

# Sectorwatch: IT Security

February 2020

# IT Security

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# Overview

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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.



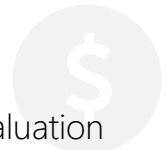
## Public Basket Performance

- 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

↑ 1.3%

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

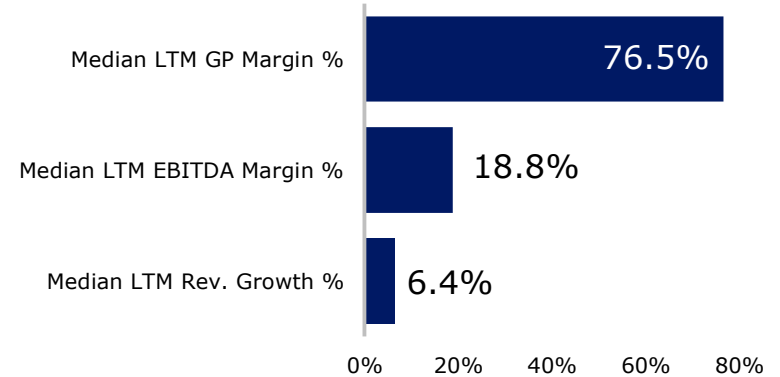
## Profitability Momentum

↑ 3.5%

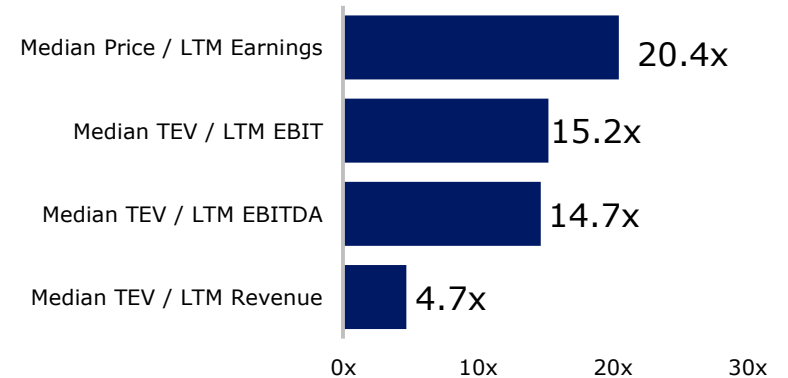
1 - year EBITDA % compared to EBITDA % average for last 3 years

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

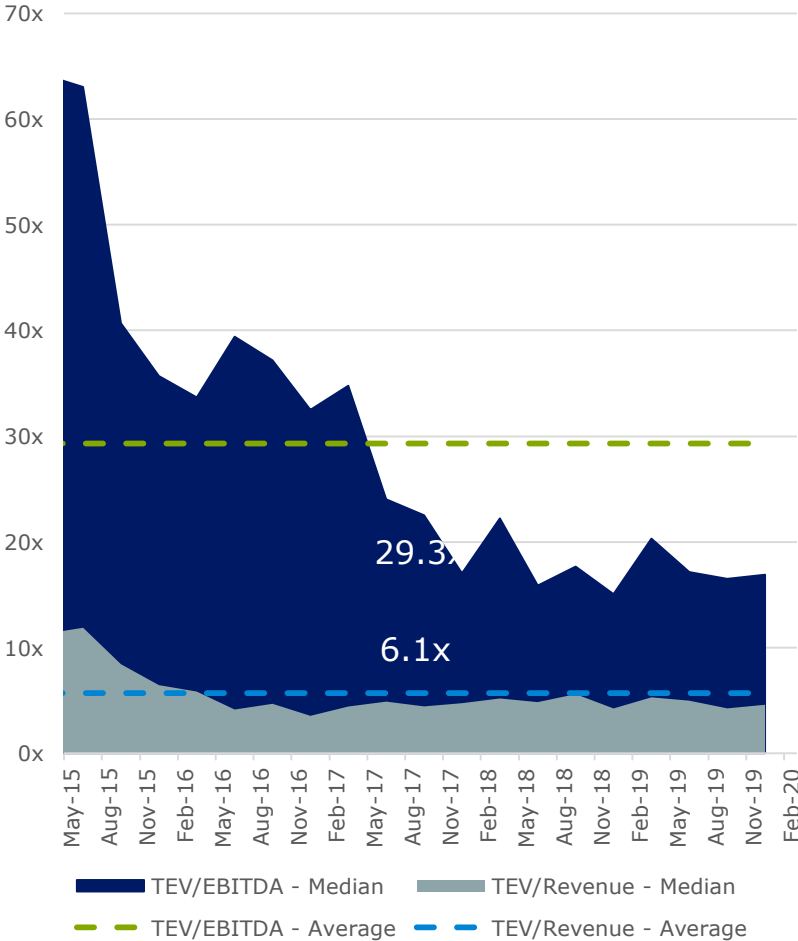


Company	TEV \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
SecureWorks Corp.	985	541	6%	54%	-1%	1.8	0.0	2,684	202
Bluedon Information Security Technologies Co.,Ltd.	1,499	312	5%	55%	31%	4.7	15.0	1,941	161
FireEye, Inc.	2,999	889	7%	65%	-13%	3.4	0.0	3,400	262
CyberArk Software Ltd.	3,421	434	26%	86%	17%	7.9	46.9	-	NA
Trend Micro Incorporated	5,306	1,520	3%	80%	32%	3.5	10.7	-	NA
Check Point Software Technologies Ltd.	13,209	1,995	4%	89%	45%	6.6	14.7	-	NA
Fortinet, Inc.	15,687	2,156	20%	77%	19%	7.3	36.7	7,082	304

