



# TRUSTED M&A ADVISOR TO THE CYBERSECURITY SECTOR

## MONTHLY SNAPSHOT MARCH 2019

## Chertoff Capital – A Differentiated Investment Bank

Chertoff Capital is an industry leading investment bank serving high-growth, mission-focused companies in the national security, information security, and government technology markets.

As the investment banking subsidiary of The Chertoff Group, Chertoff Capital works closely with senior executives and subject matter experts across the entire firm to provide our clients with a highly differentiated advisory offering that brings together our transaction experience with unparalleled business strategy insights.

Over the past 15 years, the Chertoff Group and Chertoff Capital have advised on more than 100 M&A transactions.



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### Select Investment Banking Transactions:

has secured Series C funding from an undisclosed group of investors

a portfolio company of

has been acquired by

\$710,000,000

An investment group led by

has acquired

has received an investment from

a portfolio company of

has been acquired by

### Select Strategic Advisory Transactions<sup>(1)</sup>:

a portfolio company of

has acquired

DEPENDABLE GLOBAL SOLUTIONS

SENDING ALL THE RIGHT SIGNALS

has acquired

has received an investment from

a portfolio company of

has merged with

Customer

a portfolio company of

has acquired

<sup>(1)</sup> Strategic Advisory engagements completed through Chertoff Group, LLC  
Chertoff Capital, a wholly-owned subsidiary of Chertoff Group, LLC, is a registered broker dealer and member of FINRA and SIPC. Strategic Advisory engagements are completed through Chertoff Group, LLC.

**U.S. consumer privacy regulation remains in its early stages; however a likely tightening of internal data controls for corporations (as seen in CCPA), creates significant demand for high-end defensive cyber products and services**

**California Consumer Privacy Act (CCPA)**

- **Jurisdiction:** California
- **Enacting Date:** January 1, 2020
- **Purpose:** To grant rights to consumers regarding their personal information, protecting it from sale to third parties and establishing opt-outs for those who do not consent to the sale of their data. Given the size of California’s population and economy, it serves as a benchmark for all U.S. digital privacy regulation

**General Data Protection Regulation (GDPR)**

- **Jurisdiction:** European Union
- **Enacting Date:** May 25, 2018
- **Purpose:** To create a cohesive and comprehensive data protection framework across all EU Member States to ease compliance for international business. It requires businesses to give access to data to whom it is collected from and enshrines the principle of explicit consent in collecting and processing personal data

Topic	CCPA	GDPR
<b>Exempted Organization</b>	For-profit ventures with annual revenue less than \$25m, or handles the information of fewer than 50k customers, households, or devices for commercial purposes, or receives at least 50% of its revenue by selling the personal information of California residents; non-profit organizations	Companies with fewer than 250 employees
<b>Defining “personal information”</b>	Data directly or indirectly linked to a living person, including data linked at the household or device level; excludes certain government or public records	Data directly or indirectly linked to a living, breathing person; strong protection for some data, like criminal records
<b>Consent</b>	Grants California residents explicit right to opt-out of data sales to third parties; no rules on data collection, only sale	Certain cases require explicit opt-in to data collection; robust rules on collection and consent procedures
<b>Fines and civil penalties</b>	\$2,500 per violation, or \$7,500 per violation if intentional	Maximum fine of 4% on global revenue or up to €20m, whichever is greater
<b>Restricting data processing</b>	No right for restriction	Individuals can restrict the processing and profiling of data
<b>Correction of data</b>	No right for correction	Individuals can request that information held by a firm be corrected
<b>Children and minors</b>	Adult consent age is 16; 13 is lowest age possible for consent; Adult consent only needed for the sale of data	Adult consent age is 16; 13 is lowest age possible for consent; Adult consent required for all data processing requests
<b>Data security and breach reporting</b>	No security requirements; grants right of consumer action for certain data breaches that violate existing California law	72-hour reporting window for suspected or detected breaches; technical and organizational data protection measures mandated

**M&A Implications**

- GDPR has brought a significant degree of uncertainty to EMEA deal makers, particularly around corporations’ data management policies and regulatory compliance; Merrill Corp. cited in an M&A professional survey (*DueDiligence2022, 2018*) that more than half of their respondents noted that data protection and compliance were a driver behind a transaction not closing during the due diligence process
- Chertoff believes the compliance sub-segment of the cybersecurity industry to be well-positioned for increased consumer data privacy protection in the developed world, with solutions that can aid large commercial enterprises and small-to-medium-sized businesses in organizing, consolidating, and tracking consumer data usage and PII
- The potential for more stringent data maintenance processes may also motivate continued industry consolidation as large cyber integrators look to expand their product and service offerings to serve as a “one-stop shop” for their consumers; similarly, large enterprises outside of the cyber realm may pursue inorganic growth as a means of bolstering their internal controls and ensuring that their systems are modernized and compliant with the new regulations

