



Sectorwatch: IT Security

November 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.



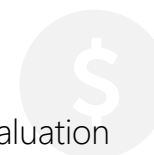
Public Basket Performance

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



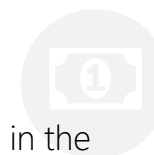
Valuation Comparison

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



Recent Deals

- The most recently announced deals in the sector



Dashboard



Revenue Growth

↓ -0.1

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

↓ -1.8%

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

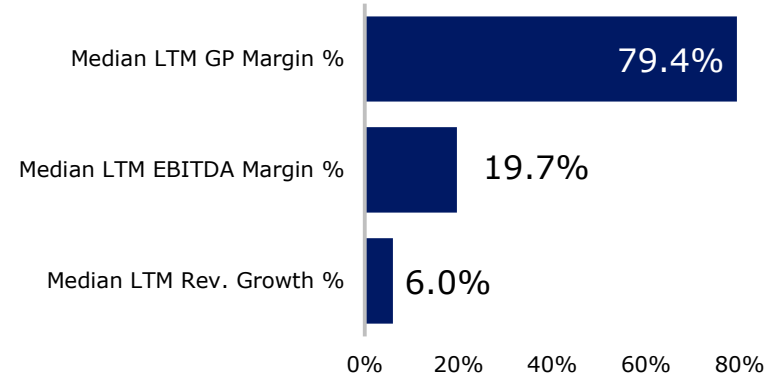
Profitability Momentum

↑ 1.3%

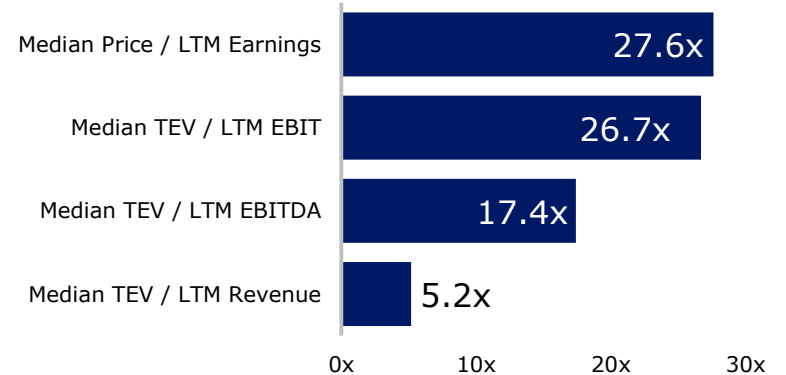
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

Operating Metrics



Valuation



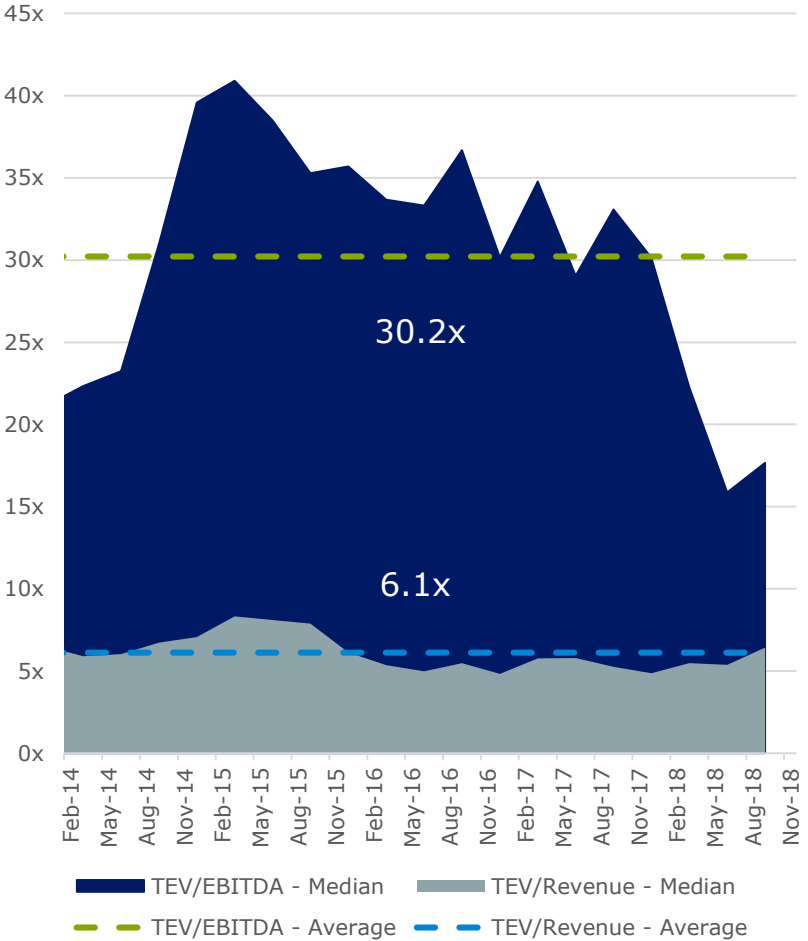
Public Basket



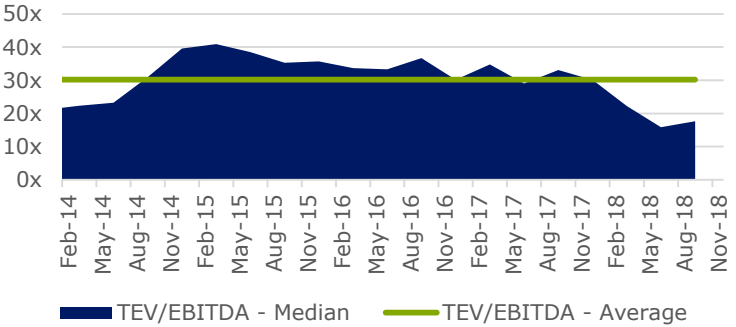
Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Bluedon Information Security Technologies Co.,Ltd.	1,357	309	-3%	61%	36%	4.4	12.4	2,798	110
CyberArk Software Ltd.	2,008	315	28%	85%	13%	6.4	48.3	1,015	310
FireEye, Inc.	3,444	791	4%	66%	-16%	4.4	0.0	2,960	267
Trend Micro Incorporated	6,401	1,401	8%	80%	32%	4.6	14.0	5,970	235
Fortinet, Inc.	9,944	1,711	19%	75%	14%	5.8	40.6	5,066	338
Check Point Software Technologies Ltd.	15,279	1,897	3%	90%	50%	8.1	16.1	4,576	415
Symantec Corporation	16,467	4,750	4%	79%	20%	3.5	18.7	11,830	402
Red Hat, Inc.	29,671	3,157	19%	85%	19%	9.4	49.3	11,870	266
Average	10,571	1,791	10%	78%	21%	5.8	24.9	5,761	293
Median	8,173	1,556	6%	79%	20%	5.2	17.4	4,821	288

