

Cybersecurity



Inside This Issue

- 2021 Saw Unprecedented Levels of Sector M&A and Investment Activity
- Record Number of Take-privates in an Increasingly Discerning Public Market
- Revenue Growth Continues to Be the Primary Sector Value Driver
- Zero Trust Adoption, Accelerated Digitalization, Attack Surface Expansion and Regulatory Pressures Combine to Drive Long-term Market Outperformance
- Cyber TAM Benefitting from Convergence with Large Adjacent Markets
- Robust Market Activity is Expected to Continue in 2022, Fueled by Expanding TAM and Broadening Buyer/Investor Universe



Year-end 2021 Report

 **LINCOLN**
INTERNATIONAL

2021 Was a Breakout Year in Cybersecurity M&A and Investment

Overview

- **Minority Investment and M&A deal volumes jumped** to \$22 billion and \$76 billion in 2021 respectively—representing triple-digit growth—propelled by increases in average transaction sizes and strong valuations.
- **2021 saw 13 M&A transactions greater than \$1 billion**, a record, and an unprecedented number of nine-figure exits, which most directly drove the spike in overall value. In total there were six going-private and four de-SPACing transactions.
- Sector M&A transactions > \$50 million enterprise value (EV) were consummated last year at mean/median EV/LTM revenue multiples of 13.4x and 10.4x, a high.
- Record investment volumes were propelled by a large number of unicorn financings (greater than 40), and **significant increases in average investment size across stages**, from seed to pre-IPO.
- **The pool of acquirers and investors continues broadening** with significant contribution from first-time acquirers and investors. At the same time aggressive activity continues among financial sponsors, PE-backed unicorns and public cyber and IT infrastructure vendors; this is expected to continue through 2022 due to outsized growth opportunities.

Top 20 2021 Cybersecurity M&A Transactions

(\$ in billions)

Acquirer	Target	Deal Value / Multiple of LTM Revenues	Acquirer	Target	Deal Value / Multiple of LTM Revenues
THOMABRAVO	proofpoint ² Email security	\$12.3 billion / 11.3x	SYMPHONY TECHNOLOGY GROUP	FireEye ² Anti-malware, email, cloud security	\$1.2 billion / 2.2x
CROSSPOINT CAPITAL ADIA Advent International PERMIRA	McAfee ² Anti-malware, web/email security	\$12.0 billion / 3.9x	LGL SYSTEMS ACQUISITION CORP.	IronNet ¹ Network detection & response	\$1.2 billion / 40.2x
NortonLifeLock ²	avast ² Anti-malware	\$8.1 billion / 8.7x	NAAC North Atlantic Acquisition Co.	TeleSign ¹ Fraud prevention	\$1.2 billion / 3.0x
okta	auth0 Cloud identity access management	\$6.5 billion / 43.3x	kape ²	ExpressVPN ZeroTrust access management	\$0.9 billion / 3.4x
PERMIRA	mimecast ² Email security, anti-phishing	\$5.8 billion / 10.5x	TPG	Centrify ² Privileged access management	\$0.9 billion / 8.6x
SYMPHONY TECHNOLOGY GROUP	McAfee ² Enterprise Endpoint, network, cloud security	\$4.0 billion / 3.0x	CROSSPOINT CAPITAL BainCapital	ExtraHop Network detection & response	\$0.9 billion / 9.0x
EQUIFAX	APPRISS ² Knowledge for good. [™] Fraud prevention	\$1.8 billion / 7.3x	opentext [™]	zix ² Email and web security	\$0.9 billion / 3.5x
NEWTOWN LANE MARKETING	Cyxtera ¹ ZeroTrust access management	\$1.6 billion / 2.3x	mastercard	EKATA Fraud prevention	\$0.9 billion / 14.2x
CENTRICUS Acquisition Corp.	ARQIT ¹ Quantum encryption	\$1.4 billion / NM	GBG	acuant ² a GBG company Fraud prevention	\$0.7 billion / 10.8x
THOMABRAVO Centrify PSP Investments	thycotic ² Privileged access management	\$1.4 billion / 15.6x	SCHWARZ	XM CYBER Attack automation, threat intel	\$0.7 billion / 20.6x

