SECTORWATCH: IT Security
February 2018

7 MILE ADVISORS

SECTORWATCH: **IT Security** February 2018

Sector Dashboard

- **Public Basket Performance**
- Operational Metrics
- **Valuation Comparison**
- **Recent Deals**
- **Appendix**

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OVERVIEW



Dashboard

summary metrics on the sector, with commentary on market momentum by comparing the most recent 12month performance against the last 3-year averages



Public Basket Performance

summary valuation and operating metrics for a basket of comparable public companies



Valuation Comparison

a more graphical, detailed comparison of valuation multiples for the public basket



Recent Deals

the most recently announced sector deals

About Us

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.

Sectorwatch

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

Let us know if we can help

Contact us if there are ways we can assist your M&A or financing strategy.



DASHBOARD

Revenue Growth Momentum

10.9%

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

Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

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

0.2%

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

Current EBITDA margin exceeds the average of the last 3 years EBITDA margin by this amount, a condition that may attract new entrants

PUBLIC BASKET CONSTITUENTS

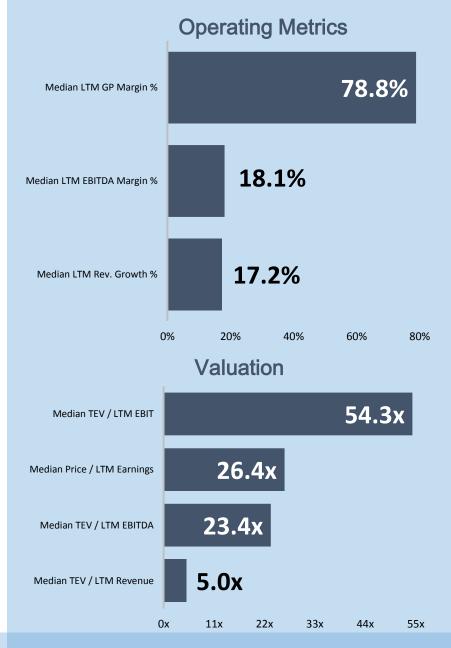
NasdaqCM:VDSI NasdaqGS:CYBR SZSE:300297

NasdaqGS:FTNT NasdaqGS:CHKP NasdaqGS:SYMC

NasdagGS:FEYE

NYSE:RHT

TSE:4704





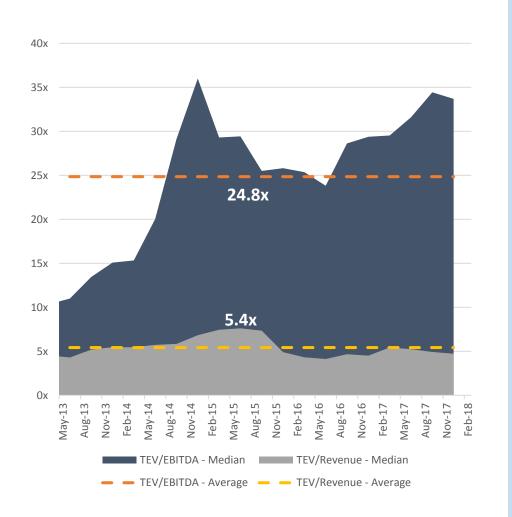
PUBLIC BASKET PERFORMANCE

Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev	TEV / EBITDA X	# FTEs	Rev / FTE \$k
VASCO Data Security International, Inc.	336	193	1%	70%	6%	1.7	27.4	-	- NA
CyberArk Software Ltd.	1,433	262	21%	84%	11%	5.5	50.8	-	. NA
Bluedon Information Security Technologies Co.,Ltd	1,886	328	72%	52%	34%	5.5	16.3	1,980	166
FireEye, Inc.	2,921	751	5%	64%	-19%	3.9	0.0	-	. NA
Trend Micro Incorporated	6,431	1,321	13%	81%	34%	4.6	13.5	-	. NA
Fortinet, Inc.	7,421	1,495	17%	74%	11%	5.0	44.8	-	. NA
Check Point Software Technologies Ltd.	15,638	1,855	7%	89%	51%	8.4	16.7	-	. NA
Symantec Corporation	20,104	4,739	25%	79%	18%	4.2	23.4	13,000	365
Red Hat, Inc.	24,999	2,777	19%	85%	19%	9.0	47.1	10,500	264
Average	9,019	1,525	20%	75%	18%	5.3	26.7	2,831	265
Median	6,431	1,321	17%	79%	18%	5.0	23.4	-	- 264

