

June 6, 2022

## TEGO CYBER INC. (OTCQB: TGCB)

### BUSINESS DESCRIPTION

Tego Cyber is a cybersecurity threat-intelligence company. Its main product, the Tego Threat Intelligence Platform, seamlessly integrates with existing cybersecurity software platforms through the Tego Guardian app. Unlike cybersecurity products that provide data about a potential threat in only a broad manner, Tego Guardian utilizes a proprietary process to compile raw cyber-threat intelligence and then analyze and deliver data that is contextual, timely, informative, and importantly, actionable by the client. Importantly, the value proposition of the platform is its utilization of data science to compare its threat intelligence with client data already being aggregated to correlate and then identify threat exposures.

Cybersecurity threats have been growing over time and are front of mind for many companies. In recent years, there has been a significant increase in the number of cyber incursions, which has led to large data and financial losses for companies. The types of devices that are subject to attack include common workplace PCs and laptops attached wirelessly and remotely to Wi-Fi, VPNs and LANs, tablets, cell-phones, 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. 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. A University of Maryland study estimated that cyber criminals attack a connected computer every 39 seconds, or 2,244 times a day.

The overall cybersecurity market is currently valued at \$156 billion, and is expected to grow at an 11% CAGR through 2025, to \$241 billion, according to industry intelligence researcher Gartner Group. The cybersecurity threat-intelligence

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### KEY STATISTICS

#### Key Stock Statistics

Recent price (6/2/22)	\$0.59
52 week high/low	\$1.10 - \$0.51
Shares outstanding (M)	25.1
Market cap (M)	15
Dividend	Nil
Yield	Nil

#### Sector Overview

Sector	Information Technology
Sector % of S&P 500	27.1%

#### Financials (\$M, as of 3/31/22)

Cash & Mkt Securities	0.5
Debt	0.0
Working Capital (\$M)	0.6
Current Ratio	22.1
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

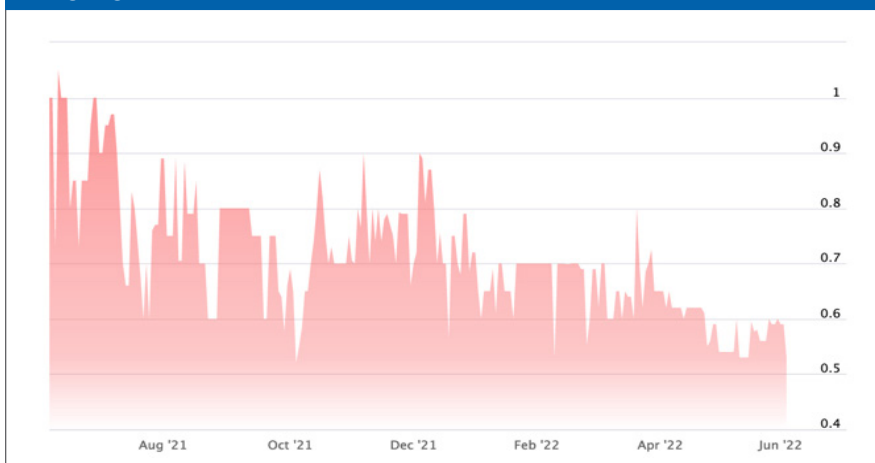
#### Top Holders

NA  
NA  
NA

#### Management

CEO	Ms. Shannon Wilkinson
President	Mr. Troy Wilkinson
CISO	Mr. Chris White
Company website	www.tegocyber.com

### PRICE CHART



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business is a subset of the market, and currently is estimated to be valued at approximately \$10.9 billion, and is expected to grow at a CAGR of 8.2% through 2025 to a value in excess of \$16 billion, according to MarketsandMarkets. In our view, Tego is operating in an attractive and rapidly growing area of technology.

Tego's initial commercial focus for its Tego Guardian application is its integration with the Splunk SIEM (Security Information and Event Management) platform. Splunk is a technology company based in San Francisco that provides software for monitoring, searching, and analyzing machine-generated data. It is a Nasdaq-100 company with a recent market capitalization near \$20 billion. The Splunk platform collects, analyzes and correlates high volumes of network and other machine data in real-time. Splunk is the leading SIEM provider in the world and is used by around 90 of the Fortune 100 companies. Currently, Splunk has more than 15,000 corporate enterprise customers in 110 countries, and has been adding around 450 enterprise clients per quarter.

Tego Guardian is currently available for download on SplunkBase, Splunk's app store. Tego will generate revenue by licensing Tego Guardian. Subscription-based licensing revenues began in the quarter ended March 31, 2022. 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, following a free two-week trial, they will be required to pay an annual license fee to activate the full version.

Tego Cyber's revenue model is based on "SaaS" (Software as a Service), under which its clients receive services for an annual license fee. Using Splunk's 15,000 corporate enterprise user base, paying a \$75,000 annual license fee, Tego Cyber estimates a total addressable market of \$1.125 billion for the initial Splunk version of the Tego Guardian. Tego has set a target penetration of Splunk's subscriber base of 1% within the first calendar year of commercialization, which would represent a potential gross revenue opportunity of \$11.5 million.

