

April 9, 2024

TEGO CYBER INC. (OTCQB: TGCB)

BUSINESS DESCRIPTION

Tego Cyber is a cybersecurity software-as-a-service (SaaS) company focused on innovation. Its product suite provides enriched cyber threat 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 (TI) feed 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 (TC) engine 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 bolt-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 API (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 cybersecurity 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 (CAGR) of 20.4%.

(continued on next page)

KEY STATISTICS

Key Stock Statistics

Recent price (4/8/24)	\$0.13
52 week high/low	\$1.04/\$0.04
Shares outstanding (M)	61.4
Market cap (M)	8.0
Dividend	Nil
Yield	Nil

Sector Overview

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

Financials (\$M, as of 12/31/23)

Cash & Mkt Securities	0.0
Debt	0.9
Working Capital (\$M)	-1.4
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	0.33
Inst. ownership	11%

Valuation

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

Top Holders

AJB Capital Investments LLC
District 2 Capital LP
Bigger Capital LLC

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



COMPANY SPONSORED REPORT. SEE LAST PAGE FOR DISCLOSURES.

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 US 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 cyber incursions, 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 IoT (Internet of Things) devices. Previously simple “phishing” attacks have evolved into more-complicated and sophisticated events. Ransomware, where malware installed on a device locks that device until a ransom is paid, has also evolved in terms of frequency and impact.

Despite a challenging transition to commercialization and revenue generation, we view positively Tego Cyber’s recent progress towards a rising stream of revenues. While the company initially deployed a hybrid strategy of building channel relationships with leading cybersecurity consultants and solution providers with dedicated inside sales staff, we think the hiring of a Chief Revenue Officer in June 2023 will help enable the company to leverage these relationships into license agreements more effectively. The company has since implemented a broader sales strategy through four core channels: inside sales, managed security service providers (MSSPs), value added resellers (VARs), and OEM licensing.

Over the past few years, Tego Cyber has developed a cloud-based platform for leading players across the cybersecurity and data storage landscapes. Primary among these has been the Security Information and Event Management (SIEM) market. The first version was developed as a bolt-on solution for Splunk, a former Nasdaq-100 company (recently acquired by Cisco Systems for \$28 billion) that provides software for the real-time collection, monitoring, searching, and analyzing machine-generated data. As the largest SIEM industry company, with more than 20,000 enterprise clients, Splunk is used by about 90 of the Fortune 100 companies. Tego has also developed versions of its platform to

support Elastic (approximately 18,000 enterprise clients) and was working to develop its platform for additional top SIEMs including Devo, IBM QRadar, AT&T Cybersecurity, Exabeam and Google Chronicle.

In calendar 2023, Tego began to penetrate another fast-growing industry, the “Data Lakehouse” and “Data Warehouse” storage markets, which represent rapidly growing segments of the technology market, given their lower cost of data storage compared with SIEMs. However, they are more susceptible to security concerns. Lakehouse platforms operate storage repositories for raw data that is held until formatted for analytical applications, while data warehouses store large amounts of formatted data for their customers.

As with its SIEM capabilities, the Tego Cyber solution is designed to be platform agnostic and to integrate seamlessly across disparate systems, thereby enabling customers to leverage the power of advanced analytics, machine learning, and curated threat intelligence data to detect and respond to threats in real-time.

In June 2023, Tego Cyber announced a development agreement with Databricks, which has approximately 9,000 clients and generated approximately \$1.2 billion in 2022 revenues. Databricks operates an open Lakehouse marketplace that allows consumers to access data products without having to be on the Databricks platform.

In July 2023, Tego Cyber announced the successful launch of its threat correlation engine for Amazon Security Lake, powered by Amazon Web Services (AWS), which supports the open, OCSF industry standard to help AWS customers to leverage the centralized security data lake with improved protection of their workloads, applications, and data without requiring customers to ship their data elsewhere.

COMPETITIVE ADVANTAGE

We view Tego Cyber’s Threat Intelligence and Correlation engines’ 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. In 2022, threat detection, diagnosis and response took 277 days, on average, according to a study by IBM.

The dashboards on Tego’s Intelligence platform are integrated with existing cybersecurity platforms, allowing a cybersecurity team to quickly see which threats have been detected within the

(continued on next page)

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	8	-85	NM	NM	NM	0.33	NA
T STAMP INC	NASDAQ: IDAI	0.98	6.60	0.77	10	-50	-15	NM	NM	-0.66	NA
INTRUSION INC	NASDAQ: INTZ	2.64	39.60	2.68	5	-89	-25	NM	NM	0.47	NA
INTELLICHECK INC.	NASDAQ: IDN	3.48	4.25	1.56	68	46	18	NM	NM	1.80	NA

environment, the categorization of the threats, and which assets in the environment have been impacted. The engine pulls in raw cyber threat 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 (MTTD) and mean-time-to-response (MTTR), thus increasing the ROI of currently deployed cybersecurity resources.

