

7 Mile Advisors



Sectorwatch:

Cybersecurity & Security Services

July 2021



Cybersecurity & Security Services

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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

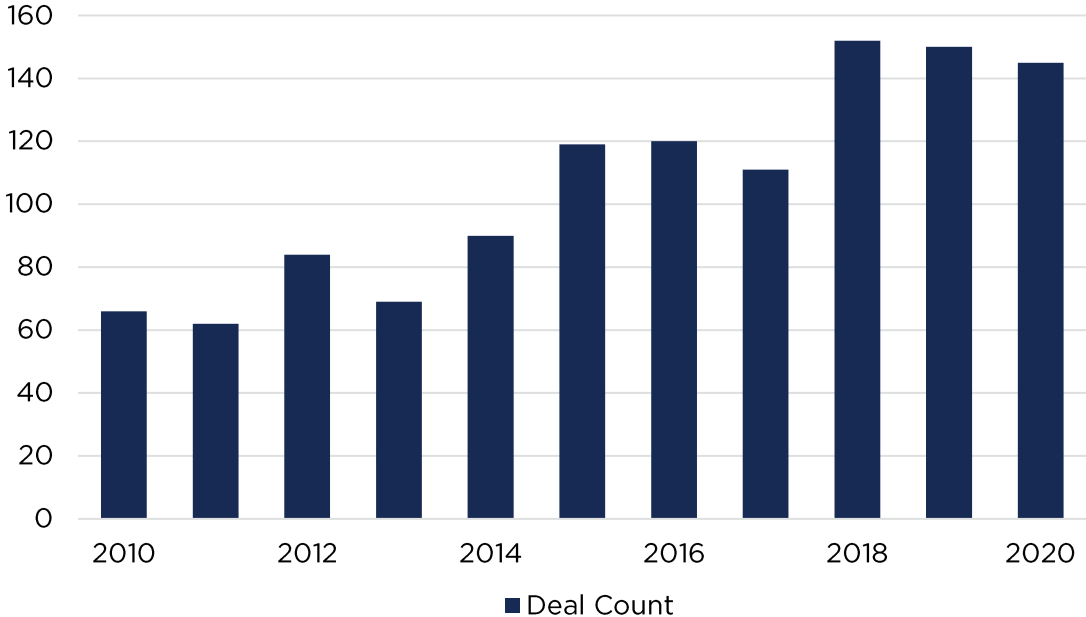
- The most recently announced deals in the sector

Dashboard

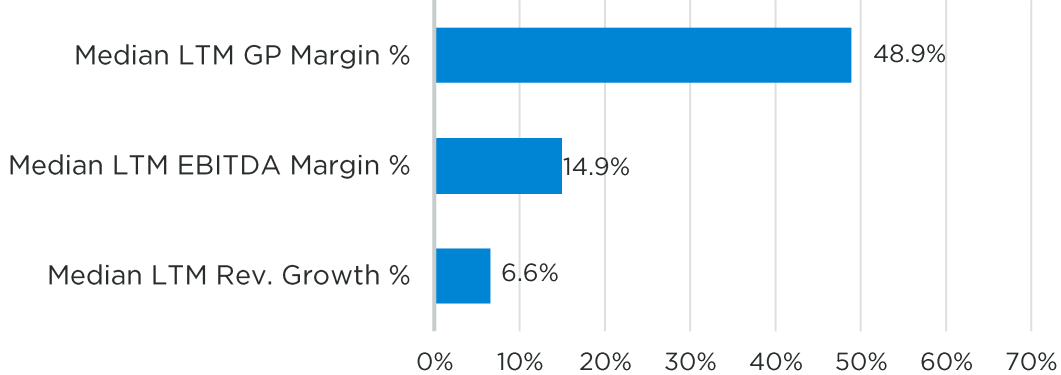
REVENUE GROWTH MOMENTUM ↑ 0.1%

1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate exceeds the average of the last 3 years by this amount, indicating that market momentum is increasing

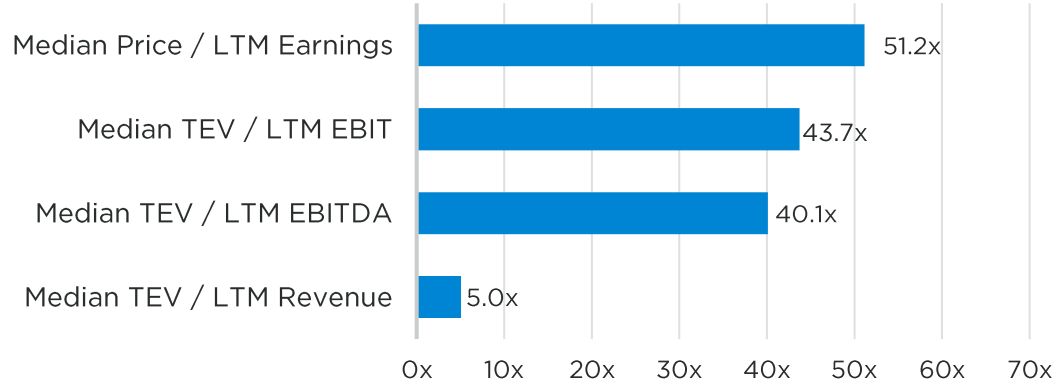
M&A Activity



Operating Metrics



Valuation

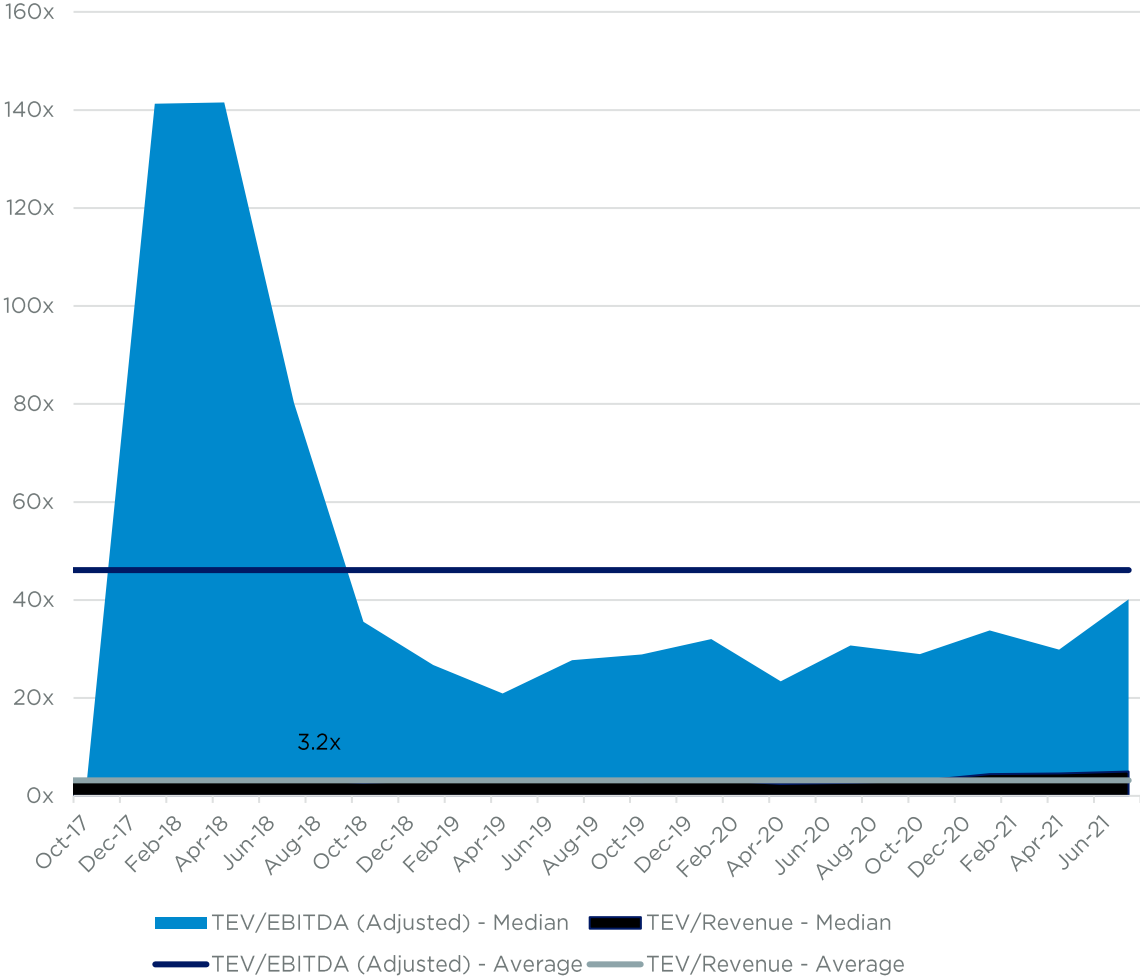


Public Basket

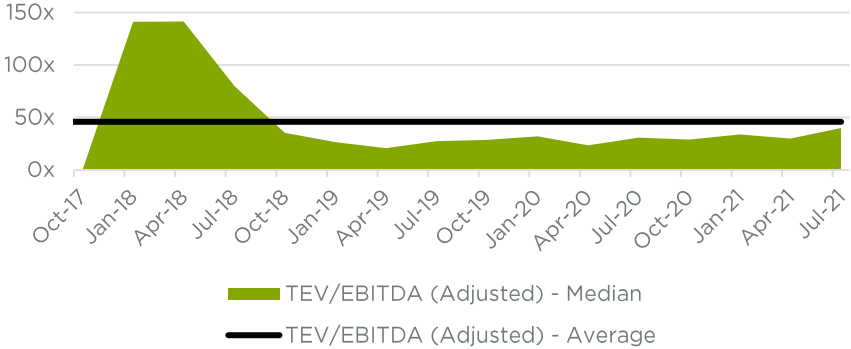
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
NCC Group	1,356	61	341	3.6%	40.1%	17.9%	4.0x	22.2x	2,000	171
SecureWorks	1,713	36	559	-0.3%	57.7%	6.4%	3.1x	47.8x	2,696	207
Secunet Security Networks	3,459	68	326	25.9%	28.3%	20.9%	10.6x	50.8x	653	499
FireEye	5,024	155	962	6.5%	65.0%	16.1%	5.2x	32.5x	3,400	283
Rapid7	6,683	20	435	24.8%	70.1%	4.7%	15.4x	327.9x	1,847	235
Atos	7,475	1,703	12,745	-3.5%	28.2%	13.4%	0.6x	4.4x	105,000	121
Proofpoint	10,288	150	1,088	16.4%	74.3%	13.8%	9.5x	68.6x	3,658	297
Wipro	41,737	2,144	8,845	6.6%	31.5%	24.2%	4.7x	19.5x	200,000	44
Average	9,717	542	3,163	10.0%	49.4%	14.7%	6.6x	71.7x	39,907	232
Median	5,854	109	761	6.6%	48.9%	14.9%	5.0x	40.1x	3,048	221

