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BETTER.

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How-To for Innovators and Entrepreneurs

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#RSAC

OUR CHANGING CYBER WORLD

**RSAC Innovator &
Entrepreneur Summit**

**David G. DeWalt
Founder, NightDragon Security &
Momentum Cyber**



**DEDICATED CYBERSECURITY
INVESTMENT & ADVISORY FIRMS**

The Perfect Cyber Storm



- ✓ Speed of Innovation Driving Vulnerabilities Everywhere – Mobile, Social, Cloud, Satellite, IoT, Industrial, Physical, & Consumer
 - ✓ Expansive Vulnerabilities Enable Exponential Growth In Attacker Groups & Types
 - ✓ Levels Of Danger Expand From Hacktivism To Crime To Espionage To Terrorism To Warfare
 - ✓ With Increasing Geo-Political Tensions & Complete Lack of Governance & Law Enforcement Models
 - ✓ Compounded By Internet Anonymity
 - ✓ Compounded By Legacy Security Providers Unable To Detect / Prevent
 - ✓ Hence, Creates Perfect Cyber Storm
-
- ✓ AND, A PERFECT OPPORTUNITY FOR INVESTING...

Looking Back...A Snapshot of 2018

2018 Was Another Banner Year For Cybersecurity, As M&A Volume Surpassed \$100B Since 2010.

183 M&A Deals (All-Time High)
103% Increase In Deals From 2010
30 Deals $\geq \$100M$

44 Completed Deals
Private Equity ❤️'s Cybersecurity



800M+ Users
Large US Data Breaches Remain A Significant Issue
starwood 500M myfitnesspal 150M Quora 100M facebook 50M

\$6.2B
Projected Cyber Insurance Market Size In 2020 Driven Partially By **GDPR**
Heightened Regulation Ushers Increased Demand In Growing International Markets Such As

\$15.5B Total M&A Volume
\$6.2B Total VC Investments

10 Capital Raises $\geq \$100M$
 \$295M \$200M \$200M \$175M \$169M \$120M \$115M \$100M \$100M \$100M

2018 Median Cybersecurity Multiples
5.7X (2%↑) EV / Rev Public Companies
6.8X (55%↑) EV / Rev M&A Comps

5 IPOs
Record Year For Cybersecurity IPOs

Cloud Infrastructure Assets in High Demand Spends A Total Of **\$473M** on RedLock & evident.io

32 IAM M&A Transactions



\$6.0B Transaction Volume Led By Tech Vendors

51 Risk & Compliance Capital Raises

\$175M Acquisition Of Check Point Software Technologies by Dome9
Other Leading Cloud Security Vendors

The Cybersecurity Dashboard

\$6.2 Billion

2018 Financing Volume

408

2018 Financing Transactions

\$15.5 Billion

2018 M&A Volume

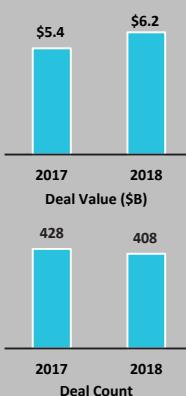
183

2018 M&A Transactions

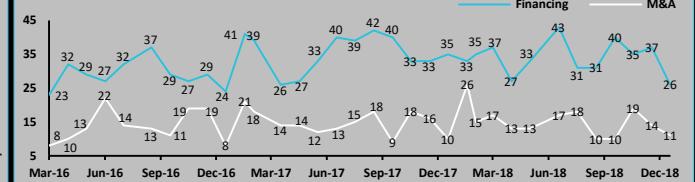
Notable Financing Transactions 2018

Date	Company	Amt. (\$M)
09/08/18	AnchorFree	\$295.0
10/03/18	TANIUM	200.0
06/19/18	CROWDSTRIKE	200.0
05/15/18	TANIUM	175.0
06/19/18	netskope	168.7
06/19/18	CYLANCE	120.0
06/04/18	EzeCastle	115.0
05/31/18	SIGNIFYD	100.0
11/29/18	VENAFI	100.0
12/20/18	SPACEBELT	100.0

