

7 Mile Advisors



Sectorwatch:

Cybersecurity & Security Services

April 2022



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

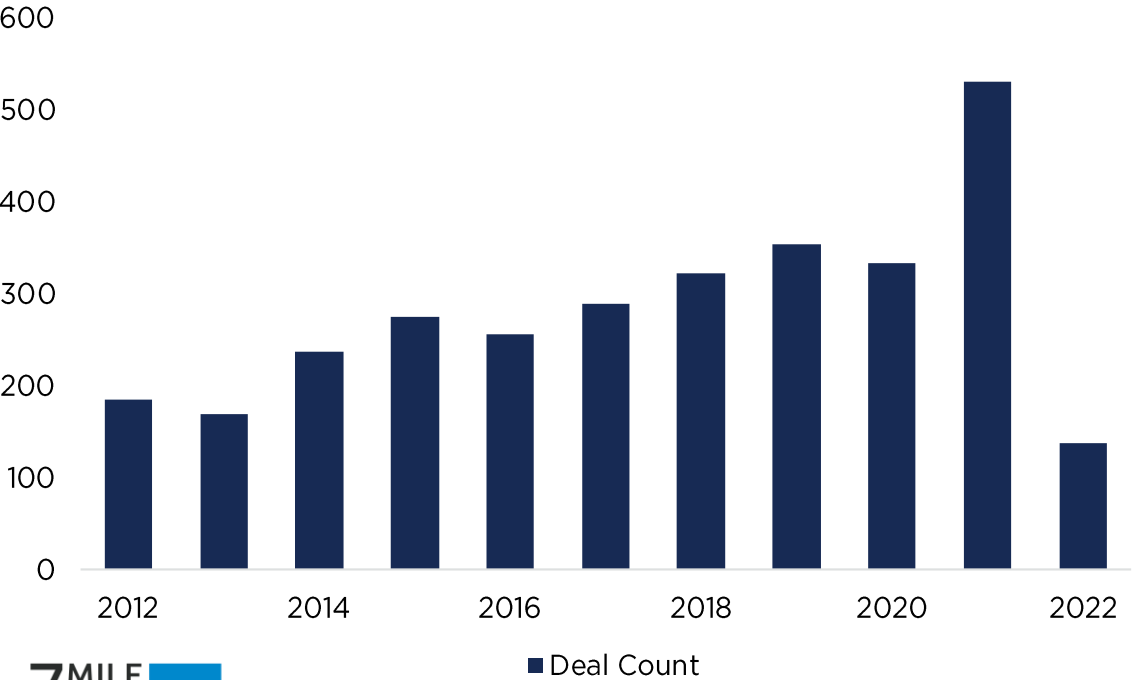
- The most recently announced deals in the sector