share price as of 26Jul21

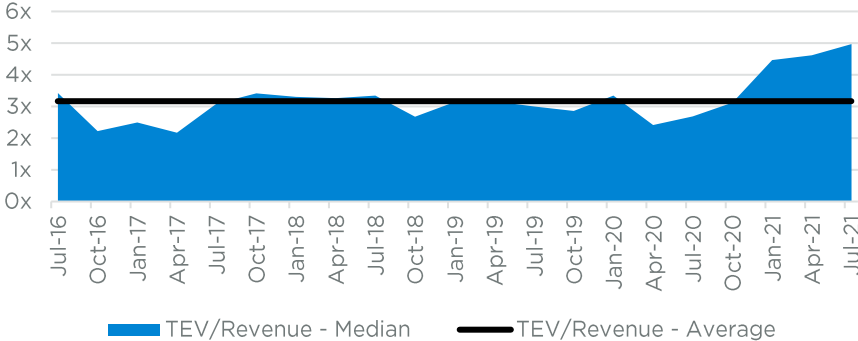
Public Basket



Public EBITDA Multiples over Time

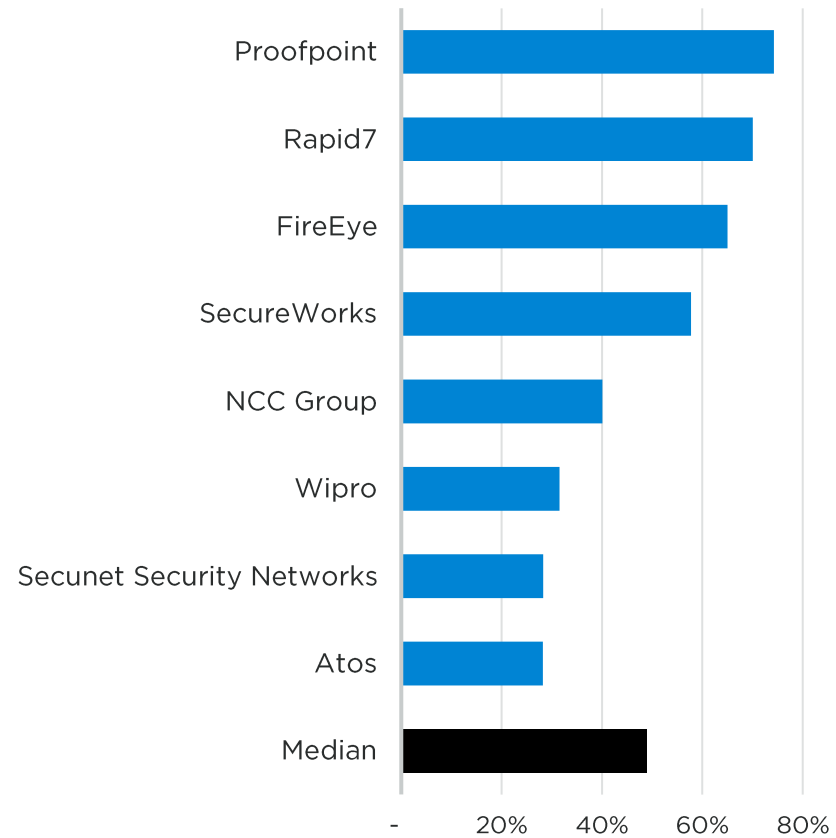


Public Revenue Multiples over Time

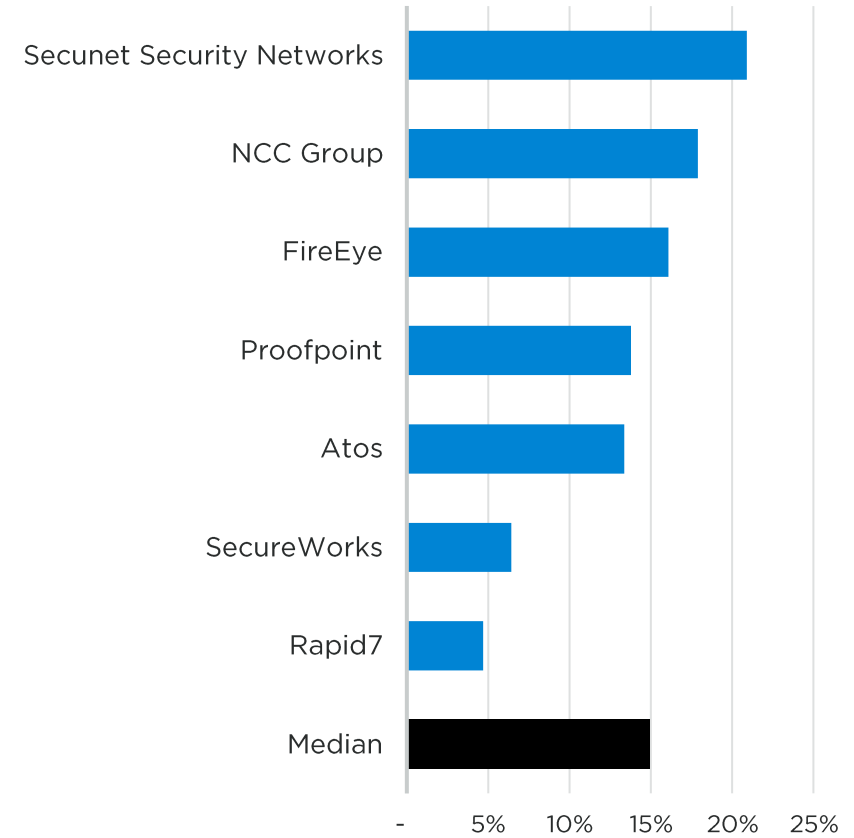


Operational Metrics

LTM Gross Profit Margin %

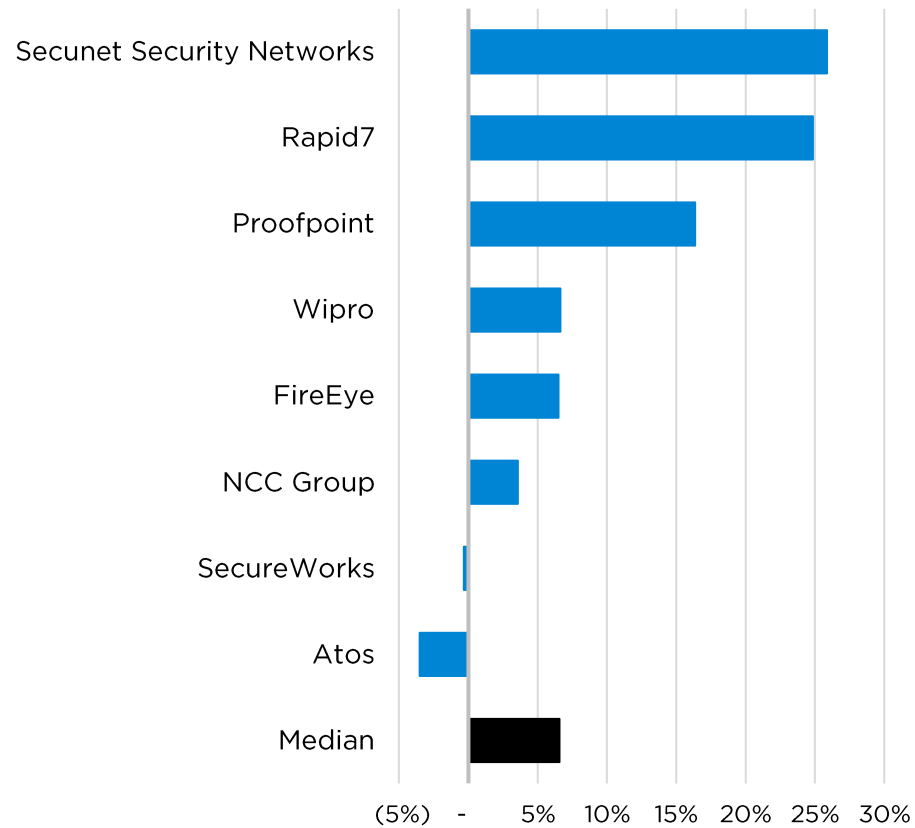


LTM EBITDA %

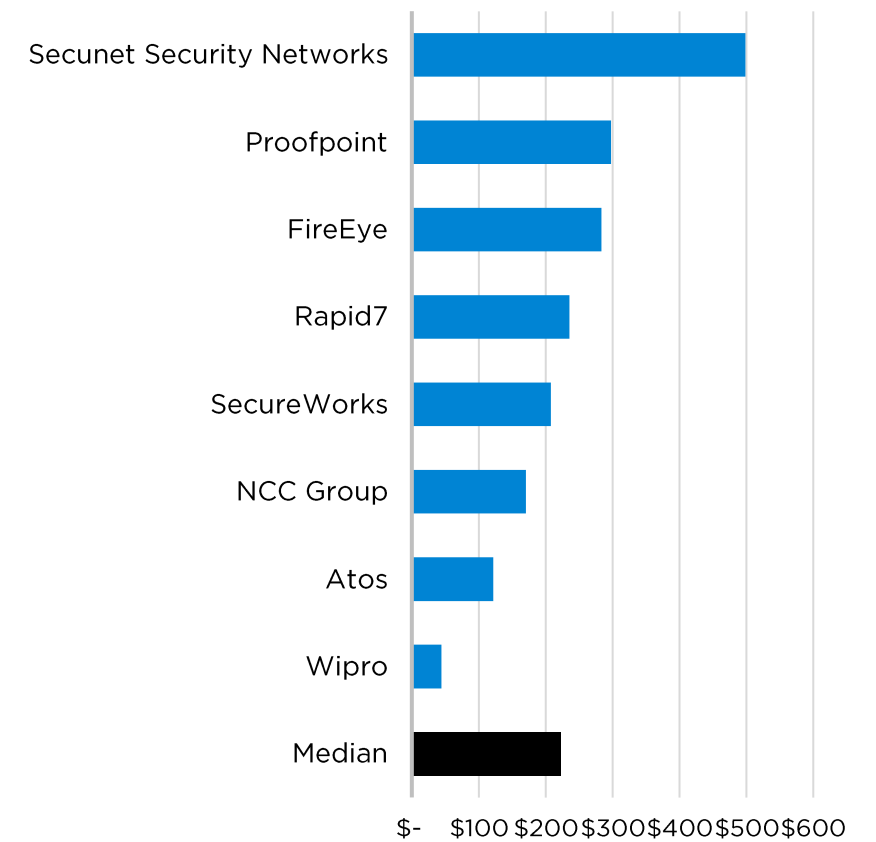


Operational Metrics

LTM Revenue Growth %

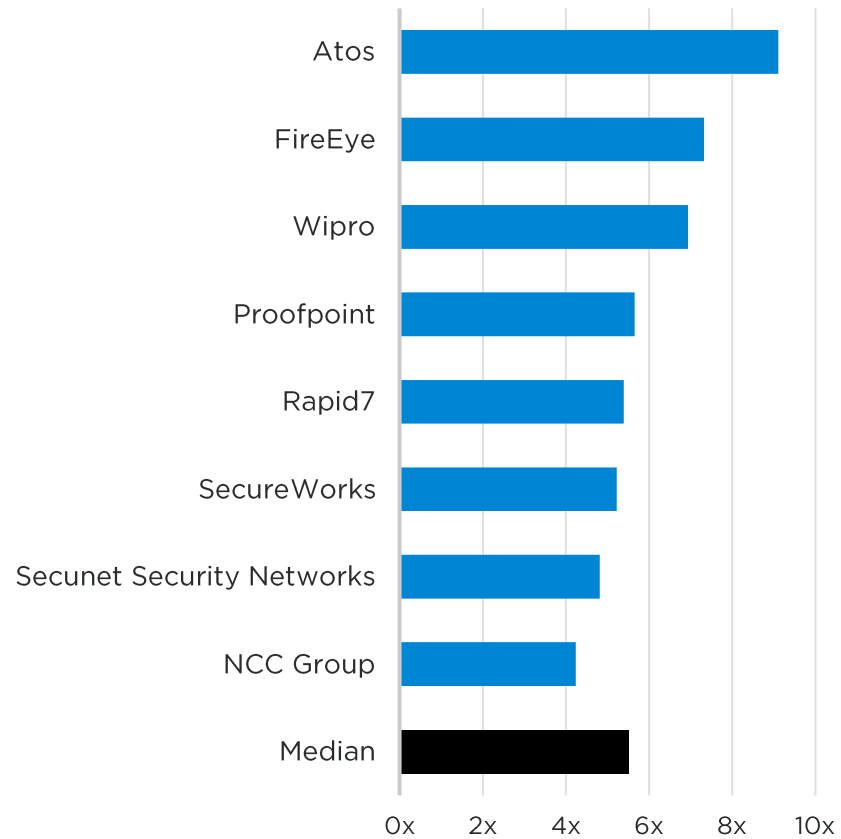


LTM Revenue per Full Time Employee x 000's

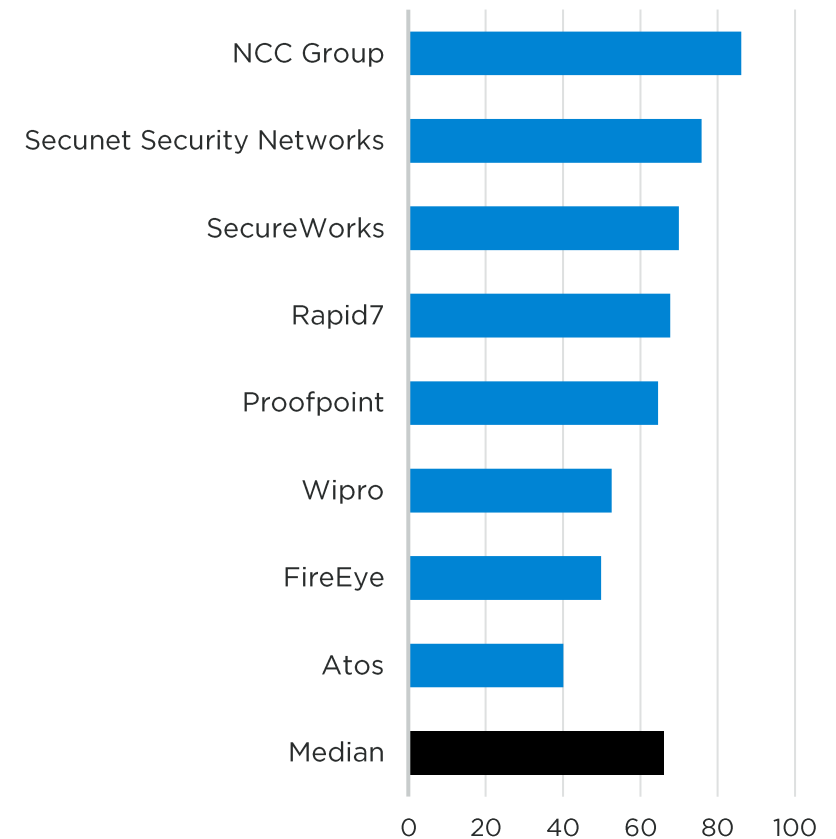


Operational Metrics

Accounts Receivable Turnover

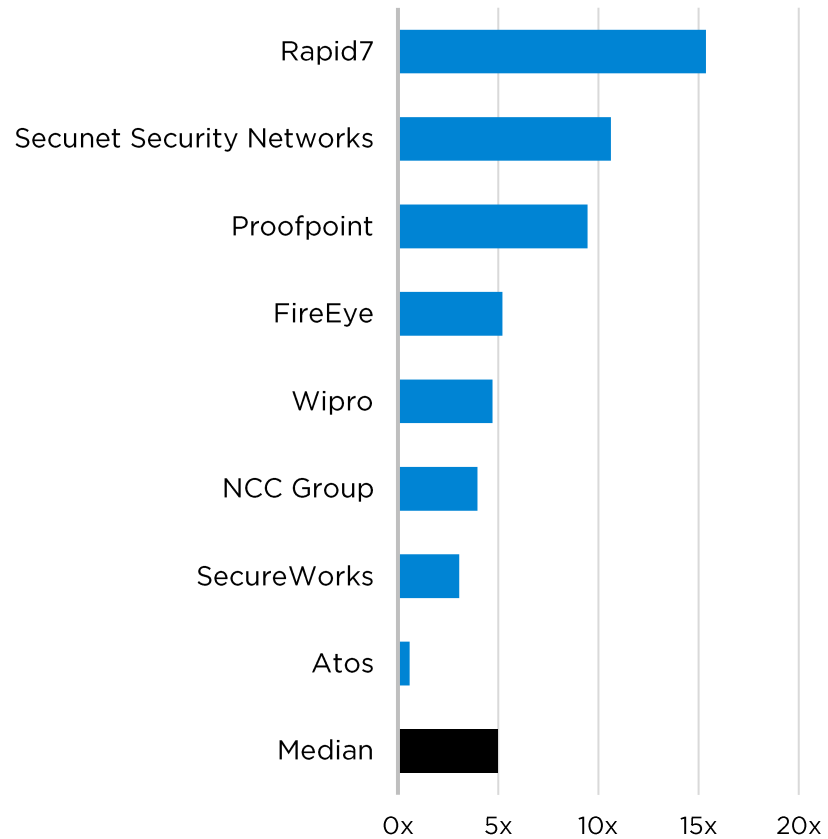


Average Days Sales Outstanding

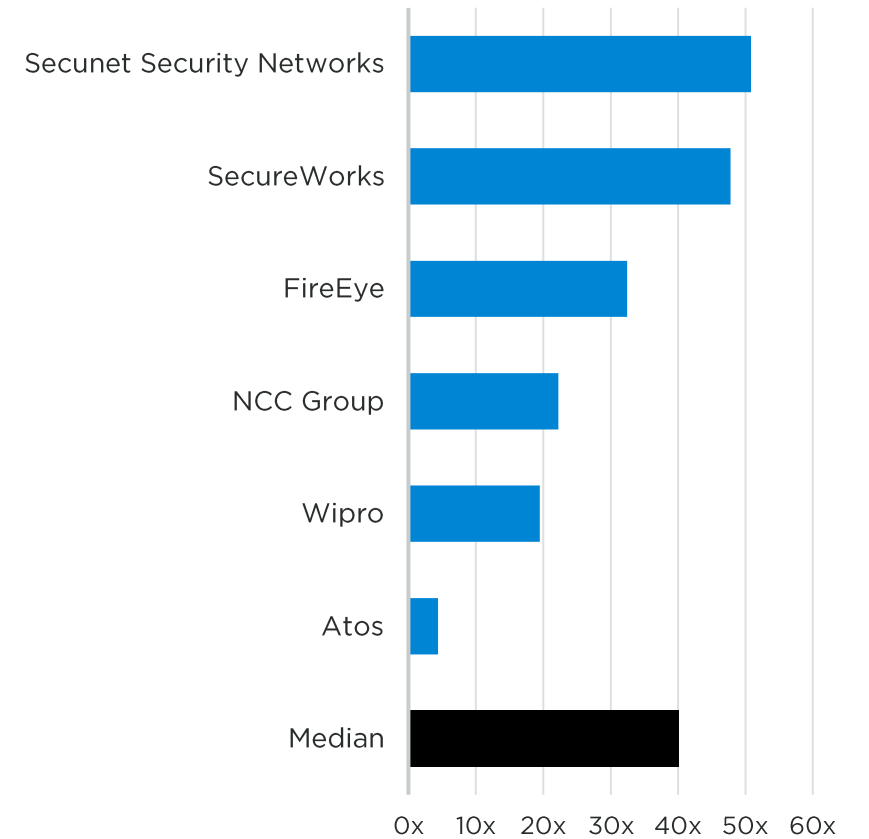


Valuation

TEV / LTM Revenue

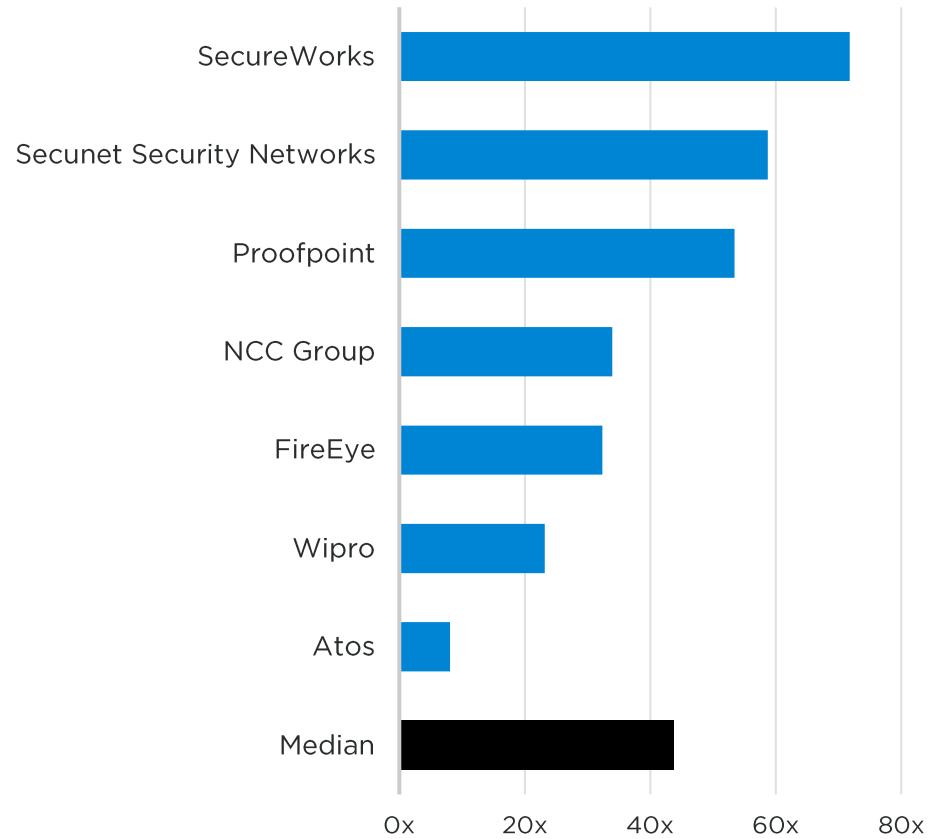


TEV / LTM EBITDA

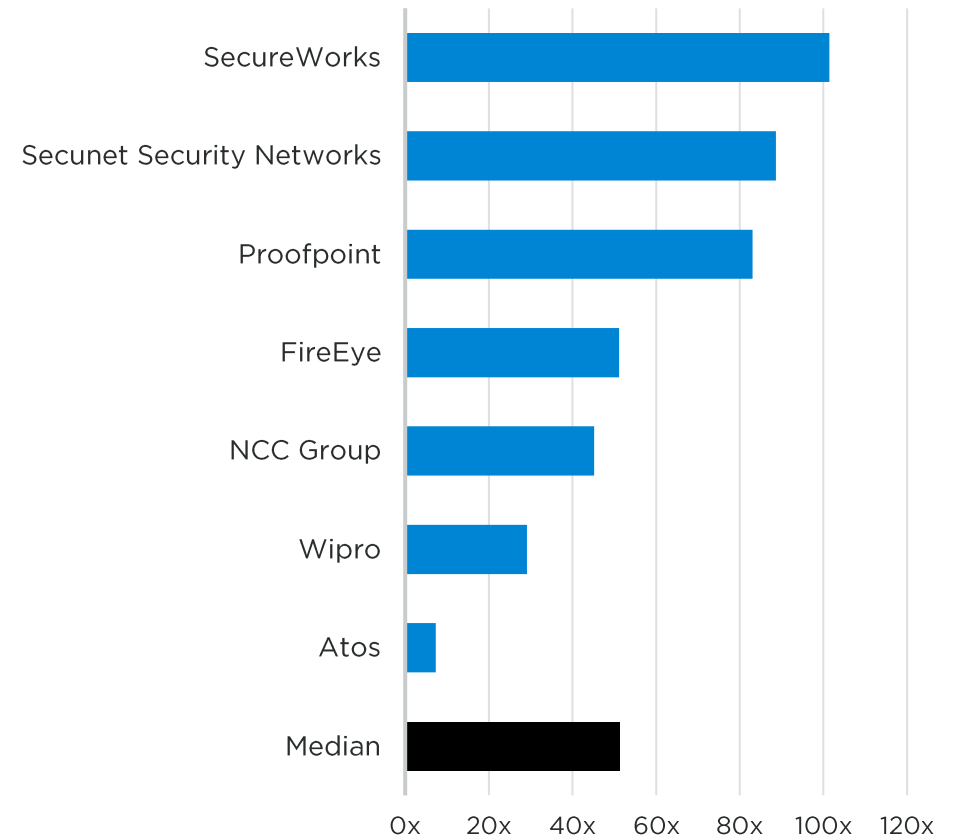


Valuation

TEV / LTM EBIT

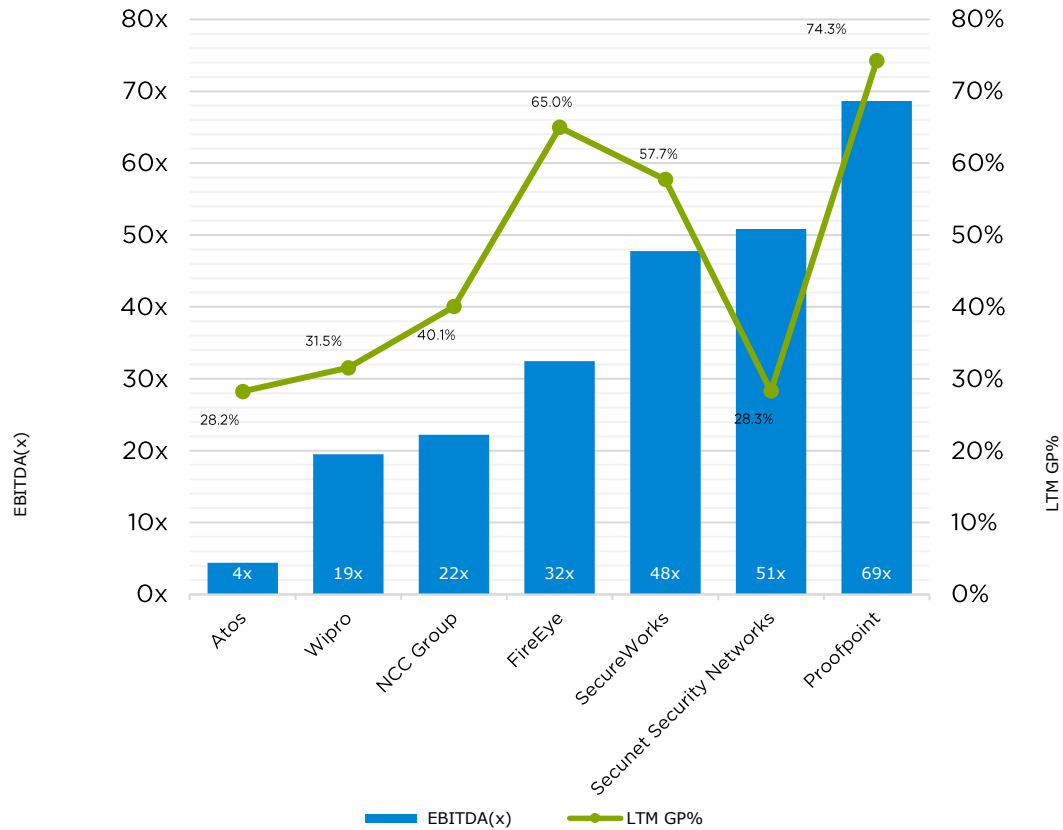