share price as of 26Nov18

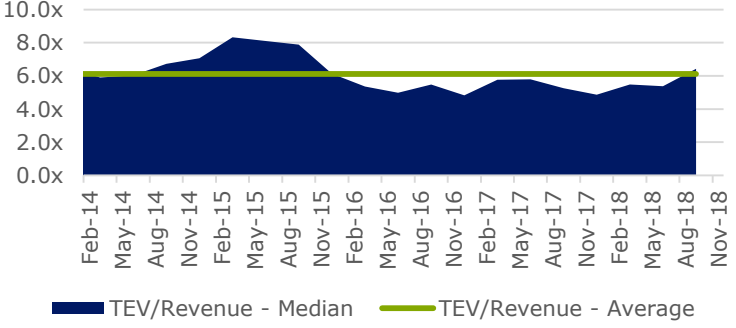
Public Basket Valuation Trends



Public EBITDA Multiples over Time



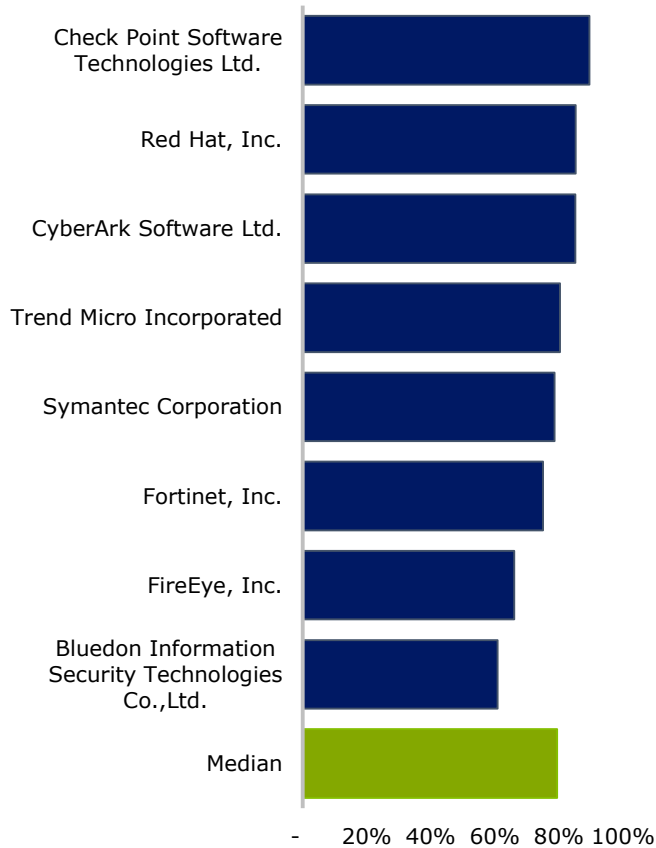
Public Revenue Multiples over Time



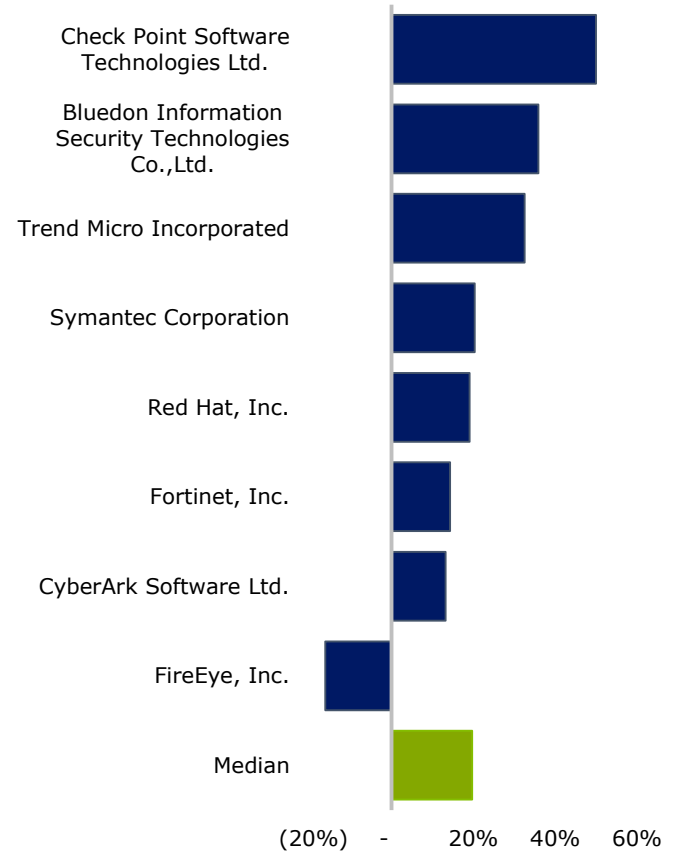
Operational Metrics



LTM Gross Profit Margin %



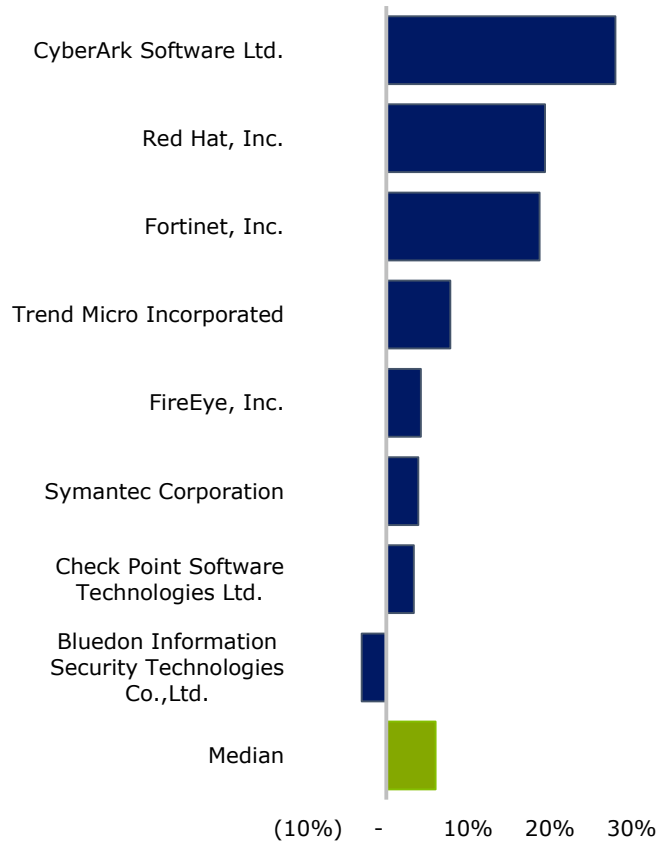
LTM EBITDA %



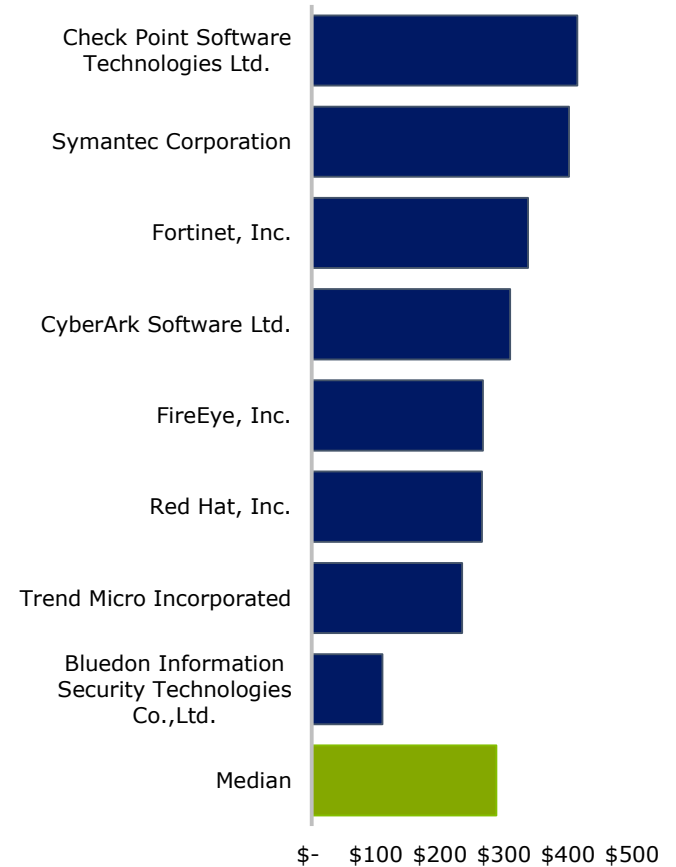
Operational Metrics



LTM Revenue Growth %



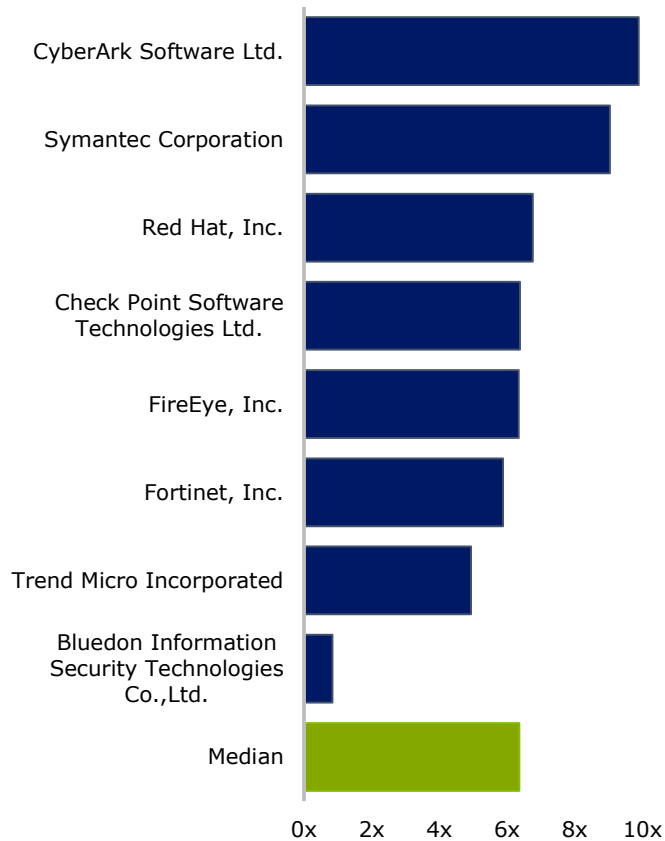
LTM Revenue per Full Time Employee x 000's



