

7 Mile Advisors



Sectorwatch:

Cybersecurity & Security Services

September 2021



Cybersecurity & Security Services

- 4 [Sector Dashboard](#)
- 5 [Public Basket Overview](#)
- 6 [Public Basket Performance](#)
- 8 [Operational Metrics](#)
- 11 [Valuation 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.

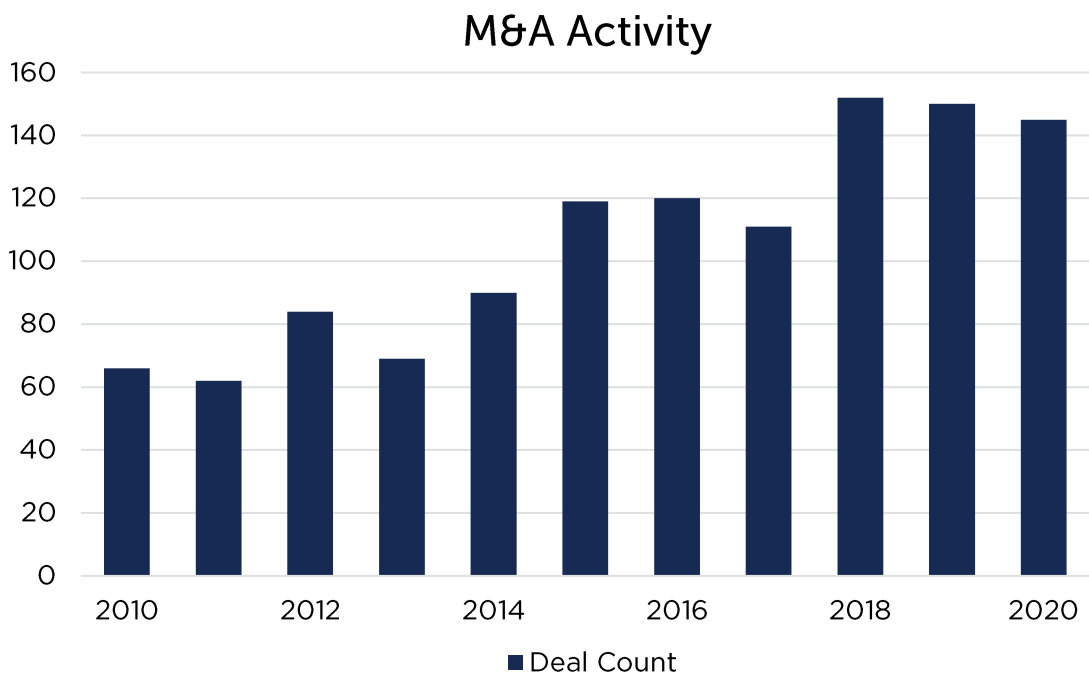
RECENT DEALS

- The most recently announced deals in the sector

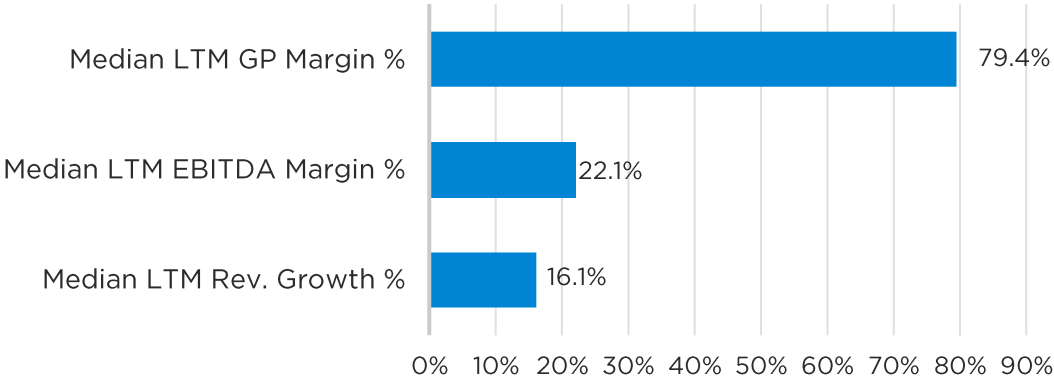
Dashboard

REVENUE GROWTH MOMENTUM ↓ -1.3%

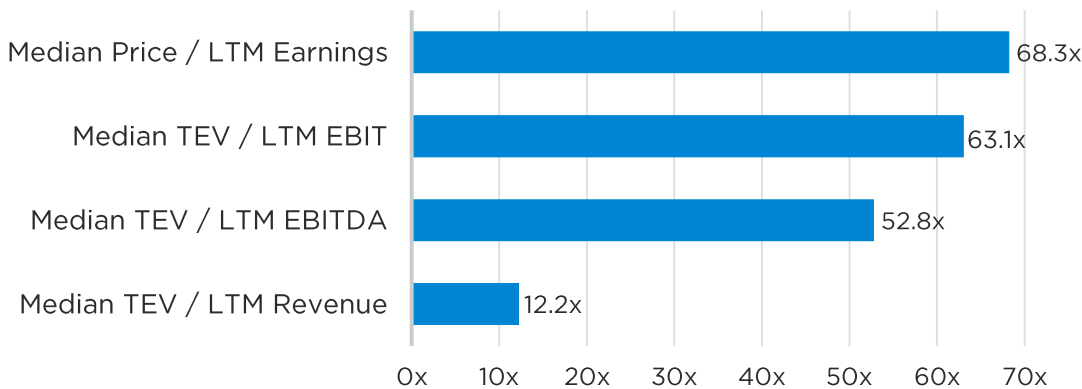
1 - year revenue growth compared to revenue growth average for last 3 years - Current revenue growth rate is less than the average of the last 3 years, indicating that the market may be flattening or declining