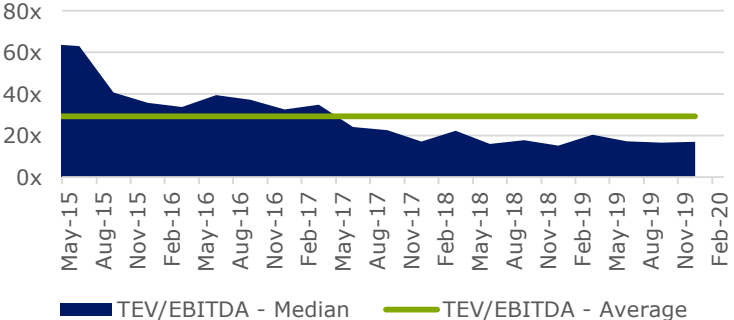
<b>Average</b>	6,158	1,121	10%	72%	19%	5.0	17.7	2,158	232
<b>Median</b>	3,421	889	6%	77%	19%	4.7	14.7	1,941	232

share price as of 29Feb20

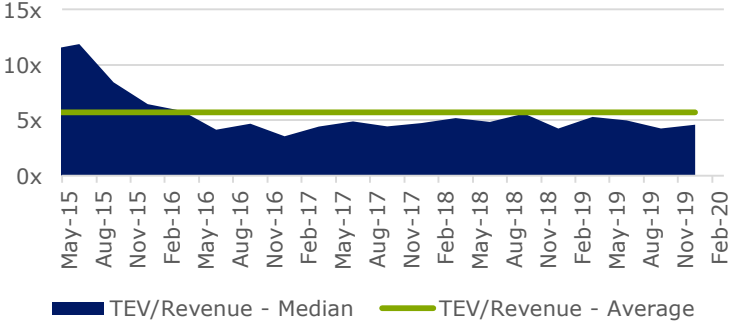
# Public Basket Valuation Trends



## Public EBITDA Multiples over Time



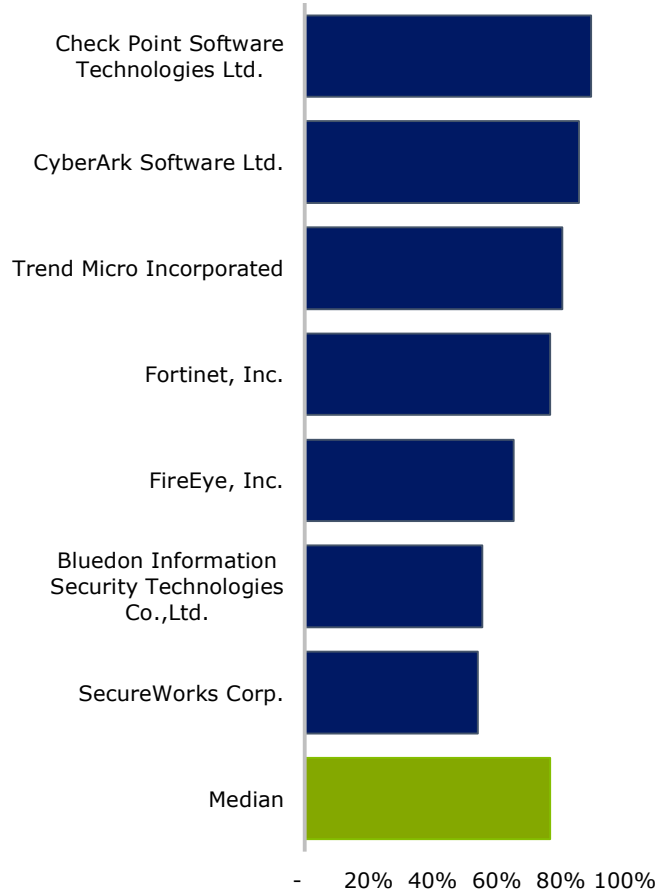
## Public Revenue Multiples over Time



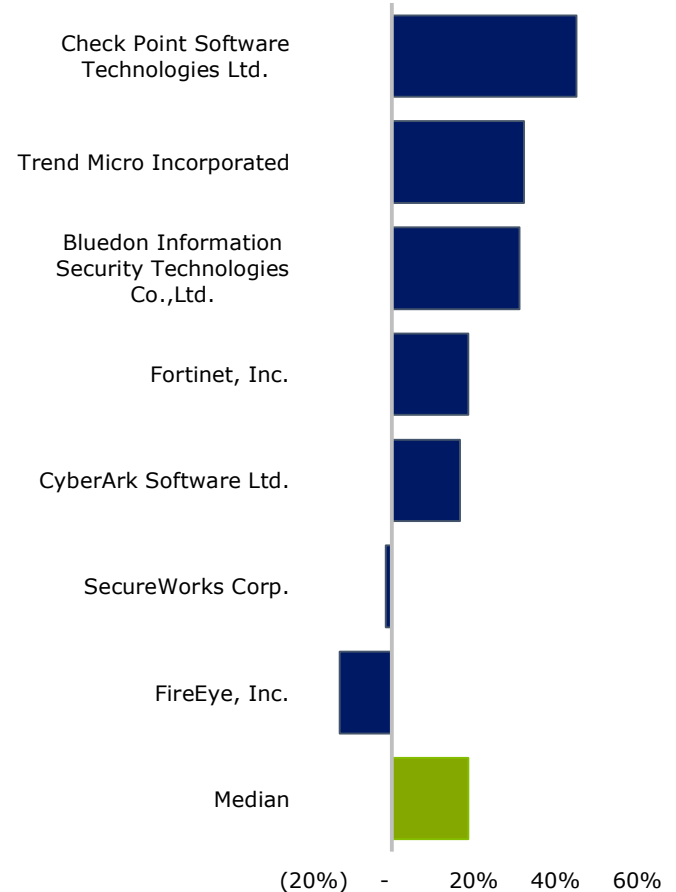
# Operational Metrics



## LTM Gross Profit Margin %



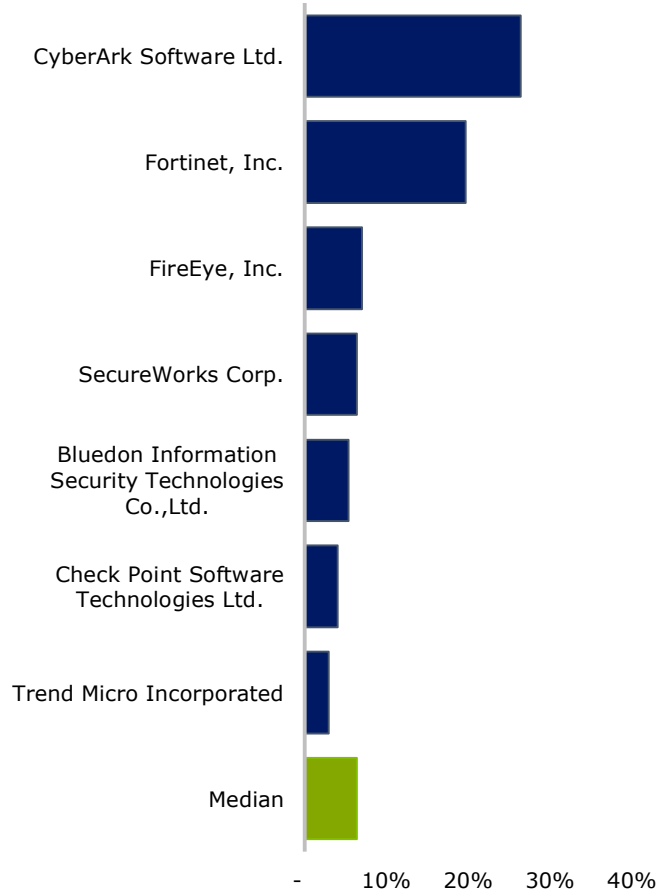
## LTM EBITDA %



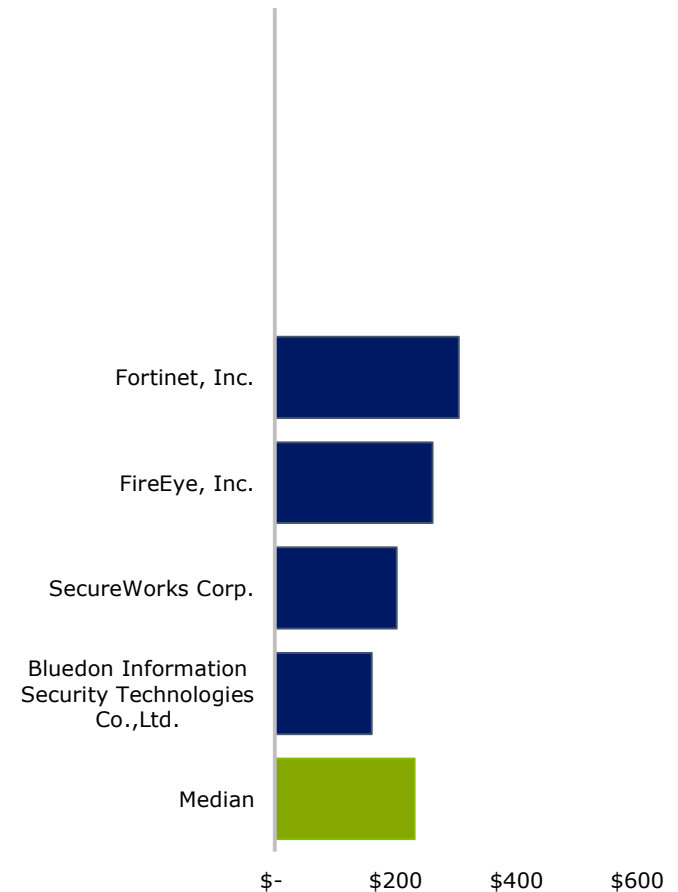
# Operational Metrics



LTM Revenue Growth %



