

7 Mile Advisors



# Sectorwatch: IT Security

January 2021



# IT Security

---

- 4 [Sector Dashboard](#)
- 5 [Public Basket Overview](#)
- 6 [Public Basket Performance](#)
- 8 [Operational Metrics](#)
- 11 [Vacation Comparison](#)
- 14 [Recent Deals](#)
- 15 [Appendix](#)

# 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

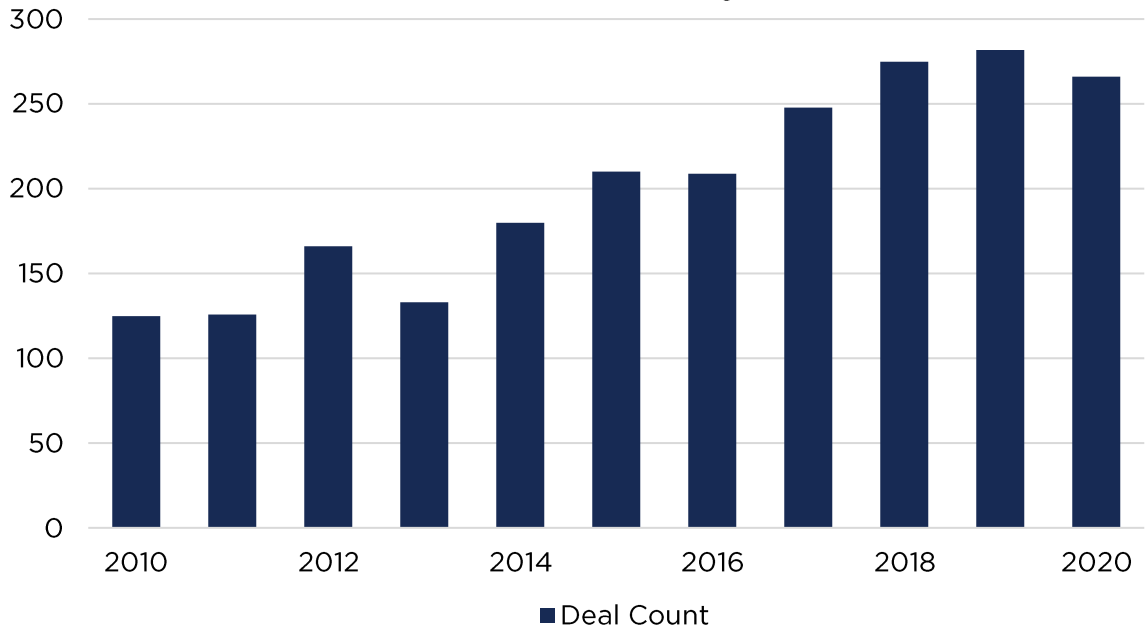
- The most recently announced deals in the sector

