CELLEBRITE (Nasdaq: CLBT)

5/09/2025   *Organic compounder with strong moats: 117% upside, 42% IRR*   Roy Swisa

(USD in $M, except for per share data)

Share Price (04/23/2025)	$19.0
FD Shares Outstanding	239
Market Capitalization	**$4,541**
Less: Cash	(414)
Plus: Debt	--
Enterprise Value	**$4,127**

52 Week Range	(26.3, 10.245)
% of 52-Week High	72.2%
Avg Daily Value Traded (Last 3 months)	$0.92
as a % of Market Cap	0.02%

Scenario	Target price	IRR (2yr)
Bull	$35.45	37%
Base	$27.86	21%
Bear	$13.77	-15%

	Actual FYE December 31,			Consensus Estimates		
	2021A	2022A	2023A	2024E	2025E	2026E
ARR (RS)				$406	$520	$650
y / y growth				29%	28%	25%
ARR Variance to Consensus				1%	11%	18%
Gross Margin	83%	82%	84%	85%	84%	84%
EBIT	$43	$20	$55	$99	$115	$139
EBIT Margin	23%	8%	18%	25%	25%	25%
y / y growth		(54%)	183%	79%	16%	21%
Net Income	$38	$20	$61	$96	$101	$124
y / y growth		(48%)	210%	57%	6%	23%
EPS (RS)	$0.2	$0.1	$0.3	**$0.5**	**$0.5**	**$0.6**
EPS (Consensus)				$0.43	$0.40	$0.49
EPS Variance to Consensus				**13%**	**25%**	**32%**
P / E (RS)	79x	190x	68x	39x	38x	30x
FCF / Share	$0	($0)	$0	$1	$1	$1
FCF Yield	1%	(0%)	2%	3%	3%	4%
ROIC	9%	1%	25%	42%	33%	31%

Investment Thesis

Cellebrite is a dominant player in the digital forensics market, trading at a discount when considering its **true earnings power** in the near-to-medium term, generating a **117% upside**.

Cellebrite's core offering is phone data extraction for law enforcement. **Its dominance is supported by it being considered the industry standard, often even mandated by courts and prosecutors, providing the ultimate moat and pricing power in digital forensics.**

My research (18+ primary research calls) suggests that Cellebrite has significant growth runway, and that 10X growth in 10 years is possible. Cellebrite's clients describe an exponential increase in use over the last 5 years (40% CAGR), and I believe Cellebrite can continue its expansion within current clients at a rate of 25%, largely by expanding into investigative units.
In addition, there are positive short-term catalysts, such as FedRAMP certification in Q2'25, which will unlock $50M in sales opportunity, and accelerating private sector demand. Further, Cellebrite's international business is growing at a rate of 20% ($250M). Thus, my projected revenue for FY26 is $650M.

Additional Considerations:

1) Looking at simple revenue multiple heuristics, Cellebrite experienced 25% ARR growth with 92% retention. At 8x FY25 revenue ($480M), it trades well below recent 10x private equity exits in this space. It is priced as if both its growth and margins will deteriorate significantly (15% revenue growth, EBITDA margin 18%).

2) A unique arbitrage opportunity: By purchasing Sun Corp (6736.T), investors can capture CLBT at a 70% discount – Sun Corp's 44% stake in Cellebrite is worth $1.7B, but it is valued at just $473M. True Wind's activist campaign, targeting the $1.2B trapped value, provides the catalyst.

Business Description

What it Offers:
- Cellebrite provides a critical software solution to law enforcement agencies.
- Cellebrite has evolved from a simple extraction tool into the gold standard for digital forensics. Their platform helps law enforcement and analysts unlock, extract, analyze and share phone data with court-admissible results.
- Big Moat: Cellebrite is the industry standard, as courts mandate its use in the forensics value chain. *"In court orders, lawyers specifically request Cellebrite."*

Product Portfolio: Legacy to Cloud Transformation

Core Business (80% Revenue): Digital Forensics Suite
- UFED (Universal Forensic Extraction Device): The industry-standard solution for mobile device data extraction.
- Physical Analyzer: Advanced software for data visualization, analysis, and reporting.
- Insight: A comprehensive cloud-based solution bundling UFED and Physical Analyzer with additional features such as Triage, Quick view and Automation.

1

New Products (10% Revenue):
- Guardian: Evidence Management System competing with NICE's Public Safety & Criminal Justice.
- Pathfinder: Investigative Analytics Platform connecting multiple sources of evidence and identifying patterns.

Professional Services (10% of Revenue):
- Professional Services team of Subject Matter Experts offering training and integration support.

Quality Business Model
- **Strong Financial Metrics:** Gross margin at 85%, gross retention at 92%, and ARR growth at 25%; 0% debt.
- **Unit Economics and Revenue:** Cellebrite users analyzed 2 million cases last year and is projected to reach $410 million in revenue by the end of 2024, translating to approximately $200 in ARR per case.

Stable Client Base with Increased Penetration:
- Cellebrite has 5,300 clients ("logos"). While the number of clients remains relatively static, growth is driven by existing clients purchasing additional licenses across departments and divisions.
- To date, the company has sold 28,000 licenses.
- Clients span from public-sector digital forensics and investigative units to private-sector insurers and fleet operators.

Growth Vectors:
- **Clients Cloud Transition:** Cellebrite's shift to cloud-based solutions eliminates costly infrastructure needs for mid-market clients. Cloud services now generate 15-20% of total revenue (Q3 2024).
- **Expanding to Investigative Units (IUs):** Cellebrite expanded its product offerings to address the needs of IUs. For instance, it offers triage capability, which helps reduce the backlog in Digital Forensics Units (DFUs), shortening investigation times.

Sample of Cases that Demonstrate Implementation of Cellebrite's Tools:
- **Trump Assassination Attempt, July 2024**
    - Thanks to Cellebrite's technology, it only took 40 minutes for the FBI to break into the cell phone owned by the man carried out the assassination attempt on Donald Trump in Pennsylvania on July 13.
- **Oakland County Mass School Shooting Case, Nov 2023**
    - Cellebrite Pathfinder analyzed digital evidence in this case.

Global Forensics Market:
- **Market size**: Estimated spent $13-16B in 2023; growing at 15% CAGR.
- **Users**: Law enforcement, insurers, and large fleet operators
- Magnet Forensics and Cellebrite are the market leaders in the digital forensics space (see Exhibit to the right).
- In 2023, Thoma Bravo acquired Magnet Forensics at 10x fwd. sales. [1]
- Customers often use both Cellebrite and Magnet to cross-validate results for accuracy.
- **Procurement:** The U.S. State and Municipal Police markets are fragmented; there is no single procurement process and funding is mainly based on grants.

IDC MarketScape Worldwide Digital Forensics in Public Safety, 2022

Source: IDC, 2022

Common Feedback from Primary Calls:
- *"I am using Cellebrite tools for extraction, analysis, and report sharing."*
- *"I use Magnet, Oxygen, and Cellebrite; the whole industry uses both Magnet and Cellebrite."*
- *"Even when they raise prices, it is easier for me to ask for a new grant versus stopping to use the system."*

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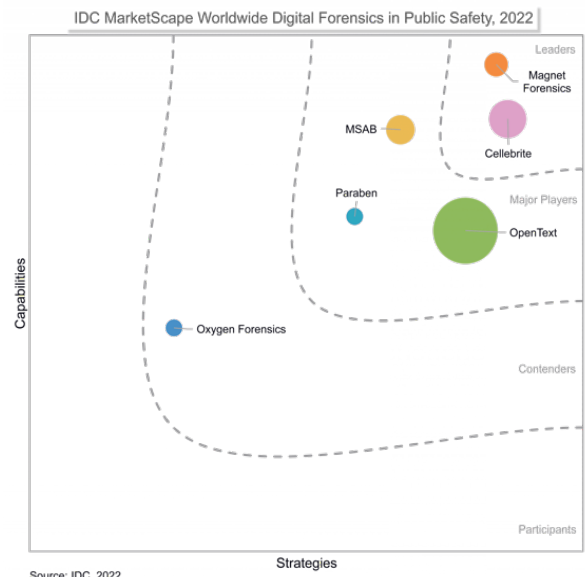
[1] ([See appendix and thesis for complete deal analysis)](#)

CELLEBRITE (Nasdaq: CLBT)

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Variant View- Why Does This Opportunity Exist?