LTM Revenue per Full Time Employee x 000's

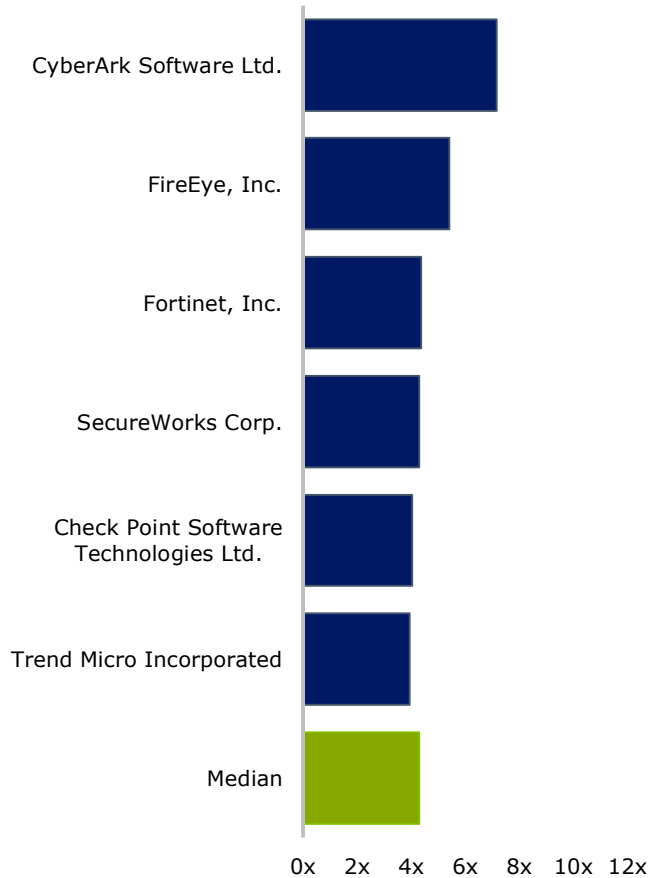




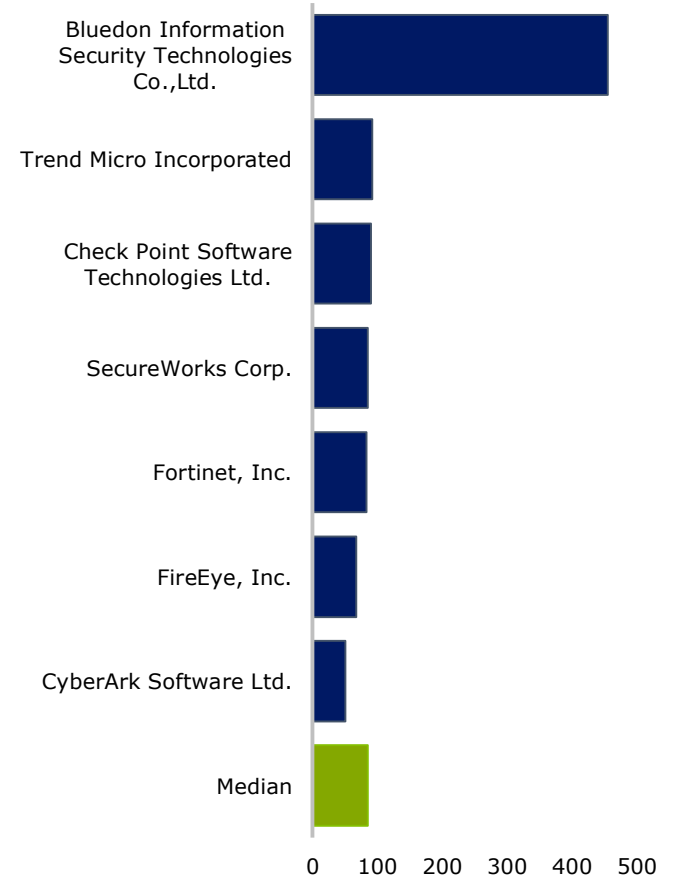
# Operational Metrics



## Accounts Receivable Turnover



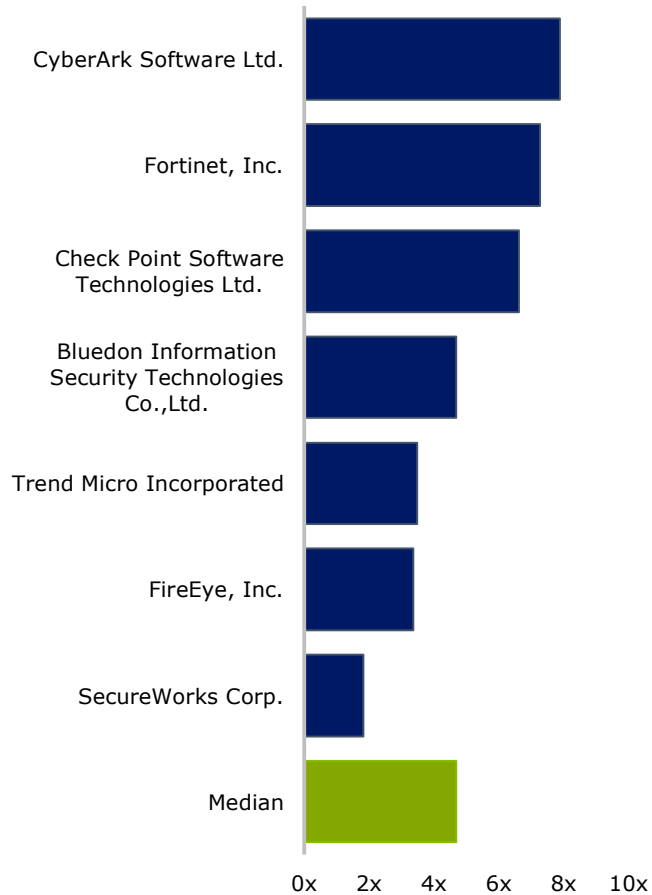
## Average Days Sales Outstanding



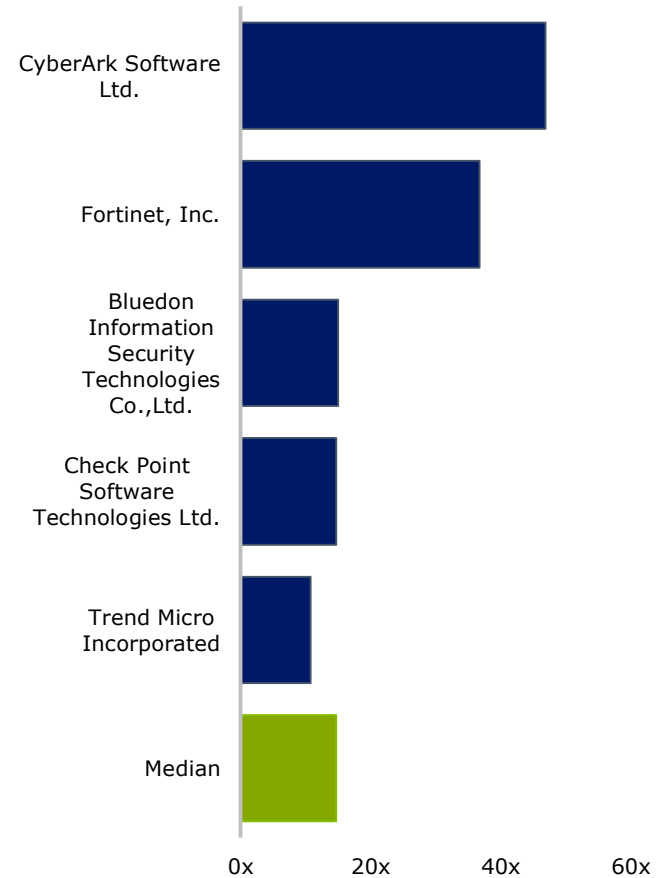
# Valuation



TEV / LTM Revenue



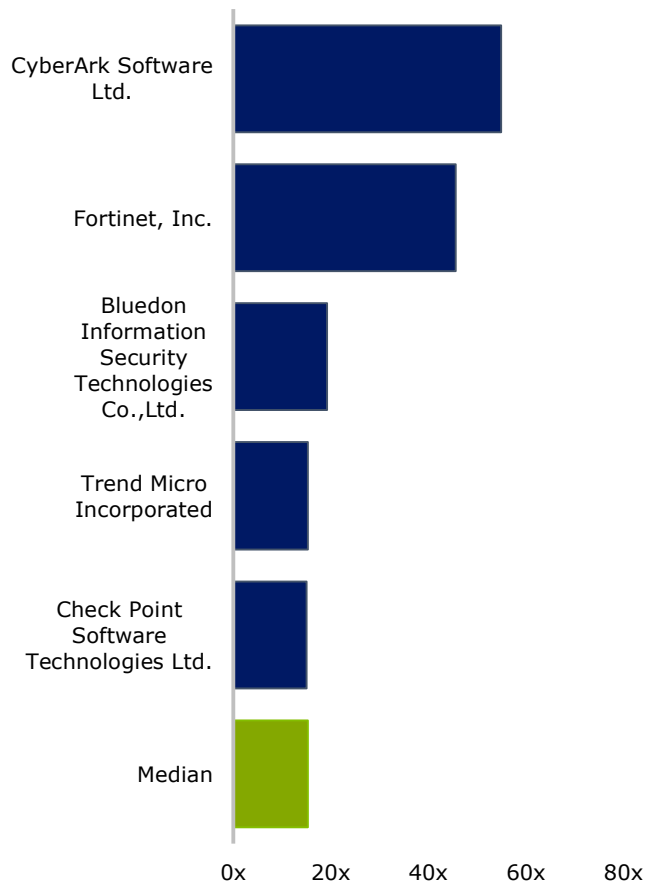
TEV / LTM EBITDA



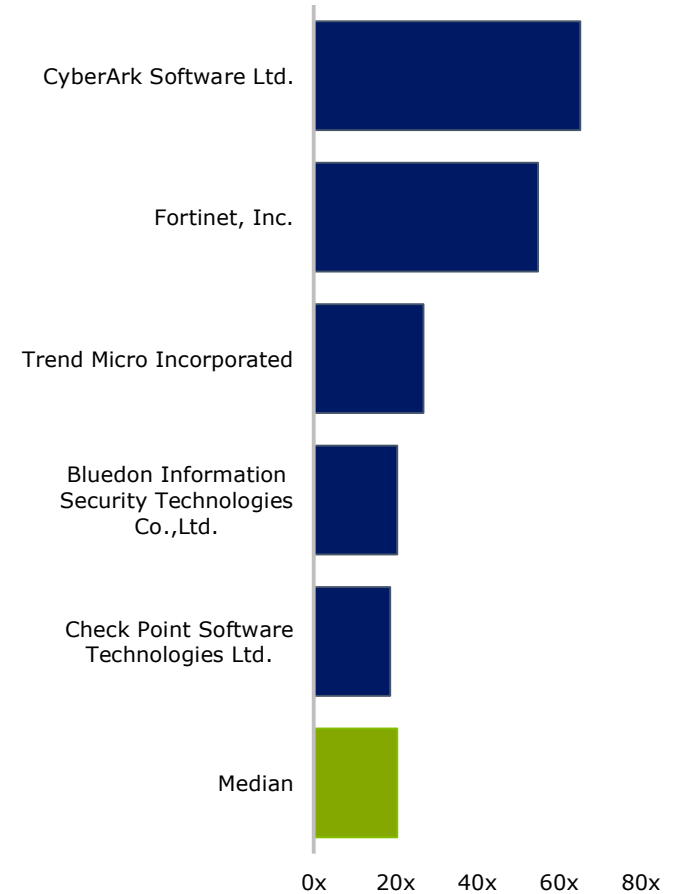
# Valuation



## TEV / LTM EBIT



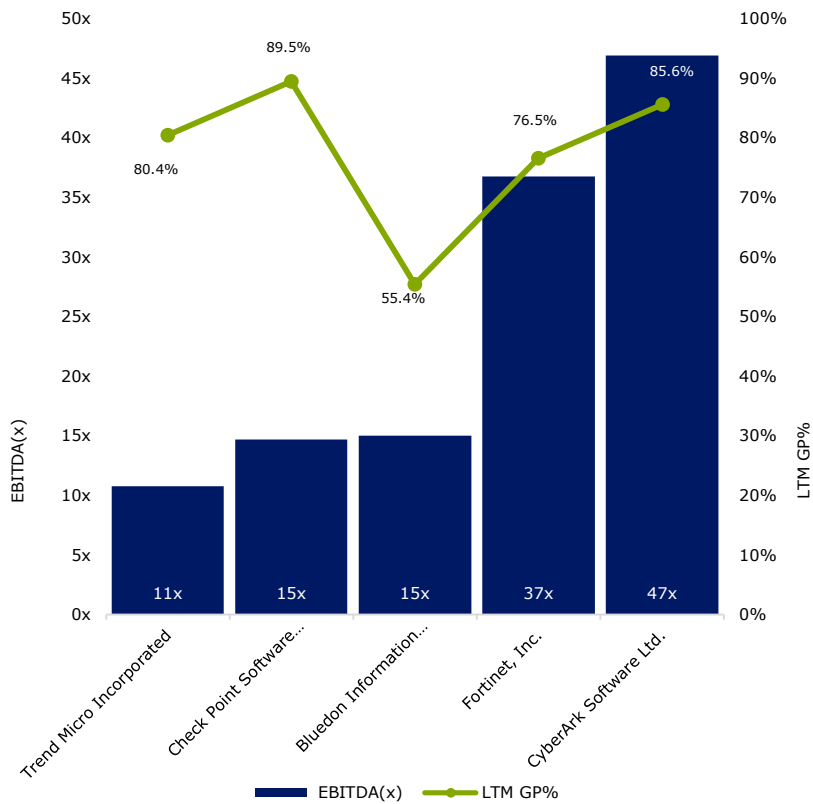
## Price / LTM Earnings



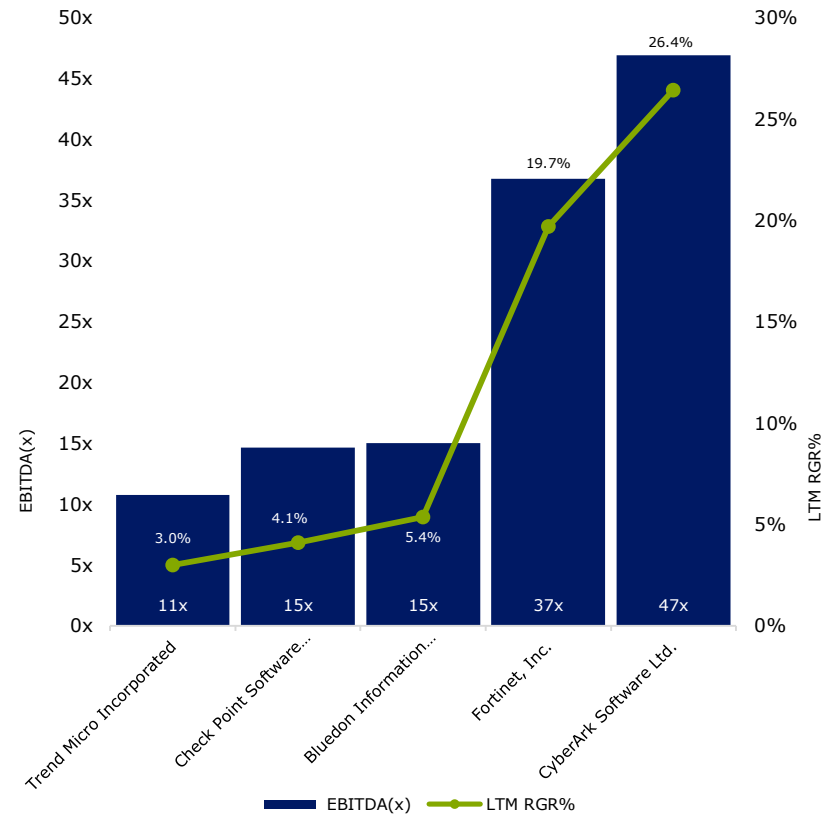