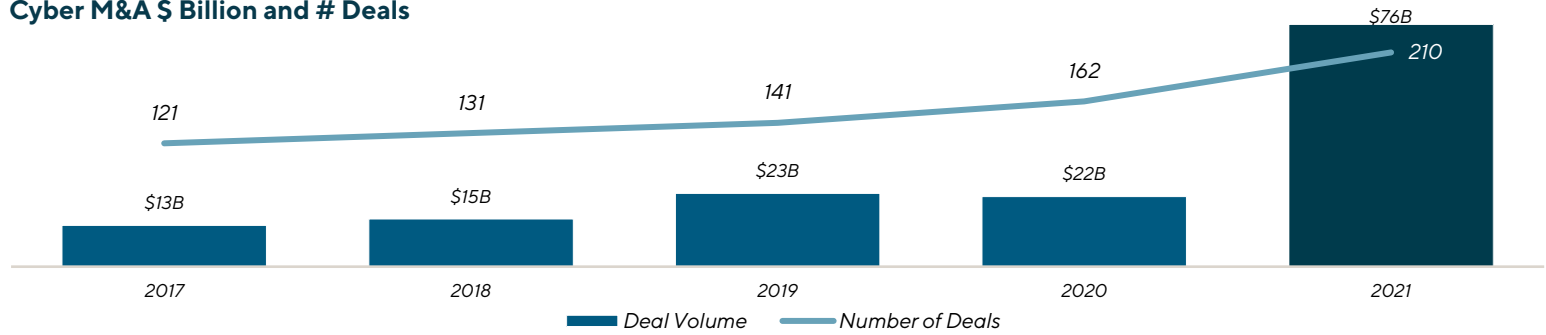
Source: S&P/451Research, publicly available data and Lincoln International estimates | 1. SPAC mergers | 2. Going-private transactions of public targets

[To View Lincoln's Complete List of 2021 Cybersecurity M&A and Investments click here](#)

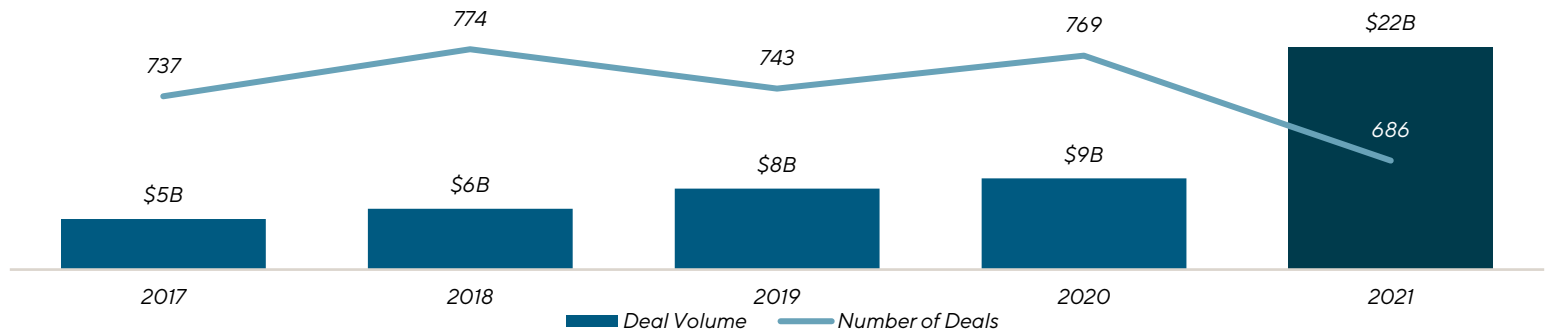
Sector Investment and M&A Volumes Sharply Increased in 2021

Increase suggests “new normal” for activity levels in cybersecurity

Cyber M&A \$ Billion and # Deals



Cyber Investment \$ Billion and # Deals



Sources: S&P/451Research, publicly available data and Lincoln International estimates

Top 20 2021 Cybersecurity Growth Transactions

(\$ in millions)