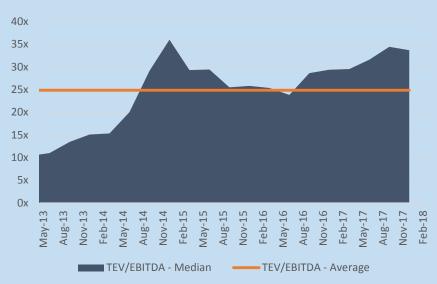
share price as of 26Feb18



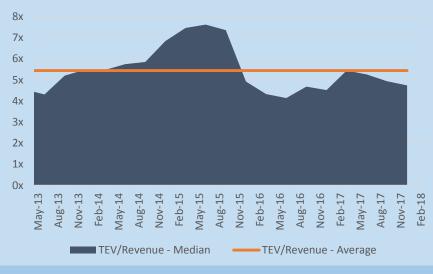
PUBLIC BASKET VALUATION TRENDS



Public EBITDA Multiples Over Time

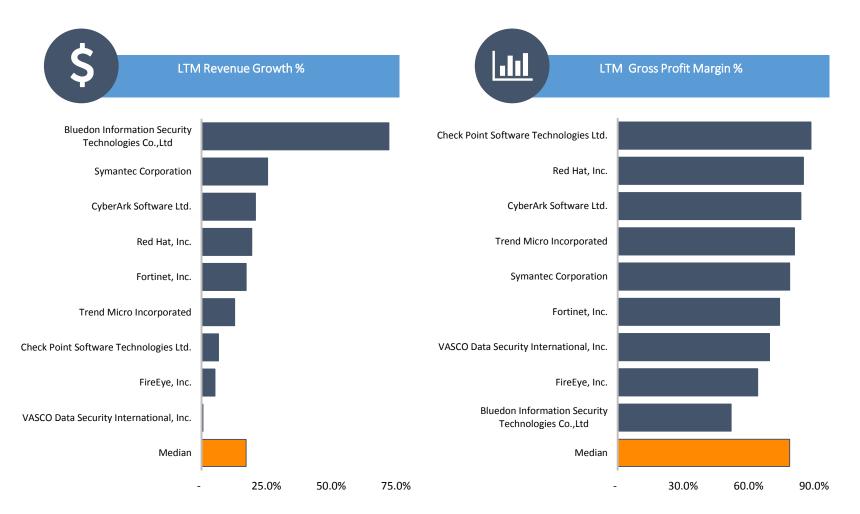


Public Revenue Multiples Over Time



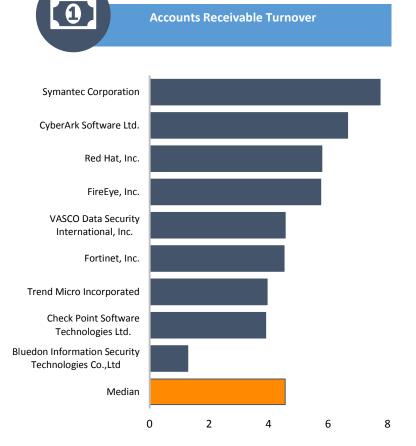


OPERATIONAL METRICS

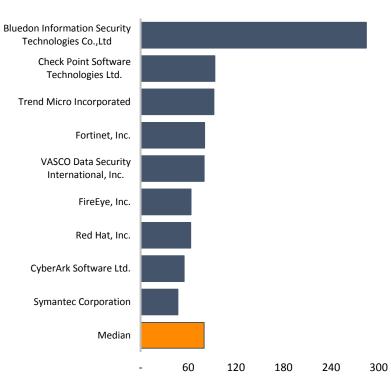




OPERATIONAL METRICS

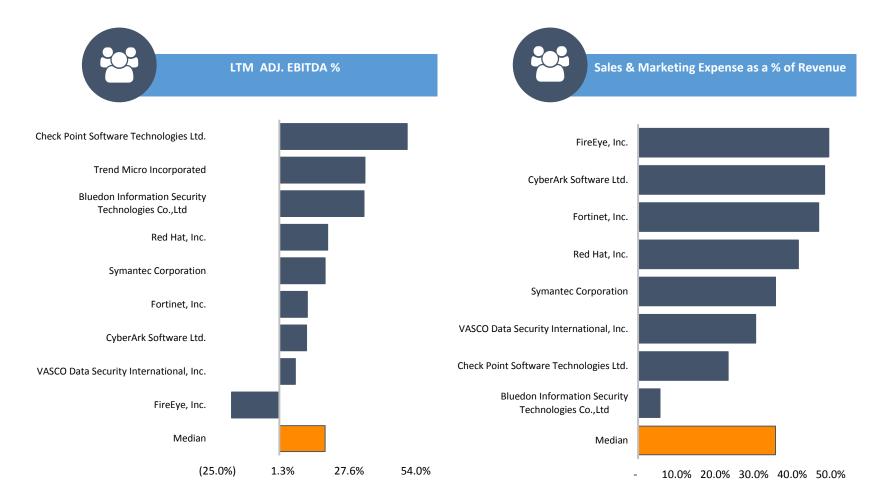






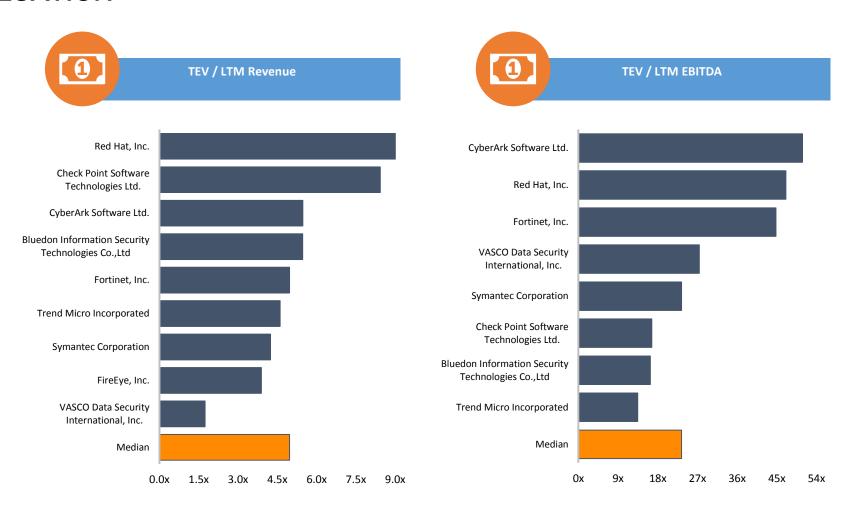


OPERATIONAL METRICS





VALUATION





VALUATION





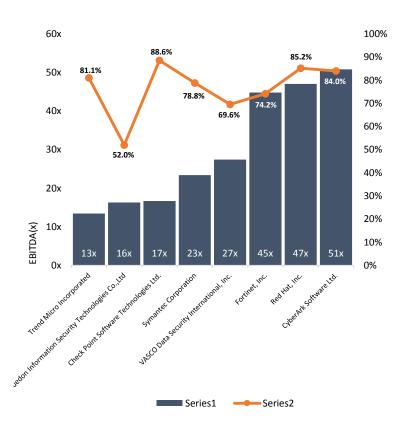
VALUATION

