

A decorative graphic consisting of a blue line forming a partial square with a small square at the top right corner, and another blue line extending from the bottom left corner towards the center.

Cybersecurity M&A Market Update

Q3 2024



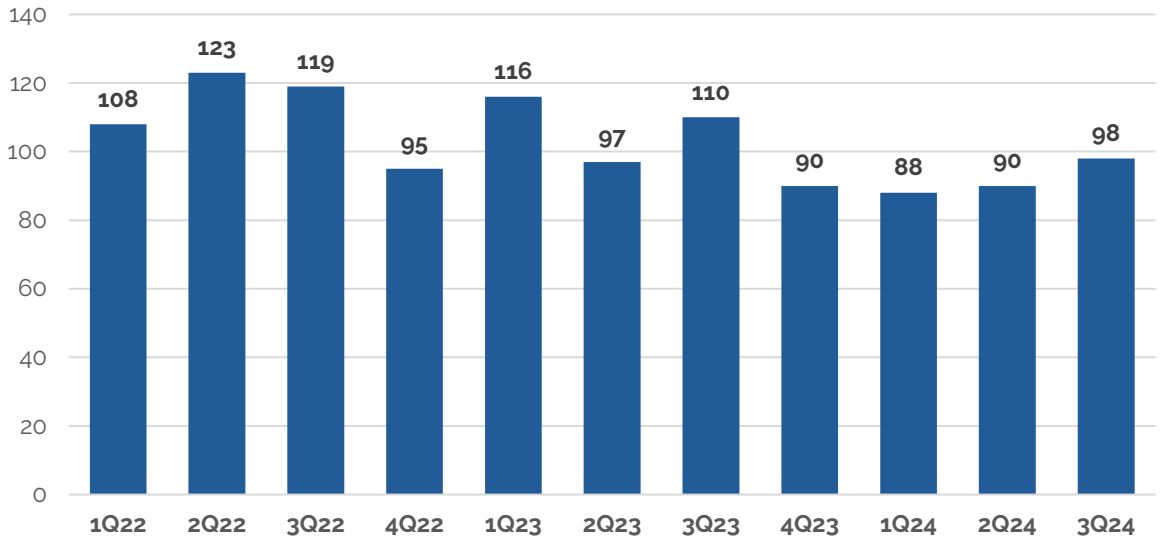
Cybersecurity

M&A Update and Commentary

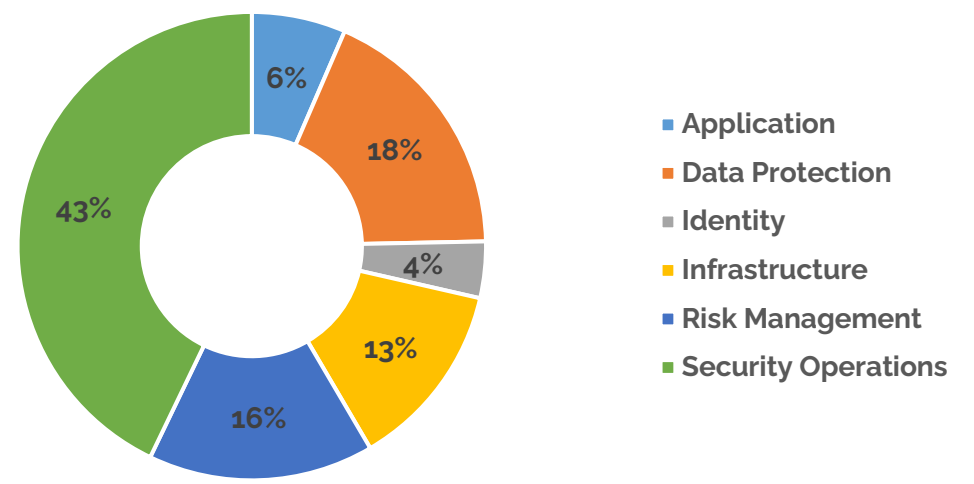
Market Commentary

- M&A transaction activity for cybersecurity companies in Q3 2024 improved over the previous quarter but declined from the prior year and remained below levels in 2021 and 2022. **Strategic buyers were significantly more active than financial buyers**, continuing the trend from recent quarters.
- Further interest rate cuts could spur increased M&A activity by financial buyers, including add-ons to existing platforms. While we don't anticipate a return to 2021 levels in the imminent future, we look for healthier M&A activity over the next 12 months due to ongoing consolidation across several cybersecurity sub-sectors.
- **Security Operations constituted the largest sub-sector of M&A activity**, reflecting the tremendous deficit of human security experts and strong demand for managed security and other cybersecurity services. Transaction drivers included geographic expansion, complementary expertise/verticals, and automation enhancements.
- **Data Protection, Risk Management, and Infrastructure** were other key sub-sectors of M&A activity. Acquirers in the data protection space are increasingly focusing on data resilience and data backup and disaster recovery, driven by escalating ransomware attacks against essentially all types of organizations worldwide.
- Valuation multiples for publicly-traded cybersecurity companies ranged from a median **9.5x EV/2024E revenue** for **high growth (>20%)** vendors to a **median 4.0x EV/2024E revenue** for **low growth (<10%)** vendors.