In our view, Tego's product offering, which includes threat intelligence feeds as both a standalone product, as well as a part of a suite with its threat correlation engine, is unique in the current competitive landscape. We see this bifurcated, value-based product offering expanding end-user access to Tego Cyber'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 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 females 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 \$0.13, near the lower end of its 52-week range of \$1.10 and \$0.04.

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.

In January 2024, the company formally launched the Tego Threat Intelligence feed (Tego TI) under a new path-to-market strategy that has resulted in the commencement of commercial orders. In March 2024, the company stated a goal of reaching profitability by the end of calendar 2024. Based on the cash burn rate moving forward, which the company has estimated to be approximately \$150,000 per month, we see potential for revenues of \$1.5-\$2.0 million enabling Tego Cyber to reach this goal and, importantly, should position the company to expand its investments in marketing and other revenue generating activities.

To date, Tego Cyber has recorded minimal revenue, as a largely pre-commercial and pre-active license status company. In fiscal 2023 (ended June 30, 2023), operating expenses totaled \$5.8 million, contributing to a net loss of \$10.7 million, and a loss per share of \$0.33. Much of the loss, however, was attributable to non-cash items, including share-based compensation, financial settlement costs as well as general and administrative costs that are likely to ease, in our view.

As of December 31, 2023, the company had current assets of \$51,000, including \$37,800 in cash on hand, and \$920,000 in debt on its balance sheet. Tego Cyber is working to negotiate an extension on this obligation, which we expect will utilize additional equity and warrant issuances. As of December 31, 2023, the company had a negative working capital position of \$1.4 million.

As of March 19, 2024, there were approximately 64.4 million shares outstanding, along with 6 million in stock options, 9 million warrants and 2.7 million performance stock units issued.

For the fiscal year ended June 30, 2023, the company used \$1.6 million in cash for its operations, consistent with fiscal 2022. Cash used from investing activities was a modest \$0.3 million in both periods. Tego Cyber generated \$2.1 million in cash from financing activities in fiscal 2023, compared with \$1.4 million generated in fiscal 2022, with cash in both periods generated from equity issuances.

MANAGEMENT

Mr. Robert E. (Bobby) Mikkelsen was appointed as Tego Cyber's Interim Chief Executive Officer (CEO) in January 2024. Mr. Mikkelsen had joined the company as its Chief Financial Officer (CFO) 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, Ms. Shannon Wilkinson, Tego Cyber's founder and prior CEO, transitioned into the role of Chief Technology Officer (CTO), where she is focused upon product support, new product development and technical support for its 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, we see the addition of a Chief Revenue Officer in mid-2023, SecureX LLC principal Kirk Horton, who has more than 25 years of industry experience, contributing to 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.

We are encouraged by Tego Cyber's announcement that it had earned its first commercial revenue from the threat detection and correlation engine in October 2023, through one of its resellers, and has seen initial license agreements from a top-15 global managed security service providers (MSSP), with more than 7,000 commercial customers worldwide that will be reselling Tego's platform to its commercial customers using the Splunk SIEM or AWS Security Lake.

In February 2024, Tego Cyber signed an authorized partner, white label, and licensing agreement with Query.ai, Inc., under which Query will license Tego's threat intelligence (TI) feed 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 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, but will also carry future integrations of Tego's application as they become commercially available.

Steve Silver,
Argus Research Analyst

INCOME STATEMENT

	(6/30/21)	(6/30/22)	(6/30/23)	(9/30/2023)	(12/31/23)
Growth Analysis (\$Mil.)	FY 2021	FY 2022	FY 2023	Q1 FY 2024	Q2 FY 2024
Revenue	0.0	0.0	0.0	0.0	0.0
Gross Profit	0.0	0.0	0.0	0.0	0.0
Operating Expenses	0.7	3.1	5.8	0.9	1.0
Operating Income	-0.7	-3.1	-5.8	-0.9	-1.0
Interest Expense	0.2	0.1	0.7	3.2	1.2
Pretax Income	-0.9	-3.1	-10.8	-4.1	-2.2
Tax Rate (%)	NA	NA	NA	NA	NA
Net income	-0.9	-3.1	-10.7	-4.1	-2.2
Diluted Shares	13.6	24.2	32.9	51.0	56.5
EPS	-0.07	-0.13	-0.33	-0.08	-0.04
Dividend	NA	NA	NA	NA	NA
Growth Rates (%)					
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
Valuation Analysis					
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		
Financial & Risk Analysis (\$MIL)					
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		
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		

