

7 Mile Advisors



Sectorwatch: IT Security

October 2020



IT Security

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Overview

7MA provides Investment Banking & Advisory Services to the Business Services and Technology Industries globally.

We advise on M&A and private capital transactions and provide market assessments and benchmarking. As a close-knit team with a long history together and a laser focus on our target markets, we help our clients sell their companies, raise capital, grow through acquisitions, and evaluate new markets.

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

DASHBOARD

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

PUBLIC BASKET PERFORMANCE

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

VALUATION COMPARISON

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

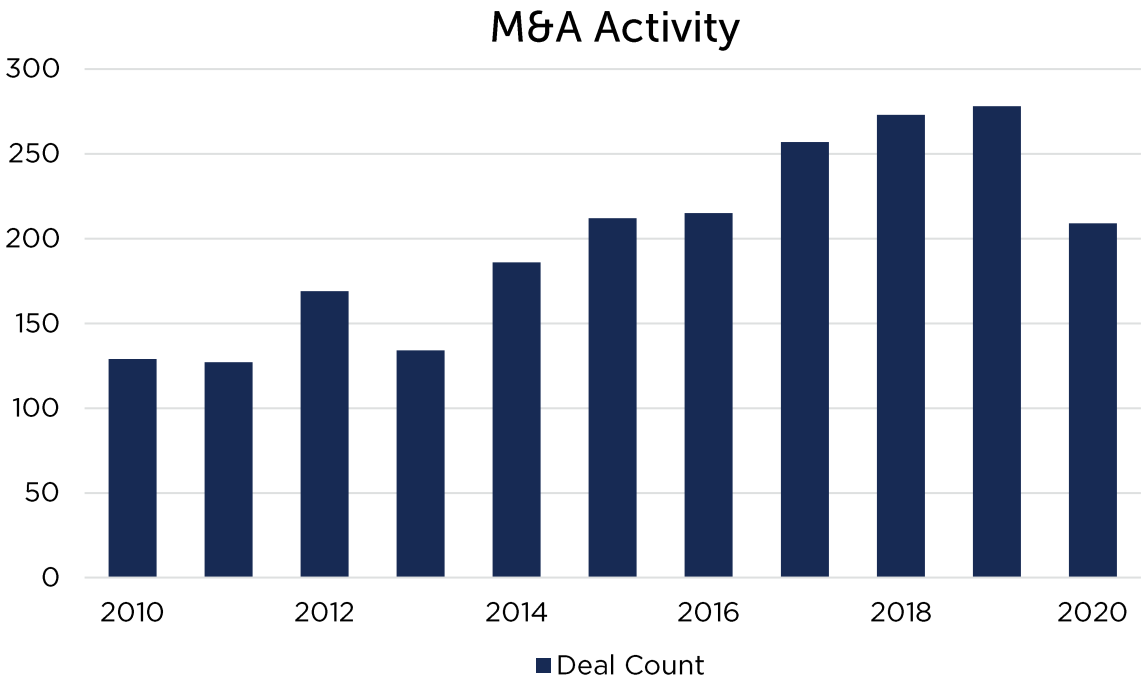
RECENT DEALS

- The most recently announced deals in the sector

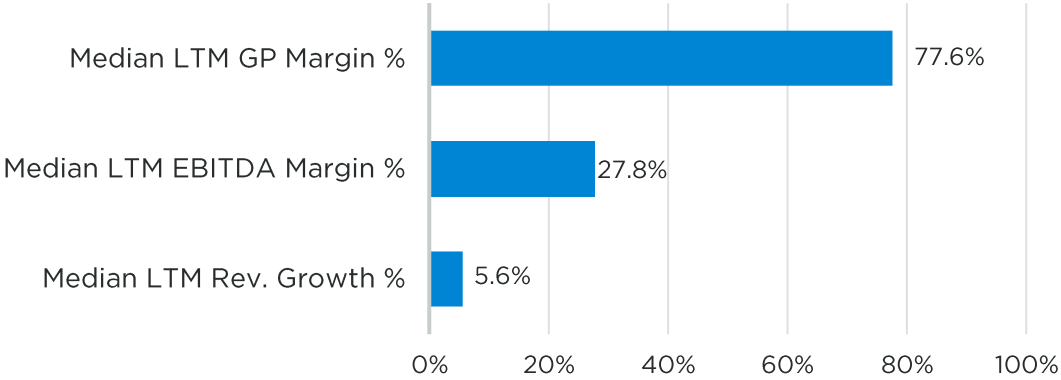
Dashboard

REVENUE GROWTH MOMENTUM ↓ -1.4%

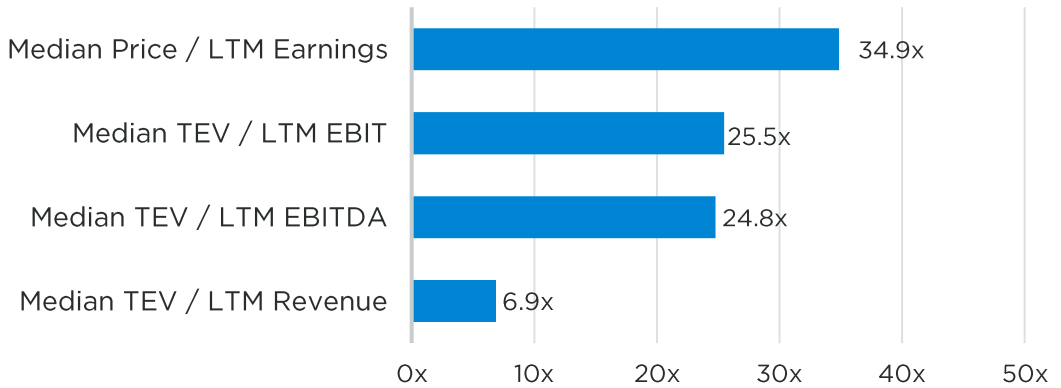
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