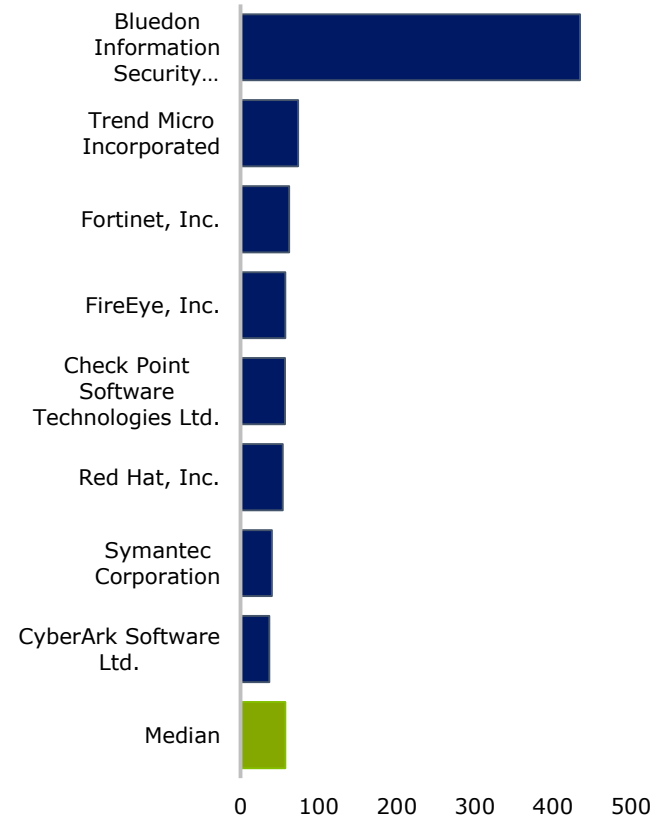
Operational Metrics



Accounts Receivable Turnover



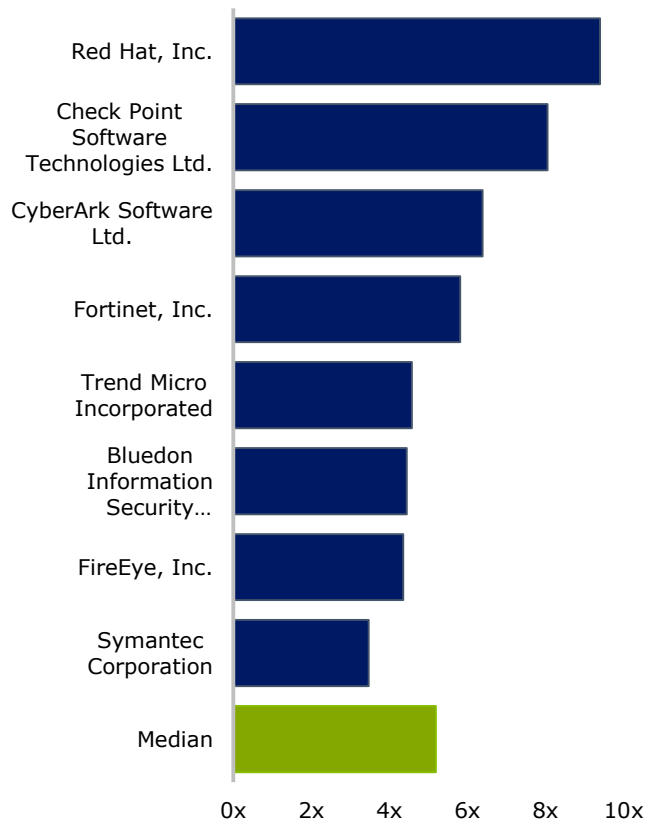
Average Days Sales Outstanding



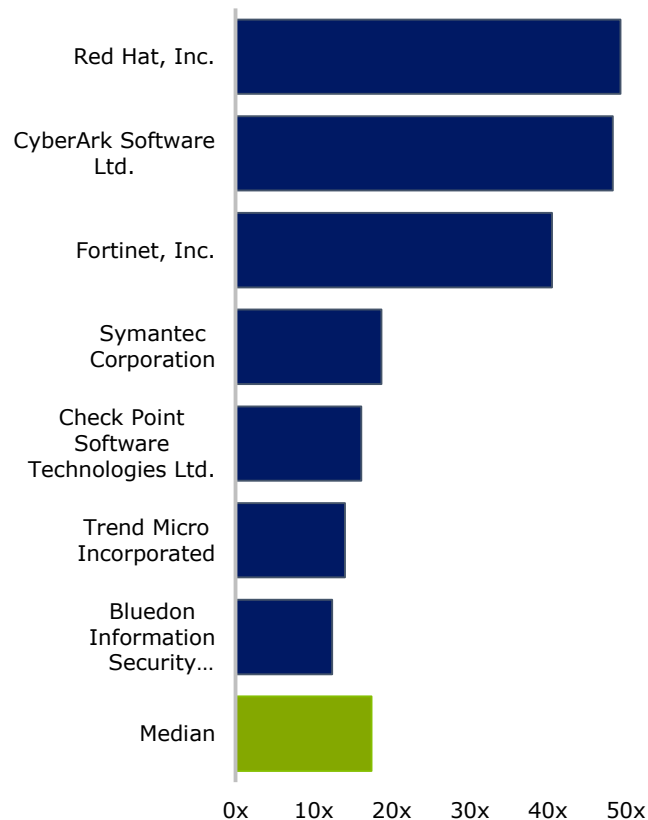
Valuation



TEV / LTM Revenue



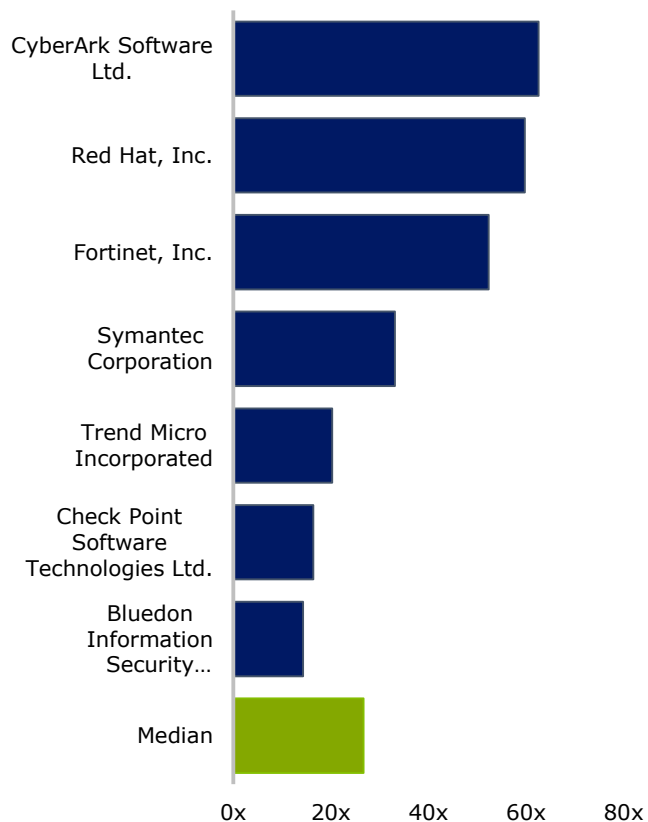
TEV / LTM EBITDA



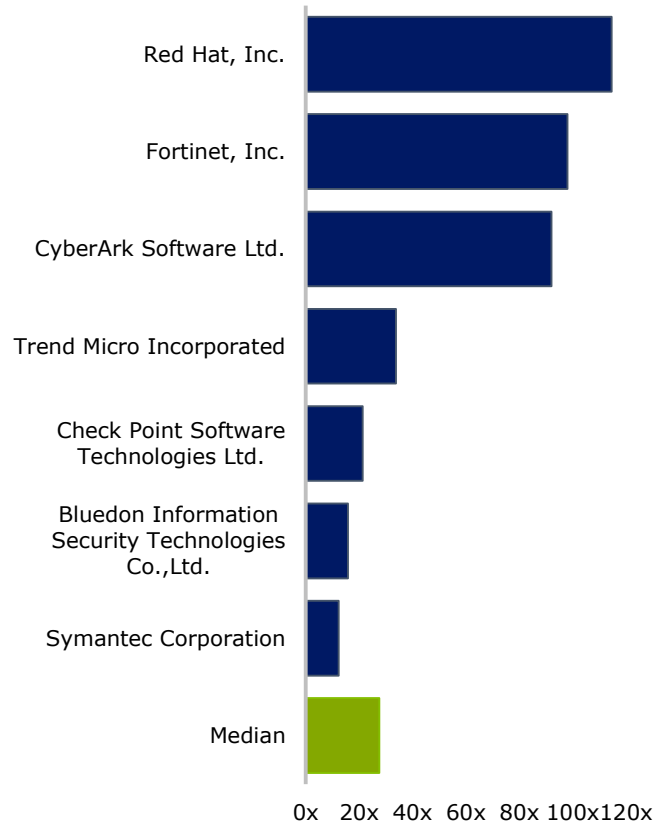
Valuation



TEV / LTM EBIT



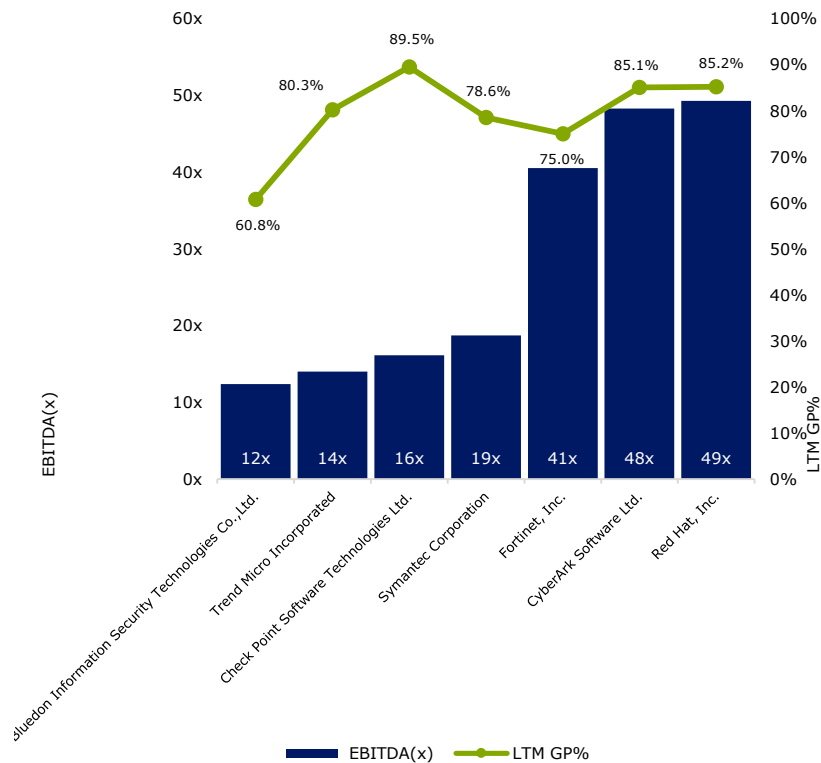
Price / LTM Earnings



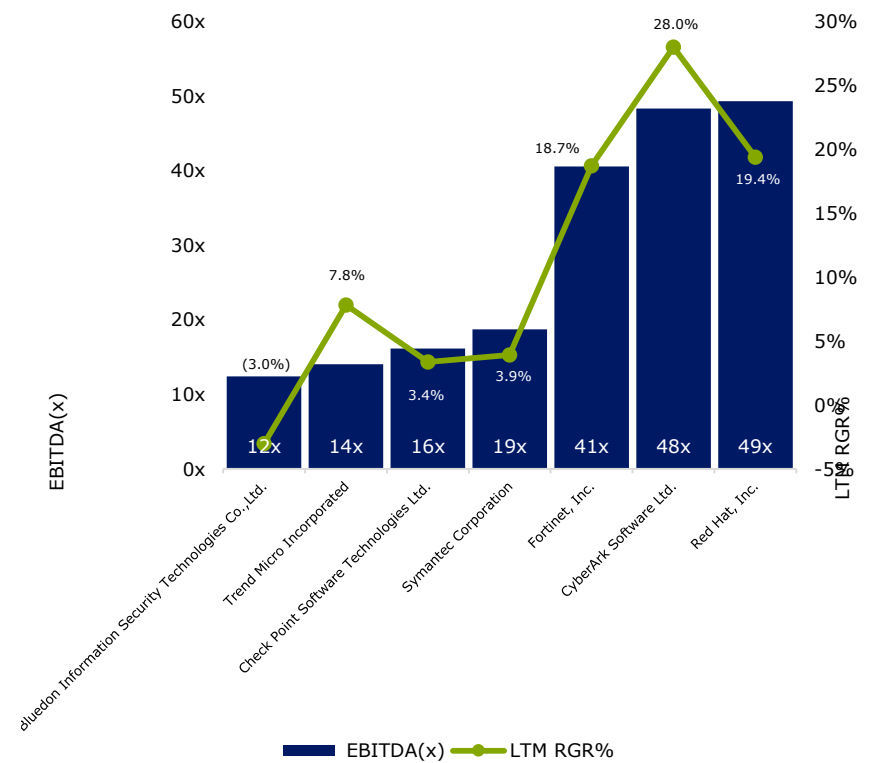
Valuation



Historical Valuation Multiples versus Gross Profit



Historical Valuation Multiples versus Revenue Growth Rate



Recent Transactions



<u>Date</u>	<u>Target</u>	<u>Buyer / Investor</u>	<u>Total Transaction Value</u>	<u>Target Revenue</u>	<u>TEV / Revenue</u>	<u>TEV / EBITDA</u>
5Nov18	Apptivity, Inc.	Symantec Corporation	-	-	-	-
24Oct18	Dome9 Security Ltd.	Check Point Software Technologies Ltd.	-	-	-	-