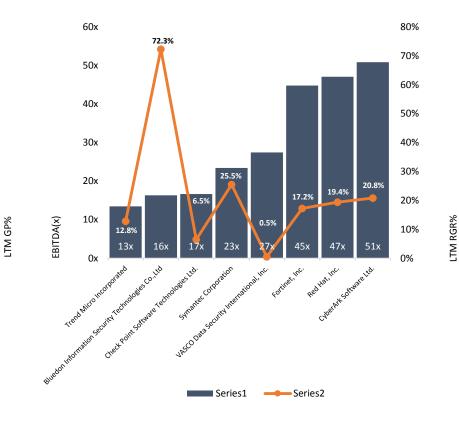


Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate







RECENT TRANSACTIONS

Date	Target	Buyer	Total Transaction Value	Target Revenue	TEV / Revenue	TEV / EBITDA
5Feb18	Datos IO, Inc. (nka:Rubrik Datos IO)	Rubrik, 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 Networks, Inc.	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	-	-	-	-



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Appendix: Public Basket Constituents



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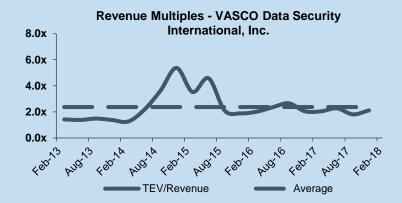
VASCO Data Security International, Inc.