Cellebrite has a history of being misunderstood:

- **A. In 2021, False association led to stock drop:**
  - o Despite strong Q1 2021 earnings, Cellebrite faced intense scrutiny over relationships with authoritarian regimes after the U.S. blacklisted competitor NSO Group for its Pegasus phone spyware.
  - o Fears that Cellebrite was similar to NSO Group led to a **30% stock decline** in November 2021. [2]
  - o Apple's lawsuit against NSO Group in December 2021 caused an additional **30% drop** in Cellebrite's stock.
  - o Cellebrite responded by establishing an ethics committee, revising sales practices, and ceasing business with authoritarian regimes.
- **B. In 2022, Cellebrite transitioned from perpetual licenses to a subscription-based model**
  - o Q1 2022 revenue growth slowed from 37% to 17%, resulting in a **20% stock decline**.
  - o Q2–Q3 2022, management reported longer sales cycles, hiring challenges, and pressures from the transition affecting top-line revenue, leading to an additional **10% stock decline**.
- **C. By the end of 2023, the transition to a subscription model was completed; the stock soared in response.**
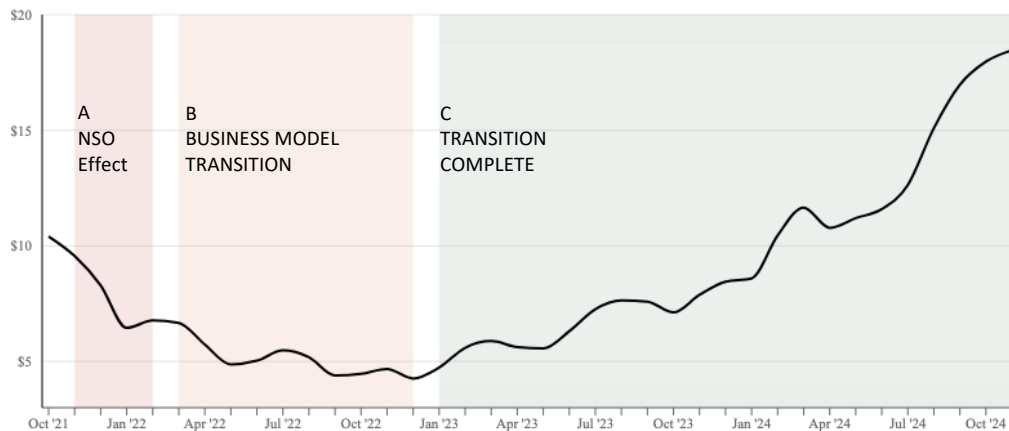
==In fact, Cellebrite is still misunderstood today across a wide variety of dimensions, including its business model transformation, (1) its status as an organic compounder with a stable moat, (2) the competitive environment, (3) the fidelity of its technology, and (4) that AI creates an opportunity for Cellebrite not a risk.==

<u>Coverage in the last five years has been lacking:</u>

Both Sun Corp and Cellebrite lack strong coverage on both the buy side and sell side, and CLBT's coverage lacks forward-looking projections beyond 2026.

	VALUE INVESTING CLUB	SEEKING ALPHA	SUM ZERO	X	SELL SIDE
CLBT	1	Many	2	Few	6
SUNCORP	2	-	1	0	3

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[2] https://www.theguardian.com/us-news/2021/nov/03/nso-group-pegasus-spyware-us-blacklist

1. Cellebrite is an Organic Compounder; the Demand for its Products Continues to Grow:

- Given Cellebrite's dominant market position, severe supply-demand imbalance, and massive untapped TAM, the company represents a rare opportunity to invest in a capital-light business with a clear path to 15%+ growth over the next 10 years.
- Cellebrite's compelling growth story is also backed by strong market evidence. My channel checks reveal a 40% CAGR in forensic analysis volume, with users reporting severe backlogs:
  - As Indiana State Police noted, *"We have a storeroom filled with a backlog of cell phones."* While North Carolina State Police reported, *"We wait 8 months for analysis."*
  - A private forensic lab director emphasized staff growth, stating *"I tripled my staff since 2019, and we are still growing."*
- The market remains significantly underpenetrated. This is exemplified by Connecticut's Police Force, where just 7 Cellebrite machines serve 180 police departments. This scarcity has created a "blue ocean" opportunity as most stations rely on regional or federal labs for analysis.

The expansion from Digital Forensics Units to Investigative Units unlocks substantial growth potential, with a base case projecting 15% CAGR through 2038 ($2.8B ARR vs. $400M today). At 6.6x 2038 P/E, valuation appears attractive given the company's pricing power and expanding TAM.[3] [4]

TAM Adjusted Valuation (out-year earnings)

($ M)	Today	Down	Base	Up	Co Adj
			Cellebrite 2038		
ARR	400	2495	4306	8751	5389
X Bigger		**2.9x**	**7.9x**	**27.1x**	**11.3x**
2038 CAGR		14%	18%	24.7%	20.4%
($M)	Today	Down	Base	Up	Co Adj
Number of cases (M)	2	8	11	22	11
ARR per case	200	320	402	402	504
ARR	400	2495	4306	8751	5389
Mature EBIT Margin	15%	22%	27%	29%	30%
EBIT	60	549	1163	2538	1617
Effetive Tax	15%	-82	-174	-381	-243
Net Income		467	988	2157	1374
EPS		2.1	4.5	9.9	6.3
TAM adjusted P/E ($17.9)		**8.4x**	**4.0x**	**1.8x**	**2.8x**

Upside case

	Down	Base	Up	Co Adj
Mature P/E	24x	29x	38x	25x
Mature stock price	51.3	131.4	375.7	157.5
IRR	8%	17%	26%	18%
Upside to current	287%	734%	2099%	880%

Difference from Consensus 2026

	Consensus	Roy Swisa	Note:
ARR	553	671	
EBITDA	140	174	26% Margin (LTM)
EV/EBITDA	40	40	
Price Target	27.56	33.88	
Upside from today	**54%**	**89%**	
IRR	**24%**	**38%**	

Cellebrite 2038 Market Opportunity

Conservative Growth Assumptions:
ARR growth has two factors:
- Annual price increases:
  - Down 4%, Base 6%, Up 6%, Co Adj 8%
- Case volume growth:
  - Down 12%, Base 15%, Up 22%, Co Adj 15%

U.S. Market Penetration Outlook:
- % of 2024 US cases, handled by state courts, which used Cellebrite technology: 3%

Projected 2038 Cover Rates:
- Base case: 6%
- Upside case: 12%

Total Addressable Revenue:
- Base case ARR: $2.8B (7% penetration)
- Upside case ARR: $5.9B (13% penetration)

The total number of U.S. cases handled by state courts is expected to grow from 64M to 80M by 2040.

Analysis excludes professional services, which represents an additional 10% of revenue, suggesting further upside potential to our base case projections.