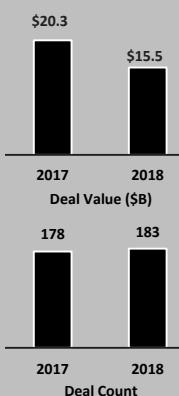
Financing Activity



Monthly Deal Count Pulse



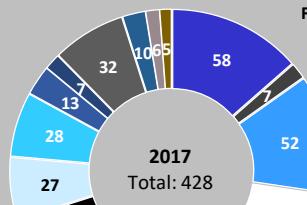
M&A Activity



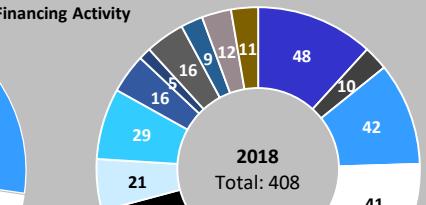
Notable M&A Transactions 2018

Target	Acquirer	EV (\$M)
Duo	CISCO	\$2,350.0
IMPERVA	THOMA BRAVO	1,814.7
CYLANCE	BlackBerry	1,400.0
VERACODE	THOMA BRAVO	950.0
ThreatMetrix	LexisNexis RISK SOLUTIONS	830.0
BOMGAR	F P FRANCISCO PARTNERS	800.0
BeyondTrust	BOMGAR	750.0
Kiwi Vault	AT&T	600.0
InfoArmor	Allstate	525.0
LogRhythm	THOMA BRAVO	525.0

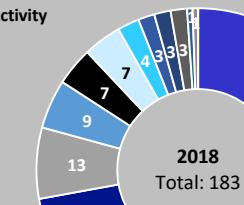
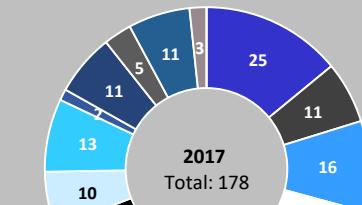
- Identity & Access Management
- Security Consulting & Services
- SecOps / IR / Threat Intel
- Network & Infrastructure Security
- Application Security
- MSSP
- Risk & Compliance
- Endpoint Security
- Data Security
- Cloud Security
- IoT
- Web Security
- Mobile Security
- Fraud & Transaction Security
- Messaging Security
- Digital Risk Management
- Blockchain



