

An analysis on



Qualys®

By Jonathan Dybka

Recommendation

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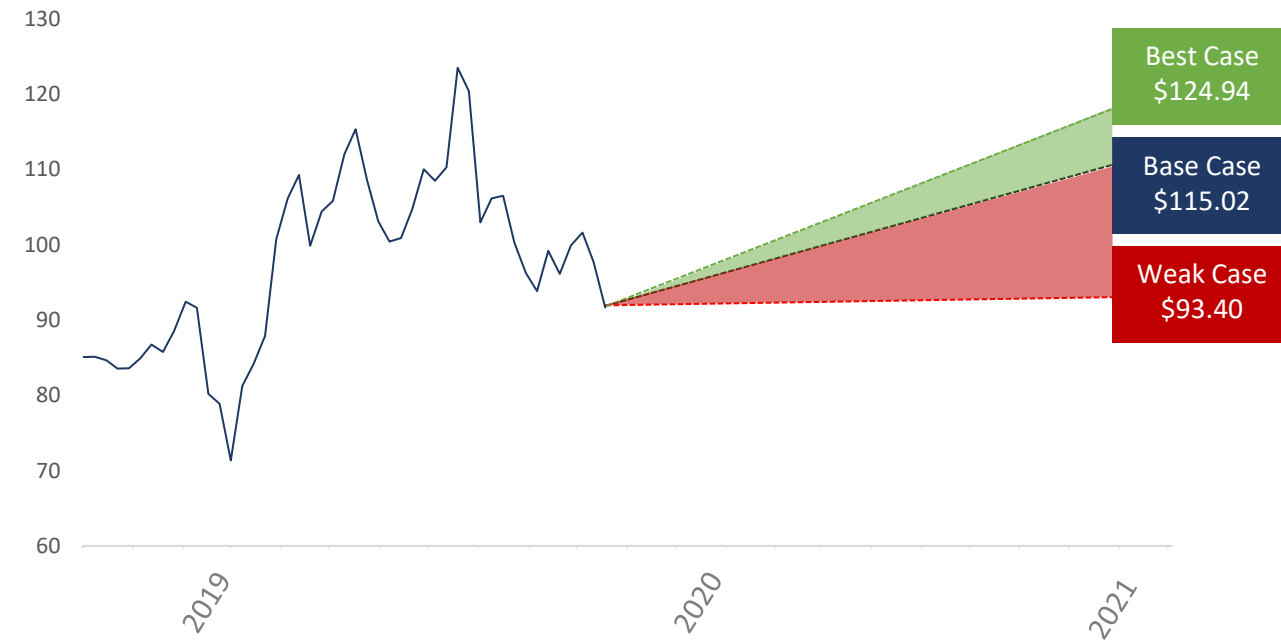
BUY

Current Price \$91.11

Target Price \$115.02

Upside 26.2%

Risk MEDIUM



Recommendation

Company
Overview

Industry
Overview

Investment
Thesis

Catalysts

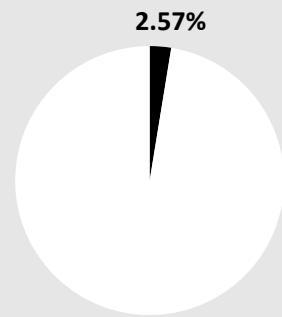
Risks

Valuation

Company Overview

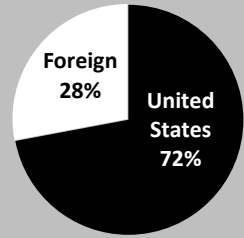
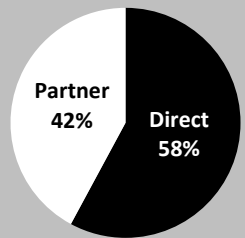
Market share