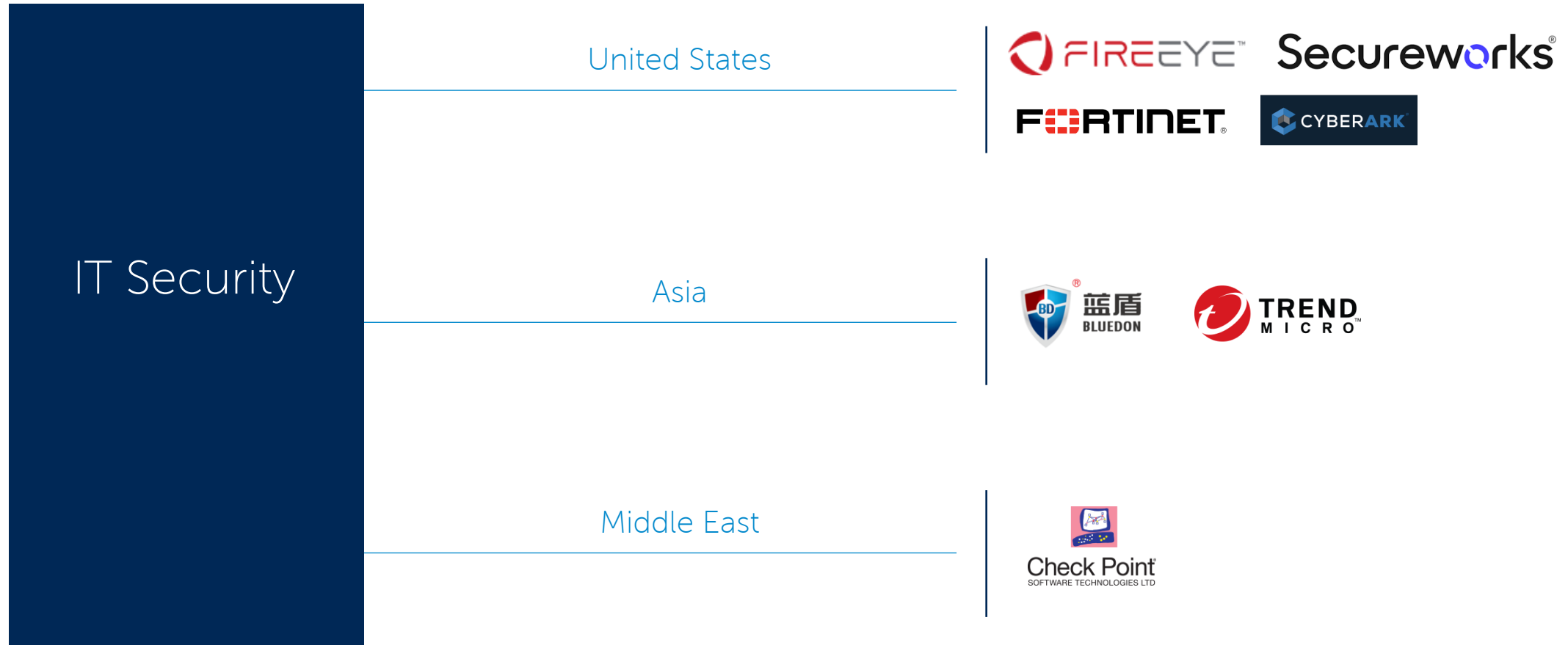
Operating Metrics



Valuation



Public Basket Overview



Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Fortinet	16,205	654	2,354	20.4%	77.6%	27.8%	6.9x	24.8x	7,756	304
Check Point Software Technologies	14,314	1,029	2,045	3.5%	89.2%	50.3%	7.0x	13.9x	5,258	389
Trend Micro	6,041	525	1,567	4.4%	80.7%	33.5%	3.9x	11.5x	6,854	229
CyberArk Software	3,414	125	451	15.7%	84.2%	27.8%	7.6x	27.2x	1,380	327
FireEye	3,209	132	928	6.5%	64.7%	14.3%	3.5x	24.2x	3,200	290
Bluedon Information Security Technolog	1,709	1	205	-39.9%	38.3%	0.6%	8.3x	1405.5x	1,316	156
SecureWorks	695	28	563	5.6%	55.7%	4.9%	1.2x	25.2x	2,685	210

Average

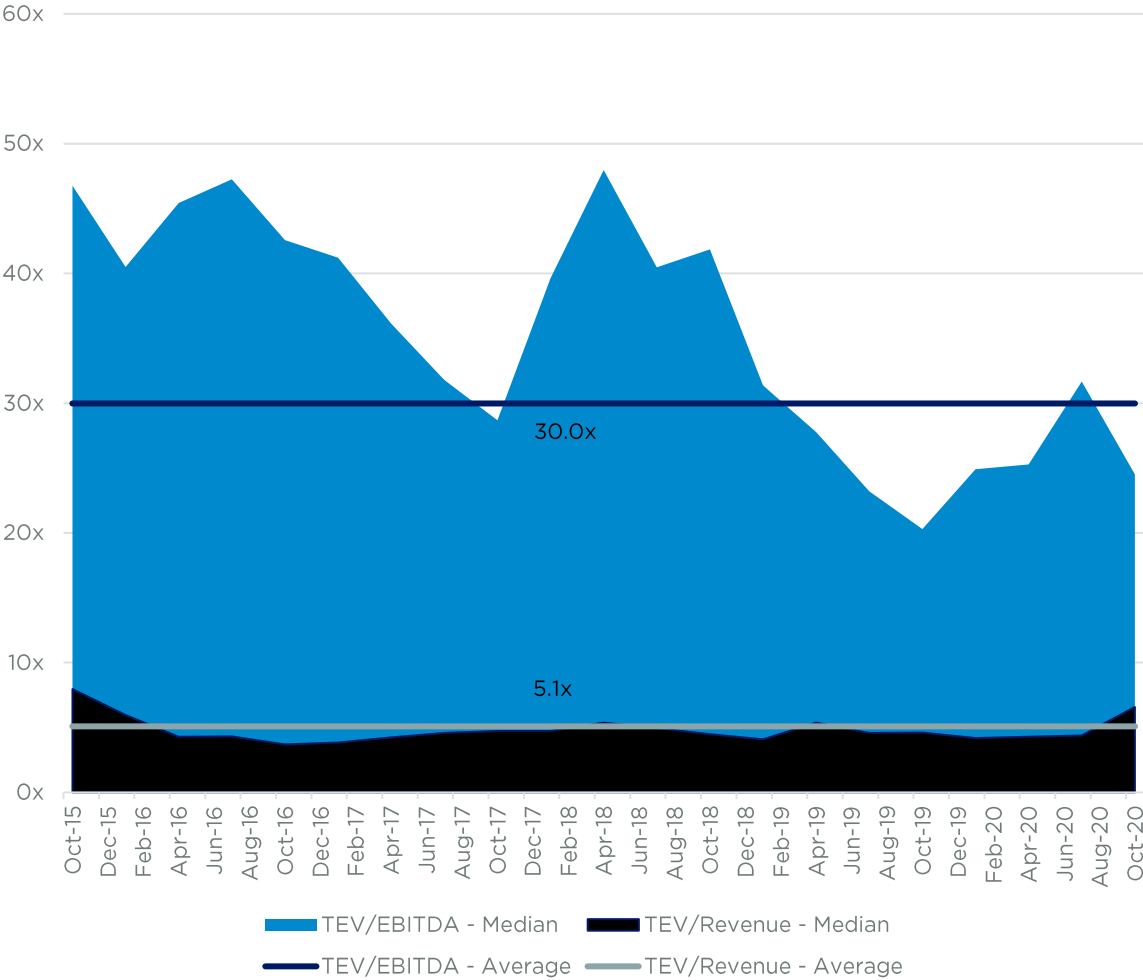
6,512	356	1,159	2.3%	70.1%	22.7%	5.5x	218.9x	4,064	272
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Median

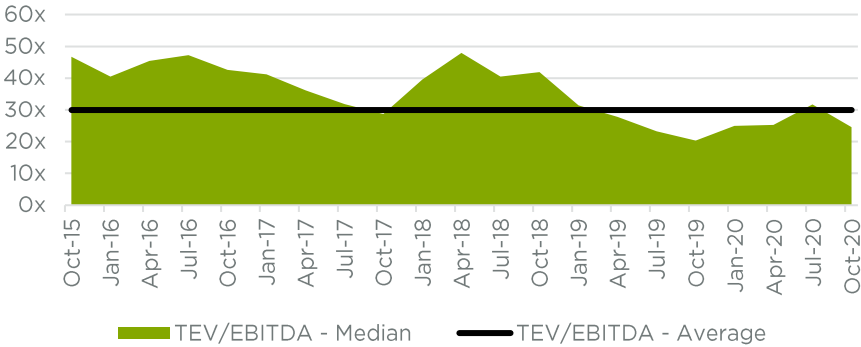
3,414	132	928	5.6%	77.6%	27.8%	6.9x	24.8x	3,200	290
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share price as of 30Oct20