Dashboard

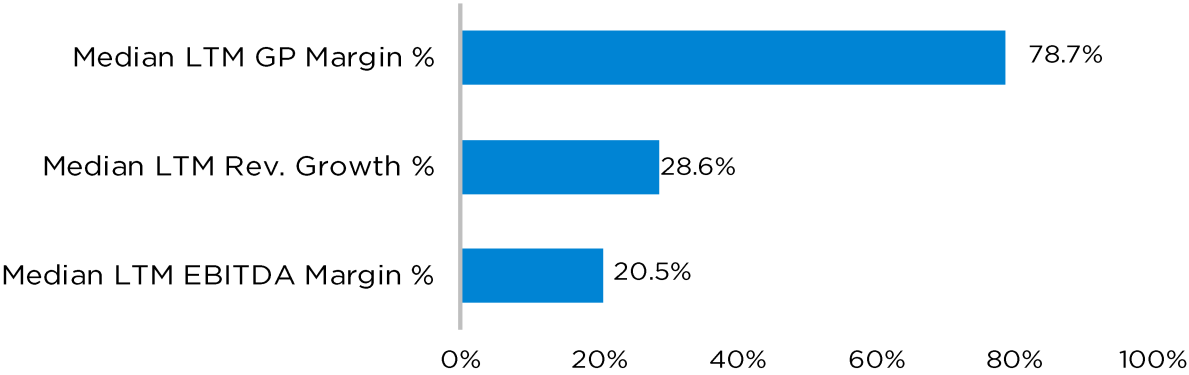
REVENUE GROWTH MOMENTUM ↑10.0%

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

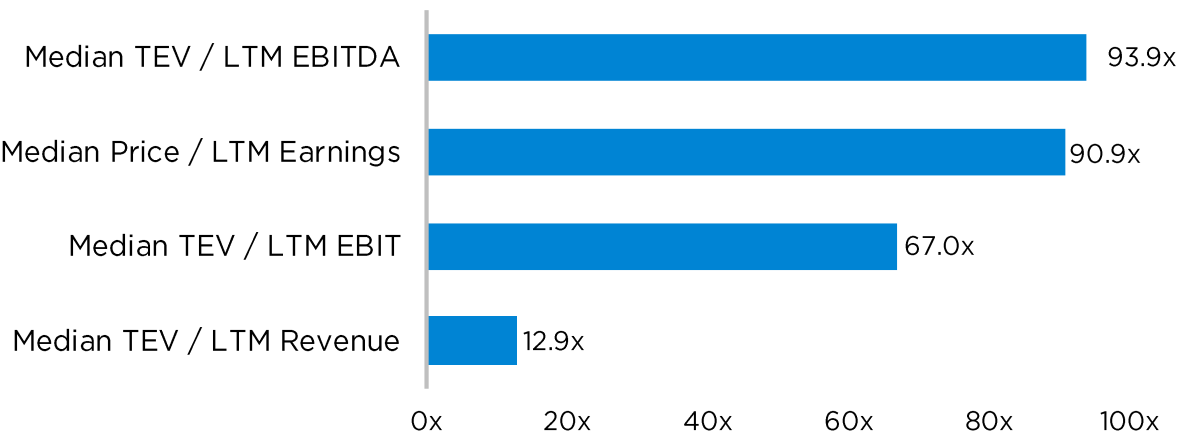
M&A Activity



Operating Metrics



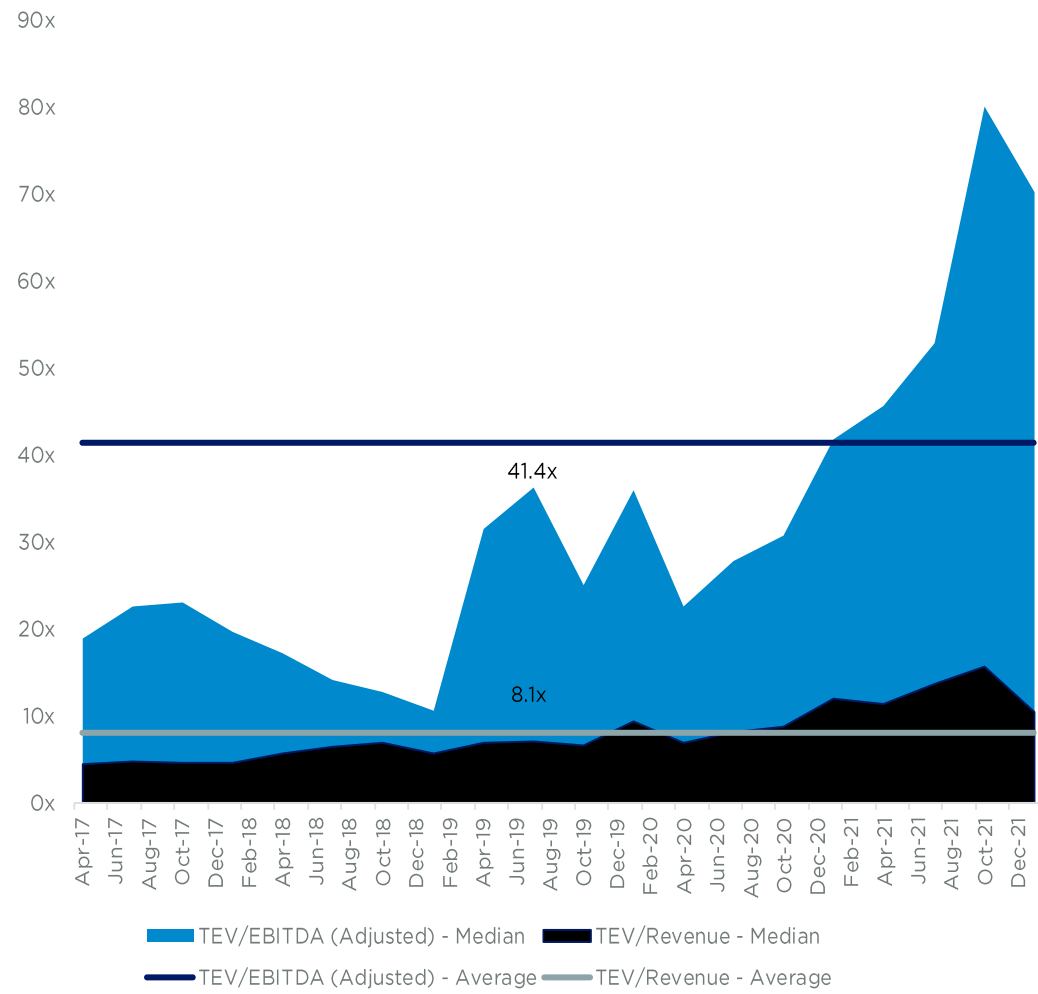
Valuation



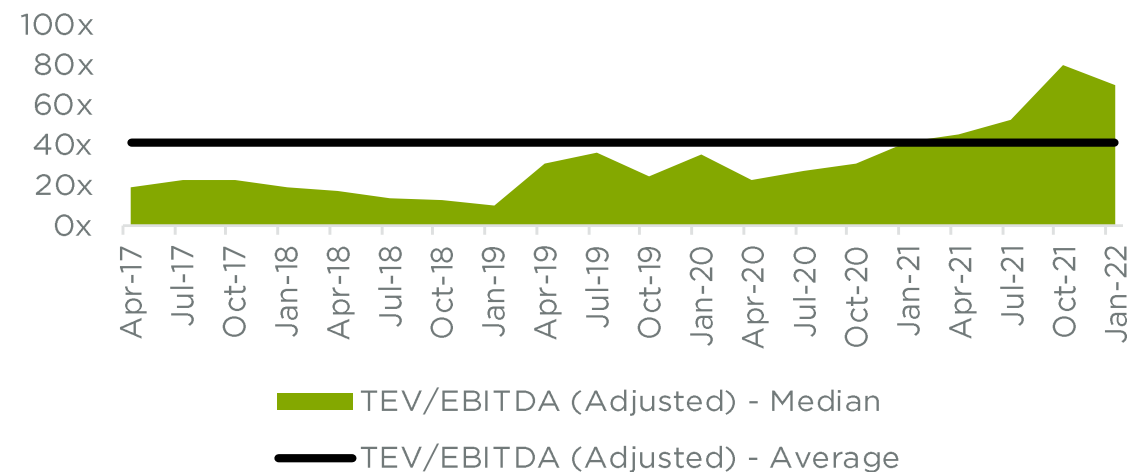
Public Basket

Company	TEV \$m	LTM EBITDA \$m	LTM Rev \$m	Rev Growth YoY	GP %	EBITDA %	TEV / Rev X	TEV / EBITDA X	# FTEs	Rev / FTE \$k
Varonis Systems	4,922	28	390	33.3%	84.8%	7.2%	12.6x	174.1x	2,065	189
CyberArk Software	6,519	49	503	8.3%	81.4%	9.8%	13.0x	132.1x	2,140	235
Rapid7	7,242	37	535	30.1%	68.4%	6.9%	13.5x	194.7x	2,353	228
F5 Networks	11,959	892	2,666	10.8%	80.7%	33.5%	4.5x	13.4x	6,461	413
NortonLifeLock	17,664	1,463	2,752	10.4%	85.2%	53.2%	6.4x	12.1x	2,800	983
Splunk	23,788	13	2,674	19.9%	72.5%	0.5%	8.9x	1890.0x	7,500	356
CrowdStrike	53,071	257	1,452	66.0%	73.6%	17.7%	36.6x	206.4x	4,965	292
Fortinet	51,806	930	3,342	28.8%	76.6%	27.8%	15.5x	55.7x	10,195	328
Palo Alto Networks	62,344	1,129	4,858	28.4%	69.6%	23.3%	12.8x	55.2x	11,527	421
Average	26,590	533	2,130	26.2%	77.0%	20.0%	13.8x	303.7x	5,556	383
Median	17,664	257	2,666	28.4%	76.6%	17.7%	12.8x	132.1x	4,965	328

