



**Nexus
Investment
Fund**

December 2024, CYBR

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EXECUTIVE SUMMARY

CyberArk (CYBR) is a cybersecurity leader with strong growth and a BUY recommendation.

- **CyberArk (CYBR)** is a global leader in cybersecurity, specializing in Privileged Access Management (PAM) with an 80% market share and over 7,000 enterprise customers.
- Trading at **\$320.86** with an intrinsic value of **\$347.12**, offering a **9% upside** in the base case and **24% in a bullish scenario**.

Financial Performance

- **2024 ARR:** \$925M (23% YoY growth)
- **Subscription Revenue:** \$585M (+43%), **64% of total revenue**
- **Gross Margin:** 83%

Market Positioning & Growth

- Strong industry tailwinds with cybersecurity market projected to grow at **12.3% CAGR**
- Strategic partnerships with AWS, Azure, and Google Cloud
- Expansion into AI-driven security and Zero Trust architecture

Investment Recommendation: BUY

- Consistent Outperformance: Beat S&P 500 for 8 consecutive years
- Strong Analyst Support: ABR of **1.10** (27/29 analysts rate it a **Strong Buy**)
- Future Growth Catalysts: AI-driven security innovations, increasing demand for identity security, and global expansion opportunities



COMPANY OVERVIEW

CyberArk leads the PAM market with 80% share, a subscription model, strategic acquisitions, and strong growth prospects.

Business Model Overview

- Maintains 80% market share in Privileged Access Management (PAM segment)
- Subscription-based revenue model accounting for 64% of total revenue
- Strategic acquisitions in identity security such as, Venafi and Idaptive
- R&D Investments in AI-driven defence systems and incorporating machine learning initiatives into products
- Industry partnerships with top cloud providers: AWS, Azure and Google Cloud
- Actively serving over 7,000 clients worldwide, including over 50% of the Fortune 500

Main Revenue Drivers

Total ARR in 2024 is \$925 million, a 23% growth from 2023

Revenue Breakdown by Business Model:

- Subscription Revenue: \$585 million, growing 43%, representing 63% of total revenue
- Maintenance & Services: \$315 million, growing 18%, representing 34% of total revenue

Key Financials

CYBERARK SOFTWARE LTD.

Ticker	Market Cap.	Shares Outstanding	Current Share Price
CYBR	\$15.7 B	43.6 M	\$320.9

Recommendation: Long Buy
Date of preparation: 03/12/2024

Share Price Analysis


- Target price: \$347.12 (9% increase) within a year, with an upside scenario of \$400 (24% increase).
- Average Brokerage Recommendation (ABR): 1.10 and 27 out of 29 issue a strong buy recommendation
- Consistently outperformed S&P 500 for 8 years in a row
- Intrinsic value per share is \$347.12, although current stock price is valued at \$320.86.




COMPANY OVERVIEW

CyberArk's strong leadership drives consistent growth, achieving a 1,176% return over 10-Y, with share prices projected to rise further under favourable scenarios.


