

June 2019 Industry snapshot

CLAIRFIELD
INTERNATIONAL

SECURITY SOFTWARE

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

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WHAT'S NEW IN THE SECURITY SOFTWARE SECTOR



JOSEPH SABET
SECTOR HEAD

2018 Summary

The European General Data Protection Regulation (GDPR), which took effect in May 2018 as the primary law regulating how companies protect EU citizens' personal data, will continue to have major impact on the industry.

It is a welcome shift for data protection. As GDPR makes it necessary to appoint a dedicated data protection officer (DPO), operationalizing this compliance will undoubtedly require companies to become more organized and transparent. This regulation has significantly driven cybersecurity spending. Consequently, the cyber insurance market size is projected to grow to USD 6.2 billion by 2020.





The breach of the US National Security Agency's main hacking tool has also led to movement in the industry. The tool has been used by criminals and even governments to extract millions of dollars in order to unlock the victims' files. This malware is now publicly available and is widely used to cripple municipalities, hospitals, airlines, hotel wi-fi networks, universities, and enterprises worldwide. Despite these security flaws, large organizations have already done considerable work to protect themselves from attacks. Hackers will begin to target small and mid-size companies as these companies may not have adequate security measures and resources in place to protect themselves.

M&A Highlights

- Security software is highly fragmented and larger companies are seeking to become one-stop-shops, via acquisitions, with all-inclusive solutions.
- Cybersecurity M&A deal volume of 183 transactions in 2018 set a new record, against a previous high of 178 set in 2017. Cybersecurity M&A activity in 2019 is on pace to reach record levels again by number of deals.
- 24% of all M&A transactions in this segment were backed by private equity firms.
- Over the last eight quarters, strategic and financial buyers have completed USD 36 billion in cybersecurity M&A transactions.
- In Q1 2019 there were 42 M&A transactions representing a 28% decrease from Q1 2018, although volume (USD 3.3 billion) grew significantly, representing a 32% increase compared to Q1 2018.
- The average and median enterprise value for cybersecurity M&A transactions in the past 8 quarters was USD 303 million and USD 52 million respectively.
- 70% of M&A exits in cybersecurity are below USD 100 million.



WHAT'S NEW IN THE SECURITY SOFTWARE SECTOR

COMPANY IPOs 2018	TOTAL RAISED FROM IPO IN USD MILLION	SALES IN USD MILLION	EV/SALES	EBITDA IN USD MILLION	NET PROFIT IN USD MILLION	NET%
 avast	765	798	6.2x	(164.2)	237	29.84%
 zscaler	192	190	32.9x	(13.45)	(33)	(17.69)%
Carbon Black.	152	209	3.7x	(18.22)	(82)	(39.13)%
 tenable	251	267	10.3x	(21.6)	(73)	(27.5)%
solarwinds 	375	833	8.3x	407	(102)	18.22%



KEY MARKET TRENDS



According to Gartner, by 2022, 50 percent of all SOCs (Security Operation Centers) will transform into modern SOCs with integrated incident response, threat intelligence and threat-hunting capabilities, up from less than 10 percent in 2015. Identity and Access Management (IAM) will continue its strong performance as perimeters continue to fade and we adopt more of a zero-trust approach to security.



Organizations are embracing a hybrid IT infrastructure that provide the necessary flexibility and scalability in an enterprise. Having resources located in both private and public clouds, organizations lack centralized control and visibility, leaving many security gaps. To bridge these gaps, organizations will need to address finding effective solutions for hybrid cloud security.



Managed Security Service Providers (MSSP) showed significant growth throughout 2018 due to the overwhelming threat of breaches and companies' not fully understanding what security software is and how it is best managed. These service providers enable enterprises to focus on their business by outsourcing cyber worries to security experts.



Connected IoT devices will continue to be targeted given their low level of security and exponential growth; there will be more significant IoT, OT, & ICS security incidents. Endpoint and device security strategies will require advanced EDR (endpoint detection and response) capabilities.



Online phishing attacks were up almost 300% over the last year. In 2019 this trend will become more evident as more hackers find phishing extremely lucrative. Seemingly legitimate emails that may appear to come from trusted sources continue to plague innocent users.