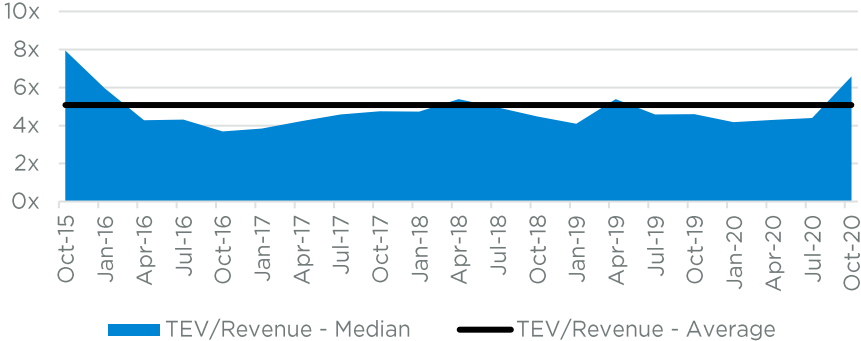
Public Basket



Public EBITDA Multiples over Time

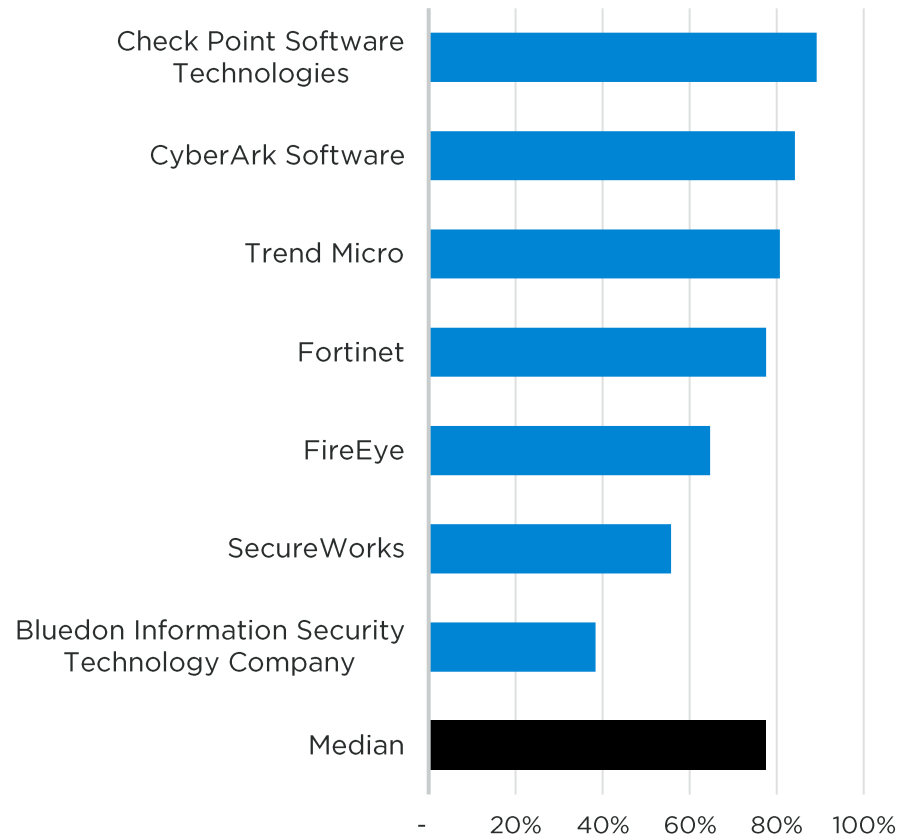


Public Revenue Multiples over Time

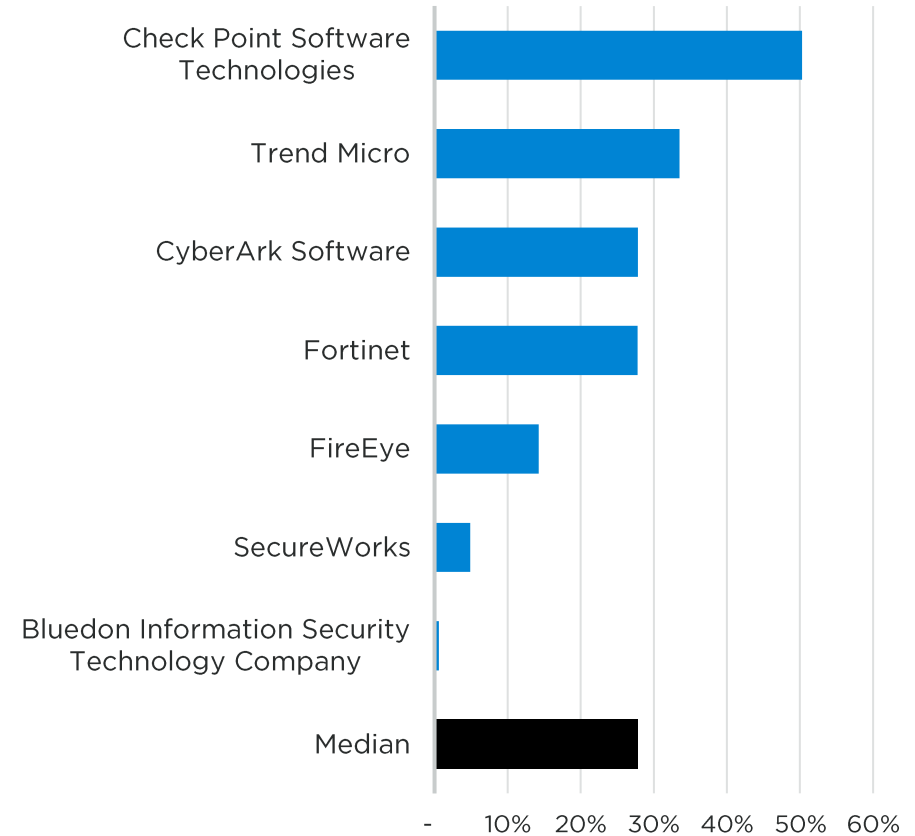


Operational Metrics

LTM Gross Profit Margin %

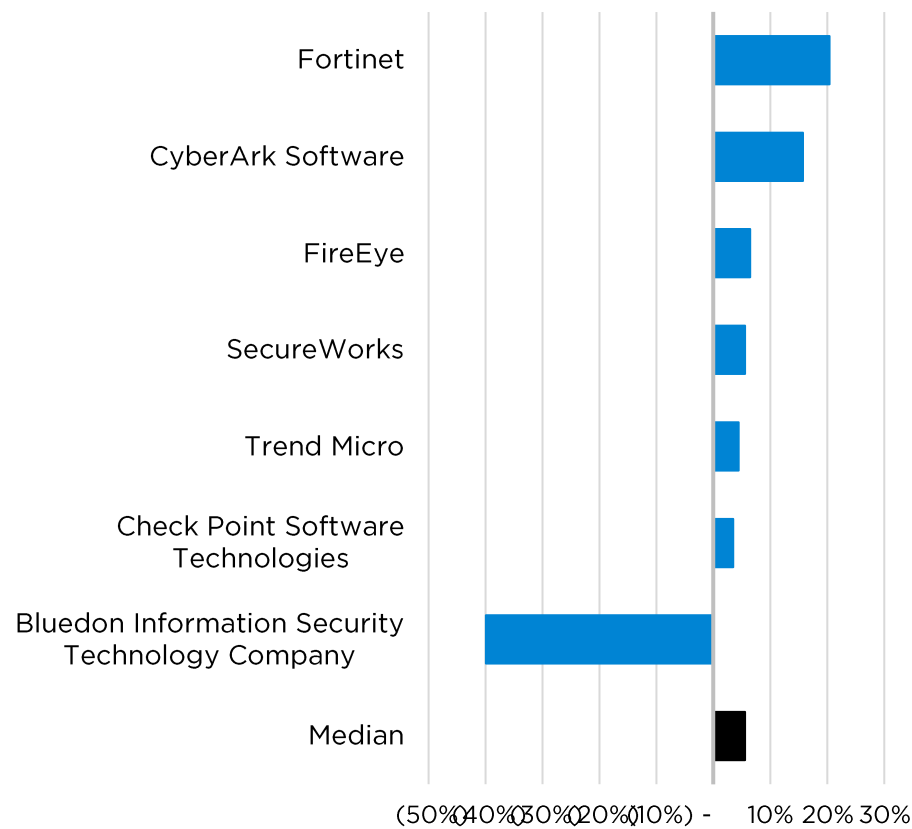


LTM EBITDA %

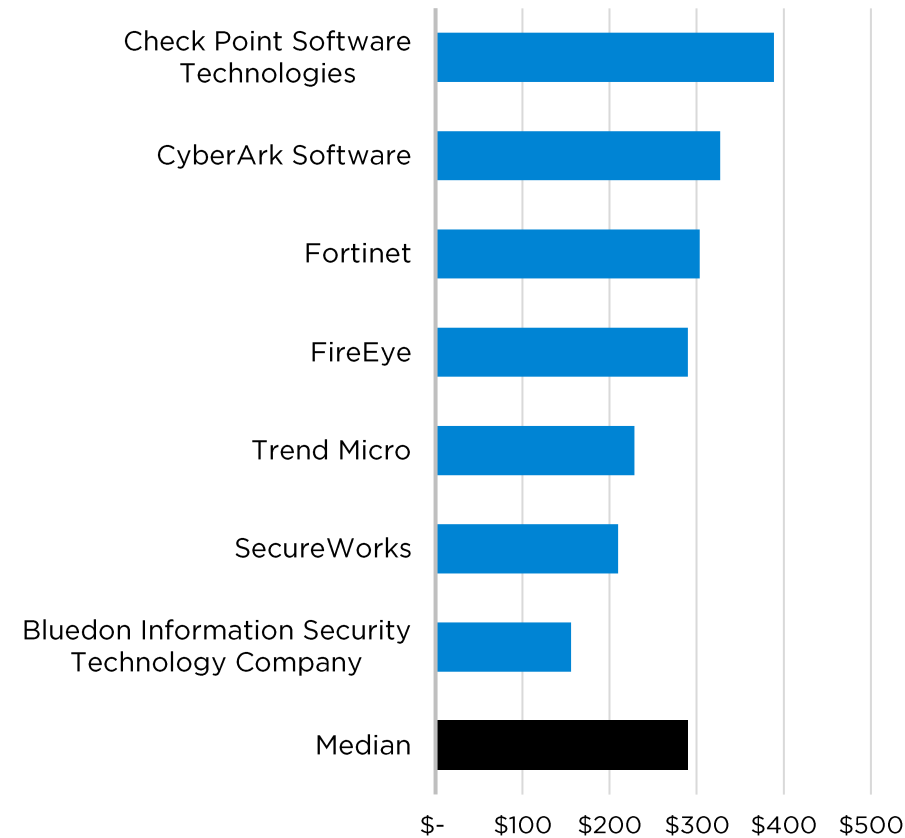


Operational Metrics

LTM Revenue Growth %

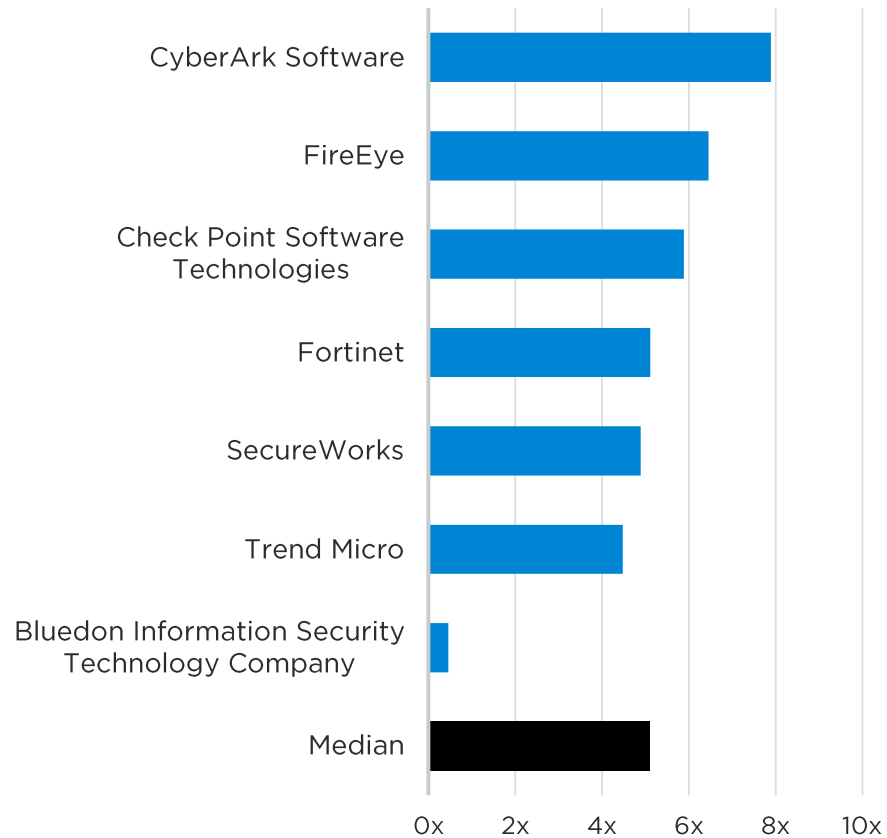


LTM Revenue per Full Time Employee x 000's

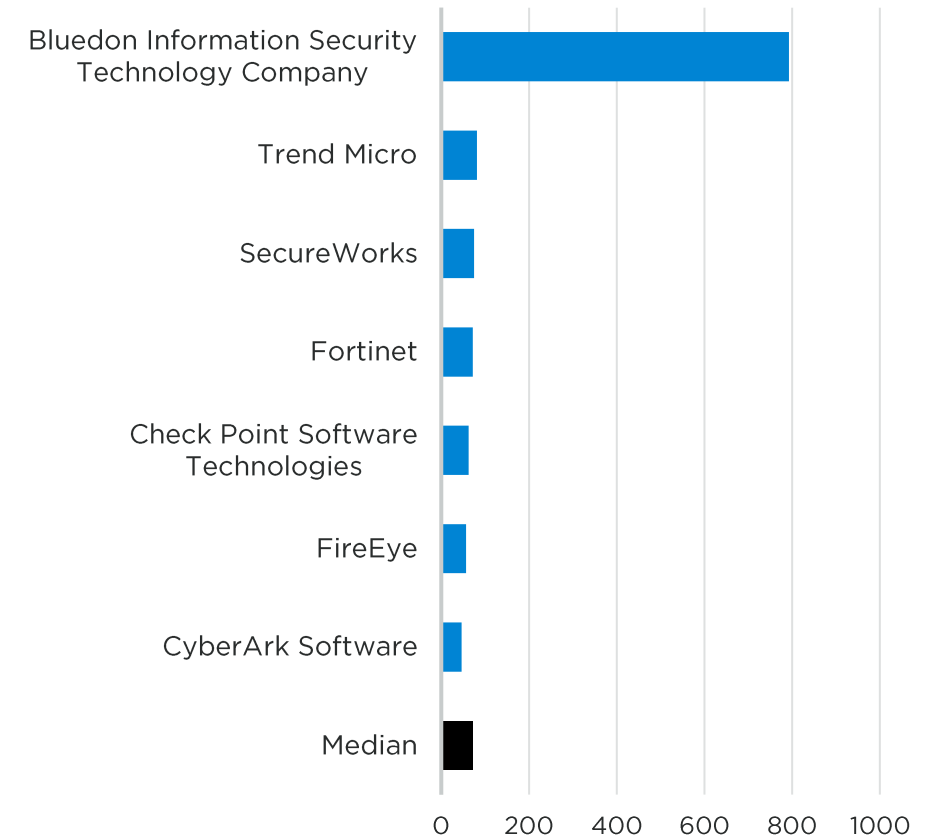


Operational Metrics

Accounts Receivable Turnover

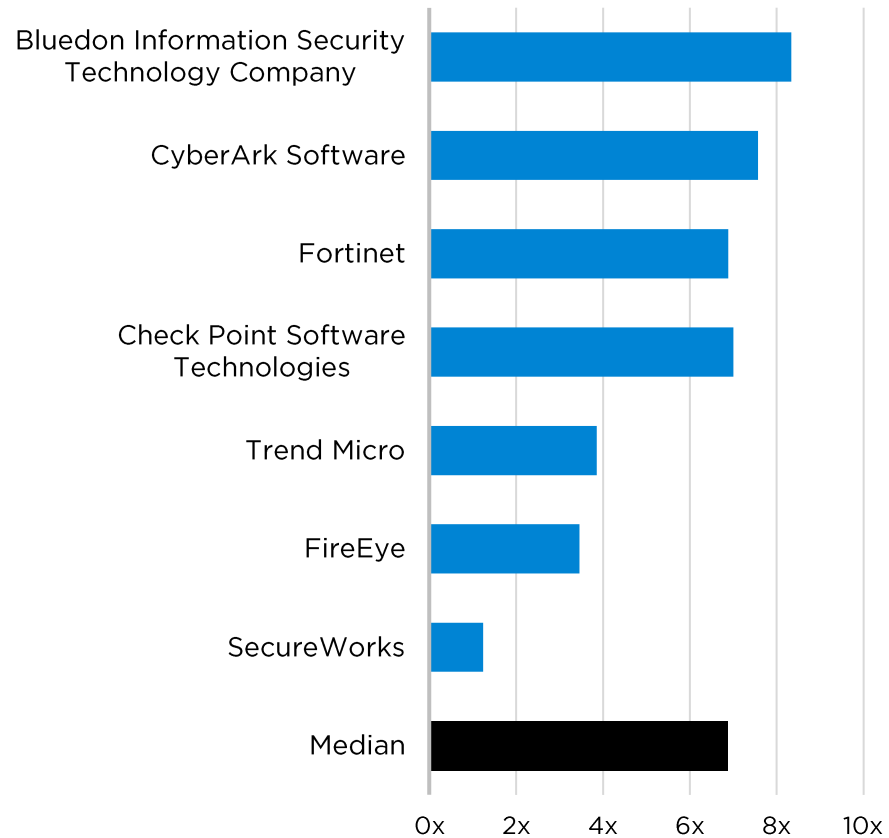


Average Days Sales Outstanding

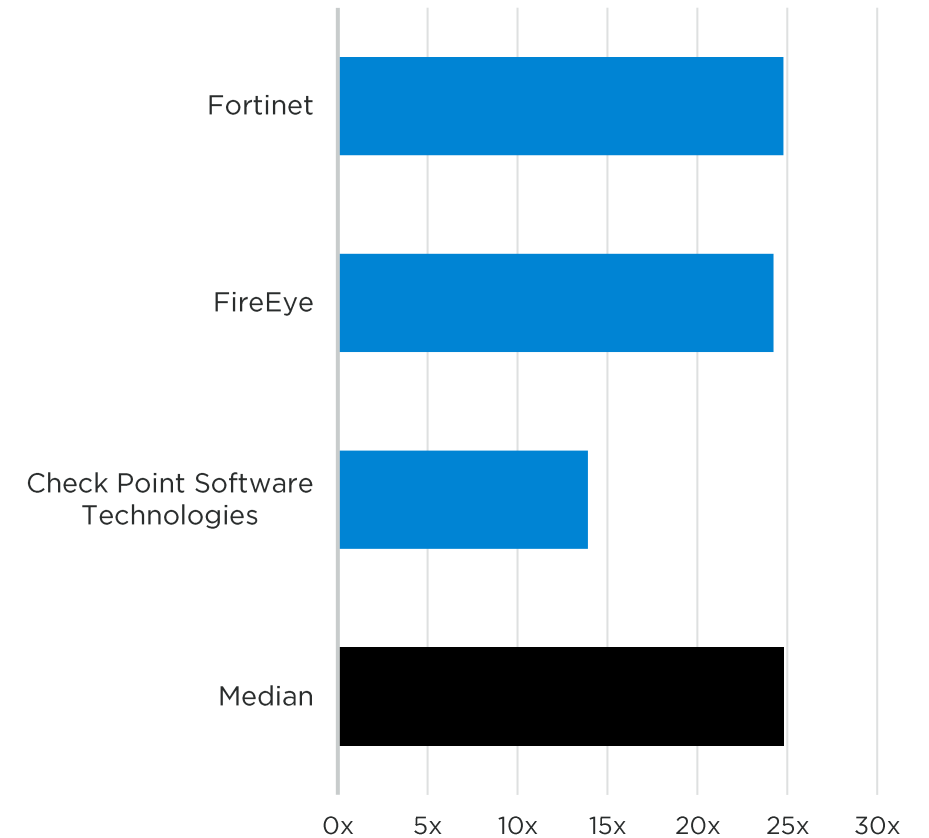