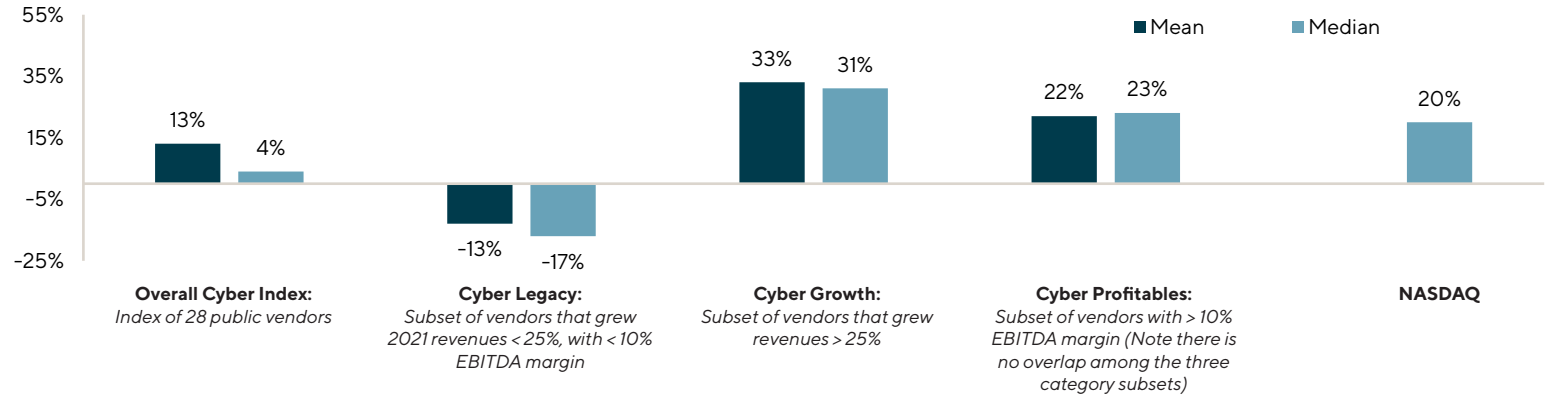
Company		\$ Raised in Round	Company		\$ Raised in Round
Lacework	Cloud workload protection	\$1,300 million	rubrik	Cloud data protection	\$374 million
snyk	SecDevOps	\$605 million	cybereason	Endpoint detection & response	\$355 million
orca security	Cloud workload protection	\$550 million	Fireblocks	Blockchain security	\$310 million
transmit security	Multi-factor authentication management	\$543 million	FORTER	Fraud prevention	\$300 million
Lacework	Cloud workload protection	\$525 million	netskope	Cloud access and data/apps	\$300 million
Socure	Fraud prevention	\$450 million	Acronis	Data protection	\$250 million
CLAROTY	Managed IOT/ICS security	\$400 million	BITSIGHT	Cyber risk quantification	\$250 million
Fireblocks	Blockchain security	\$400 million	WIZ	Cloud workload protection	\$250 million
Trulioo	Cloud identity verification	\$394 million	Own{backup}	Cloud data protection	\$240 million
Ledger	Crypto assets protection	\$380 million	illumio	Zero Trust segmentation	\$225 million

[To View Lincoln’s Complete List of 2021 Cybersecurity M&A and Investments click here](#)

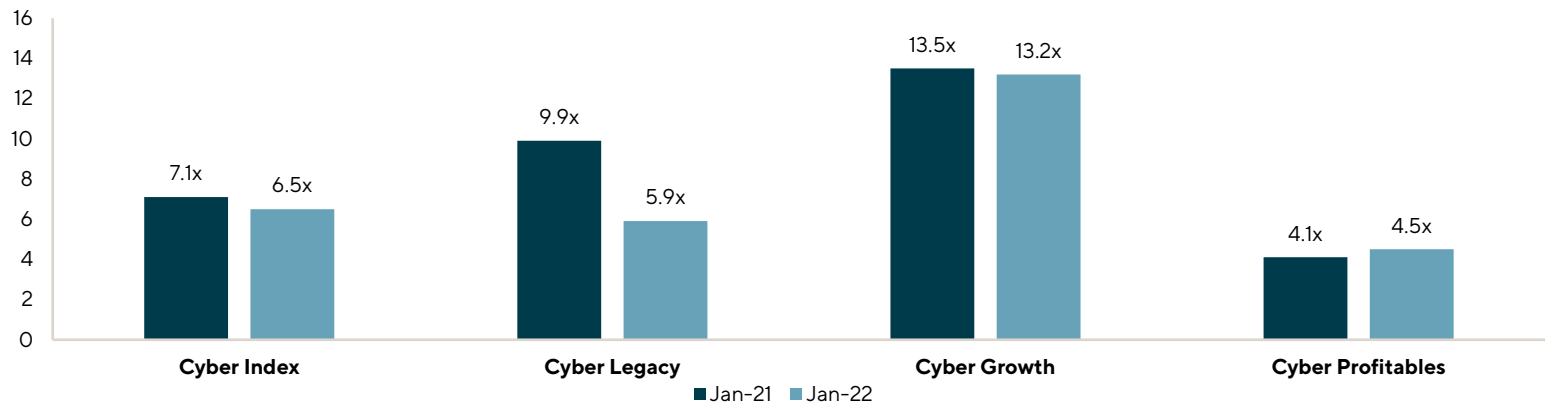
Cyber Public Share Price Performance Diverged to Haves and Have-Nots

An increasingly discerning stock market rewarded growth and profitable vendors, but punished others

2021 US Share Price Performance (mean / median)



2021 to 2022 EV / Next Twelve Months Revenue Multiples (median)



Cyber Index: 28 publicly traded security companies

- Mean and median index share prices rose 13% and 4% in 2021, versus the NASDAQ index's 20% rise
- Overall median index EV / forward-year revenue multiples declined 8% in 2021, from 7.1x to 6.5x EV / forward-year revenues

Cyber Legacy: 9 publicly traded security companies (out of 28) grew revenues less than 25% in 2021 and had less than a 10% EBITDA margin

- Mean and median cyber legacy share prices declined -13% and -17% in 2021, underperforming the NASDAQ
- Median cyber legacy EV / forward-year revenue multiples declined 40% in 2021, to 5.9x from 9.9x EV / forward-year revenues

