

Sectorwatch: IT Security

April 2018

IT Security

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Overview

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. We publish our sectorwatch, a review of M&A and operational trends in the industries we focus.

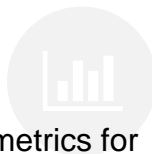
Dashboard

- Summary metrics on the sector
- Commentary on market momentum by comparing the most recent 12-month performance against the last 3-year averages.



Public Basket Performance

- Summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

- Graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth Momentum

↓ -0.01

1 - year revenue growth compared to revenue growth average for last 3 years

Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining

Pricing / Gross Margin Momentum

↓ -2.5%

1 - year gross profit % compared to gross profit % average for last 3 years

Current gross profit margin is less than the average of the last 3 years gross profit margins, indicating customer pricing power

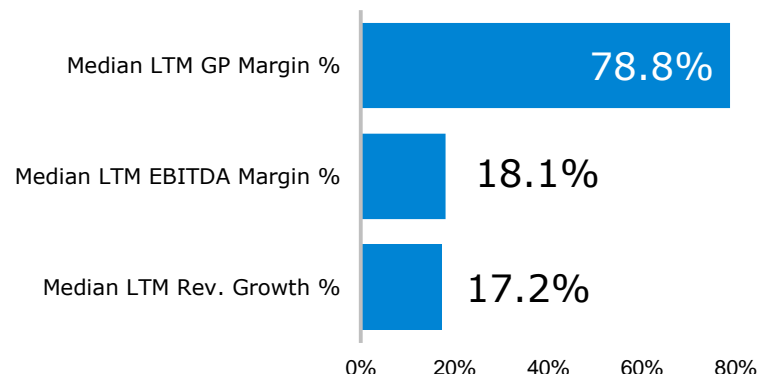
Profitability Momentum

↓ -0.1%

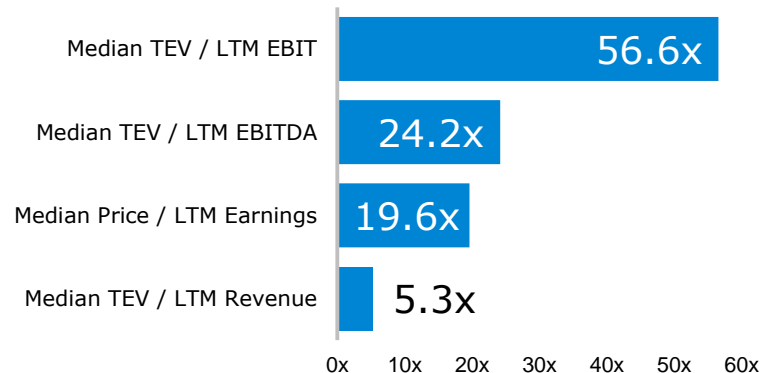
1 - year EBITDA % compared to EBITDA % average for last 3 years

Current EBITDA margin is less than the average of the last 3 years EBITDA margins, which may signal further consolidation

Operating Metrics



Valuation



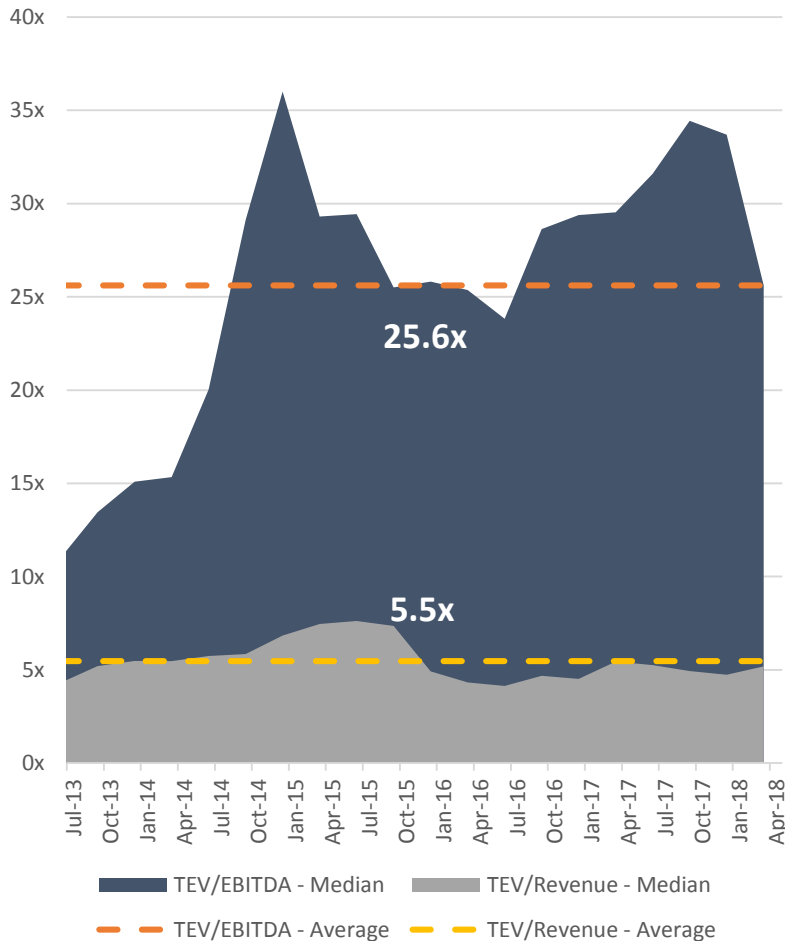
Public Basket



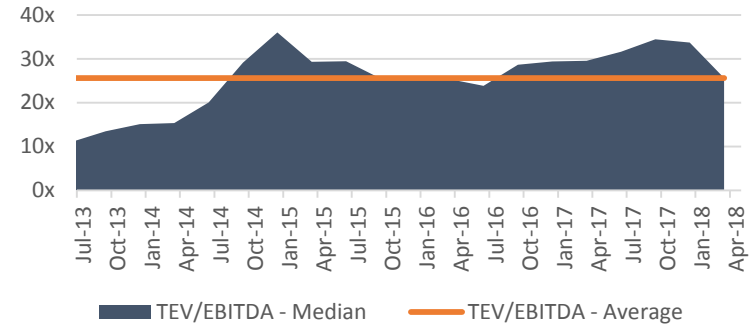
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
VASCO Data Security International, Inc.	459	193	1%	70%	6%	2.4	37.2	611	316
CyberArk Software Ltd.	1,593	262	21%	84%	11%	6.1	55.2	1,015	258
Bluedon Information Security Technologies Co.,Ltd	2,104	341	41%	54%	40%	6.0	15.0	-	NA
FireEye, Inc.	3,374	751	5%	64%	-20%	4.5	0.0	2,960	254
Trend Micro Incorporated	6,728	1,321	13%	81%	34%	4.9	14.4	5,970	221
Fortinet, Inc.	7,956	1,495	17%	74%	11%	5.3	47.5	5,066	295
Check Point Software Technologies Ltd.	14,234	1,872	6%	89%	50%	7.6	15.1	-	NA
Symantec Corporation	20,756	4,739	25%	79%	18%	4.4	24.2	13,000	365
Red Hat, Inc.	26,717	2,920	21%	85%	20%	9.1	46.9	-	NA
Average	9,325	1,544	17%	76%	19%	5.6	28.4	3,180	285
Median	6,728	1,321	17%	79%	18%	5.3	24.2	1,015	276