Price / LTM Earnings

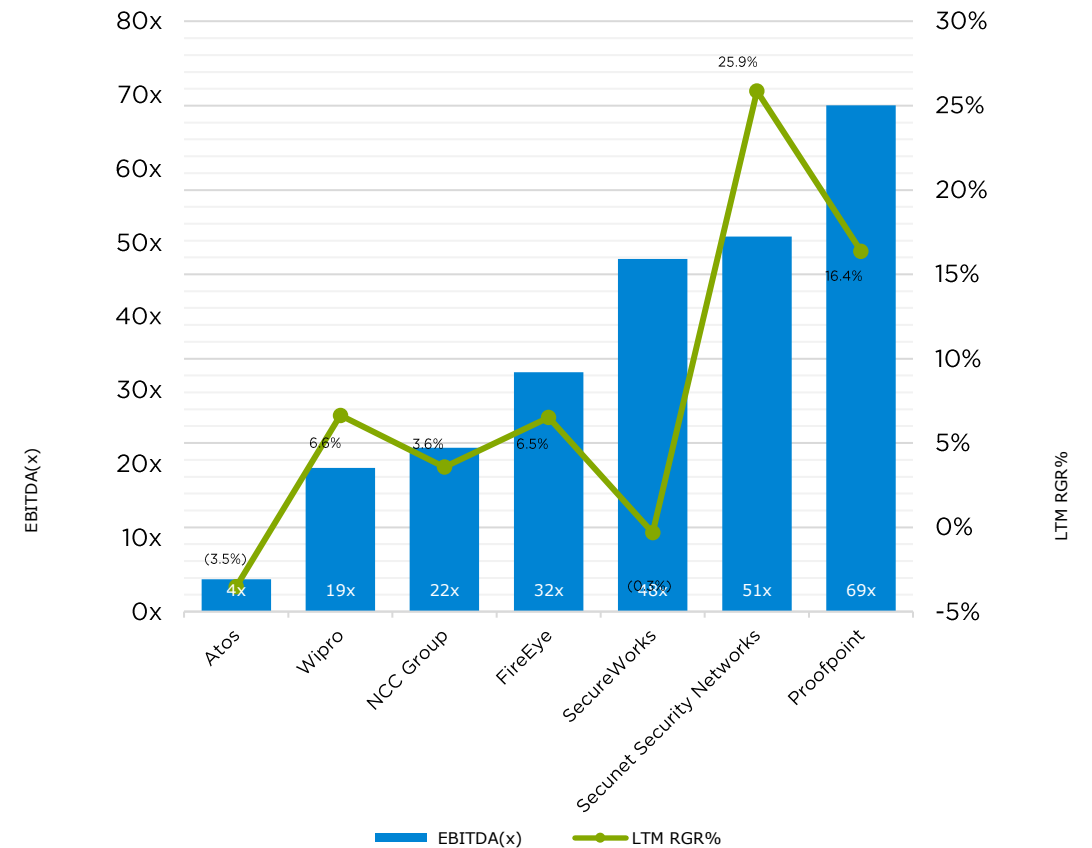


Valuation

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
22-Jul-21	Braintrace	Sophos	-	-	-	-
14-Jul-21	Digital Infrastructure Advisors Limited	Keysource	-	-	-	-
13-Jul-21	SkOUT Secure Intelligence	Barracuda Networks	-	-	-	-
06-Jul-21	Cyphra	Chiltern Capital	-	-	-	-
01-Jul-21	Marclay Associates	BlueVoyant	-	-	-	-
29-Jun-21	Nettitude	Goldman Sachs Asset Management	-	-	-	-
24-Jun-21	I-Tracing	Eurazeo	102.85	-	3.50	-
21-Jun-21	Integrity360	August Equity	-	-	-	-
18-Jun-21	CyberPayments Solutions	Card Z3N	-	-	-	-
16-Jun-21	Integrity	Devoteam	-	-	-	-
26-May-21	Nethive	Alcedo	236.44	-	83.19	334.47
24-Jun-21	I-Tracing	Eurazeo	102.85	-	3.50	-
11-May-21	Omegapoint	FSN Capital	-	54.23	-	-
05-May-21	White-Hat	EPAM Systems	-	-	-	-
29-Apr-21	Exceet Secure Solutions	Utimaco	-	-	-	-
21-Apr-21	Purplephish	Boxphish	-	-	-	-
09-Apr-21	Integrated Solutions	Dynamic Quest	-	-	-	-
