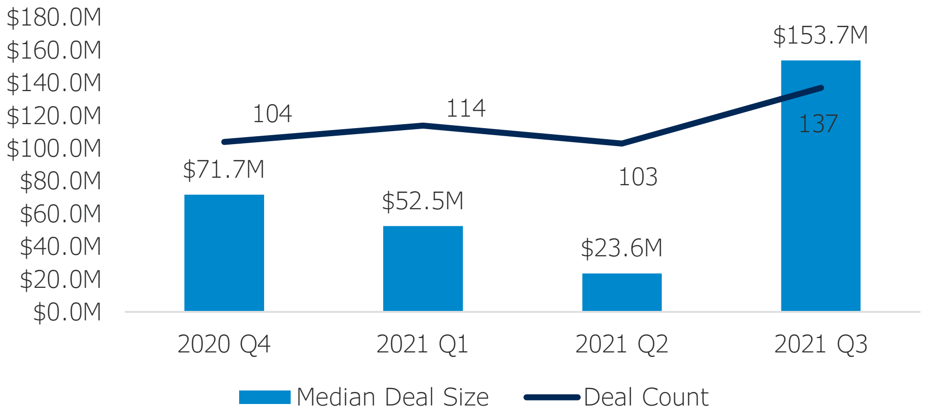
Q3 2021

Market Update
Cybersecurity & Infrastructure Services

In Q3 of 2021, the Global Cybersecurity Industry saw its largest median transaction value ever at an astounding $153 million. A median deal size of $23.55 million in 2021 Q2 rose dramatically this following quarter for a multitude of reasons. Leading this growth was IT service providers continuing to adapt to and integrate remote workforce environments and their related security protocols, especially in the healthcare, government, and aerospace & defense industries. As a result of this, analysts believe that 40% of boards of directors will have a dedicated cybersecurity committee overseen by a qualified board member by 2025.

In the nearer term, analysts also expect modern privacy laws to cover the personal information of 3/4ths of the world's population by 2023. Although potentially hard to believe, it is essential to realize that security management and risk exposure have become board-level issues for leading enterprises around the world. With both the quantities and complexities of security breaches increasing, enhanced legislative security demand and B2B cybersecurity solutions are at an all-time high.

Median Deal Size and # of Buyout/LBO and M&A Deals – Cybersecurity Services



The third quarter of 2021 recorded 103 deals, a 10% decrease compared with Q2 2021 numbers. Deal valuations remained especially high though globally as both strategic and financial buyers aggressively purchased cybersecurity companies, especially those specializing in automation and workflow software, government-specific services, IT consulting and outsourcing, network management software, and systems and information management.

7MA has completed numerous M&A transactions for companies operating in the aforementioned sectors and has developed unparalleled deal expertise and knowledge of the industry trends, valuation trends, and most active strategic and financial buyers. Please contact Garth Martin, Sydney Scadden, and/or Trent McCauley if you would like to learn more about our Cybersecurity & Infrastructure Services.

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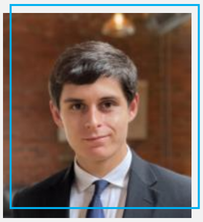

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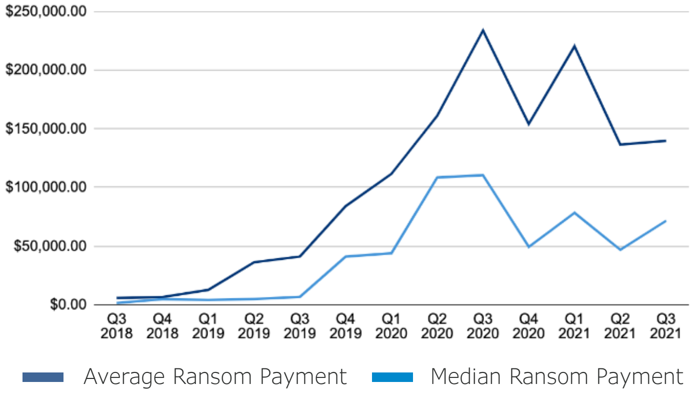
Source: Pitchbook Data, Inc., Gartner, Grand View Research