# Valuation



## 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>
6Feb20	ICTivity B.V.	Ingram Micro Inc.	-	-	-	-
1Feb20	Perseus Technologies GmbH	HDI Global SE	-	-	-	-
24Jan20	Industrial Defender Inc.	Teleo Capital Management LLC	-	-	-	-
8Jan20	Avnet Data Security Ltd.	Rockwell Automation, Inc.	-	-	-	-
31Oct19	Forcepoint LLC	Raytheon Company	588.00	634.00	-	-
16Dec19	ICT Services Business Including its Domestic Network Infrastructure	Portobello Capital Gestión, SGEIC, S.A.	-	306.55	-	-
12Dec19	CyberSponse, Inc.	Fortinet, Inc.	28.00	-	-	-
5Dec19	Yarix S.r.l.	Var Group S.p.A.	5.55	-	-	-
19Nov19	Nymity Inc.	True Ultimate Standards Everywhere, Inc.	-	-	-	-
13Nov19	it.sec GmbH	Swiss IT Security AG	-	-	-	-
12Nov19	N-Dimension Solutions Inc.	IPKeys Technologies LLC	-	-	-	-
6Nov19	EZMCOM Inc.	Fair Isaac Corporation	-	-	-	-
6Nov19	CyberlinkASP Technology, Inc.	Staple Street Capital LLC	-	-	-	-
5Nov19	2Keys Corporation	Interac, Inc.	-	-	-	-
5Nov19	Tectrade Computers Ltd.	Computer Systems Integration Limited	-	40.15	-	-
28Oct19	enSilo Inc.	Fortinet, Inc.	-	-	-	-
14Oct19	Sophos Group plc	Thoma Bravo, LLC	4,016.21	726.90	5.4x	44.2x
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	-	-	-	-

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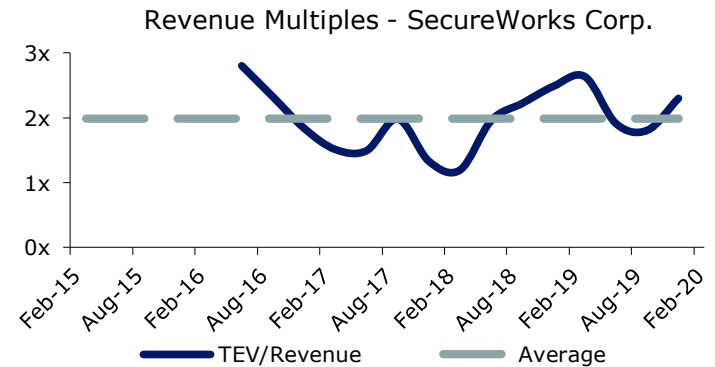