07-Apr-21	Z Services	Black Box	3.94	-	0.72	-
01-Apr-21	Aurora Systems Consulting	Plurilock	1.80	-	0.06	-
31-Mar-21	Ampion (Australia)	Wipro	90.16	-	-	-
25-Mar-21	Redscan	Kroll	-	-	-	-
18-Mar-21	ADDAG	Swiss IT Security Group	-	-	-	-

Appendix

*Public Basket
Contact Information*



NCC Group

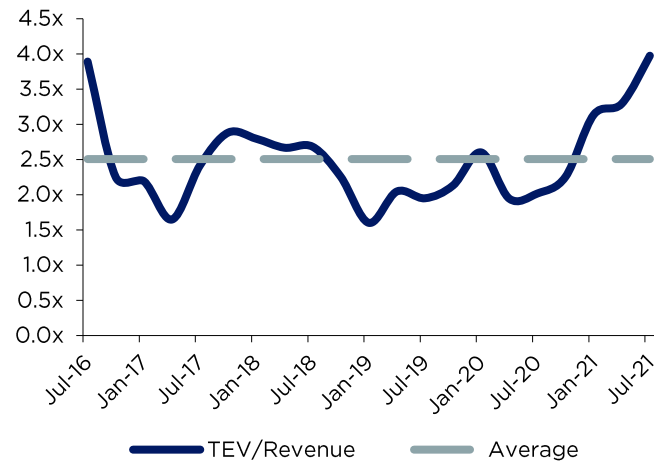
NCC Group is a U.K.-based provider of information assurance software solutions to the transportation, finance, retail, Internet of Things, and oil and gas end markets.

The firm's operations are organized in three segments: assurance, which offers security and risk consulting services; group escrow, which offers software escrow services with a third-party agent; and domain services, which maintains and publishes trust security standards. Roughly half of the firm's revenue is generated in the United Kingdom, with the rest coming from Europe and the rest of the world.

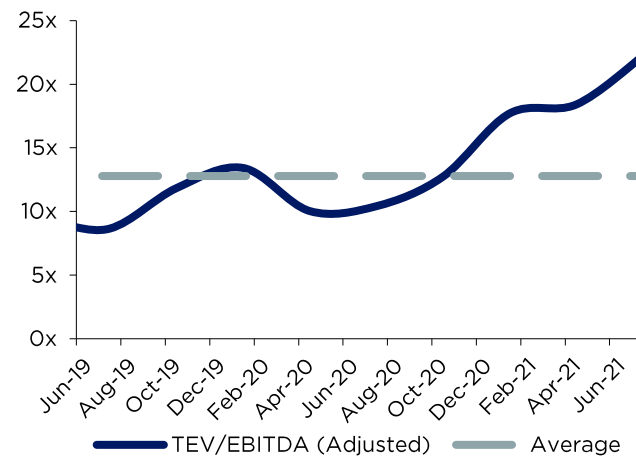