# Dashboard

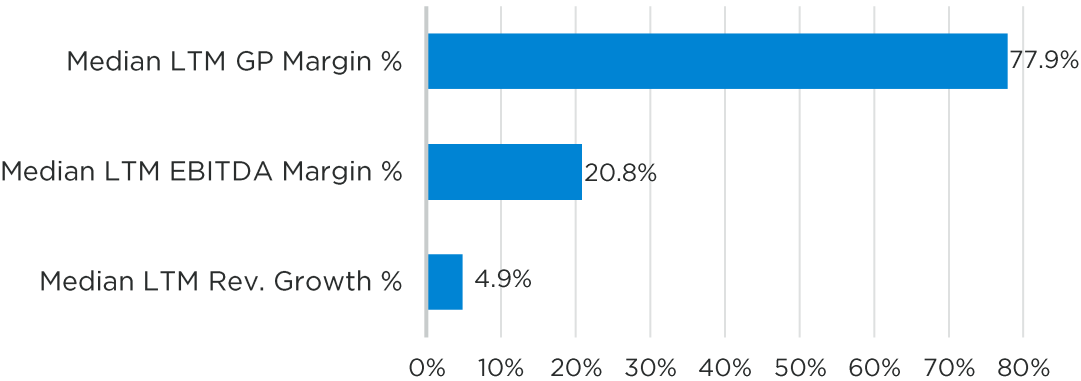
## REVENUE GROWTH MOMENTUM ↓ -1.4%

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

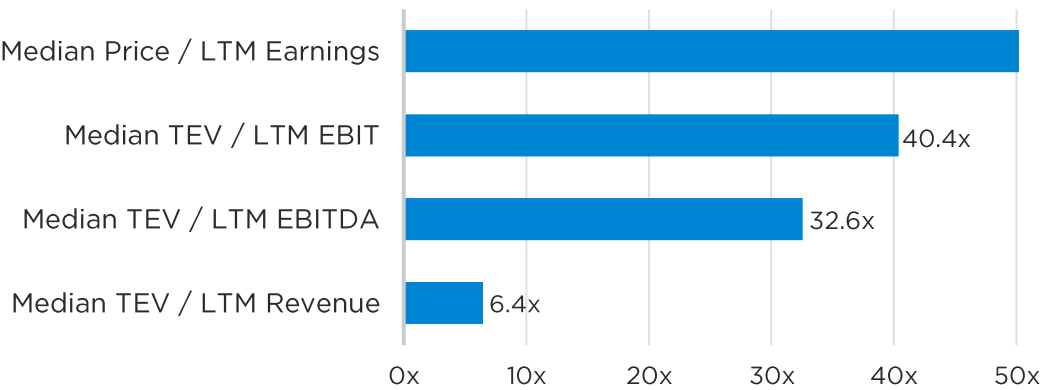
### M&A Activity



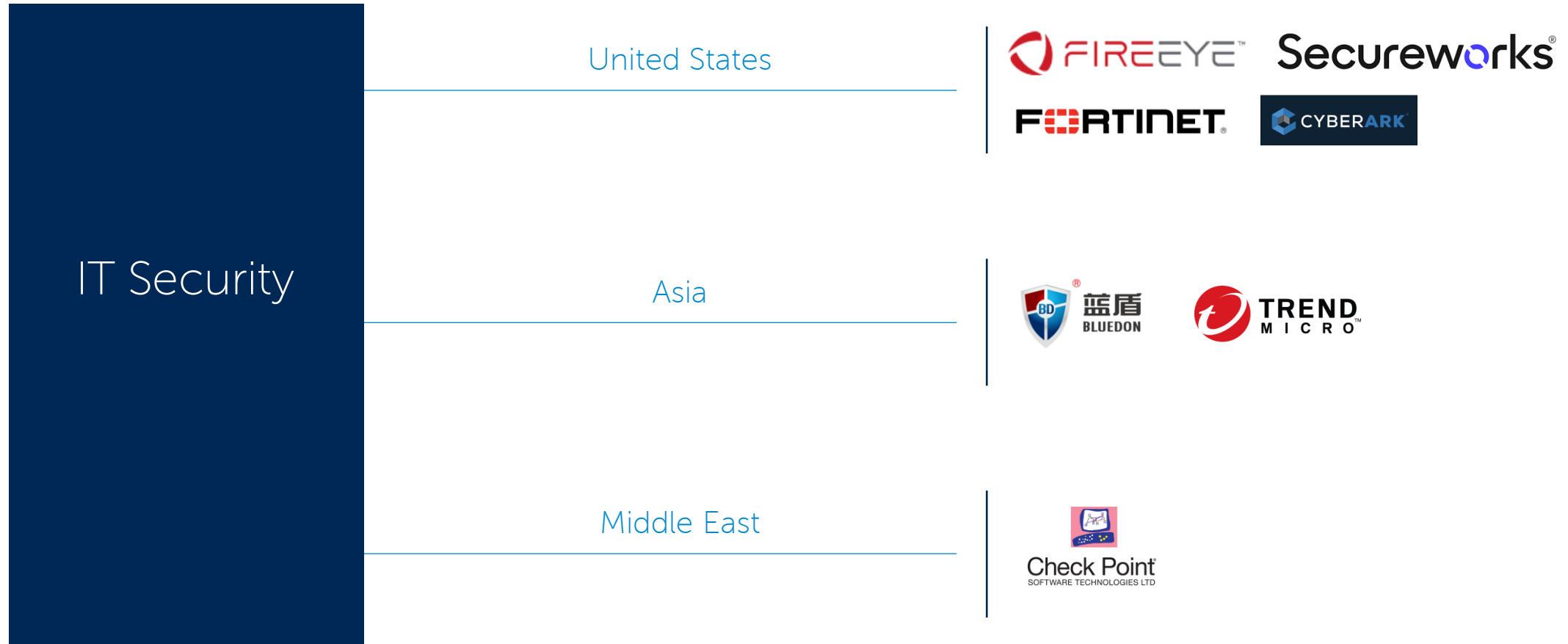
## Operating Metrics



## Valuation



# Public Basket Overview

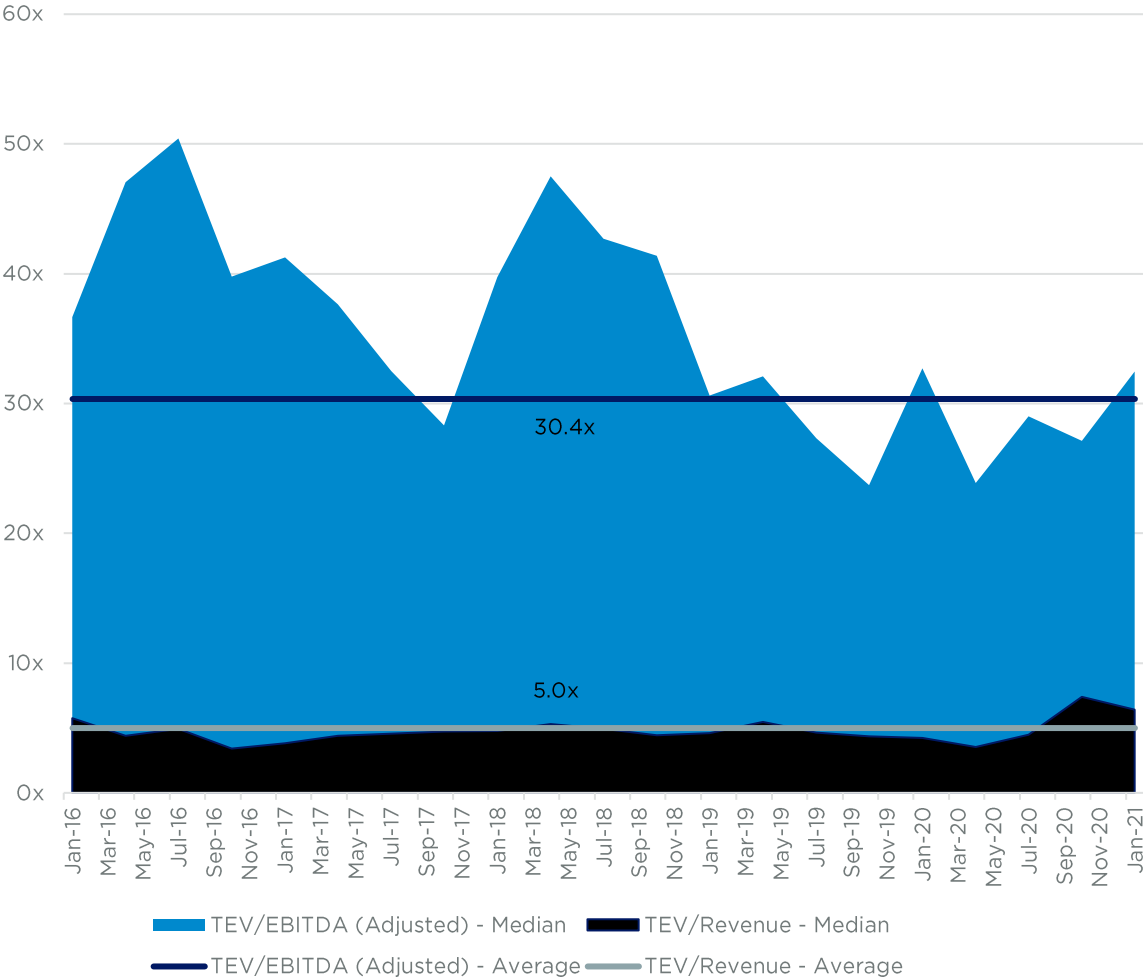


# Public Basket

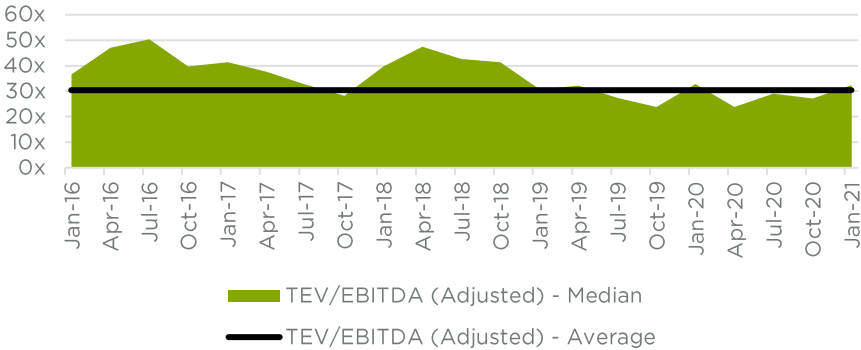
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Fortinet	22,015	674	2,458	19.8%	77.9%	27.4%	9.0x	32.6x	7,756	317
Check Point Software Technologies	17,072	1,029	2,045	3.5%	89.2%	50.3%	8.3x	16.6x	5,258	389
Trend Micro	5,718	535	1,588	4.9%	78.1%	33.7%	3.6x	10.7x	6,854	232
CyberArk Software	5,900	23	450	8.8%	82.9%	5.0%	13.1x	261.5x	1,380	326
FireEye	5,097	132	928	6.5%	64.7%	14.3%	5.5x	38.5x	3,200	290
Bluedon	1,337	-	208	-34.6%	38.9%	-	6.4x	-	1,316	158
SecureWorks	1,024	32	563	4.0%	56.1%	5.6%	1.8x	32.5x	2,685	210
<b>Average</b>	8,309	404	1,177	1.8%	69.7%	22.7%	6.8x	65.4x	4,064	274
<b>Median</b>	5,718	334	928	4.9%	77.9%	20.8%	6.4x	32.6x	3,200	290