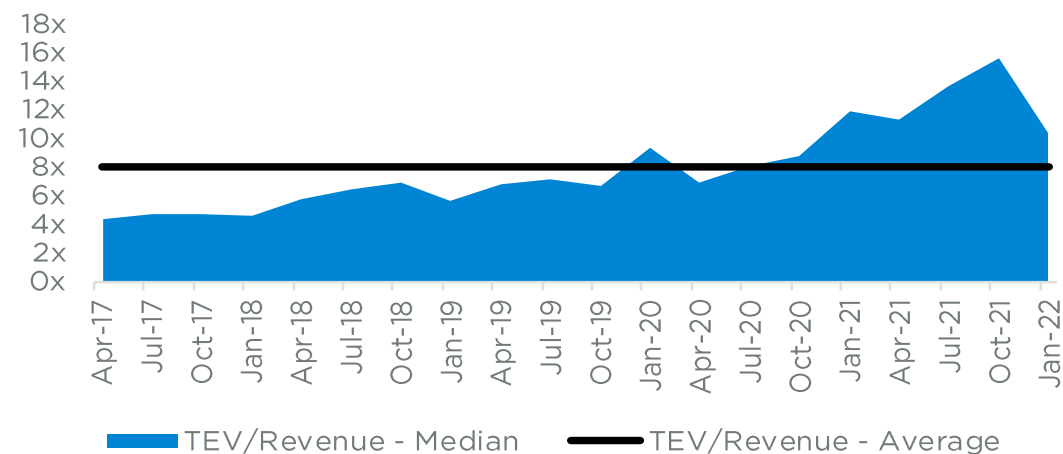
Public Basket



Public EBITDA Multiples over Time

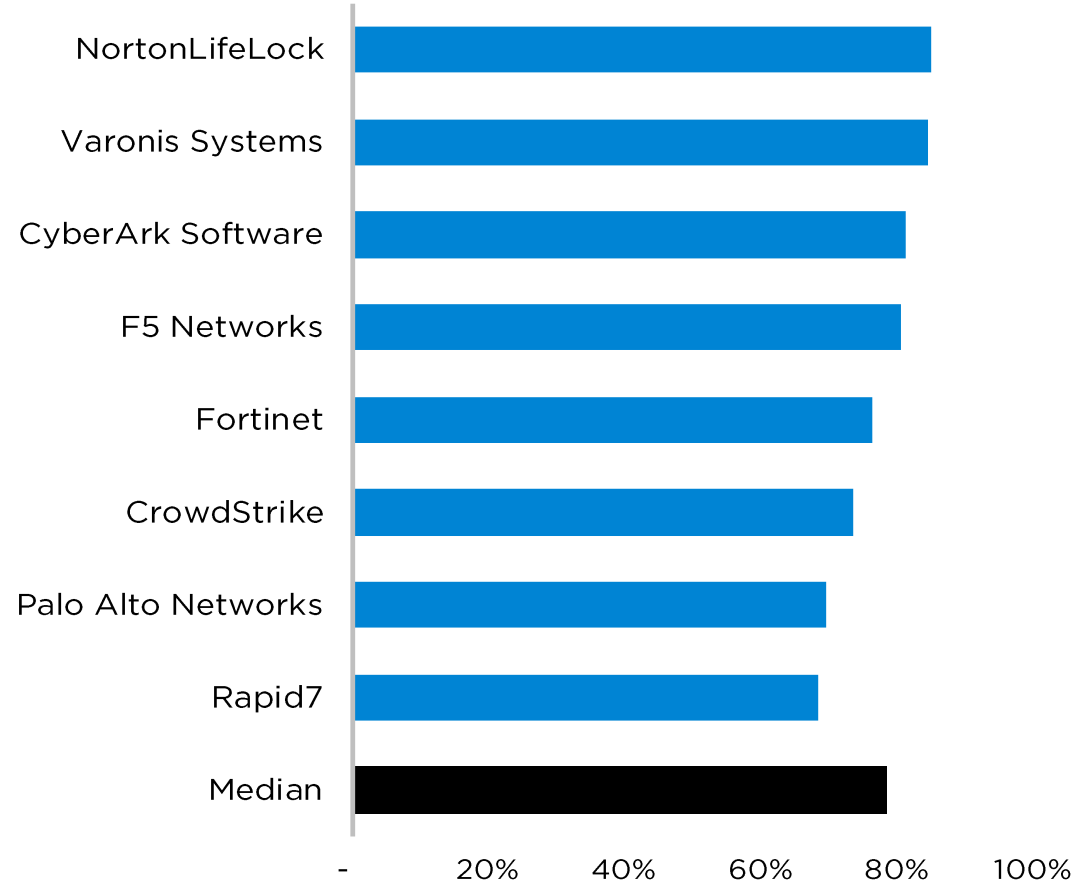


Public Revenue Multiples over Time

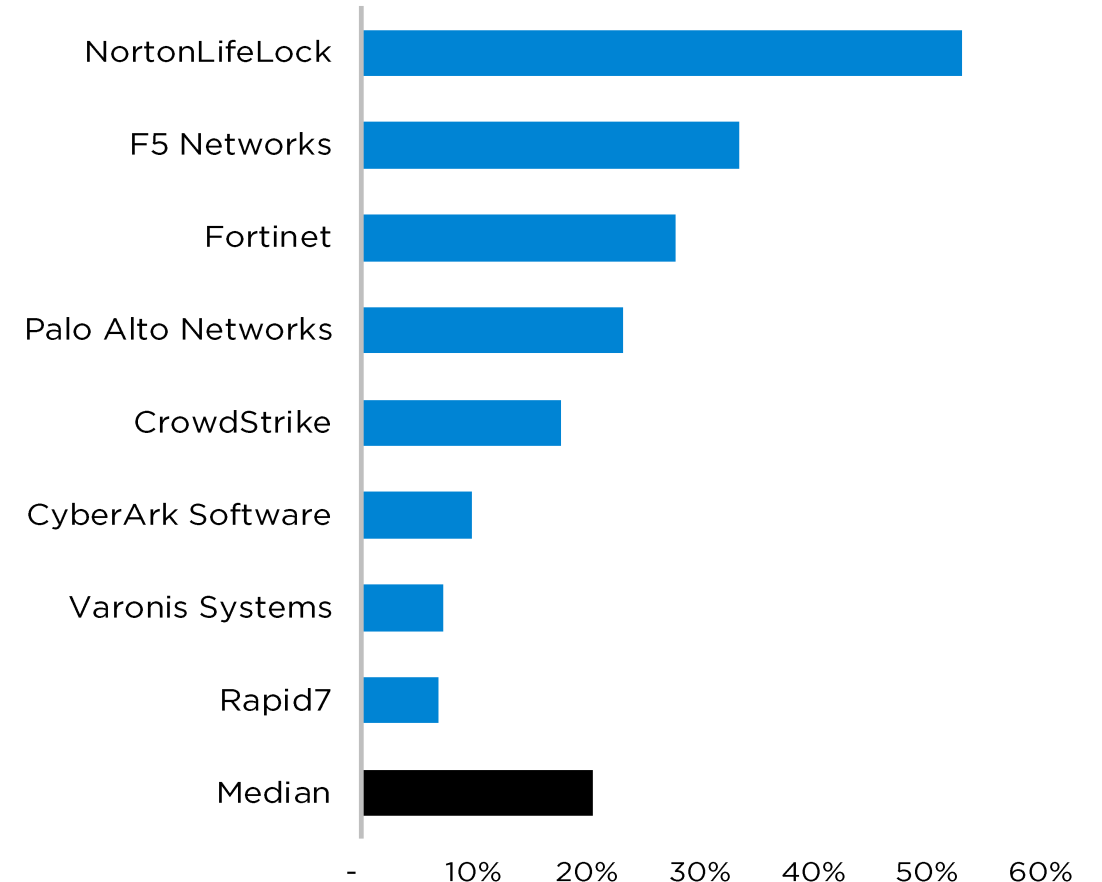


Operational Metrics

