

Sectorwatch: IT Security

November 2019

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.



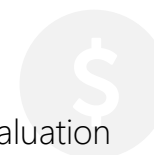
Public Basket Performance

- 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

↓ -8.8%

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

↑ 1.6%

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

Current gross profit margin exceeds the average of the last 3 years gross profit margin by this amount, indicating supplier pricing power

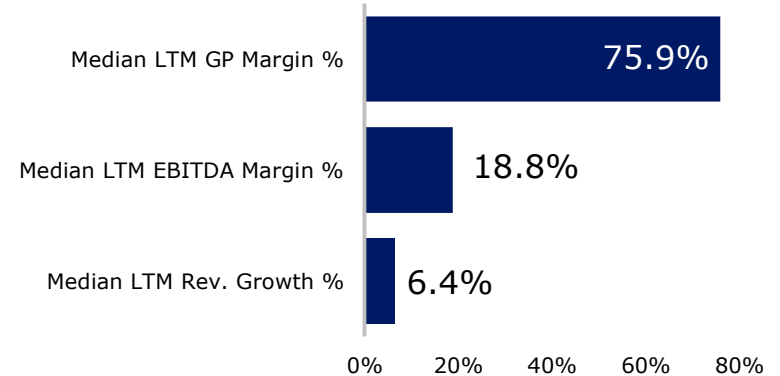
Profitability Momentum

↑ 3.0%

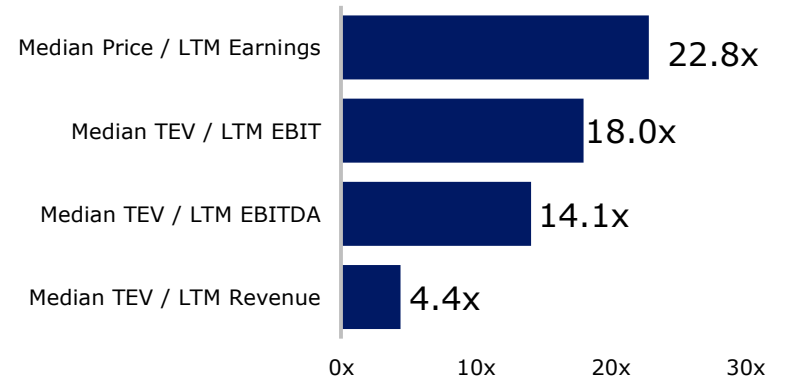
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

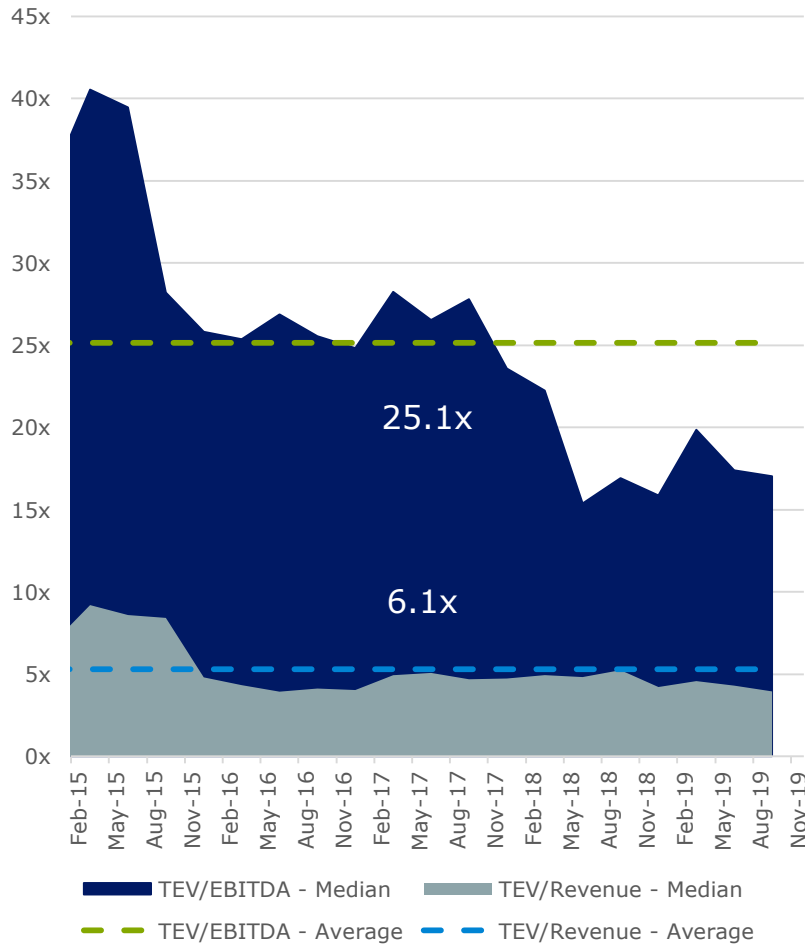


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
SecureWorks Corp.	821	533	8%	53%	-1%	1.5	0.0	2,684	199
Bluedon Information Security Technologies Co.,Ltd.	1,395	312	5%	55%	31%	4.4	14.1	1,941	161
CyberArk Software Ltd.	4,181	413	31%	86%	19%	10.1	53.8	1,146	361
FireEye, Inc.	3,721	872	6%	66%	-14%	4.3	0.0	3,200	272
Trend Micro Incorporated	5,858	1,511	3%	80%	33%	3.9	11.9	6,562	230
Fortinet, Inc.	16,084	2,049	20%	76%	18%	7.9	43.3	5,845	351
Check Point Software Technologies Ltd.	16,152	1,976	4%	89%	46%	8.2	17.9	5,070	390

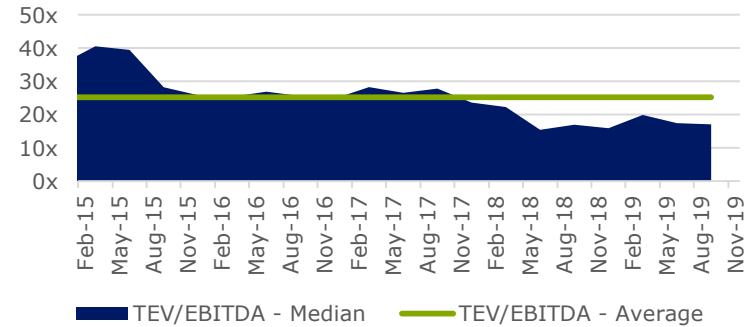
Average	6,888	1,095	11%	72%	19%	5.8	20.1	3,778	280
Median	4,181	872	6%	76%	19%	4.4	14.1	3,200	272