Cybersecurity M&A Deal Volume, Q1 2022 – Q3 2024



















Cybersecurity M&A Deal Mix, Q3 2024



















Cybersecurity Industry Landscape

Application	Data Protection	Identity	Infrastructure	Risk Management	Security Operations
Operation & Security	Data Security	Access Management	Network	GRC	Managed Security
Secure Development	Data Governance	Identity Governance	Cloud		Security Automation
		Lifecycle Management	Endpoint	Operations	





Cybersecurity: Recent Selected M&A Activity, Q3 2024

Announced Date	Target	Acquirer	Buyer Type	Sector	Transaction Size (\$MM)	Target Description
Sep-24			Strategic	Risk Management		AI-enabled fraud prevention and risk management software with real-time detection and sophisticated behavioral analytics
Sep-24			Strategic	Data Protection	\$47	SaaS-based cloud-native data protection platform with an air-gapped approach and AWS focus
Sep-24			Strategic	Data Protection		AI-powered data management and protection specialist with a focus on Microsoft 365
Sep-24			Strategic	Infrastructure		Secure Access Service Edge (SASE) platform to protect organizations with distributed workforces and cloud-based apps
Sep-24			Strategic	Security Operations		Managed cybersecurity services built around Microsoft's Sentinel and Defender products
Sep-24			Strategic	Security Operations	\$2,650	Leading threat intelligence platform with predictive risk, SecOps, third-party, and brand protection components
Sep-24			Strategic	Data Protection	\$1,900	Salesforce-focused cloud data protection and management solution with compliance, automation, and AI features
Sep-24			Strategic	Infrastructure		Unified endpoint management (UEM) and vulnerability remediation platform with patch automation and compliance reporting built on zero trust

Cybersecurity: Recent Selected M&A Activity, Q3 2024 (cont.)