Valuation

TEV / LTM Revenue

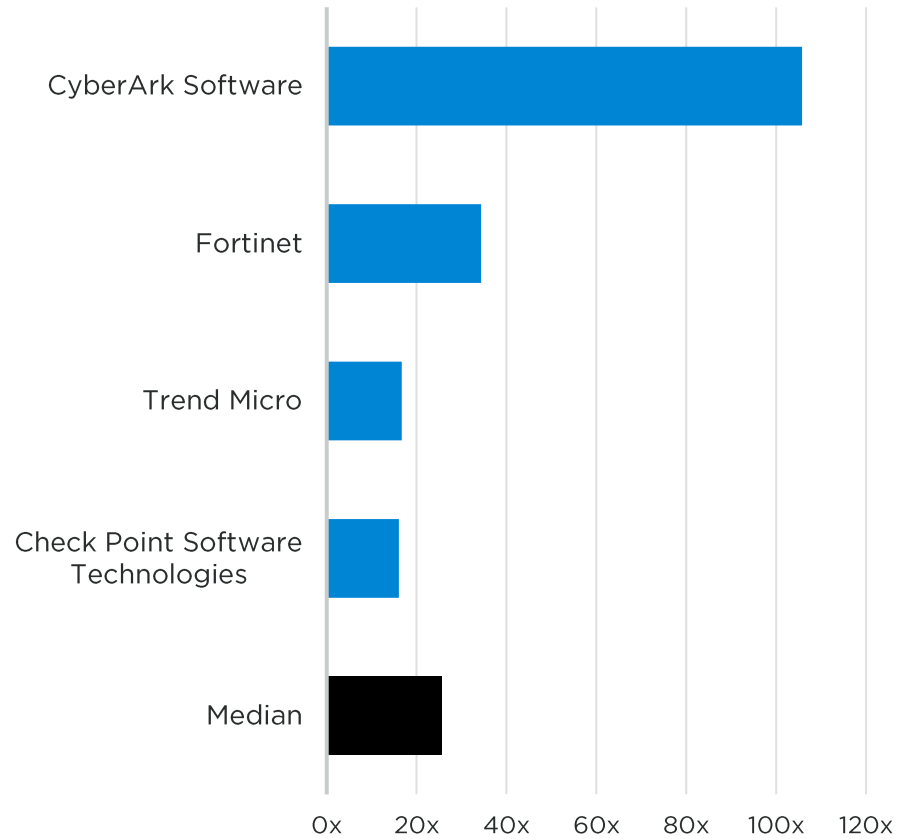


TEV / LTM EBITDA

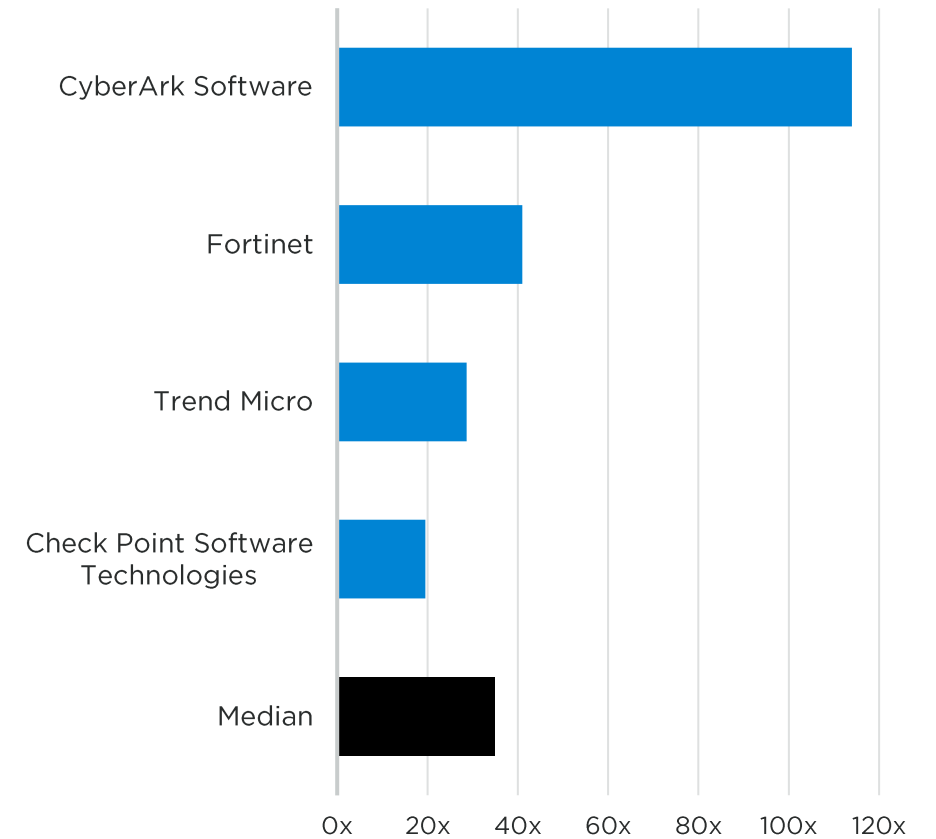


Valuation

TEV / LTM EBIT

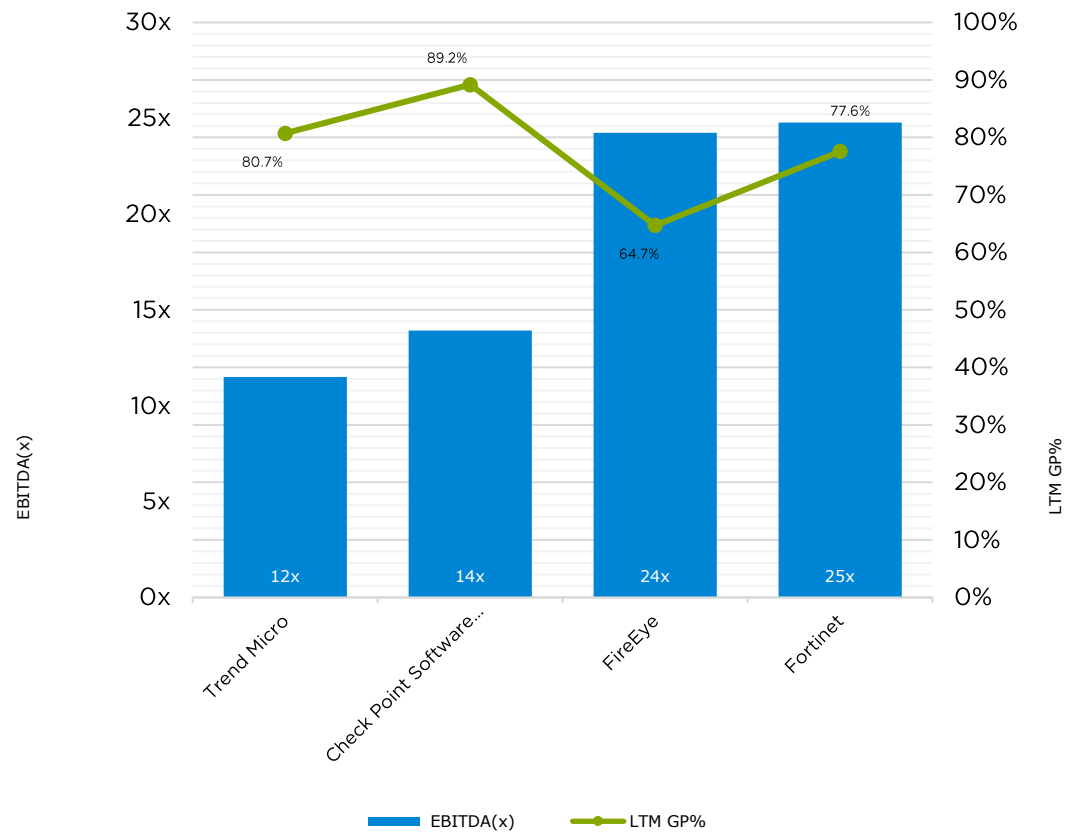


Price / LTM Earnings

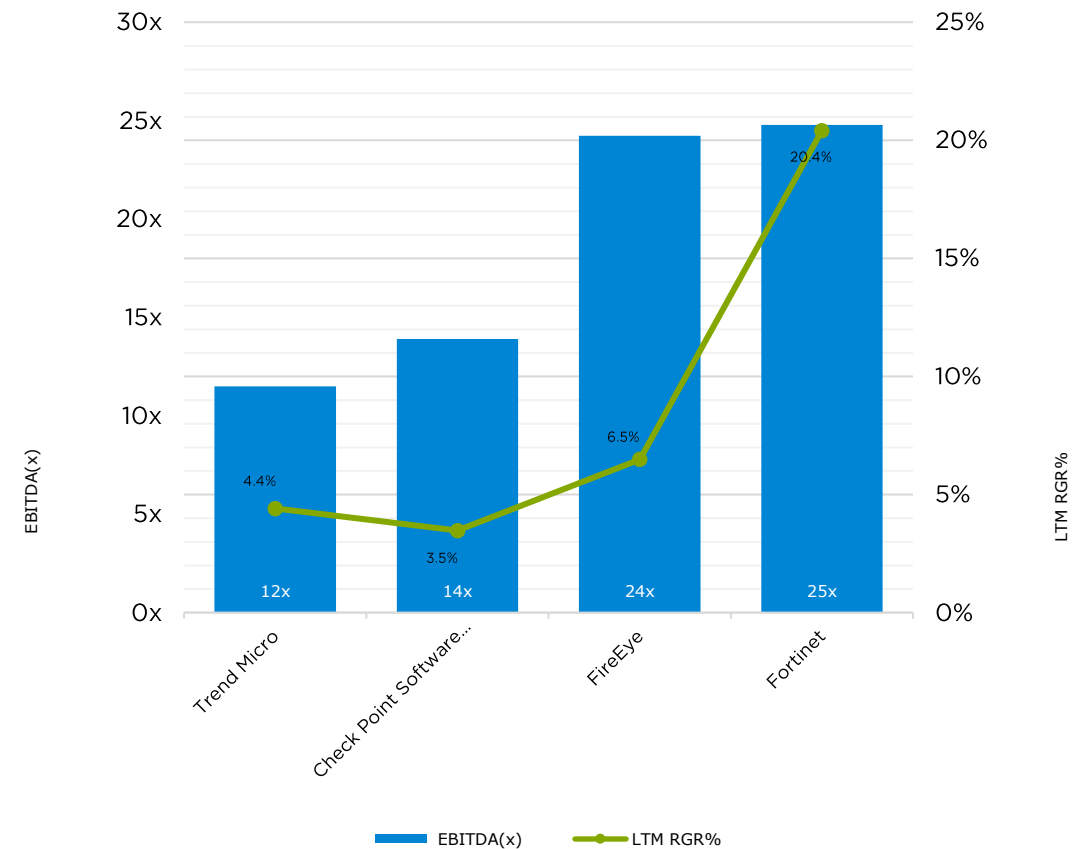


Valuation

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
29-Oct-20	Nucleus Cyber	archTIS	9.75	-	-	-
27-Oct-20	Pondurance	Newlight Partners	-	-	-	-
26-Oct-20	Forcepoint	Francisco Partners	-	-	-	-
26-Oct-20	PCI Strategic Management	AE Industrial Partners	-	-	-	-
22-Oct-20	SEC Consult	Atos	-	-	-	-
21-Oct-20	FICO (Cyber Risk Score Business)	Genstar Capital	-	-	-	-
20-Oct-20	eCom Solutions	PlanNet21	-	-	-	-