## APPENDIX: Public Basket Constituents

# 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
3/28/19	SecureWorks Intends To Seek Acquisitions

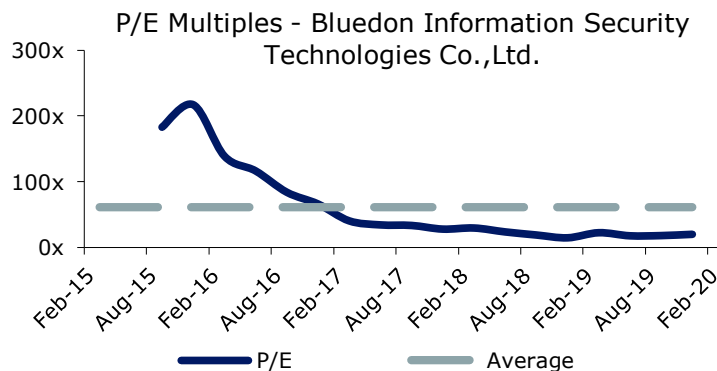
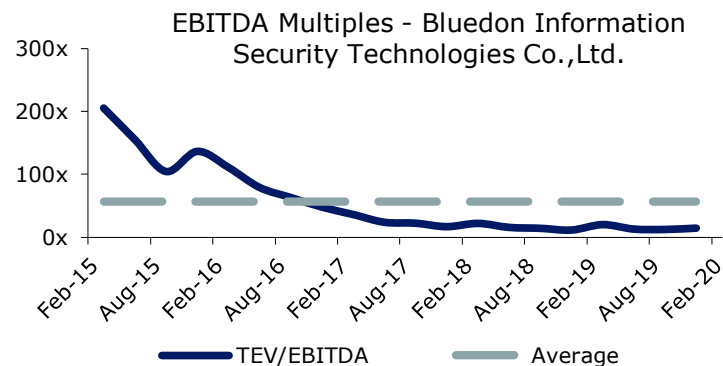
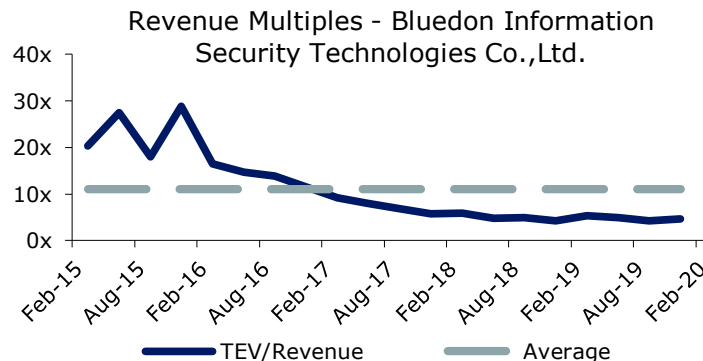
# Public Basket



## 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.

Date	Key Development Headline
12/18/19	Science City (Guangzhou) Investment Group Co., Ltd. agreed to acquire Guangdong Hecheng Technology Incubator Co., Ltd. from Bluedon Information Security Technologies Co.,Ltd. (SZSE:300297) for approximately CNY 290 million.