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[3] Peers: NICE, CHKP, TYL, SPNS, SAP, ORACLE, and CDNS (Fwd. P/E, mature margins); tax rate NICE and CHKP mature Israeli companies
[4] Co Adj, Cellebrite's projections for 2028 of $1B ARR. This column extrapolates their growth assumptions

2. The Market Misunderstands the Competition; it is a Multi-Vendor Market

- **Cellebrite is the Industry Standard**: From all the calls I've conducted, Cellebrite is considered the market standard. End users repeatedly state that Cellebrite is the industry benchmark. Judges and lawyers often request that results be provided in Cellebrite's shareable format: *"In court orders, lawyers are asking us to use Cellebrite."*
- **Multivendor Space - Magnet and Cellebrite**: In both the extraction and analysis phases, users commonly employ both Magnet and Cellebrite. This practice helps uncover specific aspects through cross-validation.
- **Preference for Cellebrite**: If users need to choose only one system, they prefer Cellebrite due to its UX/UI and industry acceptance: *"Attorneys request Cellebrite because it's a known brand."*

3. Addressing Concerns Regarding Risks to Cellebrite's Technology:

- There are unfounded concerns that Cellebrite's technology could become obsolete if Apple simply updates their software.
- However, in my call with a Security expert, they explained that the phone vulnerabilities (which enable Cellebrite to extract data) exist in the hardware, firmware, and software. Therefore, a company like Apple cannot simply issue a software update to neutralize Cellebrite's capabilities. The Security expert's feedback was further validated by an Apple firmware engineer who admitted: *"We are willing to accept the vulnerability to preserve functionality."*
- Once you have physical access to a device, penetration becomes inevitable. As cybersecurity experts from elite Israeli army units, such as Talpiot and Unit 8200 (Navy SEALs of cyber warfare) confirm, Cellebrite has unmatched talent in exploiting these hardware-level vulnerabilities: *"Because you have unlimited access to the device, you can harness the multitude of vulnerabilities that exist in the hardware and firmware."*

Management Context

Current CEO, Yossi Carmil, Transitioning to Leave
- Under Carmil's leadership, Cellebrite went public and grew from a start up to a 400 M ARR.
- Prior to joining Cellebrite, Carmil held leadership roles at Siemens and ITS.
- **Yossi Carmil will step down as CEO after nearly 20 years with the company** (announced during Q3 2024)
- Compensation Structure:
  - $2.1 M per year: Base Salary $ 0.5 M, Annual Bonus: 100% ($0.5 M), SBC $1 M
  - Performance target: According to the Cellebrite Investor Relations team, it is the Rule of 40% (% EBITDA margin + ARR growth)

Most Compelling VAR Points

Moat:
- **Strong Brand Recognition and User Preference:**
  - *"Attorneys and court orders specifically request Cellebrite."*
- **Acceptance of Price Increase**
  - *"Cellebrite has a 5% year-over-year price increase over the last 3 years."*
  - *"Cellebrite prices its products similarly to its main competitor, Magnet."*
  - *"Axon [a market competitor] increased its price by 30% last year; it was easier for me to find a new grant then stop using them."*

Growth Potential:
- **Increase in the Number of Users**
  - *"My team grew from three to eight members since 2019, and we still have open positions."*
  - *"I hired three more analysts over the past two years, and I need to hire more."*
- **Opportunities to Grow**
  - *"DFUs are experiencing significant backlogs, with device extraction taking up to 8 months, and each DFU serves 12–15 IUs…Cellebrite's tools enable detectives to **triage devices** promptly."*
  - *"Agencies share Cellebrite machines due to limited resources."*

Key Thesis Points

My thesis is that Cellebrite enjoys a long growth runway coupled with low valuation due to: (1) expansion into Investigative Units, (2) ARR growth through price increases and cross-sell/upsell opportunities, (3) unlocking Federal agency usage via cloud-based solutions, and (4) potential strategic acquisition by AXON.

1. **Expanding into Investigative Units (IU) Creates a Long Runway that can Triple their ARR:**
- Cellebrite is expanding its offerings directly into Investigative Units, enabling detectives to triage devices **before they reach Digital Forensic Units (DFUs)**.
- This initiative accelerates workflows and improves investigative efficiency by allowing immediate access to data.
- A homicide detective illustrated this with an analogy: ***"Think of your family doctor, who you go to with all your problems, and then you can go to the specialist—which is the Digital Forensic Unit."***
- Addressing Backlogs:
  - Each DFU currently serves an average of **12–15 Investigative Units**.
  - Significant backlogs exist in DFUs; it can take **up to 8 months** for a device to be fully extracted.
- Cellebrite simplifies forensic processes and provides streamlined reports, enabling IUs to perform quick triage and gain immediate insights without replacing the specialized work of DFUs.

2. **$80 M Undervalued ARR Expansion Within Existing Clients**

- Cellebrite demonstrated 25% ARR growth from its existing customer base over the past three years, generating $75M in ARR last year alone:
  - Cross-selling initiatives ($25M ARR, growing 15%) through deployment of solutions like Pathfinder and Guardian.
  - Expansion efforts ($35M ARR, growing 30%) via increased seat counts and usage across departments.
  - Inseyets offerings ($15M ARR) through advanced solution upgrades.[5]
- New customer logos account for 3% of ARR growth, generating $8M in ARR. Combined with an 8% churn rate, this creates a strong compounding revenue machine.
- At the current growth pace, next year's ARR expansion within existing clients is projected to reach $80M (excluding federal sector growth).
- Channel checks revel that Cellebrite increase prices by 5% a year.

3. **$50M in ARR Potential from FedRAMP Certification Will Unlock Federal Agency Adoption[6]**
- Achieving FedRAMP certification, expected in Q2 2025, will enable Cellebrite to tap into the large and lucrative U.S. federal government market.[7]
- The company has taken strategic steps to expand its presence in the U.S. federal market, including the formation of Cellebrite Federal Solutions, the acquisition of CyTech, and establishing a task force (led by the CRO experienced in FedRAMP processes) to expedite Cellebrite's certification.
- Current federal customers constitute about 20% of Cellebrite's annual recurring revenue in the public sector. After the FedRAMP certification, Cellebrite can potentially double from $74M to $120M.
- *"The DEA only has our software in 5 of 30 offices,"* and *"The FBI doesn't have our most advanced capabilities at every office in the field. Think about the major issues impacting our country today – border patrol, fentanyl, child and human trafficking– our technology can help in each of these areas."* -Cellebrite Executive

4. **Private Equity Validation of Valuation**
- Thoma Bravo acquired Magnet Forensics (Feb 2023) at Fwd of 2023 10x revenue/51x EBITDA:
  - Pre-merger, 2022, Magnet: $98M revenue, $14M EBITDA, 26% 5-year CAGR
  - 2025 CLBT: $470 revenue, $115M EBITDA, 25% growth - yet trades at 8x revenue
- Using the Bravo acquisition as a COMP, if Cellebrite were acquired today by a private equity or strategic buyer, it would be valued at $4.8B, representing 25% premium on its current market value.
  - A potential strategic buyer could be AXON, which already owns 4% of CLBT and has seen its stock valuation expand over the past year.