share price as of 26Apr18

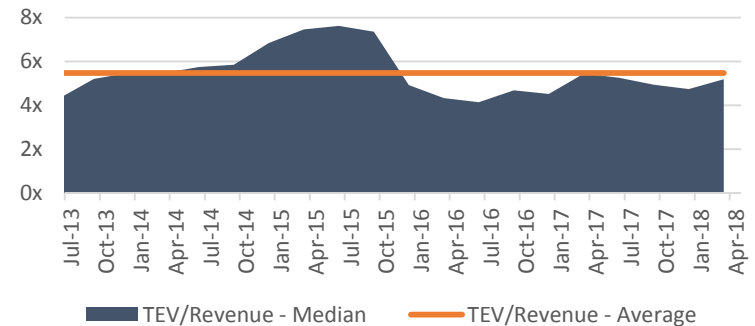
Public Basket Valuation Trends



Public EBITDA Multiples over Time



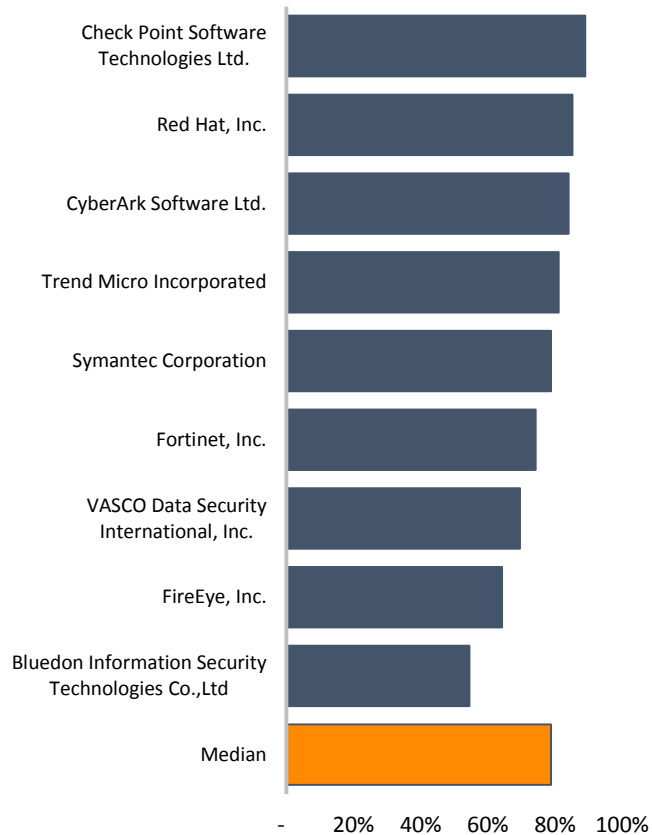
Public Revenue Multiples over Time



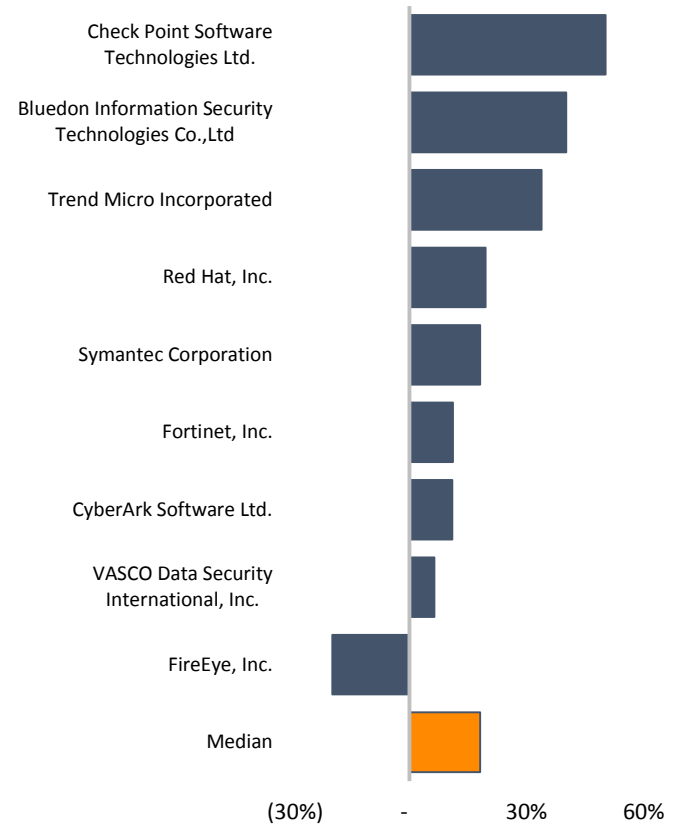
Operational Metrics



LTM Gross Profit Margin %



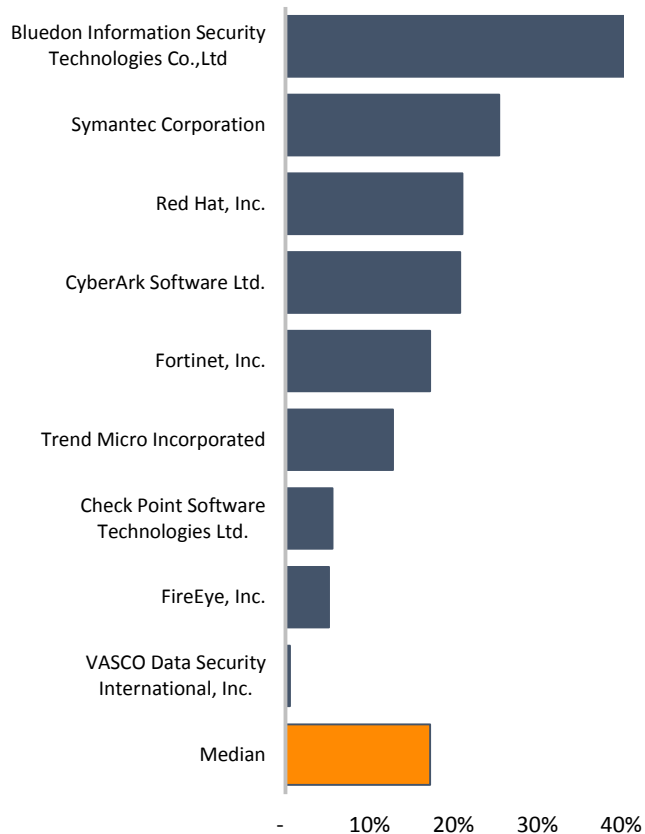
LTM EBITDA %



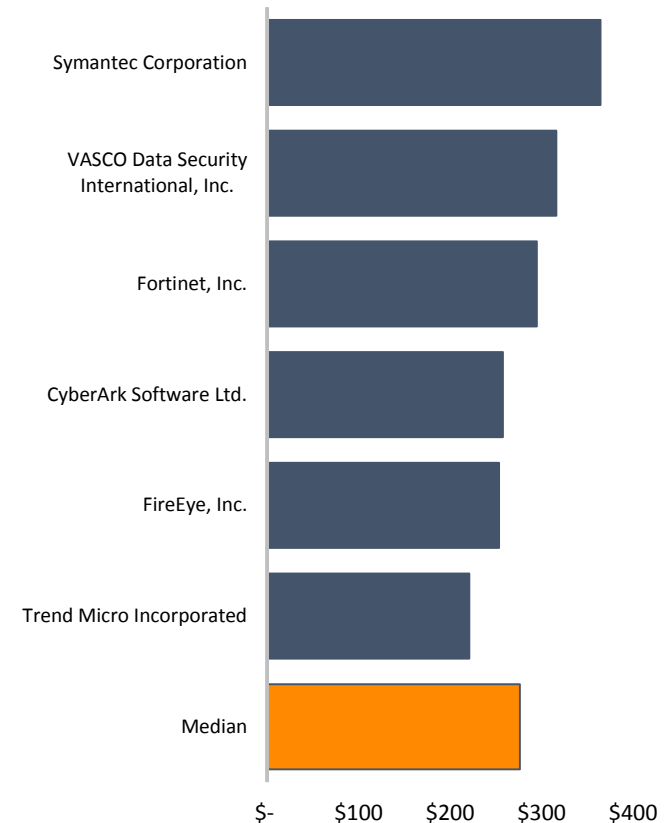
Operational Metrics



LTM Revenue Growth %



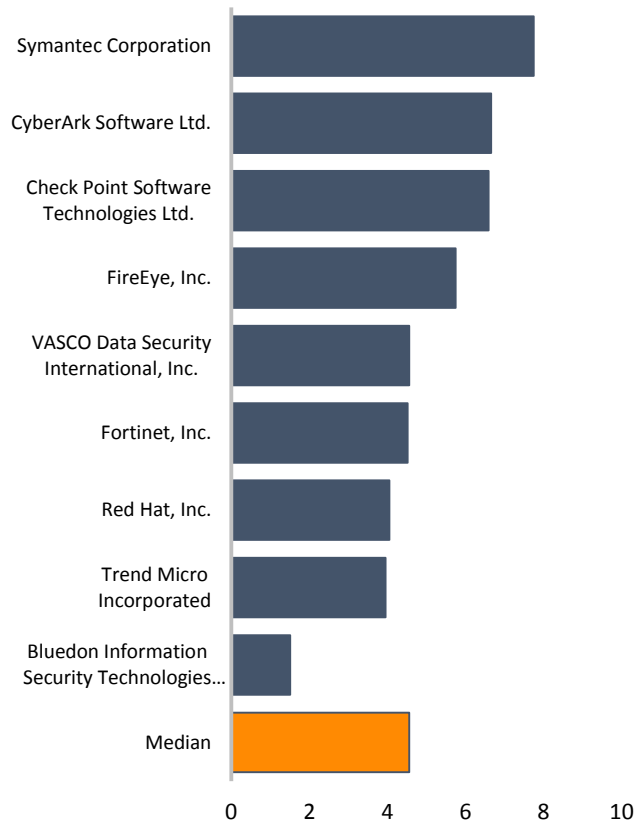
LTM Revenue per Full Time Employee x 000's