23Oct18	Zonefox Limited	Fortinet, Inc.	18.00	-	-	-
11Oct18	RedSocks Security B.V.	BitDefender, LLC	-	-	-	-
10Oct18	Imperva, Inc.	Thoma Bravo, LLC	2,119.12	351.76	5.2x	NM
20Oct18	RedLock, Inc.	Palo Alto Networks, Inc.	173.00	-	-	-
20Oct18	eVigilant, Inc.	Converged Security Solutions	-	-	-	-
6Sep18	Trusted Source Pte. Ltd.	Infosys Consulting Pte Ltd	-	-	-	-
20Aug18	Shift F7 Group Limited	AdEPT Telecom plc	10.08	6.38	1.6x	11.3x
20Aug18	Convergent Network Solutions Limited	Six Degrees Technology Group Ltd	-	8.93	-	-
11Jul18	Azimuth Security / Linchpin Labs	L3 Technologies, Inc.	231.44	-	-	-
11Jul18	CA, Inc.	Broadcom Inc.	21,776.02	4,148.00	4.4x	16.4x
11Jul18	Thrive CITS, LLC	InfoHedge Technologies LLC	-	-	-	-
10Jul18	AlienVault, Inc.	AT&T Communications Americas, Inc.	-	-	-	-
27Jun18	Hönigsberg & Düvel Datentechnik GmbH	HCL Technologies Limited	34.78	85.90	0.4x	-
25Jun18	TekLinks Incorporated	Cellular South, Inc.	-	-	-	-