Cyber Growth: 9 publicly traded security companies (out of 28) grew revenues greater than 25% in 2021

- Mean and median cyber growth share prices rose 33% and 31% in 2021, significantly outperforming the NASDAQ
- Median cyber growth EV / forward-year revenue multiples remained roughly flat, with a 2% decline to 13.2x, from 13.5x EV / forward-year revenues

Cyber Profitables: 10 publicly traded security companies (out of 28) had EBITDA margins greater than 10% in 2021

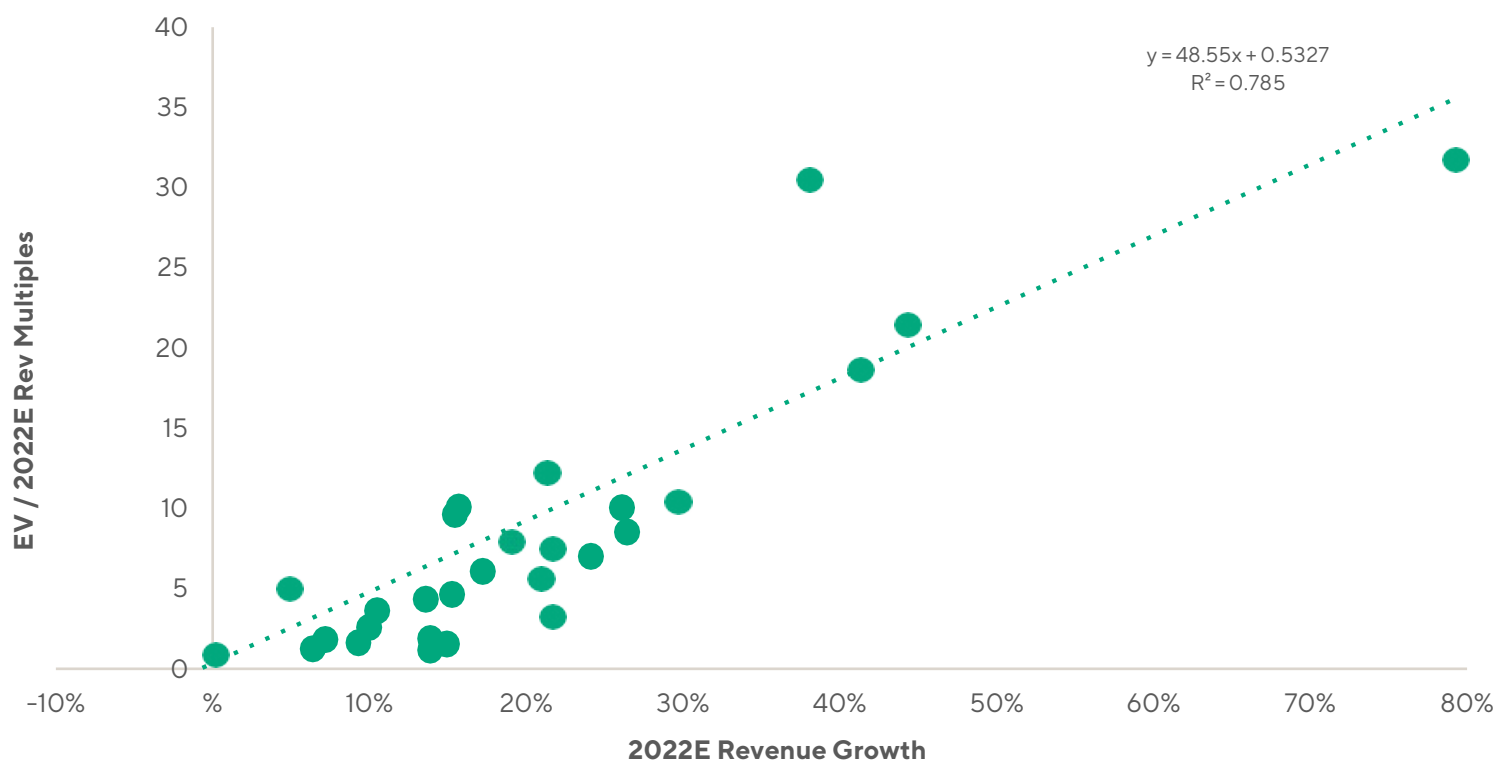
- Mean and median cyber profitables share prices rose 22% and 23% in 2021, slightly outperforming the NASDAQ
- Median cyber profitables EV / forward-year revenue multiples rose 10% in 2021, from 4.1x to 4.5x EV / forward-year revenues

Source: Market data sourced from Capital IQ as of January 7, 2022

Revenue Growth is THE Critical Driver for Cyber Public Valuations

Strong growth-driven value correlation continued in 2021; Profitability has weak correlation though helped support share price performance