Date	Target	Acquirer	Transaction Notes
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Feb-22			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> Not Disclosed</li> <li><b>Revenue / EBITDA:</b> Not Disclosed / Not Disclosed</li> <li><b>Employees:</b> 300</li> <li><b>Buyer:</b> Private Strategic</li> <li><b>Seller:</b> Divestiture of Public Strategic (EPA:HO)</li> <li><b>Rationale:</b> Expands Entrust’s expertise in cryptography and hardware and extends ability to meet evolving global security needs</li> </ul>
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**Target Description:** Provides data security and compliance hardware security modules and SaaS to commercial enterprises with a focus on PKI and point-to-point encryption, identity management, transaction security, and enterprise key management

Feb-19			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> \$560 million</li> <li><b>Revenue / EBITDA:</b> \$12 million / Not Disclosed</li> <li><b>Employees:</b> 100</li> <li><b>Buyer:</b> Public Strategic (NYSE: PANW)</li> <li><b>Seller:</b> Private Strategic</li> <li><b>Rationale:</b> Furthers Palo Alto’s strategic plan to build a next-generation security operations center driven by analytic engines to continue growing its multi-vendor security extension framework</li> </ul>
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**Target Description:** Provides security orchestration, automation, and response SaaS for businesses

Feb-15			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> \$100 million</li> <li><b>Revenue / EBITDA:</b> \$7 million / Not Disclosed</li> <li><b>Employees:</b> Not Disclosed</li> <li><b>Buyer:</b> Public Strategic (LSE: MCRO)</li> <li><b>Seller:</b> Private Strategic</li> <li><b>Rationale:</b> Accelerates Micro Focus’ delivery of User and Entity Behavior Analytics to drive deeper data insights across security and operations for a SecOps Analytics growth plan</li> </ul>
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**Target Description:** Provides machine learning-based predictive endpoint security analytics SaaS to commercial enterprises for detecting unusual login patterns, file or system activity, processes, or user impersonation and identity authentication

Feb-12			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> \$200 million</li> <li><b>Revenue / EBITDA:</b> Not Disclosed / Not Disclosed</li> <li><b>Employees:</b> Not Disclosed</li> <li><b>Buyer:</b> Public Strategic (NASDAQ: SYMC)</li> <li><b>Seller:</b> Private Strategic</li> <li><b>Rationale:</b> Expands Symantec’s cloud security brokerage and multi-factor authentication business with zero-trust architecture</li> </ul>
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**Target Description:** Provides zero-trust cloud-based security management IaaS and SaaS for businesses

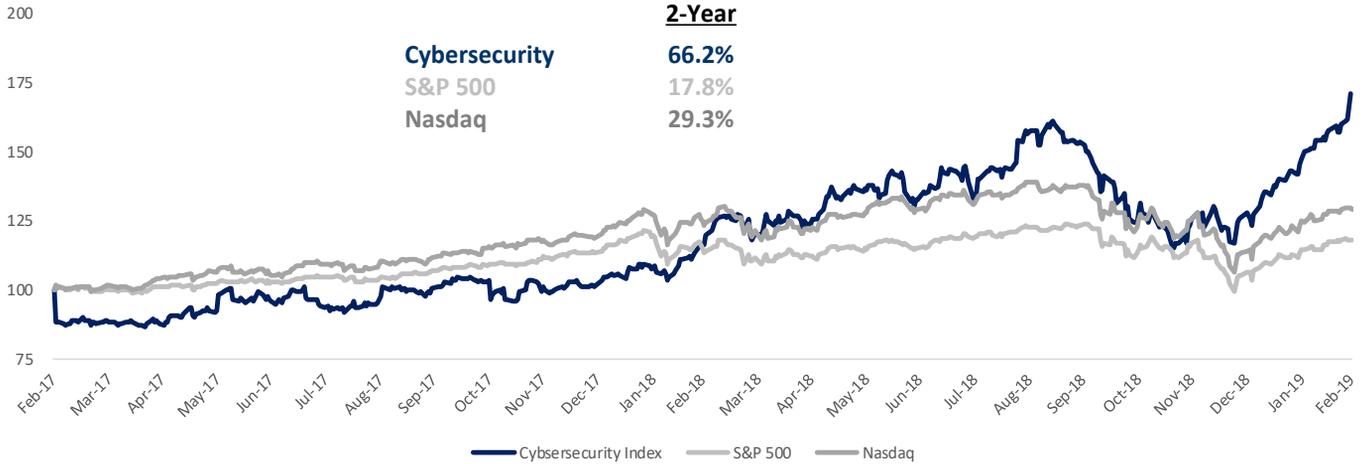
Announced			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> \$300 million</li> <li><b>Revenue / EBITDA:</b> \$38 million / \$16 million</li> <li><b>Employees:</b> 70</li> <li><b>Buyer:</b> Public Strategic (AIM: GBG)</li> <li><b>Seller:</b> Private Strategic</li> <li><b>Rationale:</b> Expands GBG’s capabilities into North America with a platform for identity verification and fraud prevention</li> </ul>
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**Target Description:** Provides customer identity and age information data capture and verification software for the purposes of anti-fraud, anti-money laundering, and customer retention