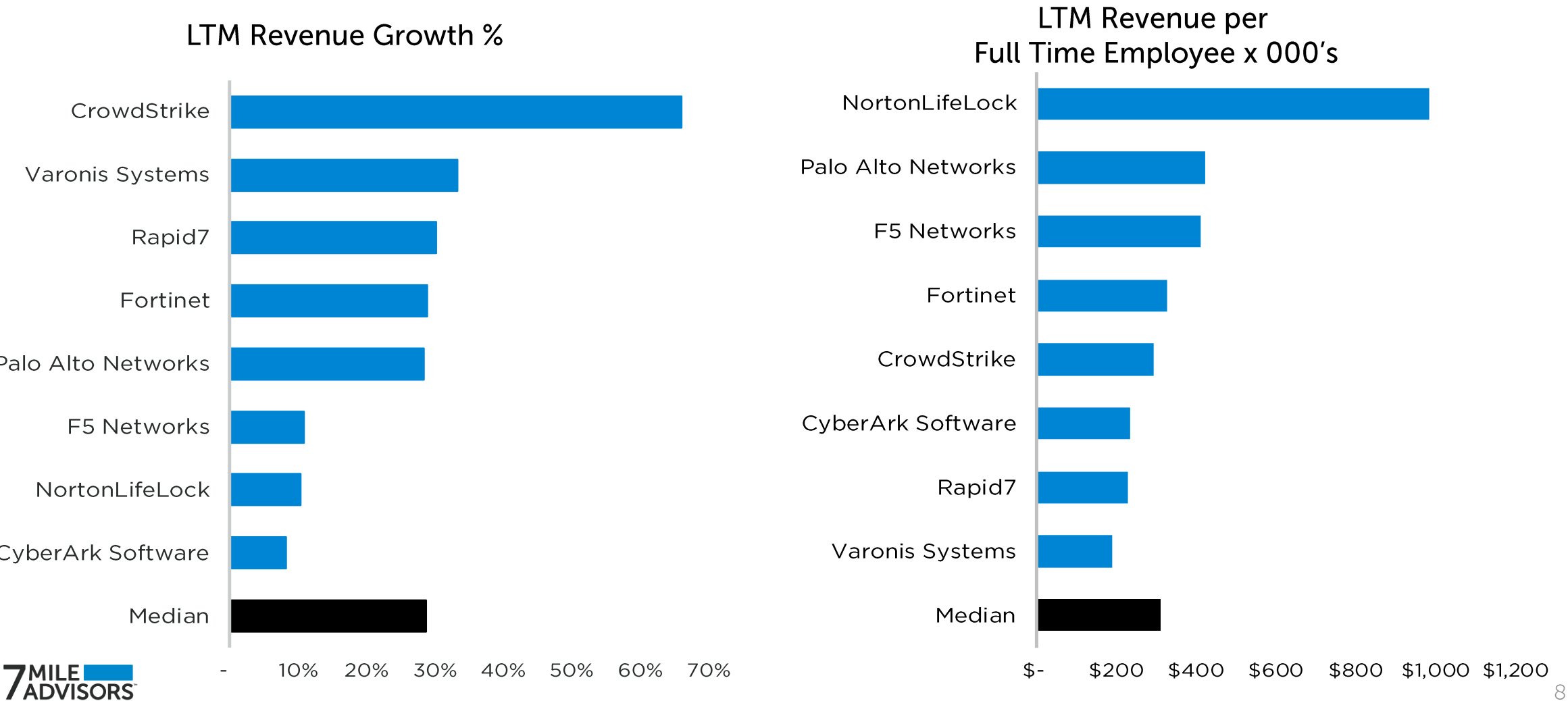
LTM Gross Profit Margin %



LTM EBITDA %

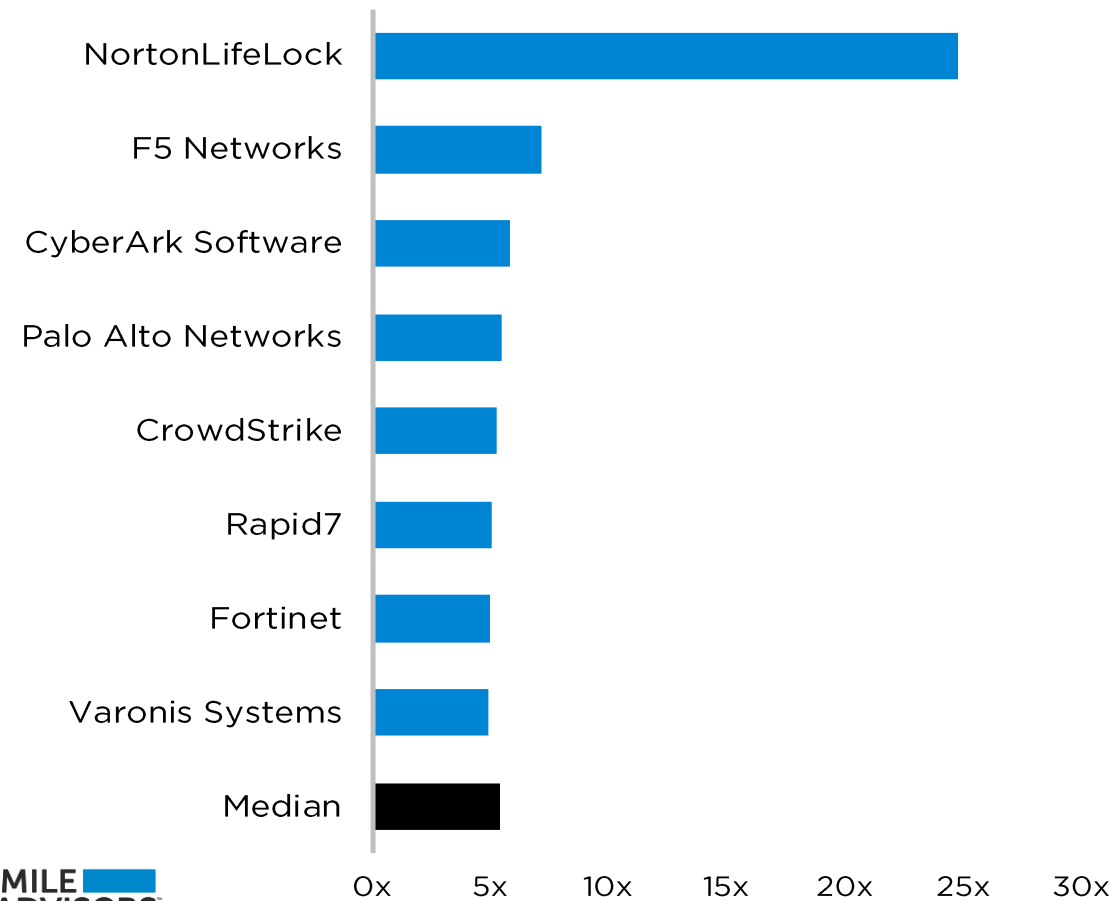


Operational Metrics

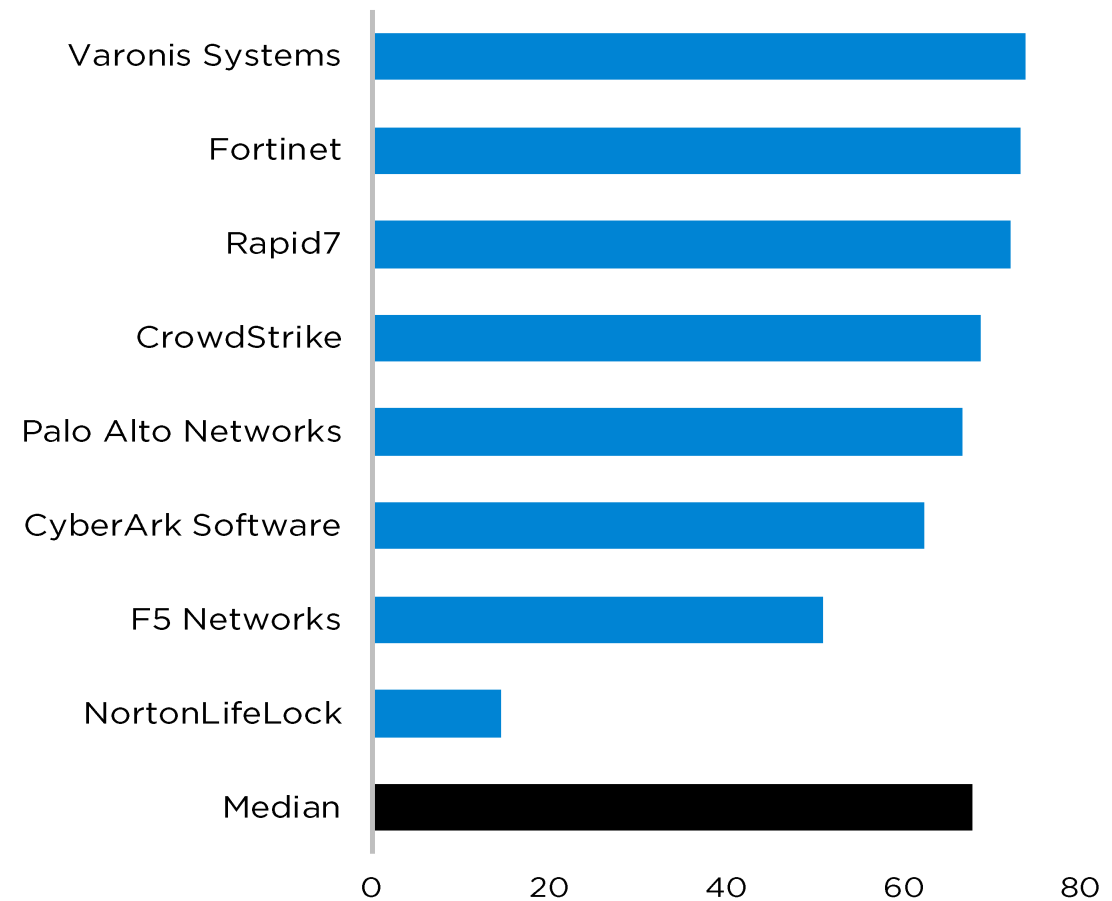


Operational Metrics

Accounts Receivable Turnover

