

## Criteo SA

NASDAQ: FEYE

**Analyst:** Mitchell Rager

**Sector:** Technology

**BUY**

Price Target: \$49.19

### Key Statistics as of 5/1/15

Market Price:	\$43.31
Industry:	Computer Security
Market Cap:	\$6.74 B
52-Week Range:	\$24.81-\$46.44
Beta:	N/A

### Thesis Points:

- Innovated Business Model
- Strong & Continuous Growth
- Accomplished Management Team
- Significant Big Moves

### Company Description:

FireEye Inc. is an U.S. network security company that protects against advanced cyber threats. The company was founded in 2004 by Ashar Aziz. It is headquartered out of Milpitas, California and employs over one thousand people. The company's main product consists of a Malware Protection System. "FireEye has invented a purpose-built, virtual machine-based security platform that provides real-time threat protection to enterprises and governments worldwide against the next generation of cyber-attacks. These highly sophisticated cyber-attacks easily circumvent traditional signature-based defenses, such as next-generation firewalls, IPS, anti-virus, and gateways. The FireEye Threat Prevention Platform provides real-time, dynamic threat protection without the use of signatures to protect an organization across the primary threat vectors, including Web, email, and files and across the different stages of an attack life cycle. The core of the FireEye platform is a virtual execution engine, complemented by dynamic threat intelligence, to identify and block cyber-attacks in real time." FireEye has over 2,500 customers across more than 65 countries, including over 150 of the Fortune 500.



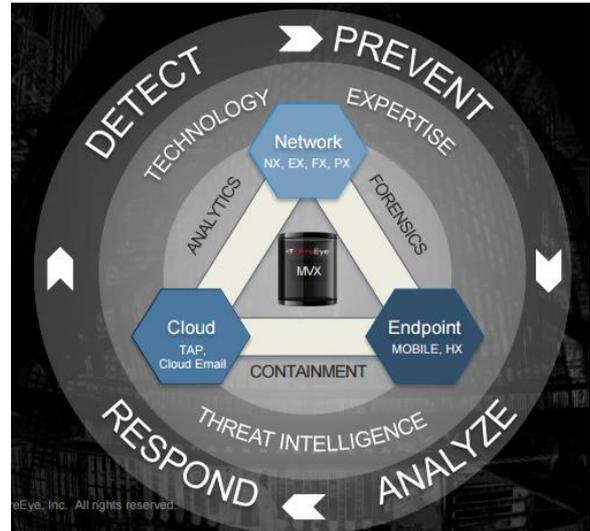
## Thesis & Recommendation

FireEye Inc. is a leader in the ever-expanding Cyber Security Sector. They have grown rapidly in the past ten years to now employ over 1,000 people and maintain a very prominent customer base. The Cyber Security sector is continuing to grow and become extremely important in our technological age of computers and hackers. Nothing is more important to people than their security and privacy and that is exactly what FireEye Inc. prides themselves on. Their business model not only defends their customers against present attacks, but they actually identify and defend against attacks before they even happen. Their innovative business model has been proven by their record growth and recent partnerships with some of the most prominent technological companies in the computer industry. FireEye's management team is led by men and women who have worked with some of those same computer technology giants have continue to bring their experience and intelligence to grow the company. As a result of FireEye's innovative business model, continuous expected growth, promising recent partnerships, and extremely intelligent management team, FireEye Inc is recommended as a strong buy with a one-year price target in the area of \$50.00.

## Innovative Business Model

Cybersecurity has become a main priority of almost every business or organization, in every type of industry throughout the world. Cybersecurity threats have become extremely prominent in recent years and will continue to be a problem as long as the internet and computers are around. Hackers continue to find ways to beat the system and protections against multiple different types of computer technologies. Many traditional cybersecurity platforms are having an extremely hard time keeping up with the wit and intelligence of the future hacker. Many of these traditional platforms act on the defensive side of cybersecurity protection, meaning they simply search your computer for malware and virus's already on your computer, which it then quarantines and removes. FireEye's business model and intelligence engines are built exactly to fight against the future hacker, or zero-day attacks. FireEye takes a much more proactive approach against cyber threats in which they identify

threats before they actually even happen. FireEye continues to find themselves in many big headlines for their ability to detect major corporate attacks before they actually happen.



One example of this is Target's Credit Card scandal last year. The headline can be found here: <http://www.reuters.com/article/2014/03/13/us-target-breach-idUSBREA2C14F20140313>. The report states:

“Target Corp's security software detected potentially malicious activity during last year's massive data breach, but its staff decided not to take immediate action, the No. 3. U.S. retailer said on Thursday.