18Jun18	ITC Cyber Advisors/ITC Managed Security Services	ITC Global Security Ltd.	-	-	-	-
14Jun18	Carvir LLC	Continuum Managed Services, LLC	-	-	-	-
11Jun18	Agenci Ltd	Cyberfort Group Limited	-	-	-	-
7Jun18	Nextel S.A.	Grupo S21sec Gestión, S.A.	-	-	-	-
7Jun18	Leidos Cyber, Inc.	Capgemini SE	-	-	-	-
6Jun18	GoSecure, Inc.	CounterTack, Inc.	-	-	-	-
22May18	TrustWave Holdings, Inc.	Singapore Telecommunications Limited	12.00	-	-	-
21May18	Haystax Technology, Inc.	Fishtech Group, LLC	-	-	-	-
30Apr18	Red Sky Solutions LLC	Presidio, Inc.	-	-	-	-
9Apr18	SourceClear, Inc.	Veracode, Inc.	-	-	-	-
28Mar18	E8 Security Inc.	VMware, Inc.	-	-	-	-
27Feb18	Phantom Cyber Corporation	Splunk Inc.	350.00	-	-	-

IT Security

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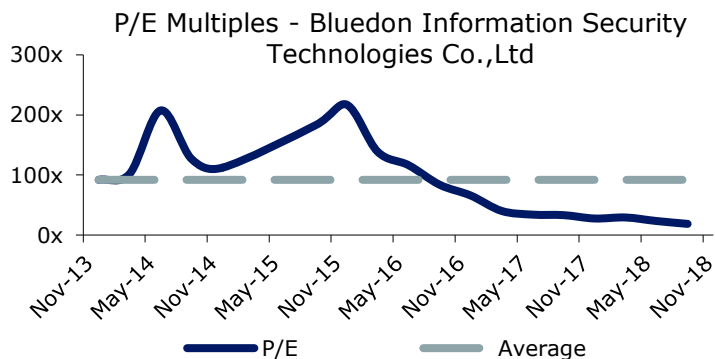
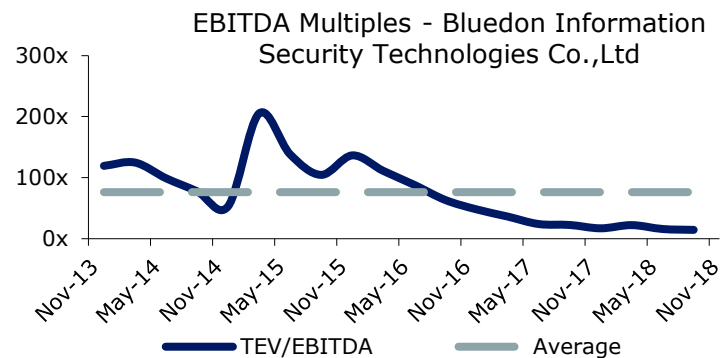
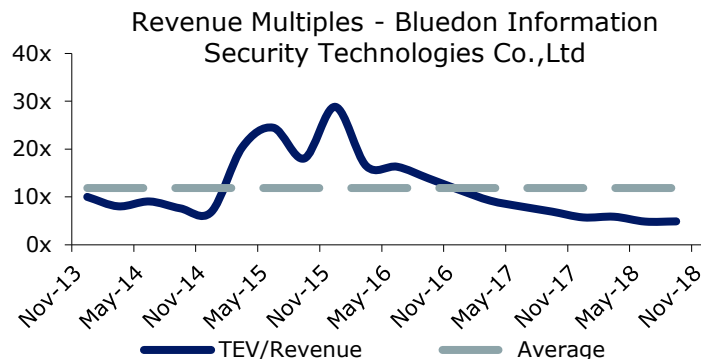
APPENDIX: Public Basket Constituents