Vulnerability
Management Industry
\$12,500M

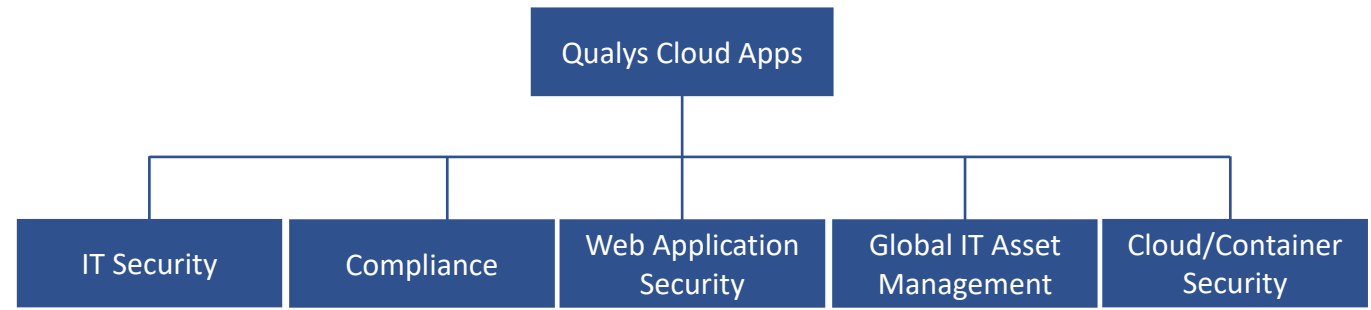


Qualys Revenue
\$321.6M

Revenue Breakdown



Products & Solutions



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Industry Overview

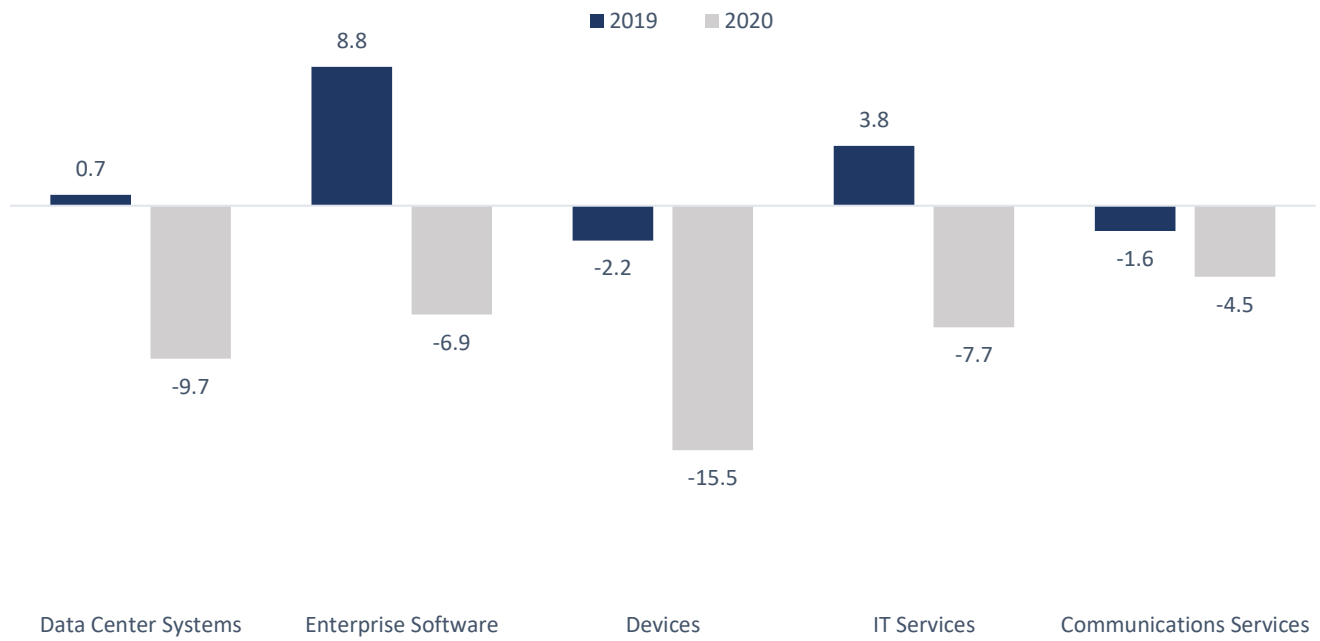
**68% OF BUSINESS LEADERS
SAID THEIR CYBERSECURITY
RISKS ARE INCREASING**

Accenture^{8,9}

**79% OF BUSINESSES ARE
INCREASING SECURITY
PROCEDURES FOR REMOTE
ACCESS**

**AVERAGE COST OF
CYBERCRIME FOR AN
ORGANIZATION INCREASED
\$1.4M TO \$13.0M**

Worldwide Growth in IT Spending



Investment Thesis

- 1. INDUSTRY LEADING METRICS
- 2. STRONG MANAGEMENT

Figure 1: Industry Peers Comparison

Company	EBITDA Margin	ROA	ROE	ROIC	FCF Margin	Sales 1yr Growth	EBITDA 1yr Growth	FCF 1yr Growth	Current Ratio	CAPEX to Revenue