"With the benefit of hindsight, we are investigating whether if different judgments had been made the outcome may have been different," company spokeswoman Molly Snyder said in a statement.

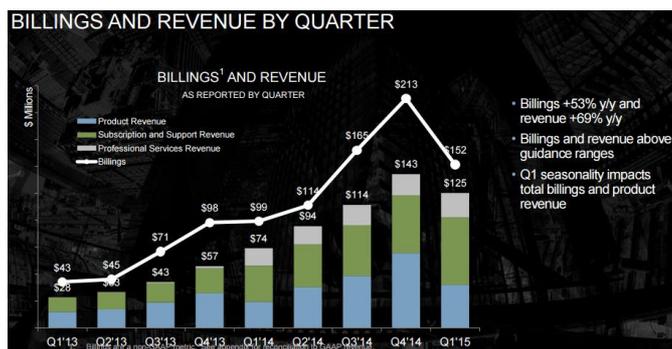
The disclosure came after Bloomberg Businessweek reported on Thursday that Target's security team in Bangalore had received alerts from a FireEye Inc security system on November 30 after the attack was launched and sent them to Target headquarters in Minneapolis.

The FireEye reports indicated malicious software had appeared in the system, according to a person whom Bloomberg Businessweek had consulted on Target's investigation but was not authorized to speak publicly on the matter.”

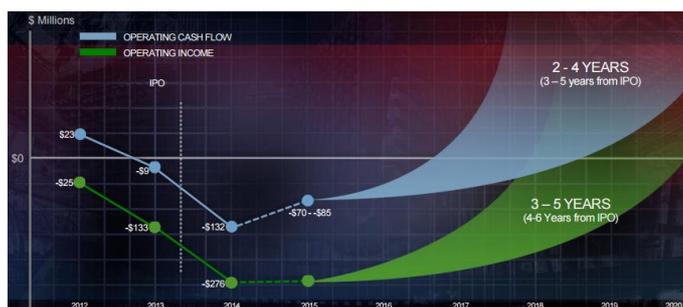
FireEye Inc. has also recently received the most prestigious Honors Award for Advanced Threat Detection and Threat Intelligence from SANS Institute. They are also MVX and DTI Cloud Platform Certified under the SAFETY Act by the Department of Homeland Security. FireEye has also been ranked the #1 company to watch Cybersecurity Ventures 500. FireEye has clearly earned a very strong reputation in the cybersecurity industry and this is most notably due to their innovative and proactive approach to their business model.

## Strong & Continuous Growth

FireEye Inc. is growing very rapidly due to the record levels of demand for their cybersecurity software in recent years. “While this is not unexpected given the cybersecurity industry's overall growth, FireEye's growth has even eclipsed that of the overall industry's.”



FireEye's worldwide customer count grew to 3130, increasing 54% on the year. Last Year, FireEye's revenue grew 163%, annual basis. It is expected to rise again in the mid-40% range, with no other cybersecurity ventures coming close to these numbers. The addressable market for cybersecurity is in the area of \$30 billion. Operating margins have improved to -57% over the past year, from -95% with CAPEX only growing 32% (y/y).



## Accomplished Management Team

FireEye Inc. has a very experience and intelligent management team who has been at the forefront of their continuous growth. Their management team consists of innovators from McAfee Antivirus, Intel, Lockheed Martin, America Online, Cisco Systems, Oracle and many more.

David DeWalt is the Chairman of the Board and CEO. “Dave has served as FireEye Chief Executive Officer since November 2012 and as Board Chairman since May 2012. Before joining FireEye, Dave was President, Chief Executive Officer, and Director of McAfee, Inc. from April 2007 until February 2011, when McAfee was acquired by Intel Corporation. Before McAfee, Dave held various positions at EMC Corporation, a company specializing in information infrastructure technology, as well as Documentum. Along with his executive duties, Dave has served on the board of directors for several organizations, including Delta Air Lines, Inc., Polycom, Inc., and Jive Software, Inc. He holds a B.S. in computer science from the University of Delaware.”

David Merkel Is the Senior Vice President and Chief Technology Officer. He previously served as Chief Technology Officer and Vice President of Products at Mandiant, which was acquired by FireEye. At Mandiant, Dave shaped the strategy and direction of the company's technology and engineering solutions. Before Mandiant, Dave spent over seven years leading a team of technologists at America Online to protect corporate systems and network infrastructure.”