Financing Activity

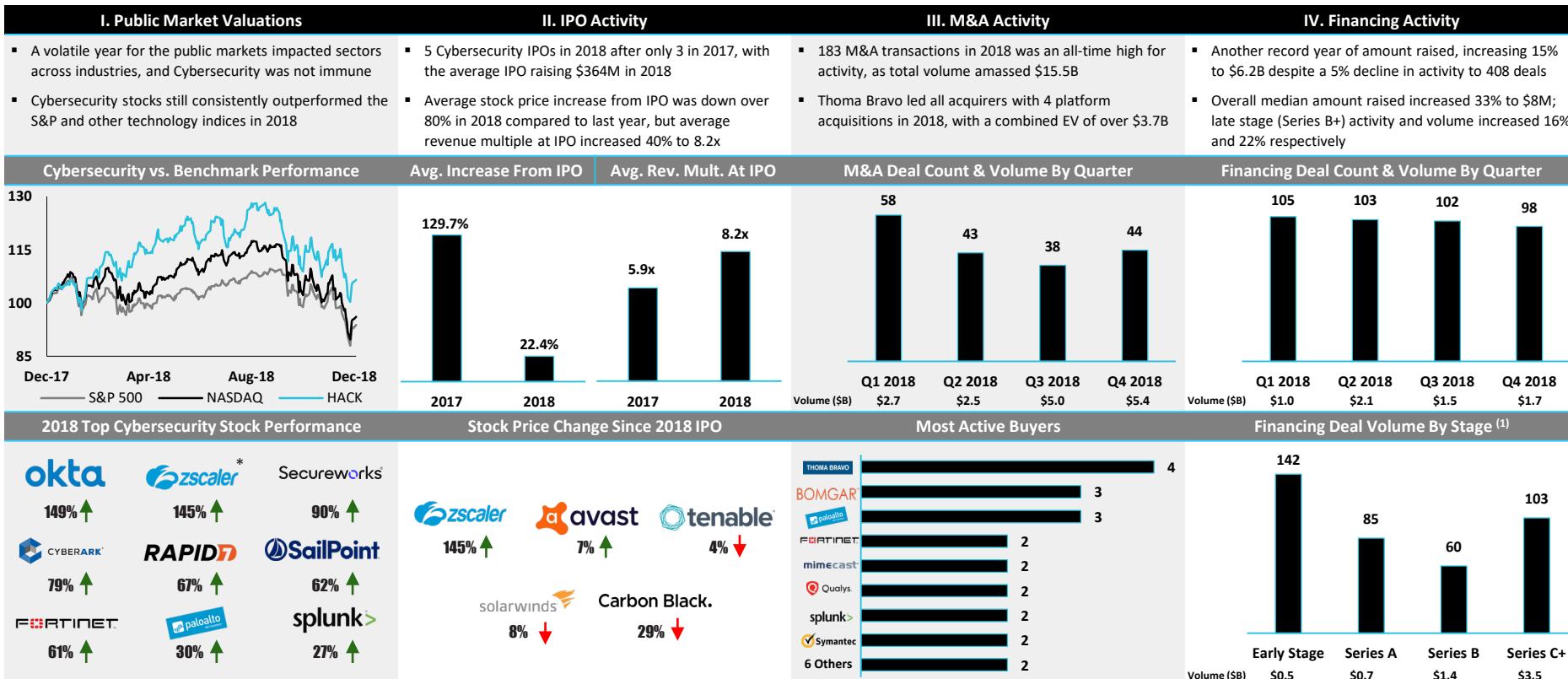


M&A Activity



Cybersecurity Market Year In Review | 2018

Cybersecurity Remained One Of The Most Active