Proj. Revenue Growth versus EV / Revenue Multiples for Public Cyber Universe

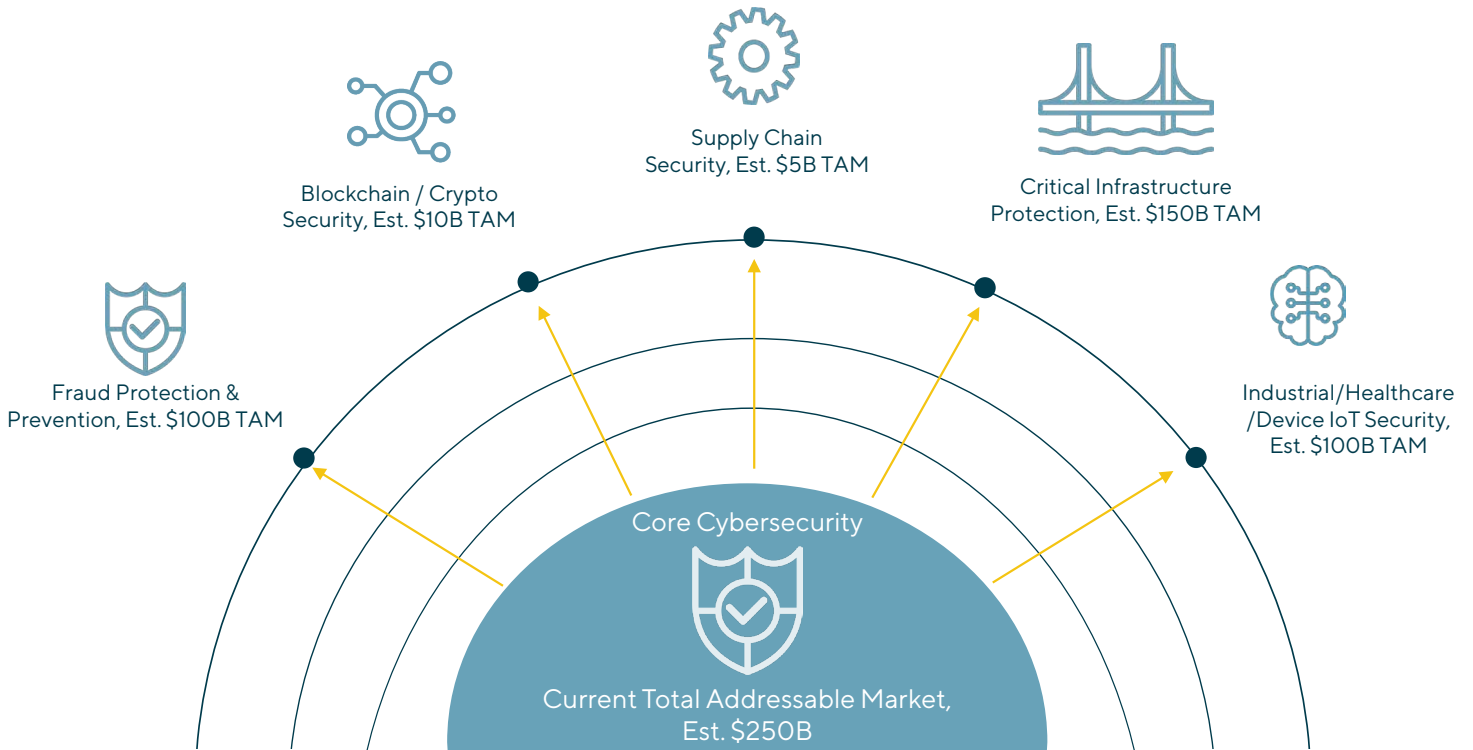


Public Cyber Vendor Estimated Revenue Growth and Forward Revenue Trading Multiples