Michael Sheidan is Senior Vice President and Chief Financial Officer. “Before FireEye, Mike oversaw all financial endeavors for several technology companies, including Mimosa Systems, Playlist, Inc., social media giant Facebook, IGN Entertainment (now part of News Corp.), and network security company SonicWALL.”

Many of the leaders at FireEye have an immense portfolio of cybersecurity background. Many have held top management jobs in military security and will ensure top notch cybersecurity protection.

## Big Moves & Partnerships

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FireEye has recently announced a partnership with tech-giant Hewlett-Packard Co. FireEye will be offering assessment and incident response services to HP consultants as well as many additional services. As a result, FireEye services will be available to a much broader market. FireEye's services will be used in contribution to the already 5,000 security consultants that HP utilizes. FireEye has also acquired a company called Mandiant for \$1 billion dollars which will be used in the HP partnership. With a market capitalization of \$6.64B, FireEye still has significant room to grow and move forward. With FireEye's recent partnership and acquisitions, along with its aggressive growth strategy, its current market price of \$43 is significantly undervalued.

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FireEye, Inc.		CENTER FOR GLOBAL FINANCIAL STUDIES									
feye		Analyst Mitchell Raeger	Current Price \$43.31	Intrinsic Value \$43.23	Target Value \$49.19	Divident Yield 0%	Target Return y Return: 13.57	NEUTRAL			
General Info		Peers	Market Cap.	Professional	Title	Management	Comp. FY2012	Comp. FY2013	Comp. FY2014		
Sector	Information Technology	Fortinet Inc.	\$6,507.83	DeWalt, David	Chairman and Chief Execut	\$7,463,188	\$971,177	\$13,563,500			
Industry	Software	Palo Alto Networks, Inc.	\$12,408.41	Aziz, Ashar	Founder, Vice Chairman an	\$2,387,037	\$452,869	\$2,686,130			
Last Guidance	Apr-30-2015	Splunk, Inc.	\$8,339.88	Sheridan, Michael	Chief Financial Officer and	\$359,536	\$715,207	\$3,073,706			
Next earnings date	7/30/2015	Tableau Software, Inc.	\$6,954.07	King, Alexa	Vice President, Senior Vice	\$654,371	\$658,722	\$3,361,501			
Market Data		Check Point Software Technolc	\$15,429.25	McGee, John	Senior Vice President of w	\$0	\$0	\$6,693,341			
Enterprise value	\$6,367.54	Imperva Inc.	\$2,126.80	Williams, Jeffrey	Senior Vice President of Au	\$686,202	\$863,173	\$4,903,471			
Market Capitalization	\$264.97	Barracuda Networks, Inc.	\$2,154.17	<b>Historical Median Performance</b>							
Daily volume	0.04	VASCO Data Security Internatio	\$1,005.38	<b>feye</b>				<b>Peers</b>		<b>All U.S. firms</b>	
Shares outstanding	156.20	Symantec Corporation	\$17,151.62	Growth	117.6%	11.3%	14.8%	14.8%		7.4%	
Diluted shares outstanding	146.59	<b>Current Capital Structure</b>			ROC	-1.3%	6.7%	14.5%		11.8%	
% shares held by institutions	11.05%	Total debt/market cap	0.00%	NOPLAT Margin	19.8%	16.2%	16.2%		10.4%		
% shares held by insiders	9.44%	Cost of Borrowing	#DIV/0!	Revenue/Total Capital	0.34	0.90	0.90		1.13		
Short interest	10.10%	Interest Coverage	4.8x	Excess Cash/Rev.	N/A	23.4%	13.5%		12.9%		