Sectors Of Technology Across The Public & Private Markets.



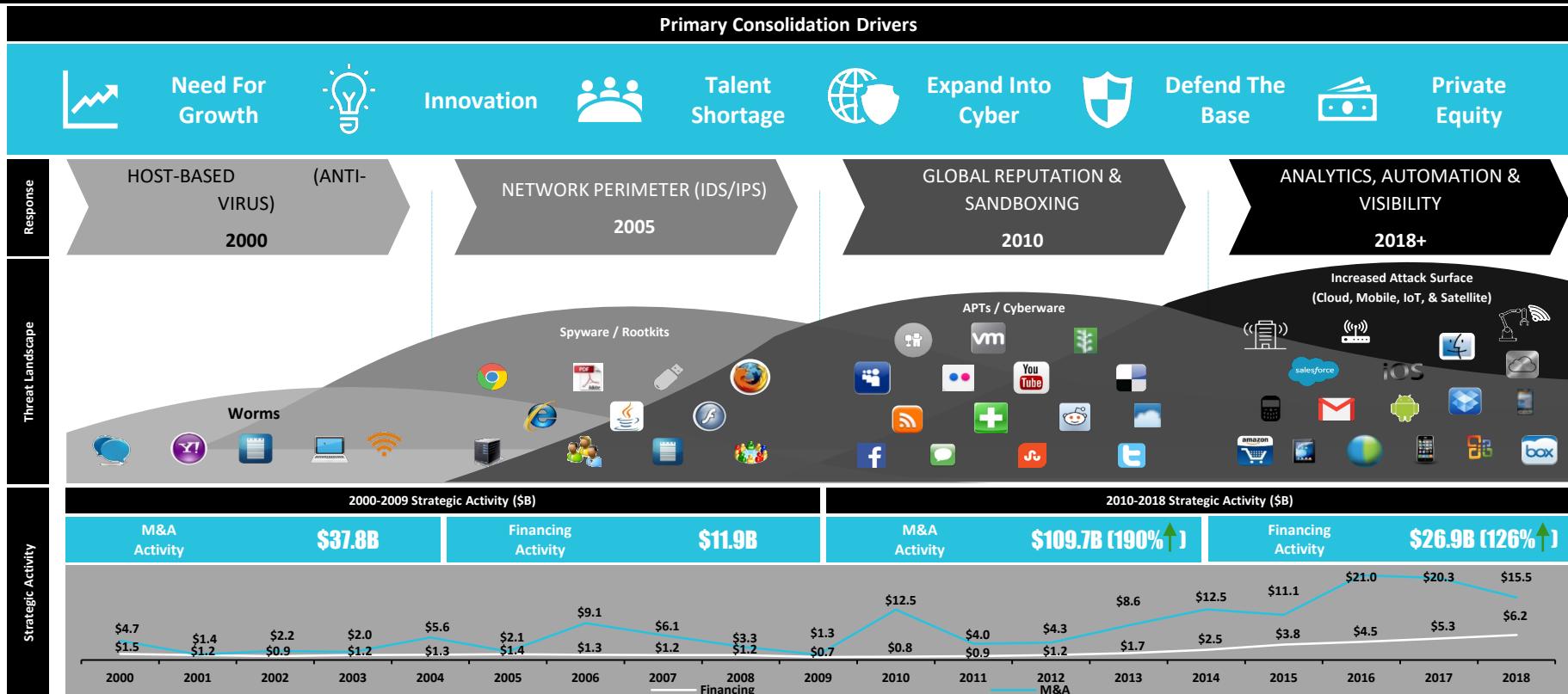
Source: Momentum Cyber Proprietary M&A & Financing Transaction Database.