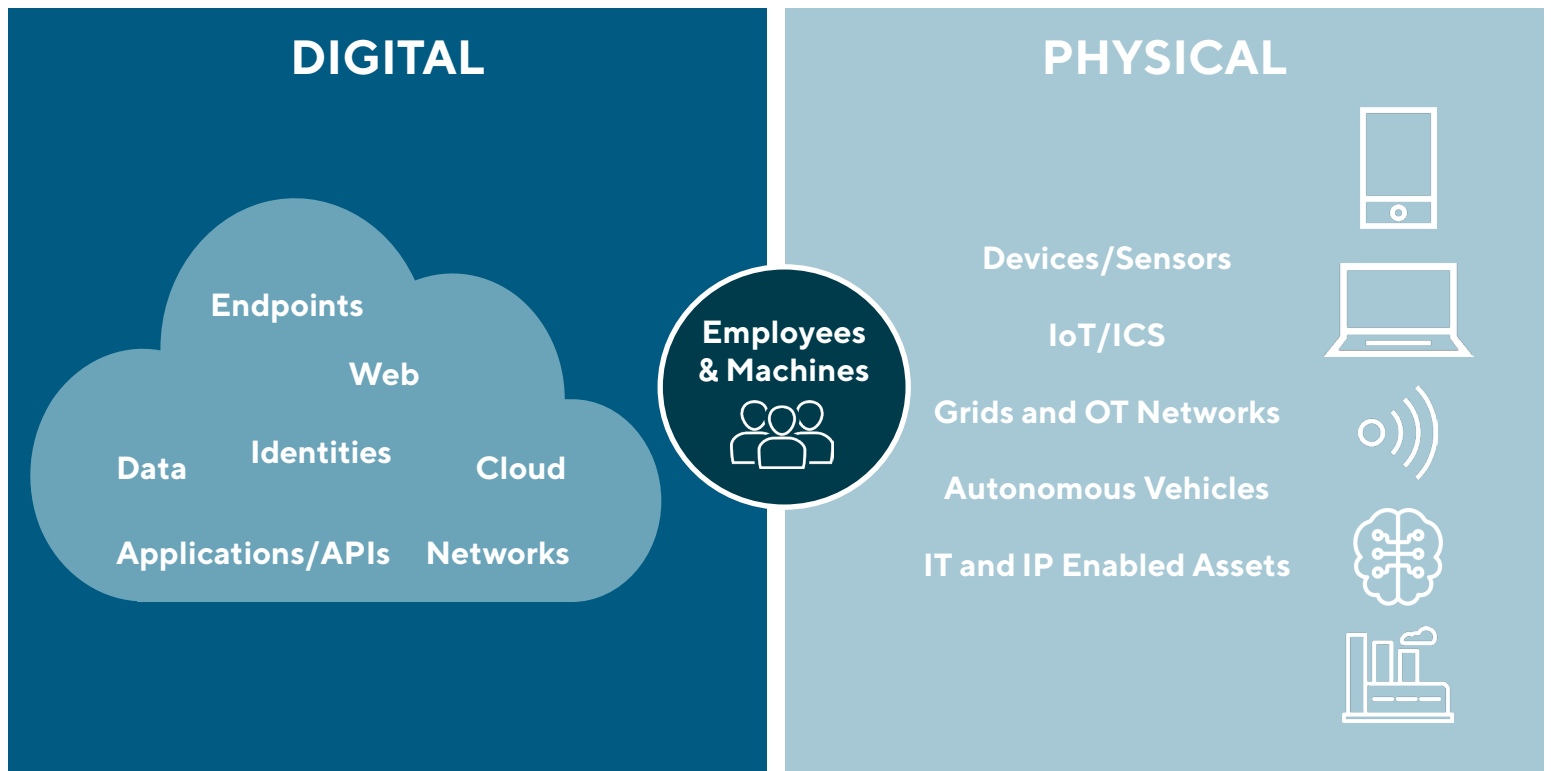
Public Cyber Vendors	2021-22E Rev Growth	EV / 2022E Revenues	Public Cyber Vendors	2021-22E Rev Growth	EV / 2022E Revenues
SentinelOne, Inc.	72%	>50x	Mandiant, Inc	18%	6.8x
Zscaler, Inc.	34%	30.8x	Check Point Software Technologies Ltd.	4%	6.2x
CrowdStrike Holdings, Inc.	40%	22.1x	Ping Identity Holding Corp.	13%	5.9x
Okta, Inc.	37%	19.4x	NortonLifeLock Inc.	12%	5.6x
Fortinet, Inc.	19%	13.2x	Radware Ltd.	9%	5.0x
KnowBe4, Inc.	26%	11.4x	Sumo Logic, Inc.	19%	4.5x
CyberArk Software Ltd.	14%	11.2x	A10 Networks, Inc	8%	4.0x
Rapid7, Inc.	23%	11.2x	McAfee Corp.	12%	3.3x
Qualys, Inc.	13%	10.8x	Trend Micro Incorporated	6%	3.2x
Varonis Systems, Inc.	23%	9.7x	F-Secure Oyj	8%	3.0x
SailPoint Technologies Holdings, Inc.	17%	9.0x	Absolute Software Corporation	13%	3.0x
Tenable Holdings, Inc.	19%	8.6x	OneSpan Inc.	5%	2.7x
Palo Alto Networks, Inc.	21%	8.2x	Tufin Software Technologies Ltd.	12%	2.6x
Mimecast Limited	15%	7.3x	SecureWorks Corp.	-1%	1.9x