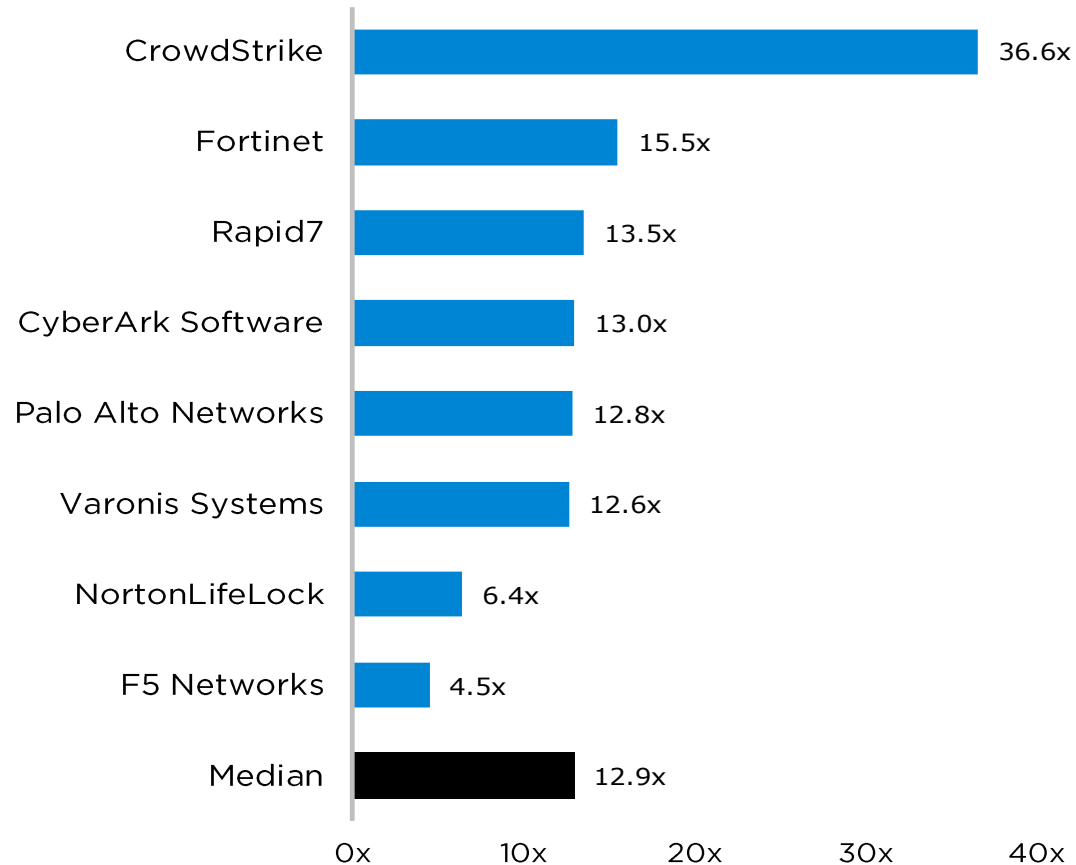


Average Days Sales Outstanding

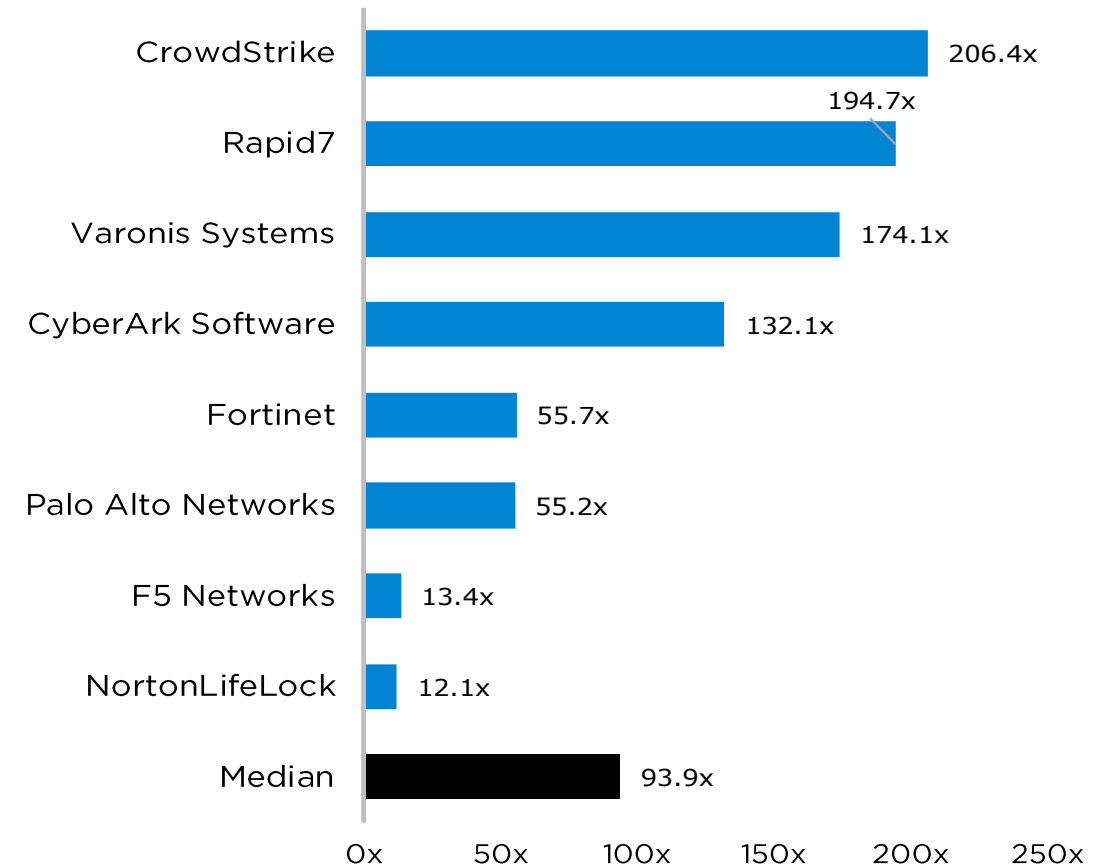


Valuation

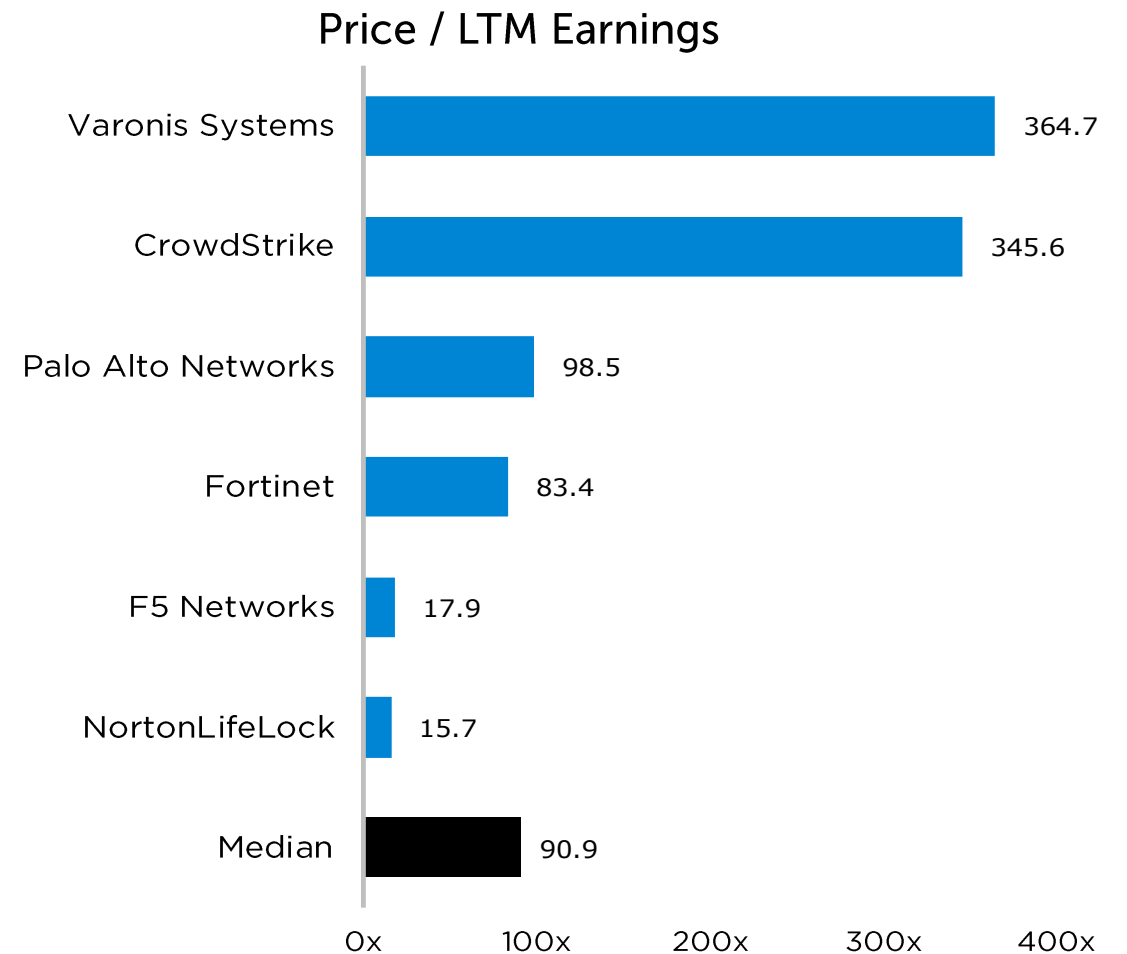
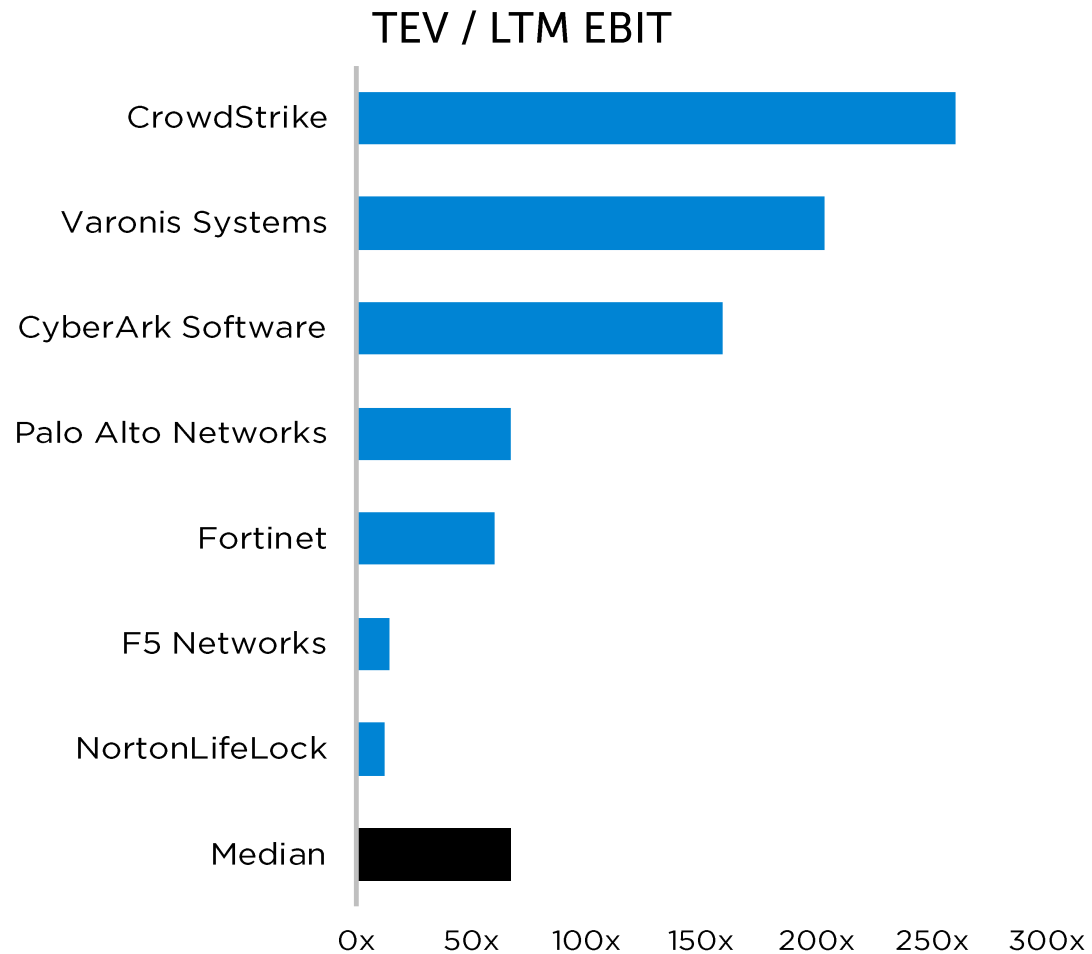
TEV / LTM Revenue