share price as of 27Jan21

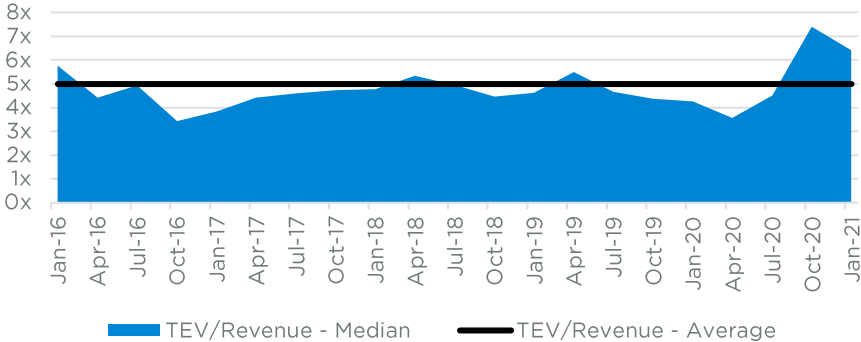
# Public Basket



Public EBITDA Multiples over Time

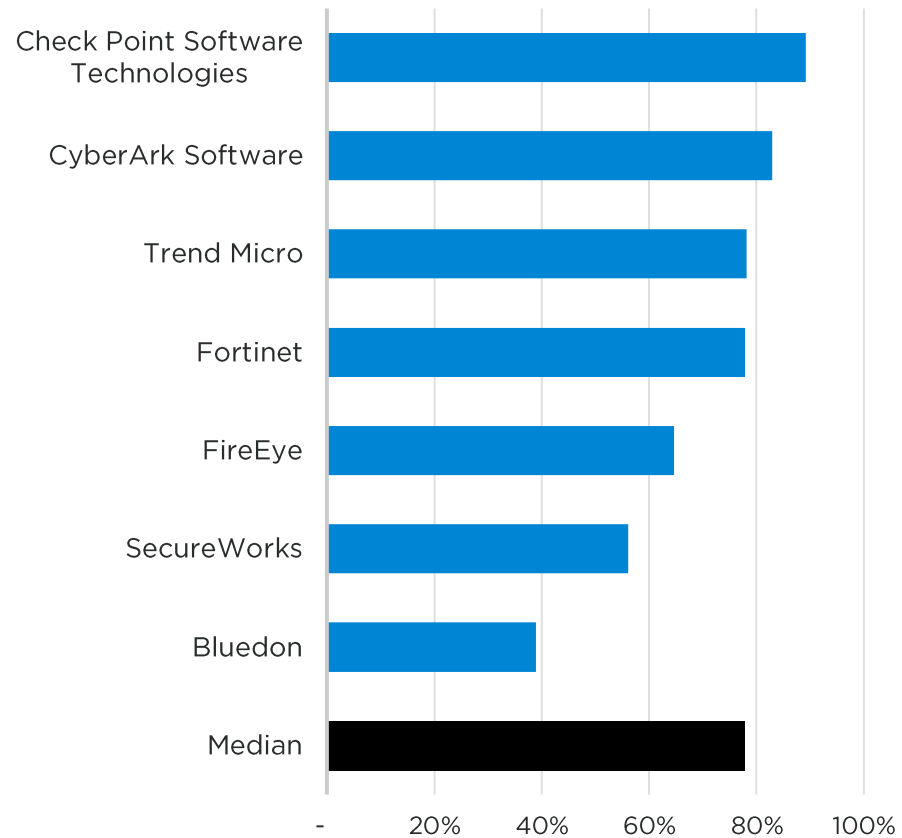


Public Revenue Multiples over Time

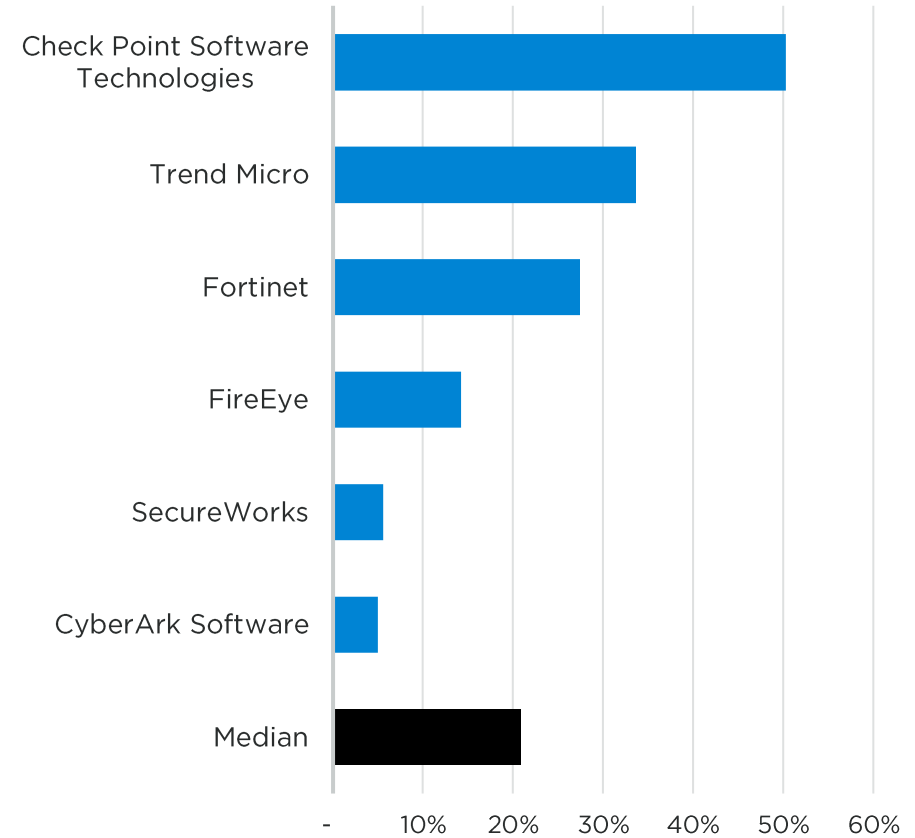


# Operational Metrics

LTM Gross Profit Margin %



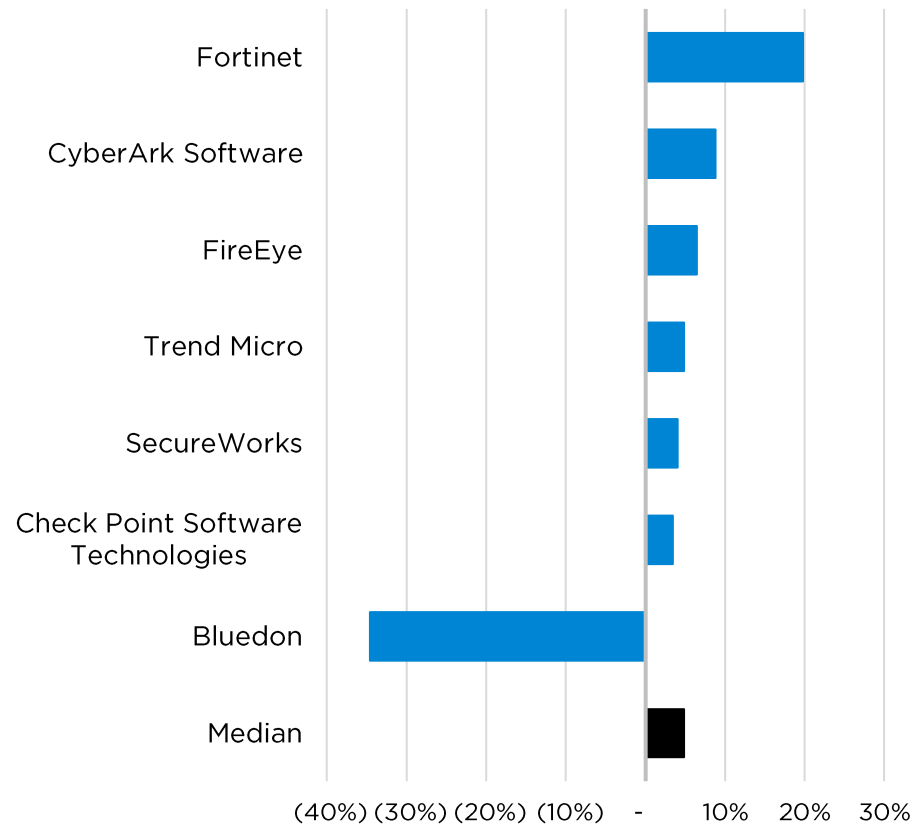
LTM EBITDA %



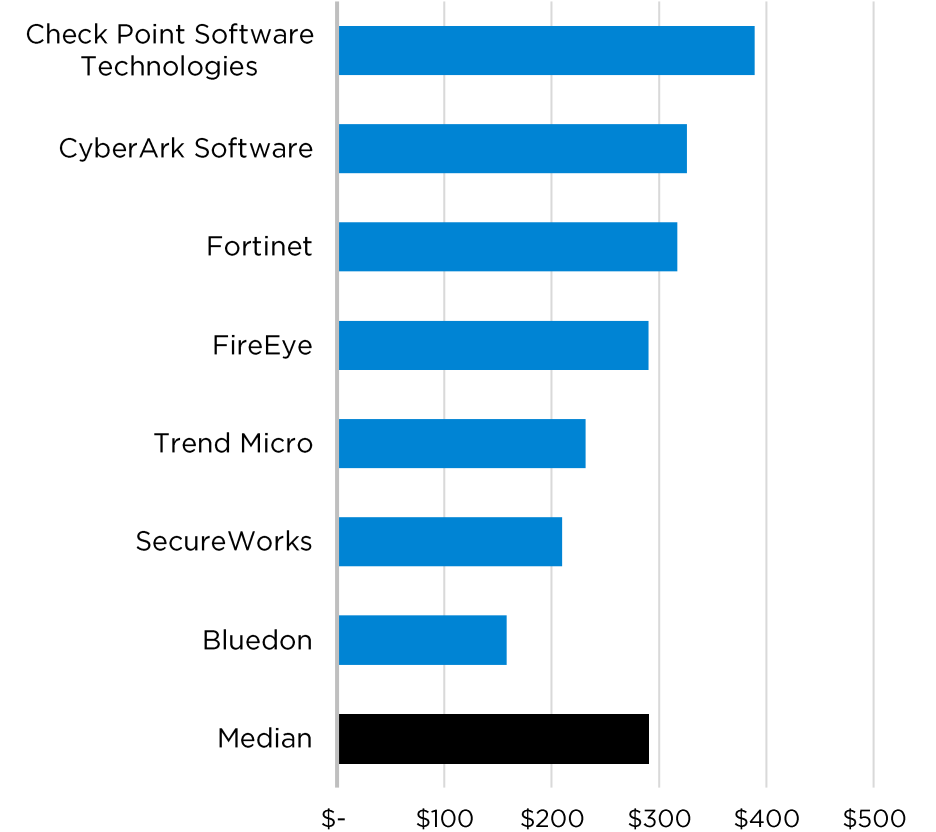


# Operational Metrics

LTM Revenue Growth %

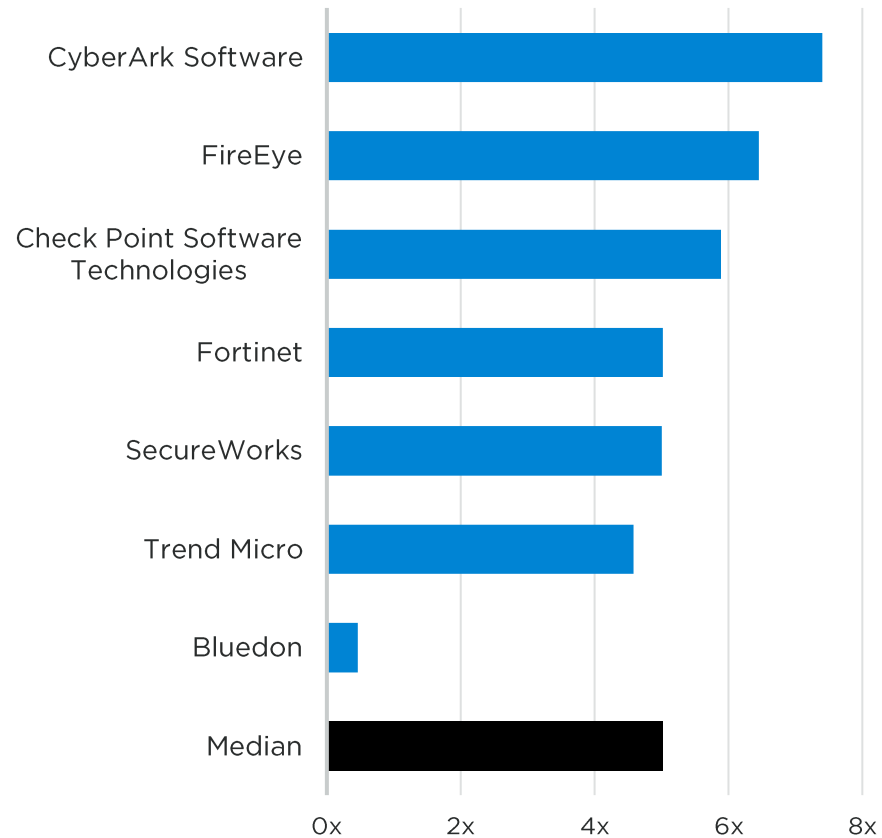


LTM Revenue per Full Time Employee x 000's

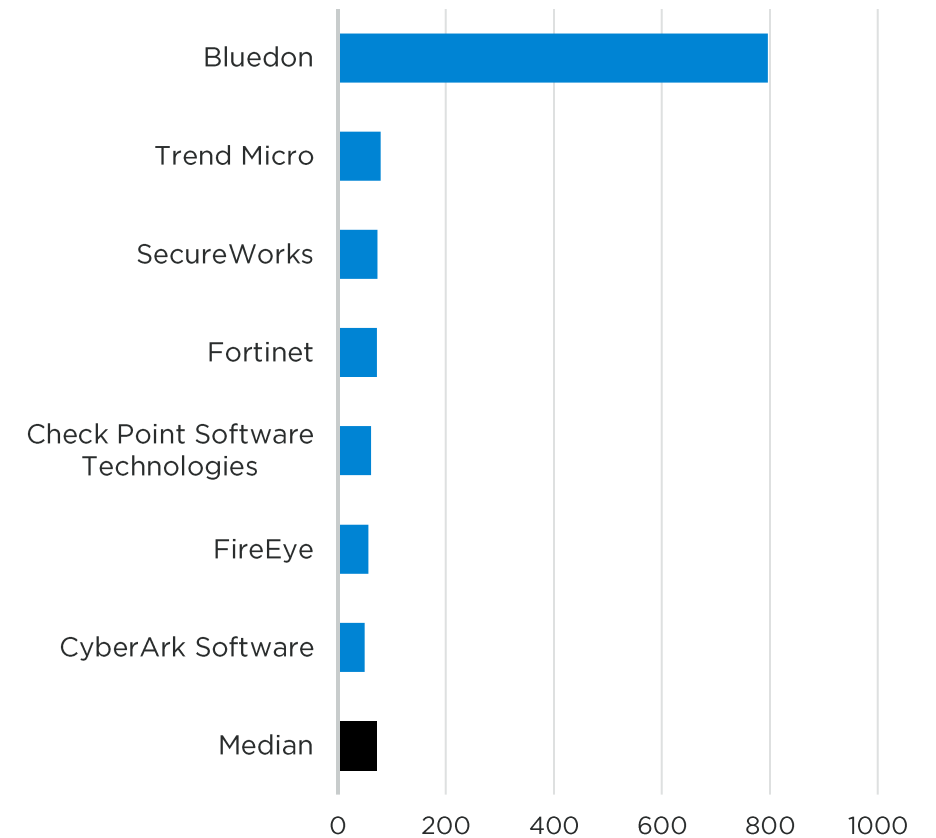


# Operational Metrics

## Accounts Receivable Turnover

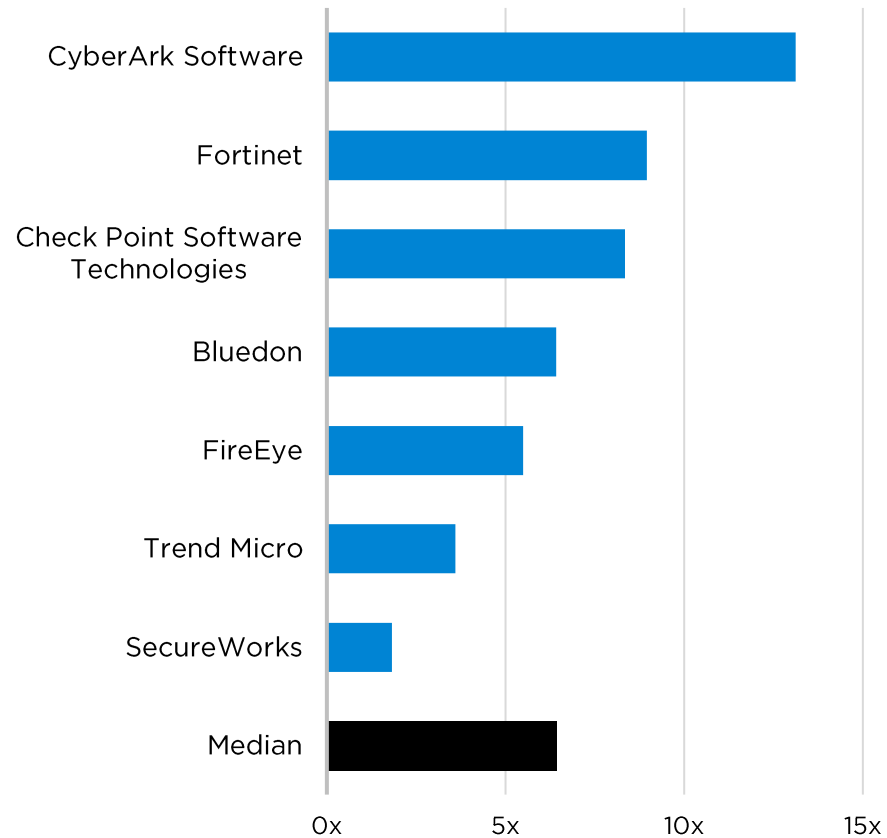


