



■ **Cybersecurity**

**INSIDE: Market highlights · Deal volumes · Key players · About Clairfield**

## Cybersecurity valuations climb past other tech segments



SECTOR HEAD

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Recent work-from-home trends, coupled with the exponential increase in cloud file storage, has transformed the treatment of data in a short time. As a result, many vulnerabilities in enterprise cybersecurity infrastructure have been exposed, including the use of single-layered protection, lack of firewall implementation, and unprotected broadband connections, to name a few of the most common problems. Cybercriminals have exploited these vulnerabilities throughout the pandemic and beyond.

At the same time, GDPR and CCPA regulations require all companies that deal with consumer data to have better safeguards or face the risk of costly fines. Industries such as financial services, healthcare, and retail are therefore under extreme pressure to invest more heavily in cybersecurity, given the vast amounts of sensitive consumer data they deal with. Even historically offline industries, including supply chain and logistics, utilities, consumer electronics, and medical technology, are bringing their critical infrastructure to the cloud as well, through IoT devices and edge computing, creating a new opportunity for cybercriminals and a new market for cybersecurity.

Victims of cyber attacks are reporting that the average breach costs their enterprise in the US\$ 4 million range. Dataprise estimates a worldwide increase in cybersecurity spending of 12%.<sup>1</sup> Gartner estimated that spending on information security and risk management will total \$172 billion in 2022, up from \$155 billion in 2021 and \$137 billion the year before.<sup>2</sup>

A hot sector in a frothy M&A market. In this climate we have noted:

- M&A deal value in the cybersecurity sector in 2021 reached US\$ 77.5 billion.<sup>3</sup>
- Activity was primarily driven by private equity investments with 130 deals in 2021.
- Security consulting was the most active sector in M&A.

Cybersecurity valuations were high throughout 2021, when compared to both recent years and the technology sector in general. Whereas in the information technology sector M&A valuations were 7.7X revenues, cybersecurity acquirers paid an average of 11.3x trailing sales in 2021.<sup>4</sup>

Service companies have also become active acquirors. Enterprises prefer to outsource network monitoring to service companies rather than buy their own software with constant updates required. Deloitte, for example, has become an active acquiror in 2021 with 6 acquisitions, joining these cybersecurity companies to its consulting practice.

<sup>1</sup> [www.dataprise.com/resources/blog/2022-cybersecurity-spending](https://www.dataprise.com/resources/blog/2022-cybersecurity-spending)

<sup>2</sup> [www.csoonline.com/article/3645091/cybersecurity-spending-trends-for-2022-investing-in-the-future.html](https://www.csoonline.com/article/3645091/cybersecurity-spending-trends-for-2022-investing-in-the-future.html)

<sup>3</sup> [www.darkreading.com/endpoint/8-of-the-biggest-cybersecurity-m-as-and-investment-deals-in-2021](https://www.darkreading.com/endpoint/8-of-the-biggest-cybersecurity-m-as-and-investment-deals-in-2021)

<sup>4</sup> [www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/cybersecurity-m-a-values-volumes-spike-in-2021](https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/cybersecurity-m-a-values-volumes-spike-in-2021)

## Trends in cybersecurity



**Ransomware** is malware placed by a hacker on a device that then blocks access to the device or certain files unless the user pays a ransom to the hacker. The hacker encrypts files and demands ransom payment for the decryption key. Payment of the ransom is often the easiest and cheapest way to regain access to files. The frequency and sophistication of attacks have increased steeply. Ransomware has quickly become the most common attack scheme, now accounting for 30% of all cyberattacks.<sup>1</sup> Frequency will grow as bad actors have access to widely available tools and techniques to perpetrate an attack.



**AI-powered cybersecurity** - We further see development of cybersecurity solutions that leverage artificial intelligence (AI) and machine learning (ML) to dynamically identify threats in real-time. Organizations can now act proactively rather than reactively to threats. AI and ML are used to understand patterns, threat detection, automate, and respond to cybersecurity processes and facilitate decision-making, and predict attacks.



**Biometrics** - Face ID, fingerprints or other forms of biometric authentication are becoming a more common option from providers for identity verification. Realistically, consumers can't rely on remembering or managing numerous passwords. It'll come down to convenience, and as more convenient forms of authentication become more secure, we will see more adoption of biometrics.



**API security** - Application Programming Interfaces. APIs fuel digital transformation and are essential components of business-critical, customer-facing applications, development environments, and partner-facing services. APIs today expose application business logic and sensitive data. Attackers have taken notice of this, and in recent years, APIs have become their primary target.



**SSPM** - SaaS Security Posture Management is a robotic set of security tools and automation that enables an organization's security and IT teams to get visibility and manage the security profile of their SaaS environments. SSPM tools reduce the risk by constantly scanning for and eliminating configuration mistakes, which happen to be one of the most common cloud failures.