Public Basket



Bluedon Information Security Technologies Co.,Ltd

Bluedon Information Security Technologies Co.,Ltd provides information security solutions in China. It offers intrusion prevention system to monitor network transmission in real-time, detect attacks automatically, and analyze the intrusion from the external and internal network; and Intrusion Detection System for monitoring the network transmission in real time, detecting suspicious behaviors, and analyzing the intrusion from both extranet and Intranet. The company also provides Mobile Security, an intelligently mobile terminal security software; unidirectional information exchange system; security gateway; IoT application control system; vulnerability scanning system; VPN; anti-virus firewall; unified threat management; and flow control system. Bluedon Information Security Technologies Co.,Ltd is based in Guangzhou, China.



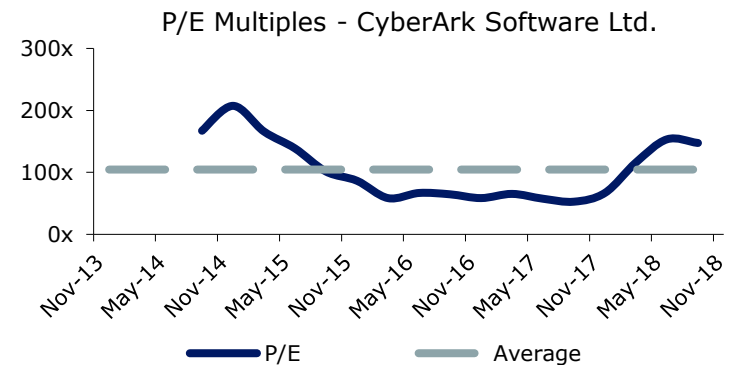
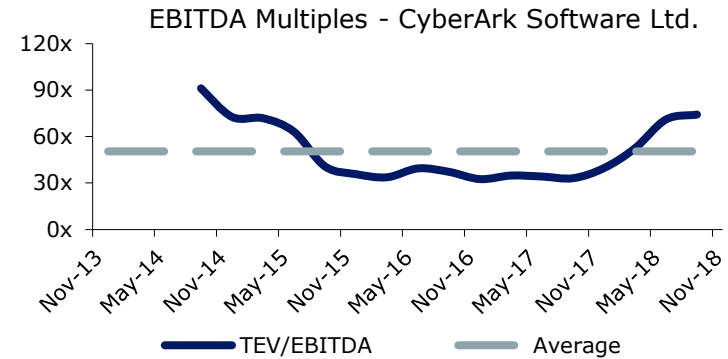
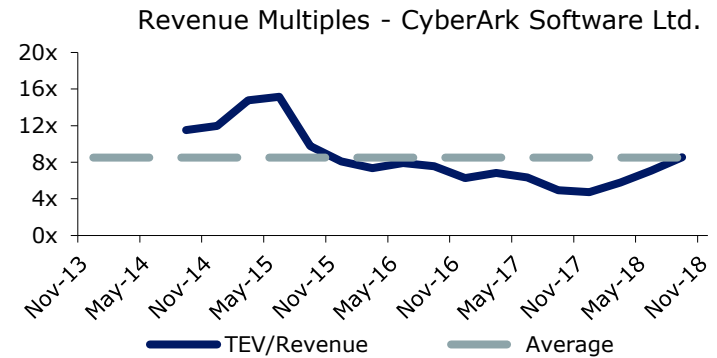
Public Basket



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; Conjur, a secrets management solution integrates with the DevOps toolchain, as well as secures and manages secrets used by CI/CD tools such as Ansible, Chef, Jenkins and Puppet, and orchestration software. 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.

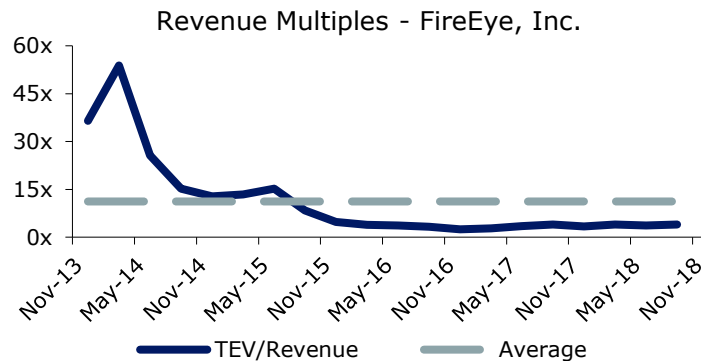


Public Basket



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
5/21/18	FireEye May Use Proceeds From Offering For Potential Acquisitions
1/11/18	FireEye, Inc. (NasdaqGS:FEYE) acquired X15 Software, Inc. for \$20 million.

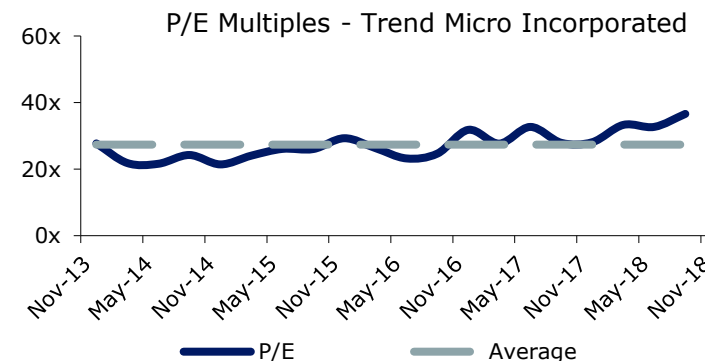
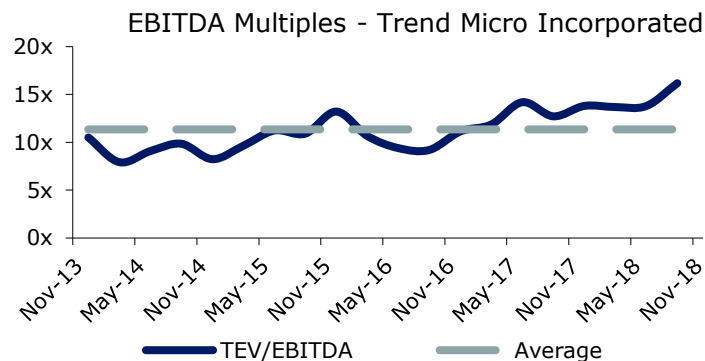
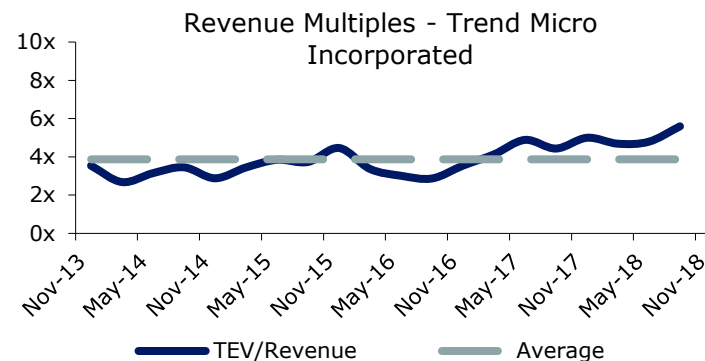
Public Basket