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[5] Inseyets is the cloud all-inclusive digital forensics suite of Cellebrite
[6] See appendix for the FedRamp ARR Potential calculation
[7] Average time is about 1.5 years for an AWS-based product, according to an Amazon AWS product manager that I spoke with

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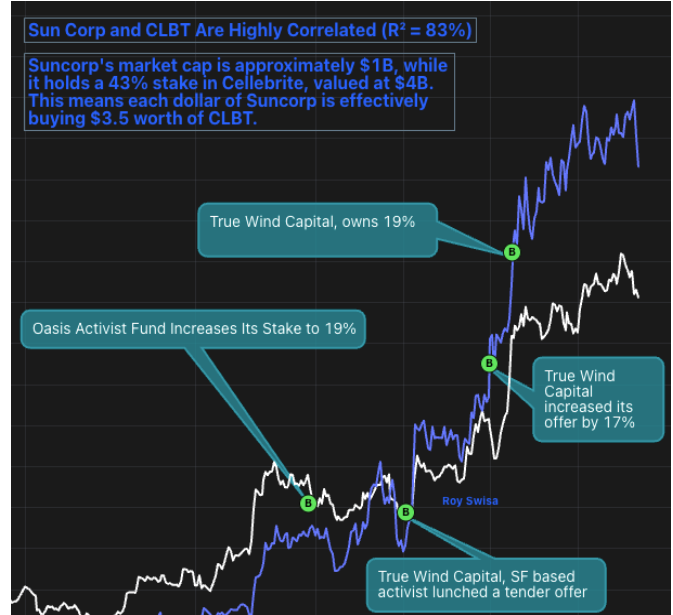
Arbitrage Opportunity

For deep value investors, there is an opportunity to acquire CLBT at a steep discount: Buying Sun Corp provides access to CLBT at a 70% discount [8]

Sun Corp (6736.T), which was formerly Cellebrite's holding company, owns a 44% stake in Cellebrite

By purchasing Sun Corp, investors can capture CLBT at a 70% discount – Sun Corp's 44% stake in Cellebrite is worth $1.7B, but it is valued at just $473M. True Wind's activist campaign, targeting the $1.2B trapped value, provides the catalyst.

Cellebrite (CLBT) and Sun Corporation Timeline:
- **Apr 1999:** CLBT incorporated in Israel
- **Aug 2007:** Sun Corp (Japan) acquired CLBT for $17 M
- **Feb 2020:** Oasis Management (Hong Kong activist fund) became a shareholder of Sun Corp
- **Apr 2021:** Oasis forced Sun Corp to spin off CLBT.
    - Sun Corp retained 71% ownership
- **Aug 2021:** CLBT went public on Nasdaq; shifted to subscription-based revenue model
    - Sun Corp's ownership reduced to 51%
- **Q4 2023:** Transition to subscription completed; $100 M in ARR
    - Sun Corp's ownership reduced to 48%
- **Q1 2024:** CLBT improved its fundamentals
- **Q2 2024:** True Wind (San Francisco activist fund) purchased 19% of Sun Corp and 5% of CLBT
- **Q3 2024:** CEO announced departure after 20 years;
- Sun Corp's ownership reduced to 43%

Sun Corp and CLBT Are Highly Correlated (R² = 83%)

Suncorp's market cap is approximately $1B, while it holds a 43% stake in Cellebrite, valued at $4B. This means each dollar of Suncorp is effectively buying $3.5 worth of CLBT.

True Wind Capital, owns 19%

Oasis Activist Fund Increases Its Stake to 19%

True Wind Capital increased its offer by 17%

True Wind Capital, SF based activist lunched a tender offer

Pre-mortem

- **Cuts in federal and state budgets, as 90% of the income is coming from the public sector:**
    - $400-700M of Federal Grant Programs like ICAC (Internet Crimes Against Children), Justice Assistance Grant, COPS, SHSGP and PSN that law enforcement can use to fund their Cellebrite and other forensic needs
    - **Important note:** these grants enjoy large bipartisan support, especially the ICAC and JAG, and states grants are independent $300M (NY and CA)

- **CEO Yossi Carmil departing after 20-year tenure creates execution risk:**
    - Incoming CEO (2025) will face steep learning curve regarding: Limited understanding of Cellebrite's unique organizational culture, potential executive team reorganization disrupting operational momentum, employee retention challenges, particularly among key salespeople and talent with specialized forensic knowledge

- **Substantial cash position (~$414M) creates an opportunity for misallocation from the outset:**
    - A new CEO might use this cash and add debt for acquisition targets that will be destructive, by overpaying and by eroding the top line gross margin

Earnings Power

	2019	2020	2021	2022	2023	2024
Total Revenue	172	195	246	271	325	401
Total Cost of Revenue	36	38	43	51	53	63
Gross Profit	136	157	204	220	272	339
Sales and marketing	62	61	76	97	111	132
Research and development	47	54	66	81	84	98
General and administrative	25	31	48	41	43	51
Reported Operating Income (EBIT)	3	10	14	1	33	57

Operating Income (EBIT) FY24: $**57mm**

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[8] See appendix for the SOTP value bridge

- **Adjustments to EBIT for EPV NOPAT Calculation: $376 mm**
  - Growth R&D, *Assumption:* 90% of R&D is growth-related: 333
  - Growth G&A, *Assumption:* 30% of G&A is growth-related: 24
  - Growth G&A, *Assumption:* 25% of G&A is growth-related[9]: 19

- **Over/Under Depreciation Charges: 0**
  - Reported D&A (F24): $10,607. Reported Capex (FY24): $10,609
  - *Assumption:* D&A equals Maintenance Capex. Adjustment = **$0**.
  - No Extraordinary items

Historical		R&D	Weight	R&D
2019		46.4	0.53	27
2020		54.4	0.59	36
2021		65.5	0.66	48
2022		80.6	0.73	65
2023		84.4	0.81	68
2024		98.4	0.90	89
Product Portfolio				333

- **Adjusted Operating Profit (Implied for EPV NOPAT): $433 mm**
- **Sustainable NOPAT = Adjusted Operating Profit * (1 - Normalized Tax Rate) = $379 mm**
  - Normalized Tax Rate: CLBT benefits from "Preferred Technological Enterprise" status in Israel, results in a tax rate of 12.5%
- **EPV of Business Operations: $3160mm (379/12%)**
  - My required rate of return 12% , the WACC of CLBT is 11%
- **EPV of Equity: $3634mm**
  - Cash and Marketable Securities 484; Operating Cash Needed 2%; Excess Cash 474
  - At market Cap 4700, OS 234, Share price of $20

Wacc	EPV	Share price	Franchise Value	
6%	6794	29.0	-2094	Dirtcheap
8%	5214	22.3	-514	
10%	4266	18.2	434	Paying for
12%	**3634**	**15.5**	**1066**	growth
14%	3183	13.6	1517	
16%	2844	12.2	1856	

- **Asset Value (AV) Estimation: $927 mm**
  - Book Equity: $336 mm
  - Adjustments to PPE: 0
  - Value of "Missing Intangibles": $591 mm
    - Workforce: $165 mm; 1100 employee , avg salary 150K
    - Product Portfolio $333 mm, Brand and Customer Relationships: $43 mm, Organizational Capital $ 50 mm