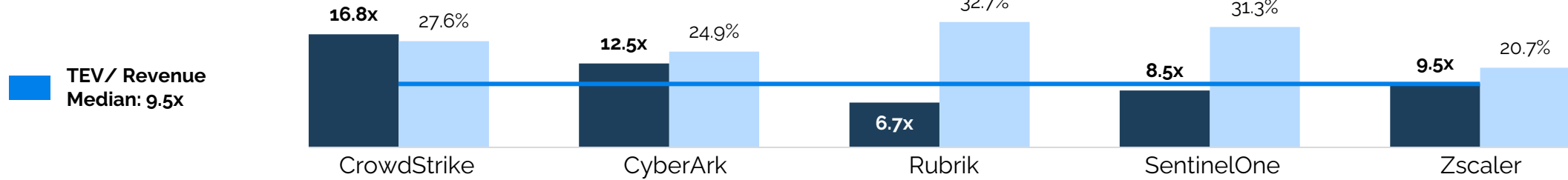
Announced Date	Target	Acquirer	Buyer Type	Sector	Transaction Size (\$MM)	Target Description
Aug-24	 Cyberint	 CHECK POINT	Strategic	Security Operations	\$200	External attack surface management (EASM) and threat intelligence platform with data leak detection and threat actor profiling components
Aug-24	 ROBUST INTELLIGENCE	 CISCO	Strategic	Infrastructure		Platform for AI model protection with explainability features and compatibility with AI/ML pipelines
Aug-24	 Aware	 mimecast	Strategic	Data Protection		Cybersecurity company focused on insider risk management within digital collaboration platforms like Slack, Teams and Zoom
Aug-24	 VERCARA	 digicert	Strategic	Infrastructure		DNS security, web application and API protection (WAAP), and DDoS mitigation service provider
Aug-24	 Acronis	 EQT	Financial	Data Protection		Comprehensive cyber protection provider with integrated backup, disaster recovery, cybersecurity, and endpoint management offerings
Aug-24	 next	 FORTINET	Strategic	Data Protection	\$96	Data loss prevention (DLP) and insider risk management platform integratable with SIEM and EDR tools
Aug-24	 phx-IT	 DATAPRISE	Strategic	Security Operations		Incident response and managed security services provider with multi-cloud capability
Aug-24	 PING CASTLE	 netwrix	Strategic	Identity		Automated Active Directory (AD) security assessment tool with detailed reporting functions and open-source base

Cybersecurity: Recent Selected M&A Activity, Q3 2024 (cont.)

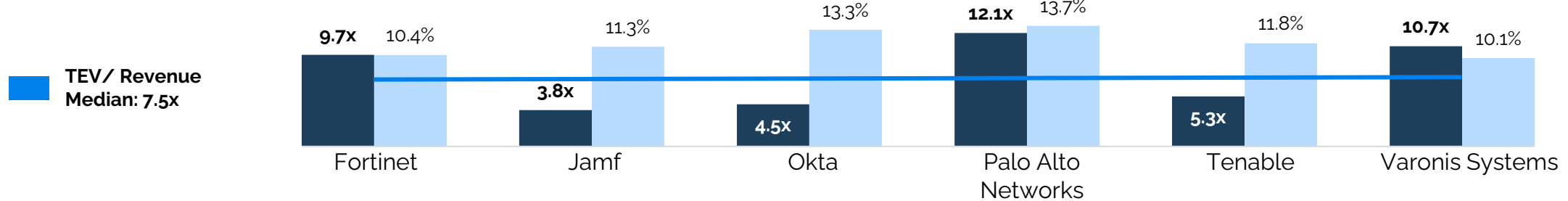
Announced Date	Target	Acquirer	Buyer Type	Sector	Transaction Size (\$MM)	Target Description
Jul-24	 SydeLabs	 PROTECT AI	Strategic	Security Operations		Platform for automated attack simulation (red teaming) for GenAI systems and security hardening outcomes
Jul-24	 adulus	EXIGER	Strategic	Application		Software supply chain security platform focused on operational technology and IoT-related components
Jul-24	noetic	RAPID7	Strategic	Security Operations	\$39	Cyber Asset Attack Surface Management (CAASM) platform with automated asset discovery and security posture features
Jul-24	 CODE42	mimecast	Strategic	Data Protection		Cloud platform for insider risk management and data loss prevention (DLP) with a robust training offering

2024E Market Valuation Metrics

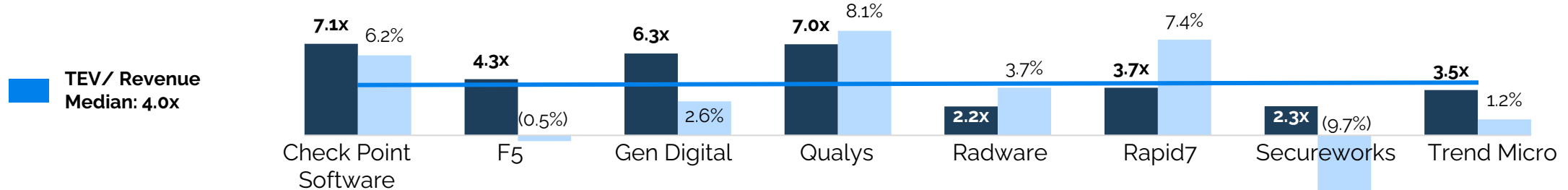
High Growth Cybersecurity TEV/ Revenue and Revenue Growth Rate