Operating Metrics



Valuation

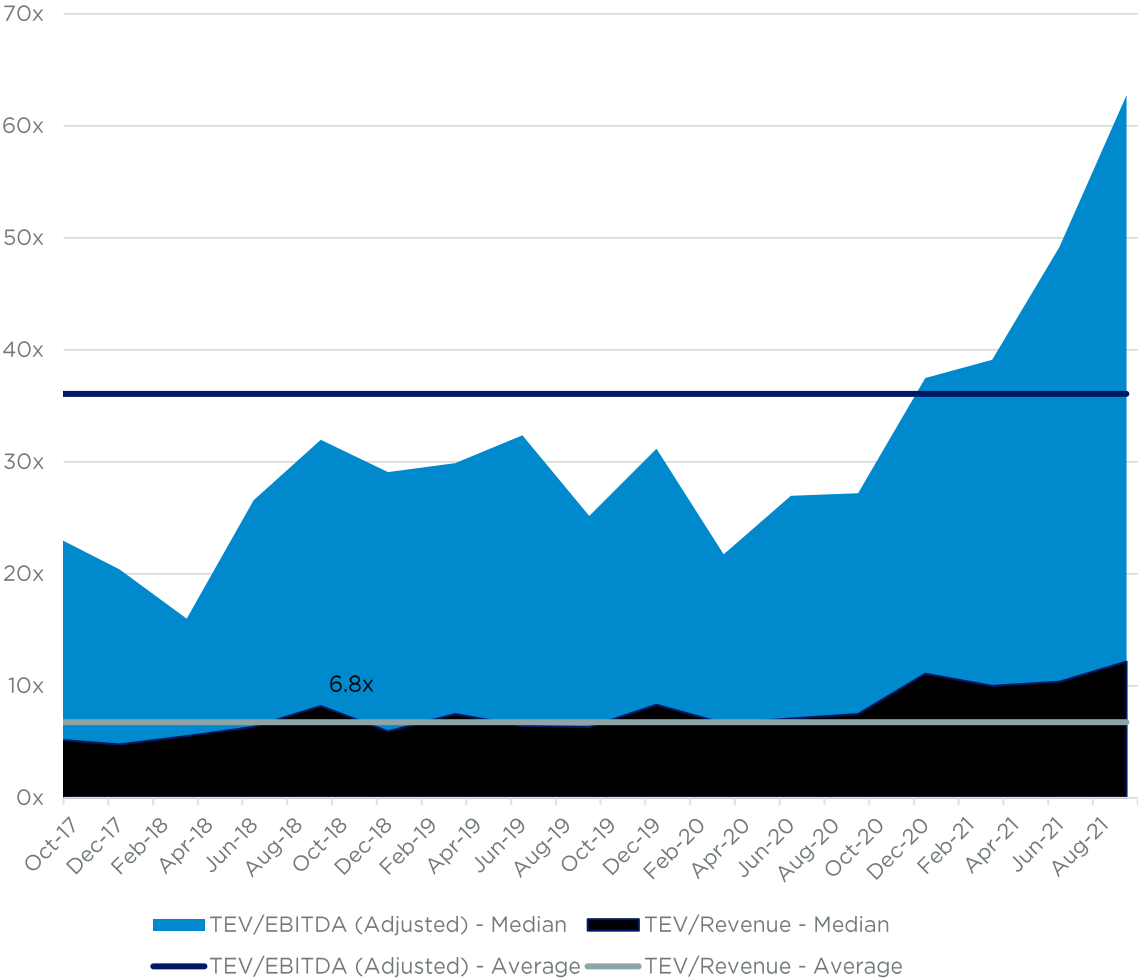


Public Basket

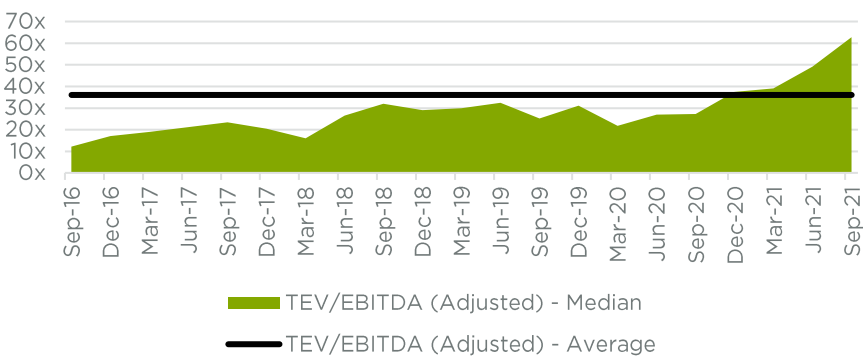
Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
NortonLifeLock	17,708	1,382	2,623	6.9%	85.6%	52.7%	6.8x	12.8x	2,800	937
Rapid7	7,113	41	462	25.6%	69.6%	8.9%	15.4x	172.7x	1,847	250
Splunk	25,188	-14	2,411	2.9%	73.4%	-0.6%	10.4x	-1848.0x	7,573	318
Palo Alto Networks	48,413	1,130	4,256	24.9%	70.0%	26.5%	11.4x	42.9x	9,715	438
Varonis Systems	6,690	14	335	29.4%	84.7%	4.2%	20.0x	480.5x	1,719	195
CyberArk Software	6,241	85	481	6.7%	81.4%	17.7%	13.0x	73.1x	1,689	285
Fortinet	48,814	778	2,911	23.2%	77.7%	26.7%	16.8x	62.7x	9,043	322
F5 Networks	12,277	847	2,536	9.0%	81.2%	33.4%	4.8x	14.5x	6,109	415
Average	21,555	533	2,002	16.1%	78.0%	21.2%	12.3x	-123.6x	5,062	395
Median	14,992	432	2,474	16.1%	79.4%	22.1%	12.2x	52.8x	4,455	320