19-Oct-20	128 Technology	Juniper Networks	450.00	-	-	-
13-Oct-20	Digital Security	Atos	-	-	-	-
13-Oct-20	Managed Sentinel	BlueVoyant	-	-	-	-
13-Oct-20	Swascan	Tinexta	-	-	-	-
07-Oct-20	Cyveillance	ZeroFox	-	-	-	-
07-Oct-20	MTI Technology	Ricoh Company	38.62	-	-	-
05-Oct-20	Tier One Technology Partners	Domain Computer Services	-	-	-	-
02-Oct-20	Stronghold Cyber Security	Appalachia Technologies	-	-	-	-
01-Oct-20	7Layers	FASTWEB	-	-	-	-
01-Oct-20	JSonar	Imperva	-	-	-	-
01-Oct-20	Netwrix	TA Associates Management	-	-	-	-
23-Sep-20	Preempt Security	CrowdStrike	96.00	-	-	-
27-Aug-20	Signal Sciences	Fastly	775.00	-	-	-
28-Sep-20	Awake Security	Arista Networks	-	-	-	-
28-Sep-20	Pulse Secure	Clearlake Capital Group	-	-	-	-
23-Sep-20	Clear Skies Security	Cerberus Cyber Sentinel	-	-	-	-
22-Sep-20	Delve	SecureWorks	-	-	-	-
17-Sep-20	Crypsis	Palo Alto Networks	265.00	-	-	-
17-Sep-20	Plurilock	#ENTITYNOTFOUND	-	-	-	-
16-Sep-20	1440 Security	Avertium	-	-	-	-
12-Sep-20	Nehemiah Security	Providence Equity Partners	-	-	-	-

Appendix

*Public Basket
Contact Information*

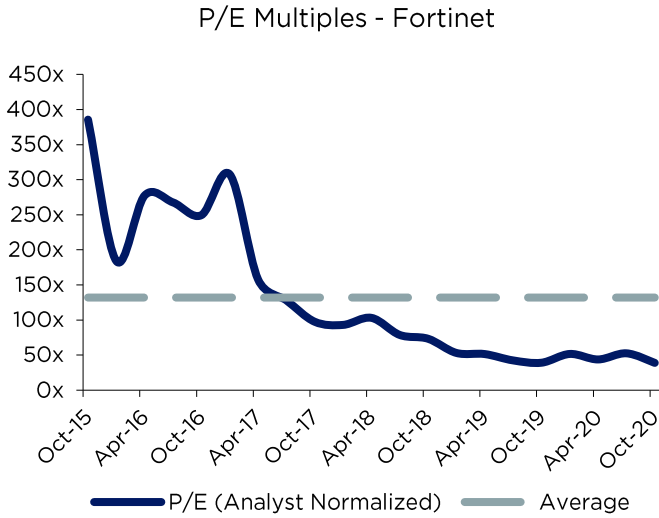
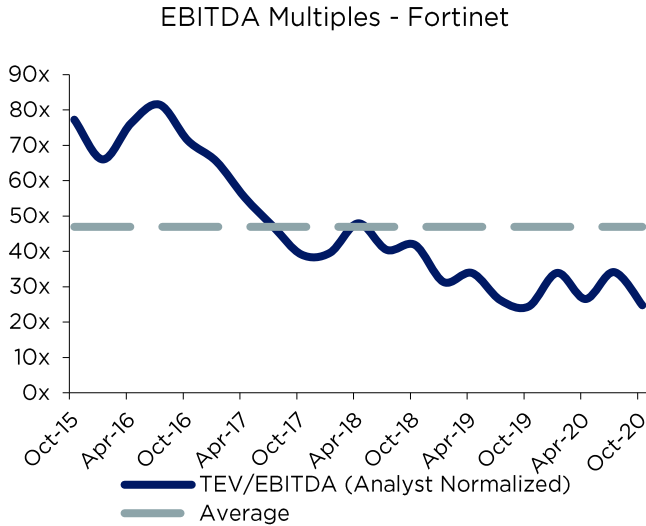
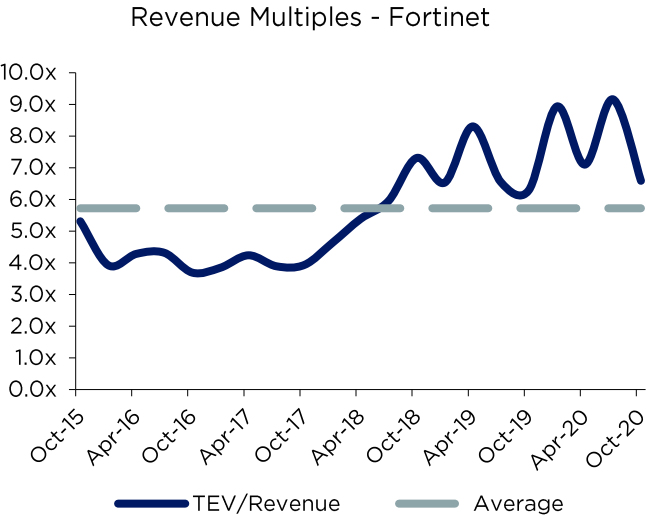
Fortinet

Fortinet is a cybersecurity vendor that sells products, support, and services to small and midsize businesses, enterprises, and government entities.