* Since IPO

(1) Excludes grants and straight debt / loan financings. Follow-on financings (e.g., A, A1) in same year combined to represent one deal for that stage.

Cybersecurity Is A Perpetually Consolidating Industry

Ever-Expanding Attack Surface Is Driving Innovative Entrepreneurs To Continually Find New Ways To Secure It.



Biggest Gaps, Biggest Innovation Opportunities

Industries Are Transitioning Away From Physical And More Toward Cyber.

DRONES &
DOMES

INDUSTRIAL ICS &
IoT DEVICES

SOCIAL & SATELLITE
NETWORKS

CONSUMER ID &
CLOUD IAAS



PHYSICAL

CYBER

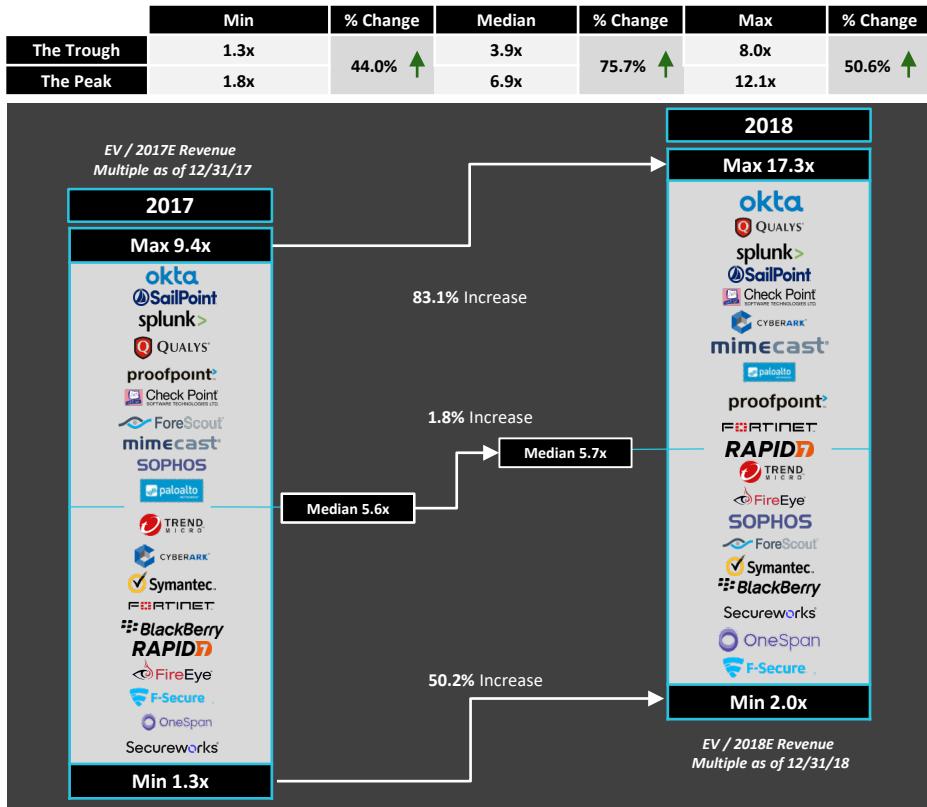
Key Cybersecurity Trends & Predictions

Trends & Predictions – Looking Back And Ahead.

Key Trends 2018		Key Predictions 2019	
	Another Record Year for Cybersecurity, Highlighted By All-Time Highs In Financing Volume & M&A Activity		Hybrid Cloud Computing Utilization Will Continue Its Rise & Drive Demand For Cloud Agnostic Solutions To Address Security, Data Protection, & Compliance
	Over 1,000 Organizations In The US Alone Suffered From A Data Breach For The Third Straight Year, With Inadvertent Data Exposure As A Particularly Prevalent Cause Of Breach		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
	5 Cybersecurity IPOs Leading Up To Market Peak In September, But Q4 Saw A Sharp Decline		Zero Trust Offerings Will Continue To Gain Widespread Acceptance As The Enterprise Standard Security Model; Represents The Convergence Of Network Security & IAM
	Companies Invested Heavily Preparing For GDPR's Institution In May 2018 (88% Spent More Than \$1 Million), Increasing Demand For Data-Centric Security / Privacy Solutions		Third Party & Software Supply Chain Will Continue To Emerge As Critical New Threat Vectors Posing Some Of The Biggest Cybersecurity Threats
	Cloud Infrastructure Security Was A Focal Point For Investors & Buyers As The Lift And Shift To Hybrid Cloud Infrastructure Rapidly Accelerated		A Volatile Stock Market And Expanding Buyer Universe Will Make Later Stage Companies View M&A As An Even More Attractive Alternative To An IPO, Further Increasing M&A Deal Volume
	Private Equity Continued Its 'Love Affair' With Cybersecurity Across Both Platform & Bolt-On Acquisitions, Including 5 Of The Top 10 M&A Deals		Security Services Providers Will Continue To Increase Market Share As More Organizations Elect To Use Managed Solutions To Alleviate Vendor Fatigue And The Growing Cybersecurity Skills Shortage

Cybersecurity Multiples Remain Strong

Recent Correction Of Public Market Valuations Slowed Momentum Of Large Gains From 2018 Trough To Sept Peak.



Company	EV / 2017E Revenue	EV / 2018E Revenue	% Change
okta	9.4x	17.3x	83.1%
Secureworks	1.3x	2.4x	82.6%
CYBERARK®	4.5x	6.9x	53.0%
RAPID7	3.7x	5.7x	52.6%
FORTINET	4.3x	5.8x	36.2%
Q QUALYS®	8.5x	9.4x	10.7%
FireEye	3.3x	3.6x	9.1%
paloalto	6.3x	6.4x	1.5%
mimecast™	6.5x	6.4x	1.3%
OneSpan	2.1x	2.1x	2.0%
splunk>	8.6x	8.3x	3.7%
@SailPoint	8.9x	8.2x	7.6%
Check Point SOFTWARE TECHNOLOGIES LTD.	8.3x	7.5x	10.0%
TREND MICRO	5.0x	4.2x	16.8%
proofpoint®	8.4x	6.2x	26.4%
Symantec	4.4x	3.1x	29.4%
F-Secure	3.1x	2.0x	35.2%
BlackBerry	4.1x	2.6x	36.1%
SOPHOS	6.3x	3.5x	44.3%
ForeScout	6.7x	3.2x	52.4%