Management & Leadership




Udi Mokady
Founder &
Executive Chairman



Matt Cohen
Chief Executive
Officer



Erica Smith
Chief Financial
Officer

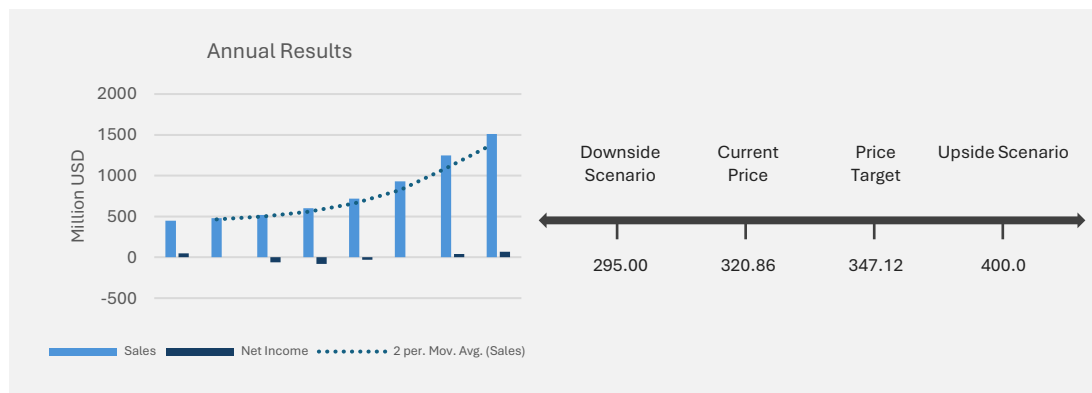


Eduardo Camacho
Chief Operating
Officer

Historic Performance

Historic Performance			
6 Month	1 Year	5 Year	10 Year
+25%	+49%	+163%	+1,176%

Earnings Flash & Scenario Analysis



Share Price Analysis



INDUSTRY OVERVIEW

CyberArk is poised for growth in a cybersecurity market expanding at 12.3% CAGR amid rising threats and regulatory demands.

Macroeconomic Outlook

Cybersecurity Market Growth

- Projected CAGR: 12.3% (2022-2030)
- Market expansion aligns with trends in cloud computing, IoT, and AI, increasing cyber threats.

Industry Demand

- BFSI dominates revenue; Government, Healthcare, IT & Telecom sectors experiencing rapid growth.

Market Opportunity

- Annual market growth rate: 7.92% (2024-2029)
- Adds ~\$100 billion in market volume.

CyberArk's Positioning

- Strong demand for Privileged Access Management (PAM) solutions.
- Positioned for long-term growth amidst rising digital transformation and cybersecurity priorities.

Recent Industry Trends

- **Rising Cybersecurity Threats:** Increasing sophistication of cyberattacks, including ransomware and supply chain vulnerabilities, driving demand for advanced cybersecurity solutions.
- **Shift to Zero Trust Architecture:** Identity-centric security models and Privileged Access Management (PAM) as a foundational element of Zero Trust frameworks.
- **Cloud Security Growth:** Growing reliance on cloud platforms and hybrid environments, with demand for cloud-native security solutions and partnerships with cloud providers like AWS, Azure, and Google Cloud.
- **Regulatory Compliance Pressure:** Stringent regulations like GDPR, HIPAA, and U.S. cybersecurity mandates pushing organizations to prioritize compliance and invest in identity security.
- **AI and Machine Learning in Cybersecurity:** Adoption of AI and machine learning for predictive threat detection, automated responses, and enhanced analytics, transforming the cybersecurity landscape.

Key Competitors



INVESTMENT THESIS

The dominance in PAM, expansion into AI-driven cloud security, and strong financial metrics position CyberArk for sustained growth.

Key Reasons for Recommendation

Market Leadership

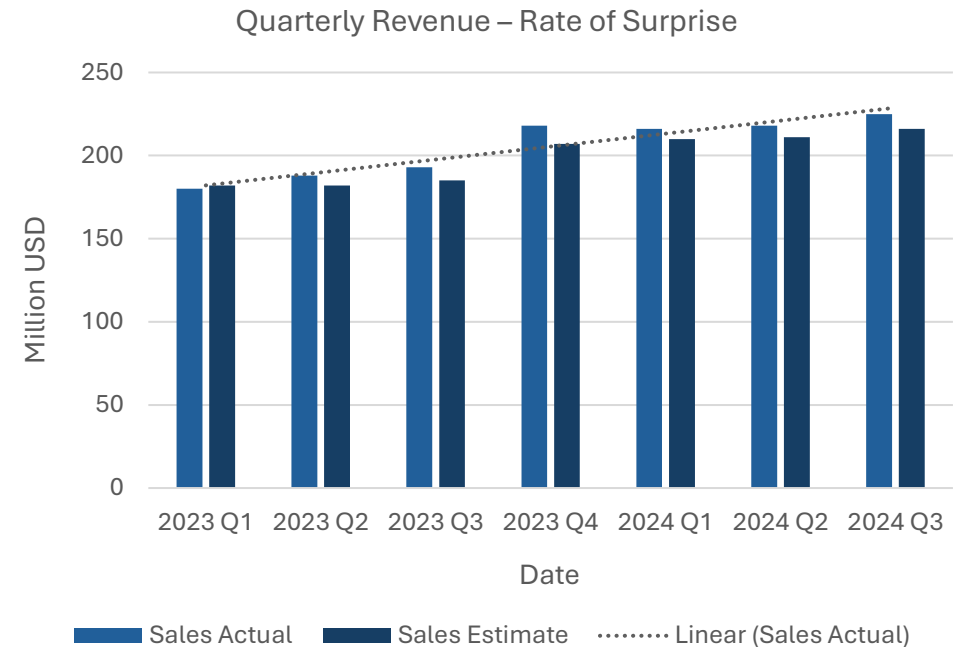
- 80% market share in PAM
- 7000 customers worldwide
- Serves over half of Fortune 500 companies