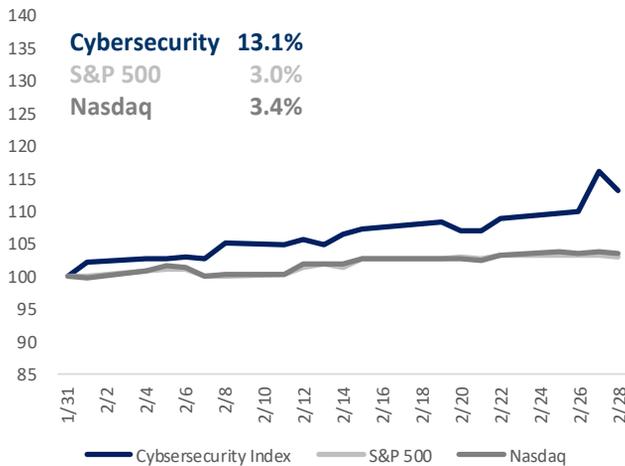
Announced			<ul style="list-style-type: none"> <li><b>Purchase Price:</b> \$619 million</li> <li><b>Revenue / EBITDA:</b> \$125 million / Not Disclosed</li> <li><b>Employees:</b> 600</li> <li><b>Buyer:</b> Public Strategic (NASDAQ: CARB)</li> <li><b>Seller:</b> Private Strategic</li> <li><b>Rationale:</b> Expands Carbonite’s capabilities around cloud firewalls and cloud security-based security SaaS</li> </ul>
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**Target Description:** Offers anti-malware and firewall/cloud-based security software and SaaS for managed service providers, SMBs, and consumers

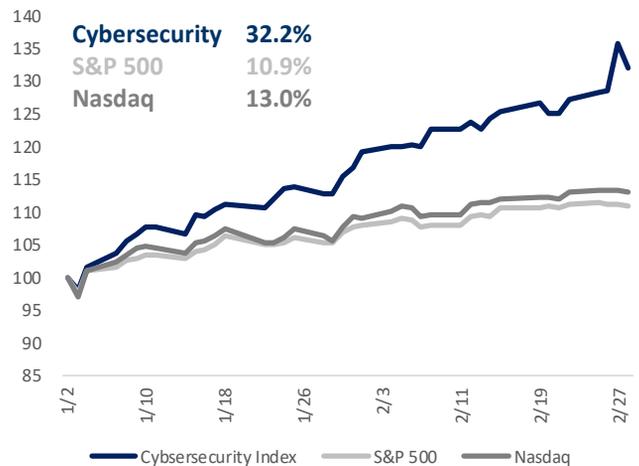
## 2-Year Stock Performance



## February 2019 Stock Performance



## YTD Stock Performance



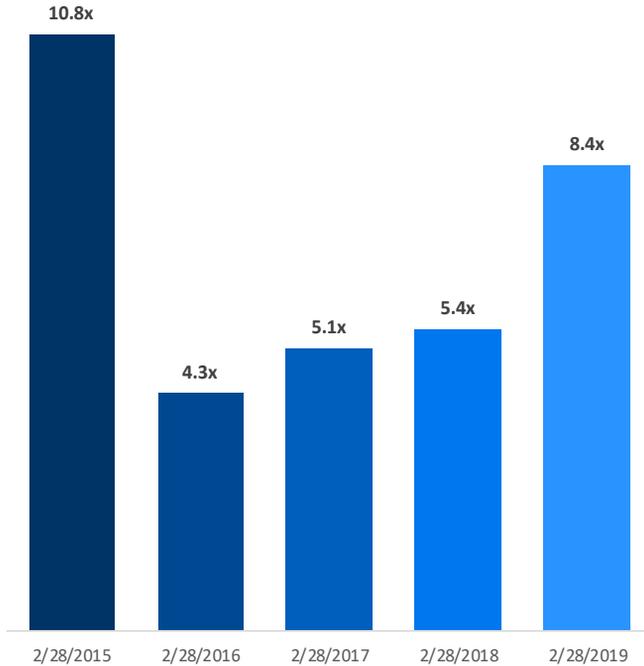
## Public Metrics

(\$ in millions, except as otherwise indicated)