share price as of 27Sep21

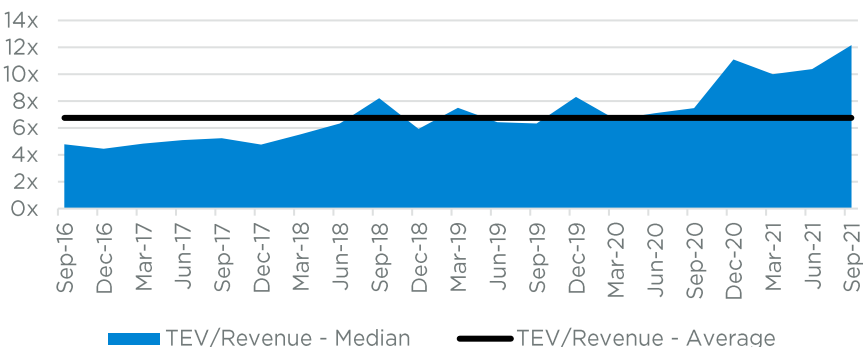
Public Basket



Public EBITDA Multiples over Time

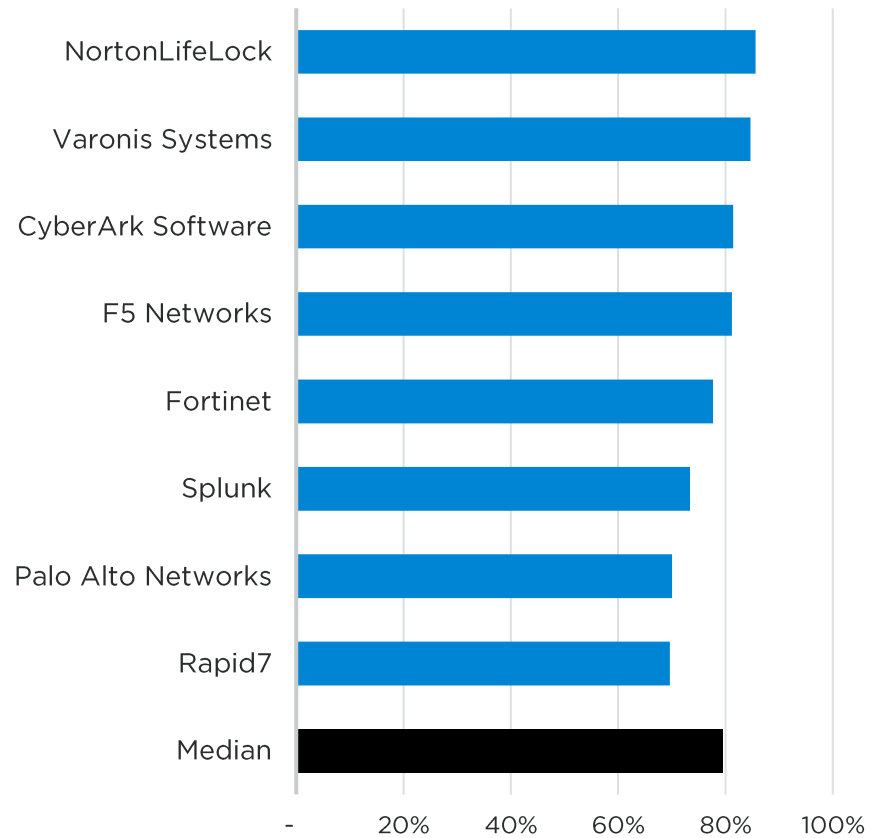


Public Revenue Multiples over Time

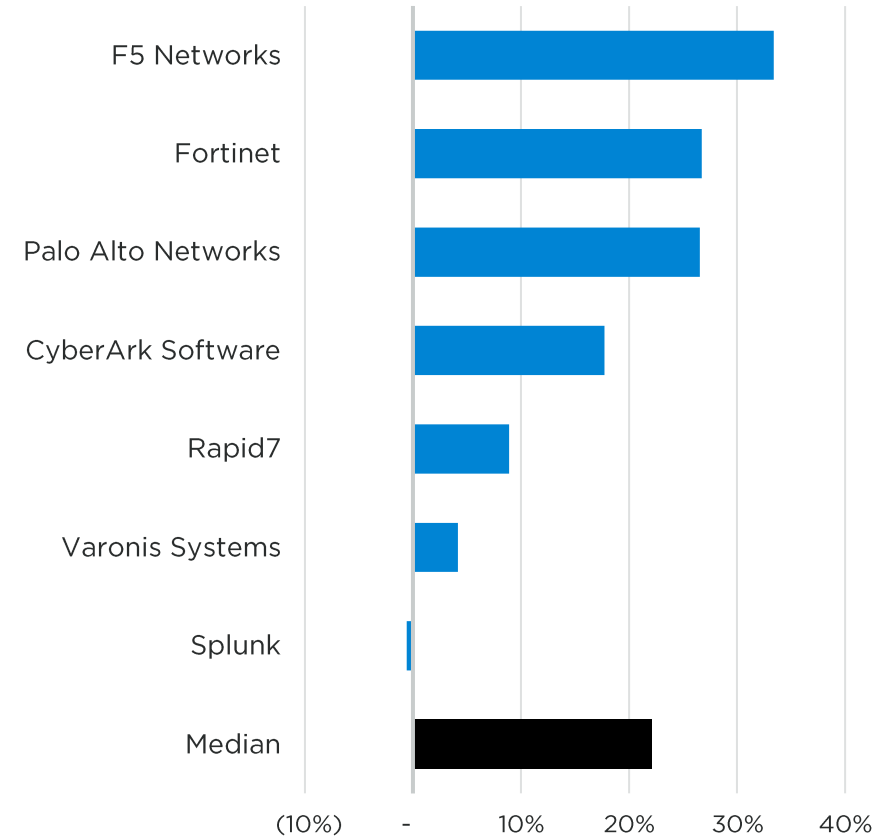


Operational Metrics

LTM Gross Profit Margin %

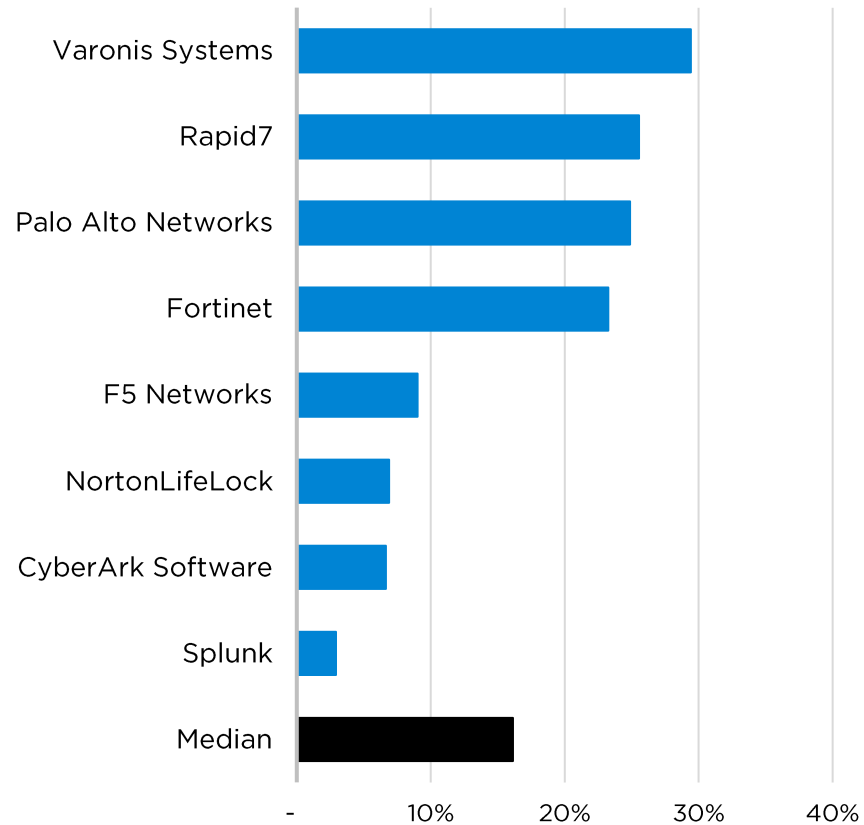


LTM EBITDA %

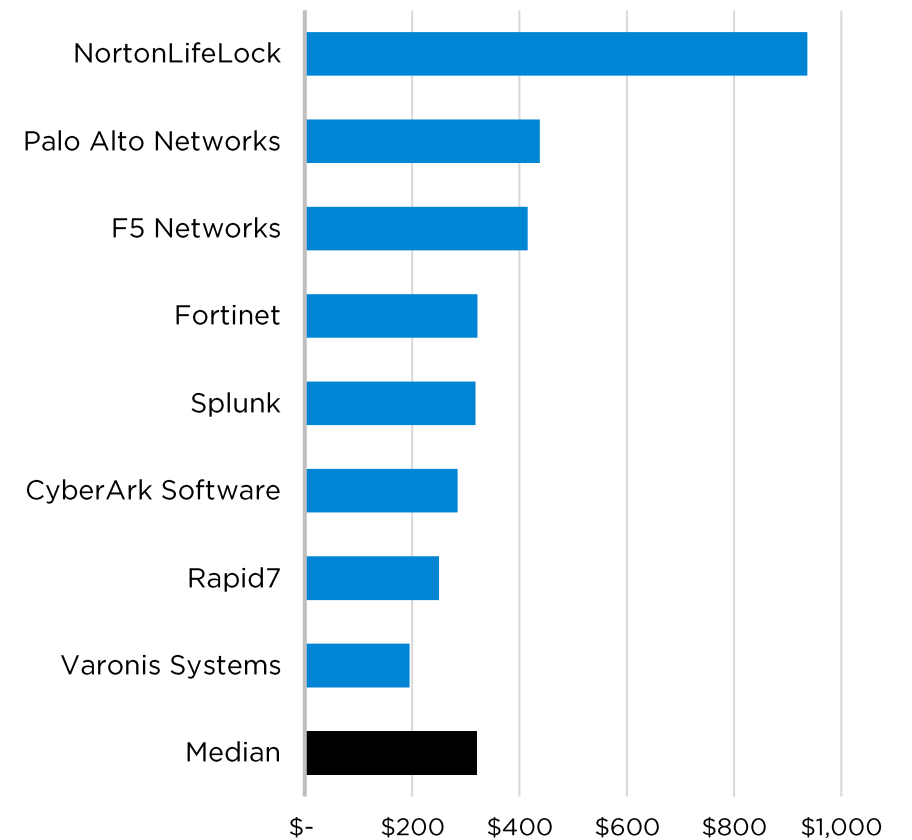


Operational Metrics

LTM Revenue Growth %

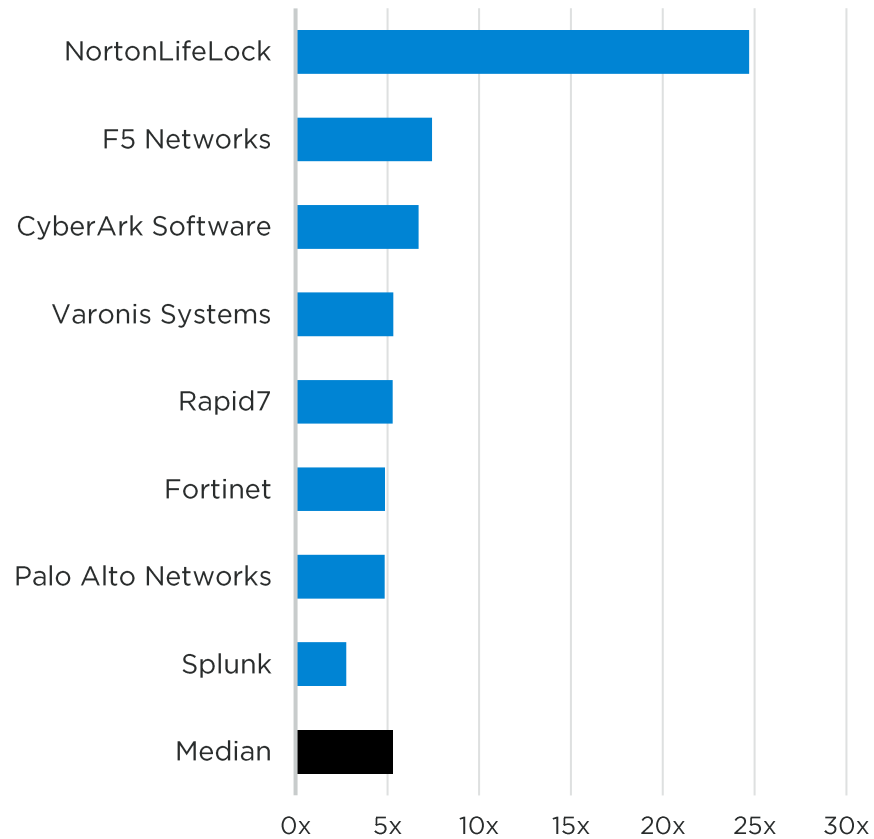


LTM Revenue per Full Time Employee x 000's

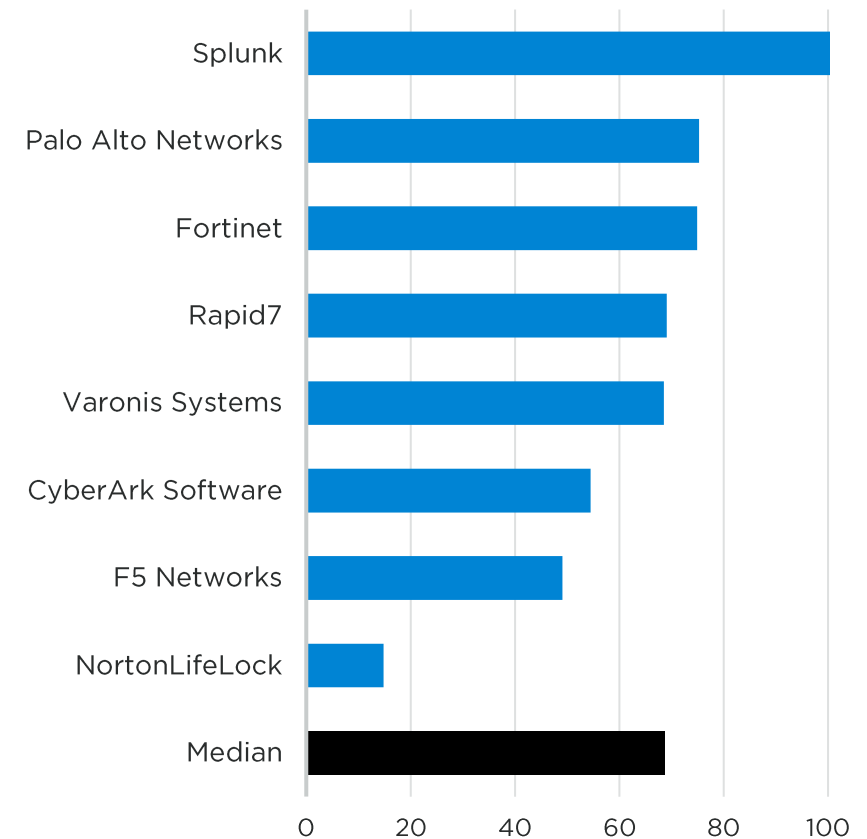


Operational Metrics

Accounts Receivable Turnover

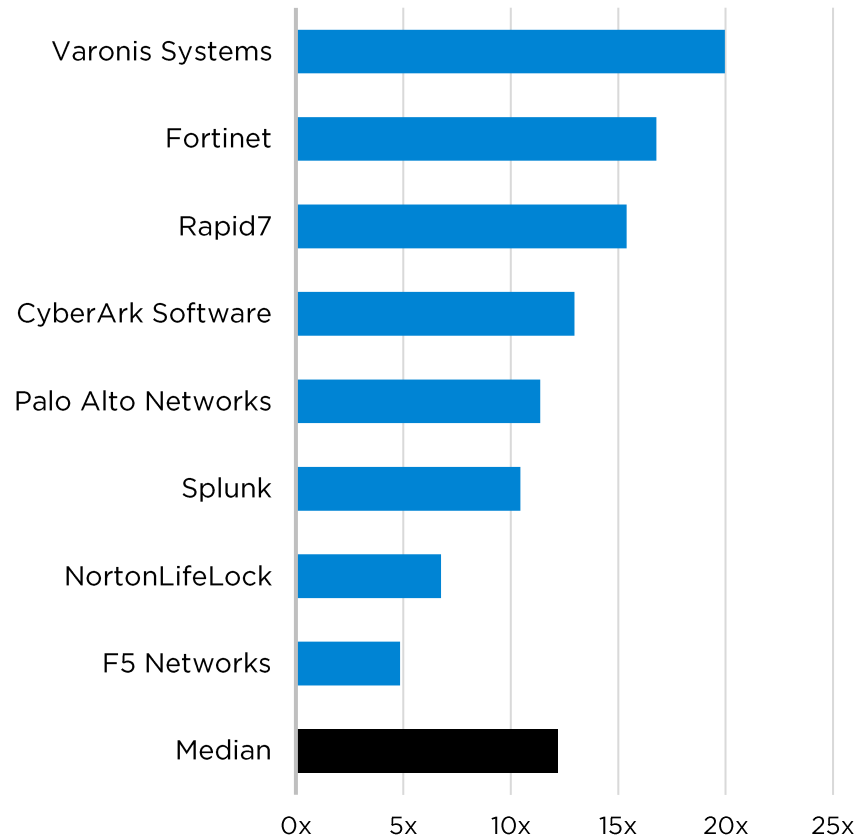


Average Days Sales Outstanding