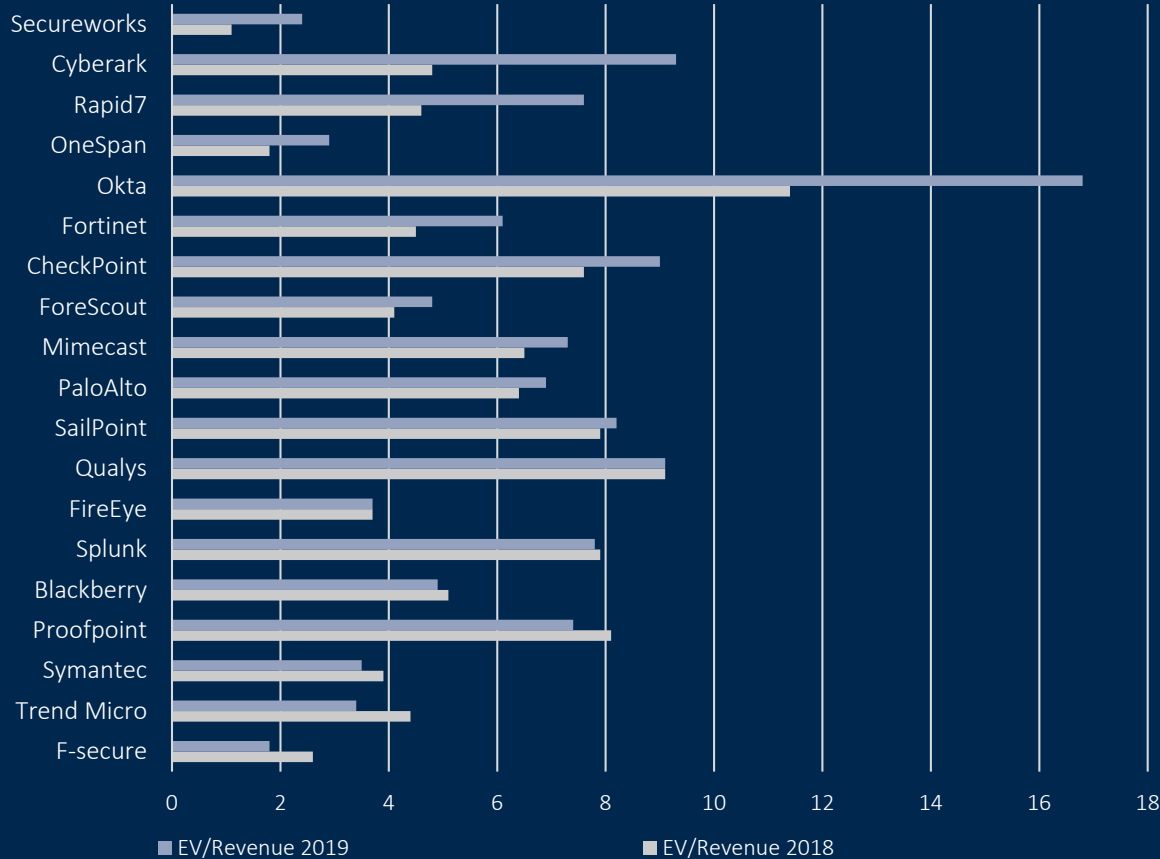
The shortage of qualified personnel in the cybersecurity industry alongside the increased number of false positives generated by software will require additional automation and AI in order to deal with the risk of human error and tedious tasks which are currently handled manually.



More than 60% of online fraud is accomplished through mobile platforms, according to RSA, and 80% of mobile fraud is achieved through mobile apps.



CYBERSECURITY MULTIPLES REMAIN STRONG AT END OF Q1 2019



MEDIAN MULTIPLE	
2018	Q1 2019
4.6x	6.1x
31.8% increase	



CYBERSECURITY OVERVIEW

CYBERSECURITY M&A TRANSACTIONS VALUES
OVER LAST 8 QUARTERS*





	EV (USD million)	LTM Revenue (USD million)	EV / LTM Revenue
Mean	303.2	146.1	9.6x
Median	52.0	35.8	5x