Medium Growth Cybersecurity TEV/ Revenue and Revenue Growth Rate



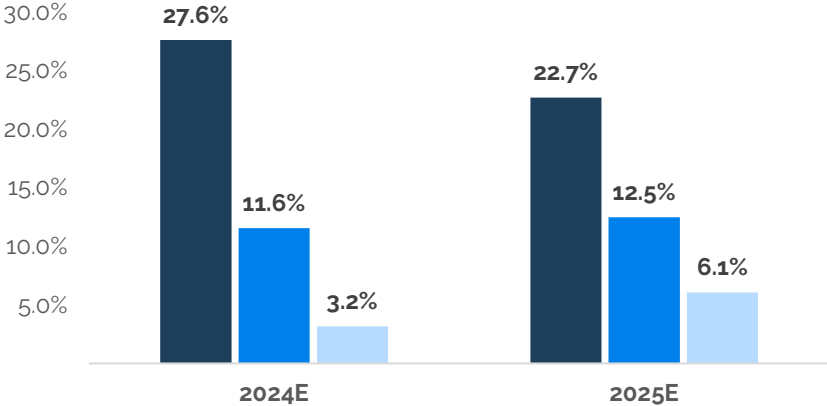
Low Growth Cybersecurity TEV/ Revenue and Revenue Growth Rate



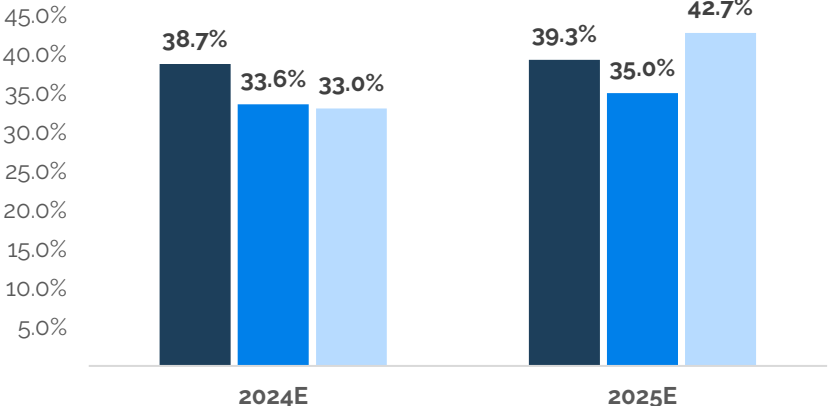
Note: High growth implies 2024E revenue growth greater than 20%; medium growth, between 10% and 20%; and low growth, less than 10%