## Average Days Sales Outstanding

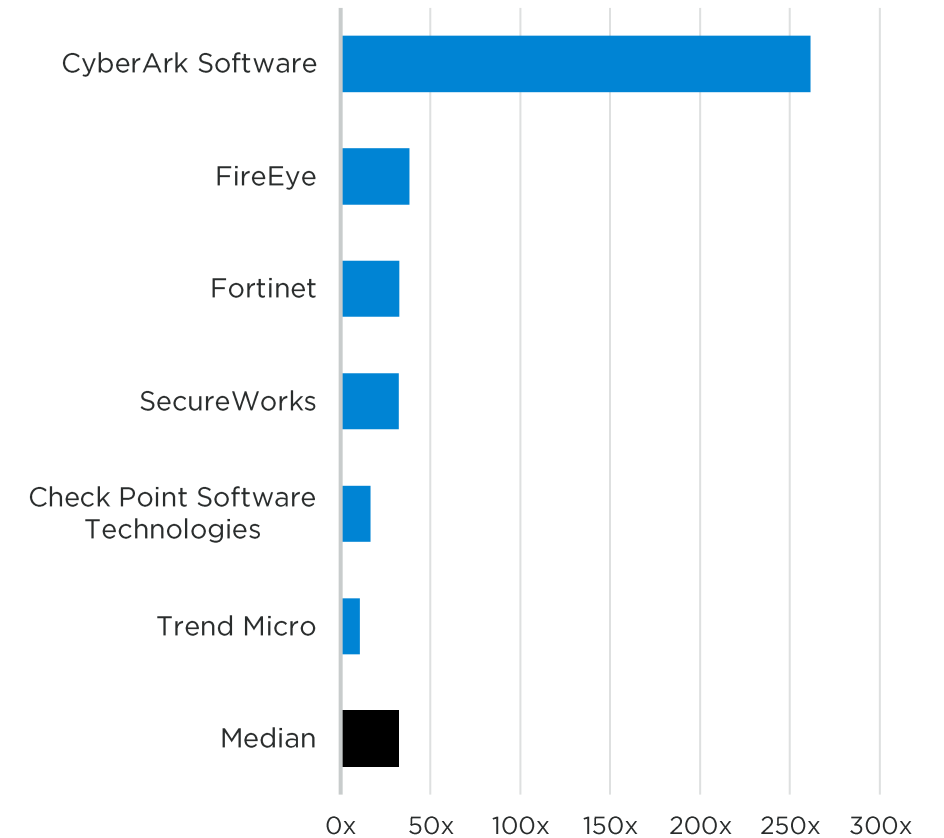


# Valuation

TEV / LTM Revenue

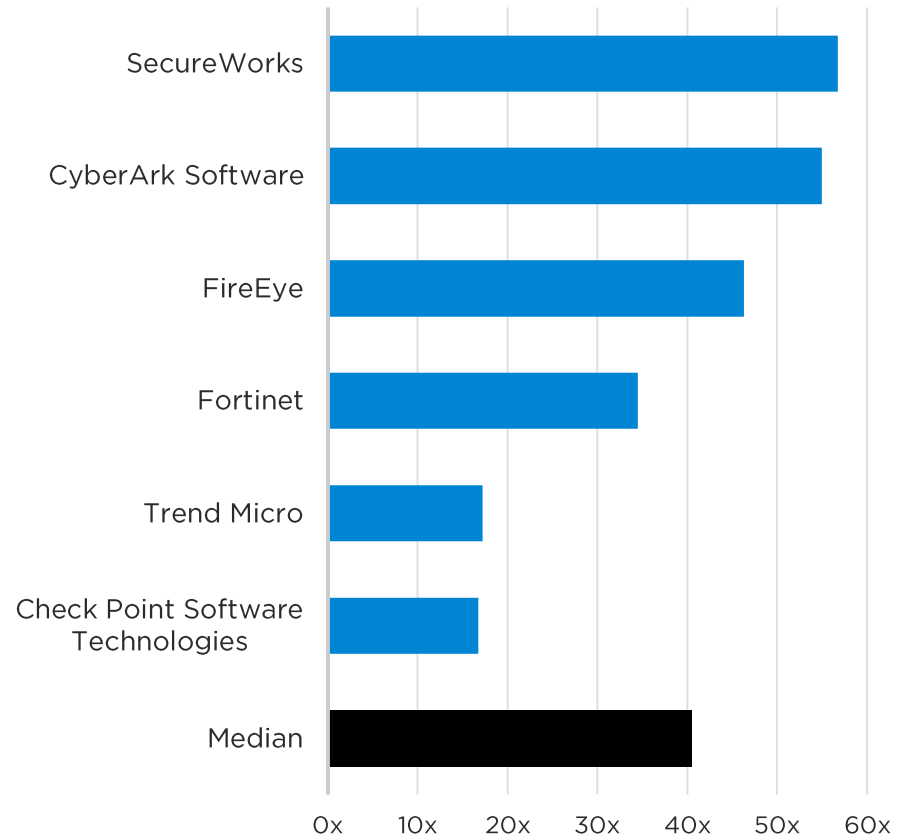


TEV / LTM EBITDA

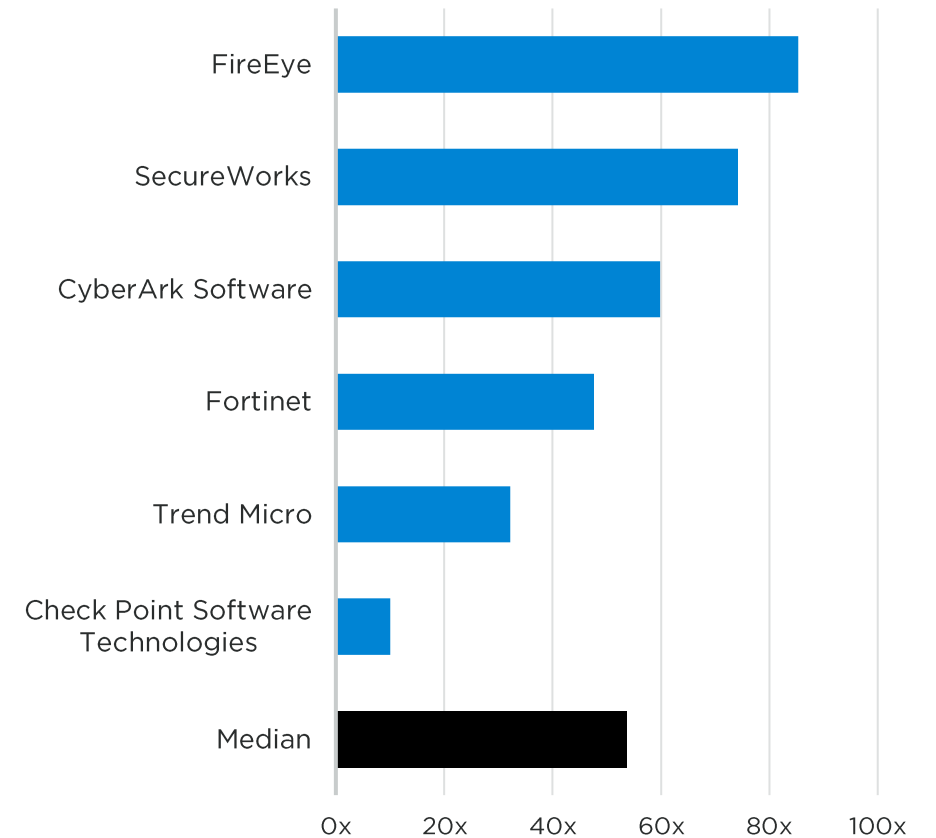


# Valuation

TEV / LTM EBIT

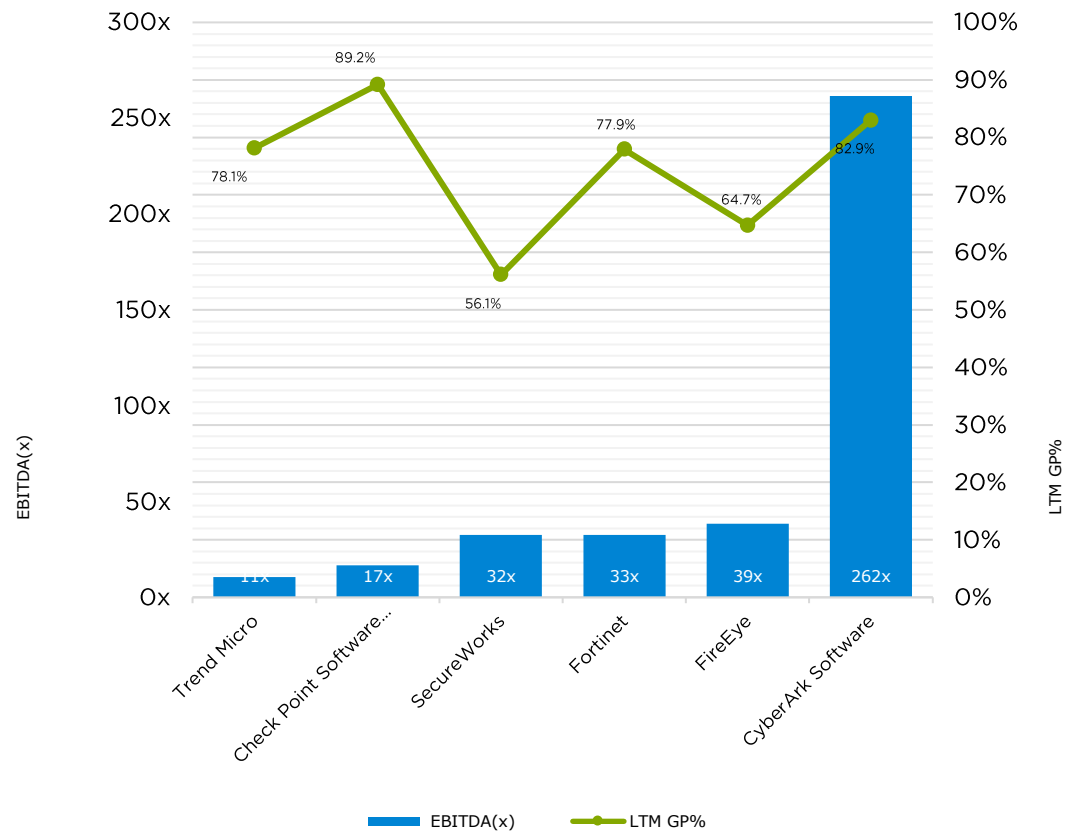


Price / LTM Earnings

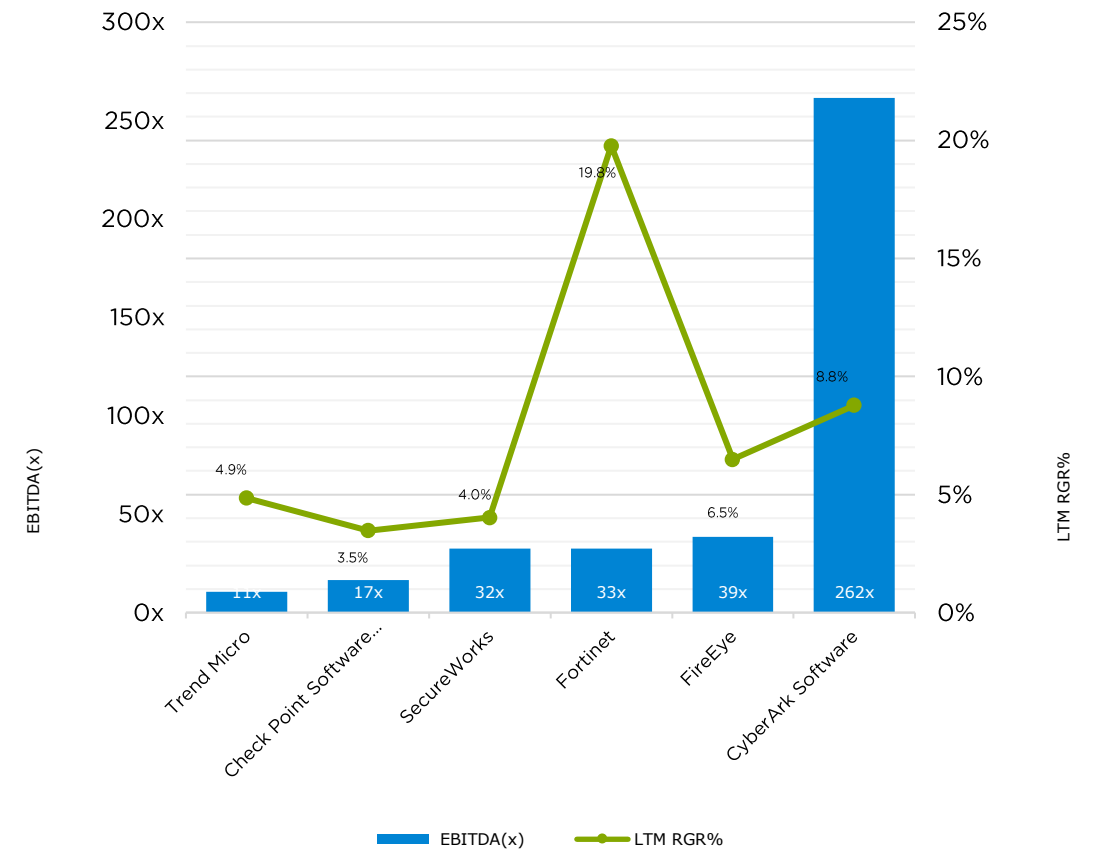


# Valuation

## 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
27-Jan-21	Rhebo	Landis+Gyr	-	-	-	-
26-Jan-21	Yoroi	Tinexta	23.23	-	-	-
25-Jan-21	Axiad IDS	Invictus Growth Partners	20.00	-	-	-
25-Jan-21	Pentasec	August Equity	-	-	-	-
25-Jan-21	root9B	Deloitte	-	-	-	-
19-Jan-21	Swimlane	Energy Impact Partners	40.00	-	-	-
14-Jan-21	HyTrust	Entrust Datacard	-	-	-	-
13-Jan-21	MistNet	LogRhythm	-	-	-	-
13-Jan-21	Zyudly Labs	SocialSurvey	-	-	-	-
11-Jan-21	Forcepoint	Francisco Partners	1100.00	-	-	-
11-Jan-21	Veracomp	Exclusive Networks	-	-	-	-
10-Jan-21	Intaforensics	Forensic Access	-	-	-	-
06-Jan-21	KiwiSecurity	Genetec	-	-	-	-
05-Jan-21	NuArx	FTV Capital	-	-	-	-
04-Jan-21	Alagen	General Microsystems	-	-	-	-
04-Jan-21	Stealthbits Technologies	Netwrix	-	-	-	-
23-Dec-20	Nucleus Cyber	archTIS	9.75	-	-	-
23-Dec-20	Two Six Labs	The Carlyle Group	-	-	-	-
23-Dec-20	Vera	Charlesbank Capital Partners	-	-	-	-
21-Dec-20	Fortego	Aegis Technologies Group	-	-	-	-
18-Dec-20	Avectris	GIA Informatik AG	-	-	-	-