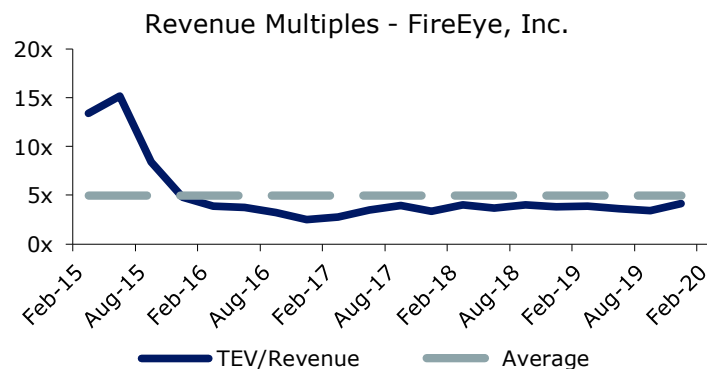


# Public Basket



## 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.



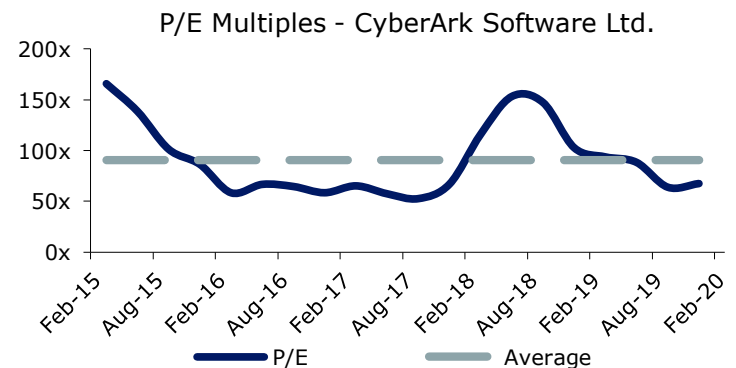
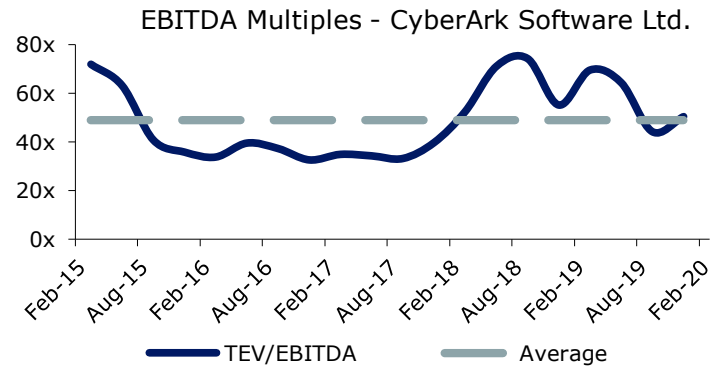
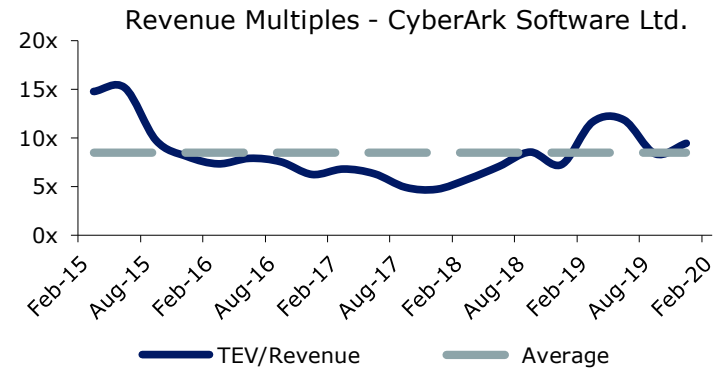
Date	Key Development Headline
1/20/20	FireEye, Inc. (NasdaqGS:FEYE) acquired Cloudvisory LLC.
5/28/19	FireEye, Inc., Verodin, Inc. - M&A Call
5/27/19	FireEye, Inc. (NasdaqGS:FEYE) acquired Verodin, Inc. for approximately \$260 million.

# Public Basket



## 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
11/12/19	CyberArk To Seek Acquisitions

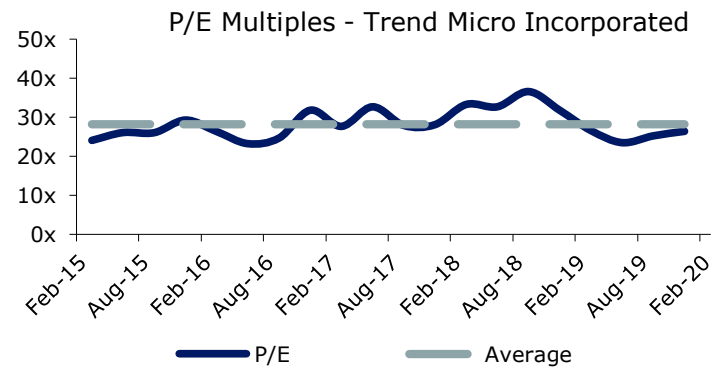
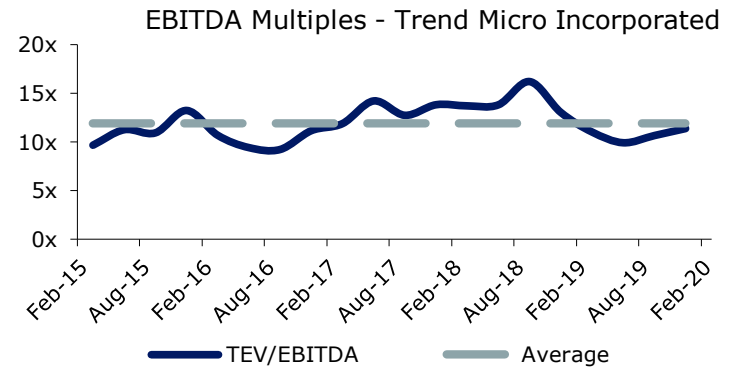
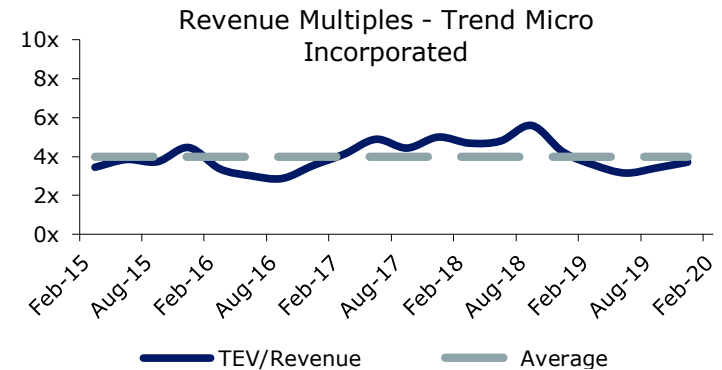
# Public Basket