**DevOps** - DevOps Security or DevSecOps is a set of practices, and tools that bring together software development, IT operations and security to increase an organization's ability to securely deliver applications and services at high velocity. Currently the trend is to collaborate between security and operations at the earliest stage of the development lifecycle, when code is written. This process aims to enhance software security.



**The adoption of XDR** - (Extended Detection and Response) XDR collects and automatically correlates data across multiple security layers via email, endpoint, server, cloud workload, and network. This allows for faster detection of threats and improved investigation and response times through security analysis. Companies are looking for more robust detection mechanisms, such as XDR in order to manage overall risk in a simpler way.



**IOT** - Machines and objects in virtually any industry can be connected and configured to send data over cellular networks to cloud applications. The digital security risk is present at every step along the IoT journey, and there is considerable vulnerability along the way. With diverse data types and computing power among IoT devices, there's no "one size fits all" cybersecurity solution that can protect any IoT deployment. Risk must be mitigated, especially as many solutions are scaled and expand geographically.<sup>2</sup>

<sup>1</sup> [www.bvp.com/atlas/2022-cybersecurity-startup-trends](http://www.bvp.com/atlas/2022-cybersecurity-startup-trends)

<sup>2</sup> [www.thalesgroup.com/en/markets/digital-identity-and-security](http://www.thalesgroup.com/en/markets/digital-identity-and-security)

# Cybersecurity M&A transactions

## Notable M&A transactions in 2021

Target	Acquiror	EV (US\$ million)
 McAfee	 Advent International GLOBAL PRIVATE EQUITY	14,085
 proofpoint.	 THOMABRAVO	12,300
 Avast	 NortonLifeLock™	8,020
 Auth0	 okta	6,408
 mimecast™	 PERMIRA	5,516
 McAfee	 STG SYMPHONY TECHNOLOGY GROUP	4,000
 appgate	 NEWTOWN LANE MARKETING	1,575
 CAPCO	 wipro	1,450
 thycotic	 Centrify®	1,400
 TeleSign	 NAAC North Atlantic Acquisition Co.	1,300

## Most active investors in 2021 <sup>1</sup>



## Cyber IPOs in 2021 <sup>2</sup>



## PE firms making add-on acquisitions <sup>3</sup>



## Most active strategic buyer <sup>4</sup>

**Deloitte.** Transactions: 6

<sup>1</sup> <https://about.crunchbase.com/cybersecurity-research-report-2021/>  
<sup>2</sup> [www.zdnet.com/article/cybersecurity-m-a-volume-reaches-77-5-billion-in-2021](http://www.zdnet.com/article/cybersecurity-m-a-volume-reaches-77-5-billion-in-2021)  
<sup>3</sup> [news.crunchbase.com/news/mergers-money-vc-backed-cyber-companies-bought-up-at-record-pace/](https://news.crunchbase.com/news/mergers-money-vc-backed-cyber-companies-bought-up-at-record-pace/)  
<sup>4</sup> [www2.deloitte.com/global/en/pages/risk/articles/cyber-innovation-and-acquisitions.html](http://www2.deloitte.com/global/en/pages/risk/articles/cyber-innovation-and-acquisitions.html)

## Case study

# Clairfield advised Israeli cloud backup company on its international sale to NASDAQ-listed corporation



Founded in 2011, CloudAlly is an enterprise-grade, software-as-a-service (SaaS) cloud backup and recovery solutions provider. The family-owned start-up successfully developed a suite of award-winning compliant solutions for Microsoft Office 365, Google Workspace (formerly G Suite), SharePoint, OneDrive, Salesforce, Box and Dropbox. The company serves more than 5,000 customers, 250,000 users and is supported by 600 Managed Service Provider (MSP) partners.

Zix Corporation (Nasdaq: ZIXI), is a leading provider of cloud email security, productivity and compliance solutions. The acquisition expands Zix's product suite into Microsoft Office 365 backup, filling growing demand from its MSP

customers as well as Zix's value-added reseller and direct channels. The synergistic go-to-market strategy has no overlap with its partner bases. CloudAlly enables Zix to enter the cloud backup and recovery market. *MarketsandMarkets* estimates the cloud back-up domain as a 1.3 billion USD in size growing 25%. Zix had surveyed its customers and found that at least 45% confirmed they would purchase a backup solution if it became available.

Cloud backup was identified as the number one product adjacent to their core platform. This tool enables their customers to further adopt the cloud in their digital transformation journey. CloudAlly has the potential to greatly enhance Zix's Secure Cloud platform and also removes concerns around ransomware which became a major industry concern.

As the COVID-19 pandemic put many potential buyers on pause, the initial valuations received were below shareholder expectations. Other prospective acquirors argued that since the credit markets were closed, they were not willing to raise their initial offer. In a time of uncertainty, many proposed to pay with shares instead of cash. Since most employees were working remotely, the threat of cyber-attacks and ransomware grew.