# Appendix

*Public Basket  
Contact Information*



## Fortinet

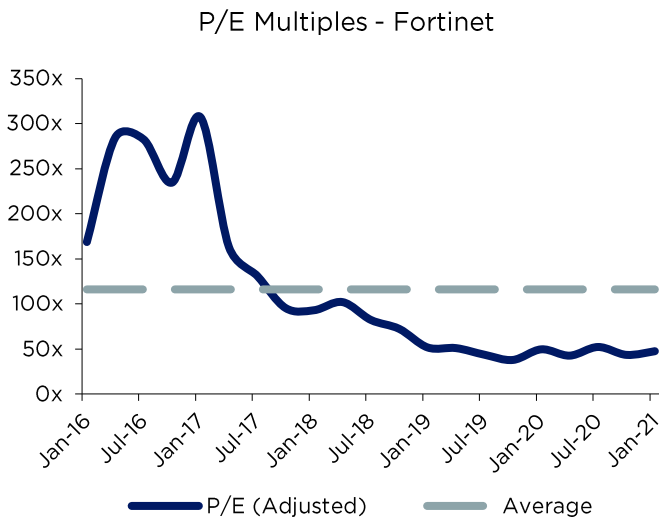
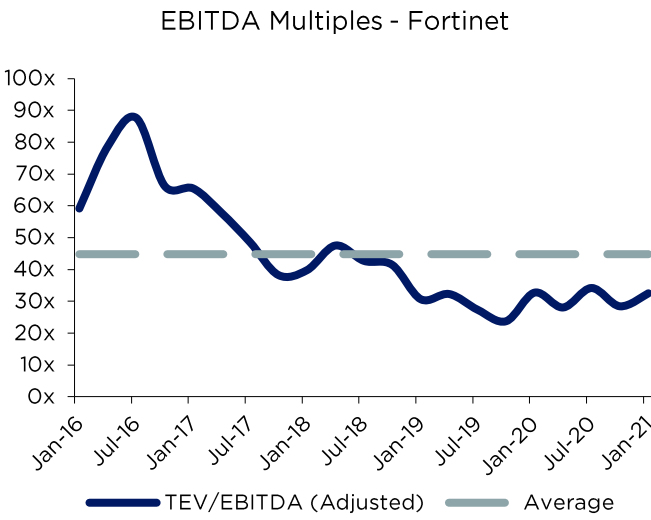
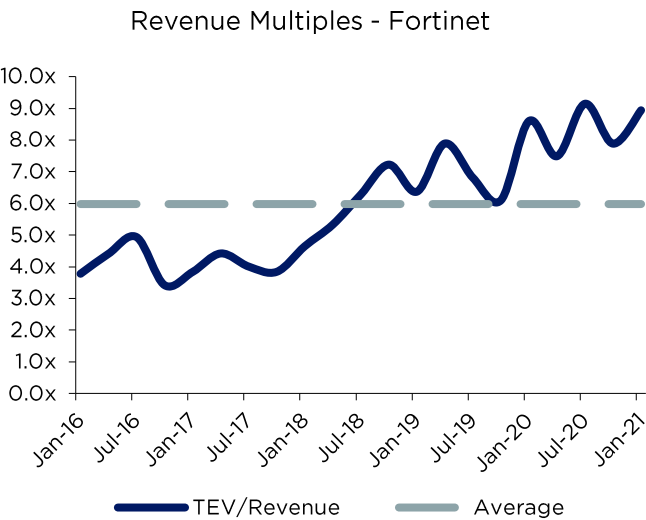
**Fortinet is a cybersecurity vendor that sells products, support, and services to small and midsize businesses, enterprises, and government entities.**

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
Panopta	08-Dec-20	The company was acquired by Fortinet (NAS: FTNT) for an undisclosed amount on December 8, 2020.
OPAQ	20-Jul-20	The company was acquired by Fortinet (NAS: FTNT) for \$8 million on July 20, 2020.

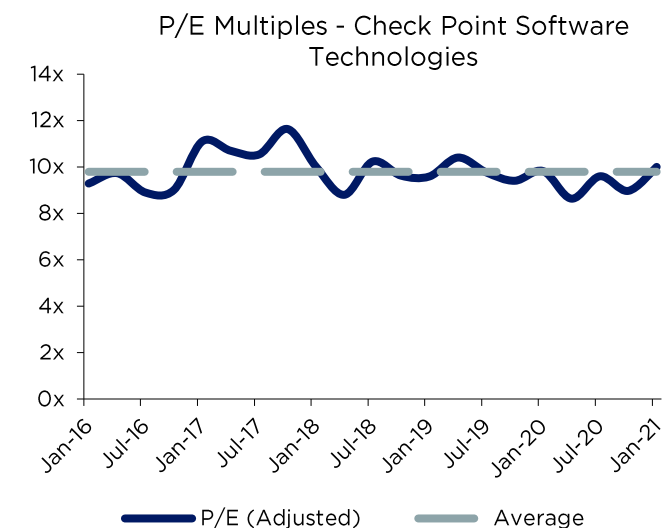
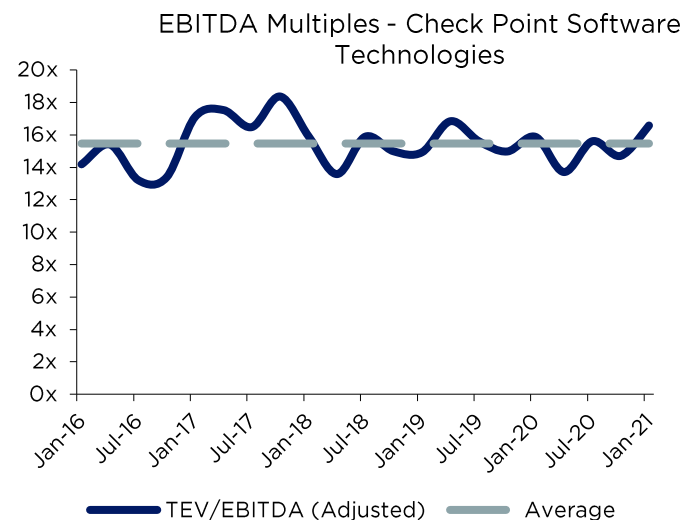
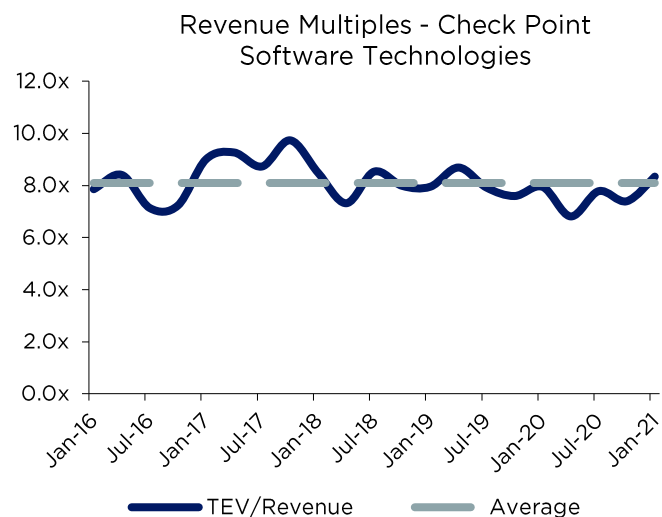
### Check Point Software Technologies

## 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
Odo (Network Management Software)	16-Sep-20	The company was acquired by Check Point Software Technologies (NAS: CHKP) for \$30 million on September 16, 2020.
Protego Labs	02-Dec-19	The company was acquired by Check Point Software Technologies (NAS: CHKP) for \$40 million on December 2, 2019.

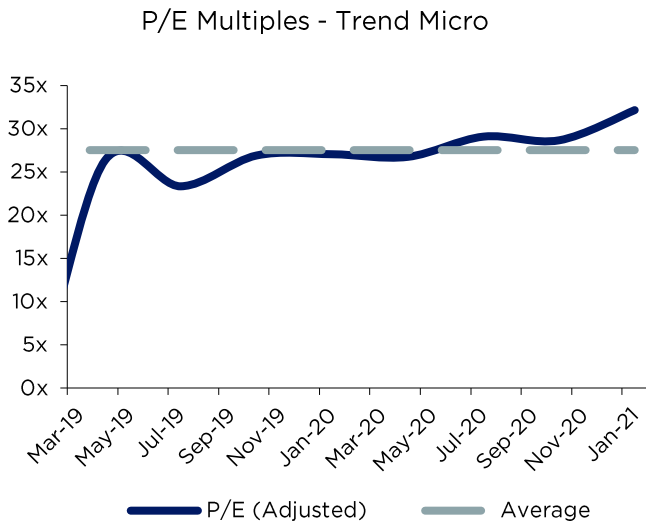
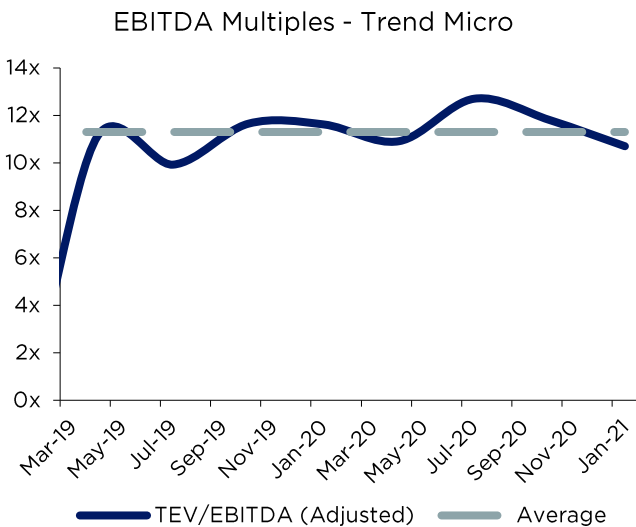
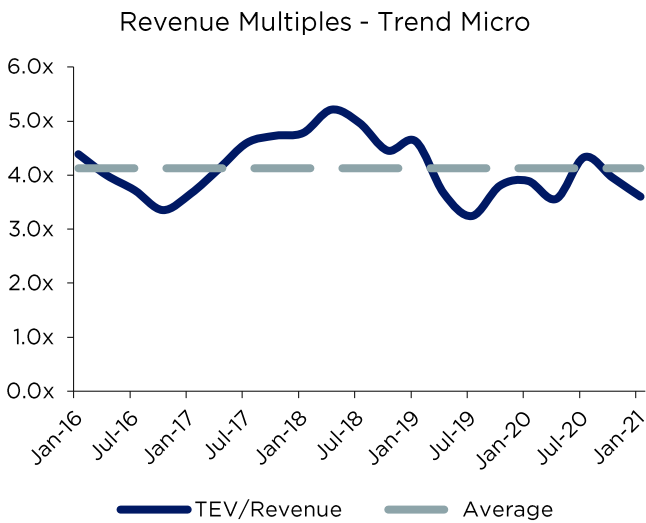
## Trend Micro