Company	Financial Performance					Valuation Multiples					
	Mkt. Cap	EV	Revenue		2-Yr CAGR	EBITDA		EV/LTM		EV/CY 2019E	
			LTM	CY 2019E		LTM	CY 2019E	Revenue	EBITDA	Revenue	EBITDA
Qualys, Inc.	\$3,293	\$3,006	\$279	\$322	18.1%	\$79	\$122	10.8x	NM	9.3x	24.5x
Splunk Inc.	\$20,081	\$18,958	\$1,803	\$2,219	32.1%	(\$193)	\$374	10.5x	NM	8.5x	NM
CyberArk Software Ltd.	\$3,958	\$3,531	\$343	\$414	25.8%	\$57	\$105	10.3x	NM	8.5x	NM
Check Point Software Tech.	\$19,105	\$17,353	\$1,916	\$1,997	3.8%	\$932	\$1,037	9.1x	18.6x	8.7x	16.7x
Proofpoint, Inc.	\$6,536	\$6,305	\$717	\$873	29.6%	(\$28)	\$132	8.8x	NM	7.2x	NM
Rapid7, Inc.	\$2,209	\$2,125	\$244	\$308	23.9%	(\$41)	\$10	8.7x	NM	6.9x	NM
Palo Alto Networks, Inc.	\$23,084	\$21,809	\$2,593	\$3,124	25.4%	\$70	\$842	8.4x	NM	7.0x	25.9x
Fortinet, Inc.	\$14,809	\$13,160	\$1,801	\$2,087	18.2%	\$287	\$546	7.3x	NM	6.3x	24.1x
FireEye, Inc.	\$3,348	\$3,194	\$831	\$886	6.6%	(\$106)	\$126	3.8x	NM	3.6x	25.4x
Symantec Corporation	\$14,376	\$16,842	\$4,752	\$4,907	1.8%	\$994	\$2,146	3.5x	16.9x	3.4x	7.8x
OneSpan Inc.	\$851	\$752	\$212	\$234	10.0%	\$12	\$25	3.5x	NM	3.2x	NM
SecureWorks Corp.	\$1,813	\$1,698	\$509	\$570	10.3%	(\$30)	\$20	3.3x	NM	3.0x	NM
Sophos Group plc	\$2,094	\$2,228	\$693	\$731	10.0%	\$39	\$141	3.2x	NM	3.0x	15.8x
<b>Median</b>	<b>\$3,958</b>	<b>\$3,531</b>	<b>\$717</b>	<b>\$873</b>	<b>18.1%</b>	<b>\$39</b>	<b>\$132</b>	<b>8.4x</b>	<b>17.8x</b>	<b>6.9x</b>	<b>24.1x</b>

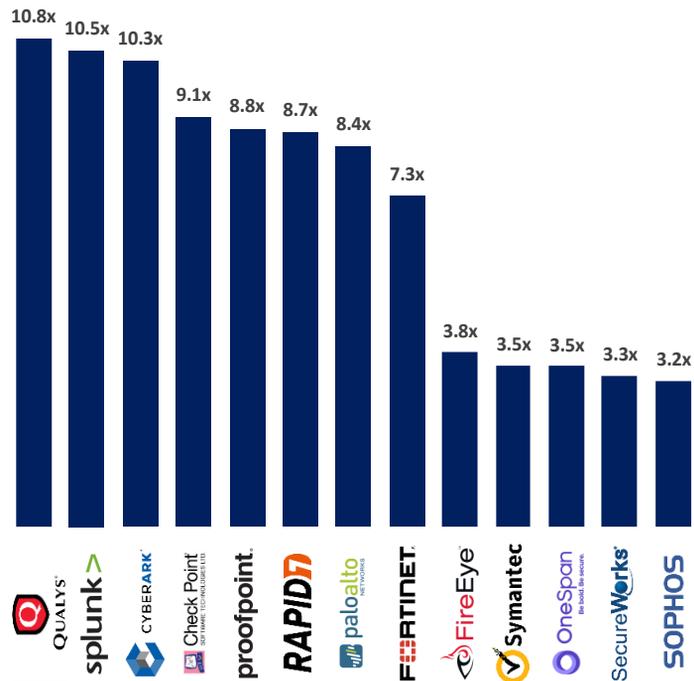
## Market Valuation Trends

EV / LTM Revenue Multiple



## Cybersecurity Valuation Multiples

EV / LTM Revenue Multiple



## Revenue Growth and Valuation Multiples