Expansions into Cloud and Zero Trust Security

- Innovative AI-solutions to security problem
- Larger reach (TAM has grown 20% in the past year)
- Expected CAGR of 18% through 2030 within these industries
- Partnerships with major cloud providers (AWS, Azure and Google Cloud)
- Innovations such as MFA, Single Sign-On and Just-in-time access

Financial Resilience and Consistent Growth

- 23% revenue growth
- Free Cash Flow (FCF) of \$51 million, 38% increase from 2023
- Gross Margins: 83%
- Weighted Average Cost of Capital (WACC): 8%, due to high R&D



CATALYSTS

CyberArk's AI-driven product launches, regulatory trends, and expanding market penetration drive both short- and long-term growth opportunities.

Short-Term Drivers

Product Launches

CyberArk is set to release AI-driven security analytics tools in 2024, enhancing predictive threat management and customer satisfaction. These innovations are expected to drive short-term revenue growth by appealing to enterprise customers seeking advanced cybersecurity capabilities.

Earnings Momentum

Continued robust growth in subscription revenue, which exceeded market expectations in recent quarters, signals strong demand for CyberArk's identity security solutions. Positive earnings surprises in upcoming quarters could act as immediate stock price catalysts.

Long-Term Drivers

Regulatory Compliance Trends

The increasing prevalence of regulations like GDPR, HIPAA, and U.S. cybersecurity executive orders is creating sustained demand for CyberArk's privileged access management solutions. These mandates compel organizations to prioritize identity security and invest in reliable cybersecurity infrastructure.

Cloud Adoption and Zero Trust Integration

CyberArk is well positioned to benefit from the ongoing migration to cloud services and the widespread adoption of Zero Trust frameworks. Its strategic partnerships with major cloud providers (AWS, Azure, Google Cloud) and the development of scalable, cloud-native solutions ensure long-term revenue streams.

Global Market Penetration

CyberArk's focus on underpenetrated markets, particularly in the APAC and South America regions, provides ample room for future growth. Investments in local partnerships and tailored marketing strategies are expected to increase its global market share.

Hybrid Work Security Needs

The hybrid work model has increased demand for endpoint and network security solutions. CyberArk's expertise in securing privileged access and identity in distributed environments places it at the forefront of meeting these evolving security requirements.



RISKS & MITIGATION

CyberArk addresses economic risks, regulatory challenges & competition through geographic diversification, SaaS models, customer retention & continuous innovation.

Economic Risk

- 1** CyberArk's growth is vulnerable to global economic downturns, which could delay enterprise spending on cybersecurity solutions and impact revenue growth.



To mitigate economic uncertainty, CyberArk continues to broaden its geographic reach as economic conditions vary across regions, reducing its reliance on a single market.

Industry Risk

- 2** Dependence on rising cybersecurity importance and evolving data privacy regulations like GDPR could increase operational costs and restrict operations.



