

Cybersecurity



Inside This Issue

- Q1 2022 Continued the Dealmaking Momentum of 2021, with M&A and Fundraising Volumes Materially Higher than Q1 2021, Though Below the Torrid Pace of Q4
- Year-to-date, the Index of Public Cybersecurity Vendors Materially Outperformed NASDAQ, and 85% Exceeded Revenue Expectations for the Quarter
- Average M&A and Investment Deal Sizes, and the Universe of Active Investors and Buyers Continue to Widen
- Three More Sector Go-private Deals Year-to-date (9 Total Since 2021). On the Other Side There are More Than a Dozen Cyber IPO Candidates in the Wings
- Powerful Demand Tailwinds are Expected to Drive Continued Sector Strength Despite Broader Market Uncertainty
- Q1 2022 Key Trends Include the Rise of Identity- and App-based Attacks, Ubiquitous Phishing and Ransomware Threats, and Continuing Pivot to Cloud-native Solutions that Advance Zero Trust and SASE
- Google's Acquisition of Mandiant, the Largest Sector M&A Deal of Q1, Presages Major Moves by Cloud Platforms into Cyber

Q1 2022 Report

Q1 2022 Cybersecurity Deal Activity Maintains 2021 Momentum

Overview

- **Q1 2022 Cyber M&A volumes increased** over Q1 2021 to about \$13.0 billion across 56 transactions (excluding the January 2022 \$13.2 billion take-private of Citrix by Vista and Evergreen), versus \$6.0 billion the same time last year.
- **Q1 2022 M&A multiples held steady**, with median and mean enterprise value (EV) / LTM revenue multiples last quarter on disclosed transactions of 11.2x and 10.6x. In comparison, overall 2021 EV / LTM revenue median and mean cyber M&A multiples were 10.4 and 13.4x.
- **Q1 2022 venture / growth investing rose 50% over Q1 2021** to \$5.9 billion across 189 companies funded, versus \$4.0 billion and 179 deals in Q1 last year, reflecting significant increases in fund round sizes. There were 17 nine-figure rounds in Q1 2022.
- Early Q2 results suggest continuation of M&A and investment strength, with notable acquisitions including the take-private of Tufin by Turn/River (Lincoln client), Mandiant by Google and Zimperium by Liberty Capital.
- **Cyber sector is viewed as relatively resilient** versus other tech sectors and other industries, due to compelling demand tailwinds, accentuated by Ukraine-related cyber attacks, new malware and breaches and broad acceptance of the need for increased cyber investment across the board.

Notable Q1 2022 Cybersecurity M&A Transactions

Announced	Acquirer	Target, Subsector	Deal Value / Multiple of LTM Revenues	Announced	Acquirer	Target, Subsector	Deal Value / Multiple of LTM Revenues
Jan-21	 VISTA / EVERGREEN CAPITAL	 Cloud, Data and Network Security	\$13,170,352,000 / 4.1x	Mar-22		 Fraud Prevention	\$128,736,096 / 7.2x
Mar-22	 Alphabet Google	 Managed Detection & Response, Threat Intel	\$5,400,000,000 / 11.7x	Feb-22	 DARKTRACE	 Vulnerability Management, Threat Intel	\$53,867,600 / 12.5x
Mar-22	 TA ASSOCIATES	 Application Security	\$2,500,000,000 / 11.2x	Feb-22		 Cloud, Data and Network Security	\$30,000,000 / 3.8x
Mar-22		 Data Protection, Security Consulting	\$1,201,200,000 / 11.6x	Mar-22		 Cyber Risk and Compliance	NA
Mar-22	 helpsystems	 Managed Detection & Response	\$700,000,000 / 5.0x	Feb-22	 riskconnect. Integrated Risk Management Solutions™	 Cyber Risk and Compliance	NA
Mar-22	 SentinelOne™	 Identity Access Management, Endpoint Security, Network Security	\$616,500,000 / 17.6x	Feb-22		 Identity and Access Management	NA
Mar-22	LIBERTY 77 CAPITAL	 Mobile Security	\$525,000,000 / 17.5x	Feb-22		 Cloud, Data and Network Security	NA
Jan-22	 Google Cloud Platform	 SOAR	\$500,000,000 / 17.9x	Feb-22		 Threat Intel, Monitoring and Analysis	NA
Feb-22	 helpsystems	 IoT, CIP an OT	\$350,000,000 / 3.3x	Feb-22		 Threat Intel, Monitoring and Analysis	NA
Jan-22	 CACI EVER VIGILANT	 Security Consulting	\$225,000,000 / 1.4x	Feb-22		 Threat Intel, Monitoring and Analysis	NA
Feb-22	 CLOUDFLARE™	 Endpoint and Mobile Security	\$162,000,000 / 18.0x	Jan-22		 Cloud, Data and Network Security	NA

Sources: S&P/451 Research, Crunchbase, public sources and Lincoln estimates

Q1 2022 Cybersecurity Deal Activity Maintains 2021 Momentum (cont'd)