Financial Metrics by Growth Category

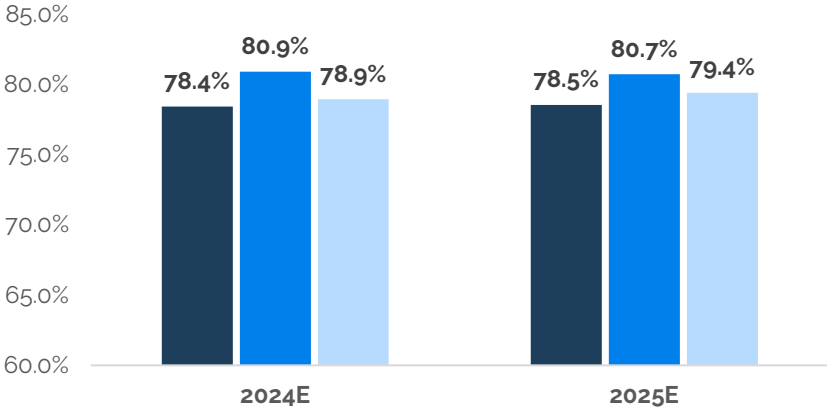
Revenue Growth



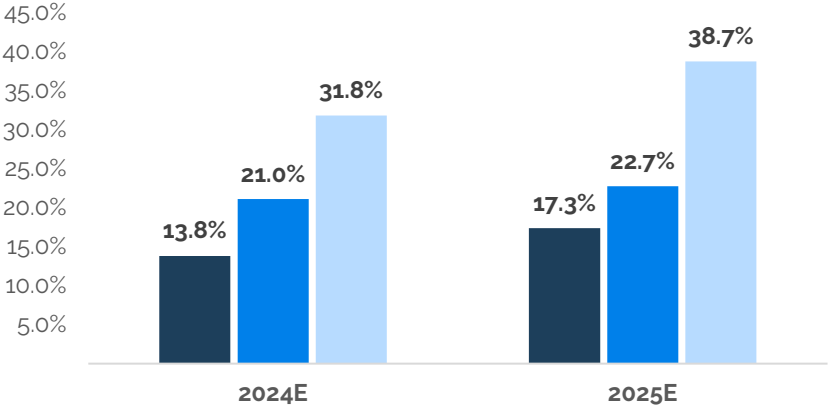
Rule of 40



Gross Margin



EBITDA Margin



High Growth Cybersecurity
 Medium Growth Cybersecurity
 Low Growth Cybersecurity

Public Comparables

(\$ in millions, except for stock price)

	Stock Price 9/30/2024	Market Capitalization	Enterprise Value	TEV									
				Revenue		EBITDA ^[1]		Revenue Growth		EBITDA Margin		Rule of 40	
				2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
High Growth Cybersecurity													
CrowdStrike	\$ 280.47	\$ 68,751	\$ 65,542	16.8x	13.7x	NA	NA	27.6%	22.7%	24.6%	25.1%	52.2%	47.8%
Zscaler	170.94	26,067	24,899	9.5x	7.9x	NA	31.2x	20.7%	20.8%	24.1%	25.2%	44.8%	46.0%
CyberArk	291.61	12,582	11,725	12.5x	10.2x	NA	NA	24.9%	21.9%	13.8%	17.3%	38.7%	39.3%
SentinelOne	23.92	7,588	6,900	8.5x	6.7x	NA	NA	31.3%	26.2%	(1.7%)	5.3%	29.6%	31.5%
Rubrik	32.15	5,840	5,556	6.7x	5.2x	NA	NA	32.7%	27.6%	(32.4%)	(18.9%)	0.3%	8.7%
High Growth Median				9.5x	7.9x	NA	31.2x	27.6%	22.7%	13.8%	17.3%	38.7%	39.3%
Medium Growth Cybersecurity													
Palo Alto Networks	\$ 341.80	\$ 111,290	\$ 110,122	12.1x	10.4x	NA	33.9x	13.7%	15.9%	30.5%	30.7%	44.2%	46.6%
Fortinet	77.55	59,319	57,056	9.7x	8.7x	29.8x	26.8x	10.4%	12.2%	32.7%	32.4%	43.1%	44.6%
Okta	74.34	12,628	11,490	4.5x	4.0x	20.8x	18.3x	13.3%	10.7%	21.6%	22.1%	34.9%	32.8%
Varonis Systems	56.50	6,338	5,855	10.7x	9.5x	NA	NA	10.1%	12.7%	5.7%	7.3%	15.8%	20.0%
Tenable	40.52	4,826	4,751	5.3x	4.8x	25.9x	21.1x	11.8%	11.3%	20.5%	22.7%	32.3%	33.9%
Jamf	17.35	2,215	2,403	3.8x	3.4x	21.6x	14.9x	11.3%	13.3%	17.8%	22.7%	29.1%	36.0%
Medium Growth Median				7.5x	6.7x	23.8x	21.1x	11.6%	12.5%	21.0%	22.7%	33.6%	35.0%
Low Growth Cybersecurity													
Gen Digital	\$ 27.43	\$ 16,884	\$ 24,816	6.3x	6.1x	10.6x	10.2x	2.6%	3.3%	59.7%	60.4%	62.3%	63.7%
Check Point Software	192.81	21,206	18,184	7.1x	6.7x	16.0x	15.2x	6.2%	5.5%	44.2%	44.3%	50.4%	49.8%
F5	220.20	12,834	12,159	4.3x	4.2x	11.6x	10.8x	(0.5%)	4.1%	37.5%	38.7%	37.1%	42.7%
Trend Micro	59.23	7,717	6,314	3.5x	3.3x	13.5x	11.8x	1.2%	7.4%	26.0%	27.8%	27.3%	35.2%
Qualys	128.46	4,729	4,224	7.0x	6.5x	16.1x	15.3x	8.1%	8.0%	43.8%	42.5%	51.9%	50.6%
Rapid7	39.89	2,502	3,081	3.7x	3.4x	17.1x	15.7x	7.4%	8.3%	21.5%	21.6%	29.0%	29.9%
Secureworks	8.85	786	744	2.3x	2.2x	NA	NA	(9.7%)	4.0%	2.8%	NA	(6.9%)	NA
Radware	22.28	936	608	2.2x	2.1x	21.3x	19.4x	3.7%	6.7%	10.6%	10.8%	14.2%	17.5%
Low Growth Median				4.0x	3.8x	16.0x	15.2x	3.2%	6.1%	31.8%	38.7%	33.0%	42.7%
Overall Median				6.7x	6.1x	17.1x	15.7x	10.4%	11.3%	21.6%	23.9%	34.9%	37.7%