TEV / LTM EBITDA

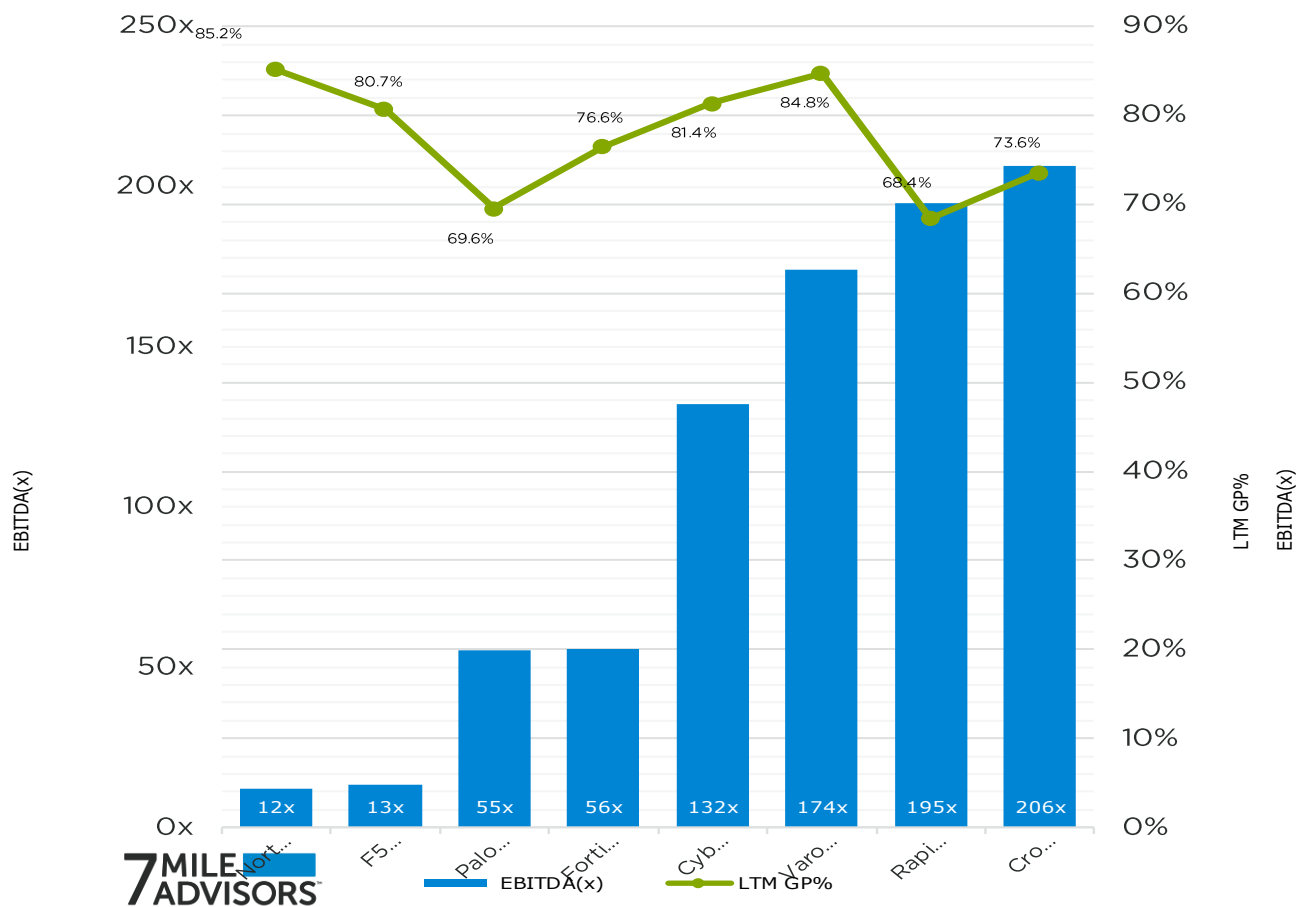


Valuation

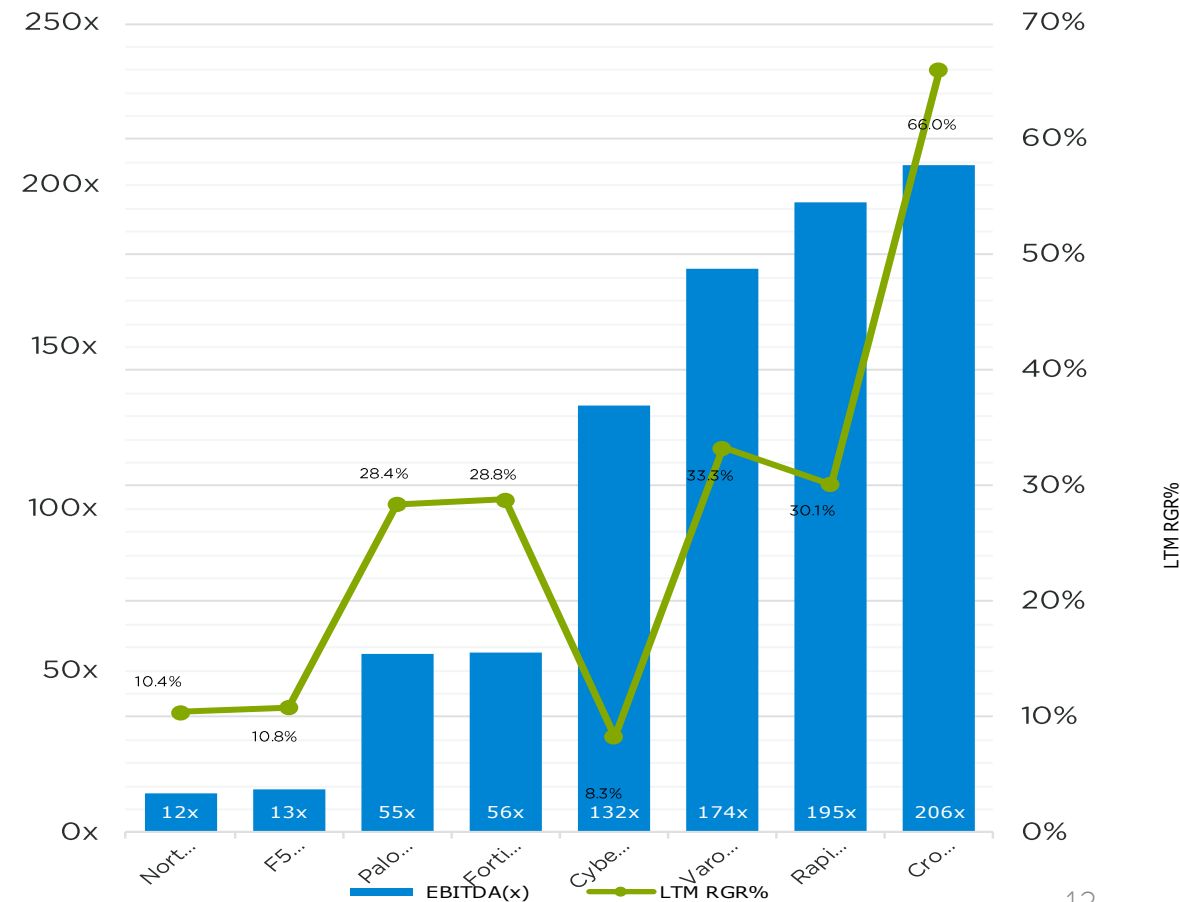


Valuation

Historical Valuation Multiples
versus Gross Profit



Historical Valuation Multiples
versus Revenue Growth Rate



Recent Transactions

Date	Target	Buyer	Total Transaction Amount	Target Revenue (TTM at time of deal)	TEV / Revenue	TEV / EBITDA
13-Apr-22	Abissi	Metrika SGR	-	-	-	-
13-Apr-22	Oasis Systems	Brightstar Capital Partners	-	-	-	-
12-Apr-22	Barracuda Networks	Kohlberg Kravis Roberts	-	-	-	-
12-Apr-22	Objective Solutions	Proteus (Indianapolis)	-	-	-	-
11-Apr-22	Cyber Solutions	NetGain Technologies (IT	-	-	-	-
11-Apr-22	MOST Digital	Digia	-	-	-	-
11-Apr-22	SailPoint Technologies	Thoma Bravo	6900.00	438.95	14.73	-173.93
07-Apr-22	Celerit Technologies	Sollensys	22.00	-	-	-
07-Apr-22	IT Resource	Synergetics DCS	-	-	-	-
06-Apr-22	Layer 8 Security (Australia)	Wyntec	-	-	-	-
05-Apr-22	Cybraics	SilverSky	-	-	-	-
05-Apr-22	Green IT Energy	424 Capital	-	-	-	-
05-Apr-22	OpenCyber	IK Investment Partners	-	-	-	-
05-Apr-22	Syntervision	Airiam	-	-	-	-
05-Apr-22	Transcendent	Airiam	-	-	-	-
05-Apr-22	Truststream Security	SysGroup	10.51	-	-	-
05-Apr-22	Tufin	Turn/River Capital	570.00	110.95	4.57	-14.12
04-Apr-22	USWired	Quattrro Business Support	-	-	-	-
01-Apr-22	Area 1 Security	Cloudflare	162.00	-	-	-
01-Apr-22	Creative Breakthroughs	Converge Technology	47.00	-	-	-
01-Apr-22	Trustmarque Solutions	One Equity Partners	155.27	-	-	-
01-Apr-22	Yourax	Acesi France	-	-	-	-
31-Mar-22	Ace IT Solutions	Omega Systems Consultants	-	-	-	-
31-Mar-22	Pentech Communications	Cello Communications	-	-	-	-
30-Mar-22	Cryptshare	MaasInvest	-	-	-	-

Appendix

*Public Basket
Contact Information*



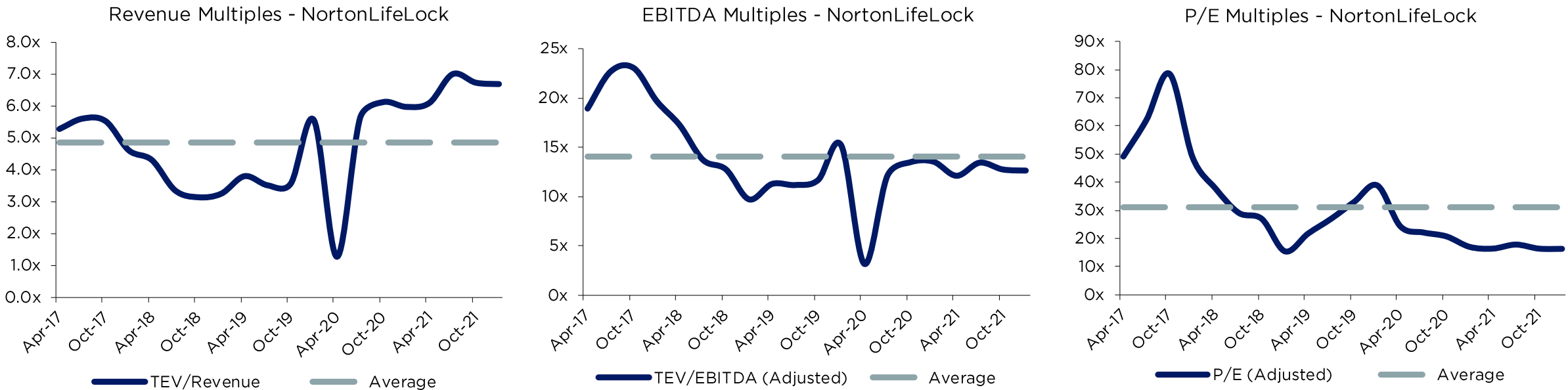
NortonLifeLock

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.

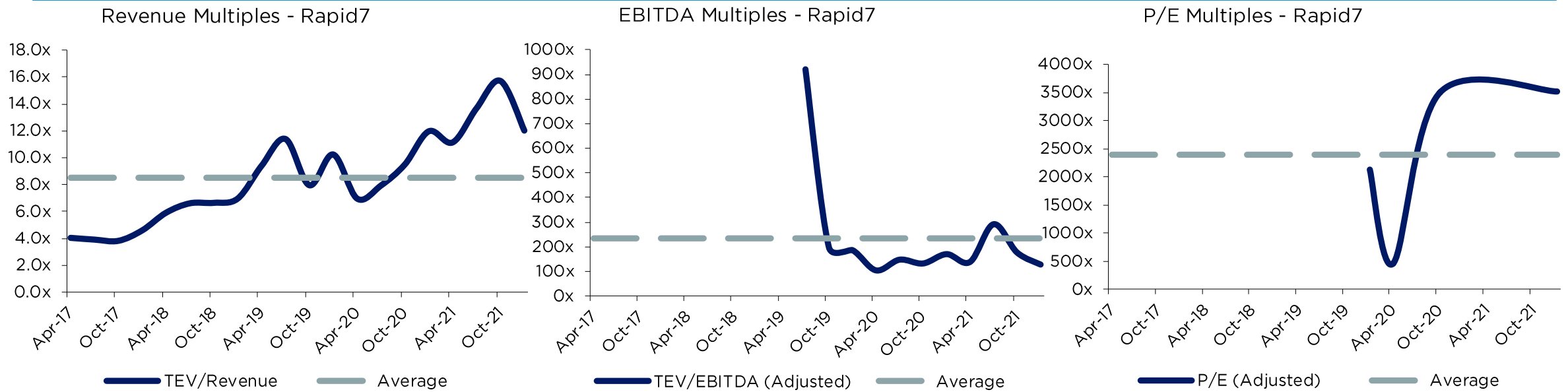
Rapid7

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 a 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 Threat Intelligence. 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 subscriptions, maintenance & support services and by the offering of other professional services.