Sector viewed as resilient in a turbulent macro environment

Notable Q1 2022 Cybersecurity Growth Investments

(\$ in millions)

Announced	Company	Subsector	\$ Raised in Round	Announced	Company	Subsector	\$ Raised in Round
Mar-22	CERTIK	Blockchain Security	\$88 million	Feb-22	securonix	Siem / Ueba	\$1,000 million
Mar-22	Island	Secure Browser	\$115 million	Feb-22	SALT	API Security	\$140 million
Mar-22	TOKENEX	Data Protection	\$100 million	Jan-22	ThriveDX	Cyber Training	\$100 million
Mar-22	AXONIUS	Attack Surface Mgmt.	\$200 million	Jan-22	veriff	Identity Verification	\$100 million
Feb-22	BlueVoyant	MSSP / MDR	\$250 million	Jan-22	interos	Supply Chain Risk Mgmt.	\$126 million
Feb-22	BEYOND IDENTITY	Multi-Factor Authenticator	\$100 million	Jan-22	1Password	Password Mgmt.	\$620 million
Feb-22	CHEQ	Fraud Prevention	\$150 million	Jan-22	PENTERA	Vulnerability Mgmt.	\$150 million

Cybersecurity Public Index Materially Continues to Outperform NASDAQ

- **Q1 2022 Index of Public Cyber Vendors declined 4.4%** since the beginning of the year, versus a 9.1% decline in the NASDAQ index. The cyber index remained up 31.1% over the last 12-months ending March 31, 2022, versus a 7.1% increase in the NASDAQ index
- The dispersion of revenue valuation multiples is broadening, as investor discernment sharpens
- **Market continues to reward growth performance and, increasingly, profitability.** As noted in our 2021 report, public cyber vendors that grew revenues 25% or greater or had 10% or greater EBITDA margins significantly outperformed cyber publics with neither



Sources: Pitchbook, Public Sources, CapitalIQ

Cyber Publics Almost Uniformly Met or Exceeded Q1 Projections

Highlights solidity of customer demand and ability to manage inflation

- **81% of public cyber vendors exceeded Q1 2022** earnings per share (EPS) expectations, and 85% exceeded revenue projections, as noted in the table below
- **Cyber sector performance exceeds overall Q1 2022 market performance** – by comparison, 77% of S&P 500 companies beat EPS and 73% beat revenues expectations
- **Security index median / mean Enterprise Value (EV) / 2022E trading multiples roughly held steady with year-end 2021**, ending the quarter at 7.8x and 9.0x respectively, with a high value differential between higher and lower growth vendors

Q1 2022 Cyber Public Performance

	Actual EPS USD	Beat or Miss (dollars)	Actual Revenues \$M	Beat or Miss (\$ in millions)		Actual EPS USD	Beat or Miss (dollars)	Actual Revenues \$M	Beat or Miss (\$ in millions)
A10 Networks	0.13	beat by 0.02	62.7	beat by 1.7	Ping Identity Holding	-0.06	miss by -.04	84.7	beat by 4.2
Absolute Software	0.1	beat by 0.07	52	miss by -0.3	Qualys	0.89	beat by .09	113.4	beat by 0.4
Check Point Software Technologies	1.57	beat by 0.02	543	beat by 7.4	Radware	0.19	beat by .01	73.7	beat by .1
CrowdStrike	0.3	beat by 0.1	431	beat by 18.6	Rapid7	-0.16	in-line	157.4	beat by 3.2
CyberArk Software	-0.3	beat by 0.01	127.6	miss by -2.9	SailPoint Technologies Holdings	-0.09	beat by .02	115.4	beat by 3.6
Cyren	-1.2	in-line	7.6	miss by -0.2	SecureWorks	0.03	beat by .11	127.9	miss by -1
Fortinet	0.94	beat by 0.14	954.8	beat by 68.4	SentinelOne	-0.17	beat by .01	65.6	beat by 5
KnowBe4	0.04	beat by 0.02	75	beat by 2.3	Sumo Logic	-0.13	beat by .04	67.1	beat by 2.7
Mandiant	-0.15	miss by -0.01	130.1	beat by .5	Tenable Holdings	0.06	beat by .01	159.4	beat by 5.9
Mimecast	0.36	beat by 0.04	151.6	beat by 1.4	Trend Micro	0	in-line	392.6	beat by 10
NortonLifeLock	0.46	beat by 0.01	716	beat by 6.4	Tufin Software Technologies	-0.28	beat by .01	26.1	beat by 1.1
Okta	-0.16	beat by 0.06	383	beat by 23.2	Varonis Systems	-0.09	beat by .01	96.3	beat by .3
OneSpan	-0.01	beat by 0.05	52.5	beat by .4	Zscaler	0.13	beat by .02	255.6	beat by 13.7
Palo Alto Networks	1.79	beat by 0.11	1390	beat by 27.7					