share price as of 25Nov19

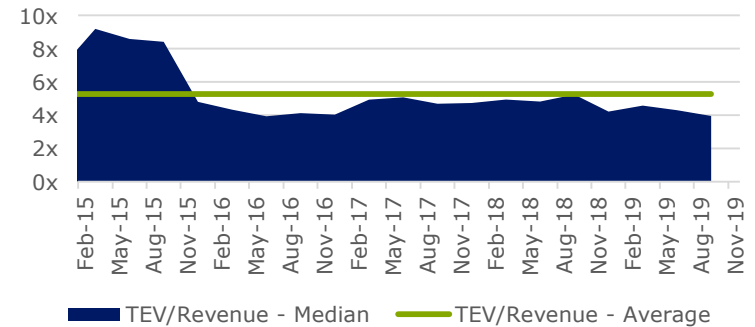
Public Basket Valuation Trends



Public EBITDA Multiples over Time



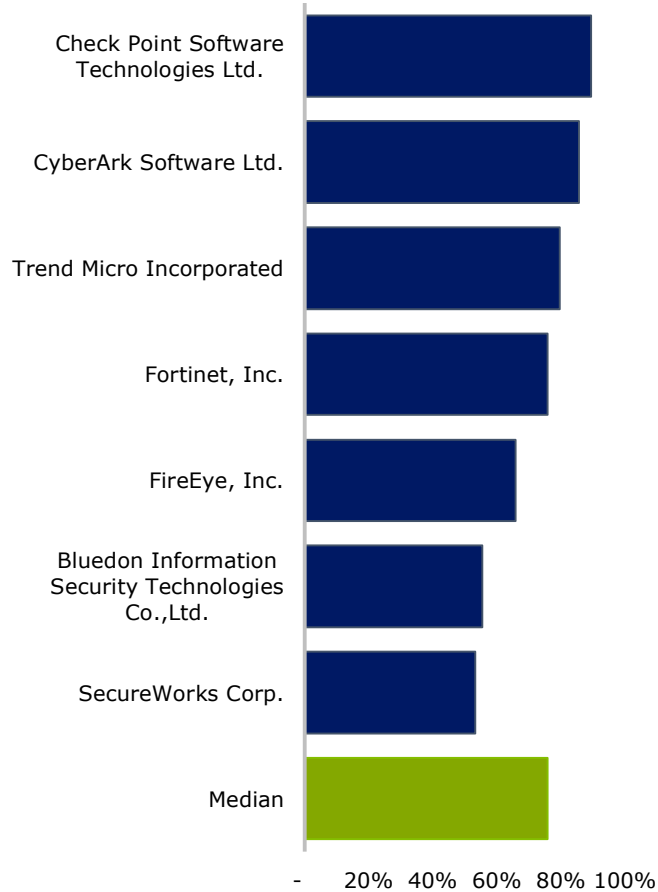
Public Revenue Multiples over Time



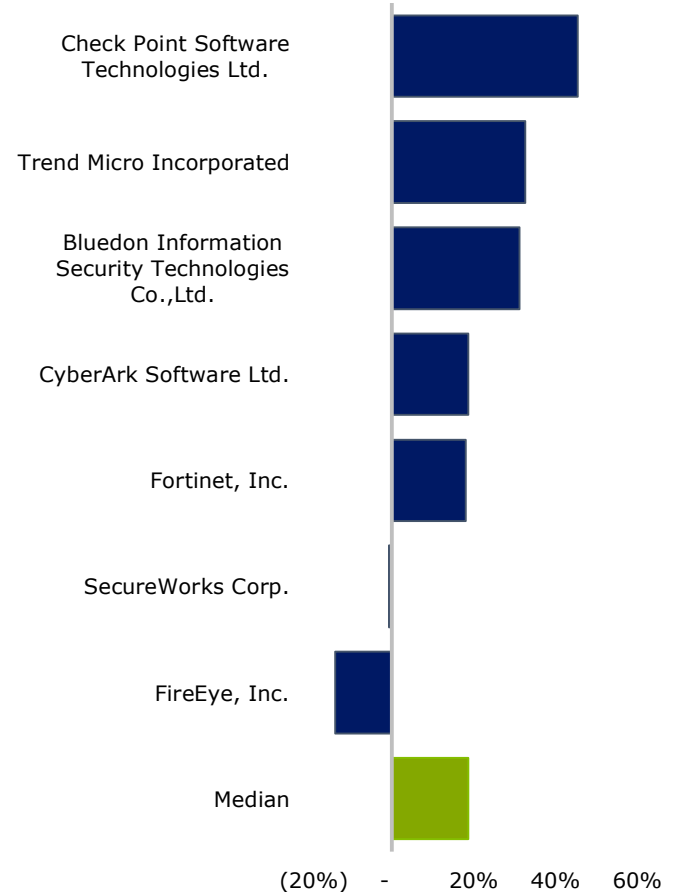
Operational Metrics