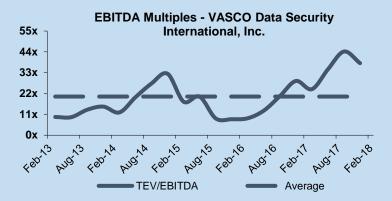
VASCO Data Security International, Inc., together with its subsidiaries, designs, develops, and markets digital solutions for identity, security, and business productivity. It offers VACMAN Controller, a host system software authentication platform that combines various technologies in one platform; IDENTIKEY Authentication Server that adds server functionality to the VACMAN core authentication platform; eSignLive electronic signature and document management solution; and IDENTIKEY Risk Manager, a risk analysis solution that provides an approach to fraud prevention. The company also provides DIGIPASS hardware authenticators to support authentication and digital signatures for applications running on desktop PCs, laptops, tablets, and smart phones; DIGIPASS software-based solutions, including authenticators that run on existing non-VASCO devices, such as PCs, mobile phones, tablets, etc.; MYDIGIPASS cloud-based identity solution for egovernment and eID services; and DIGIPASS for Apps, a software development kit. In addition, it offers IDENTIKEY Appliance, an authentication solution that offers two-factor authentication for remote access to a corporate network or to Web-based in-house business applications; IDENTIKEY Virtual Appliance, a virtualized authentication appliance that secures remote access to corporate networks and Webbased applications; and IDENTIKEY Federation Server, a server appliance that provides an identity and access management platform. The company serves financial, enterprise, government, healthcare, and e-commerce sectors through its direct sales force, distributors, resellers, and systems integrators. VASCO Data Security International, Inc. was founded in 1991 and is headquartered in Oakbrook Terrace, Illinois.

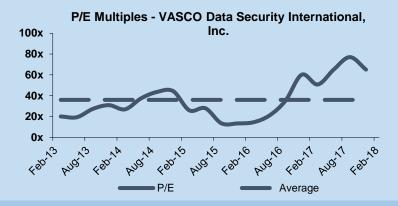
Date Key Development Headline

10/26/17 VASCO Data Security Seeks Acquisitions





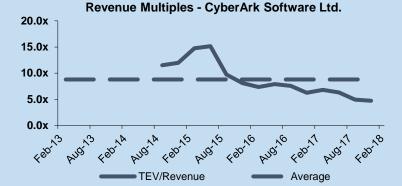


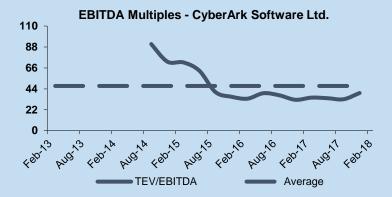


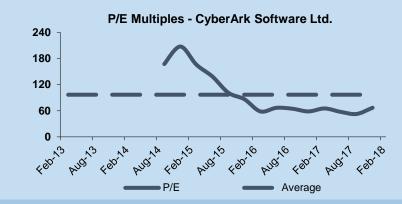
CyberArk Software Ltd.

CyberArk Software Ltd. develops, markets, and sells software-based IT 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 provides a tool to manage and protect physical, virtual, or cloud-based assets; SSH Key Manager to store, rotate, and control access to SSH keys for preventing unauthorized access to privileged accounts; Privileged Session Manager that protects servers, applications, databases, and hypervisors from malware; and Privileged Threat Analytics that profiles and analyzes individual privileged user behavior and creates prioritized alerts when abnormal activity is detected. The company also provides Application Identity Manager, which addresses the challenges of hard-coded, embedded credentials, and cryptographic keys being hijacked and exploited by malicious insiders or external cyber attackers; Endpoint Privilege Manager that offers Windows least privilege management and application control software; Cybertinel, which provides cyber security services; and On-Demand Privileges Manager to limit the breadth of access of Unix/Linux administrative accounts. The company was founded in 1999 and is headquartered in Petach Tikva, Israel.

Date	Key Development Headline
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
5/10/17	CyberArk Software Ltd. (NasdaqGS:CYBR) acquired Conjur, Inc. from Avalon Ventures, Amplify Partners and KOA Labs for \$42 million.



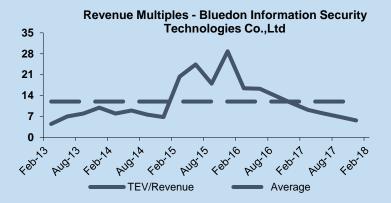


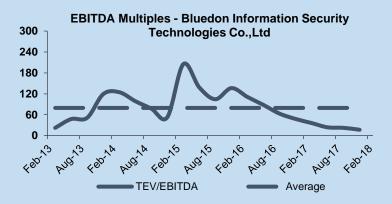


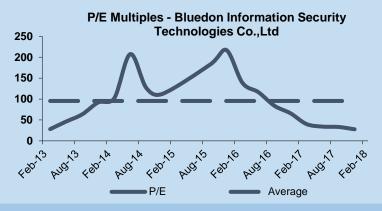


Bluedon Information Security Technologies Co.,Ltd

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.