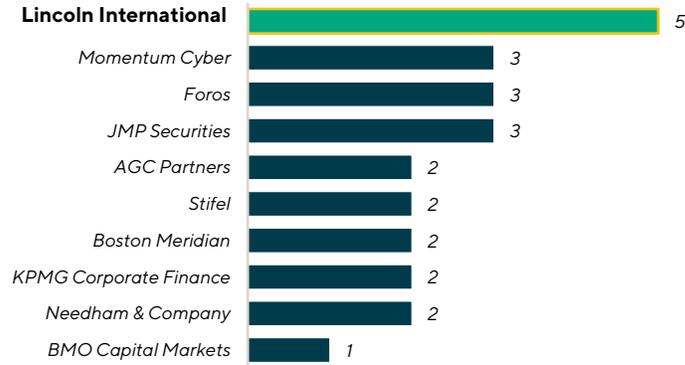
Source: CapitalIQ

Notable Trends in 2022 Year-to-date

- While macroeconomic uncertainty and market volatility have impacted public valuations in Q1, cybersecurity is a relative beneficiary
 - The Ukraine conflict has coincided with rising attacks against western companies and governments, which are increasing security investment as a result. The U.S. recently warned about new malware that could cripple industrial systems worldwide, and has provided “Shields Up” guidance for organizations.
 - EU and NATO are significantly increasing investment in enhanced cyber resilience, fighting cybercrime and protecting critical infrastructure
 - Cyber spend is largely regarded as must-have for businesses concerned over the seemingly inexorable rise in breaches, and rapid digitalization
- Large cloud and social vendors are markedly increasing sector acquisition activity. Google’s \$5.4 billion Mandiant acquisition is the biggest cyber M&A deal in Q1, and Google and Microsoft have together committed \$30 billion over five years to strengthen their cyber offerings. Other technology vendors are extending their core to encompass a cybersecurity story, while many existing vendors have incorporated M&A into their growth strategy.
- Cloud and remote-first computing are expected to drive an enterprise upgrade spending cycle for the next several years, in such broad areas as zero trust network access, secure service edge, cloud exploitation prevention, cloud data security, cloud infrastructure entitlement management, attack surface management, identity risk protection, industrial cyber, mobile endpoint security and security posture management.

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>TURN // RIVER</p> <p>has agreed to acquire and take private</p> <p>tufin</p> <p>Acquisition Financing Buy-Side</p> <p></p>	<p>A majority stake of</p> <p>eperi</p> <p>has been sold to</p> <p>EQUISTONE</p> <p>Sell-Side</p> <p></p>	<p>IK Partners</p> <p>has acquired</p> <p>TRUESEC</p> <p>from</p> <p>SOBRO</p> <p>Buy-Side</p> <p></p>	<p>DFLABS</p> <p>has been sold to</p> <p>sumo logic</p> <p>Sell-Side</p> <p></p>	<p>WICKS</p> <p>has sold</p> <p>SONTIQ</p> <p>to</p> <p>TransUnion</p> <p>Sell-Side</p> <p></p>
<p>portshift</p> <p>has been sold to</p> <p>CISCO</p> <p>Sell-Side</p> <p></p>	<p>Bay Dynamics</p> <p>has been sold to</p> <p>Sell-Side</p> <p></p>	<p>AGARI</p> <p>has been sold to</p> <p>helpsystems</p> <p>Sell-Side</p> <p></p>	<p>BullGuard</p> <p>has been acquired by</p> <p>Avira</p> <p>Sell-Side</p> <p></p>	<p>Advent International EURAZEO</p> <p>with</p> <p>'planet</p> <p>have acquired</p> <p>'datatrans.</p> <p>Buy-Side</p> <p></p>
<p>abrypartners</p> <p>has sold</p> <p>SiteLock</p> <p>to</p> <p>SECTIGO</p> <p>a portfolio company of</p> <p>GI PARTNERS</p> <p>Sell-Side</p> <p></p>	<p>SSL247</p> <p>has been sold to</p> <p>SECTIGO</p> <p>a portfolio company of</p> <p>GI PARTNERS</p> <p>Sell-Side</p> <p></p>	<p>90</p> <p>has been sold to</p> <p>Deloitte.</p> <p>Sell-Side</p> <p></p>	<p>Management and investors</p> <p>ELRON arvato BERTELSMANN</p> <p>have sold</p> <p>SECURETOUCH</p> <p>to</p> <p>PingIdentity</p> <p>Sell-Side</p> <p></p>	<p>2/1</p> <p>has sold a minority stake to</p> <p>ISTARI</p> <p>a portfolio company of</p> <p>TEMASEK</p> <p>Sell-Side</p> <p></p>

* Completed by Lincoln professional while employed at a prior firm



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Connected to Clients' Ambitions

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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

Gunnar Brundin

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

Francois Carlot

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

Johanna Lannvik

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

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