**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.

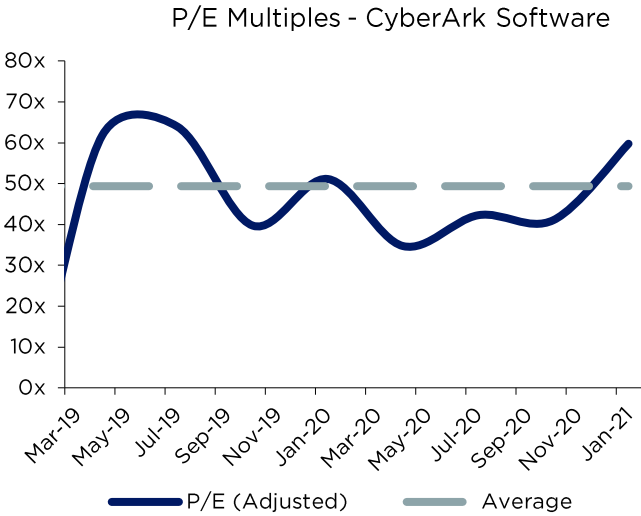
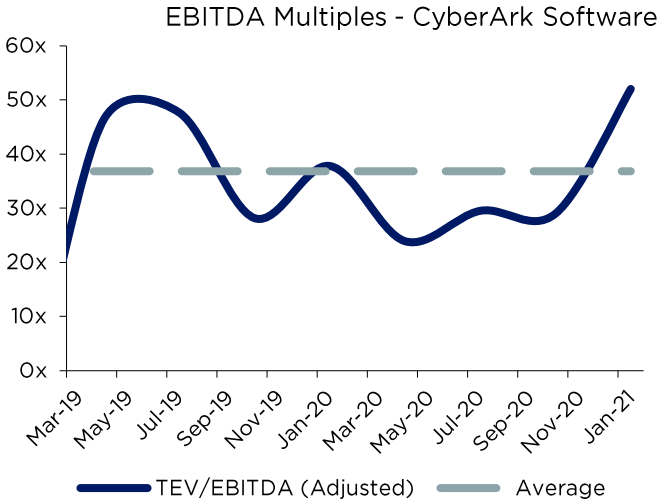
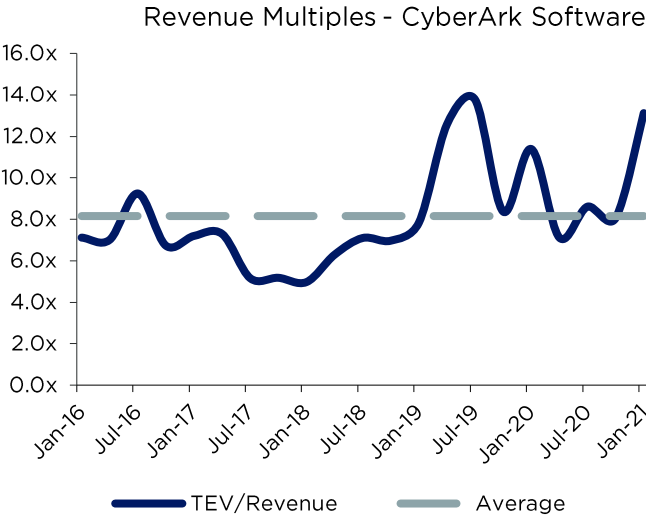
## CyberArk Software

**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.

# Public Basket

## CyberArk Software



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

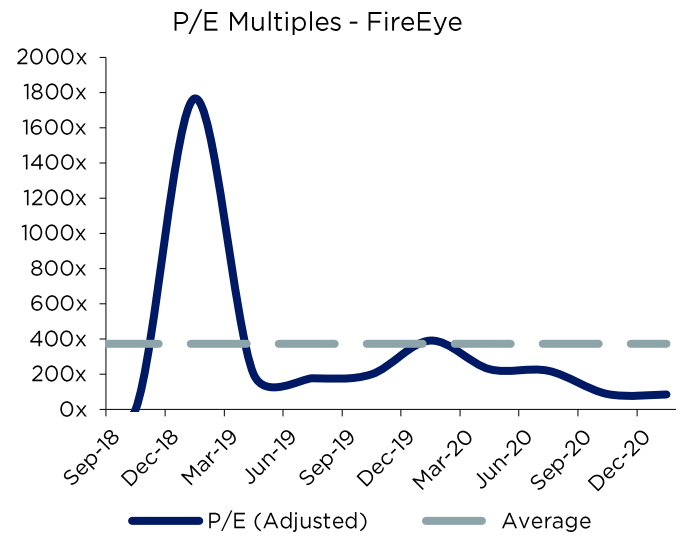
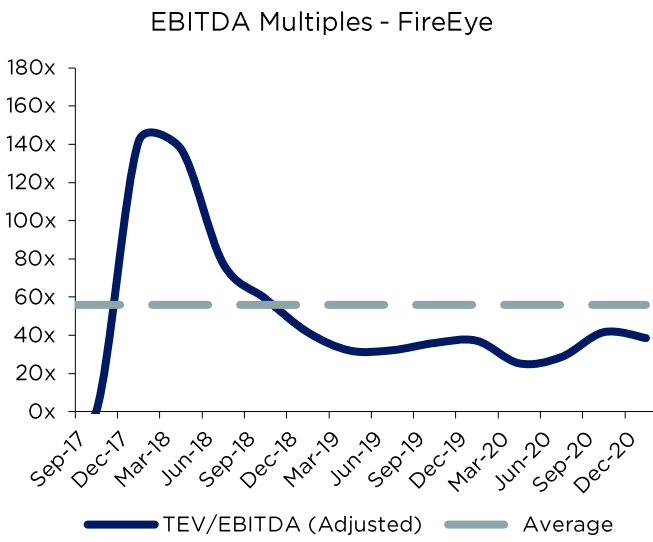
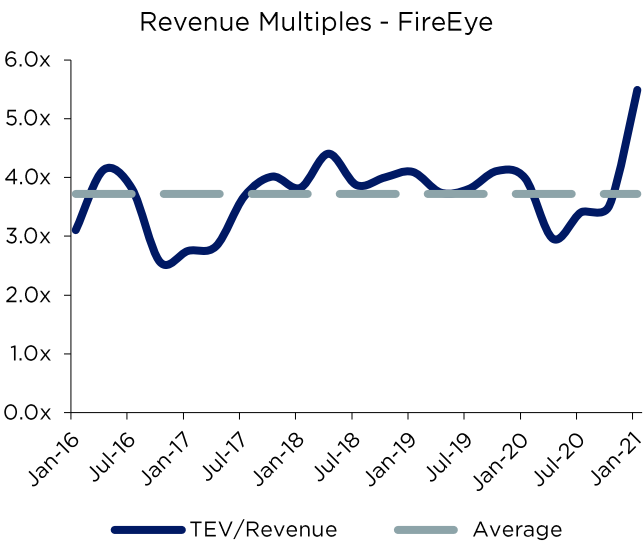
**FireEye is a pure-play cybersecurity firm that offers solutions for networks, endpoints, and email.**

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.



# Public Basket

FireEye



Company Name	Date	Deal Synopsis
Respond Software	18-Nov-20	The company was acquired by FireEye (NAS: FEYE) for \$186 million on November 18, 2020. The acquisition will enable FireEye (NAS: FEYE) to access new market opportunities to deliver eXtended Detection and Response (XDR) capabilities to a broad set of customers as well as productize and scale its expertise and front-line intelligence as part of the Mandiant Advantage platform.
Cloudvisory	17-Jan-20	The company was acquired by FireEye (NAS: FEYE) for \$13.5 million 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.