Qualys	35.0	12.5	21.4	19.5	39.7	14.1	30.6	17.4	1.9	7%
Average	12.0	(3.2)	(23.3)	(5.1)	18.0	10.2	4.3	27.3	2.2	6%
Median	12.1	(5.7)	(22.2)	(8.7)	15.5	12.2	4.8	20.8	1.8	5%
Belden	14.7	(7.9)	(24.6)	(10.3)	6.9	(18.8)	(28.7)	(38.5)	2.2	5%
F5 Networks	22.3	8.4	17.2	14.4	28.4	5.0	(18.6)	2.4	1.3	3%
FireEye	(6.5)	(8.9)	(35.2)	(14.6)	1.5	6.8	40.3	39.1	1.7	4%
Rapid7	(10.5)	(9.8)	(82.1)	(16.7)	(3.5)	29.9	(25.8)	54.5	1.5	6%
Palo Alto Networks	9.6	(3.4)	(19.9)	(7.1)	24.1	17.5	28.1	(10.8)	1.9	6%
InterDigital	42.3	2.5	4.9	3.4	50.8	20.6	30.6	117.0	4.5	10%

Source: FactSet

Figure 2: Rule of 40

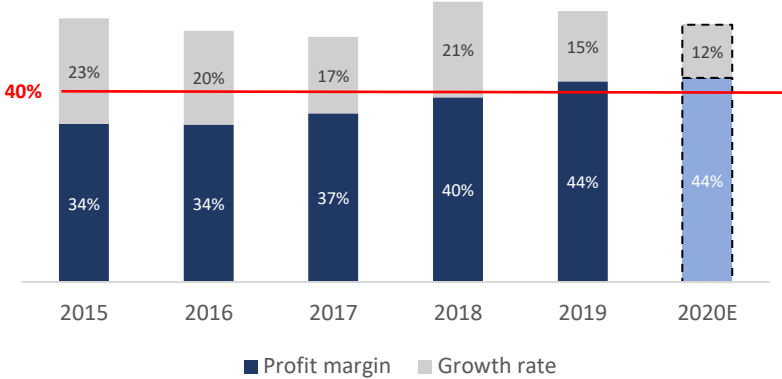
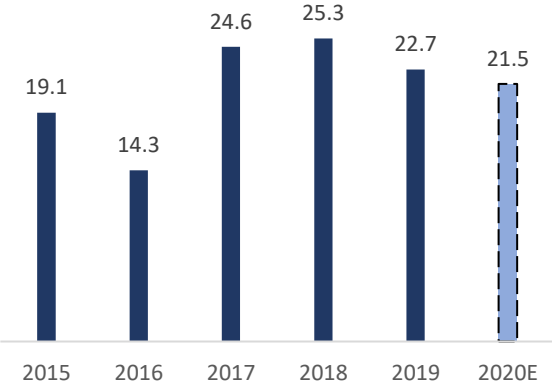