- **Invested Capital (Reproduction Cost Basis): $449 mm**
  - Adjusted Net Working Capital (NWC): -$171 mm, **CLBT has favorable payments terms it is a capital-efficient business model**
  - Net PP&E (Reproduction Cost): $28 mm
  - Capitalized "Missing Intangibles": $591 mm
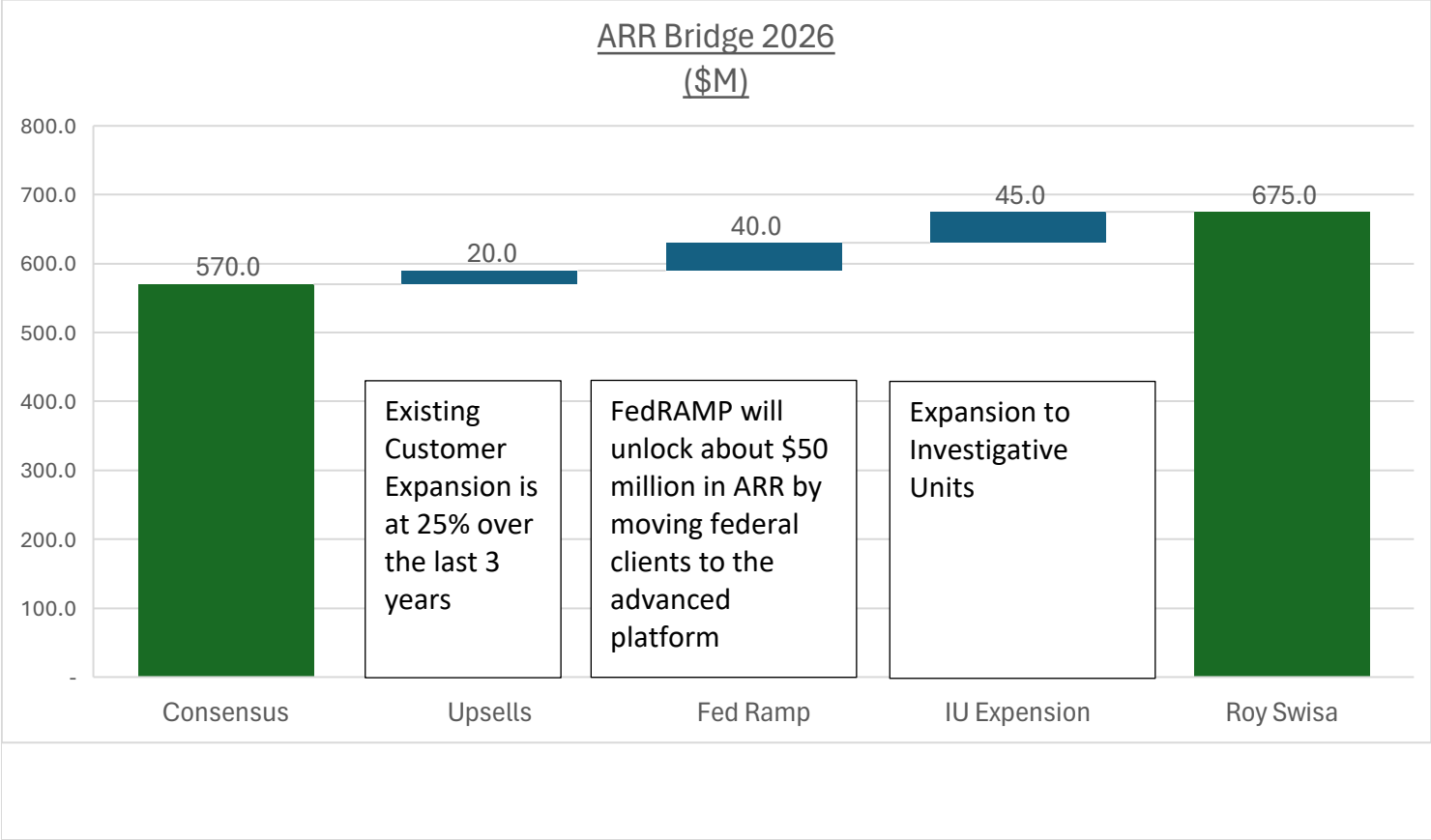
- **ROIC: 84% ($379/$449)**

- **Comparing Values and Assessing Moat**
  - AV vs. EPV:
    - EPV > AV significantly. Cellebrite's earnings power is substantially greater than the reproduction cost of its assets, which is a strong indicator of valuable intangible assets and an economic moat. **As showed above**
  - EPV vs. Market Cap:
    - The EPV per share ($15.50) is below the current market price (~$20.04). we are paying for growth and it is worth it as the ROIC is in the very high for every adtianl dollar we place into the buniess
  - ROIC vs. WACC:
    - ROIC (84%) >> WACC (12%).
    - Confirming Cellebrite's economic moat and demonstrating significant value creation from its existing assets.
    - Franchise Value: ==The significant ROIC-WACC spread indicates a strong potential for Franchise Value.==
    - Cellebrite can likely reinvest earnings into growth projects that also earn returns well above its WACC, creating further shareholder value beyond the static EPV. The strength and durability of its moats (technology, switching costs, brand) will determine the magnitude and duration of this Franchise Value.

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[9] The client contracts are 4 years

CELLEBRITE (Nasdaq: CLBT)
Organic compounder with strong moats: 117% upside, 42% IRR

5/09/2025   Roy Swisa

Projected Bridge

ARR Bridge 2026 ($M)

Consensus	Upsells	Fed Ramp	IU Expension	Roy Swisa
570.0	20.0	40.0	45.0	675.0

Existing Customer Expansion is at 25% over the last 3 years

FedRAMP will unlock about $50 million in ARR by moving federal clients to the advanced platform

Expansion to Investigative Units

Appendix 1: Visuals Pertaining to Key Thesis Points

Exhibit 1: Cellebrite Investor Day Model
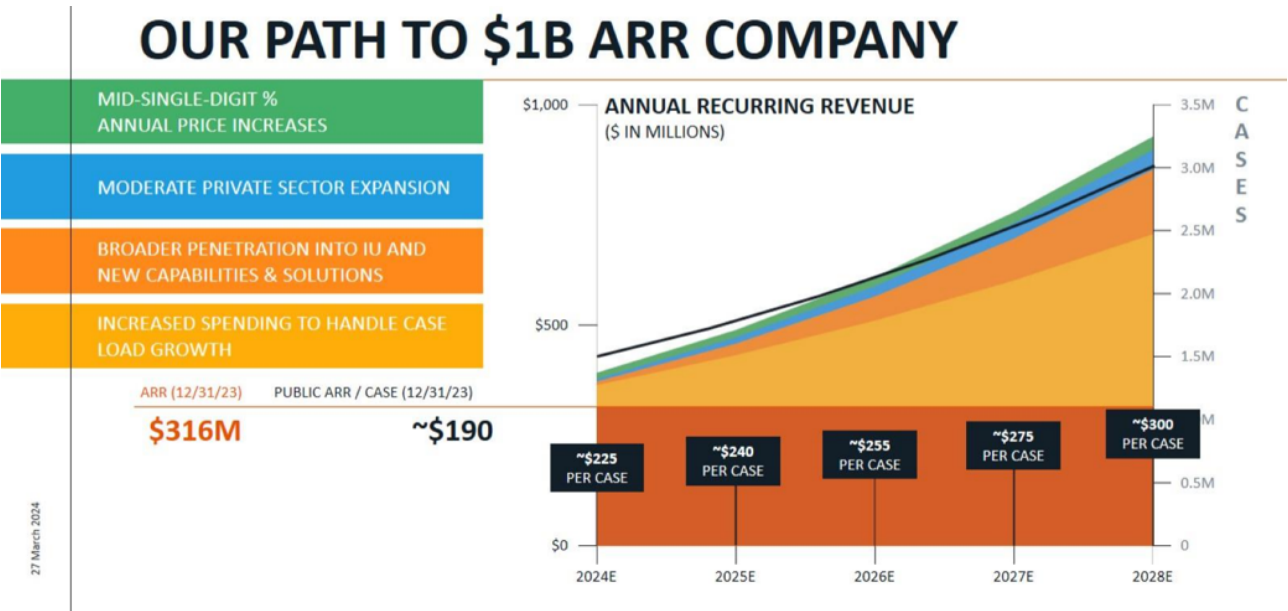
Exhibit 2: The digital forensics workflow within the DFU

Appendix 2: Key Drivers, Financials and Valuation

Exhibit 6: Key Driver Cases

	Projected Fiscal Years Ending December 31,			
	2024E	**2025E**	**2026E**	
ARR Growth				**Commentary**
Bull Case	27.0%	35.0%	30.0%	Expanding into investigative units, achieving FedRAMP in FY25, Incresing ARR expansion rate within the existing clients
Base Case	25.0%	28.0%	29.0%	Expanding into investigative units, achieving FedRAMP in FY26, maintaining the same ARR expansion rate within existing clie
Bear Case	24.0%	20.0%	20.0%	ARR expansion rate within existing clients drops to 20%, with new clients and price increases offsetting the churn
EBIT Margin				
Bull Case	24.6%	28.0%	28.5%	Utilizing pricing power and focused selling efforts to capture the investigative units space while maintaining a retention rate
Base Case	24.6%	24.6%	25.4%	Consensus Margins
Bear Case	23.0%	22.0%	22.0%	Increase in R&D efforts and sales that erode their margin