LTM Gross Profit Margin %



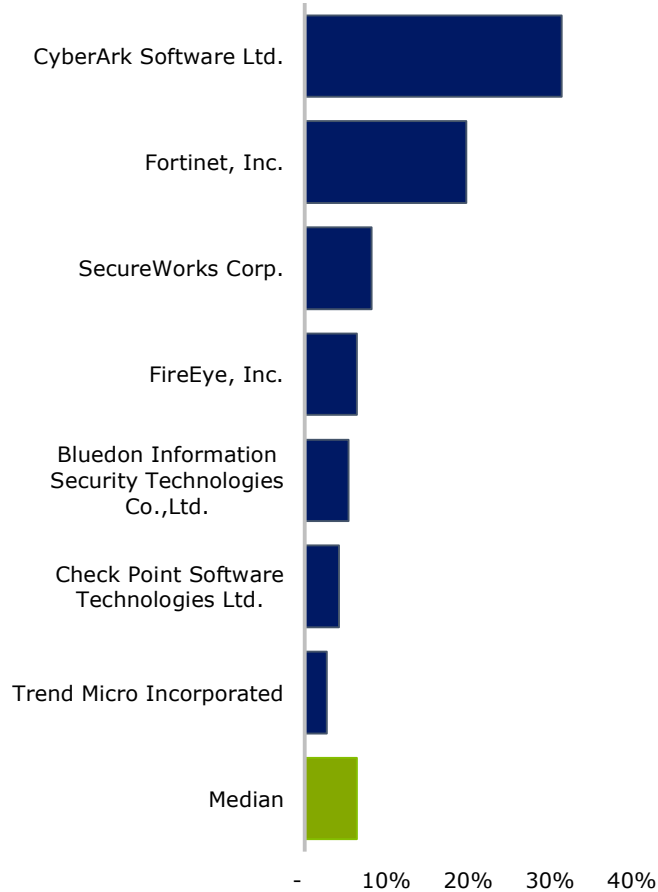
LTM EBITDA %



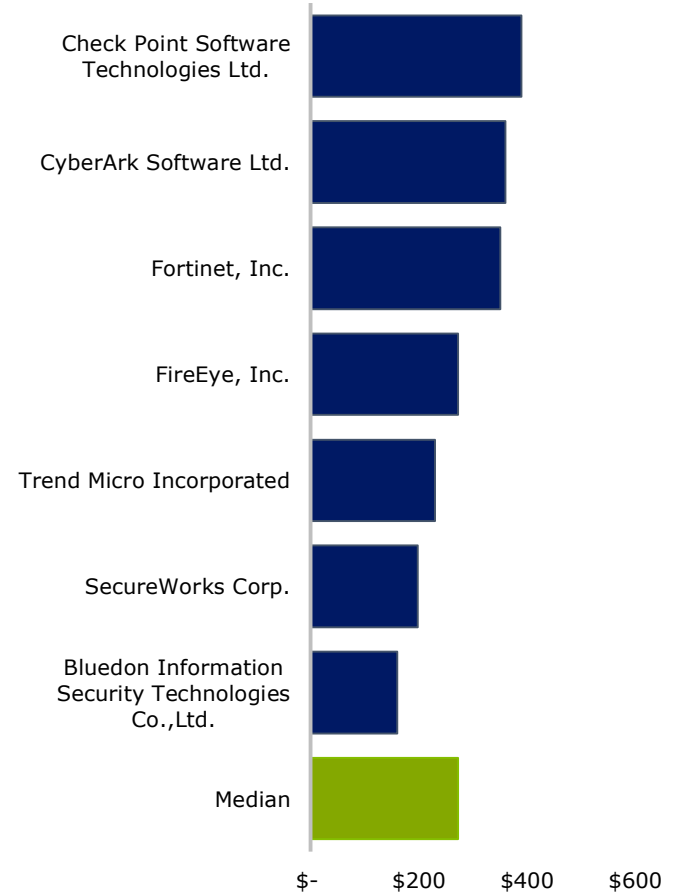
Operational Metrics



LTM Revenue Growth %



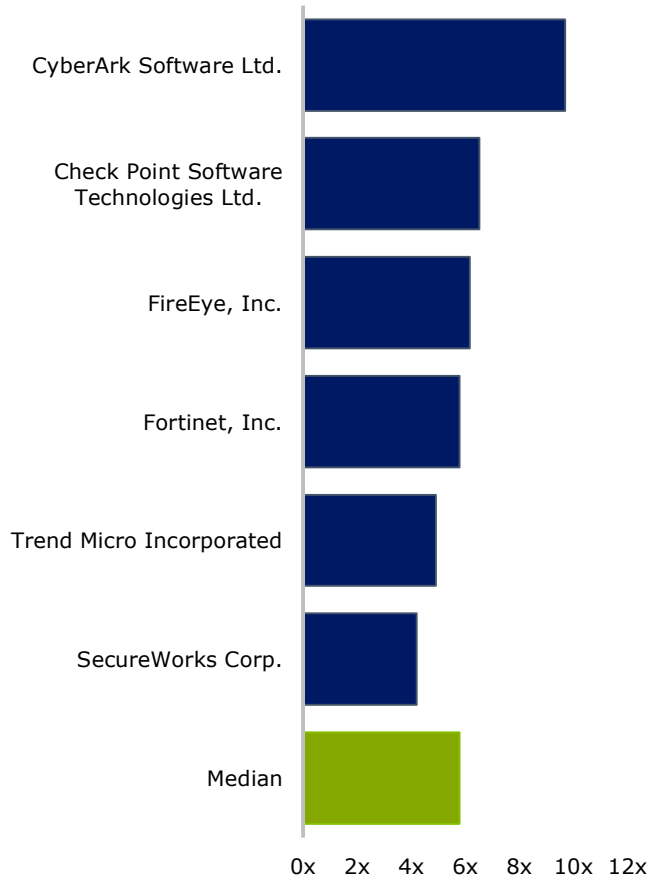
LTM Revenue per Full Time Employee x 000's