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
11/15/18	Trend Micro Incorporated and Moxa Inc. Announces Execution of Letter of Intent to Form Joint-Venture Corporation—TXone Networks
10/29/18	Trend Micro and NTT DOCOMO Collaborate to Provide New Solution for 5G Era
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.



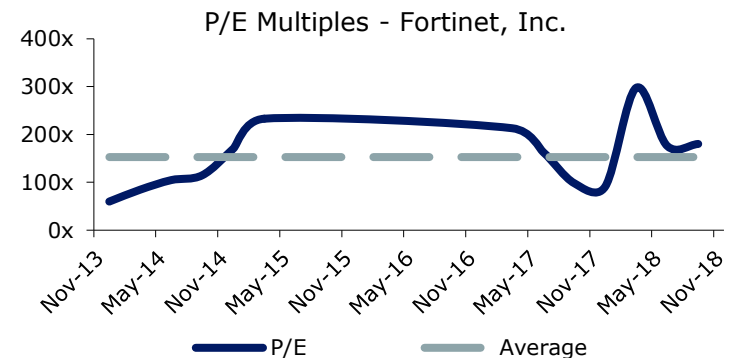
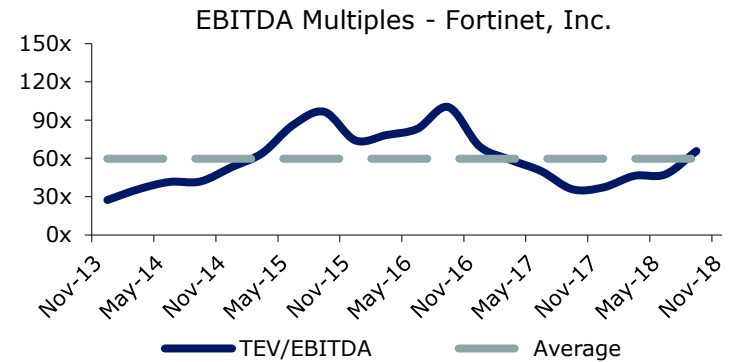
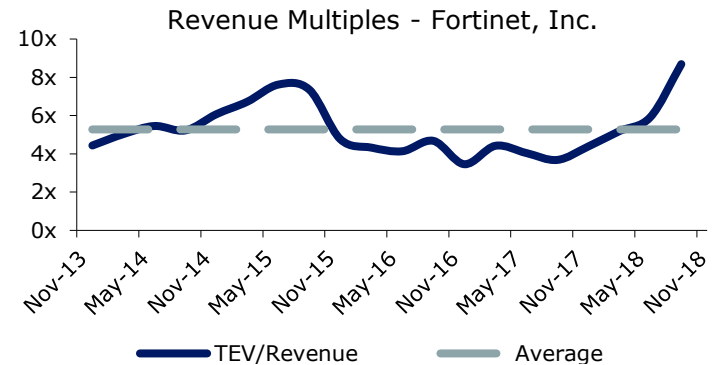
Public Basket



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. Fortinet, Inc. was founded in 2000 and is headquartered in Sunnyvale, California.

Date	Key Development Headline
11/1/18	Fortinet Intends To Seek Acquisitions
10/22/18	Fortinet, Inc. (NasdaqGS:FTNT) acquired Zonefox Limited for approximately \$18 million.
8/7/18	Fortinet Signs Cyber Threat Information Sharing Agreement with IBM
6/3/18	Fortinet, Inc. (NasdaqGS:FTNT) acquired Bradford Networks, Inc.
2/13/18	Fortinet Mulls Acquisitions

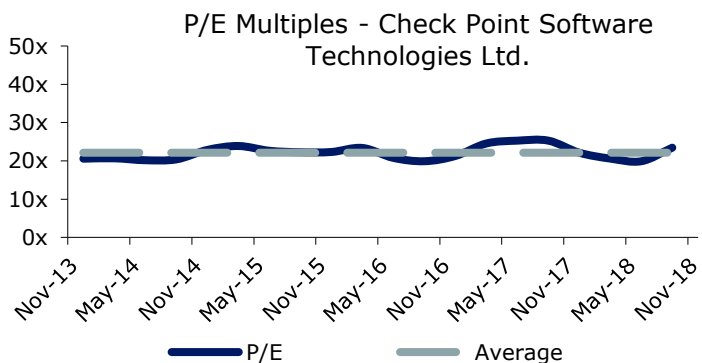
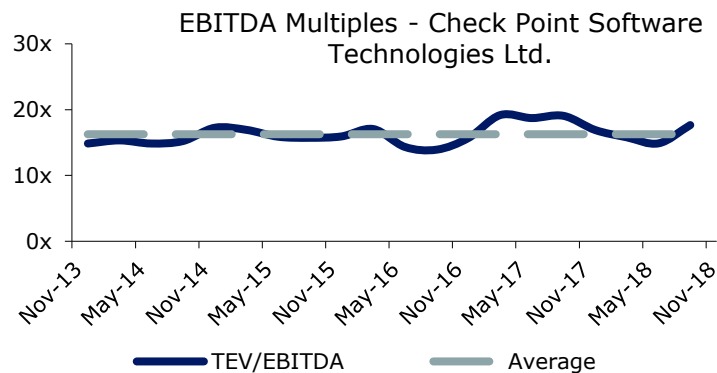
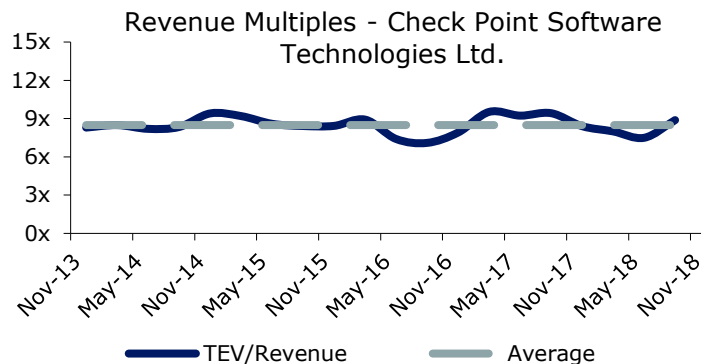


Public Basket



Check Point Software Technologies Ltd.