FireEye, Inc.

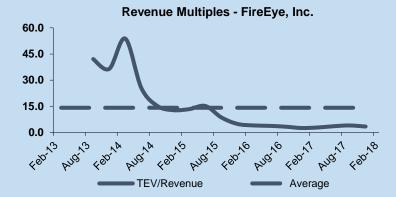
FireEye, Inc. provides cybersecurity solutions that allow organizations to prepare for, prevent, respond to, and remediate cyber-attacks. The company provides vector-specific appliance and cloud-based solutions detect and block known and unknown cyber-attacks. It offers threat detection and prevention solutions, including network security products; email security solutions; endpoint security solutions; and content security products; and security management and orchestration products, such as Central Management System, FireEye Security Orchestrator, Threat Analytics Platform; Malware Analysis series of appliances; and Enterprise Forensics series of appliances. It also offers Security-as-a-Service solutions comprising cloud-based Email Threat Prevention solution; FireEye Helix platform; and FireEye-as-a-Service managed service; threat intelligence subscriptions, such as Dynamic Threat Intelligence Cloud, Advanced Threat Intelligence, and FireEve iSIGHT Intelligence; and customer support and maintenance services. In addition, the company provides professional services, including incident response, compromise assessments, and related security consulting services; cyber threat intelligence services; and training services. It serves telecommunications providers, financial services entities, Internet search engines, social networking sites, stock exchanges, electrical grid operators, networking vendors, oil and gas companies, healthcare and pharmaceutical companies, and local and international governmental agencies. The company was formerly known as NetForts, Inc. and changed its name to FireEye, Inc. in September 2005. 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



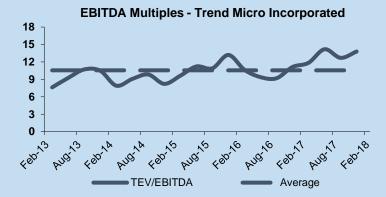


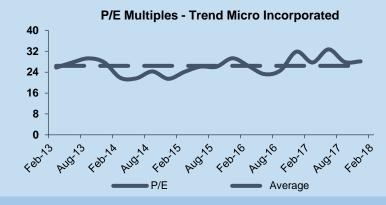
Trend Micro Incorporated

Trend Micro Incorporated develops and sells security solutions primarily in Japan. Its home products include PC, Mac, and Android and iOS device protection products, as well as password management, virus and Spyware removal, PC security health check, and PC tune up products. The company also 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 forensics; and support services. Trend Micro Incorporated has a collaboration with VMware, Inc. to enhance enterprise mobile security. 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

Revenue Multiples - Trend Micro Incorporated 8.0 6.0 4.0 2.0 0.0 TEV//Revenue Average





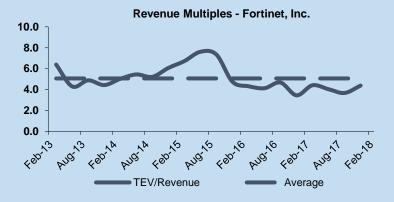


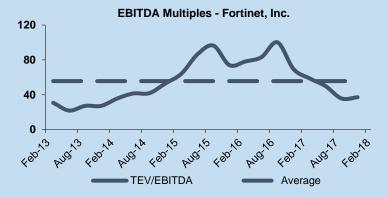
Fortinet, Inc.

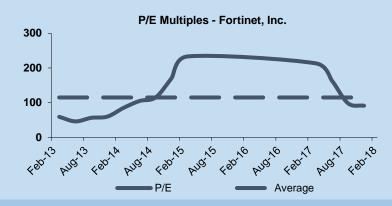
Fortinet, Inc. provides cybersecurity solutions for enterprises, service providers, and government organizations worldwide. The company offers FortiGate physical and software licenses that provide various security and networking functions, including firewall, intrusion prevention, anti-malware, virtual private network, application control, Web filtering, anti-spam, and wide area network acceleration; FortiManager product family to provide a central management solution for FortiGate products comprising software updates, configuration, policy settings, and security updates; and the FortiAnalyzer product family, which offers a single point of network log data collection. It also provides FortiAP secure wireless access points; FortiWeb, a Web application firewall; FortiMail email security; FortiDB database security appliances; FortiClient, an endpoint security software; and FortiSwitch secure switch connectivity products. In addition, the company provides FortiSandbox advanced threat protection solutions; FortiDDos and FortiDB database security appliances; and FortiSIEM family of products to provide a cloud-ready security information and event management (SIEM) solution for enterprises and service providers. Further, it offers security subscription, technical support, training, and professional services. The company was founded in 2000 and is headquartered in Sunnyvale, California.