Public Basket

NCC Group

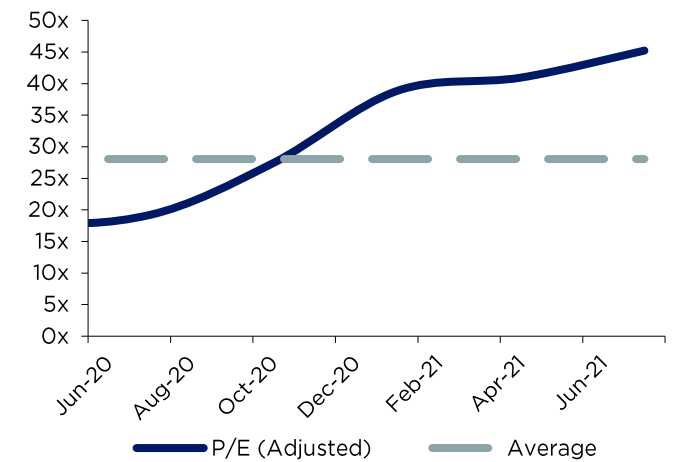
Revenue Multiples - NCC Group



EBITDA Multiples - NCC Group



P/E Multiples - NCC Group



Company Name	Date	Deal Synopsis
Iron Mountain (Intellectual Property Management Business)	08-Jun-21	The Intellectual Property Management business unit of Iron Mountain (NYS: IRM) was acquired by NCC Group (LON: NCC) for \$220 million on June 8, 2021. The deal provides immediate additional scale to the NCC Group's Software Resilience business in North America.
Virtual Security Research	11-Nov-16	The company was acquired by NCC Group (LSE: NCC) for \$6 million on November 11, 2016. There was a contingent payment of \$2 million distributed as two further annual payments of up to \$1m each, dependent on performance related targets. This acquisition of VSR will provide a foundation stone into Boston and that part of the north-eastern region of North America.