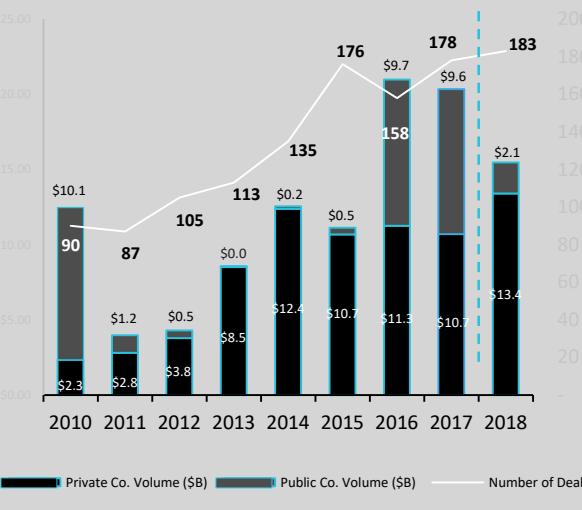
Note: The Trough shows EV / 2018E Revenue Multiple as of 02/08/18. The Peak shows EV / 2018E Revenue Multiple as of 09/14/2018.
Excludes figures for Zscaler, Carbon Black, Avast, Tenable, & SolarWinds given all five companies completed IPOs in 2018.

Cybersecurity M&A Activity | 2010-2018

Cybersecurity M&A Totaled \$110B Across 1,225 Deals Since 2010.

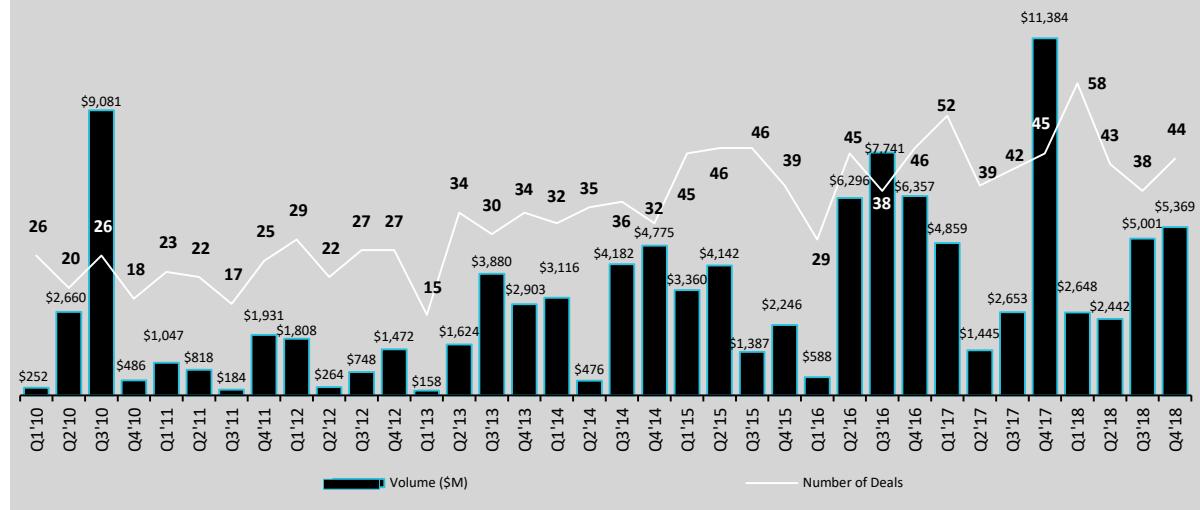
Annual M&A Deals And Volume

(\$B) (2010 – 2018)



Quarterly M&A Deals And Volume

(\$M) (Q1 2010 – Q4 2018)