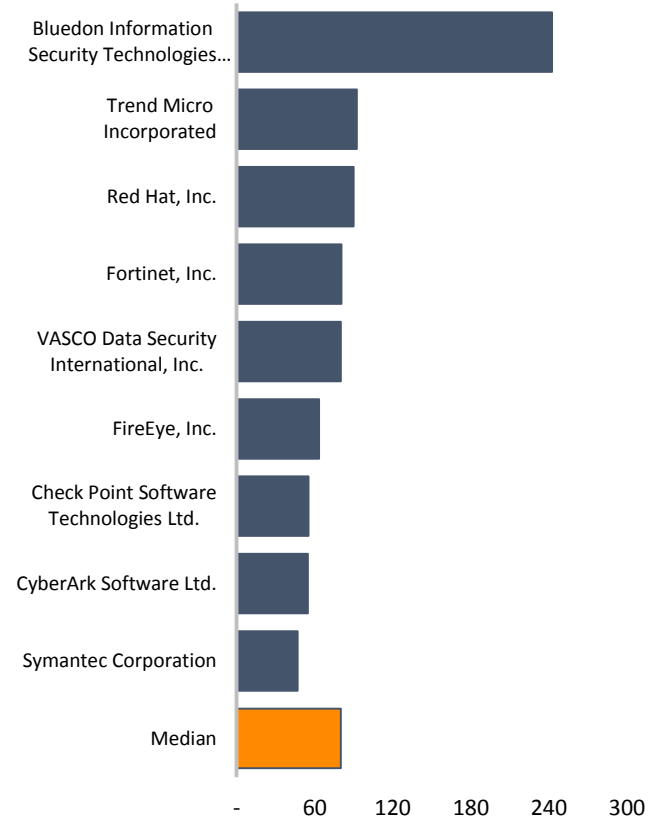
Operational Metrics



Accounts Receivable Turnover



Average Days Sales Outstanding



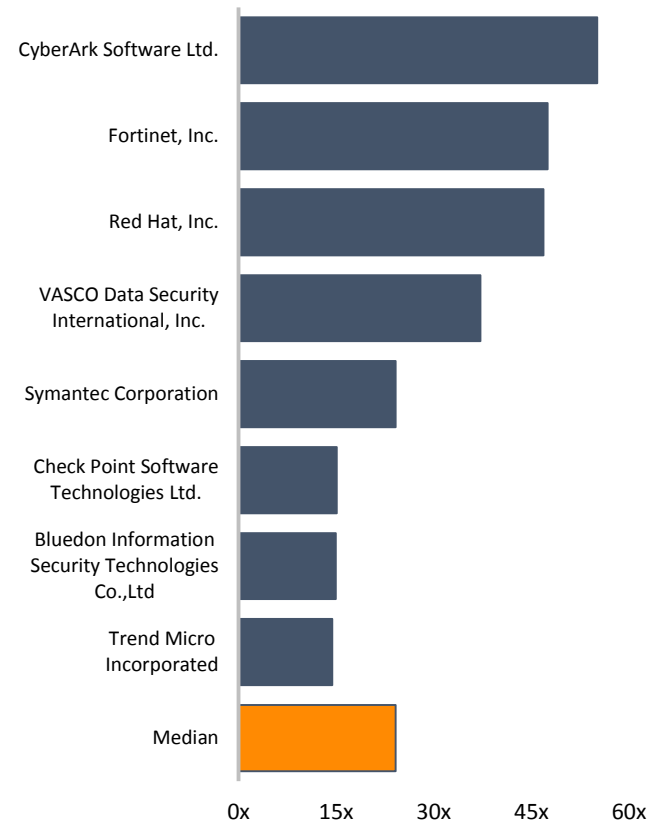
Valuation



TEV / LTM Revenue



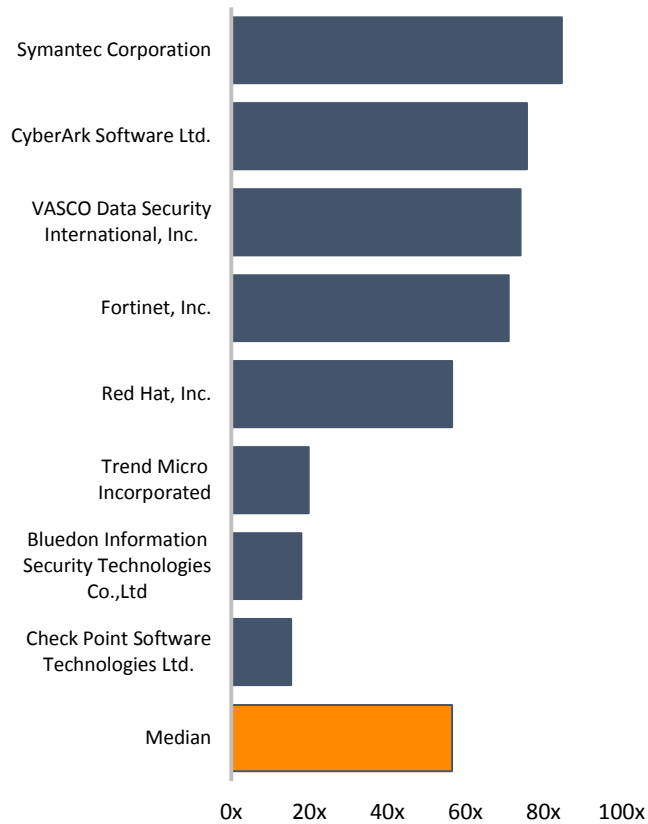
TEV / LTM EBITDA



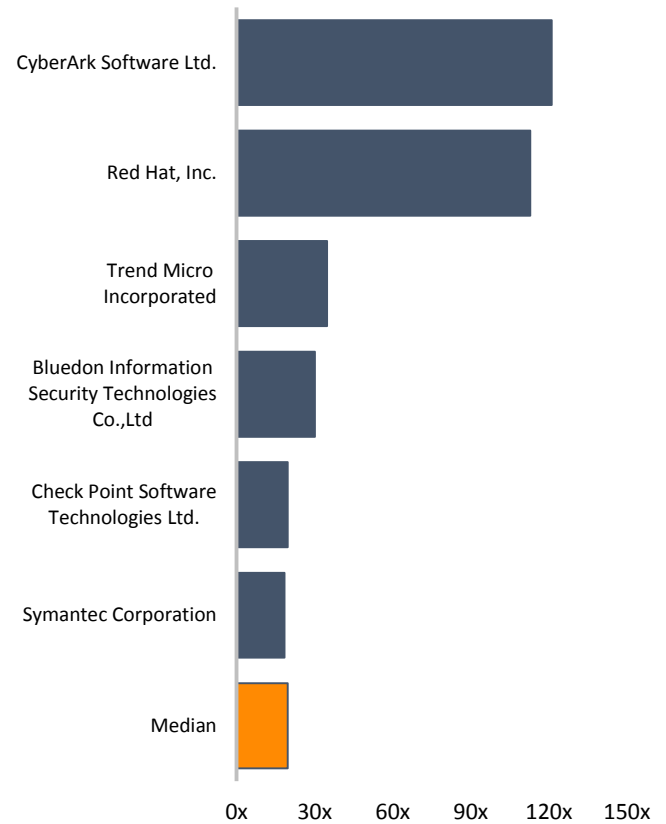
Valuation



TEV / LTM EBIT



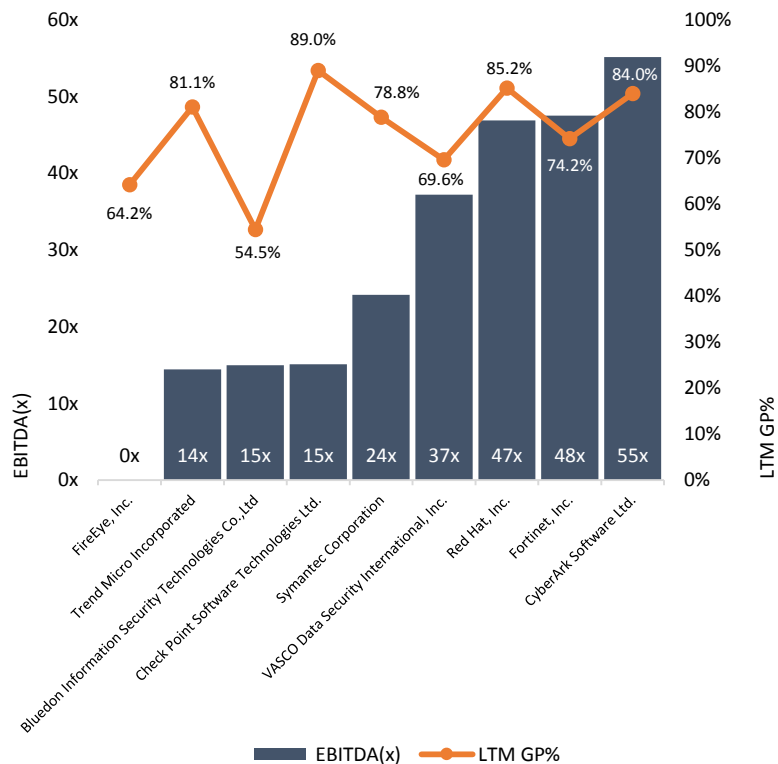
Price / LTM Earnings



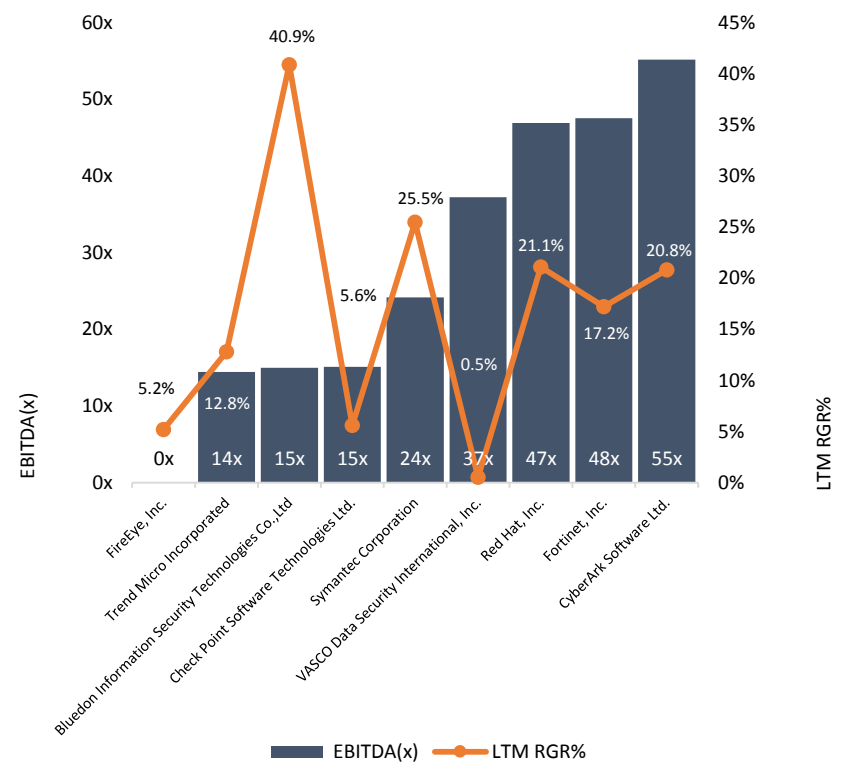
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



Date	Target	Buyer / Investor	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
9Apr18	SourceClear, Inc.	Veracode, Inc.	-	-	-	-
28Mar18	E8 Security Inc.	VMware, Inc.	-	-	-	-
27Feb18	Phantom Cyber Corporation	Splunk Inc.	350.00	-	-	-
15Feb18	Zenedge LLC	Oracle Corporation	-	-	-	-
5Feb18	Datos IO, Inc. (nka:Rubrik Datos IO)	Rubrik, Inc.	-	-	-	-
24Jan18	Skyport Systems Inc.	Cisco Systems, Inc.	-	-	-	-
16Jan18	N2W Software Inc.	Veeam Software AG	42.50	-	-	-
12Dec17	Cilasoft SAS	Syncsort Incorporated	-	-	-	-
3Nov17	Barracuda Networks, Inc.	Thoma Bravo, LLC; Thoma Bravo Fund XII, L.P.	1,611.64	366.57	3.8x	45.0x
2Nov17	Black Duck Software, Inc.	Synopsys, Inc.	565.00	-	-	-
31Oct17	Securicom Global Limited	e92plus Ltd	-	-	-	-
12Jun17	ViaWest, Inc.	Peak 10 Holding Corporation	1,675.00	-	-	-
5Jun17	Open Windows Australia Pty Ltd	Ernst & Young LLP, Investment Arm	-	-	-	-
17May17	CrowdStrike, Inc.	Accel Partners; Warburg Pincus LLC; Telstra Ventures Pty Limited; CapitalG; March Capital Partners	100.00	-	-	-