Days to cover short interest	2.41	Altman Z	4.83	Total Cash /Rev.	94.5%	63.5%	12.3%		15.2%		
52 week high	\$46.44	Debt Rating	D	Unlevered Beta	1.14	1.00	1.00		0.95		
52-week low	\$24.81	Levered Beta	9.78	TEV/REV	20.5x	4.6x	4.8x		2.5x		
5y Beta	0.00	WACC (based on market value)	4.31%	TEWEBITA	23.3%	13.6x	13.6x		13.1x		
6-month volatility	52.99%				PE (normalized and diluted	26.6x	30.5x	23.5x		23.5x	
<b>Past Earning Surprises</b>		Revenue		EBITDA		Norm. EPS		<b>Non-GAAP Adjustments in estimates computations</b>			
Last Quarter	4.0%	NM		NM		NM		Operating Leases Capitaliza	100%	Straightline	10 years
Last Quarter-1	1.1%	NM		NM		NM		R&D Exp. Capitalization	100%	Straightline	10 years
Last Quarter -2	-1.7%	NM		NM		NM		Expl./Drilling Exp. Capitalizat	0%	N/A	N/A
Last Quarter -3	4.8%	NM		NM		NM		SG&A Capitalization	40%	Straightline	10 years
Last Quarter -4	3.2%	NM		NM		NM		<b>Forecast</b>			
Proforma Assumptions		Period	Hev. Growth	Adj. Up. Cost/Hev	Capital	NUPLA I Margin	HUC	WACC			
Money market rate as of today	0.59%	LTM	163.5%	147.0%	\$7,988.38	0%	0.0%	4.3%			
Annual increase (decrease) in inte	0.1%	NTM	8.0%	118.2%	\$9,018.99	37%	3.0%	7.3%			
Yield Spread acceleration	1.2	NTM+1	8.0%	100.9%	\$9,644.28	37%	3.7%	7.3%			
Marginal Tax Rate	37.5%	NTM+2	8.0%	90.5%	\$10,642.91	38%	4.5%	7.2%			
Risk-Free rate	2.6%	NTM+3	8.0%	84.3%	\$12,501.17	40%	5.4%	7.3%			
Tobin's Q	0.80	NTM+4	8.0%	80.6%	\$13,009.36	40%	5.2%	7.4%			
Op. Cash/Rev.	0%	NTM+5	8.0%	78.4%	\$13,489.89	39%	5.3%	7.5%			
Growth in PPE	NPPE Growth tapers to maintenance until	NTM+6	8.0%	77.0%	\$13,945.57	39%	5.4%	7.6%			
Long term Growth	4.0%	NTM+7	8.0%	76.2%	\$14,432.62	38%	5.5%	7.6%			
Base Year Unlevered Beta	is equal to 1.14	NTM+8	8.0%	75.7%	\$14,984.15	38%	5.5%	7.7%			
Long term Unlevered Beta	1.00	Continuing Period	8.0%	75.4%	\$14,339.95	15%	10.0%	7.8%			
Valuation		Total Debt	% non-interest bearing cl:	Shares Outstanding	UCF (Weight = 100%)	Relative Weight Distress (Weight Weighted Average Price)					
Period	Capital z (HUC-WACC)	\$0.00	\$3,916.22	156.20	\$44.19	\$0.00	\$46.26	\$44.19			
LTM	\$0.00	\$0.00	\$4,453.96	156.20	\$49.94	\$8.34	\$51.76	\$49.94			
NTM	-\$347.58	\$0.00	\$4,807.32	156.20	\$55.60	\$18.89	\$57.57	\$55.60			
NTM+1	-\$329.70	\$0.00	\$5,293.27	156.20	\$63.27	\$29.26	\$65.19	\$63.27			
NTM+2	-\$257.81	\$0.00	\$6,148.53	156.20	\$73.52	\$44.19	\$76.25	\$73.52			
NTM+3	-\$200.92	\$0.00	\$6,223.56	156.20	\$80.31	\$54.29	\$82.75	\$80.31			
NTM+4	-\$279.28	\$0.00	\$6,338.90	156.20	\$87.13	\$62.07	\$89.45	\$87.13			
NTM+5	-\$277.87	\$0.00	\$6,292.23	156.20	\$95.42	\$69.34	\$97.11	\$95.42			
NTM+6	-\$289.36	\$0.00	\$6,161.54	156.20	\$104.81	\$76.44	\$105.81	\$104.81			
NTM+7	-\$300.41	\$0.00	\$6,195.51	156.20	\$113.29	\$82.34	\$114.30	\$113.29			
NTM+8	-\$310.58	\$0.00									
Continuing Value	\$8,353.31										
Monte Carlo Simulation Assumptions		Base	Stdev	Min	Max	Monte Carlo Simulation Results					
Revenue Variation	0	10%	N/A	N/A	N/A	Distribution	Intrinsic Value		lg- I target		
Op. Costs Variation	0	10%	N/A	N/A	N/A	Normal	Mean est.	\$44.19	\$49.94		
Country Risk Premium	6%	N/A	5%	7%	7%	Normal	σ(ε)	\$0.32	\$0.25		
Long term Growth	4%	N/A	3%	118%	118%	Triangular	σ(ε) adjusted price	\$43.23	\$49.19		
						Triangular	Current Price	\$43.31			
							Analysts' median est.		\$46.35		