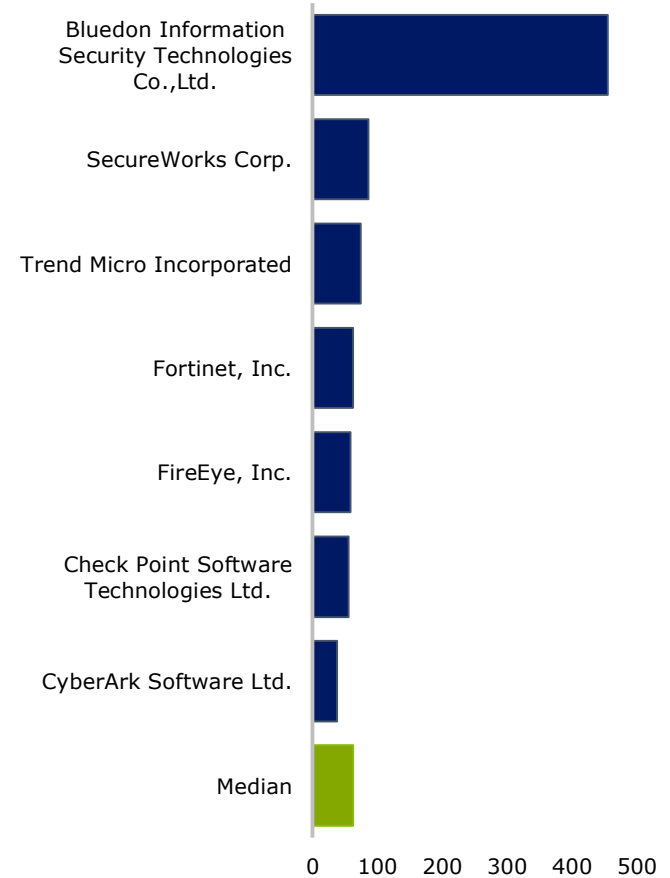
Operational Metrics



Accounts Receivable Turnover



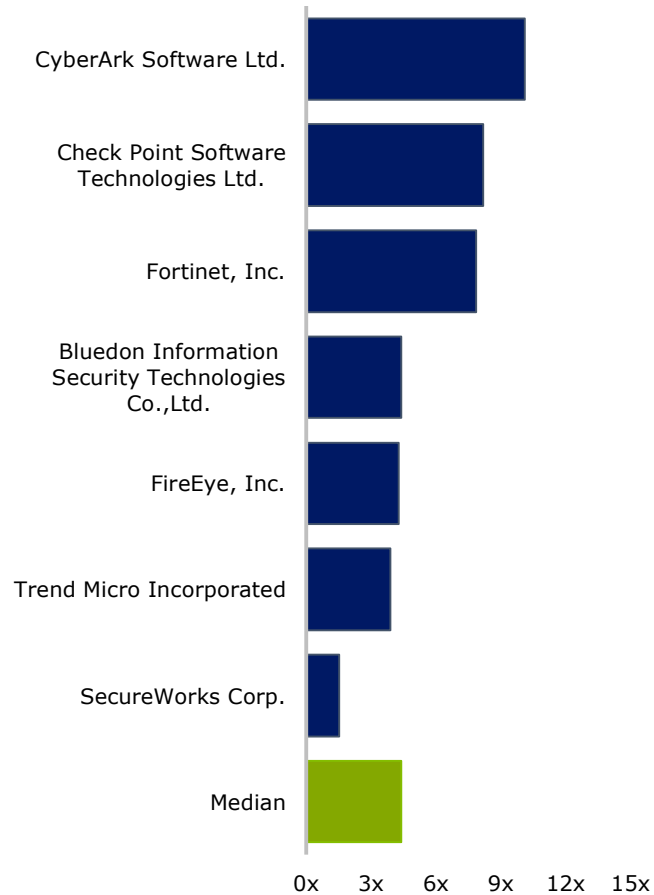
Average Days Sales Outstanding



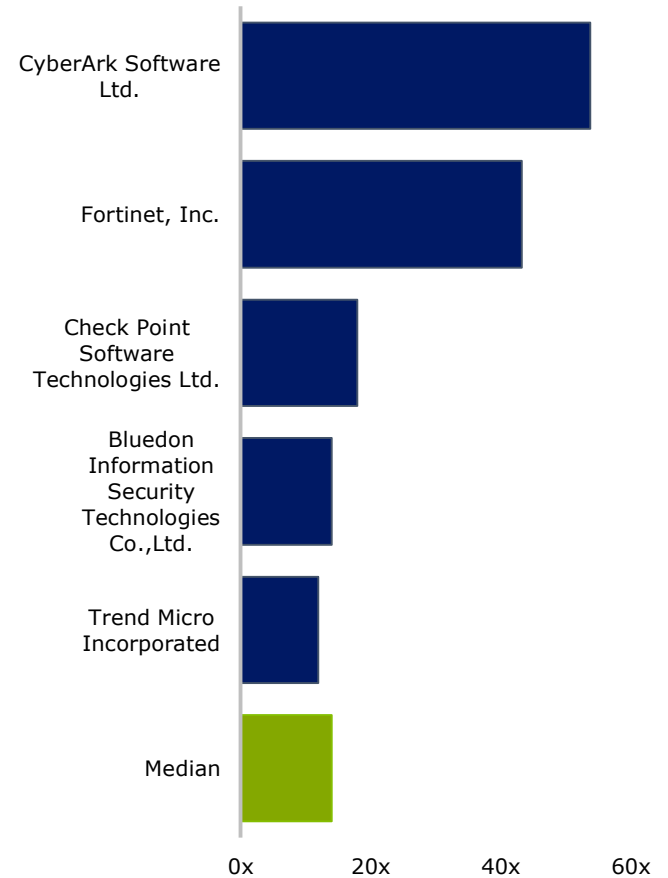
Valuation



TEV / LTM Revenue



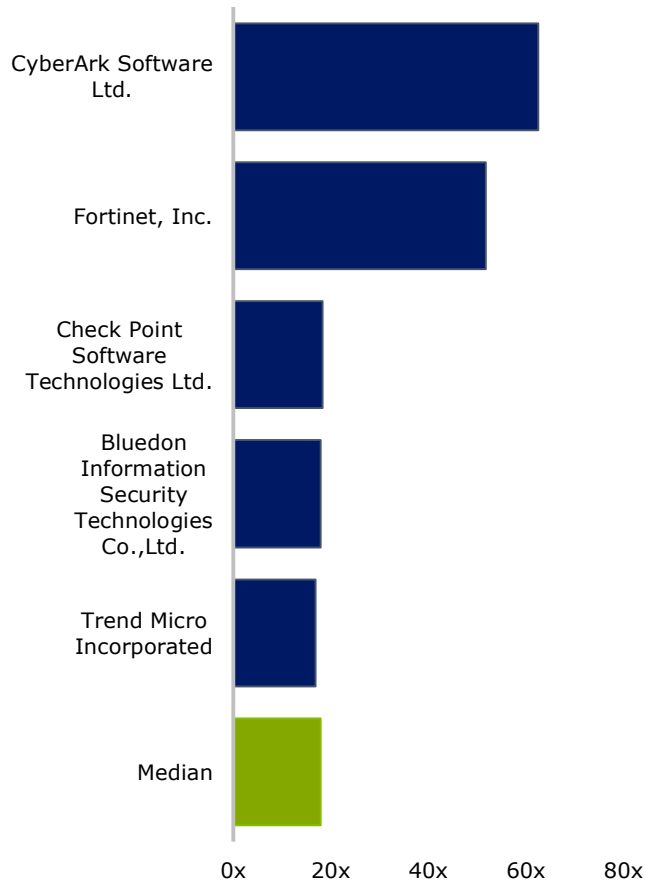
TEV / LTM EBITDA



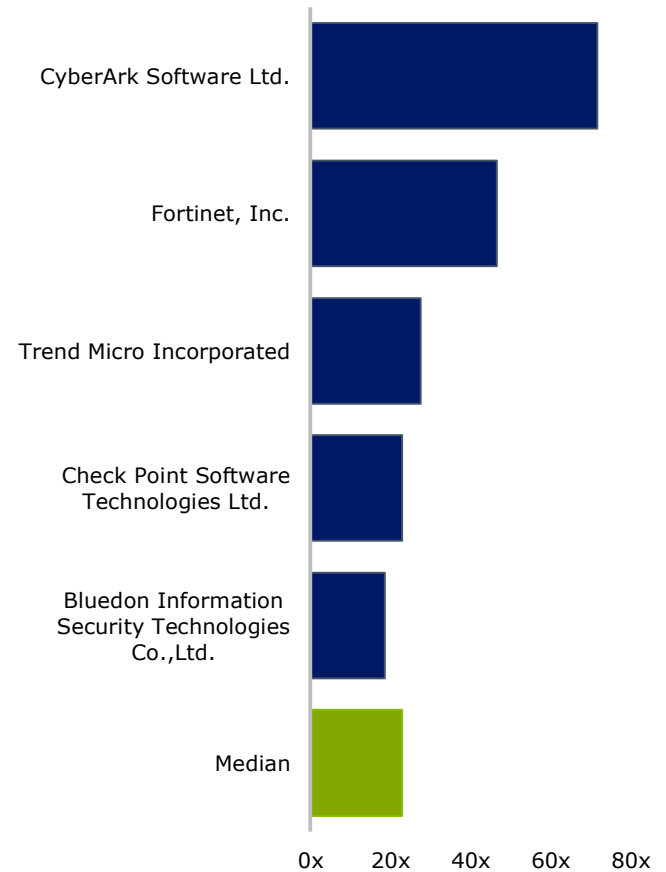
Valuation



TEV / LTM EBIT



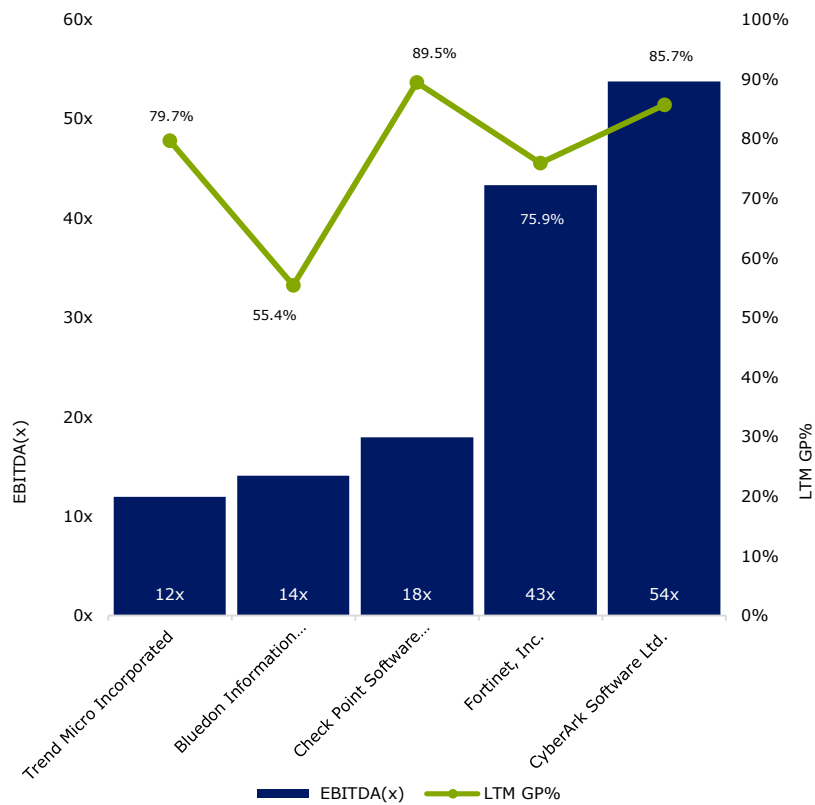
Price / LTM Earnings



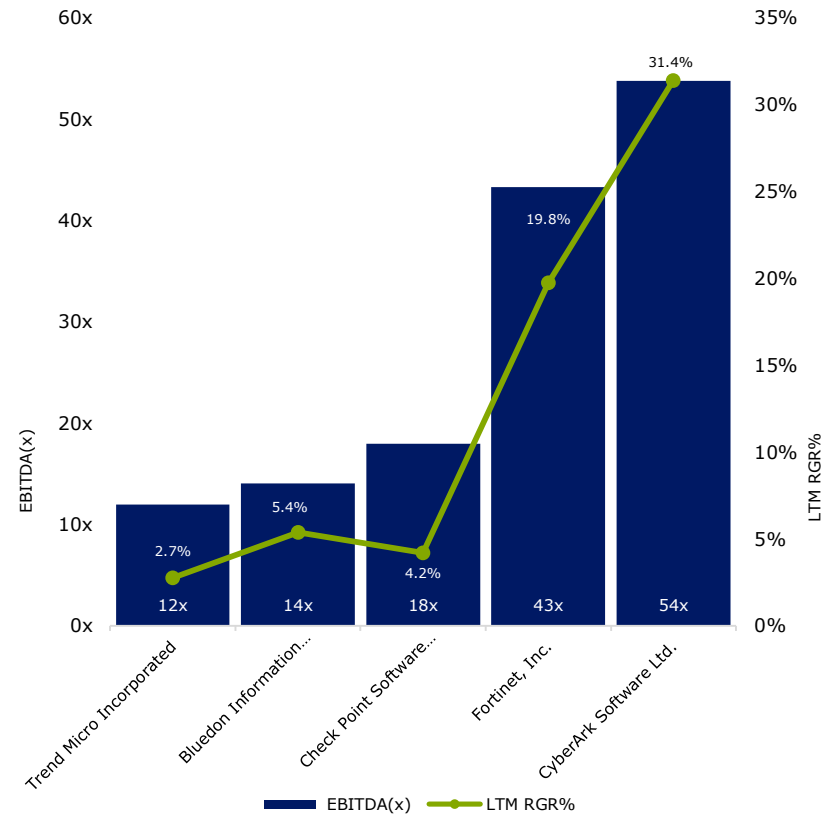
Valuation



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
28Oct19	enSilo Inc.	Fortinet, Inc.	-	-	-	-
14Oct19	Sophos Group plc	Thoma Bravo, LLC	4,016.21	726.90	5.4x	47.6x
6Sep19	Computer Word Processing Systems, Inc.	Red River Computer Company, Inc.	-	-	-	-
29Aug19	Jiangsu Share-sun Information Technology Co., Ltd.	Shanghai Guao Electronic Technology Co., Ltd.	58.15	9.67	6.0x	-
26Jul19	Beijing Cyber Xing An Science and Technology Co., Ltd.	Venustech Group Inc.	9.35	24.44	3.8x	-
3Apr19	Certain Assets and Liabilities of Eastwind Networks, Inc.	NetScout Systems, Inc.	5.15	-	-	-
11Jun19	ECS Security Ltd (nka:Adarma Ltd)	Livingbridge	-	-	-	-