16May17	Landscape Networks Ltd	Communicate Technology PLC	-	2.58	-	-
11May17	NewCo ICT Security Services Kft.	Invitech Solutions Zrt.	-	-	-	-
14Feb17	exceet Group SE	-	29.44	143.15	0.6x	-
7Feb17	Infinigate Holding AG	H.I.G. Capital, LLC; H.I.G. Capital Partners II, L.P.	-	297.79	-	-
25Jan17	The ADEX GmbH	virtual minds Aktiengesellschaft	-	-	-	-
19Jan17	Exablox Corporation	StorageCraft Technology Corporation	-	-	-	-
13Jan17	CynergisTek, Inc. (nka:CTEK Security, Inc.)	Auxilio, Inc. (nka:Cynergistek, Inc.)	34.17	15.00	2.3x	6.3x
11Jan17	Apperian, Inc.	Arxan Technologies, Inc.	-	-	-	-
5Jan17	DearBytes BV	Koninklijke KPN N.V.	-	-	-	-
7Dec16	Thrive CITS, LLC	M/C Partners	-	-	-	-
29Nov16	Distributed Systems Services, Inc.	Contegix, LLC	-	-	-	-
20Nov16	Lifelock, Inc.	Symantec Corporation	2,528.18	650.16	3.6x	50.0x
17Nov16	Nuspire Networks Inc.	ABRY Partners, LLC	-	-	-	-
11Nov16	AK Süsteemid Ou	Telia Eesti AS	-	-	-	-
6Nov16	Datalink Corporation	Insight Enterprises, Inc.	297.92	756.55	0.3x	11.7x
7Nov16	DX Antenna Co., Ltd.	Elecom Co., Ltd.	99.15	115.87	0.9x	-
4Oct16	Eyeonid Group AB (publ)	Blue Bat Investments AB	-	-	-	-
4Oct16	Soha Systems, Inc.	Akamai Technologies, Inc.	-	-	-	-
4Oct16	Go Technologies, Inc.	Convergint Technologies LLC	-	-	-	-
3Oct16	MIPS d.o.o.	HP - Hrvatska Posta d.d.	-	1.41	-	-
29Sep16	Opale Security Sarl	Serma Safety & Security	-	-	-	-
18Sep16	Palerra, Inc.	Oracle Corporation	-	-	-	-
13Sep16	Optanon	OneTrust LLC	-	-	-	-