Figure 3: EV/EBITDA 5 Years



Catalysts

Short Term: COVID-19 and migration to the cloud

Short Term: Improving Ratios

Long Term: New products

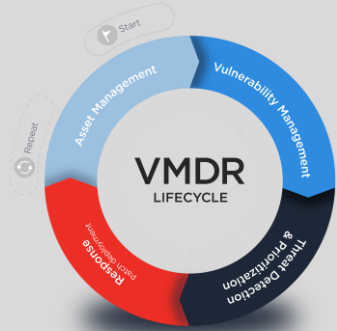


Figure 1: Products per Customer

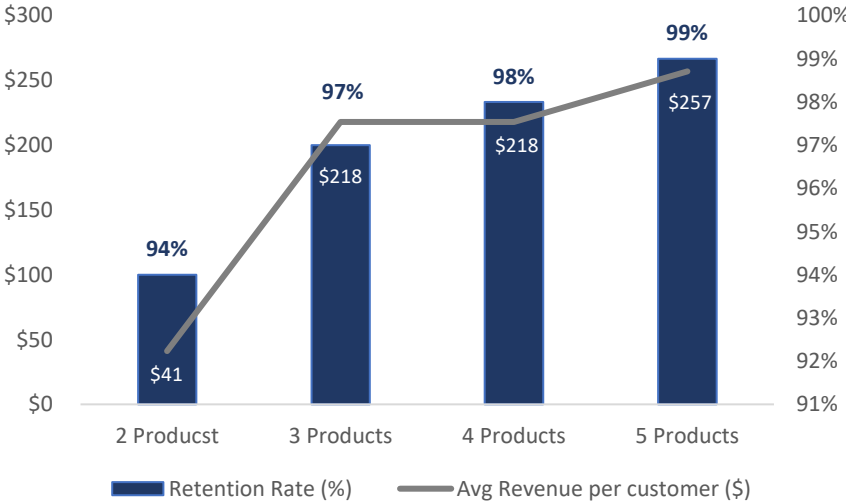
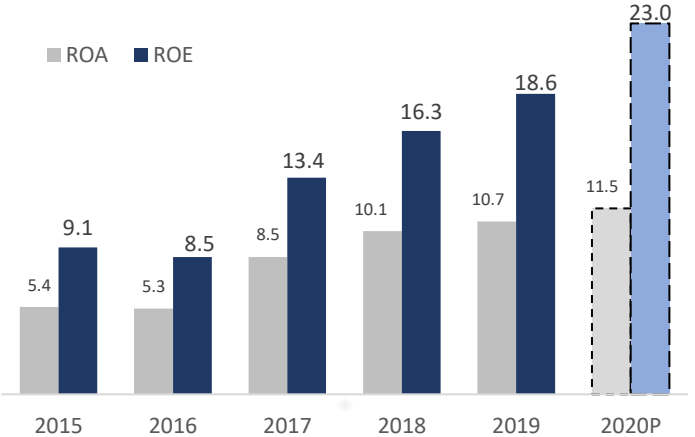


Figure 2: Steady Increase over 5 years



NUMBER OF LARGE DEALS INCREASED 120% IN 3 YEARS

Q2 2020: AVERAGE DEAL SIZE INCREASED 7%

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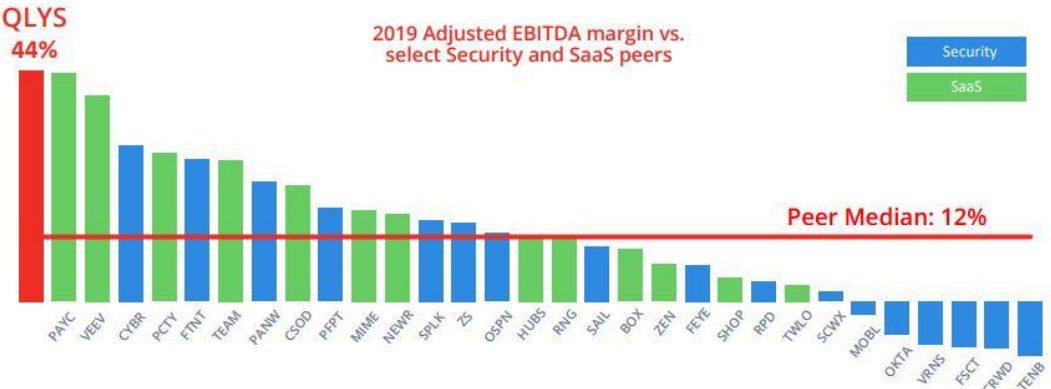
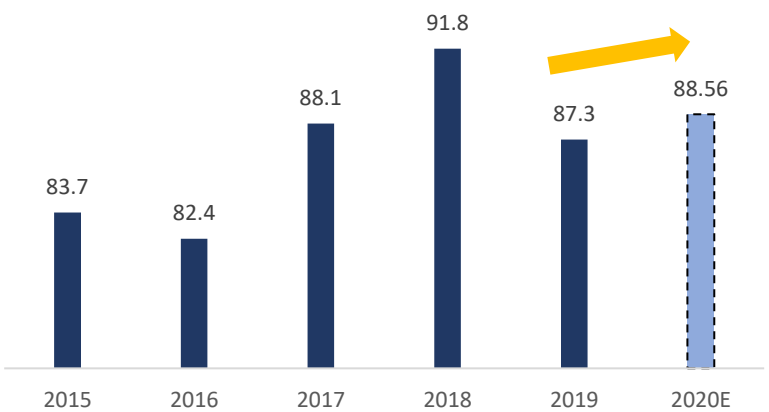
Valuation