Source: Market data sourced from Capital IQ as of January 7, 2022

Cybersecurity Vendors to Benefit from TAM Convergence with Adjacencies

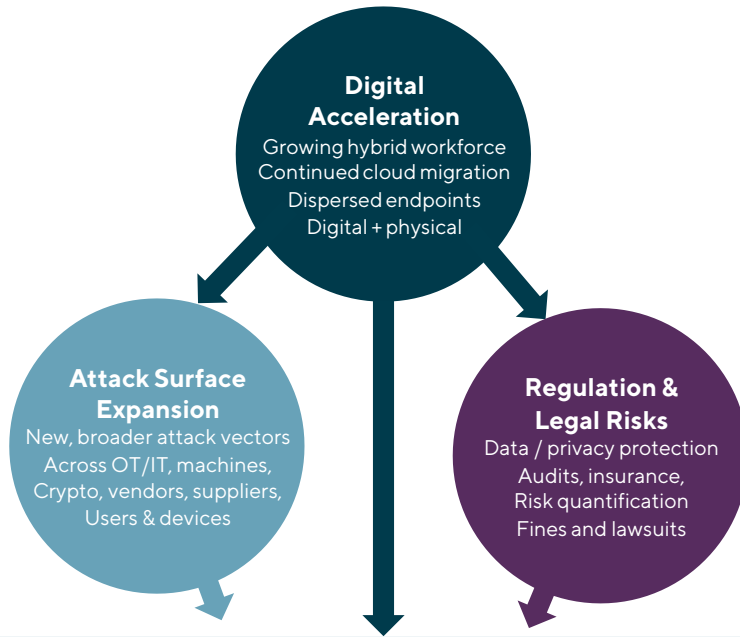


The Cyber Attack Surface is Complex, Converging and Rapidly Expanding



Sources: Publicly available data and Lincoln analysis

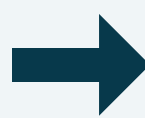
Three Pillars For Long-term Cybersecurity Spend Growth



- COVID-19 pandemic greatly accelerated cloudification, digitization and data liquidity trends
- As cybersecurity follows new technology adoption, we are witnessing major spending increases to address vulnerabilities that paradigm shifts inevitably create
- Adoption of Zero Trust framework requires transformation of security infrastructure and operations
- Major sector talent shortage, combined with cyber complexity, make managed and consulting services a major beneficiary for years to come



Shift to cybersecurity 2.0 and Zero Trust framework



\$366 billion

global cybersecurity spend p.a. by 2028

12% CAGR

(2021-2028)

Cyber Attacks Continue Unabated – Worsened by Broadened Attack Surface

Rampant ransomware

- Attackers are accelerating efforts to extort money from vulnerable institutions
- Exploiting the new norm of hybrid work environments and cloud-first infrastructure

+148%

2.9 million

year-on-year increase estimated attacks in 2021

Attacks threaten critical infrastructure, safety and healthcare

- Rising number of high-profile breaches highlight vulnerability of physical assets, from pipelines and energy grids, to vehicles and plants
- IoT / intelligent devices, ICS, operational technology (OT), connected vehicles, smart cities are all in peril

Data breaches & leaks at record levels

- Lack of unified visibility and controls over data in the cloud compounds risk of data loss
- Apps and data are directly exposed, requiring continuous monitoring and protection, including from human error

Example impacts:

SOCIETAL



National Security



Public safety



Supply shortages

ORGANIZATIONAL



Reputation



Costs



Business continuity



Legal issues

INDIVIDUAL



Identity theft



Fraud

COMPLIANCE



Data protection



Insurance

Selected recent examples:

Oil pipeline 2021

- 45% of US East Coast fuel supply cut off
- **\$5m paid in ransom**



Supply chain 2021

- Halting 23% of US meat supply
- **\$11m paid in ransom**



Supermarkets 2021

- Store closures, websites
- IT systems and checkout software



Hospitals 2020

- Rerouting of ambulances, delayed patient care, loss of lives



\$67m total cost (UHS)

Water treatment plant (2020)

- Drinking water poisoned through remote access

State-backed hacks in 2021



Behind 58% of detected state-sponsored hacks (Microsoft, Oct-21)



2021 examples: US defense contractors, US government agencies, global infectious disease researchers and legislative bodies