IT Security

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APPENDIX: Public Basket Constituents

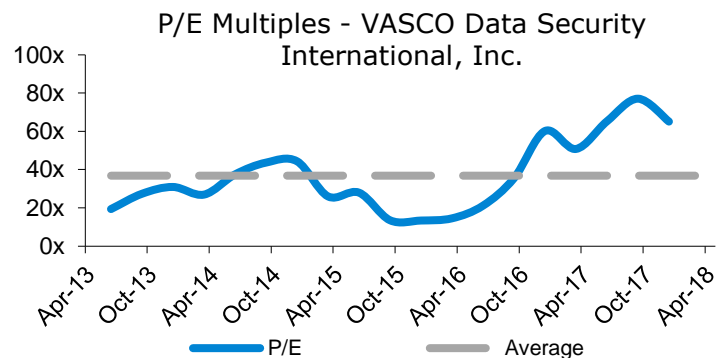
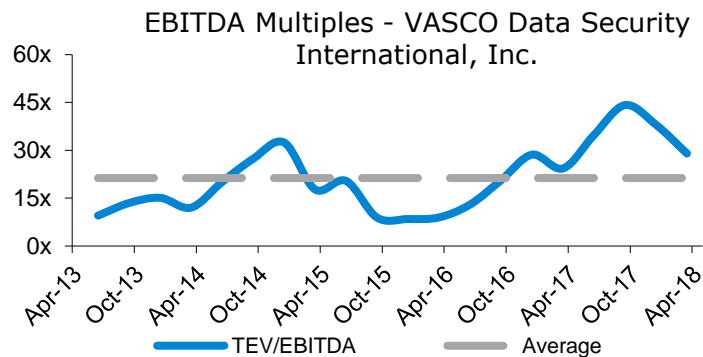
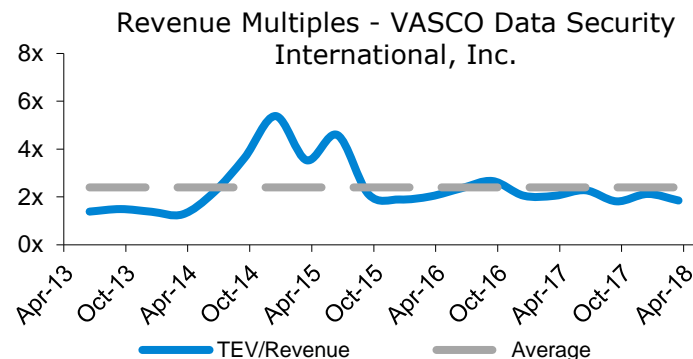
Public Basket



VASCO Data Security International, Inc.

VASCO Data Security International, Inc., together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity worldwide. The company offers DIGIPASS software authenticators; DIGIPASS for Apps, a software development kit; DIGIPASS for Mobile, a mobile authenticator that operates as a discrete mobile application; IDENTIKEY Risk Manager, an anti-fraud solution; and application shielding with runtime application self-protection that neutralizes the threat of attacks on mobile apps. It also provides eSignLive eSignature solution; and eSignLive eVault Manager, a Web-based platform that provides mortgage lenders, auto financiers, equipment lessors, and other financial services organizations the means to store, assign, and service electronic mortgage notes, and secured loans and leases. In addition, the company offers VACMAN solutions; DIGIPASS hardware authenticators to support authentication and digital signatures for applications running on desktop PCs, laptops, tablets, and smart phones; and IDENTIKEY Authentication Server, an authentication server that supports the deployment, use, and administration of DIGIPASS strong user authentication. VASCO Data Security International, Inc. was founded in 1991 and is headquartered in Chicago, Illinois.

Date	Key Development Headline
10/26/17	VASCO Data Security Seeks Acquisitions



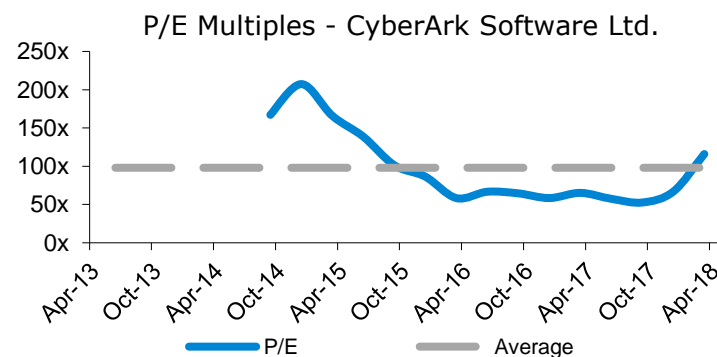
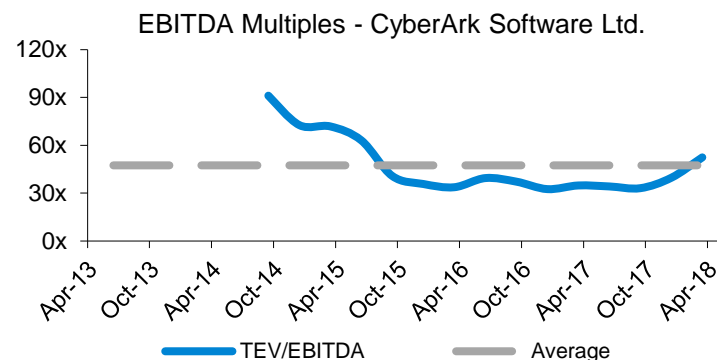
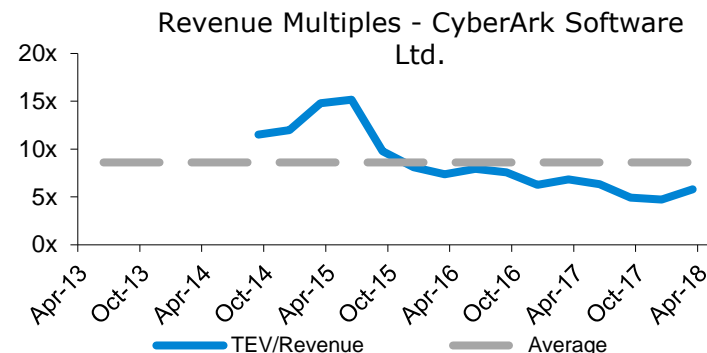
Public Basket



CyberArk Software Ltd.

CyberArk Software Ltd. develops, markets, and sells software-based security solutions that protect organizations from cyber attacks in the United States and internationally. The company offers privileged account security solution to secure, manage, and monitor account access and activities. Its privileged account security solution consists of Enterprise Password Vault that prevents user passwords and SSH keys; Privileged Session Manager that protects windows based systems, databases, virtual machines, network devices, Web sites, and SaaS applications; and Privileged Threat Analytics that enables to detect, alert, and respond to anomalous privileged activity. The company also provides Application Identity Manager, provides solutions for hard-coded passwords and embedded application credentials; The company was founded in 1999 and is headquartered in Petach Tikva, Israel.