Source: Capital IQ

[1] EBITDA multiples <0x or >35x considered not applicable ("NA")

Note: High growth implies 2024E revenue growth greater than 20%; medium growth, between 10% and 20%; and low growth, less than 10%

Who We Are?

Formed in 2009, **Solganick & Co.** is a data-driven **investment bank** and **mergers and acquisitions (M&A) advisory firm** focused exclusively on the **Software** and **IT Services** sectors.

We advise buyers and sellers of companies on M&A strategies and execution to maximize shareholder value.

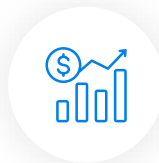
Our M&A transactions have the following characteristics:



Deal Size Range:
\$25M to \$250M+



Client Ownership:
75%+ founder-led;
Private. 25% PE
backed



Revenues:
\$10M to \$250M+



EBITDA:
\$2M to \$20M+

Offices located in **Dallas** and **Los Angeles**

Solganick & Co.

Select M&A Transaction Experience

Technology Services

NEXTIRA

has been acquired by

accenture

Technology Services

PANDERA

has merged with

66degrees

backed by **SUNSTONE PARTNERS**

Technology Services

visualbi
LOOK FORWARD. THINK AHEAD.

has been acquired by

Atos

Technology Services

SIG

has been recapitalized by

FORT POINT CAPITAL

Technology Services

FLAGSHIP SOLUTIONS GROUP

has merged with

DataStorage CORPORATION

Highlighted Transaction: *Nextira*

Solganick Advises Nextira in its Sale to Accenture

- Nextira, an AWS Premier Partner headquartered in Austin, TX, uses AWS to deliver cloud-native innovation, artificial intelligence, predictive analytics, and immersive experiences for their clients.
- Because of Solganick & Co.'s deep experience within technology services, including the buyer universe, valuation drivers, and overall M&A environment, Solganick & Co. was engaged to run a highly targeted, efficient and competitive M&A process.
- The Solganick team worked closely with Nextira management to attractively position the business and ultimately receive several attractive offers exceeding initial valuation expectations.
- Solganick & Co. supported the entire M&A process, including the client's initial selection of Accenture as well as successful transaction negotiations.
- The transaction was completed in June 2023.