Through diversifying its revenue across subscriptions (SaaS-model), partnerships and strategic acquisitions CyberArk maintains its competitive edge.

Competitive Pressure

- 3** Faces strong competition from Okta, Palo Alto, and others offering broader portfolios or lower-cost solutions, potentially limiting market share growth.



CyberArk focuses on customer retention and long-term contracts with partners to ensure stability and future growth.

Public Reputation

- 4** A security breach or failure to prevent high-profile attacks could damage CyberArk's reputation and erode customer trust.



CyberArk ensures a good public reputation by transparency and good communication with clients and continues to serve large public enterprises within Healthcare and Finance.

Technological Evolution

- 5** Rapid innovation by competitors could render CyberArk's existing solutions obsolete if innovation slows.



Continued investment in AI and Machine Learning systems with over 40% of revenue allocated to innovation. This includes advanced features like session recording and password rotation.



FINANCIALS BREAKDOWN

CyberArk's enhanced operational efficiency, substantial liquidity and significant increase in Free Cashflow highlight the company's robust financial health.

Income Statement (IS):

- Total Revenue: **\$930 million** in 2024, **24%** increase compared to \$751.9 million in 2023
- Subscription Revenue: in Q3 2024 **\$175.6 million**, a **43%** increase year-over-year.

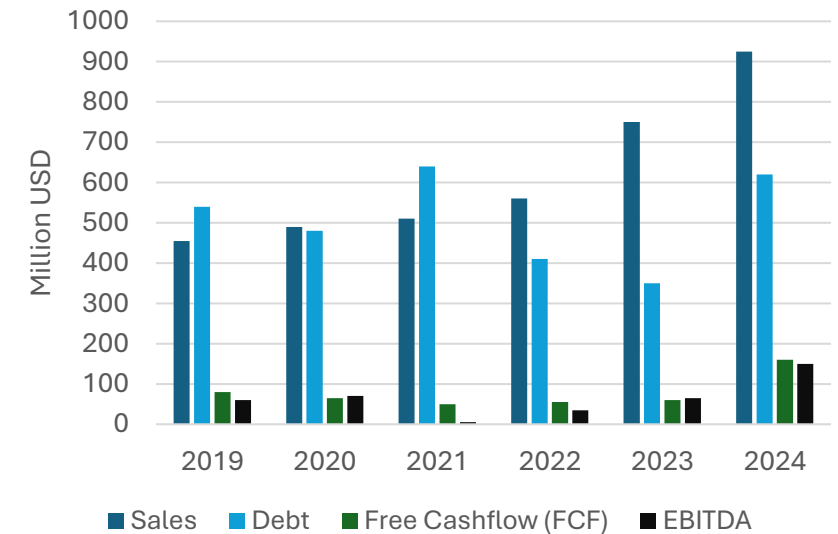
Balance Sheet (BS):

- Assets:
 - Cash: approx. \$1.5 billion, so substantial liquidity
 - Total Assets (incl. ST investments): \$2.1 billion
- Total Liabilities: \$0.9 billion
- Total Shareholders' Equity: approx. \$1.23 billion, indicating a strong equity base.

Cash Flow (CF):

- Net Cash Provided by Operating Activities: September 2024 \$167.2 million, from \$56 million in 2023.
- Investing Activities:
 - Capital Expenditures:
 - TTM as of Q4 2024: \$7.79 million, from \$4.95 in 2023.
- Issuance of Common Stock: TTM as of September 30, 2024: \$39 million.
- Repurchase of Common Stock: TTM as of September 30, 2024: \$7.66 million, suggesting confidence in the company's valuation
- Free Cash Flow: TTM as of Q4 2024: \$206.26 million, from \$51 in 2023