Date	Key Development Headline
3/6/18	CyberArk Software Ltd. (NasdaqGS:CYBR) acquired all assets of Vaultive, Inc.
9/27/17	ForeScout Technologies, Inc. and CyberArk Software Ltd. Partner to Dynamically Secure Devices Across the Enterprise to Reduce the Attack Surface
5/22/17	CyberArk Software Mulls Acquisitions

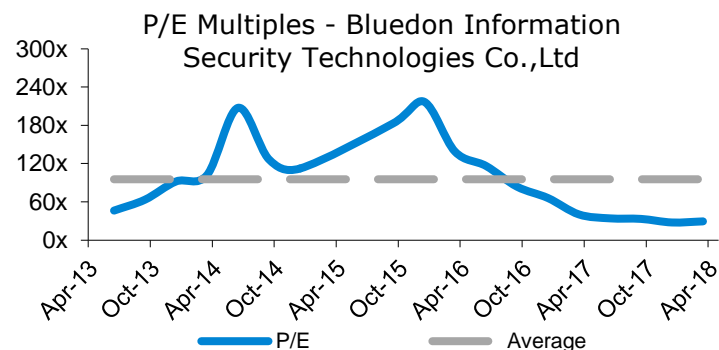
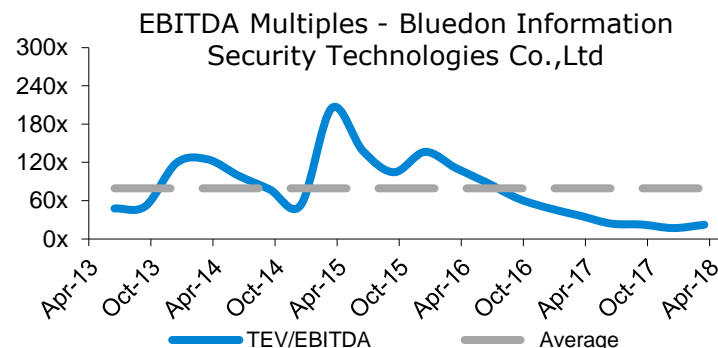
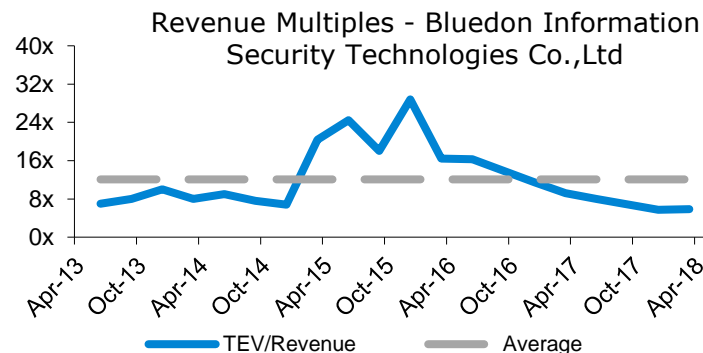


Public Basket



Bluedon Information Security Technologies Co.,Ltd

Bluedon Information Security Technologies Co.,Ltd provides network security solutions in China. It offers intrusion prevention system, a network security appliance that protects against network and application-level attacks, intrusion attempts, malwares, Trojans, DoS and DDoS attacks, malicious code transmission, zero-day attacks, Botnet attacks, backdoor activity, and blended threats. The company also provides security operation center that manages the security device and event centrally; configures the security strategy uniformly; and enhances the risk management level, etc. In addition, it offers database security audit, a database and business application security monitor audit system; unified threat management, a network security hardware appliance, which integrates firewall, IDP, VPN, anti-malware, anti-spam, etc.; and business service monitor to monitor the business service and collect the simulation result to find out the malfunction point, as well as reports to the system administrators. Further, the company provides Internet security audit, a management system that conducts auditing on network operational behaviors; protects customers' information system; avoids potential hazards information spread; and enhances the efficiency of enterprise users. It offers its solutions for banking and financial institutions, educational institutions, enterprises, and government. Bluedon Information Security Technologies Co.,Ltd is based in Guangzhou, China.

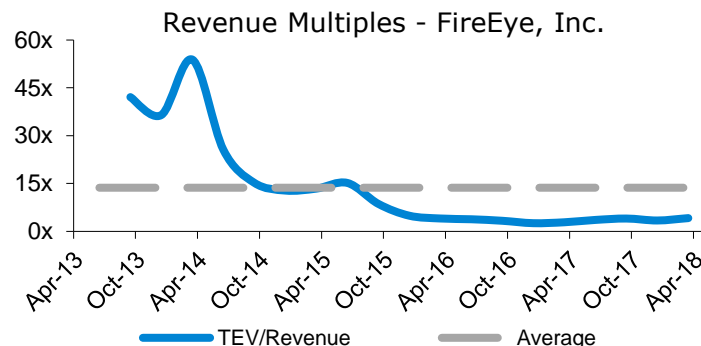


Public Basket



FireEye, Inc.

FireEye, Inc. provides cybersecurity solutions that allow organizations to prepare for, prevent, respond to, and remediate cyber-attacks. It offers vector-specific appliance, virtual appliance, and cloud-based solutions to detect and block known and unknown cyber-attacks. The company provides threat detection and prevention solutions, including network security products, email security solutions, and endpoint security solutions. It also offers security management and orchestration products, such as Central Management System, FireEye Security Orchestrator, and FireEye Helix platform; and forensics and investigation products, such as Threat Analytics Platform and Enterprise Forensics series of appliances. In addition, the company provides Security-as-a-Service solutions comprising cloud-based Email Threat Prevention solution and managed Defense/FireEye-as-a-Service offering; threat intelligence subscriptions, such as Dynamic Threat Intelligence cloud and FireEye iSIGHT Intelligence; and customer support and maintenance services. FireEye, Inc. was founded in 2004 and is headquartered in Milpitas, California.



Date Key Development Headline

1/11/18 FireEye, Inc. (NasdaqGS:FEYE) acquired X15 Software, Inc. for \$20 million.

11/14/17 FireEye Mulls Acquisitions

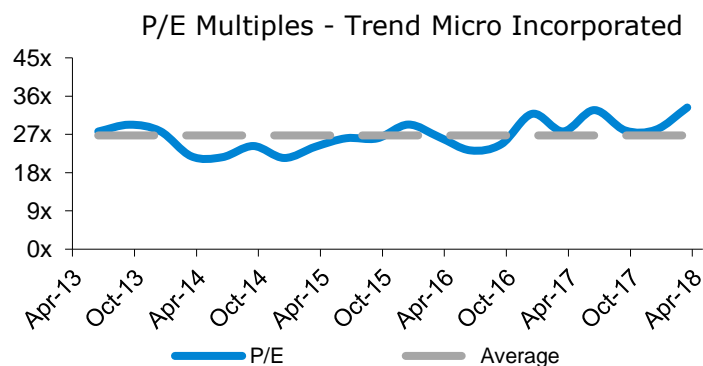
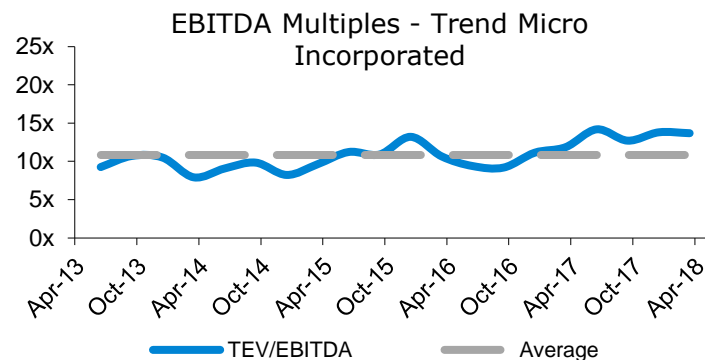
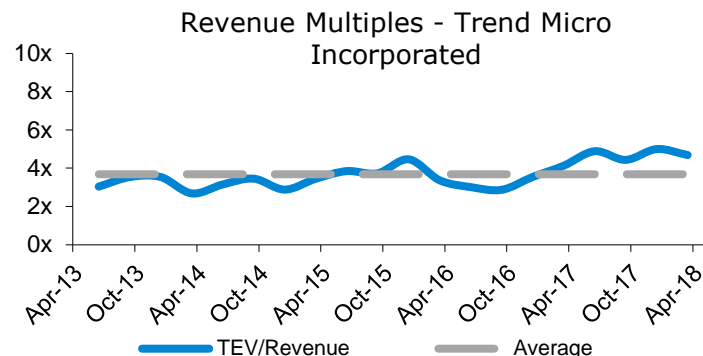
Public Basket



Trend Micro Incorporated

Trend Micro Incorporated develops and sells security solutions primarily in Japan. The company offers hybrid cloud security solutions, such as data center, cloud, and virtualization security products; network security solutions, including integrated advanced threat prevention and advanced threat detection solutions; user protection solutions comprising endpoint and gateway suites, endpoint security, email security, Web security, SaaS application security, and endpoint detection and response; and support services. It serves finance, insurance, and retail industries, as well as government institutions. The company was founded in 1988 and is headquartered in Tokyo, Japan.