SecureWorks

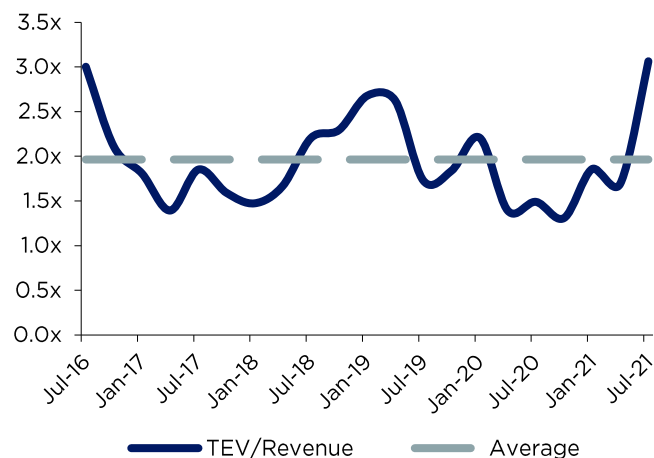
SecureWorks Corp is a provider of intelligence-driven information security solutions exclusively focused on protecting its clients from cyber-attacks.

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.

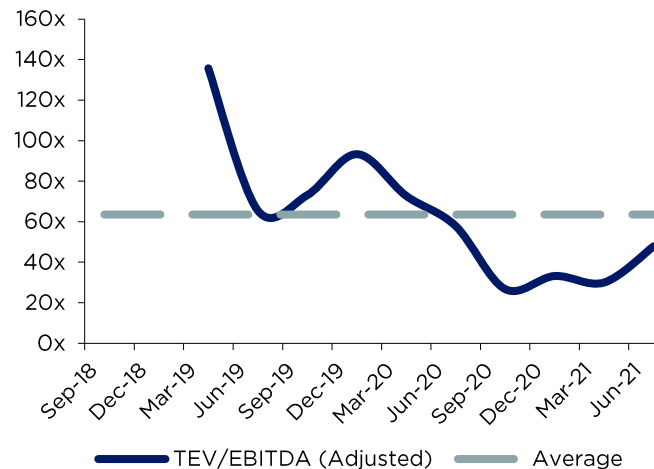
Public Basket

SecureWorks

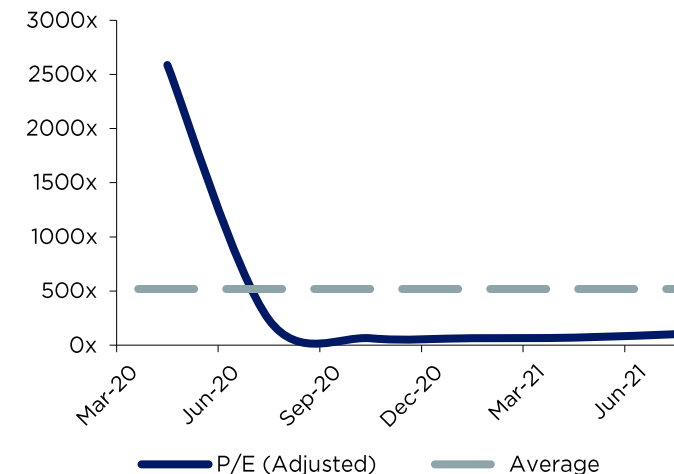
Revenue Multiples - SecureWorks



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 \$15.4 million 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.

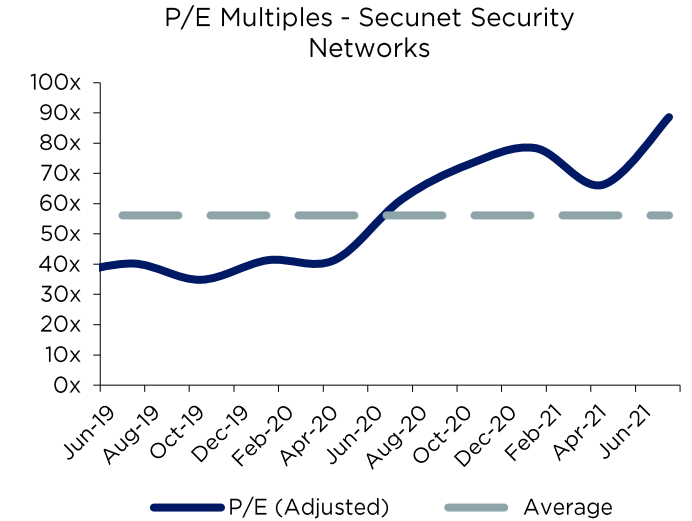
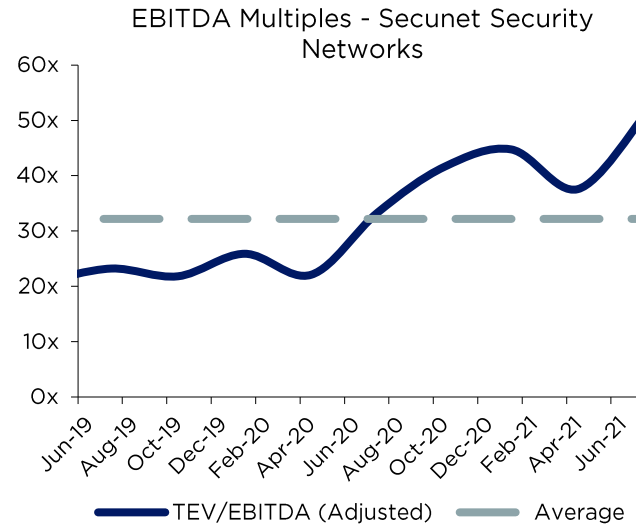
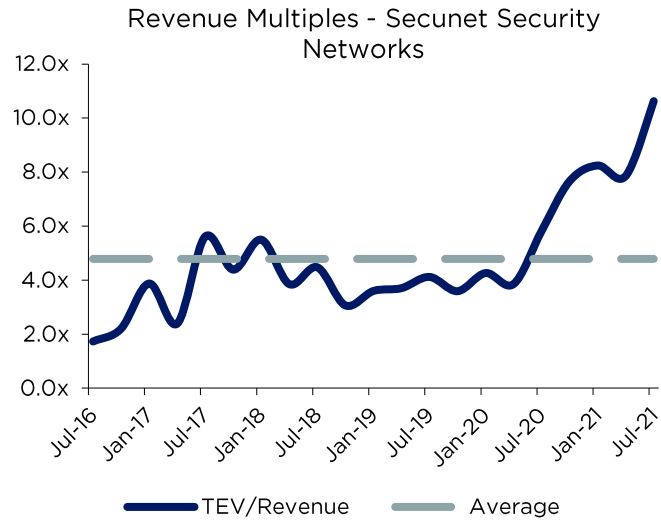
Secunet Security Networks

Secunet Security Networks AG is an IT and telecommunications security provider.

It offers consulting services, products and solutions in the field of IT and telecommunication security. It focuses on automotive security, awareness, biometrics, cloud security compliance, cyber security, e-government topics and solutions. The firms' products encompass easygate, savesurfer, e-health solutions and encryption, intrusion detection system, multidesign, and others. Its services include consulting on IT security, software development, development, integration, operations, maintenance and support of products. It operates through two divisions, Public Sector and Business Sector. The company generates maximum revenue from Public Sector.

Public Basket

Secunet Security Networks



Company Name	Date	Deal Synopsis
stashcat	10-May-21	The company was acquired by Secunet Security Networks (ETR: YSN) for an undisclosed amount on May 10, 2021.
SecuStack	14-May-19	The company was formed as a joint venture between Secunet Security Networks and Cloud&Heat on May 14, 2019. The joint venture was created to provide the companies and public authorities with a security-hardened cloud platform made in Germany.

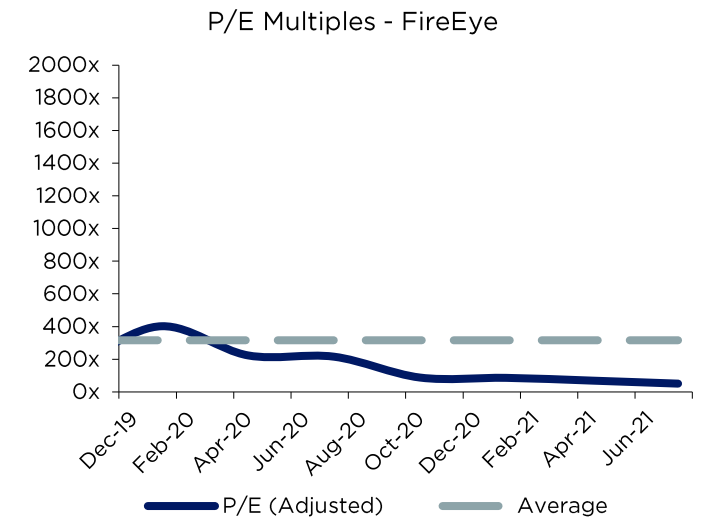
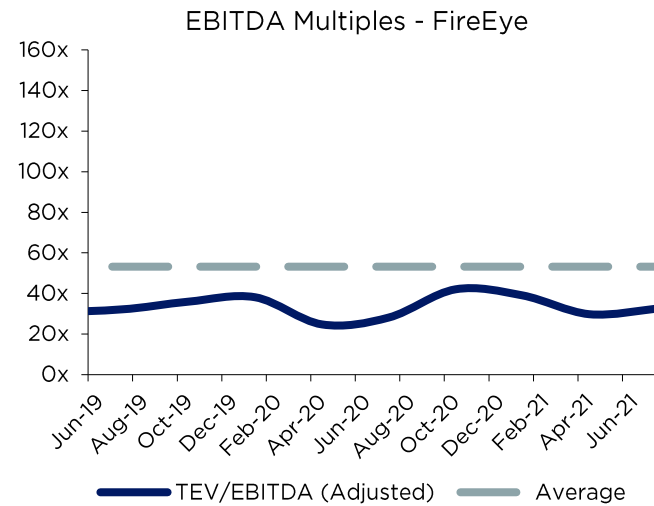
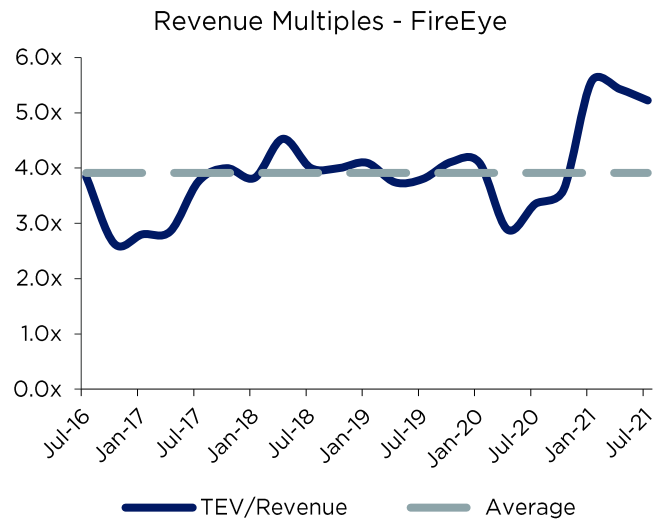
FireEye