Profit and Loss Account



DCF MODEL

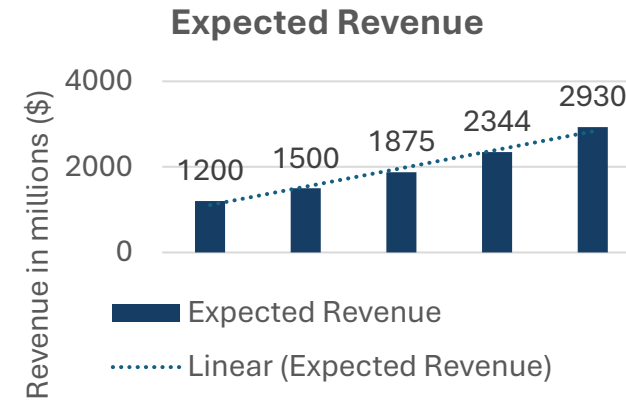
With the use of financial calculations, CyberArk’s stock is well-priced and has room for growth, with a lower stock price than the intrinsic value per share.

- **Revenue Growth Rate:** We'll keep the 25% growth rate for the next 5 years.
- **Operating Margin:** We'll retain the 15% margin, with 80% of it converting into free cash flow (FCF).
- **Discount Rate (WACC):** We'll use 8%, as it's commonly used for tech companies like CyberArk.
- **Terminal Growth Rate:** We'll assume 3% for the terminal value, reflecting long-term inflation expectations.

We expect that within 5 years annual revenue is \$2,930 million, compared to \$930 million in 2024

Total Enterprise Value: \$13.8 billion

Intrinsic Value per Share = Enterprise Value/ Shares Outstanding = \$347.12, so stock is undervalued at \$320.86



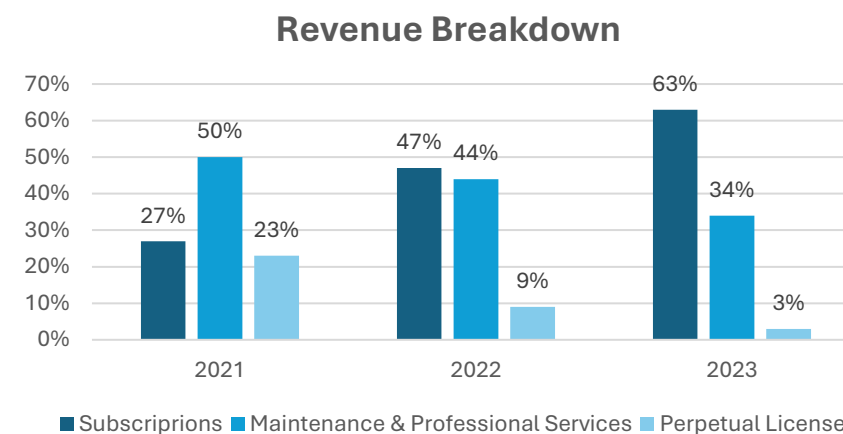
Year	Revenue (in millions)	Operating Income (15%)	Free Cash Flow (80%)
1	1,200.0	180.0	144.0
2	1,500.0	225.0	180.0
3	1,875.0	281.3	225.0
4	2,344.0	351.6	281.3
5	2,931.0	439.7	351.7



VALUATION

CyberArk's strong growth, SaaS-driven model, and high analyst ratings highlight its attractive valuation with projected 20% CAGR and \$347.12 intrinsic value.

- Stock Price: **\$320.86** per share.
- Intrinsic Value: **\$347.12**,
- Average Brokerage Recommendation (ABR) of **1.10**
- 27 out of 29 analyst value it as a **Strong Buy**
- Projected revenue growth of **20% CAGR** over the next 5 years
- SaaS-driven model is expected to boost long-term margins and cash flows, supporting a higher valuation multiple.



Key Ratios	CyberArk	Competitors
Enterprise Value	14.6B	-
Forward P/E	91.7	27.8
Enterprise Value/ Revenue	16.05	8.75
R&D Spending as % of revenue	41.6%	25%
Gross Margin	80%	70%
WACC	9%	9%
FCF increase 2023	38%	20%



RECOMMENDATION

CyberArk is well-positioned for sustained long-term growth, making it an attractive investment opportunity

Recommendation: **LONG BUY**

CyberArk's strong positioning in cloud security, strategic acquisitions, and market leadership in Privileged Access Management (PAM) support our bullish outlook. The company is expected to continue exceeding market expectations with robust growth catalysts.