*deals with disclosed amounts

NOTABLE FINANCING TRANSACTIONS YTD

DATE	Company	Amt. (USD M)
9/18	Anchor Free	295
10/18	Tanium Raised	200
6/18	Crowd strike	200
11/18	Net scope	169
11/18	Venafi	100
5/18	Signifyd	100
12/18	Pindrop	90
9/18	Sonatype	80
5/18	Iron Net	78
9/18	Sysdig	69

2018 SELECTED TRANSACTIONS

DATE	TARGET	Total Value (USD M)	BUYER	Details
8/2018	Duo Security	2,350	 CISCO	Cash/Equity
10/2018	Imperva	210	THOMA BRAVO	Cash/Equity
11/2018	Cylance	1,400	 BlackBerry	Cash/Equity
11/2018	Veracode	950	THOMA BRAVO	Cash/Equity
2/2018	Threat matrix	850	 LexisNexis®	Cash/Equity
4/2018	Bomgar	800	 FP FRANCISCO PARTNERS	N/A

Most active sectors:



MSSP

Network &
infrastructure security

Application security




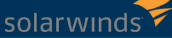










Security consulting








MOST ACTIVE CONSOLIDATORS

Public companies

Company	Market Cap (USD million)	# of cyber acquisitions*
 Symantec.	11.8	11
 proofpoint.	6.0	10
 paloalto	19.1	7
 solarwinds	5.2	7
 BlackBerry	4.3	6
 SOPHOS	2.4	6
 splunk	16.8	5
 FireEye	3.0	5
 CYBERARK	4.8	5
 F-Secure	429.1	5
 Qualys	3343.7	4
 RAPID7	2513	4

Private equity

Fund	Investments
 VISTA EQUITY PARTNERS	 websense  FORCEPOINT  Ping Identity
THOMA BRAVO	 IMPERVA  Barracuda  solarwinds  LogRhythm The Security Intelligence Company
BC Partners	 Cyxtera  Brainspace  CATBIRD
ACCEL PARTNERS	 illumio  CROWDSTRIKE  FORGEROCK  tenable
MARLIN EQUITY PARTNERS	 appriver  ROARING PENGUIN SOFTWARE INC.  TOPSPIN SECURITY  Fidelis Cybersecurity  total defense  RESOLUTION1 SECURITY



SECURITY SOFTWARE DEAL SPOTLIGHT

US



IDENTITY VERIFICATION

GB Group (LON: GBG), completed its previously announced USD 300 million acquisition of IDology. Headquartered in Atlanta, Georgia, IDology is a fast-growing provider of identity verification services that helps remove friction both in onboarding customers and in the detection of fraud. Headquartered in Chester, UK, GBG is an identity data intelligence specialist. The acquisition strengthens GBG’s broader portfolio and enhances its product capability and customer reach. IDology provides GBG with a strong foothold for identity verification and fraud prevention services in North America, a key growth region for the company.

RECENT SECURITY SOFTWARE TRANSACTIONS

US



has issued Series B Preferred Stock to an investor group led by



SECURITY COMPLIANCE SOLUTIONS

Finland/Norway



acquired Birdstep Technology Oy from



IT SECURITY

France



raised funds from



REMOTE-MONITORING SOFTWARE

Denmark



Straight talk on IT security

was sold to



SECURITY TESTING SERVICE

Australia/Germany



acquired



DEFENSE SOFTWARE

Israel



Private placement

DEFENSE AND HOMELAND SECURITY

Finland



Employee share plan

CYBERSECURITY

UK



received development capital from



IT SECURITY SOLUTIONS

300+

TEAM MEMBERS

30%

DEALS CLOSED WITH
INTERNATIONAL BUYERS

400

NUMBER OF ACTIVE
CROSSBORDER CLIENTS

CLAIRFIELD
INTERNATIONAL

22

COUNTRY TEAMS
ACROSS THE WORLD

130+

DEALS CLOSED ANNUALLY

EUR 20 billion

CUMULATIVE DEAL VALUE
LAST 5 YEARS

Clairfield International was founded in 2004 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.



Top 10

IN EUROPEAN
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE
MIDMARKET RANKINGS

80%

OF OUR MANDATES
ARE INTERNATIONAL

1100+

ANNUAL ASSIGNMENTS ON BEHALF OF CORPORATES,
INVESTORS AND FAMILY BUSINESSES

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