inc. in 1989 and remained as one of the founding principals until 2006 when he left to start his own company, TechnoMedia Consulting Inc., where he remains the sole principal officer.

RECENT DEVELOPMENTS

Recently, Tego achieved several milestones towards the commercial launch of its threat-intelligent platform. In October 2021, the company announced the successful integration of its Tego Guardian threat-intelligence app on the Splunk platform and the acceleration of sales and marketing activities. Tego plans to expand its dedicated sales and marketing team, a group that is trained to market the Tego Guardian app to Fortune 2000 enterprises that use the Splunk SIEM (Security Integration and Event Management) platform. Tego is also forming a channel partner initiative to foster profitable relationships with leading cybersecurity consultants and solution providers. As part of this initiative, Tego has retained industry expert Amy Looper of Relativity Sells to assist in executing a go-to-market strategy and building long-term client relationships.

In October 2021, Tego launched the first version of its threat-intelligence platform app, Tego Guardian. The app integrates with the Splunk SIEM platform and is available for direct download by Splunk users through Splunk's app store. Tego will generate revenue by licensing Tego Guardian. When a user downloads the app from Splunkbase, it will seamlessly integrate into their existing Splunk SIEM platform. Once a client has downloaded and installed Tego Guardian, they will be required to pay an annual license fee to activate the full version.

Steve Silver,
Argus Analyst

INCOME STATEMENT

| Growth Analysis (\$Mil.) | FY 20 | FY 21 | Q1 FY 22 |
|--|--------------|--------------|-----------------|
| Revenue | 0.0 | 0.0 | 0.0 |
| Operating Expenses | 0.1 | 0.7 | 0.4 |
| Operating Income | -0.1 | -0.7 | -0.4 |
| Interest Expense | 0 | -0.3 | 0.0 |
| Pretax Income | 0 | -0.9 | 0.5 |
| Tax Rate (%) | NA | NA | NA |
| Net income | -0.08 | -0.9 | 0.5 |
| Diluted Shares | 7.79 | 13.6 | 19.3 |
| EPS | -0.01 | -0.07 | -0.02 |
| Dividend | NA | NA | NA |
| Growth Rates (%) | | | |
| Revenue | NA | NA | NA |
| Operating Income | NA | NA | NA |
| Net Income | NA | NA | NA |
| EPS | NA | NA | NA |
| Valuation Analysis | | | |
| Price (\$): High | NA | 0.27 | NA |
| Price (\$):Low | NA | 0.03 | NA |
| 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 |
| Financial & Risk Analysis (\$MIL) | | | |
| Cash | 0.0 | 0.6 | 1.5 |
| Working Capital | 0.08 | 0.7 | 1.5 |
| Current Ratio | 4.8 | 15.3 | 17.4 |
| LTDebt/Equity (%) | NM | NM | NM |
| Total Debt/Equity (%) | NM | 3.1 | 3.2 |
| Ratio Analysis | | | |
| 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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