Attempt to steal \$1.3bn in cash and cryptocurrencies

Data breaches

easyJet



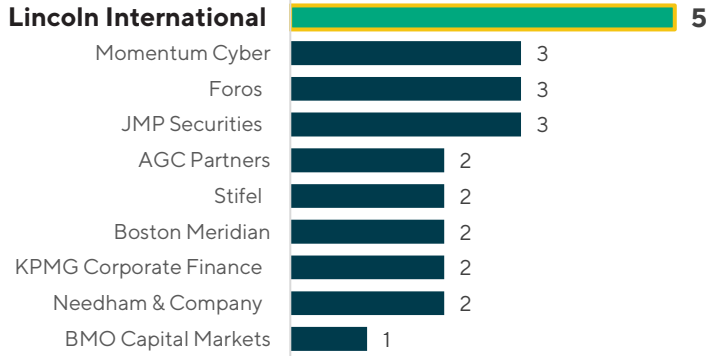
BRITISH AIRWAYS



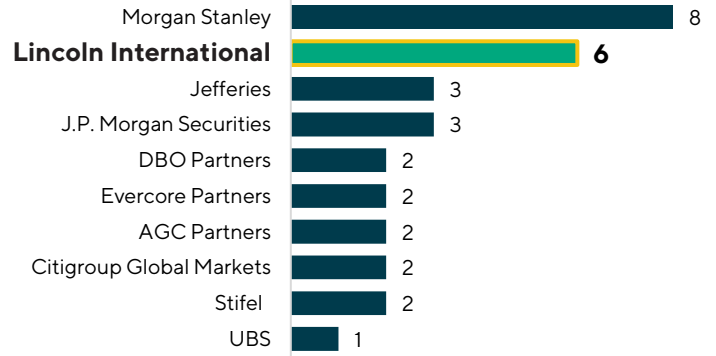
Sources: Publicly available data

Lincoln International is a Leading Banker to Cybersecurity Leaders

2021 Cyber Security Deals <\$500 million
M&A Banking Leaders (# of deals)



2021 Cyber Security M&A Banking Leaders (# of deals)



Select Recent Lincoln Banker Cybersecurity M&A & Financing Activity

<p>A majority stake of</p> <p>has been sold to</p> <p>Sell-Side</p>	<p>IK Partners</p> <p>has acquired</p> <p>from</p> <p>Buy-Side</p>	<p>has been sold to</p> <p>Sell-Side</p>	<p>WICKS</p> <p>has sold</p> <p>to</p> <p>Sell-Side</p>	<p>has been sold to</p> <p>Sell-Side</p>
<p>has been sold to</p> <p>Sell-Side</p>	<p>AGARI</p> <p>has been sold to</p> <p>Sell-Side</p>	<p>has been acquired by</p> <p>Sell-Side</p>	<p>Advent International SECURITY POWER CORP.</p> <p>with</p> <p>have acquired</p> <p>Buy-Side</p>	<p>abry partners</p> <p>has sold</p> <p>to</p> <p>a portfolio company of</p> <p>Sell-Side</p>
<p>has been sold to</p> <p>a portfolio company of</p> <p>Sell-Side</p>	<p>has been sold to</p> <p>Sell-Side</p>	<p>Management and investors</p> <p>have sold</p> <p>to</p> <p>Sell-Side</p>	<p>has sold a minority stake to</p> <p>a portfolio company of</p> <p>Sell-Side</p>	<p>Successful Track Record Advising Game-changing Cybersecurity Vendors, Entrepreneurs and Investors</p>

* Completed by Lincoln professional while employed at a prior firm



Lincoln's Global Technology, Media & Telecom Group

Connected to Clients' Ambitions

Encompassing both physical assets and intellectual property, the TMT industry has expansive opportunities for investors and entrepreneurs. Our global network of professionals, our strong relationships with industry leaders and our deep expertise in a variety of TMT verticals combine to serve the unique needs of clients capitalizing on change within a sector that is highly integrated into nearly every service and product. Our connections, along with our track record of exceptional results, give us the edge to provide our clients with creative and innovative financial solutions.

Contributors

Don More

Managing Director | New York
+1 (917) 722-8648
dmore@lincolninternational.com

Chris Brooks

Managing Director | London
+44 20 7632 5248
cbrooks@lincolninternational.com

Edward Lethbridge

Managing Director | London
+44 20 7632 5224
elethbridge@lincolninternational.com

Alejandro Yu

Vice President | New York
+1 (212) 277-8108
ayu@lincolninternational.com

Gunnar Brundin

Managing Director | Nordics
+46 (0)73 855 0113
gbrundin@lincolninternational.com

Johanna Lannvik

Vice President | London
+44 20 7632 5225
jlannvik@lincolninternational.com

Francois Carlot

Managing Director | Paris
+33 (0) 1 53 53 18 38
fcarlot@lincolninternational.com

Advisory Services

Mergers & Acquisitions
Capital Advisory
Private Funds Advisory
Valuations & Opinions

About Lincoln International

We are trusted investment banking advisors to business owners and senior executives of leading private equity firms and their portfolio companies and to public and privately held companies around the world. Our services include mergers and acquisitions advisory, private funds and capital markets advisory, and valuations and fairness opinions. As one tightly integrated team of more than 750 professionals across 15 countries, we offer an unobstructed perspective on the global private capital markets, backed by superb execution and a deep commitment to client success. With extensive industry knowledge and relationships, timely market intelligence and strategic insights, we forge deep, productive client relationships that endure for decades. Connect with us to learn more at : www.lincolninternational.com.

Connect with Lincoln International's Technology, Media & Telecom Group at www.lincolninternational.com/technology

[To View Lincoln's Complete List of 2021 Cybersecurity M&A and Investments click here](#)