4Jun19	magellan netzwerke GmbH	magellan netzwerke GmbH	-	-	-	-
30Apr19	Network Computing Architects, Inc.	ISSQUARED, Inc.	-	-	-	-
29Mar19	Nouveau Solutions Ltd	Vinci Energies United Kingdom Plc	-	9.20	-	-
28Mar19	Ezenta A/S	Nixu Oyj	9.10	9.88	0.9x	-
12Mar19	Pallas GmbH	Swiss IT Security AG	-	-	-	-
1Mar19	Conscia A/S	Nordic Capital; Nordic Capital Fund IX	-	-	-	-
13Feb19	Proactive Technologies, LLC	Abacus Group LLC	-	-	-	-
7Feb19	Fine Tec	Exclusive Group SAS	-	-	-	-
6Feb19	Certus IT Ltd	SysGroup plc	11.65	-	-	-
25Jan19	LGS Innovations LLC	CACI, Inc. - Federal	750.00	-	-	-
31Dec18	procilon IT-Solutions GmbH	Harald Quandt Industriebeteiligungen GmbH	-	-	-	-
4Dec18	Global Cloud Infrastructure Business of Neverfail	Online Tech, LLC	-	-	-	-
4Dec18	Firstline Security Systems, Inc.	Convergint Technologies LLC	-	-	-	-
14Nov18	Bio Nicsgene Co.,Ltd. (nka:Hanryu A.I. Center Co.,Ltd.)	G-Smatt Global Co., Ltd.	4.23	-	-	-
5Nov18	Appthority, Inc.	Symantec Corporation (nka:NortonLifeLock Inc.)	-	-	-	-
24Oct18	Dome9 Security Inc.	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	-	-	-	-