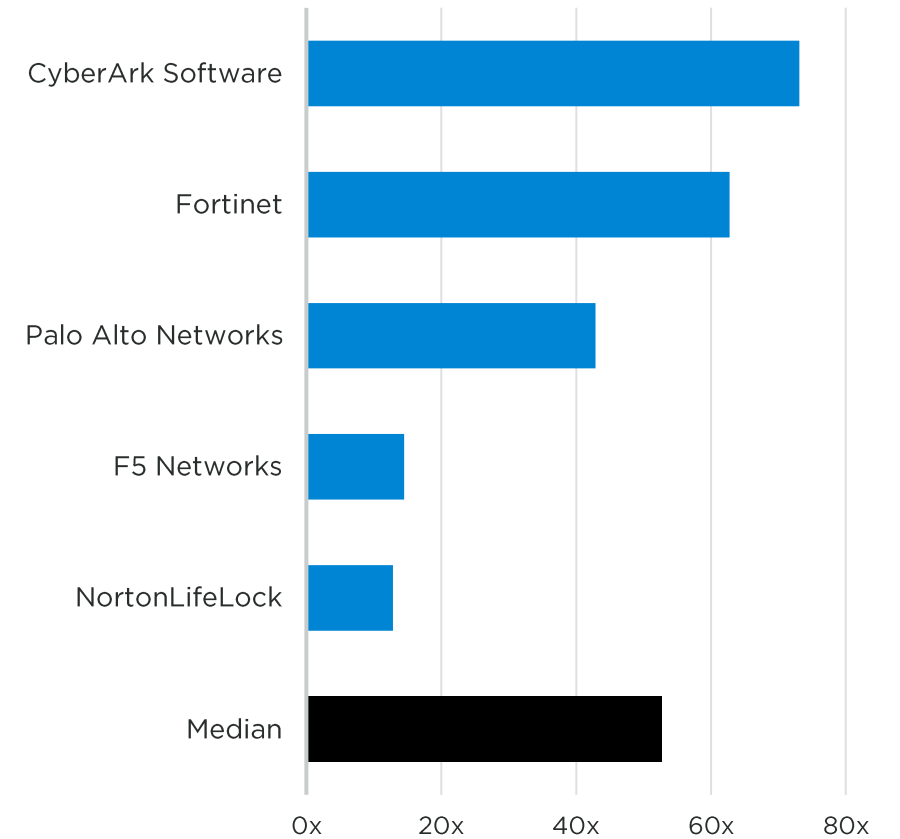


Valuation

TEV / LTM Revenue

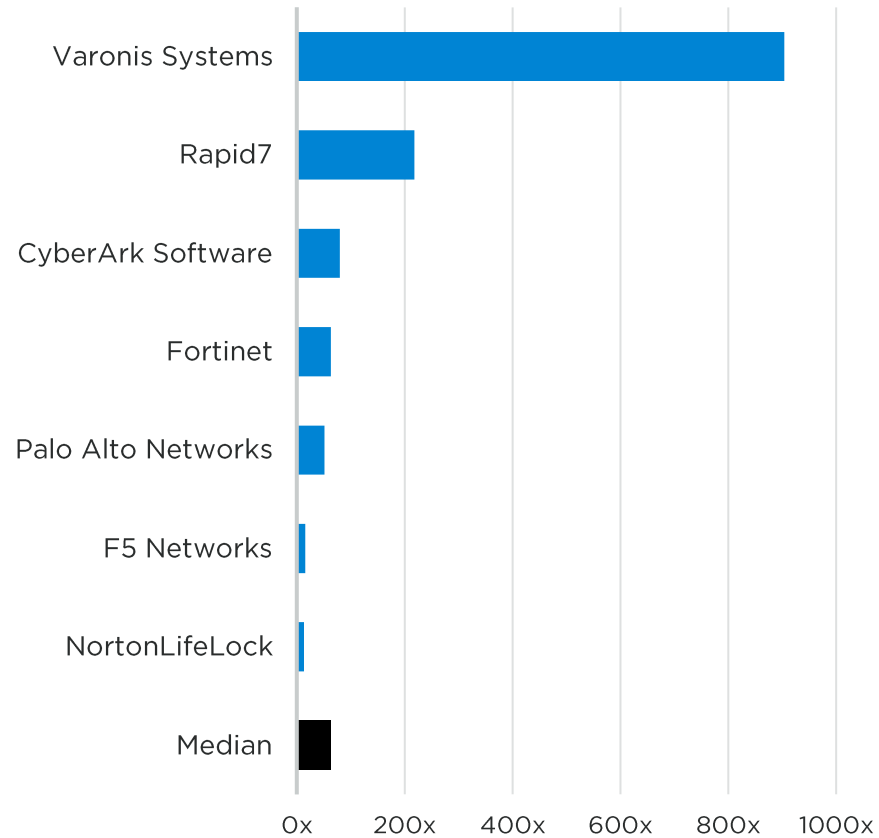


TEV / LTM EBITDA

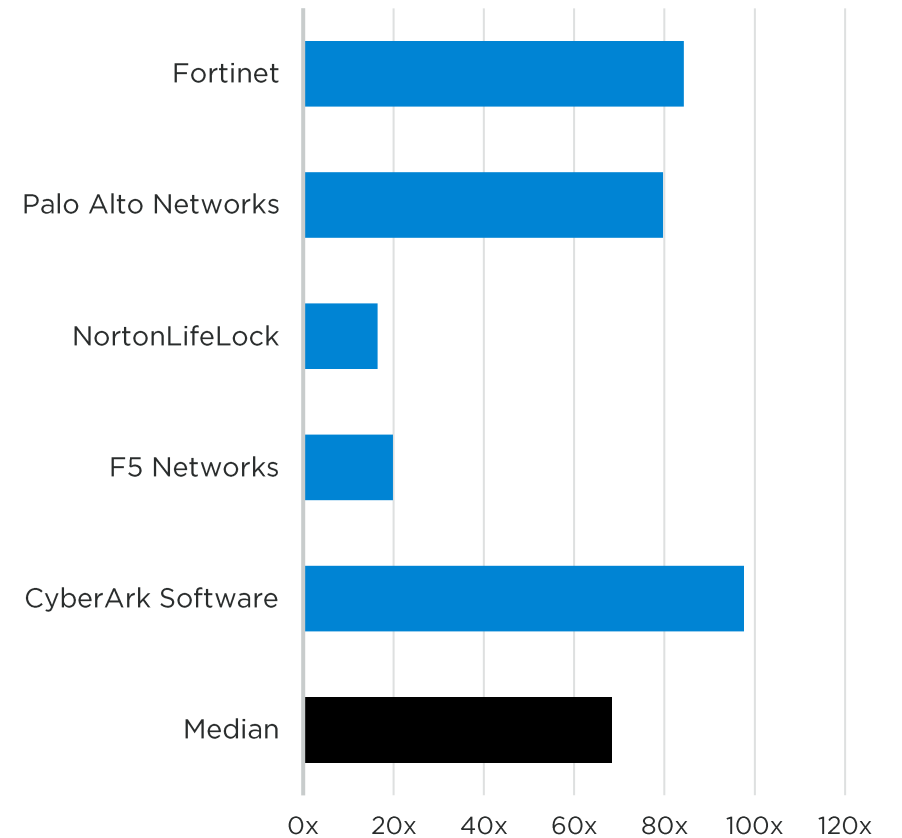


Valuation

TEV / LTM EBIT

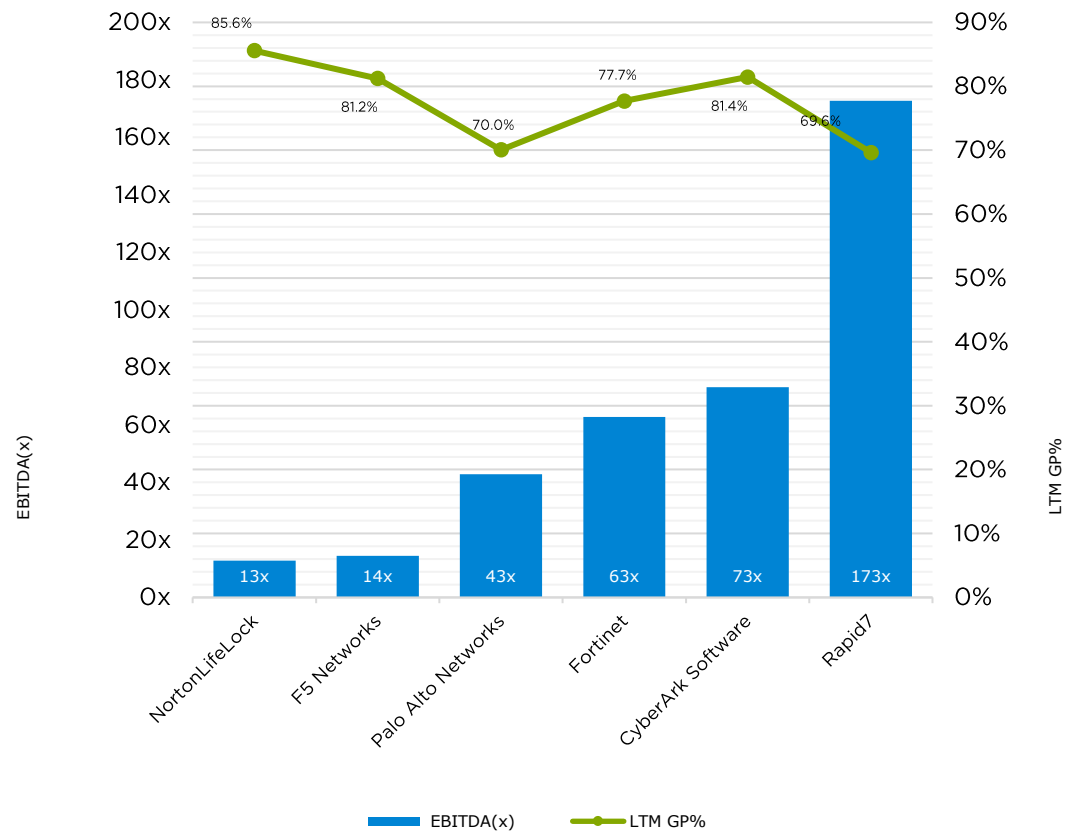


Price / LTM Earnings

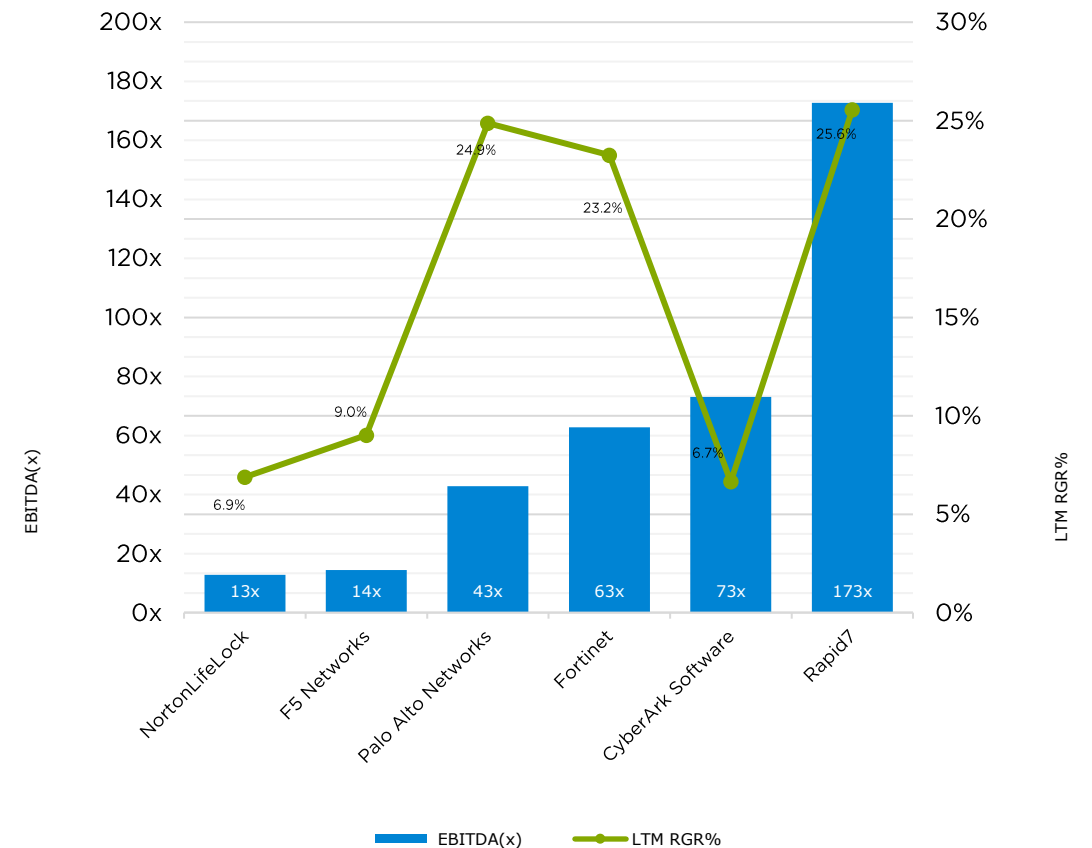


Valuation

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
16-Sep-21	OmniNet	Cytracom	-	-	-	-
14-Sep-21	VariQ	Capgemini	-	-	-	-
13-Sep-21	Tracepoint	Booz Allen	-	-	-	-
10-Aug-21	Gotham Security	Govanguard	-	-	-	-
09-Aug-21	Turnkey Business Software	Kick IT (IT services business)	-	-	-	-
06-Aug-21	Ampion	Wipro	86.53	-	-	-
03-Aug-21	aeSolutions	Deloitte	-	-	-	-
26-Jul-21	Sentek Global	Deloitte	-	-	-	-