Date	Key Development Headline
2/13/18	Panasonic and Trend Micro Partner to Develop Cyber Security Solution
11/26/17	Trend Micro Incorporated (TSE:4704) acquired IMMUN.IO Inc.
7/10/17	Trend Micro Incorporated and VMware Collaborate to Enhance Enterprise Mobile Security



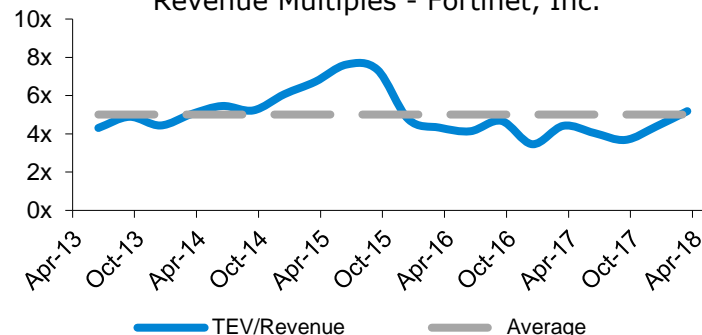
Public Basket



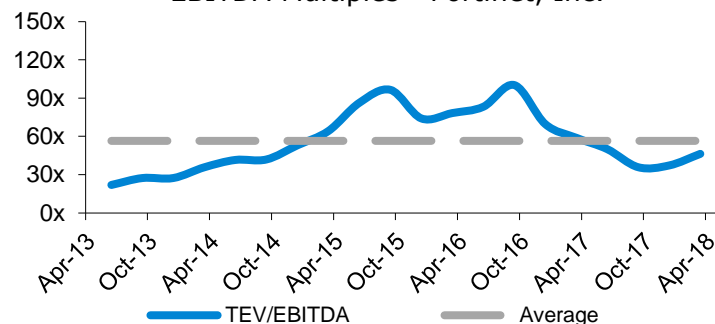
Fortinet, Inc.

Fortinet, Inc. provides broad, automated, and integrated cybersecurity solutions worldwide. It offers FortiGate hardware and software licenses that provide various security and networking functions, including firewall, intrusion prevention, anti-malware, virtual private network, application control, Web filtering, anti-spam, and WAN acceleration; and FortiSandbox technology that delivers proactive detection and mitigation services; and FortiSIEM family of products, which offers a cloud-ready security information and event management solution for enterprises and service providers. The company also provides FortiSwitch product family that offers secure switching solutions for connecting customers end devices, such as computers and laptops, as well as an expanding field of Internet of Things devices; and Fortinet Management and Analysis products consisting of FortiManager and FortiAnalyzer hardware and software products. In addition, it provides security subscription, technical support, professional, and training services. Fortinet, Inc. was founded in 2000 and is headquartered in Sunnyvale, California.

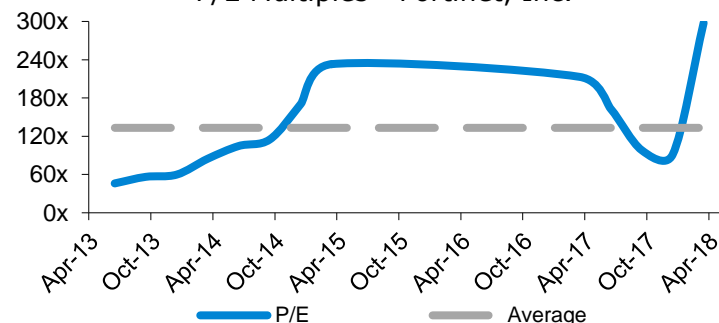
Revenue Multiples - Fortinet, Inc.



EBITDA Multiples - Fortinet, Inc.



P/E Multiples - Fortinet, Inc.



Date Key Development Headline

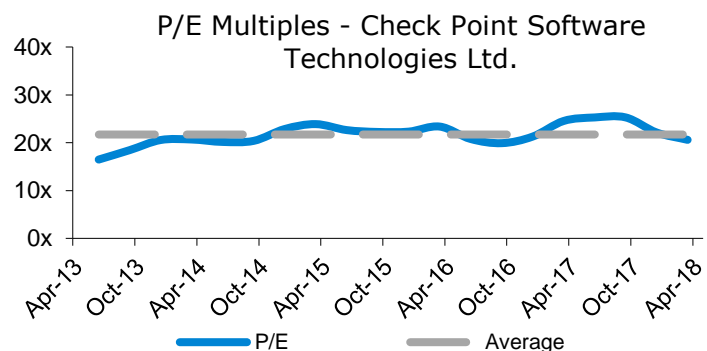
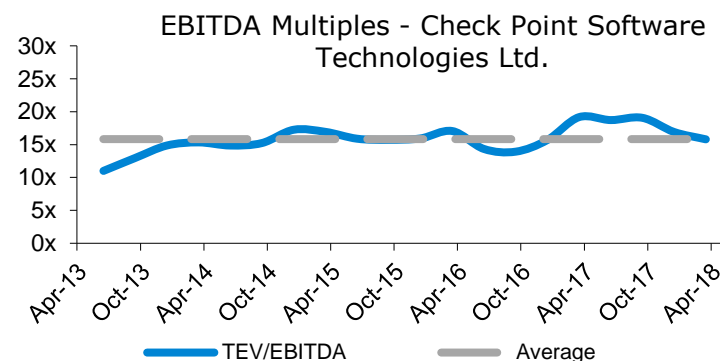
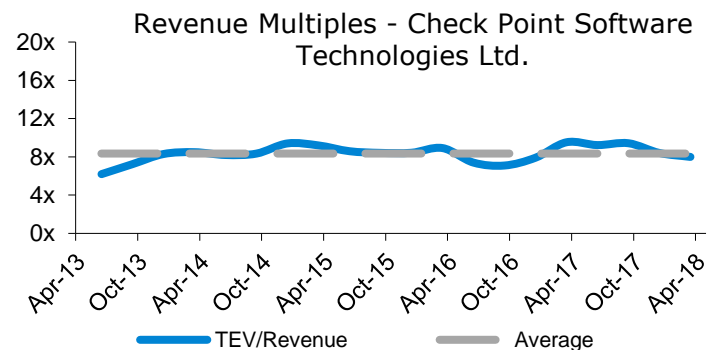
2/13/18 Fortinet Mulls Acquisitions

Public Basket



Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. provides hardware and software products and services for IT security worldwide. The company offers a portfolio of network security, endpoint security, data security, and management solutions. It provides security gateways to protect the networks and prevent the threats of enterprises, data centers, and small and large branch offices; security gateway appliances, including platforms for small business and small office locations, high end and high demanding data centers, and perimeter environments; and security management software, which offers security management through a single console that streamlines security operations and provides visibility into policy administration and threat analysis. The company also offers vSEC product line and advanced threat prevention technologies, which enables customers to build a secure infrastructure today and protect future deployments across private and public cloud solutions; and mobile security solutions that protects devices from threats on the device (OS), in apps, and in the network, as well as delivers a threat catch rate for iOS and Android. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.