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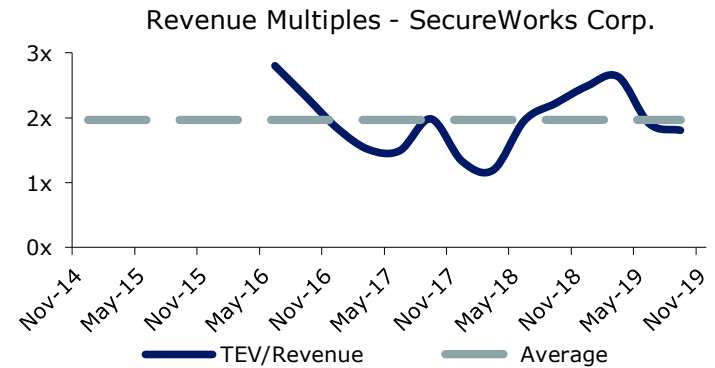
APPENDIX: Public Basket Constituents

Public Basket



SecureWorks Corp.

SecureWorks Corp., through its subsidiaries, provides intelligence-driven information security solutions focused on protecting organizations from cyber-attacks. The company's solutions include managed security, threat intelligence, security and risk consulting, and incident response. Its solutions enable organizations to fortify their cyber defenses to prevent security breaches, detect malicious activity in real time, prioritize and respond to security incidents, and predict emerging threats. The company serves clients in a range of industries, including the financial, manufacturing, technology, retail, insurance, utility, and healthcare sectors. As of February 2, 2018, it served approximately 4,400 clients across 59 countries. The company was formerly known as SecureWorks Holding Corporation and changed its name to SecureWorks Corp. in November 2015. The company was founded in 1999 and is headquartered in Atlanta, Georgia. SecureWorks Corp. is a subsidiary of Dell Inc.



Date	Key Development Headline
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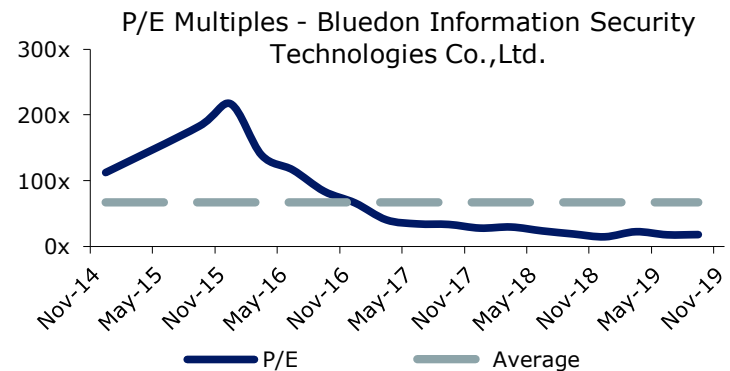
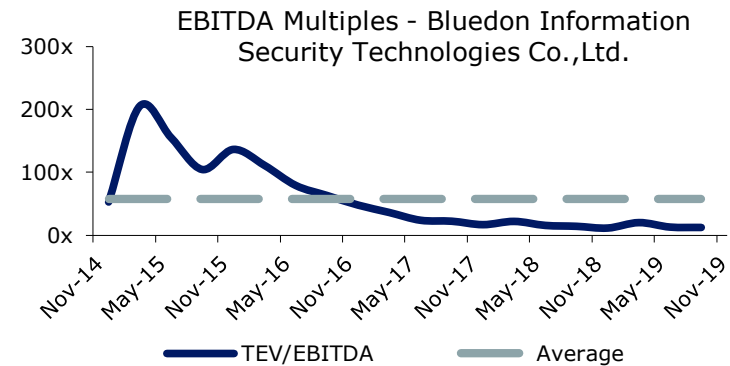
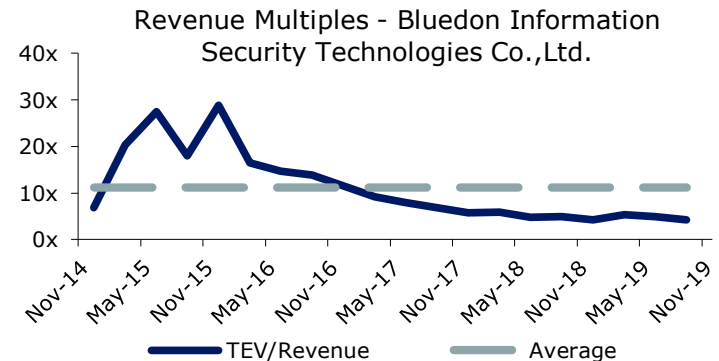
3/28/19	SecureWorks Intends To Seek Acquisitions
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Public Basket



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.

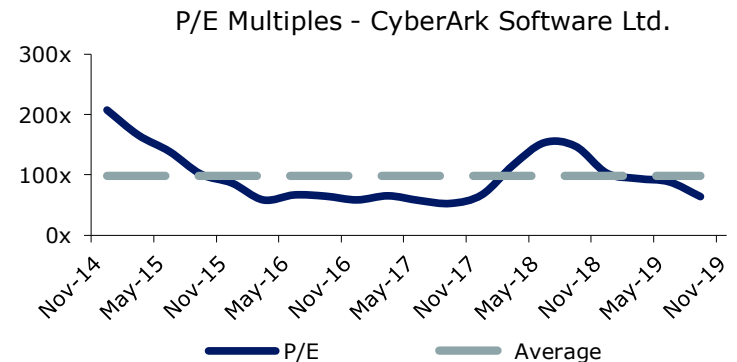
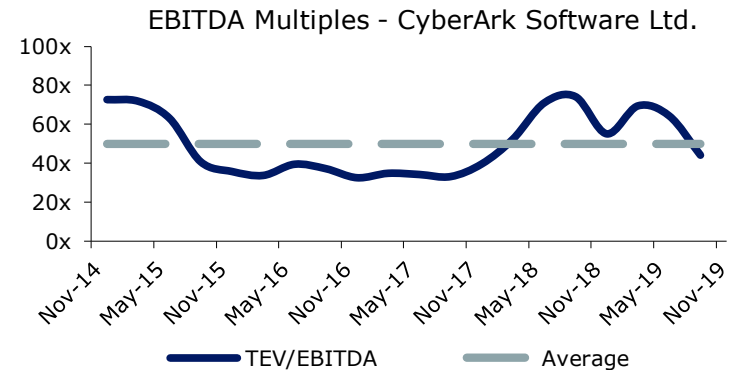
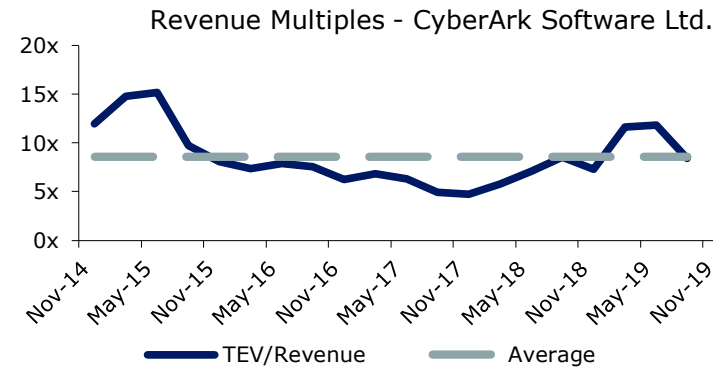


Public Basket



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.