Its products include unified threat management appliances, firewalls, network security, and its security platform, Security Fabric. Services revenue is primarily from FortiGuard security subscriptions and FortiCare technical support. At the end of 2019, products were 37% of revenue and services were 63% of sales. The California-based company sells products worldwide, with the Americas representing 43% of sales in 2019.

Public Basket

Fortinet



Company Name	Date	Deal Synopsis
CyberSponse	12-Dec-19	The company was acquired by Fortinet (NAS: FTNT) for \$26.1 million on December 12, 2019.
EnSilo	28-Oct-19	The company was acquired by Fortinet (NAS: FTNT) for \$15.8 million on October 28, 2019. The acquisition will further enhance the Fortinet Security Fabric platform and strengthen endpoint and network security solutions by providing customers with advanced endpoint security.

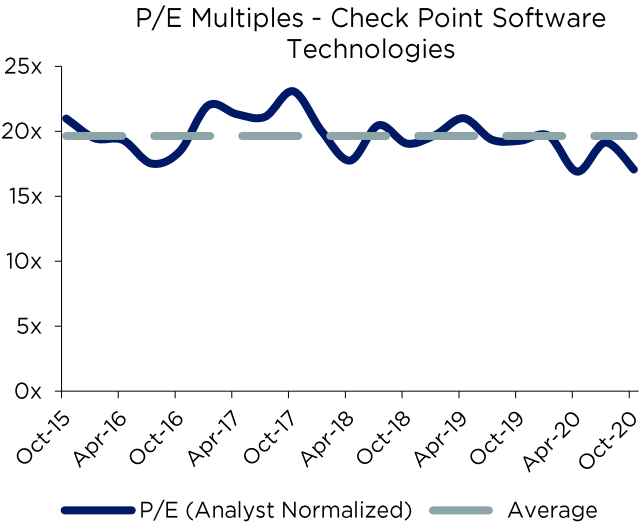
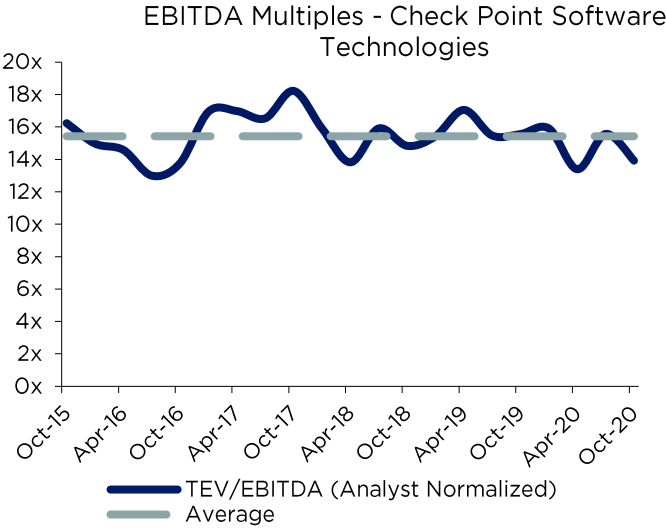
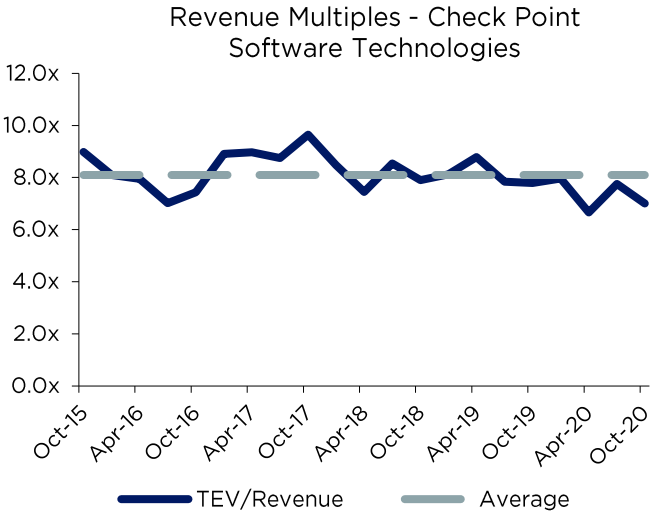
Check Point Software Technologies

Check Point Software Technologies is a pure-play cybersecurity vendor.

The company offers solutions for network, endpoint, cloud, and mobile security in addition to security management. Check Point, a software specialist, sells to enterprises, businesses, and consumers. At the end of 2017, 47% of its revenue was from the Americas, 36% from Europe, and 17% from Asia-Pacific, Middle East, and Africa. The firm, based in Tel Aviv, Israel, was founded in 1993 and has about 5,000 employees.

Public Basket

Check Point Software Technologies



Company Name	Date	Deal Synopsis
Protego Labs	02-Dec-19	The company was acquired by Check Point Software Technologies (NAS: CHKP) for \$40 million on December 2, 2019.
Cymplify	14-Nov-19	The company was acquired by Check Point Software Technologies (NAS: CHKP) for an undisclosed amount on November 14, 2019. As a result of this acquisition, Check Point Software Technologies will defend IoT devices against highly-sophisticated attacks by hardening and protecting the devices' firmware.

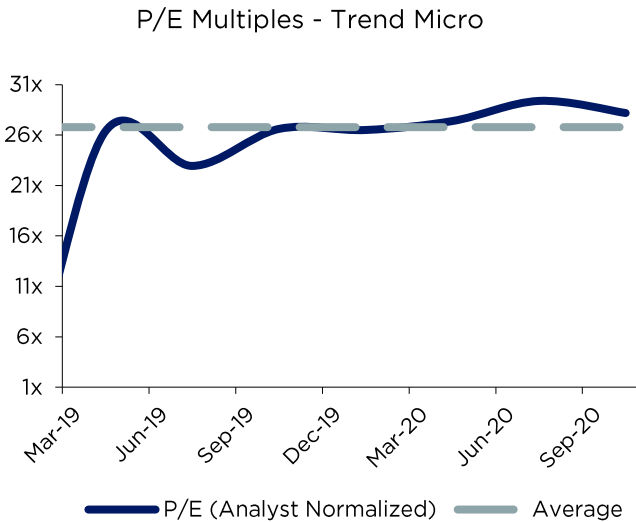
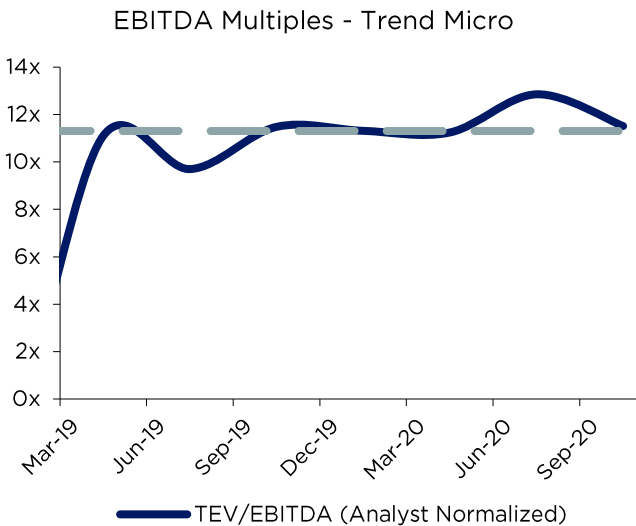
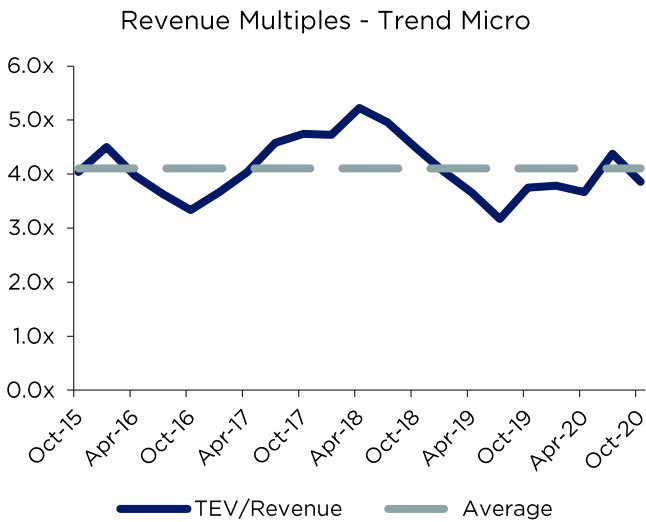
Trend Micro

Trend Micro provides antivirus and other security products that protect the flow of information on PCs, file servers, e-mail servers, and the Internet gateway.