Middle-Market Companies – The New Ransomware Attacker Favorite

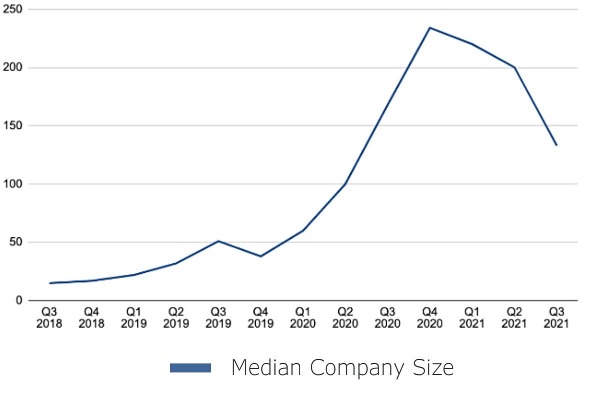
As demonstrated in the charts below, it is easy to see that, over the last several years, cybersecurity-related ransom payments have dramatically risen. More recently, however, was the interesting jump seen from Q2 of 2021 to Q3. In Q2, average ransom payments and median ransom payments were roughly $136,000 and $47,000, respectively. Notably, just three months later in Q3, those respective numbers were $140,000 and $72,000. Clearly, the average jump is much less concerning than the median jump. What has likely attributed to this dramatic shift in median ransom payment size is less large outlier payments from a few large companies is being replaced with a much higher proportion of payments coming from middle-market sized victims. The logistics of this primarily stem from the ransomware attackers' point-of-view; these attackers are seemingly attempting to avoid bigger and more-established targets that could insight political and/or governmental action should harm come their way. Experts covering this newfound trend are referring to it as a shift from 'Big Game Hunting' to 'Mid Game Hunting' as it fits criteria relating to both the ransom amount stats as well as the victims' size demographics. Additionally, analysts covering the situation anticipate this trend to continue, creating even more pressure on mid-sized companies to bolster their cybersecurity-related capabilities as well as governmental leaders to increase punishment severity on caught ransomware attackers.

Also interestingly, in Q3 of 2021, industries succumbing especially to these ransomware attacks are those operating in the professional services, healthcare, public sector, consumer services, financial services, retail, software services, and technology hardware sectors. Companies operating in these fields with employees ranging between 101-1000 employees are considered the most susceptible to ransomware attacks. Going forward, it will be very interesting to see if cyber threats continue to prioritize this middle-market bucket.

Global Cybersecurity Ransom Payments by Quarter



Median Size of Companies Impacted by Ransomware by Quarter (Headcount)



Most Active M&A Cybersecurity & Infrastructure Acquirers in Q3 2021 (M&A and PE)

accenture 3

BlueVoyant 2

Deloitte. 2

elasticsearch 2

EQT 3

Microsoft 2

SOPHOS 2

THOMABRAVO 2

Source: Pitchbook Data, Inc., Coveware

Market Landscape

Headcount

<100

100-500

500-1,000

1,000+

Please reach out to 7MA team to get access to the full list.

Source: Revenue numbers are estimated by 7MA team and are based on the number of employees