## 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
10/20/19	Trend Micro Incorporated (TSE:4704) acquired Cloud Conformity Pty. Ltd. for \$70 million.
4/2/19	Trend Micro Incorporated Announces Strategic Partnership with Luxoft Holding, Inc



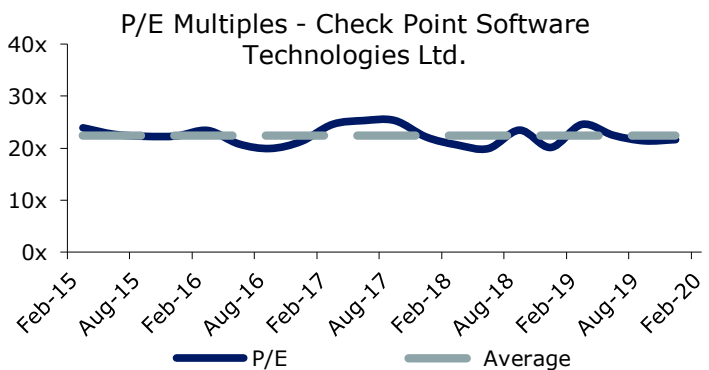
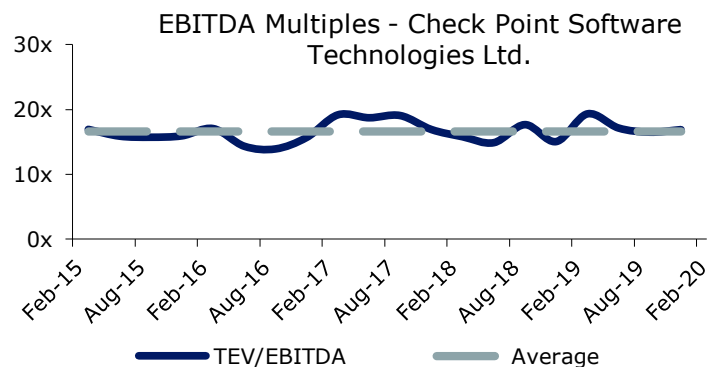
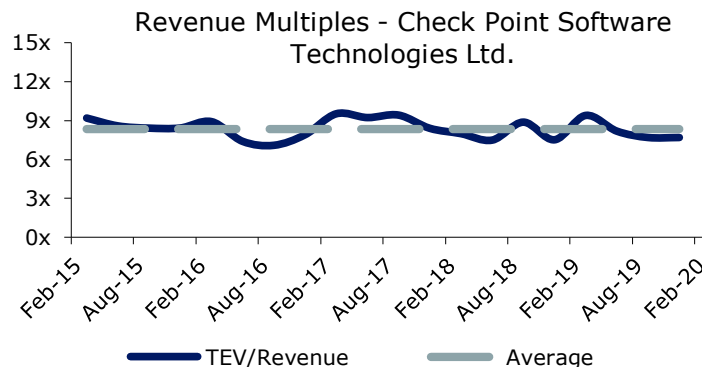
# Public Basket



## 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
12/1/19	Check Point Software Technologies Ltd. (NasdaqGS:CHKP) agreed to acquire Protego Labs, Inc.
12/1/19	Tenable, Inc. acquired Indegy Ltd. from a group of investors for \$78 million.
11/13/19	Check Point Software Technologies Ltd. (NasdaqGS:CHKP) acquired Cymplify.



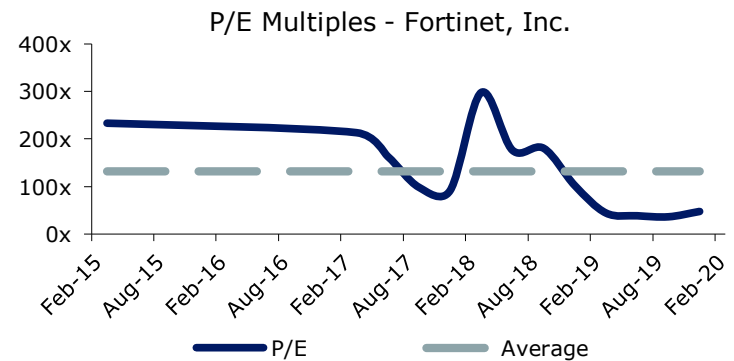
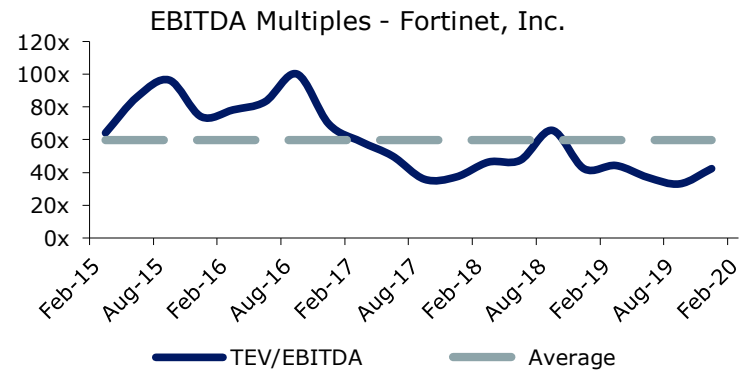
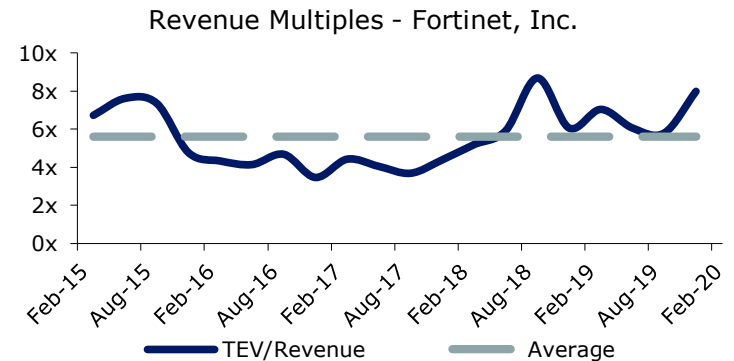
# Public Basket



## 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
12/11/19	Fortinet, Inc. (NasdaqGS:FTNT) acquired CyberSponse, Inc. for \$28 million.
10/27/19	Fortinet, Inc. (NasdaqGS:FTNT) acquired enSilo Inc.
4/4/19	Alcide.io Ltd. Integrates with Fortinet, Inc. to Provide Hybrid Cloud Network Security Solution



# 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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