DISCLAIMER

Argus Research Co. has received a flat fee from the company discussed in this report as part of a “Sponsored Research” agreement between Argus and the company. No part of Argus Research’s compensation is directly or indirectly related to the content of this assessment or to other opinions expressed in this report. Argus Research provides a suite of Sponsored Research services including but not limited to initial reports with ongoing coverage and updates; proprietary Argus Research earnings estimates; distribution to Argus Research’s clients; a license to enable the company to proactively use and distribute the report ; a press release announcing our initial coverage and updates; and access to the Vickers Research database. The price for this suite of services generally ranges from \$22,000 to \$35,000 depending on the level of services selected. Argus Research receives no part of its compensation in the form of stock or other securities issued by the company discussed in this report, and has no long equity position or short sale position in the company’s stock. Argus Research is not involved in underwriting securities for the subject company, and will receive no proceeds or other financial benefit from any securities offering by the company. Argus Research; its officers, directors, and affiliates; and the author of this report have no financial interest in, or affiliation with, the subject firm. The report is disseminated primarily in electronic form and is made available at approximately the same time to all eligible recipients.

Argus Research Co. (ARC) is an independent investment research provider whose parent company, Argus Investors’ Counsel, Inc. (AIC), is registered with the U.S. Securities and Exchange Commission. Argus Investors’ Counsel is a subsidiary of The Argus Research Group, Inc. Neither The Argus Research Group nor any affiliate is a member of the FINRA or the SIPC. Argus Research is not a registered broker dealer and does not have investment banking operations. The Argus trademark, service mark and logo are the intellectual property of The Argus Research Group, Inc. The information contained in this research report is produced and copyrighted by Argus Research Co., and any unauthorized use, duplication, redistribution or disclosure is prohibited by law and can result in prosecution. The content of this report may be derived from Argus research reports, notes, or analyses. The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but Argus makes no representation as to their timeliness, accuracy or completeness or for their fitness for any particular purpose. In addition, this content is not prepared subject to Canadian disclosure requirements. This report is not an offer to sell or a solicitation of an offer to buy any security. The information and material presented in this report are for general information only and do not specifically address individual investment objectives, financial situations or the particular needs of any specific person who may receive this report. Investing in any security or investment strategies discussed may not be suitable for you and it is recommended that you consult an independent investment advisor. Nothing in this report constitutes individual investment, legal or tax advice. Argus may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this report, and all opinions are reflective of judgments made on the original date of publication. Argus is under no obligation to ensure that other reports are brought to the attention of any recipient of this report. Argus shall accept no liability for any loss arising from the use of this report, nor shall Argus treat all recipients of this report as customers simply by virtue of their receipt of this material. Investments involve risk and an investor may incur either profits or losses. Past performance should not be taken as an indication or guarantee of future performance. Argus has provided independent research since 1934. Argus officers, employees, agents and/or affiliates may have positions in stocks discussed in this report. No Argus officers, employees, agents and/or affiliates may serve as officers or directors of covered companies, or may own more than one percent of a covered company’s stock. Argus Investors’ Counsel (AIC), a portfolio management business based in Stamford, Connecticut, is a customer of Argus Research Co. (ARC), based in New York. Argus Investors’ Counsel pays Argus Research Co. for research used in the management of the AIC core equity strategy and model portfolio and UIT products, and has the same access to Argus Research Co. reports as other customers. However, clients and prospective clients should note that Argus Investors’ Counsel and Argus Research Co., as units of The Argus Research Group, have certain employees in common, including those with both research and portfolio management responsibilities, and that Argus Research Co. employees participate in the management and marketing of the AIC core equity strategy and UIT and model portfolio products. Recipients of the Research reports in Singapore should contact the Intermediary of the Research Reports in respect to any matters arising from, or in connection with, the analysis of the report. Where the recipient is not an accredited, expert or institutional investor as defined by the Securities and Futures Act, the Intermediary accepts legal responsibility for the contents of Research Reports in respect of such recipient in accordance with applicable law. When reports are distributed by Intermediaries in Singapore, the Intermediary, and not Argus Research, is solely responsible for ensuring that the recipients of the Research Reports understand the information contained in the Research Reports and that such information is suitable based on the customer's profile and investment objectives.