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; it 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 \$177.59 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.

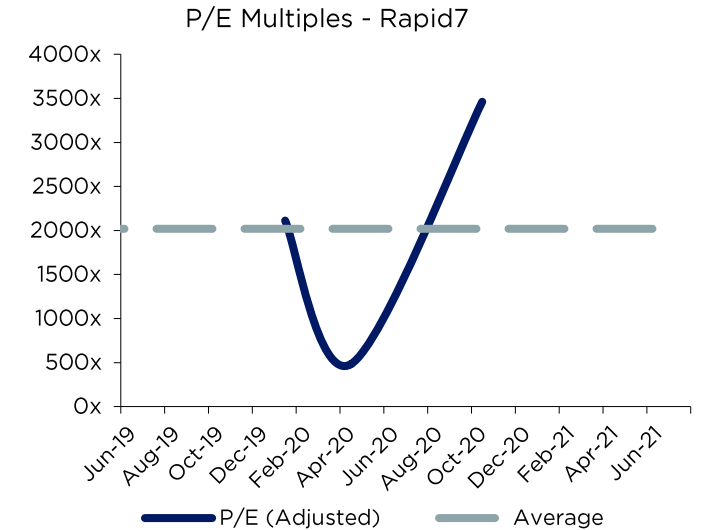
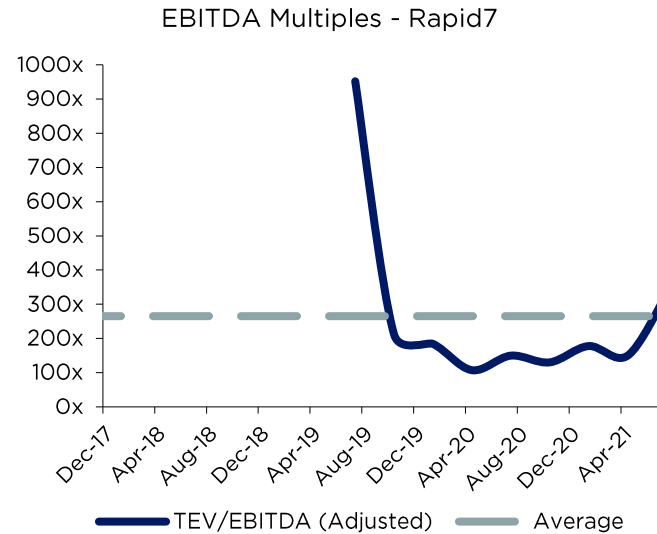
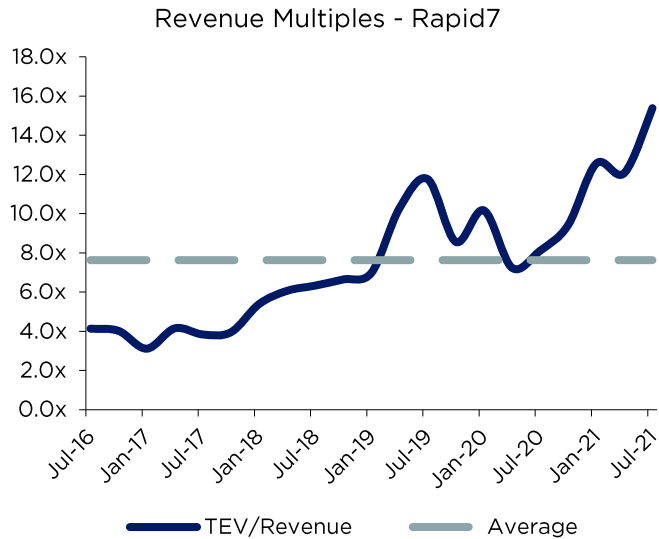
Rapid7

Rapid7 Inc is a provider of security data and analytics solutions that enable organizations to implement an active approach to cyber security.

The company combines security data and analytics platform that provides solutions to cyber security that enables organizations to find and eliminate critical weaknesses and detect attacks in their information technology (IT) environments. Its products include Nexpose, Metasploit, Appspider and UserInsight. The firm serves various industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media, and entertainment. Geographically, it operates in the region of North America and derives revenue from maintenance and support service and by offering of other professional services.

Public Basket

Rapid7



Company Name	Date	Deal Synopsis
IntSights	19-Jul-21	The company was acquired by Rapid7 (NAS: RPD) for \$335 million on July 19, 2021.
Velocidex Enterprises	21-Apr-21	The company was acquired by Rapid7 (NAS: RPD) for an undisclosed amount on April 21, 2021.

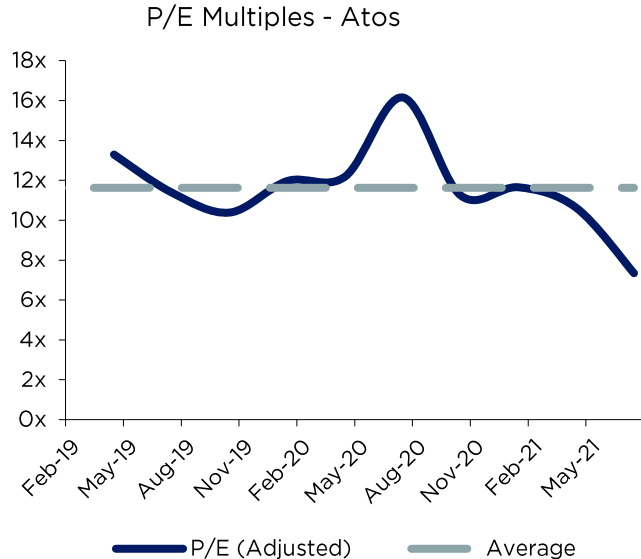
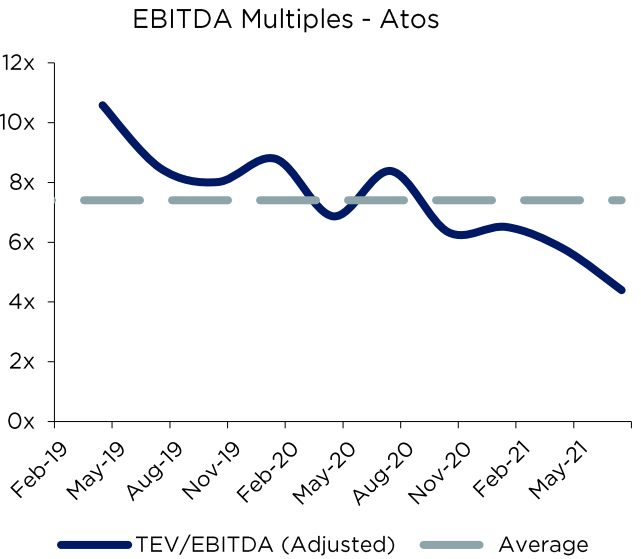
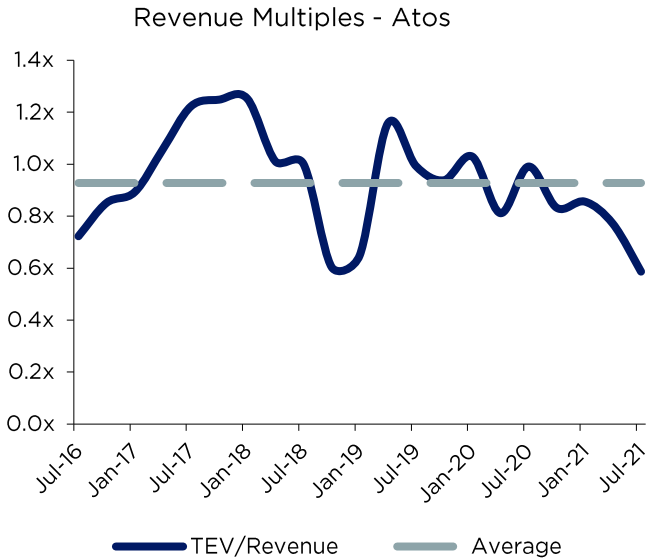
Atos

Atos SE is a France-based IT services provider.