Main Factors

- **AI-Driven Security Innovations:** Significant investments in Cloud Security and AI-driven solutions.
- **Market Leadership in PAM:** Expected to grow at 22.5% CAGR over the next 5 years.
- **Proven Financial Growth:** Revenue growing at 23% CAGR, with TAM expanding 20% CAGR.
- **SaaS Transition Success:** Increasing recurring revenue, providing stability and predictability.
- **Global Expansion Potential:** Strong penetration opportunities in APAC and other emerging markets.
- **Strategic Acquisitions:** Strengthening its product portfolio and expanding competitive advantage.

Growth Catalysts

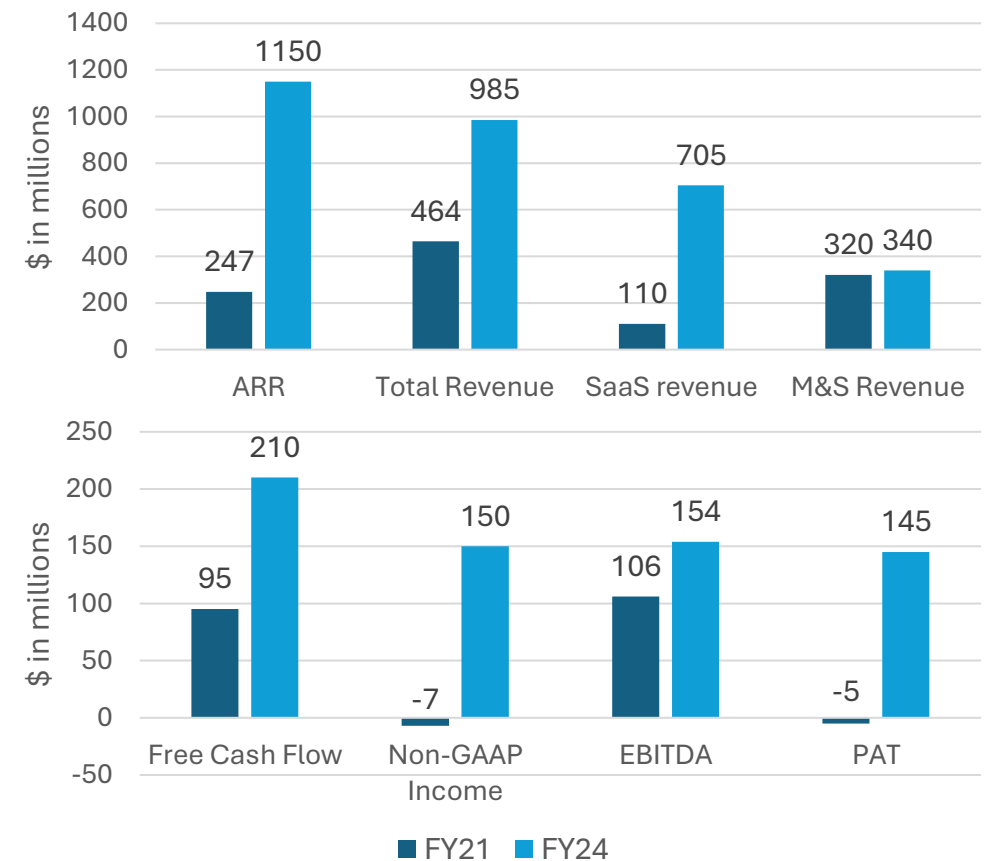
Short-Term Catalysts:

- Strong demand for identity security and cloud solutions amid rising cyber threats.
- Improved operating margins driven by SaaS model.
- Expanding enterprise customer base.

Long-Term Catalysts:

- Continuous innovation in AI-powered cybersecurity solutions.
- Strengthened position in the Zero Trust security framework.

Key Highlights





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