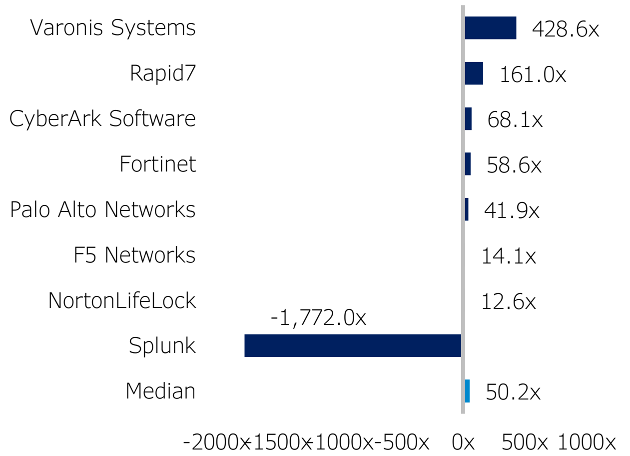
Public Markets

Publicly-traded Cybersecurity & Infrastructure Companies – Q2 2021

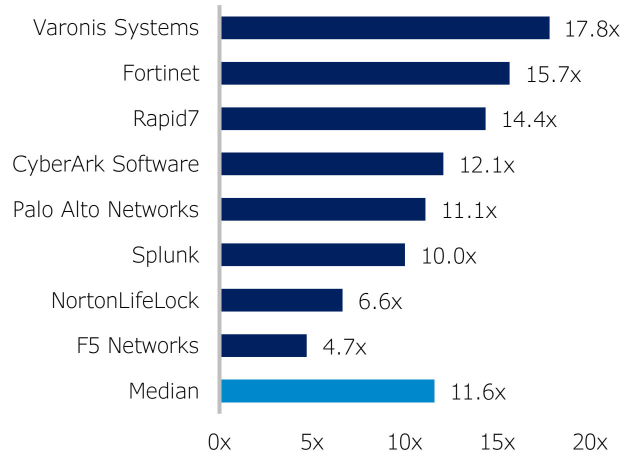
Company	TEV $m	LTM EBITDA $m	LTM Rev $m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE $k
NortonLifeLock	17,405	1,382	2,623	6.9%	85.6%	52.7%	6.6x	12.6x	2,800	937
Rapid7	6,633	41	462	25.6%	69.6%	8.9%	14.4x	161.0x	1,847	250
Splunk	24,153	-14	2,411	2.9%	73.4%	-0.6%	10.0x	-1772.0x	7,573	318
Palo Alto Networks	47,296	1,130	4,256	24.9%	70.0%	26.5%	11.1x	41.9x	10,473	406
Varonis Systems	5,967	14	335	29.4%	84.7%	4.2%	17.8x	428.6x	1,719	195
CyberArk Software	5,810	85	481	6.7%	81.4%	17.7%	12.1x	68.1x	1,689	285
Fortinet	45,570	778	2,911	23.2%	77.7%	26.7%	15.7x	58.6x	9,043	322
F5 Networks	11,953	847	2,536	9.0%	81.2%	33.4%	4.7x	14.1x	6,109	415
Average	20,598	533	2,002	16.1%	78.0%	21.2%	11.5x	-123.4x	5,157	391
Median	14,679	432	2,474	16.1%	79.4%	22.1%	11.6x	50.2x	4,455	320