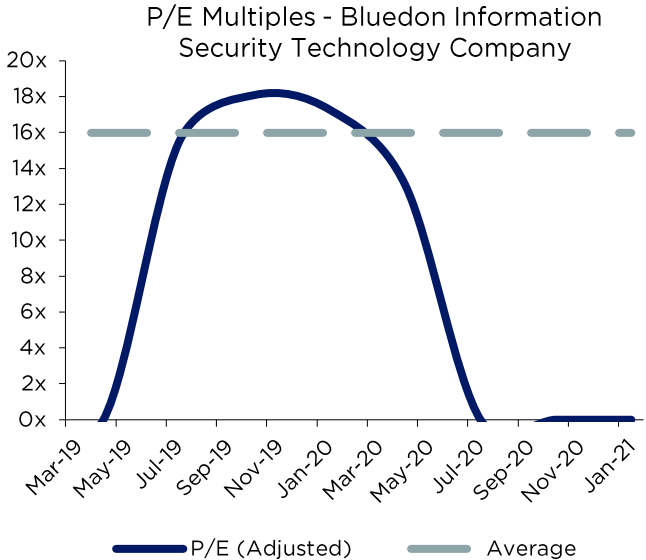
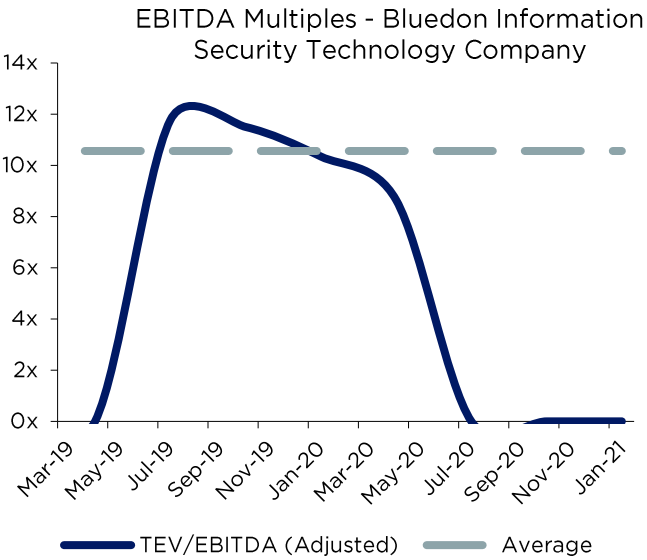
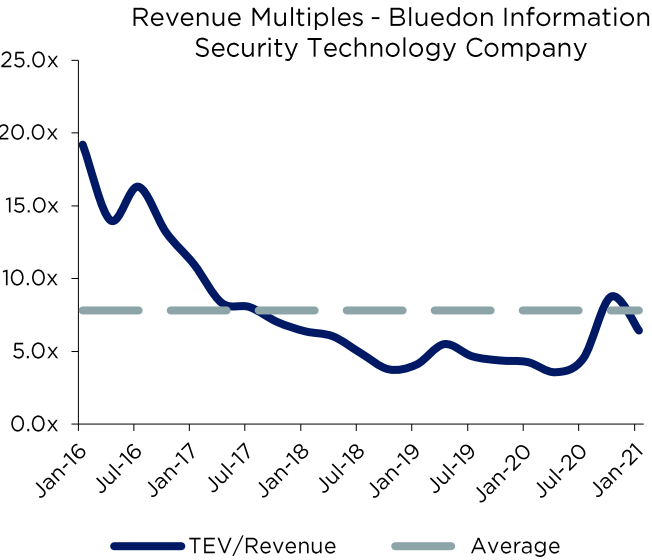
Bluedon

## 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



Company Name	Date	Deal Synopsis
Roar Panda	01-Feb-18	The company raised an undisclosed amount of venture funding from Bluedon Information Security Technology Company on February 1, 2018.
Guangzhou Hopewell Technology	15-Sep-15	The company was acquired by Bluedon Information (SHE: 300297) for CNY 390 million on September 15, 2015.

## SecureWorks

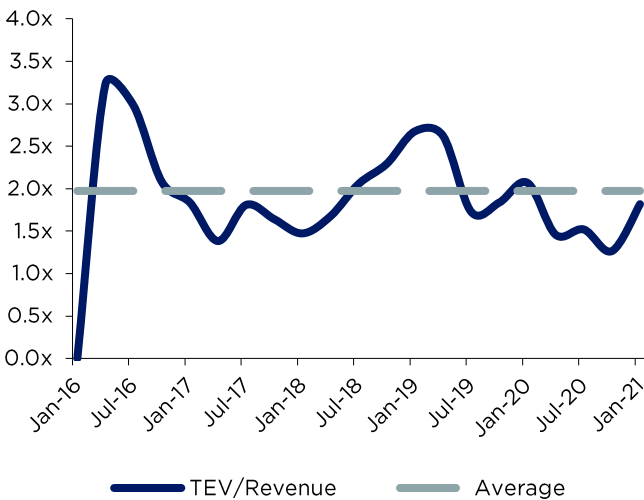
**SecureWorks Corp is a provider of intelligence-driven information security solutions exclusively focused on protecting its clients from cyber-attacks.**

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.

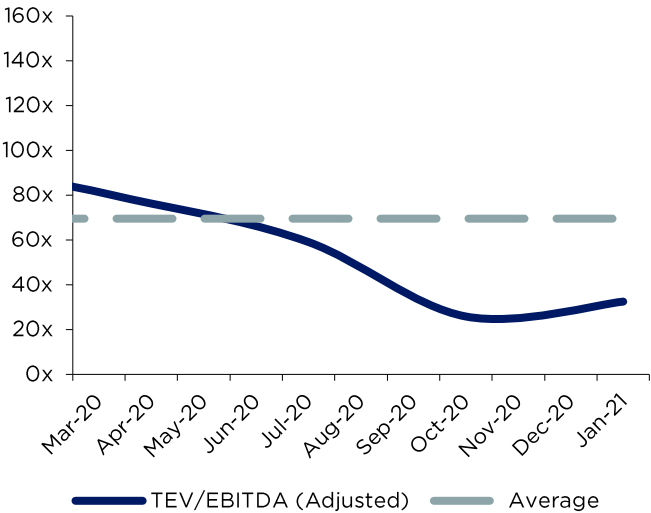
# Public Basket

SecureWorks

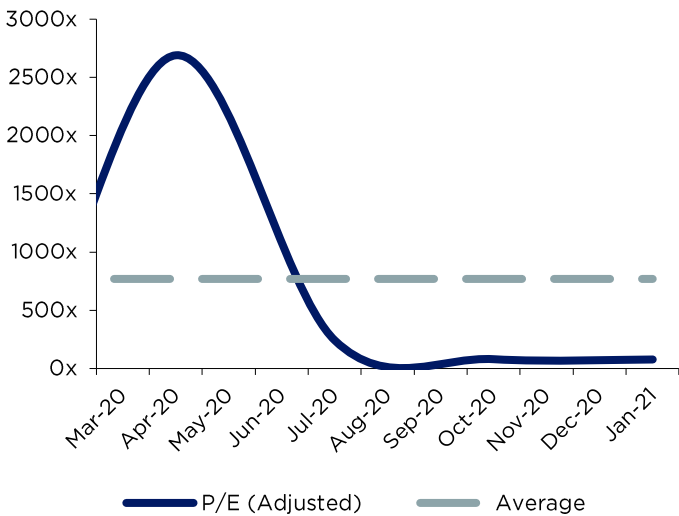
Revenue Multiples - SecureWorks



EBITDA Multiples - SecureWorks



P/E Multiples - SecureWorks



Company Name	Date	Deal Synopsis
Delve	22-Sep-20	The company was acquired by SecureWorks (NAS: SCWX), a subsidiary of Dell Technologies (NYS: DELL), for an undisclosed amount on September 22, 2020.
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

**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.

Leroy Davis, Partner	704.899.5962	leroy@7mileadvisors.com
Tripp Davis, Partner	704.899.5762	tripp@7mileadvisors.com
Andy Johnston, Partner	704.899.5961	andy@7mileadvisors.com
Mark Landry, Managing Director	561.972.0609	mark@7mileadvisors.com
John Cooper, Director	704.973.3996	john@7mileadvisors.com
Tim Frye, Director	704.973.3994	tim@7mileadvisors.com
Kristina Sergueeva, Director	704.899.5149	kristina@7mileadvisors.com
Ben Garber, Vice President	412.626.7898	ben.garber@7mileadvisors.com
Garth Martin, Vice President	704.973.3997	garth.martin@7mileadvisors.com
Nicholas Prendergast, Vice President	704.973.3995	nicholas@7mileadvisors.com
Ariail Barker, Director, Sales & Marketing	704.981.2908	ariail@7mileadvisors.com
Ben Bruggeworth, VP, Business Development	704.365.8859	ben.bruggeworth@7mileadvisors.com
Steve Sypek, VP, Business Development	704.414.8736	Steve.sypek@7mileadvisors.com
Emily Halstenberg, Marketing & Sales Manager	704.409.9912	emily@7mileadvisors.com
Marty Johnson, Senior Associate	704.973.3999	marty@7mileadvisors.com
Sydney Scadden, Senior Associate	704.973.3998	sydney@7mileadvisors.com
Steve Buffington, Associate	704.960.1828	steve@7mileadvisors.com
Dennis Fox, Associate	704.706.9168	dennis@7mileadvisors.com
Ilia Ulianchuk, Senior Associate	704.414.8743	ilia@7mileadvisors.com
Nic Anderle, Analyst	704.826.7492	nic.anderle@7mileadvisors.com
Robin Siegel, Analyst	704.285.8173	robin@7mileadvisors.com
Conor Smith, Analyst	704.855.2134	conor.smith@7mileadvisors.com
Luke Perda, Analyst	704.851.4013	luke.perda@7mileadvisors.com
Sawyer Willingham, Analyst	704.285.8171	sawyer.willingham@7mileadvisors.com
Alexis Papa, Marketing & Sales Coordinator	704.414.8732	lexi.papa@7mileadvisors.com