The deal team convinced the buyers that enterprises would quickly need to respond with cloud backup and disaster recovery solutions. Clairfield positioned CloudAlly as the last independent, profitable, and growing company remaining in this domain. Its classification as a one-stop-shop, offering a full spectrum of cloud backup solutions, resonated as a key differentiator.

## Selected cybersecurity transactions

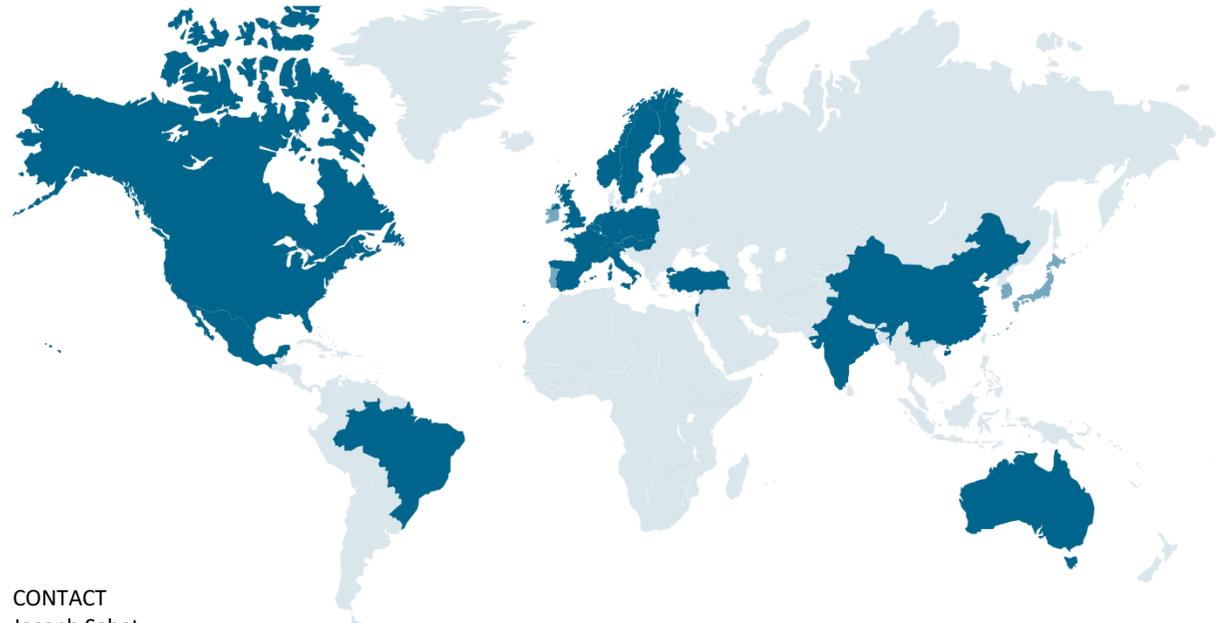
<p>ITALY</p> <p><b>Aurora</b></p> <p>owner of <b>rcs</b> <small>BEHIND A SAFER WORLD</small></p> <p>was sold to</p> <p><b>CY4 GATE</b> <small>BY ELECTRONIC GROUP</small></p>	<p>GERMANY</p> <p><b>profihost</b></p> <p>was sold to</p> <p><b>dogado</b></p>	<p>FRANCE/DUBAI</p> <p><b>BOSS INDUSTRIES</b></p> <p>acquired</p> <p><b>trovicor</b></p>
<p>US</p> <p><b>GRAYSHIFT</b></p> <p>completed a minority growth recapitalization with an investor group led by</p> <p><b>PEAKEQUITY PARTNERS</b></p>	<p>NETHERLANDS</p> <p>Management and</p> <p><b>QUADRUM CAPITAL</b></p> <p>acquired</p> <p><b>DataExpert</b></p>	<p>US</p> <p><b>GBG</b></p> <p>acquired</p> <p><b>IDODOLOGY</b></p>
<p>AUSTRALIA/US</p> <p><b>accenture</b></p> <p>acquired</p> <p><b>BCT Solutions</b></p>	<p>FRANCE</p> <p><b>IMPACT PARTENAIRES</b></p> <p>sold</p> <p><b>SECURIVIEW</b> <small>NEXT GENERATION SOC</small></p> <p>to</p> <p><b>LINKBYNET</b></p>	<p>CANADA</p> <p><b>TERRANOVA</b> <small>WW CORPORATION</small></p> <p>raised funds from</p> <p><b>FONDS de solidarité FTQ</b></p>

## The TMT team at Clairfield

**+70**  
Team members

**+310**  
Sector transactions closed since 2006

**+EUR 8 bn**  
Cumulative value of sector transactions closed since 2006



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