EPS

	2024E	2025E	2026E
Bull	$0.49	$0.61	$0.81
Base	$0.48	$0.50	$0.66
Bear	$0.45	$0.41	$0.50

Variance to Consensus

	2024E	2025E	2026E
Bull	14.6%	52.1%	65.7%
Base	12.8%	24.6%	36.5%
Bear	4.7%	3.7%	2.5%

Exhibit 7: Multiple-Based Valuation (notes below)

P/E Based Valuation

	Bear	Base	Bull
2026E EPS - [RS] - Base Case	$0.50	$0.64	$0.81
Normalized Forward Multiple	30.5x	47.5x	47.5x
2015E Value/Share	**$15.19**	**$30.54**	**$38.25**
Upside to Current Price	*(15.2%)*	*70.6%*	*113.7%*
IRR	*(12.3%)*	*53.3%*	*83.6%*
Upside/Downside Ratio		*4.7x*	*7.5x*

NOPAT Based Valuation

	Bear	Base	Bull
2026E NOPAT - RS	$108.6	$140.2	$172.5
Normalized Forward Multiple	31.0x	31.0x	43.0x
TEV	**$3,365**	**$4,345**	**$7,416**
Less: Debt	--	--	--
Plus: Cash	(414)	(414)	(414)
Equity Value	**$2,952**	**$3,932**	**$7,002**
Shares	218	218	218
Value/Share	**$13.53**	**$18.02**	**$32.09**
Upside to Current Price	*(24.4%)*	*0.7%*	*79.3%*
IRR	*(20.1%)*	*0.5%*	*59.5%*
Upside/Downside Ratio		*0.0x*	*5.2x*

Cellebrite Products Dominate the Whole Digital Forensics Workflow Analysis

	Device Unlock	Extraction	Acquisition	Analysis	Reporting
Time Allocation	10%	20%	15%	40%	15%
Cellebrite Market Share	60-70%	60-70%	60-70%	60-80%	70-80%
Primary Tool	Cellebrite Premium	Cellebrite UFED	Physical Analyzer	UFED Analytics	UFED Reader
Key Activities	Password bypass; Biometric unlock	File system extraction; Physical extraction	Data parsing; Artifact collection	Timeline creation; Evidence validation	Report creation; Evidence presentation

The market share numbers are estimates based on my calls, as a response to the question of which tool you would use first

Exhibit 3: Digital forensics unit

Exhibit 4: $50M in ARR Potential from FedRAMP Certification Will Unlock Federal Agency Adoption

FedRAMP certification presents $50M revenue opportunity
Achieving FedRAMP certification will solidify Cellebrite's position within the federal government

Current Cellebrite Clients

Segment	Clients (M)	Contract Size ($M)	Revenue ($M)	Client % from Rev
Top	300	0.267	80	20%
Mid High	1,000	0.160	160	40%
Long Tail	4,000	0.040	160	40%
Total Market	**5,300**	**-**	**400**	**100%**

Agency Adoption Analysis

Agency	Total Offices	With CLBT	Without CLBT	Convert %	Contract Size ($M)
DEA	30	5	25	90%	6.0

[10] This slide is an aggregative of all the qualitative information I received in my calls with DFU supervisors.

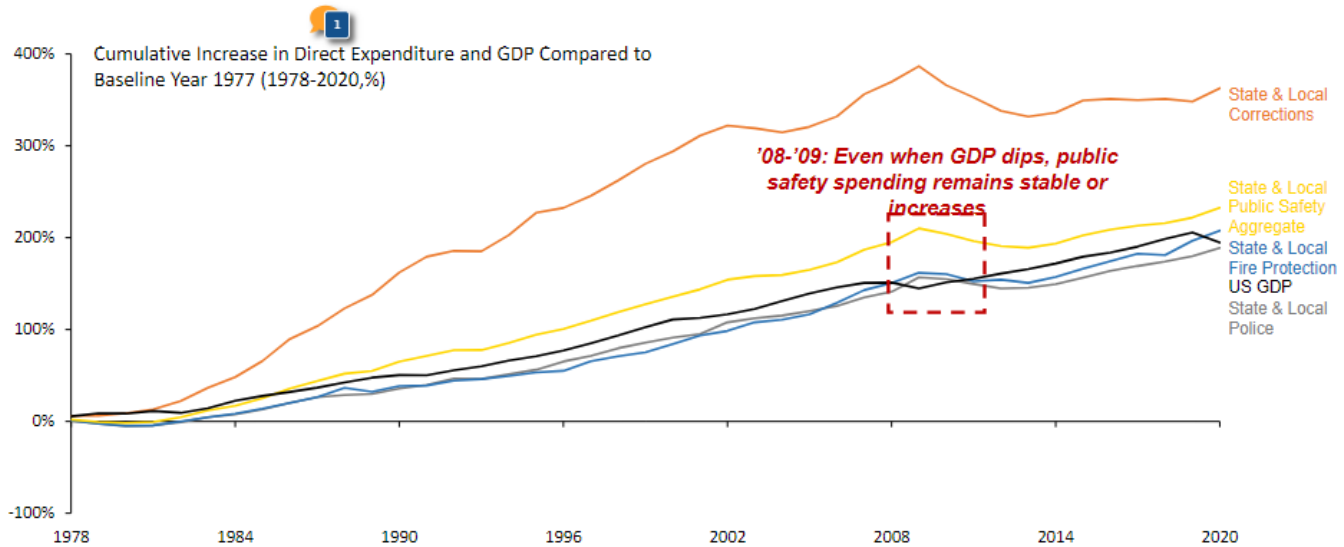5/09/2025   *Organic compounder with strong moats: 117% upside, 42% IRR*   Roy Swisa

Agency	Total Offices	With CLBT	Without CLBT	Convert %	Contract Size ($M)
FBI	56	17	39	80%	8.3
HSI	330	2	328	30%	26.2
ATF	125	2	123	30%	9.8

Expected FedRAMP Revenue Impact $50M

U.S. public safety spending is resilient & growing

Cumulative Increase in Direct Expenditure and GDP Compared to Baseline Year 1977 (1978-2020,%)

'08-'09: Even when GDP dips, public safety spending remains stable or increases

State & Local Corrections
State & Local Public Safety Aggregate
State & Local Fire Protection
US GDP
State & Local Police