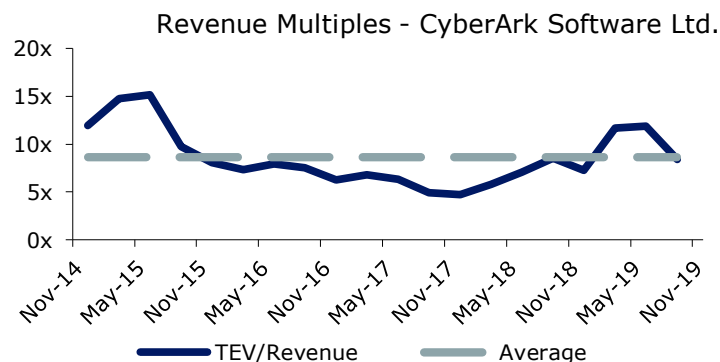


Public Basket



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
5/28/19	FireEye, Inc., Verodin, Inc. - M&A Call
5/27/19	FireEye, Inc. (NasdaqGS:FEYE) acquired Verodin, Inc. for approximately \$260 million.

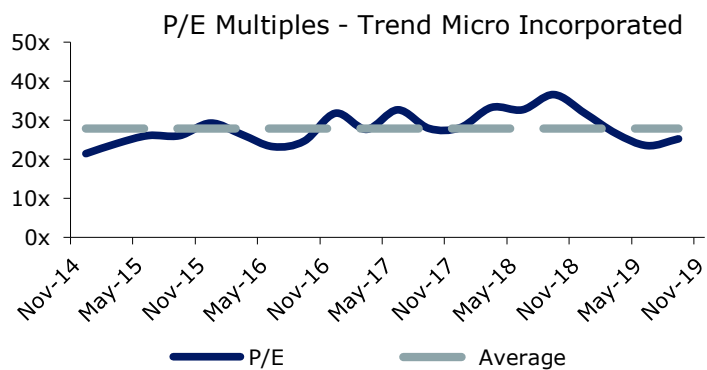
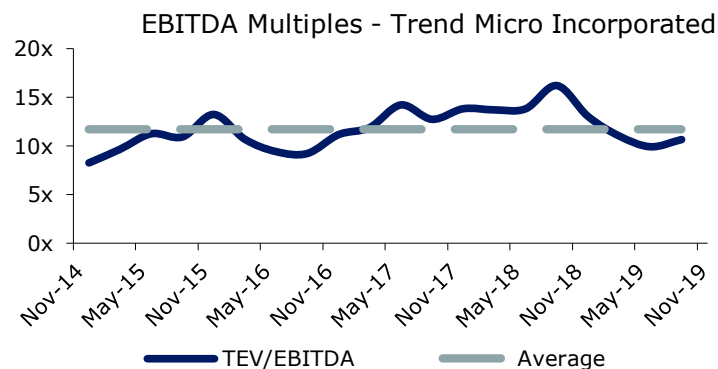
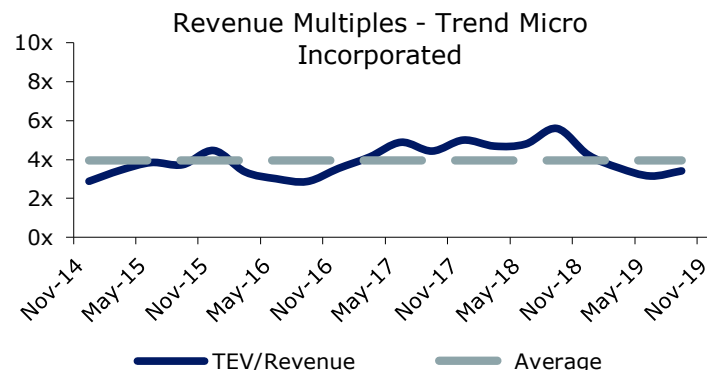
Public Basket



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
4/2/19	Trend Micro Incorporated Announces Strategic Partnership with Luxoft Holding, Inc
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



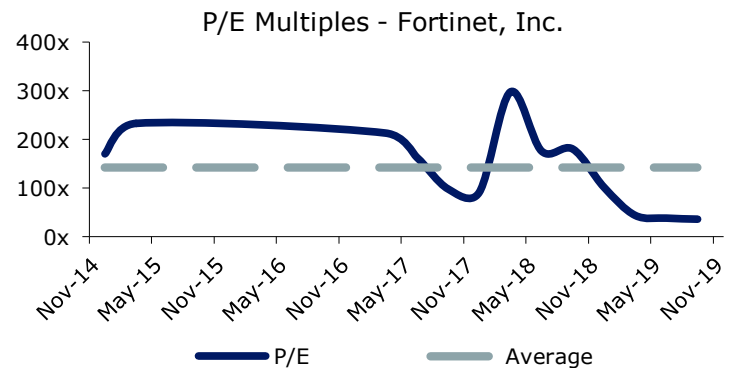
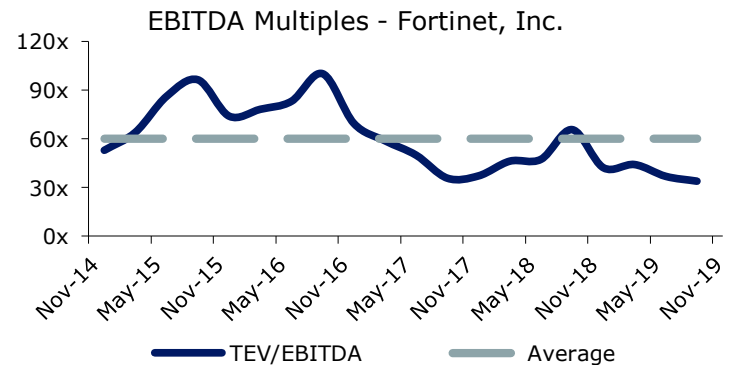
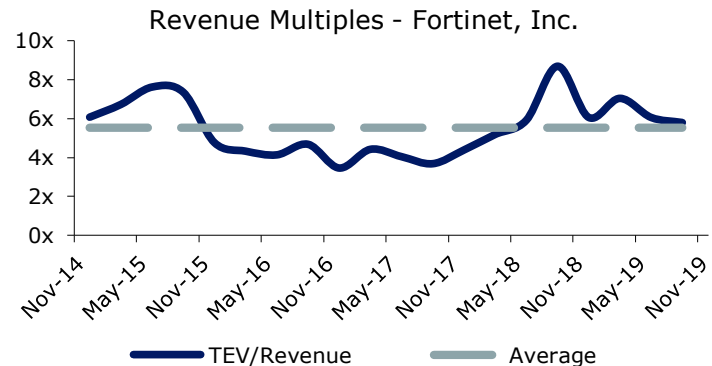
Public Basket



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
4/4/19	Alcide.io Ltd. Integrates with Fortinet, Inc. to Provide Hybrid Cloud Network Security Solution
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.



