

Cybeats Technologies Corp.

{CYBT-CSE}

SECTOR: Technology & Cybersecurity

STOCK PRICE

\$1.04

NO RATING
NO TARGET

THESIS REINFORCEMENT

Significant 3CX Supply-Chain Hack Reinforces CYBT Thesis

OUR TAKE: Last week, a major supply chain hack occurred, reinforcing the need for SBOM applications and CYBT's value prop. 3CX, founded in 2005 when VOIP (voice over internet protocol) was an emerging technology, has established itself as a global leader in business communications. 3CX boasts its over 600k customers in 190 countries, representing over 12M users. 3CX's customer list includes high profile organizations like American Express, Coca-Cola, McDonald's, BMW, Honda, Air France, Toyota, Mercedes-Benz, IKEA, and the UK's National Health Services. Security firms Sophos and CrowdStrike have indicated that the 3CX hackers targeted both Windows and macOS users of the compromised 3CX softphone app. The malicious activity includes beaconing to actor-controlled infrastructure, deployment of second-stage payloads, and, in a small number of cases, hands-on-keyboard activity. CrowdStrike and SentinelOne pinned the operation on North Korean hackers, who compromised 3CX installer software. While initial research indicates the attack was focused on a select batch of cryptocurrency firms, the number of potential victims is in the hundreds of thousands. This is the one of the latest, more potentially damaging attacks on software supply chains which only reinforces the thesis for SBOM tools which CYBT provides. We believe this nascent subsector within broader cybersecurity, is in an early adoption phase, however instances like this 3CX attack will only accelerate its adoption curve, which CYBT should benefit from. As of today, the Company has closed on 7 deals, has 9 ongoing POC/pilots, and defines its pipeline with 120 qualified leads.

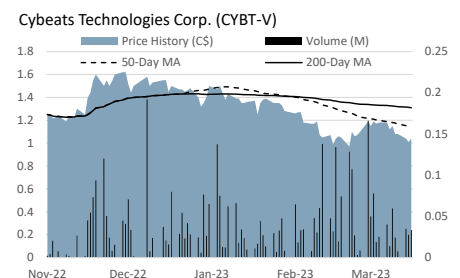
KEY HIGHLIGHTS

- ◆ **SBOM 101:** Software bill of materials (SBOM) is essentially a nutritional label on a food product – it lists the ingredients, highlighting content that may be harmful. A SBOM is a formal inventory of software components and dependencies, technical information, and the code's hierarchical relationships. A SBOM helps developers understand a code's origin to better determine whether it is secure and aids in mitigating known vulnerabilities. According to McKinsey, open-source software (OSS) development has risen from ~35% to ~75% of organizations' audited codebase. Enterprises use OSS to help with cost savings, developer flexibility and coding speed. A drawback of using OSS is exposing organizations to cyber risk – OSS is not regulated or overseen by a central authority and is available publicly, meaning OSS can contain vulnerabilities and out of date code.
- ◆ **Cybersecurity Market:** As the digital economy continues to expand, an unfortunate consequence of this growth is the increase in digital crime. Millions of attack opportunities are created as a result of surging online and mobile interactions. Cybercrime Magazine estimates that at the current rate of growth, damage from cyberattacks will amount to ~US\$10.5Tn annually by 2025, a 300% increase from 2015 levels. McKinsey estimates that organizations globally spent ~US\$150Bn in 2021 on cybersecurity, reflecting 12.4% annual growth. According to one of its surveys of 4000 mid-sized companies, nearly 80% observed threat groups operating in 2021 and more than 40% of the observed malware had never been seen previously. Currently available solutions do not fully meet the requirements of customers when considering pricing, services, automation, and other capabilities. McKinsey estimates the 2021 vended cybersecurity market to be only 10% penetrated at US\$150-200Bn of its fully penetrated address market, valued at US\$1.5Tn.
- ◆ **Recent Developments are Encouraging:** We highlight CYBT's recent developments since our initial [watchlist report](#).
 - February 10 - [Cybeats Provides Overview of its Customer Success Strategy](#)
 - March 8 - [Cybeats Provides Roundup of S4X23 Conference in Miami; Highlights Impact on Critical Infrastructure Security Sector](#)
 - March 9 - [Pioneering SBOM Management: Cybeats Launches New 'SBOM Quality Score' Feature on its SBOM Studio](#)
 - March 14 - [Cybeats Announces Expansion of Commercial Agreement with Existing Fortune 500 Client](#)
 - March 23 - [Cybeats Demonstrates Organizational Maturity Milestone with SOC 2 Certification](#)
 - March 31 - [FDA's Enhanced Role and SBOM Mandate Further Validates Market for Cybeats' SBOM Studio](#)
 - April 4 - [Cybeats Announces Successful Product Delivery to its Leading Energy Management, ICS and Automation Clients](#)

Outlook: In a nascent subcategory of broader cybersecurity spend, Executive Order 14028 is driving enterprises to strengthen SBOM defenses. Cybeats is a first mover in this category with limited competition who is observing early commercial adoption evidenced by recent press releases.

KEY STATISTICS AND METRICS

52-Week High/Low	n/a	Debt	\$1.5M
YTD Performance	-32.03%	Enterprise Value	\$93.7M
Dividend Yield	n/a	Daily Volume (3 mos.)	49,884
Shares O/S	92.5M	Currency	C\$ unless noted
Market Capitalization	\$96.2M	Website	www.cybeats.com
Pro-forma Cash est.	\$4.0M	CEO	Yoav Raiter



Source: Capital IQ, and Haywood Securities

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	%	#	IB Clients (TTM)
Buy	77.7%	80	95.2%
Hold	8.7%	9	4.8%
Sell	0.0%	0	0.0%
Tender	1.0%	1	0.0%
UR (Buy)	0.0%	0	0.0%
UR (Hold)	0.0%	0	0.0%
UR (Sell)	0.0%	0	0.0%
Dropped (TTM)	12.6%	13	0.0%

B: Buy; H: Hold; S: Sell; T: Tender; UR: Under Review
Source: Capital IQ and Haywood Securities

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