Tego is using a hybrid strategy of inside sales combined with a channel partner program to drive penetration among Splunk subscribers. The company recently signed a channel-as-a-service contract with Vation Ventures to develop a comprehensive long-term go-to-market strategy and channel partner program. In our view, Tego is well positioned to commercialize its Guardian application on additional cyber platforms. Its growth strategy is to expand integrations with companies that are found on the Gartner Magic Quadrant and Forrester research reports, which represent those companies with the largest industry market share. Tego Cyber has set a goal to make Tego Guardian available for integration with the top 10 SIEM platforms, including Elastic, Devo, AT&T

Cybersecurity, IBM QRadar, Exabeam, Google Chronicle, and LogRhythim, over the next two years.

We are encouraged by its progress towards this goal. We expect Tego Guardian to complete integration on Elastic Security's SIEM platform around the middle of calendar 2022. Elastic features over 16,000 paying subscribers, including 34% of the Fortune 2000, each of which represents a potential new user of Tego Guardian.

## COMPETITIVE ADVANTAGE

In our view, Tego Cyber's platform has several competitive advantages. First, its ability to provide cybersecurity data enrichment represents a potential value-add over other marketed products. Tego Guardian provides detailed context, the "who, what, where, and when" of potential threats. In contrast, similar applications often identify that an attack has occurred, but do not provide additional context. As such, in these latter cases, it is up to the client's cybersecurity team to correlate threats and establish needed actions.

Tego Guardian automates this process, saving time and money, increasing the ROI of cybersecurity tools an enterprise may already be using. The dashboards on Tego Guardian, which are integrated with existing cybersecurity platforms, 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. The company has recently cited Tego Guardian as being responsible for a large multinational Fortune 500 company stopping a large-scale ransomware from infecting their systems, saving the client from potential financial loss, data exfiltration, and reputation loss.

Tego Guardian leverages data that customers already possess, and allows enterprises to not only look forward, but retrospectively, 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, an adversary has likely already moved on. Looking for recurrences of such IoCs going forward has been industry standard practice. However, looking back to search for questionable IoCs to see if a customer had exposure during the time they were in use by an adversary is crucial to determining past impact and then coordinating remediation. We view Tego Cyber's ability to provide such data as a key differentiator for the Guardian platform.

As mentioned earlier, the company's first commercial version of Tego Guardian was launched 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

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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	0.59	1.10	0.51	15	-46	NM	NM	NM	NA	NA
CYREN LTD.	NASDAQ: CYRN	1.90	19.00	1.51	15	-85%	-14%	NM	NA	0.53	NA
T STAMP INC	NASDAQ: IDAI	1.99	10.00	1.01	46	-31%	39%	NM	NA	NA	NA
INTRUSION INC	NASDAQ: INTZ	3.25	17.82	1.74	63	-83%	10%	NM	NA	1.26	NA

testing. The company was able to design an application swiftly to fill a void in the current cybersecurity landscape. In so doing, it added significant value to existing security platforms, while providing an ease of integration and a low price point. We expect the company will be able to build a customer base rapidly.

We think that Tego Cyber has positioned its Guardian platform well for successful commercial penetration, as its \$75,000 license fee is well below its peers. By pricing below a threshold that tends to delay contracts and implementation timelines across larger enterprises, Tego should be able to carve out a niche within the robust and still-growing Splunk user base over the next few years, and ultimately, broadly across the leaders of the global SIEM marketplace.

We like Tego's seasoned management team, with many years of experience in software, security, and information systems, as well as important relationships that can help fuel growth. The company recently bolstered its team with the retention of industry expert Amy Looper of Relativity Sells to assist in executing a go-to-market strategy and building long-term client relationships under a channel-partner strategy. Ultimately, Tego Cyber sees the channel-partner program generating a high proportion of its revenue.

Tego also added Brett Watkins, founder of GlobalSec Partners LLC, under a consulting agreement. Mr. Watkins, who has over two decades of diverse experience investigating computer intrusions and international terrorism cases with the FBI prior to founding GlobalSec in 2016, will lead expanded business development activities for the Tego Threat Intelligence Platform within select industries. Most recently, Tego Cyber expanded its executive sales team with the addition of Shamun Mahmud as regional sales manager for the western United States, who will work closely with Brett Watkins to implement the path-to-market in this region.

## ANALYST COMMENTARY: EARNINGS

Tego Cyber trades on the OTCQB, under the symbol TGCB. In May 2022, the company announced results for its fiscal 2022 third quarter (ended March 31, 2022). During the quarter, the company recorded a modest \$2,500 in subscription revenue, which reflected its largely pre-commercial status. However, we note that these revenues reflect the commercial sale of Tego Guardian, while previous revenues had come from consulting activities.