26-Jul-21	Simplicit Technologies	Palmer Technology Solutions	-	-	-	-
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	-	-	-
21-Jun-21	Integrity360	August Equity	-	-	-	-
18-Jun-21	CyberPayments Solutions	Card Z3N	-	-	-	-
16-Jun-21	Integrity	Devoteam	15.98	-	-	-
26-May-21	Nethive	Alcedo	236.44	-	-	-
24-Jun-21	I-Tracing	Eurazeo	102.85	-	-	-
11-May-21	Omegapoint	FSN Capital	-	54.23	-	-

Appendix

*Public Basket
Contact Information*

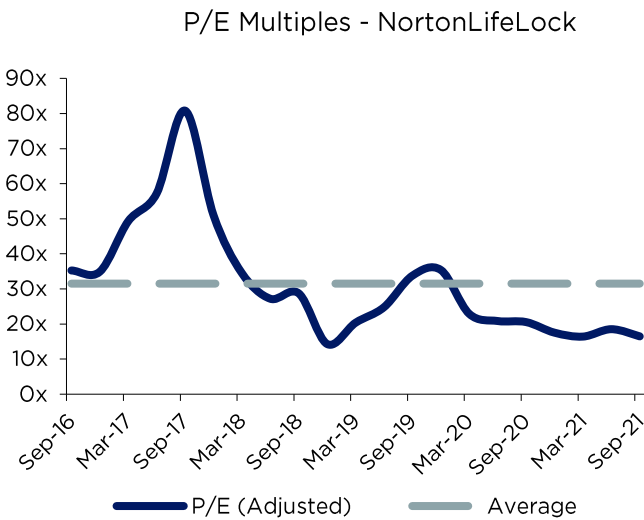
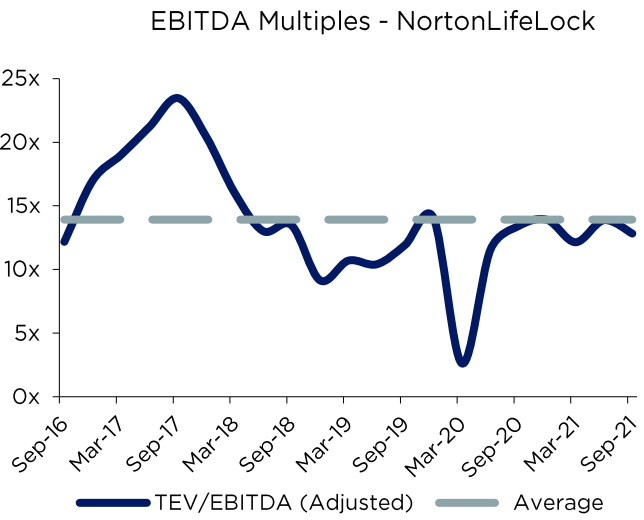
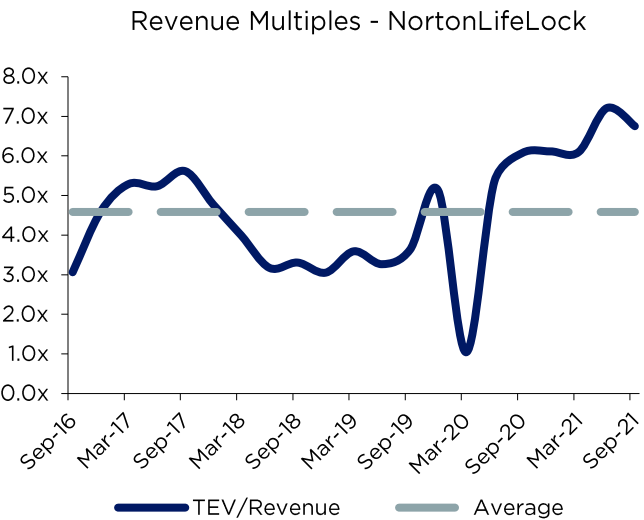
NortonLifeLock

NortonLifeLock sells cybersecurity and identity protection for individual consumers through its Norton antivirus and LifeLock brands.