Sales have averaged 75% annual growth over the past decade. Customers include British Airways, Merrill Lynch, Microsoft, Pacific Bell, and governmental agencies in the United States and Japan.

Public Basket

Trend Micro

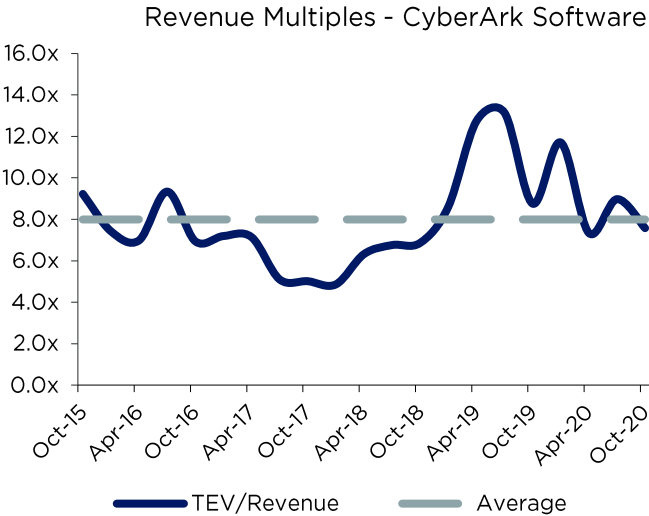


Company Name	Date	Deal Synopsis
Cloud Conformity	21-Oct-19	The company was acquired by Trend Micro (TKS: 4704) for \$70 million on October 21, 2019.
Immunio	27-Nov-17	The company was acquired by Trend Micro (TKS: 4704; TSE: 4704) for an undisclosed amount on November 27, 2017. The acquisition will enable Trend Micro customers to increase protection against software vulnerabilities within the applications and expand Hybrid Cloud Security for DevOps Lifecycle.

CyberArk Software

CyberArk Software Ltd provides Information technology security solutions to protect data, infrastructure, and assets across the enterprise.

The company software solutions focused on protecting privileged accounts, credentials, and secrets. Its products and services include Enterprise Password Vault, Privileged Session Manager, Privileged Threat Analytics, CyberArk Privilege Cloud. The company provides a solution on Audit and Compliance, Security and Risk Management, Industry Solutions. Geographically, it generates maximum revenue from the United States and also has a presence in the United Kingdom; Europe, the Middle East and Africa and Other countries.

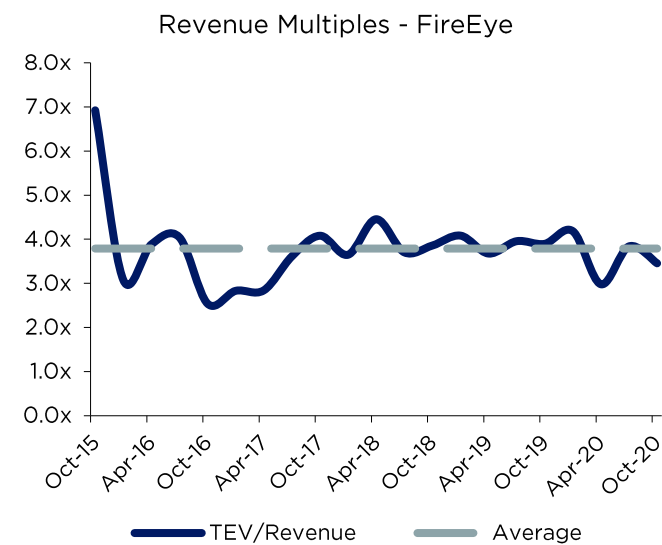


Company Name	Date	Deal Synopsis
Idaptive	13-May-20	The company was acquired by CyberArk Software (NAS: CYBR) for \$70 million on May 13, 2020.
Vaultive	12-Mar-18	The company was acquired by CyberArk (NASDAQ: CYBR) for \$19 million on March 12, 2018. The acquisition will enable CyberArk to add additional depth and proactive protection for enterprises facing an expanding attack surface in the cloud.

FireEye

FireEye is a pure-play cybersecurity firm that offers solutions for networks, endpoints, and email.

FireEye's products for on-premises and cloud-based security are supplemented by its services division, with its Mandiant consulting group as a main player in the market for breach responses and security assessments. The company's security experts can be used on-demand by customers and help FireEye innovative its product offerings. The California-based company sells products worldwide, was founded in 2004, and went public in 2013.



Company Name	Date	Deal Synopsis
Cloudvisory	17-Jan-20	The company was acquired by FireEye (NAS: FEYE) for an undisclosed amount on January 17, 2020. The acquisition will expand cloud security capabilities of company which will allow customers to monitor multi-cloud environments, manage hybrid-cloud firewalls and integrate security for container platforms.
Verodin	28-May-19	The company was acquired by FireEye (NAS: FEYE) for an estimated \$264.9 million through a combination of stock and cash on May 28, 2019.

Public Basket Bluedon Information Security Technology Company

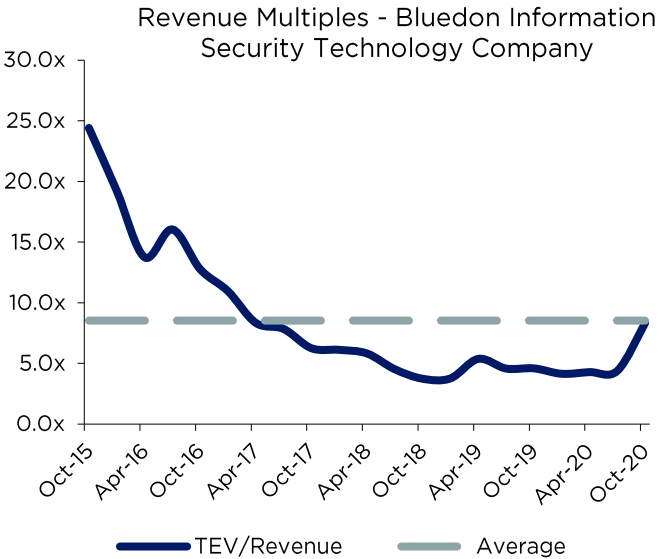
Bluedon Information Security Technology Company

Bluedon Information Security Technologies Co Ltd provides information security solutions in China.

The company covers security solutions, security services, and security operations by providing one-stop information security solutions for customers in all major industries. The company offers a broad range of products grouped into major product categories namely border security, security management, audit security, application security, confidential inspection products, education industry products, mobile security and emergency industry products.

Public Basket

Bluedon Information Security Technology Company

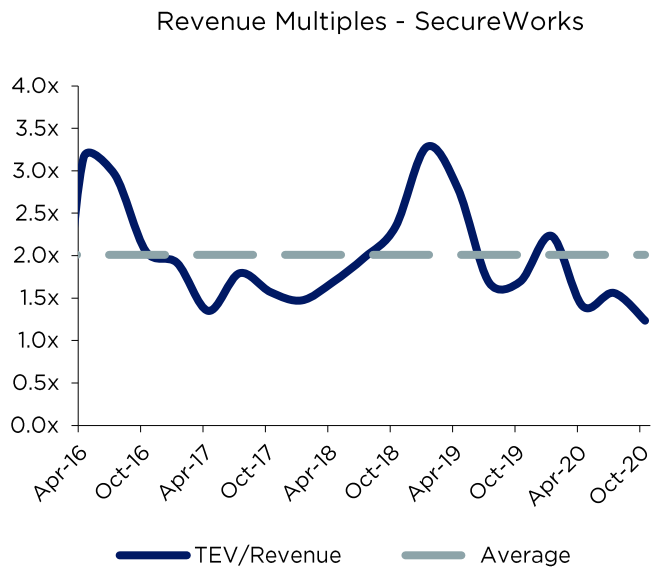


Company Name	Date	Deal Synopsis
Guangzhou Hopewell Technology	15-Sep-15	The company was acquired by Bluedon Information (SHE: 300297) for CNY 390 million on September 15, 2015.

SecureWorks

SecureWorks Corp is a provider of intelligence-driven information security solutions exclusively focused on protecting its clients from cyber-attacks.

Its solutions enable organizations to fortify their cyber defenses to prevent security breaches. 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.



Company Name	Date	Deal Synopsis
DNS Limited	09-Dec-09	The company was acquired by SecureWorks via its financial sponsors Mellon Ventures, GE Equity, SBK Capital, Alliance Technology Ventures, ITC Holdings, and Noro-Moseley Partners on December 9, 2009. The company became SecureWorks UK.

Contact Info

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