Exhibit 5: Private Equity Validation of Valuation (used for Magnet Forensics)
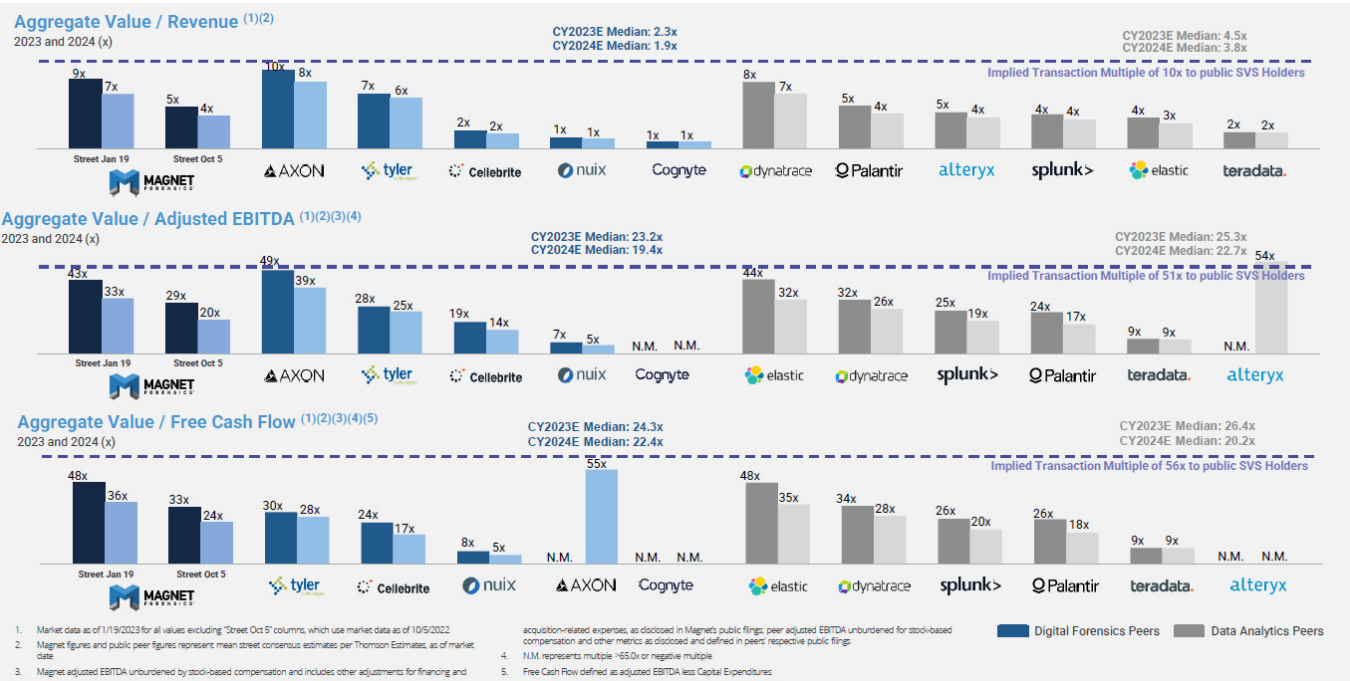
True North announcement on the Suncorp deal

## SUNCORPORATION

DEAL STRUCTURE
TENDER OFFER

STATUS
ACTIVE

INDUSTRY
PUBLIC SAFETY

In August 2024, True Wind successfully completed its tender offer to acquire 19% of SUNCORPORATION ("Sun"), a diversified Japanese corporation with three business segments including mobile data solutions, entertainment and information technology. Having served on the board of directors of Cellebrite DI Ltd. ("Cellebrite") alongside Sun for years, True Wind aims to strengthen its partnership with Sun management and work with all stakeholders to maximize the corporate value of both Sun and Cellebrite over the long-term.

Part of the letter that was sent to SunCorp shareholders by the activist group
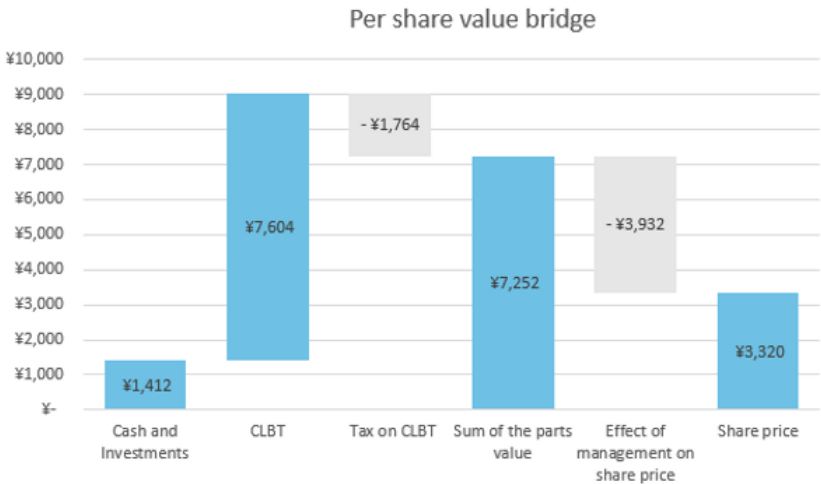
Per share value bridge

5/09/2025   *Organic compounder with strong moats: 117% upside, 42% IRR*   Roy Swisa

Notes:

Daily Forward P/E (NTM) after cleaning noise (I removed days above 100):
I didn't use the the high PE for the bull as a conservtive appraoch

Multiple Type	Value	Description
High avg (Bull)	69.5	Avg P/E since 2023
Low avg (Bear)	30.5	Lowest average of the two periods' P/E, since 2022
Base avg	47.5	Average P/E

Daily Forward EV/EBIT (NTM)

TEV/NTM EBIT   Open: 27.05x   High: 43.94x   Low: 23.94x   Close: 42.90x   Avg: 31.01x

CELLEBRITE (Nasdaq: CLBT)

5/09/2025   *Organic compounder with strong moats: 117% upside, 42% IRR*   Roy Swisa

Exhibit 8: DCF Valuation

Base Case

		Dec-23	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28	Jan-30	Jan-31	Jan-32	Jan-33	Jan-34	Jan-35	Jan-36	Jan-37	Jan-38	Jan-39
Last Price (USD)	17.90	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035	FY2036	FY2037	FY2038
Most Recent Quarter:	Q3-2024																
Discounted Cash Flow Analysis																	
Net Revenue		325.1	406.4	520.2	671.0	838.8	1,048.5	1,279.1	1,573.3	1,919.5	2,341.8	2,833.5	3,371.9	3,945.1	4,615.8	5,400.5	6,210.6
Net Revenue Growth, %		20.1%	25.0%	28.0%	29.0%	25.0%	25.0%	22.0%	23.0%	22.0%	22.0%	21.0%	19.0%	17.0%	17.0%	17.0%	15.0%
Adjusted EBIT (No Adjustments)		33.2	99.9	127.8	170.2	209.7	283.1	319.8	424.8	499.1	585.4	793.4	944.1	1,183.5	1,292.4	1,512.1	1,614.8
Adjusted EBIT (No Adjustments) Margin, %		10.2%	24.6%	24.6%	25.4%	25.0%	27.0%	25.0%	27.0%	26.0%	25.0%	28.0%	28.0%	30.0%	28.0%	28.0%	26.0%
Tax Rate, %		-7.3%	-5.5%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
NOPAT		35.7	105.4	108.6	144.6	178.2	240.6	271.8	361.1	424.2	497.6	674.4	802.5	1,006.0	1,098.6	1,285.3	1,372.5
D&A		10.0	10.2	15.6	20.1	25.2	31.5	38.4	47.2	57.6	70.3	85.0	101.2	118.4	138.5	162.0	186.3
D&A, as % of Net Revenue		3.1%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Capex		(7.9)	(8.1)	(10.4)	(13.4)	(16.8)	(31.5)	(25.6)	(47.2)	(57.6)	(70.3)	(85.0)	(101.2)	(118.4)	(138.5)	(162.0)	(186.3)
Capex, as % of Net Revenue		2.4%	2.0%	2.0%	2.0%	2.0%	3.0%	2.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Change in WC		38.5	24.4	15.6	13.4	16.8	21.0	19.2	23.6	19.2	23.4	14.2	16.9	19.7	-	-	31.1
Change in WC, as % of Net Revenue		11.8%	6.0%	3.0%	2.0%	2.0%	2.0%	1.5%	1.5%	1.0%	1.0%	0.5%	0.5%	0.5%	-	-	0.5%
Free Cash Flow to Firm (FCFF)		76.3	131.8	129.4	164.8	203.4	261.6	303.8	384.7	443.4	521.0	688.6	819.4	1,025.7	1,098.6	1,285.3	1,403.6
Free Cash Flow to Firm (FCFF) / share		$ 0.35	$ 0.60	$ 0.59	$ 0.76	$ 0.93	$ 1.20	$ 1.39	$ 1.76	$ 2.03	$ 2.39	$ 3.16	$ 3.76	$ 4.71	$ 5.04	$ 5.90	$ 6.44
FCF %		2%	3%	3%	4%	5%	7%	8%	10%	11%	13%	18%	21%	26%	28%	33%	36%
FCFF Growth Rate			72.8%	-1.8%	27.3%	23.4%	28.6%	16.1%	26.6%	15.3%	17.5%	32.1%	19.0%	25.2%	7.1%	17.0%	9.2%
Time Period			0.1	1.1	2.1	3.1	4.1	5.1	6.1	7.1	8.1	9.1	10.1	11.1	12.1	13.1	14.1
Present Value of FCFF			130.9	114.8	130.5	143.8	165.1	171.2	193.5	199.1	208.8	246.3	261.7	292.5	279.6	292.0	284.6
EPS			0.48	0.50	0.66	0.82	1.10	1.25	1.66	1.95	2.28	3.09	3.68	4.61	5.04	5.90	6.30