The company divested the Symantec enterprise security business to Broadcom in 2019. The Arizona-based company was founded in 1982, went public in 1989, and sells its solutions worldwide.

Public Basket

NortonLifeLock



Company Name	Date	Deal Synopsis
Avast Software	11-Aug-21	The company (LON: AVST) reached a definitive agreement to be acquired by NortonLifeLock (NAS: NLOK) for \$8.6 billion on August 11, 2021. The deal will help NortonLifeLock, which primarily deals with consumer cyber safety, expand its focus to consumer software.
Avira Operations	08-Jan-21	The company was acquired by NortonLifeLock (NAS: NLOK) for \$360 million on January 8, 2021.

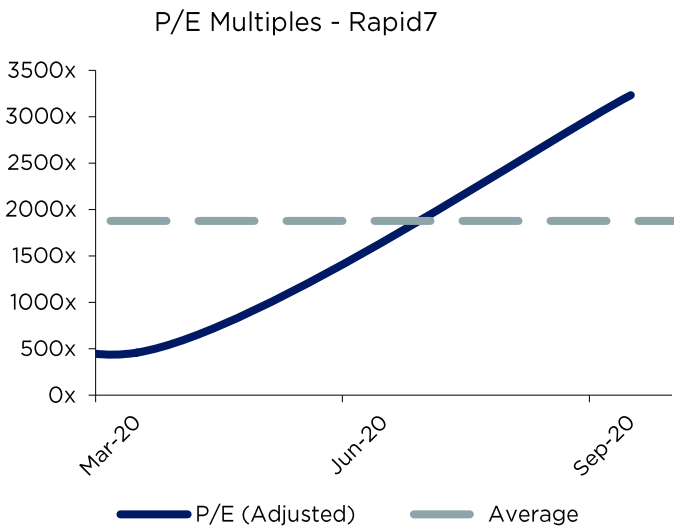
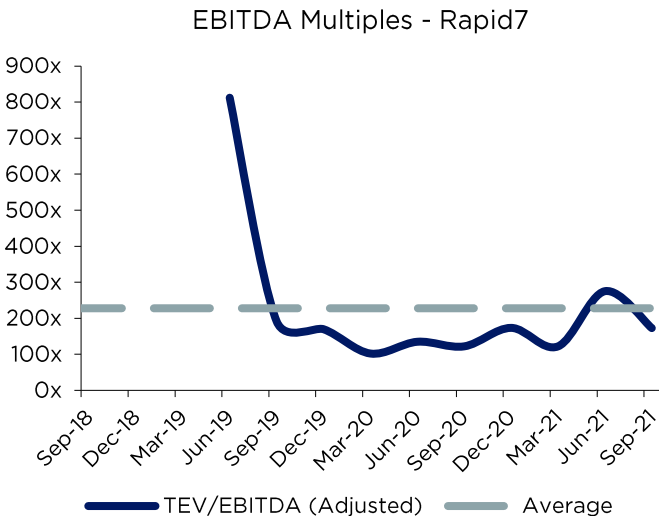
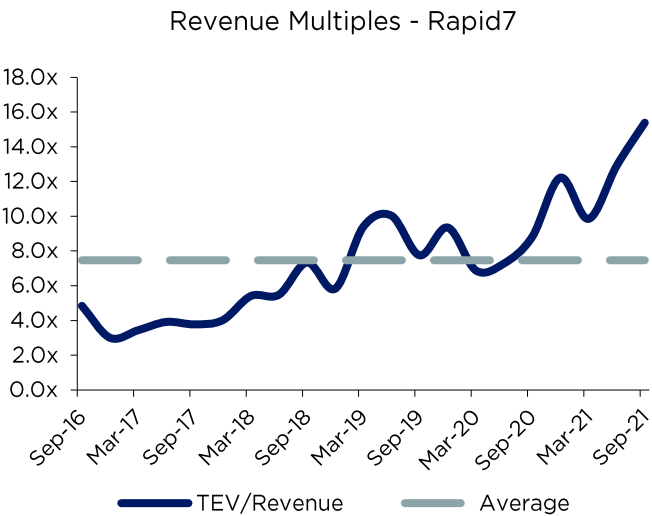
Rapid7

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.

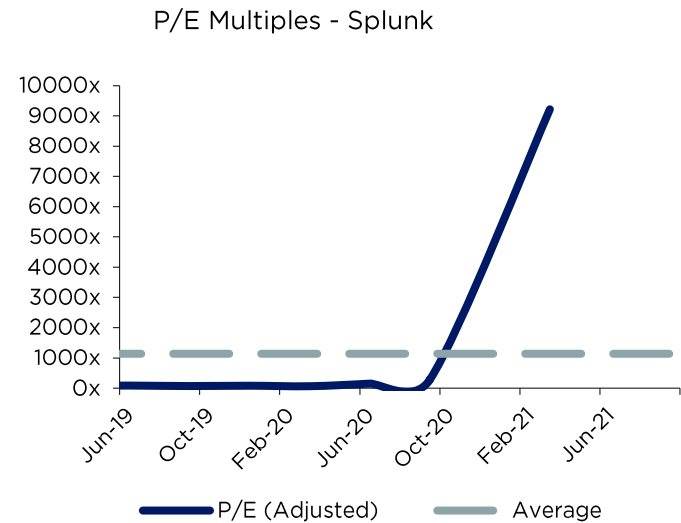
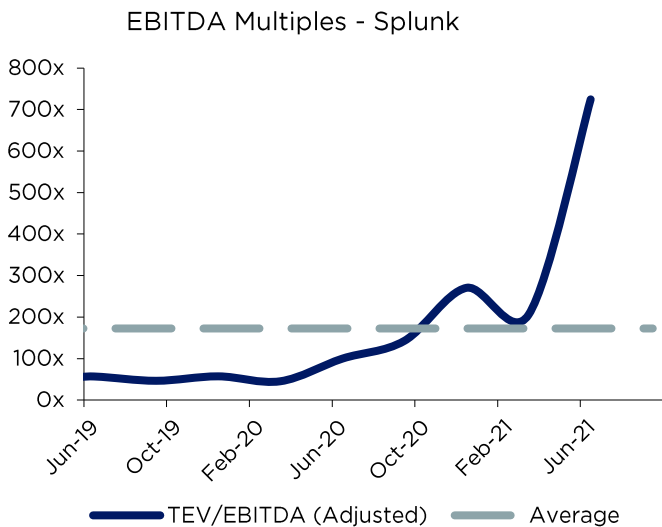
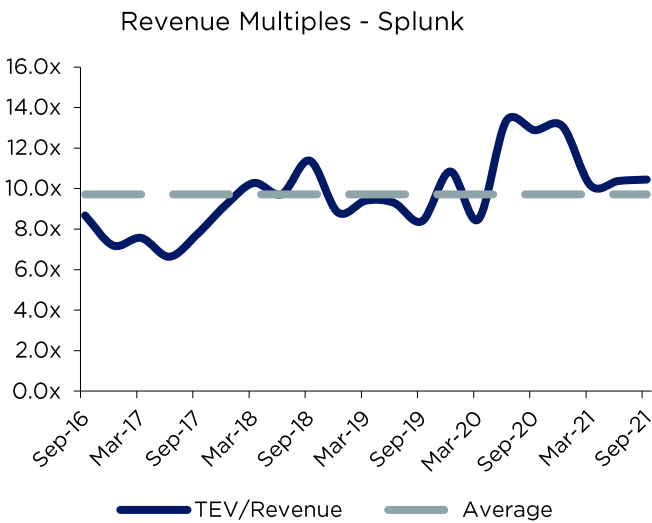
Splunk

Splunk provides software for machine log analysis.

Its flagship solution, Splunk Enterprise, is employed across a multitude of use cases, including application management, IT operations, and security. The company has historically deployed its solutions on-premises, but the software-as-a-service delivery model is growing in popularity with Splunk Cloud. The company derives revenue from software licenses, as well as cloud subscriptions, maintenance, and support.

Public Basket

Splunk



Company Name	Date	Deal Synopsis
Fletch (Database Software)	01-Jul-21	The company raised an undisclosed amount of venture funding from GV, Splunk and Real Ventures on July 1, 2021. DCVC and August Capital also participated in the round.
TruSTAR (Network Management Software)	18-May-21	The company reached a definitive agreement to be acquired by Splunk (NAS: SPLK) for an undisclosed amount on May 18, 2021. With this acquisition, Splunk further expands its existing security capabilities, giving customers the ability to access all their data to cut through complexity, drive highly effective detection and respond to threats faster and in an autonomous fashion.