Risks

- 1. SHORTER CONTRACTS
- 2. PUBLIC CONFIDENCE
- 3. OVERCROWDED INDUSTRY

↓
MARGINS

Days Sales Outstanding



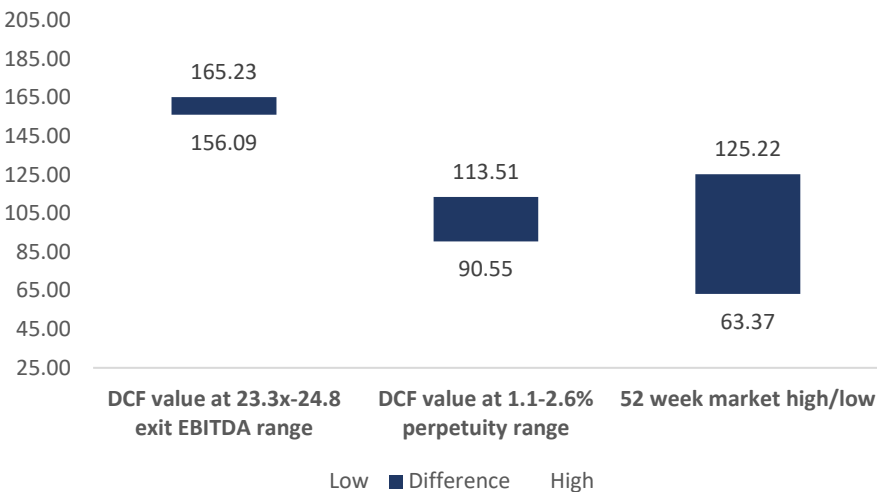
Valuation

DCF Valuation

Perpetuity	
Intrinsic Value	\$ 99.30
Discount / (Premium)	8.3%
Upside	8.9%
Discount Rate	7.8%
Perpetual Growth Rate	1.6%
Implied Exit Multiple	12.5x
Exit Multiple	
Intrinsic Value	\$ 162.15
Discount / (Premium)	43.8%
Upside	77.9%
Discount Rate	7.8%
Exit Multiple	24.3x
Implied Perpetual Growth Rate	4.7%

Weighted Average Value:
(25/75)
\$115.02

Football Field



Comps Analysis

Company	Sales	Market Cap	EV	EBITDA	EV/EBITDA	EV/EBIT	LT Debt / EBITDA	P / FCF	CAPEX
Qualys	342.4	3,598.1	3,304.6	105.9	27.6	37.3	0.4	27.6	(25.0)
Average				207.0	24.3	17.1	(1.5)	58.6	(79.2)
Median				224.1	12.0	17.9	1.9	12.5	(51.7)

Scenario Analysis

Best Case \$124.94	Revenue Growth increases to 19% CAGR EBIT margin improves to 25% of sales
Base Case \$115.02	Revenue Growth constant @ 17% CAGR EBIT margin improves to 24% of sales
Weak Case \$93.40	Revenue Growth declines to 10% CAGR EBIT margin declines to 19% of sales



Thank you



Works Cited

Qualys Logo: <https://www.subpng.com/png-4gbsas/download.html>

VDMR Image: <https://www.qualys.com/subscriptions/vmdr/>

Consulting image: <https://www.qualys.com/company/newsroom/news-releases/uk/qualys-introduces-new-comprehensive-offering-for-consultants-consulting/>