FCFF Terminal Growth Rate	3.0%
Discount Rate	12.0%
Terminal Value FY2038	16,063.3
Terminal Year EBITDA FY2038	1,801.1
Implied Terminal Multiple	8.9 x

	Present Value	
Sum of Present Value of Projected FCFF	3,114.4	49%
Present Value of Terminal Value	3,256.9	51%
Implied Enterprise Value, mm	6,371.3	
Less: Debt	-	
Less: Operating Leases	-	
Less: Preferred Equity	-	
Less: Unfunded Pension Liabilities	-	
Less: Noncontrolling Interest	-	
Plus: Cash & Cash Equiv.	413.6	
Plus: Equity Investments	-	
Other Adjustments	-	
Implied Equity Value, mm	6,784.9	
Diluted Shares Outstanding	218.0	
Implied Share Price - USD	**31.12**	
FX - USD/USD	1.00	
Implied Share Price - USD	31.12	
Last Price - USD	17.90	
Premium to Last Price	73.9%	

Sensitivity Analysis Increments

Terminal Growth Rate	0.50%
Discount Rate	1.00%

DCF Sensitivity Analysis - Implied Share Price

Terminal Growth Rate	Discount Rate						
	9.00%	10.00%	11.00%	12.00%	13.00%	14.00%	15.00%
-1.50%	37.87	32.95	28.97	25.71	23.00	20.72	18.80
-1.00%	38.86	33.69	29.52	26.12	23.32	20.97	19.00
-0.50%	39.96	34.49	30.12	26.57	23.66	21.24	19.20
0.00%	41.18	35.37	30.77	27.06	24.03	21.53	19.43
0.50%	42.54	36.34	31.48	27.59	24.43	21.83	19.67
1.00%	44.08	37.42	32.26	28.17	24.87	22.16	19.92
1.50%	45.82	38.63	33.13	28.80	25.34	22.52	20.19
2.00%	47.80	39.99	34.09	29.50	25.85	22.91	20.49
2.50%	50.09	41.54	35.16	30.27	26.42	23.33	20.81
3.00%	52.77	43.30	36.37	31.12	27.04	23.79	21.15
3.50%	55.93	45.33	37.74	32.08	27.72	24.29	21.53
4.00%	59.72	47.71	39.31	33.15	28.48	24.84	21.94
4.50%	64.35	50.51	41.11	34.37	29.33	25.45	22.38
5.00%	70.15	53.87	43.22	35.76	30.29	26.13	22.88
6.00%	87.53	63.13	48.70	39.25	32.61	27.74	24.03
6.50%	101.43	69.74	52.36	41.46	34.05	28.71	24.70
7.00%	122.28	78.55	56.92	44.12	35.71	29.81	25.46
7.50%	157.04	90.89	62.80	47.37	37.69	31.09	26.33

Appendix 3: Sample of the Value Added Research (VAR) Contact Log

Arya Kulkarni Digital Forensic Examiner, Digital Intelligence	▪ I am using Cellebrite tools for extraction, analysis, and report sharing. ▪ In court orders, lawyers are asking us to use Cellebrite. ▪ I use Magnet, Oxygen, and Cellebrite; the whole industry uses both Magnet and Cellebrite. ▪ We are experiencing growth in the business. We were a team of 3 people in 2019; we are now 8, all dealing with forensics. We need more people, but they are hard to find.
Grace Rubio CEO, Rubio Digital Forensics	▪ Cellebrite has a 5% year-over-year price increase, which you can avoid by signing a longer contract of up to three years. ▪ I use both Cellebrite and Magnet. ▪ I have experienced a 20% year-over-year increase in demand for my services since 2019, leading to staff growth. ▪ Attorneys request Cellebrite because it is a well-known brand.
Julius Tauberg Veteran policeman. Sales Rep, Utility Inc. (law enforcement vendor)	▪ The market of DEMS is fragmented - 30%-40% of Indiana doesn't have DEMS. Although DMS entered use 7 years ago, many departments are still using paper to file cases and burning CDs. ▪ Most departments use tax budgets for upkeep and always apply for grants (both federal and state level). Hence, when AXON increased prices by 30%, the police chiefs said it was easier to raise funds via grants than to leave AXON.
Ms. M Former CLBT Director, Cellebrite	▪ Magnet is our main competitor. We price similarly to them. NSO Group was a previous competitor, but as you know, it is no longer in the market. ▪ Cellebrite offers competitive compensation compared to market standards. ▪ Clients commonly use both Magnet and Cellebrite, and we can work with their files and visa-versa.
Rob S. Homicide Detective, Indiana Metropolitan Police Department	▪ In my unit, we have the machine [Cellebrite], and it shortened the queue for the federal and state machines. ▪ Indiana is underutilized - there are at least 20 more places that easily could benefit from that machine [Cellebrite], and they are using our machine as a time share. ▪ We used grants to buy them; we used the ICAC task force grant. ▪ We have trained 3 detectives so that in each shift we will have 1 Cellebrite expert
Officer R. New Haven Police department supervisor	▪ Most police departments are small - out of 180 departments, only 7-8 have forensic capabilities. ▪ New Haven will be implementing new systems to help triage devices. ▪ Forensics needs and capabilities are growing. ▪ Sometimes we take 20 pieces of hardware in a case. Current backlog is about a month.
James B. Detective, North Carolina State Police	▪ IU are getting their machine - it is part of the police force evolution. In the past, we had only guns. Today we have pepper spray, taser guns, and Cellebrite machines. ▪ NC DCU suffers from tons of backlog. The IU has the machine and uses it to have a quick response on the phone and prioritize the flow for the lab. ▪ We are underserved on all levels
Ms. M CISO, Cyber company; Former member of 8200	▪ I used Cellebrite technology in the army; it was the standard for both laptops and mobile devices. ▪ Incident response companies often use the Pathfinder agent on their clients' systems; it is common practice.
Mr. F Cyber & Embedded Expert, Tech company	▪ Once you have the device, it is just a matter of time until you gain full access to its logs and data. ▪ You can bypass external cords by opening the phone and directly connecting to the chipset if needed. ▪ My friends who applied for jobs at Cellebrite were offered a competitive salary.

In addition to these VAR sources, I spoke with:
1. Two subject matter experts who run a podcast and are digital forensic analysts and lab heads working for federal forces
2. A firmware engineer in a leading phone manufacturer company about the security vulnerabilities and their limits
3. An FBI agent regarding the coverage and software, as well as the ability to expand within the different offices and branches
4. Amazon AWS product manager about the FedRAMP process and expected timeframe