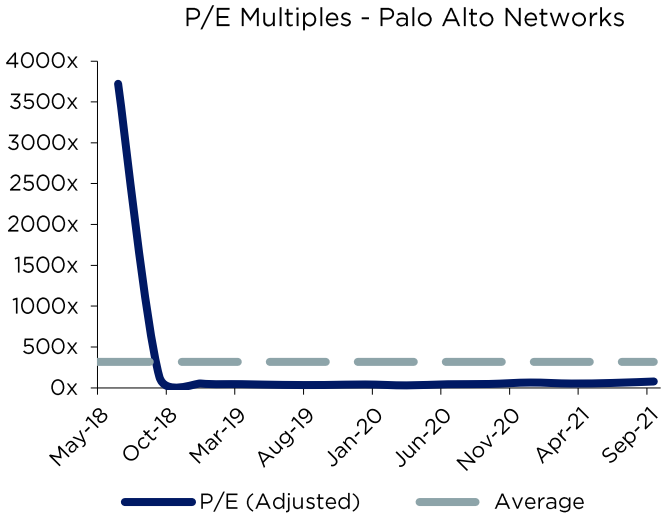
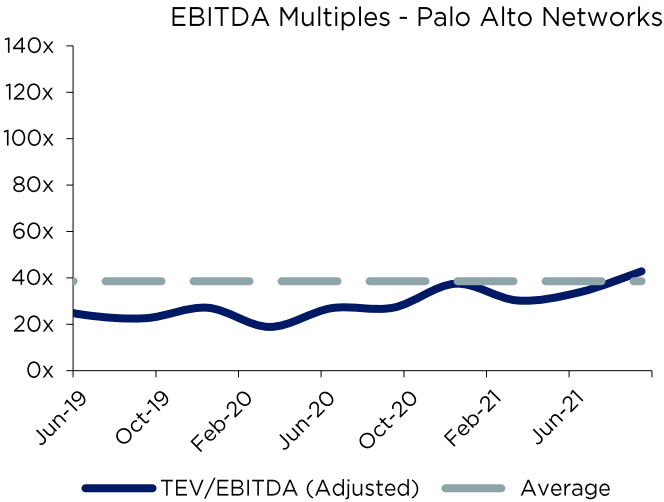
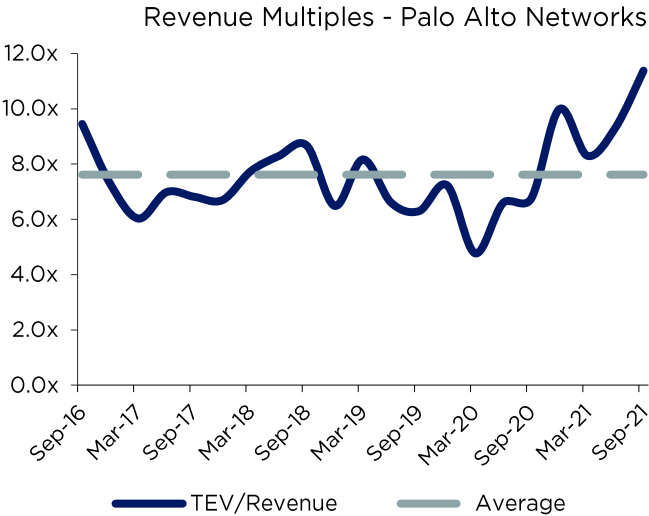
Palo Alto Networks

Palo Alto Networks is a pure-play cybersecurity vendor that sells security appliances, subscriptions, and support into enterprises, government entities, and service providers.

The company's product portfolio includes firewall appliances, virtual firewalls, endpoint protection, cloud security, and cybersecurity analytics. The Santa Clara, California, firm was established in 2005 and sells its products worldwide.

Public Basket

Palo Alto Networks



Company Name	Date	Deal Synopsis
Bridgecrew	02-Mar-21	The company was acquired by Palo Alto Networks (NYS: PANW) for \$156.9 million on March 2, 2021.
Expanse	15-Dec-20	The company was acquired by Palo Alto Networks (NYS: PANW) for \$797.2 million on December 15, 2020. The deal comprised approximately \$775.6 million in cash and stock, and approximately \$21.6 million in replacement equity awards to acquire the company.

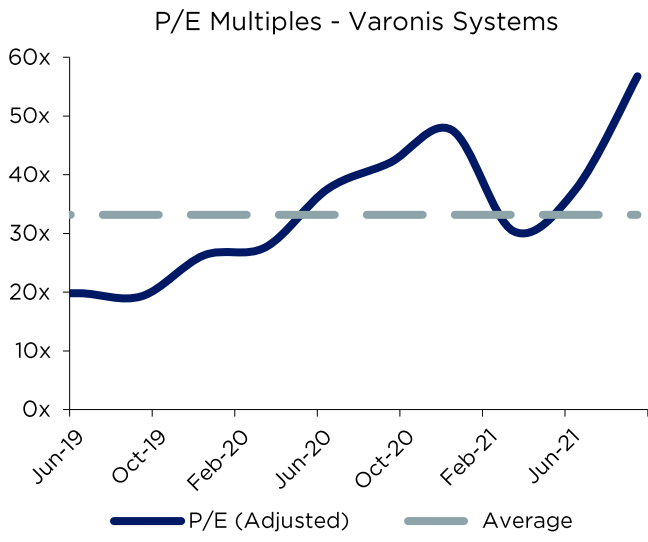
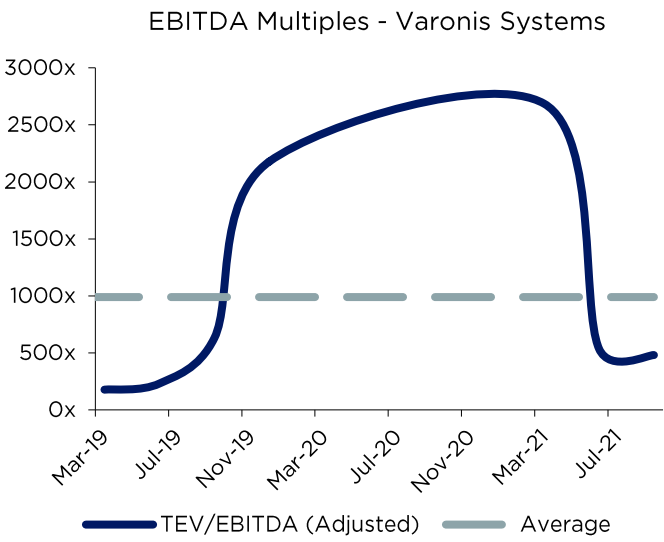
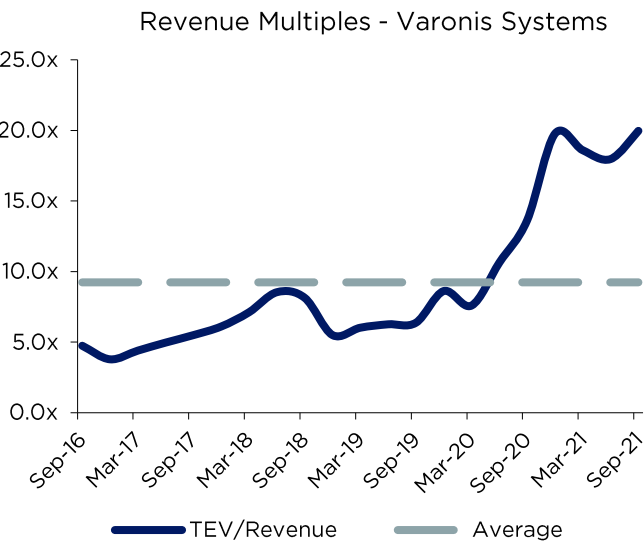
Varonis Systems

Varonis Systems Inc provides software solutions that protect data from insider threats and cyber attacks.

The company, through its software, allows organizations to protect data stored on premises and on a cloud, such as sensitive files and emails; confidential customer, patient and employee data; financial records; strategic and product plans; and other intellectual property.

Public Basket

Varonis Systems



Company Name	Date	Deal Synopsis
Polyrize	08-Feb-21	The company was acquired by Varonis Systems (NAS: VRNS) for an undisclosed amount on February 8, 2021. The acquisition will help the company to expand its data security platform to cover additional cloud applications and infrastructure.