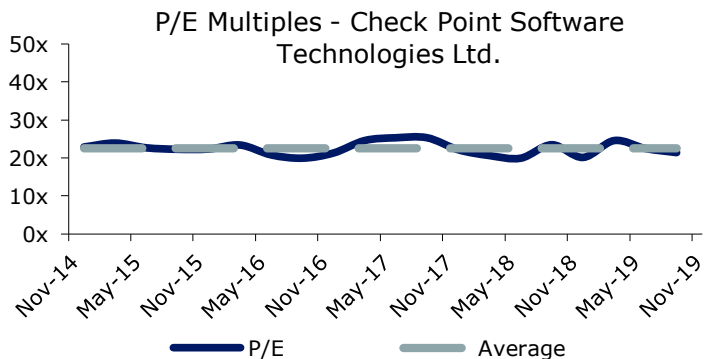
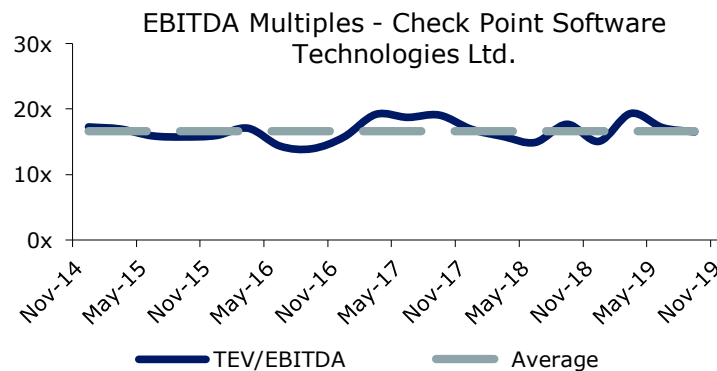
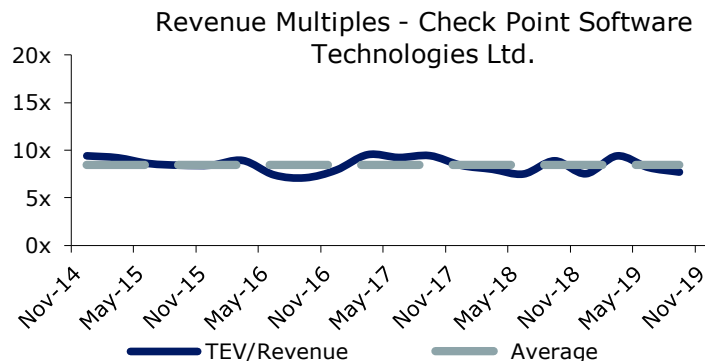
Public Basket



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. Check Point Software Technologies Ltd. was founded in 1993 and is headquartered in Tel Aviv, Israel.

Date	Key Development Headline
1/13/19	Check Point Software Technologies Ltd. (NasdaqGS:CHKP) acquired ForceNock Security Ltd.
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



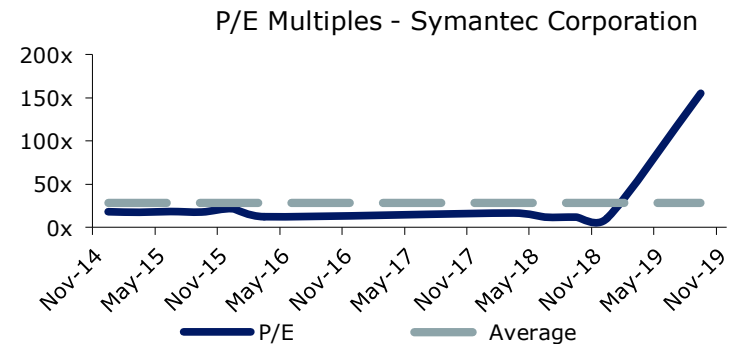
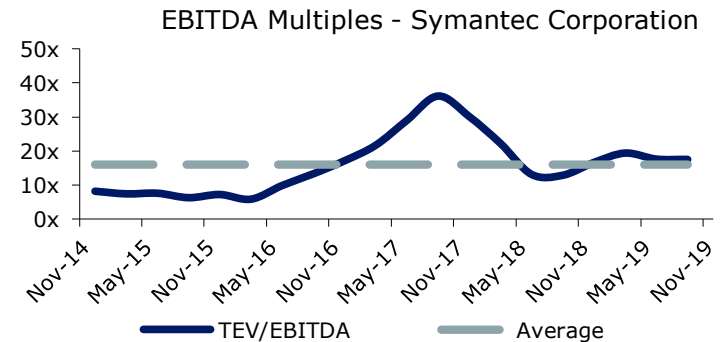
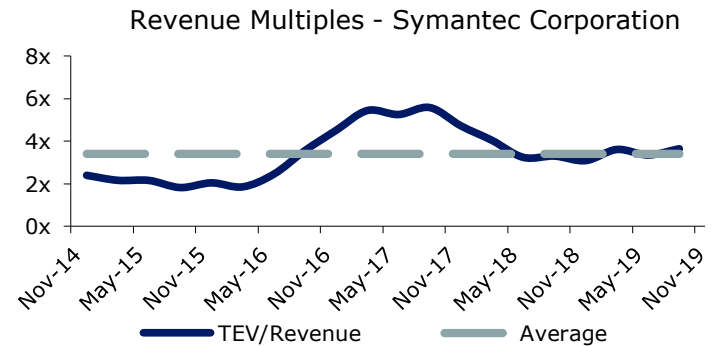
Public Basket



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
8/8/19	Broadcom Inc., Symantec Corporation - M&A Call
8/7/19	Broadcom Inc. (NasdaqGS:AVGO) entered into an asset purchase agreement to acquire Enterprise Security assets of Symantec Corporation (NasdaqGS:SYMC) for \$10.7 billion.
2/11/19	Symantec Corporation (NasdaqGS:SYMC) acquired Luminare Security Ltd., from U.S. Venture Partners, Aleph Venture Capital and others for approximately \$140 million.
1/31/19	Symantec To Seek Acquisitions
12/19/18	Ernst & Young LLP Announces a Strategic Alliance with Symantec Corp



CONTACT INFO

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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