Date Key Development Headline

2/13/18 Fortinet Mulls Acquisitions







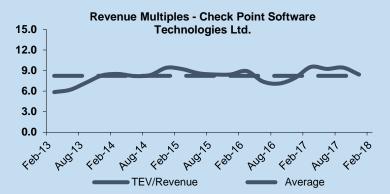


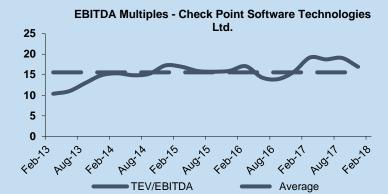
Check Point Software Technologies Ltd.

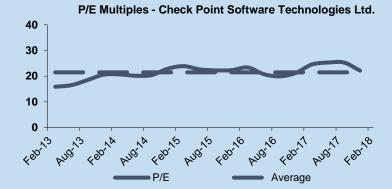
Check Point Software Technologies Ltd. provides hardware and software products and services for IT security worldwide. The company offers a portfolio of network security, endpoint security, data security, and management solutions. It provides security gateways to protect the networks and prevent the 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. In addition, it provides threat protection solutions, such as SandBlast Agent and SandBlast Cloud, cloud and endpoint options, and ThreatCloud infrastructure solutions. Further, the company offers technical services, including technical customer support programs and plans; professional services in implementing, upgrading, and optimizing products comprising design planning and security implementation; and certification and educational training services. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.

Key Development Headline

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







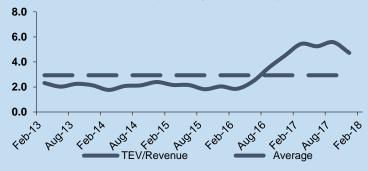


Symantec Corporation

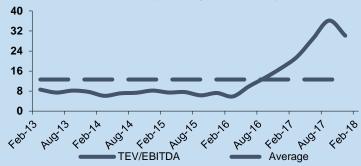
Symantec Corporation, together with its subsidiaries, provides cybersecurity solutions worldwide. It operates through two segments. Consumer Digital Safety and Enterprise Security. The Consumer Digital Safety segment provides Norton-branded services that provide multilayer security services across desktop 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. The Enterprise Security segment provides endpoint protection products, endpoint management, messaging protection products, information protection products, cyber security services, Website security, and advanced Web and cloud security offerings 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

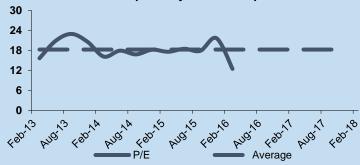
Revenue Multiples - Symantec Corporation



EBITDA Multiples - Symantec Corporation



P/E Multiples - Symantec Corporation

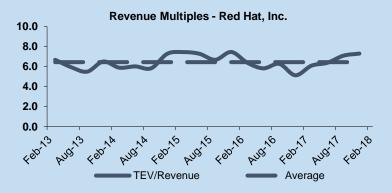




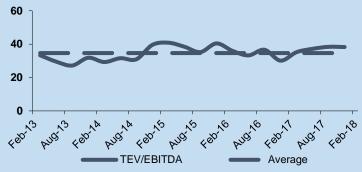
Red Hat, Inc.

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.

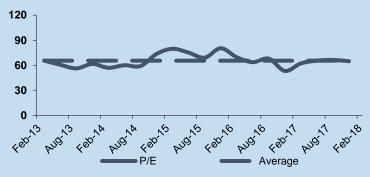
Date	Key Development Headline
1/29/18	Red Hat, Inc. (NYSE:RHT) acquired CoreOS, Inc. from a group of sellers for \$250 million.
12/10/17	Synopsys, Inc. (NasdaqGS:SNPS) completed the acquisition of Black Duck Software, Inc.
11/1/17	Synopsys, Inc. (NasdaqGS:SNPS) signed a definitive agreement to acquire 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.
6/22/17	Wipro Limited Collaborates with Red Hat for Cloud Application Factory Powered by Red Hat OpenShift Container Platform



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.

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