share price as of 30Sep21

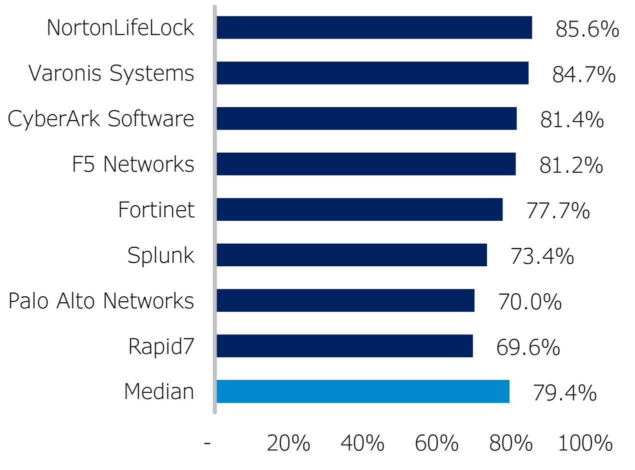
TEV / EBITDA X



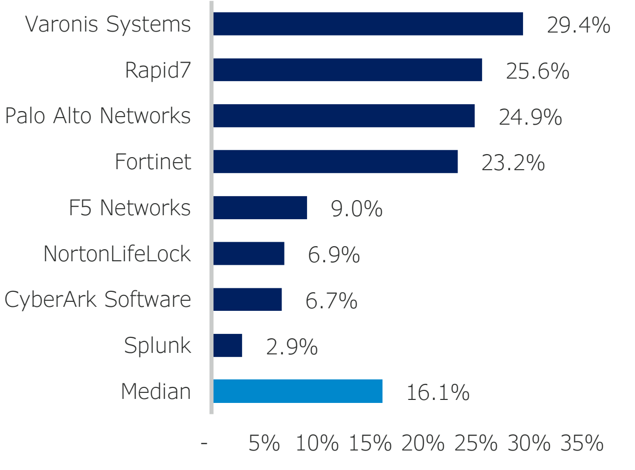
TEV / Rev X



LTM Gross Margin %



LTM Rev Growth %



Source: Pitchbook Data, Inc. as of 9.30.21

Notable Deals

Q3 2021 M&A Transactions

Date	Target	Buyer / Investor	Target Description
September-29, 2021	CONCANON	BlueVoyant	• Concanon is a big data and cloud services provider pivoted towards business analytics, IT operations, and enterprise security. More specifically, the firm's services involve application development, operational analytics, SIEM consulting, and cyber reporting which help optimize their clients' threat intelligence and breach remediation capabilities.
September-2, 2021	METMOX	ACHIEVE PARTNERS	• Metmox, a provider of cybersecurity services aimed at protecting IT infrastructure and cybersecurity needs, was acquired by Achieve Partners at the start of September 2021. The company's expert professionals and modern security technology offerings enable financial services, technology, and healthcare companies to avoid future threats.
August-31, 2021	proofpoint.	THOMABRAVO	• Proofpoint Inc. is a provider of cloud-based security solutions to large- and mid-sized organizations. The firm's solutions are delivered through its security-as-a-service platform, which hosts an integrated set of on-demand data protection applications.
August-20, 2021	ADNET TECHNOLOGIES	New Charter TECHNOLOGIES	• ADNET Technologies, an IT services provider specializing in managed IT, cloud, and cybersecurity services, was acquired by New Charter Technologies, via its financial sponsor, Oval Partners, via an LBO in August 2021.
August-18, 2021	loop TECHNOLOGY	TESSERENT	• Loop Secure, a cybersecurity management services company for primarily enterprises and governments, was acquired by Tesserent in August 2021 for approximately AUD 13.5 million. • The transaction is believed to help bolster Tesserent's Cyber 360 capabilities as well as opportunities with corporate relationships.
August-11, 2021	Avast	NortonLifeLock	• Avast Software, a provider of network management security software for SMBs, reached a definitive agreement to be acquired by NortonLifeLock (NAS: NLOK) for $8.6 billion in August 2021. • The deal is believed to help NortonLifeLock expand their focus on consumer software.
July-21, 2021	OPEN MINDED	accenture	• Openminded, an advisory services, cloud and infrastructure security, and cybersecurity and managed security provider, was acquired by Accenture for an undisclosed sum in July 2021.
July-13, 2021	SkOUT SECURE INTELLIGENCE	THOMABRAVO Barracuda	• SkOUT Secure Intelligence is a cloud-native data analytics platform created to bring cyber services to SMBs through managed service providers. • The company was acquired by Barracuda Networks, via its financial sponsor Thoma Bravo, through an LBO in July 2021 for an undisclosed sum.
July-8, 2021	SalientCRGT	WCAS governmentCIO TRANSFORMING GOVERNMENT IT	• Salient CRGT is a provider of tech and mission support services made for civilian and defense agencies. SCRGT develops software, cyber, cloud hosting, mobility, and other IT services. • The company was purchased by GovernmentCIO via its financial sponsor, Welsh, Carson, Anderson & Stowe, and a $700 million LBO in July 2021.

Source: Pitchbook Data, Inc.

About 7 Mile Advisors

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally. We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets. All securities transactions are executed by 7M Securities, LLC, member FINRA / SIPC. For more information, including research on the M&A markets, visit www.7mileadvisors.com.

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Notable 7 Mile Transactions

7MA
acuant
a portfolio company of Audax Private Equity
HELLOSODA

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BlueAlly
SourceCapital | LLC

7MA
omegasystems technologymanaged
PFINGSTEN