Check Point Software Technologies Ltd. develops, markets, and supports a range of products and services for IT security worldwide. It provides Check Point Infinity Architecture, a cyber security architecture that protects against 5th generation mega cyber-attacks across various networks, endpoint, cloud, and mobile; security gateways from platforms for small business and small office locations, high end and high demanding data centers, and perimeter environments; and Check Point SandBlast family for threat prevention and zero-day protections. The company also offers Check Point CloudGuard cloud security product that delivers threat prevention security for enterprise cloud networks, data, and applications; Check Point SandBlast Mobile for mobile security in iOS and Android devices; and Check Point Security Management, which offers security management through a single console that streamlines security operations and provides visibility into policy administration and threat analysis. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.



Date	Key Development Headline
10/23/18	Check Point Software Technologies Ltd. (NasdaqGS:CHKP) completed the acquisition of Dome9 Security Ltd..
4/25/18	Check Point Software Seeks Acquisitions
2/5/18	Orange Cyberdefense and Check Point Software Technologies Team Up to Deliver New Orange Service Called Mobile Threat Protection

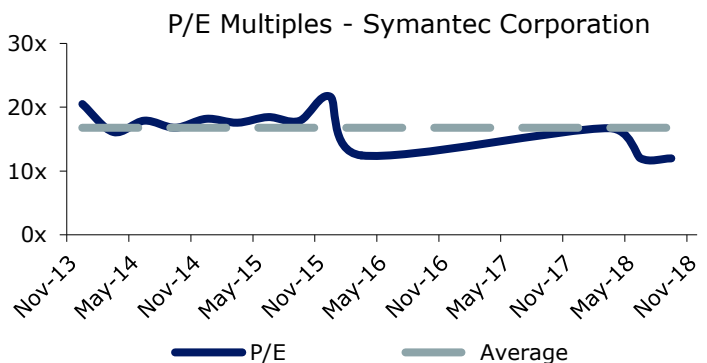
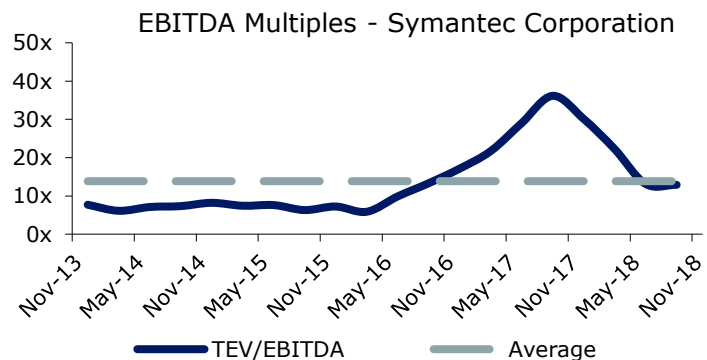
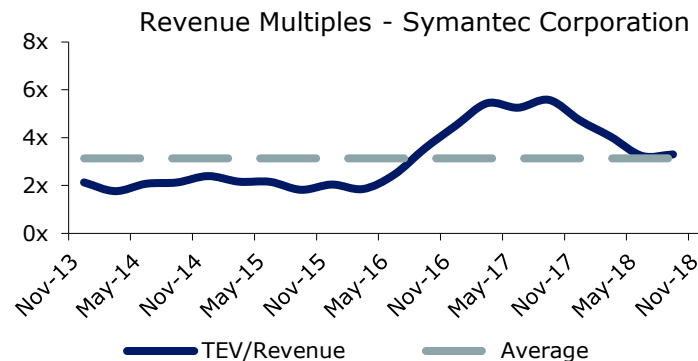
Public Basket



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
11/4/18	Symantec Corporation (NasdaqGS:SYMC) acquired Appthority, Inc.
11/4/18	Symantec Corporation (NasdaqGS:SYMC) acquired Javelin Networks.
5/10/18	Symantec Eyes Acquisitions
2/14/18	Symantec May Seek Acquisitions



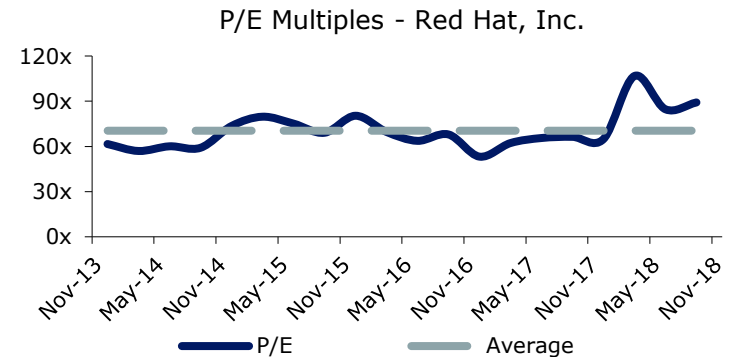
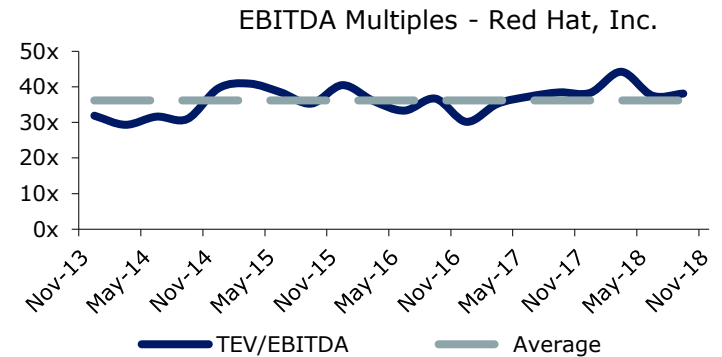
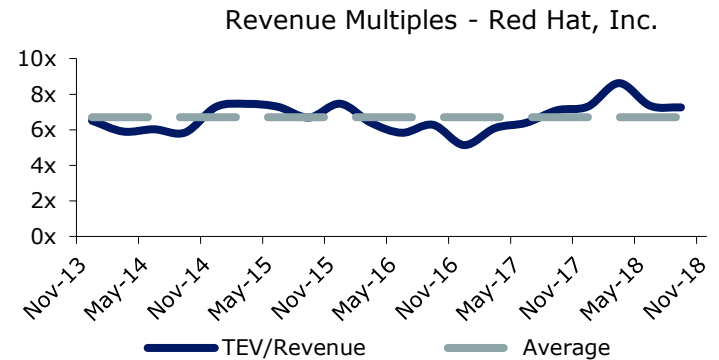
Public Basket



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
10/29/18	International Business Machines Corporation, Red Hat, Inc. - M&A Call
10/27/18	International Business Machines Corporation (NYSE:IBM) entered into a definitive agreement to acquire Red Hat, Inc. (NYSE:RHT) for \$34.6 billion.
10/21/18	Open Bank Project Collaborates with Red Hat to Deliver Next Generation Open Banking Solutions
5/22/18	Red Hat, Inc. and Juniper Networks, Inc. Expand Collaboration to Provide Simplified and More Secure Path to Multicloud
5/8/18	Red Hat Seeks Acquisitions



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