Technology Services

LONE STAR

has been recapitalized by

HCAP PARTNERS

Technology Services

NAVIGATOR BUSINESS SOLUTIONS

has been acquired by

ALERION Capital Group, LLC

Technology Services

iXerv

has been acquired by

TSP THE SILICON PARTNERS

backed by **MV. MONETA VENTURES**

Software

learn on demand systems

has been recapitalized by

QUAD PARTNERS

Software

VIRIDIAN SCIENCES

has been acquired by

AKERMA

Technology Services

eMedApps

has been acquired by

Med Tech Solutions

backed by **SUNSTONE PARTNERS**

Technology Services

Waypoint

has been acquired by

WIPFLI

Technology Services

ITENTIVE Healthcare Solutions

has been acquired by

DAShealth HEALTH IT & MANAGEMENT SOLUTIONS

backed by **SHERIDAN CAPITAL PARTNERS**

Cybersecurity

DRAWBRIDGE

has been acquired by

FP FRANCISCO PARTNERS

*Transaction completed at another investment bank

Cybersecurity

CyFIR

has been acquired by

eSENTIRE

backed by **WARBURG PINCUS**

*Transaction completed at another investment bank

Technology Services

NEXTIRA

has been acquired by

accenture

Artificial Intelligence

Cloud Computing

Data & Analytics

Most Influential Investment Bankers and Private Equity Advisors

Los Angeles Business Journal, 2019-2023 Leaders of Influence



Aaron Solganick
Chief Executive Officer

30+

Years in Practice

15

Years in Current Firm

**Software/
SaaS and
IT Services**

Specialty or Industry Focus

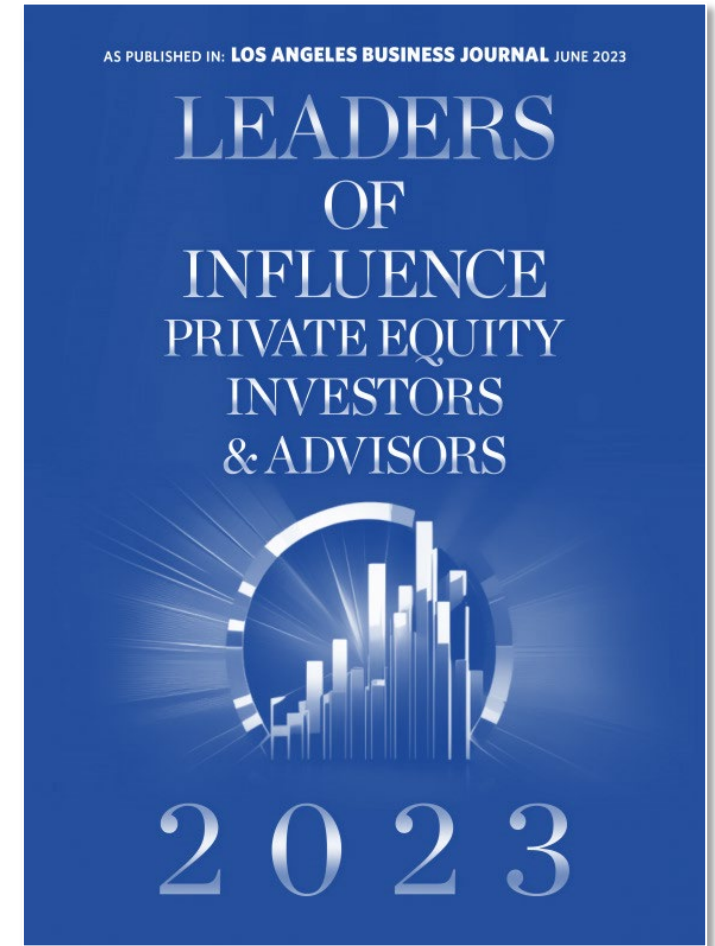
Aaron Solganick is a high energy and experienced technology investment banker with an entrepreneurial spirit. He launched the investment bank Solganick & Co. in 2009 to focus exclusively on completing mergers and acquisitions for software and technology services companies.

Previous Experience

- Senior Vice President Investment Banking, B. Riley Securities
- Vice President Investment Banking, KPMG Corporate Finance
- Corporate Development and Senior Financial Analyst, Perot Systems Corporation
- Investment Banking Associate, Southwest Securities
- Investment Banking Analyst, Bear Stearns & Co.

Education

- MBA, Southern Methodist University
- BBA/MS in Finance, University of North Texas
- Executive Education, M&A, Columbia University



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