With Splunk's user base of over 15,000 corporate enterprises (with a \$75,000 annual license fee), Tego Cyber sees a total addressable market of \$1.125 billion for the initial Splunk version of Tego Guardian. Management has set a goal to achieve a 1% penetration rate within the first calendar year of commercialization, which would represent \$11.5 million gross licensing revenue. Given this large subscriber base and Tego's prospects to capitalize on Splunk's continued growth by offering below-peer-average license fee rates, we see potential for its forecasts to prove conservative. Further, we think Tego's investments to ramp up its sales and marketing team, develop new channel programs, and integrate Tego Guardian across the top 10 SIEM platforms in the next two years, position the company to achieve robust sales growth in the coming years, and increased awareness and attention from investors.

As of March 31, 2022, Tego Cyber had roughly \$523,000 in cash on its balance sheet and a working capital surplus of approxi-

mately \$631,000. The company has estimated a monthly cash burn rate of \$120,000. Subsequent to its fiscal 2021 year-end (June 30, 2021), Tego paid off \$22,600 in long-term debt, leaving it debt-free, and enhanced its balance sheet through a series of investments. We view its current working capital ratio of 21.2 favorably, as it should enable Tego to execute on its growth strategy

As of March 31, 2022, Tego had 25.1 million shares outstanding, with additional warrants for 3.0 million shares that are currently "in the money" and which, if exercised, would bring in additional funding capital. During the nine months ended March 31, 2022, the company raised \$1.4 million from the completion of various private placements, which issued approximately 5.6 million common shares.

## 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 large 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 30 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

Over the past several quarters, Tego Cyber has launched a Channel Partner program, in partnership with Vation Ventures, to augment its internal sales efforts. Under the program, partners can offer Tego Guardian as an upsell to their existing clients using the Splunk SIEM platform or market to new clients. Since launch, Tego has signed three channel-partner agreements and is in negotiations for an additional four. Each would bring their own sales infrastructure and established client base to sell to Splunk users, potentially saving time and money and reducing Tego's sales cycle.

In May 2022, Tego Cyber announced that it will be active in marketing the company, by attending several prominent cybersecurity and technology conferences throughout the summer of 2022. These appearances include the RSA Conference, conf22, Splunk's biggest annual customer and partner event, and Black Hat USA.

Steve Silver,  
Argus Research Analyst

**INCOME STATEMENT**

<b>Growth Analysis (\$Mil.)</b>	<b>FY 20</b>	<b>FY 21</b>	<b>Q1 FY 22</b>	<b>Q2 FY 22</b>	<b>Q3 FY 22</b>
Revenue	0.0	0.0	0.0	0.0	0.0
Gross Profit	0.0	-0.1	-0.2	-0.3	-0.3
Operating Expenses	0.1	0.7	0.4	0.2	0.5
Operating Income	-0.1	-0.7	-0.4	-0.5	-0.8
Interest Expense	0	-0.2	0.0	0.0	0.0
Pretax Income	0	-0.9	0.5	-0.6	-0.9
Tax Rate (%)	NA	NA	NA	NA	NA
Net income	-0.1	-0.9	0.5	-0.6	-0.9
Diluted Shares	7.8	13.6	19.3	19.4	19.4
EPS	-0.01	-0.07	-0.02	-0.03	-0.04
Dividend	NA	NA	NA	NA	NA
<b>Growth Rates (%)</b>					
Revenue	NA	NA	NA	NA	NA
Operating Income	NA	NA	NA	NA	NA
Net Income	NA	NA	NA	NA	NA
EPS	NA	NA	NA	NA	NA
<b>Valuation Analysis</b>					
Price (\$): High	NA	0.27	NA	NA	NA
Price (\$):Low	NA	0.03	NA	NA	NA
PE: High	NA	NA	NA	NA	NA
PE: Low	NA	NA	NA	NA	NA
PS: High	NA	NA	NA	NA	NA
PS: Low	NA	NA	NA	NA	NA
Yield: High	NA	NA	NA	NA	NA
Yield: Low	NA	NA	NA	NA	NA
<b>Financial &amp; Risk Analysis (\$MIL)</b>					
Cash	0.0	0.6	1.5	1.0	0.5
Working Capital	0.08	0.7	1.5	1.1	0.6
Current Ratio	4.8	15.3	17.4	67.1	22.1
LTDebt/Equity (%)	NM	NM	NM	NM	NM
Total Debt/Equity (%)	NM	3.1	3.2	0.0	0.0
<b>Ratio Analysis</b>					
Gross Profit Margin	NM	NM	NM	NM	NM
Operating Margin	NM	NM	NM	NM	NM
Net Margin	NM	NM	NM	NM	NM
Return on Assets (%)	NA	NA	NA	NA	NA
Return on Equity (%)	NA	NA	NA	NA	NA
Op Inc/Int Exp	NA	NA	NA	NA	NA
Div Payout	NA	NA	NA	NA	NA

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