Public Basket

Rapid7



Company Name	Date	Deal Synopsis
Resilience (Network Management Software)	22-Nov-21	The company raised \$80 million through a combination of Series C1 and Series C2 venture funding in a deal led by Rapid7 and General Catalyst on November 22, 2021, putting the company's pre-money valuation at \$570 million. Founders Fund, Lightspeed Venture Partners, Intact Ventures, Shield Capital Partners and Charles River Capital also participated in the round. The funds will be used to accelerate the delivery of Insure + Secure solutions more broadly in North America and now globally.
IntSights	16-Jul-21	The company was acquired by Rapid7 (NAS: RPD) for \$322.17 million on July 16, 2021.

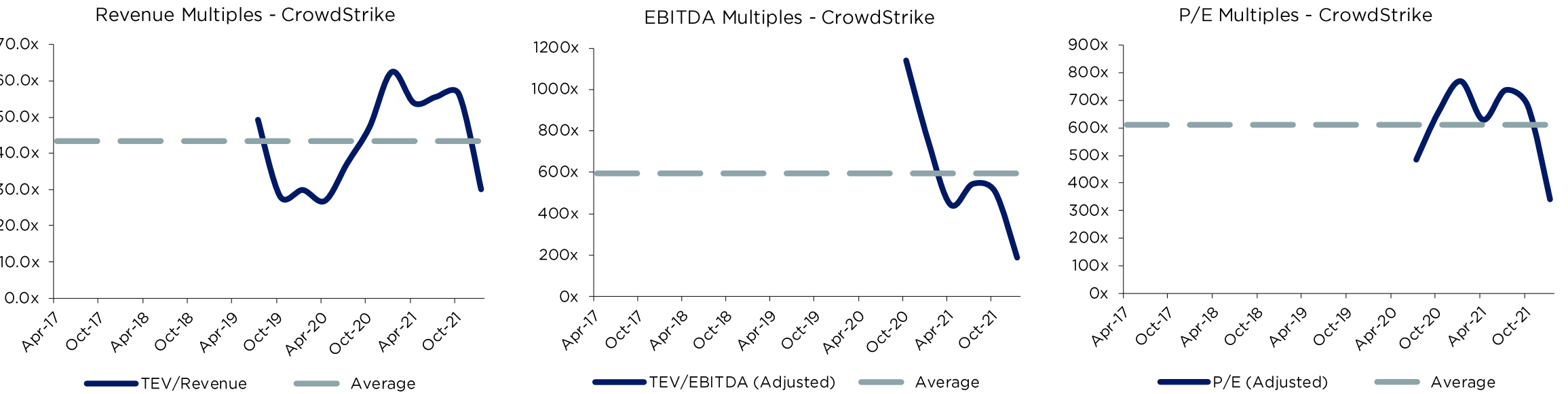
CrowdStrike

CrowdStrike Holdings provides cybersecurity products and services aimed at protecting organizations from cyberthreats.

It offers cloud-delivered protection across endpoints, cloud workloads, identity and data, and threat intelligence, managed security services, IT operations management, threat hunting, identity protection, and log management. CrowdStrike went public in 2019 and serves customers worldwide.

Public Basket

CrowdStrike



Company Name	Date	Deal Synopsis
DoControl (Network Management Software)	14-Apr-22	The company raised \$30 million of Series B venture funding in a deal led by Insight Partners on April 14, 2022. CrowdStrike, RTP Global, Cardumen Capital, and StageOne Ventures also participated in the round. The funds will be used to scale its SaaS data security innovations, launch strategic channel and partnership programs, and continue its global growth, especially in the United States.
Cybersixgill	10-Mar-22	The company raised \$50 million of Series B venture funding in a deal led by REV Venture Partners and More Provident Funds on March 10, 2022. Sonae IM, CrowdStrike, Terra Venture Partners, Elron Electronic Industries, OurCrowd and Dancap Family Investment Office also participated in the round. The company intends to use the funds to continue innovation of its threat intelligence solutions, expand its global footprint and grow sales and marketing.

Palo Alto Networks

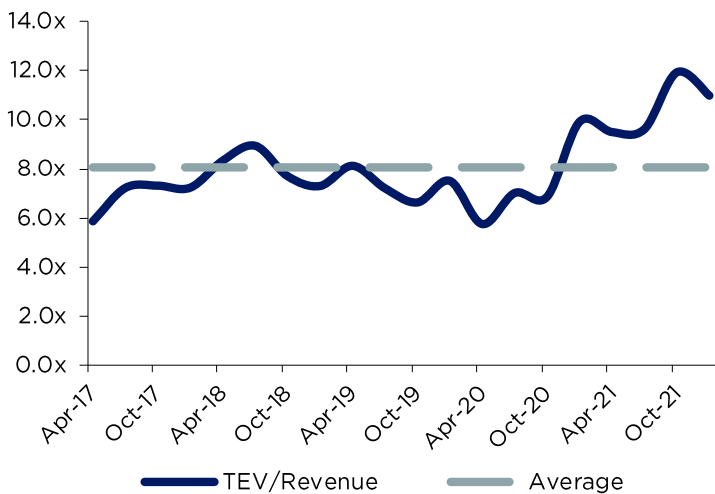
Palo Alto Networks is a pure-play cybersecurity vendor that sells security appliances, subscriptions, and support into enterprises, government entities, and service providers.

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.

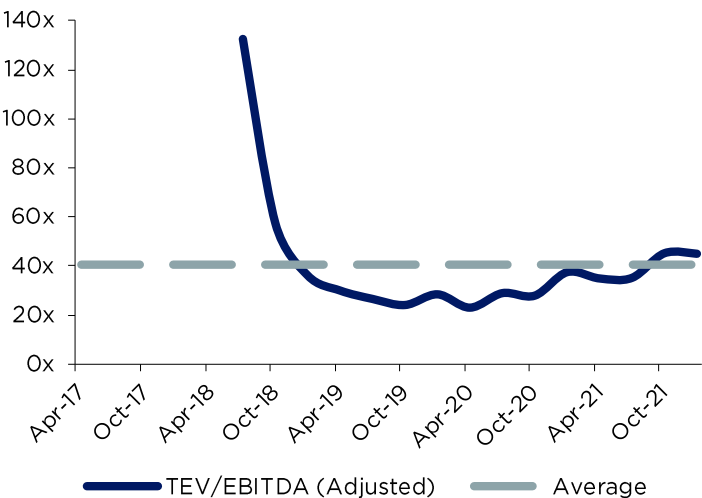
Public Basket

Palo Alto Networks

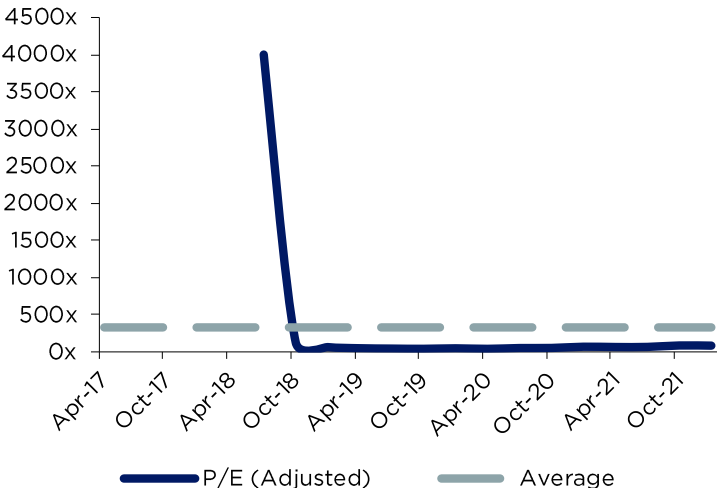
Revenue Multiples - Palo Alto Networks



EBITDA Multiples - Palo Alto Networks



P/E Multiples - Palo Alto Networks



Company Name	Date	Deal Synopsis
Bridgecrew	02-Mar-21	The company was acquired by Palo Alto Networks (NYS: PANW) and NFX 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.

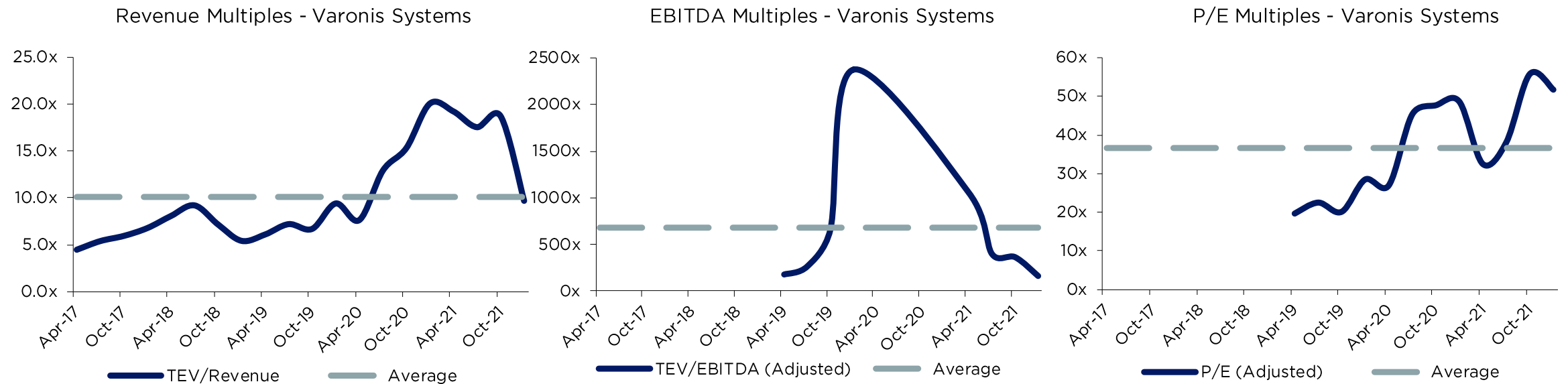
Varonis Systems

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	28-Oct-20	The company was acquired by Varonis Systems (NAS: VRNS) for an undisclosed amount on October 28, 2020. The acquisition will help the company to expand its data security platform to cover additional cloud applications and infrastructure.