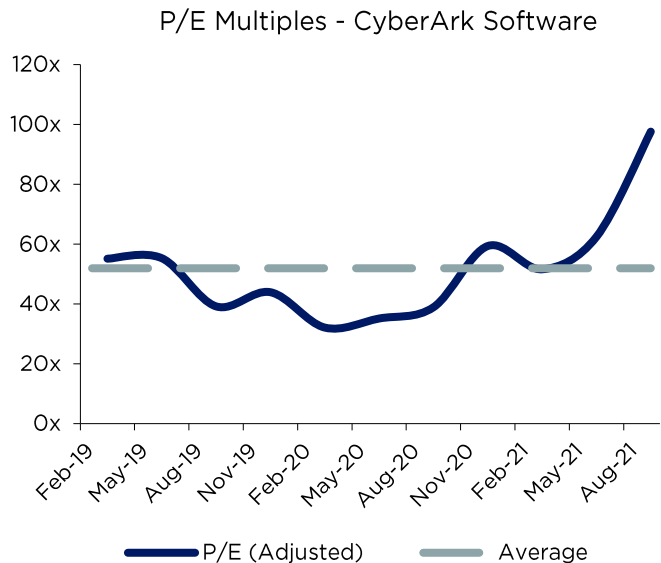
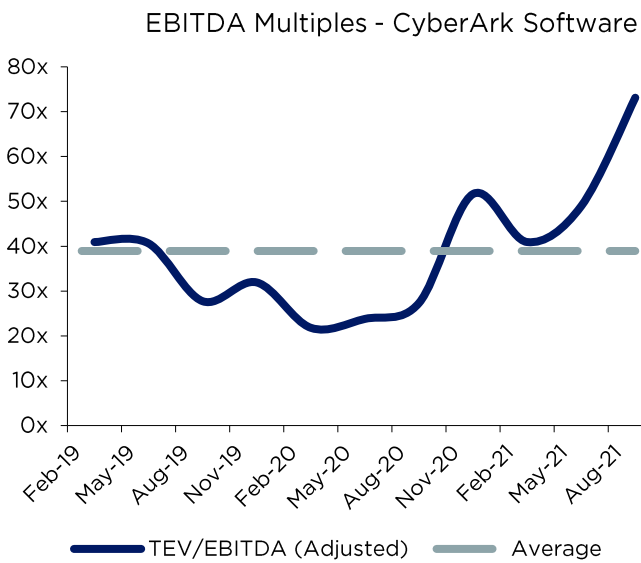
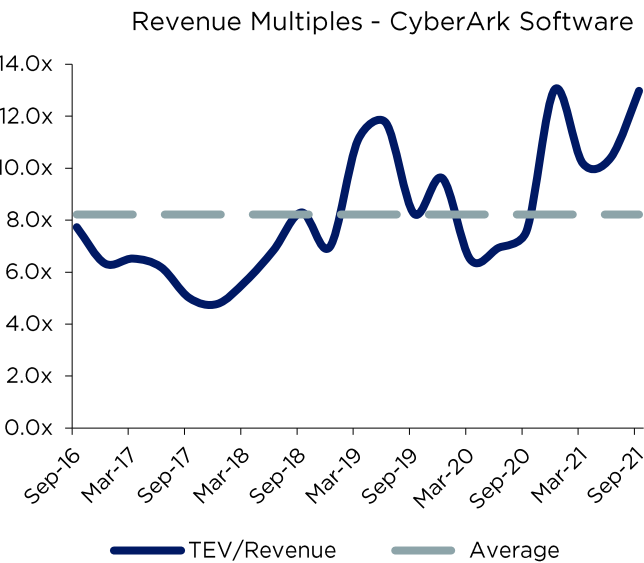
CyberArk Software

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, a subsidiary of Centrify, 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.

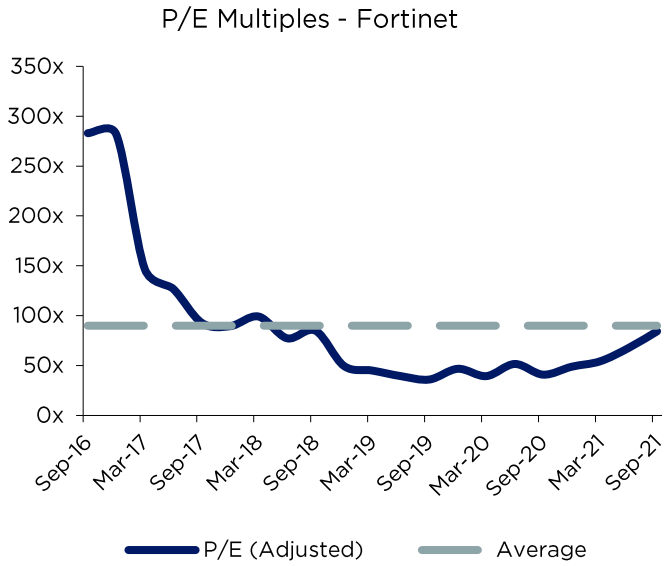
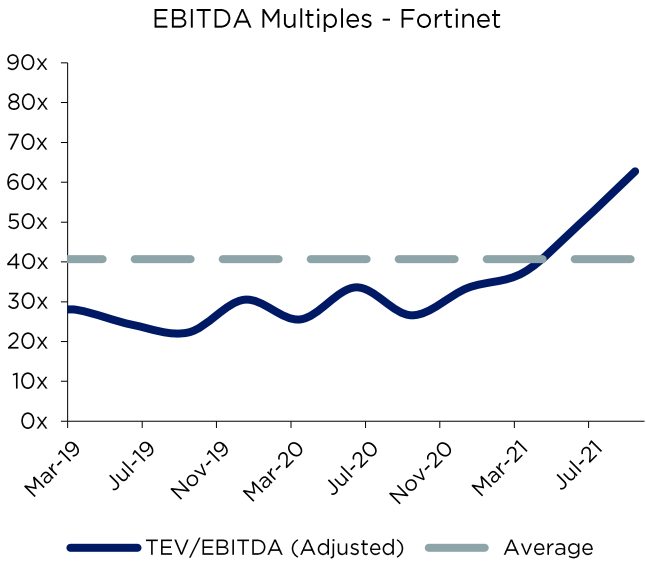
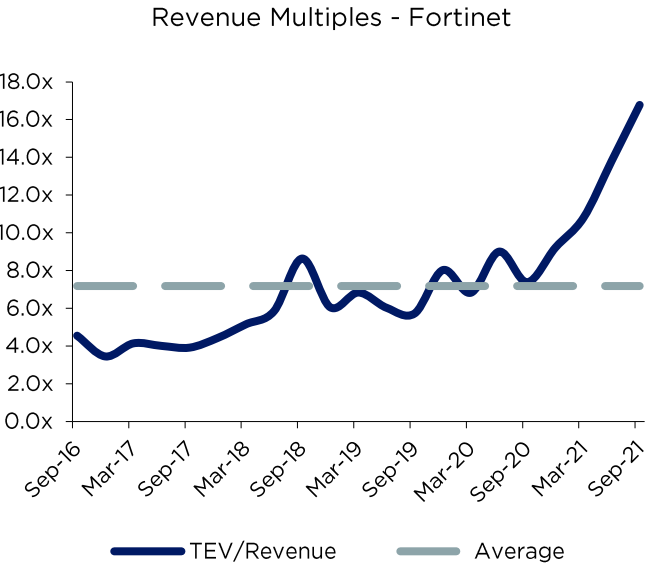
Fortinet

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
Sken.ai	07-Jul-21	The company was acquired by Fortinet (NAS: FTNT) for an undisclosed amount on July 7, 2021.
The Linksys Group	19-Mar-21	The company received \$75 million of financing from Fortinet on March 19, 2021.

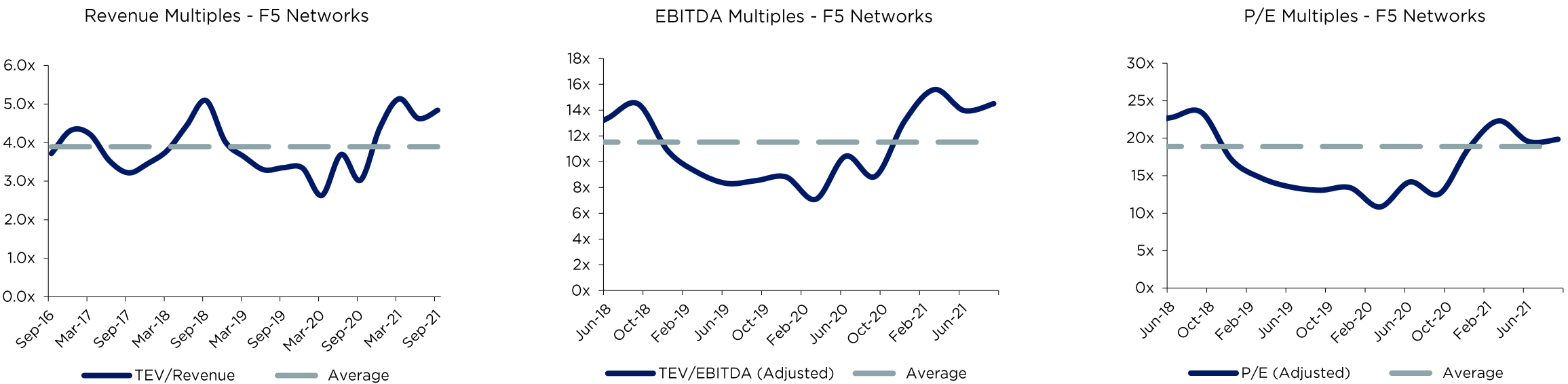
F5 Networks

F5 Networks is a market leader in the application delivery controller market.

The company sells products for networking traffic, security, and policy management. Its products ensure applications are safely routed in efficient manners within on-premises data centers and across cloud environments. More than half of its revenue is based on providing services, and its three customer verticals are enterprises, service providers, and government entities. The Seattle-based firm was incorporated in 1996 and generates sales globally.

Public Basket

F5 Networks



Company Name	Date	Deal Synopsis
Threat Stack	20-Sep-21	The company reached a definitive agreement to be acquired by F5 Networks (NAS: FFIV) for \$68 million on September 20, 2021.
Volterra	22-Jan-21	The company was acquired by F5 Networks (NAS: FFIV) for \$427.2 million on January 22, 2021.

Contact Info

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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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