The company generates over EUR 11 billion in annual revenue (the majority of which is generated in Europe), employs approximately 100,000 staff, and operates in 72 countries. Atos provides managed services, consulting and systems integration, Big Data and security, and Worldline (transactional services) across the manufacturing, retail and transportation, public health, telecom, media and utilities, and financial services markets.

Public Basket

Atos



Company Name	Date	Deal Synopsis
Processia Solutions	03-Jun-21	The company was acquired by Atos (PAR: ATO) for an undisclosed amount on June 3, 2021. Through this acquisition, Atos will strengthen its product lifecycle management and engineering solutions franchise, while complementing its current offering of Siemens, PTC and Dassault Systèmes services.
Ipsotek	01-Jun-21	The company was acquired by Atos (PAR: ATO) for an undisclosed amount on June 1, 2021.

Proofpoint

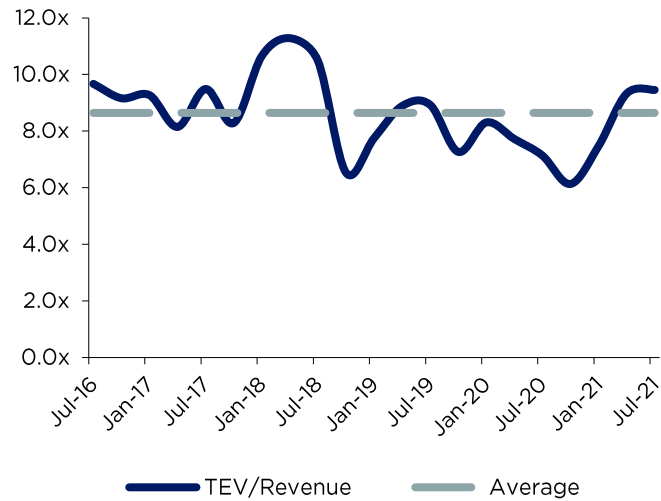
Proofpoint Inc.

is a provider of cloud-based security solutions to large- and mid-sized organizations in a wide range of industries. The firm's solutions are delivered through its security-as-a-service platform, which hosts an integrated set of on-demand data protection applications. These solutions include threat protection, incident response, regulatory compliance, archiving, governance, and secure communication capabilities. The company derives revenue from subscription fees and hardware, training, and professional services fees. A majority of the firm's revenue is generated in the United States.

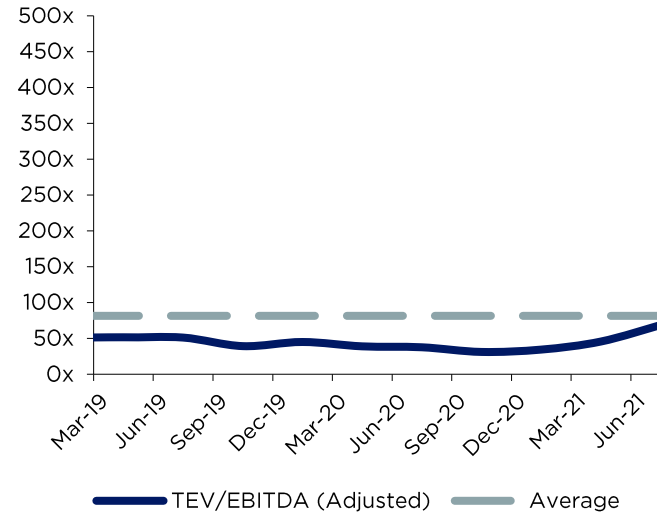
Public Basket

Proofpoint

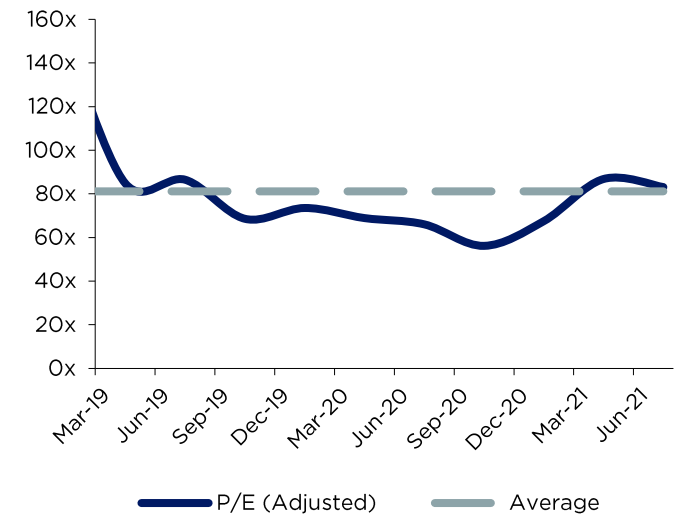
Revenue Multiples - Proofpoint



EBITDA Multiples - Proofpoint



P/E Multiples - Proofpoint



Company Name	Date	Deal Synopsis
InteliSecure	02-Mar-21	The company was acquired by Proofpoint (NAS: PFPT) for \$59.19 million on March 2, 2021. The company will receive a contingent payout of \$3.75 million based on future performance terms.
Defence Works	05-May-20	The company was acquired by Proofpoint (NAS: PFPT) for \$2.76 million on May 5, 2020. The acquisition brings a library of interactive content to Proofpoint's Security Awareness Training portfolio and provides customers innovative content to support their Security Education programs.

Wipro

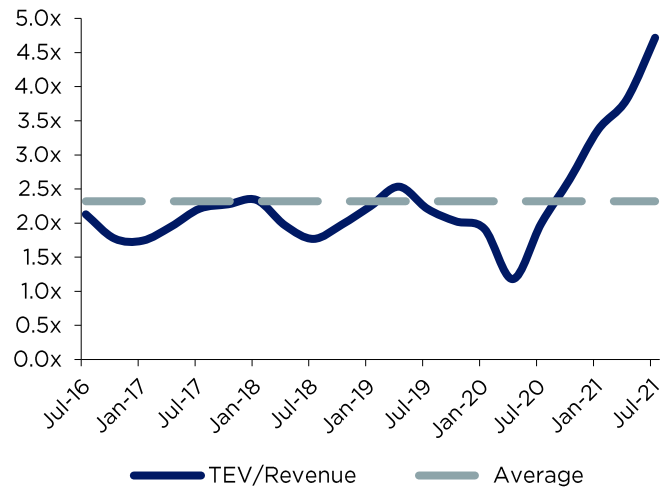
**Wipro is a leading global IT services provider,
with 175,000 employees.**

Based in Bengaluru, the Indian IT services firm leverages its offshore outsourcing model to derive over half of its revenue (57%) from North America. The company offers traditional IT services offerings: consulting, managed services, and cloud infrastructure services as well as business process outsourcing as a service.

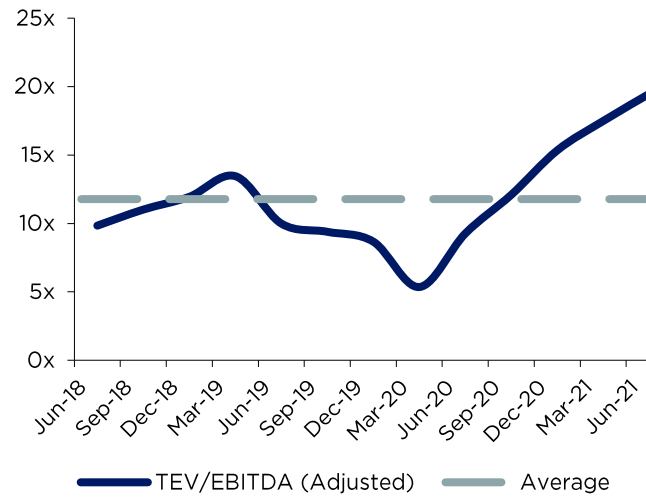
Public Basket

Wipro

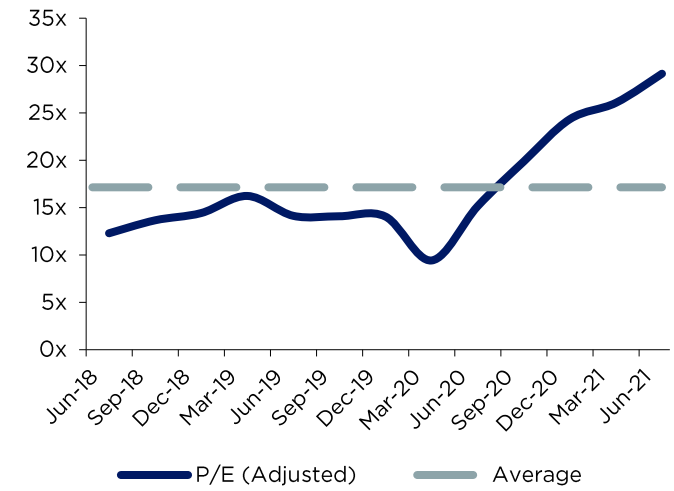
Revenue Multiples - Wipro



EBITDA Multiples - Wipro



P/E Multiples - Wipro



Company Name	Date	Deal Synopsis
Squadcast	02-Jun-21	The company reached a definitive agreement to receive an undisclosed amount of financing from Wipro on June 2, 2021. It plans to close the round by June 30, 2021.
Metro Systems Romania	02-Apr-21	The company, a subsidiary of Metro (Düsseldorf) (ETR : B4B), was acquired by Wipro (BOM: 507685) for an undisclosed amount on April 2, 2021.

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