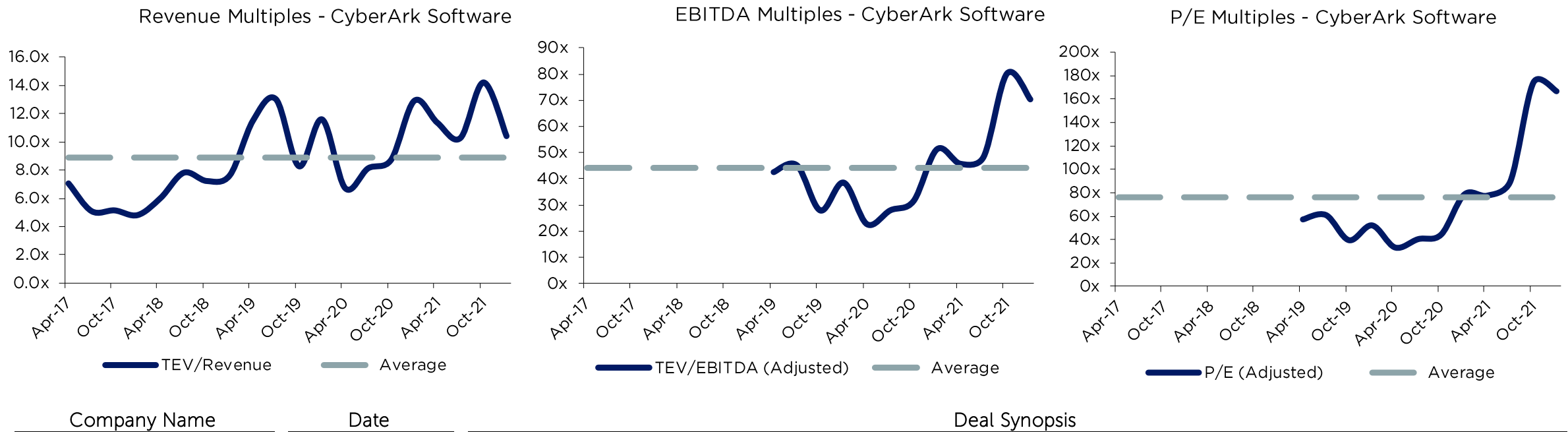
CyberArk Software

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

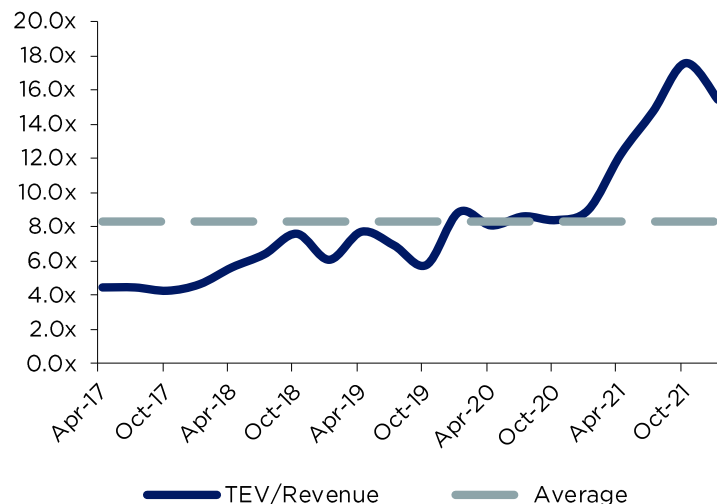
Fortinet is a cybersecurity vendor that sells products, support, and services to small and midsize businesses, enterprises, and government entities.

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 2021, products were 38% of revenue and services were 62% of sales. The California-based company sells products worldwide.

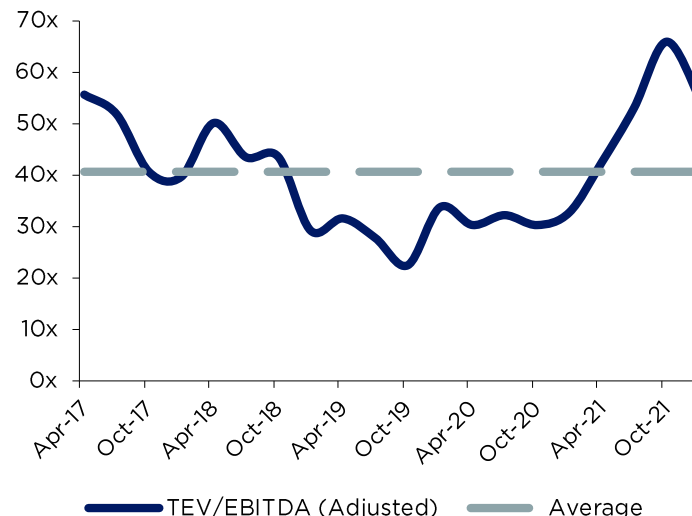
Public Basket

Fortinet

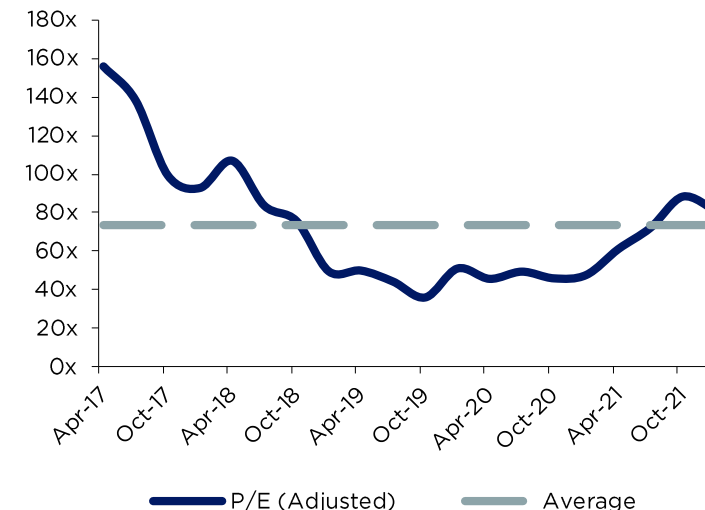
Revenue Multiples - Fortinet



EBITDA Multiples - Fortinet



P/E Multiples - Fortinet



Company Name	Date	Deal Synopsis
Alaxala Networks	31-Aug-21	The company was acquired by Fortinet (NAS: FTNT) for an estimated \$64 million on August 31, 2021. The investment increases Fortinet's total addressable market and reflects its leadership on the convergence of networking and security.
Sken.ai	07-Jul-21	The company was acquired by Fortinet (NAS: FTNT) for an undisclosed amount on July 7, 2021.

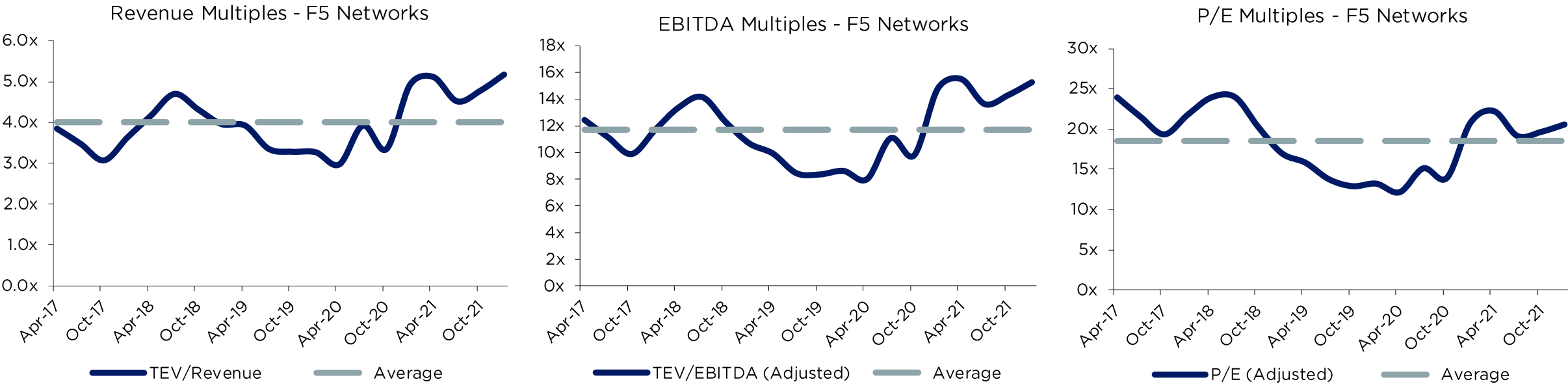
F5 Networks

F5 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	04-Oct-21	The company was acquired by F5 Networks (NAS: FFIV) for \$68 million on October 4, 2021. The acquisition will broaden F5 Networks' cloud security portfolio, thereby enhancing its capabilities and expertise in providing visibility and protection across its application infrastructure and workloads. The buyout is anticipated to strengthen the company's competitive position in enterprise application security and delivery services.
Volterra	22-Jan-21	The company was acquired by F5 Networks (NAS: FFIV) for \$427.2 million on January 22, 2021. With this acquisition, F5 will advance its Adaptive Applications vision with an Edge 2.0 platform that solves the complex multi-cloud reality enterprise customers confront.

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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