Date

Key Development Headline

2/5/18 Orange Cyberdefense and Check Point Software Technologies Team Up to Deliver New Orange Service Called Mobile Threat Protection

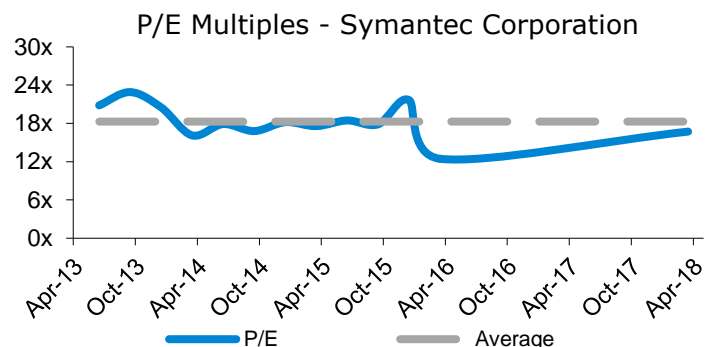
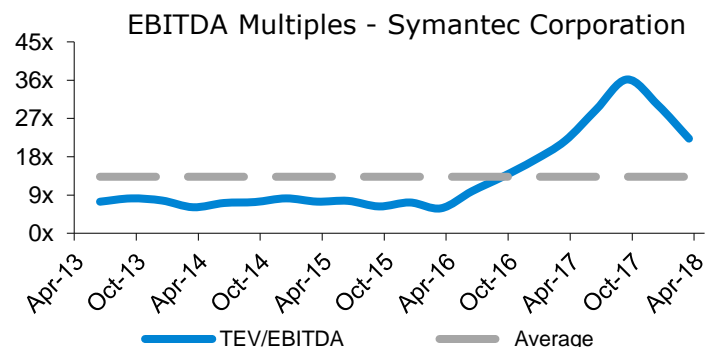
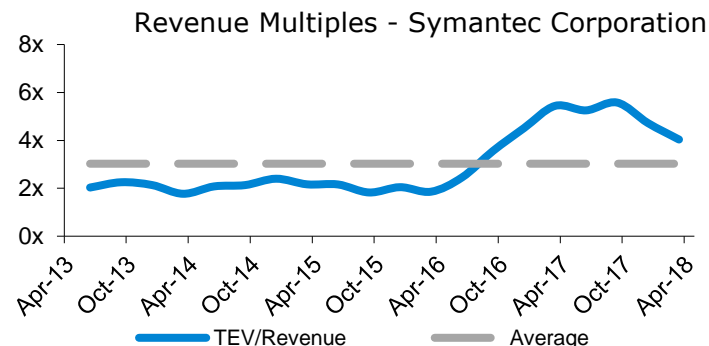
Public Basket



Symantec Corporation

Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide. It operates through two segments, Consumer Digital Safety and Enterprise Security. The Consumer Digital Safety segment provides Norton-branded services that provide multi-layer security services across desktop and mobile operating systems, public Wi-Fi connections, and home networks to defend against online threats to individuals, families, and small businesses. This segment also offers LifeLock-branded identity protection services, such as identifying and notifying users of identity-related and other events, and assisting users in remediating their impact; and digital safety platform designed to protect information across devices, customer identities, and the connected homes and families.. Symantec Corporation was founded in 1982 and is headquartered in Mountain View, California.

Date	Key Development Headline
2/14/18	Symantec May Seek Acquisitions
11/5/17	Symantec Corporation (NasdaqGS:SYMC) acquired SurfEasy, Inc. from Opera Software ASA (OB:OPERA) for an enterprise value of \$38.5 million.
10/30/17	DigiCert, Inc. completed the acquisition of website security and related PKI solutions business of Symantec Corporation (NasdaqGS:SYMC).
10/5/17	Symantec May Seek Acquisitions
10/1/17	Honeywell International Seeks Acquisitions



Public Basket

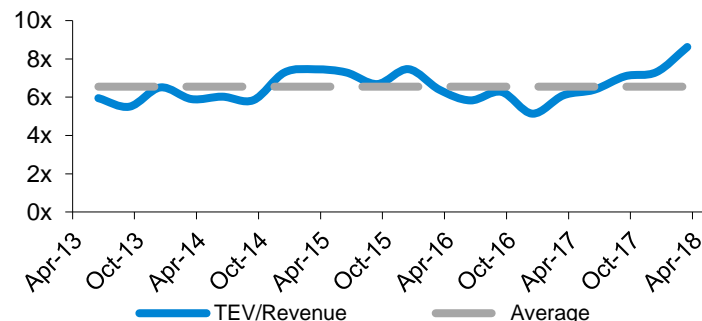


Red Hat, Inc.

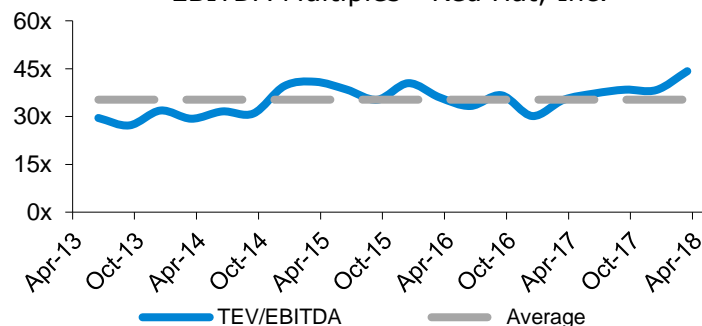
Red Hat, Inc. provides open source software solutions to develop and offer operating system, virtualization, management, middleware, cloud, mobile, and storage technologies to various enterprises worldwide. It offers infrastructure-related solutions, such as Red Hat Enterprise Linux, an operating system platform that runs on hardware for use in hybrid cloud environments; Red Hat Satellite, a system management offering that helps to deploy, scale, and manage in hybrid cloud environments; and Red Hat Enterprise Virtualization, a software solution that allows customers to utilize and manage a common hardware infrastructure to run multiple operating systems and applications. Red Hat, Inc. was founded in 1993 and is headquartered in Raleigh, North Carolina.

Date	Key Development Headline
1/29/18	Red Hat, Inc. (NYSE:RHT) acquired CoreOS, Inc. from a group of sellers for \$250 million.
12/10/17	Synopsys, Inc. (NasdaqGS:SNPS) completed the acquisition of Black Duck Software, Inc.
11/1/17	Synopsys, Inc. (NasdaqGS:SNPS) signed a definitive agreement to acquire Black Duck Software, Inc. for approximately \$570 million.
8/22/17	Red Hat, Inc. and Microsoft Corp. Simplify Containers to Help Enterprises Accelerate to the Hybrid Cloud
7/30/17	Red Hat, Inc. (NYSE:RHT) acquired Permabit Technology Corporation.

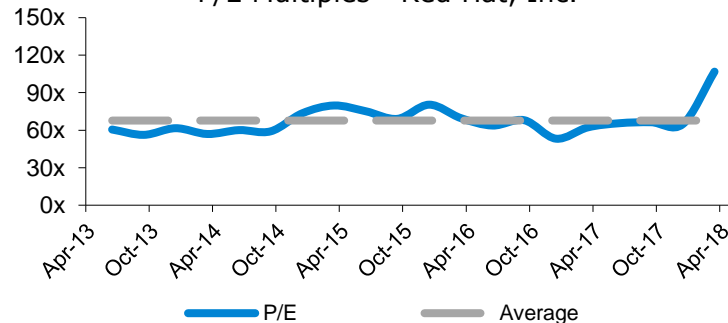
Revenue Multiples - Red Hat, Inc.



EBITDA Multiples - Red Hat, Inc.



P/E Multiples - Red Hat, Inc.



Contact Information

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. Securities offered through 7M Securities LLC.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Tom Dinnegan, Managing Director	310. 426.2410	tom@7mileadvisors.com
Ben Lunka, Managing Director	704.496.2995	ben@7mileadvisors.com
Jeff Stoecklein, Managing Director	312.373.3737	jeff@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Neil Churman, Director	704.899.5960 x 121	neil@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Casey Augustine, Business Development - Manager	704.973.3999	casey@7mileadvisors.com
Nicholas Prendergast, Financial Analyst	704.899.5960	nicholas@7mileadvisors.com
Ariail Siggins, Marketing Director	704.899.5960 x 123	ariail@7mileadvisors.com
Sydney Larese, Associate	704.899.5960	sydney@7mileadvisors.com
Marty Johnson, Associate	704.899.5960	marty@7mileadvisors.com
Rory Julyan, Associate	704.899.5960	rory@7mileadvisors.com
Chevonese Dacres, Analyst	360.499.1502	chevonese@7mileadvisors.com