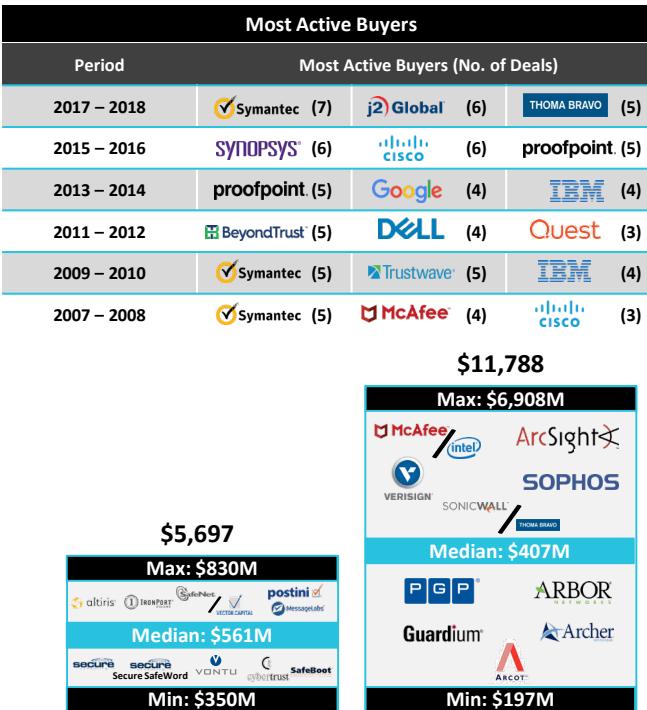


- Cybersecurity M&A deal volume of **183** transactions sets new record; previous high of **178** set in 2017
- **96%** of deals in 2018 involved targets that were private companies or assets

- Over the last eight quarters financial and strategic buyers have completed **\$36.0B** in M&A transactions
- Q4'18 M&A activity has remained relatively constant over the two prior years, with **44** M&A transactions, but M&A transaction volume was down compared to the two prior years at **\$5.4B**
- Thoma Bravo / Imperva, BlackBerry / Cylance, and Thoma Bravo / Veracode accounted for **78%** of total Q4'18 disclosed deal value, with a total of **\$4.2B**

Top 10 M&A Deals By Volume By Period | 2007 – 2018

The Top Echelon Of M&A Deals Has Increased Massively In Transaction Volume Over The Past Decade.



\$11,788

Max: \$6,908M



Median: \$407M



Min: \$197M

\$5,697

Max: \$830M



Median: \$561M



Min: \$350M

2007 - 2008

2009 - 2010

2011 - 2012

\$13,455

Max: \$2,619M



Median: \$1,011M



Min: \$600M

\$22,108

Max: \$4,722M



Median: \$2,131M



Min: \$650M

\$19,073

Max: \$6,121M



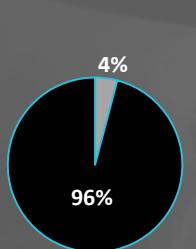
Min: \$950M

Private Equity By The Numbers

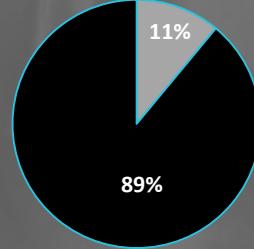
Private Equity Activity Has Increased Significantly in Cybersecurity.

M&A Activity By Type of Buyer | 2007

- Private Equity
- Strategic



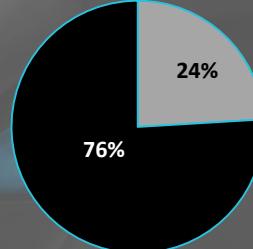
Total Deal Count: 73



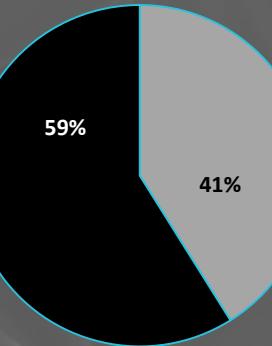
Total Amount Spent: \$6,126

M&A Activity By Type of Buyer | 2018

- Private Equity
- Strategic



Total Deal Count: 183



Total Amount Spent: \$15,459

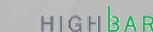
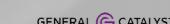
Cyber Private Equity Universe



SUMMIT PARTNERS

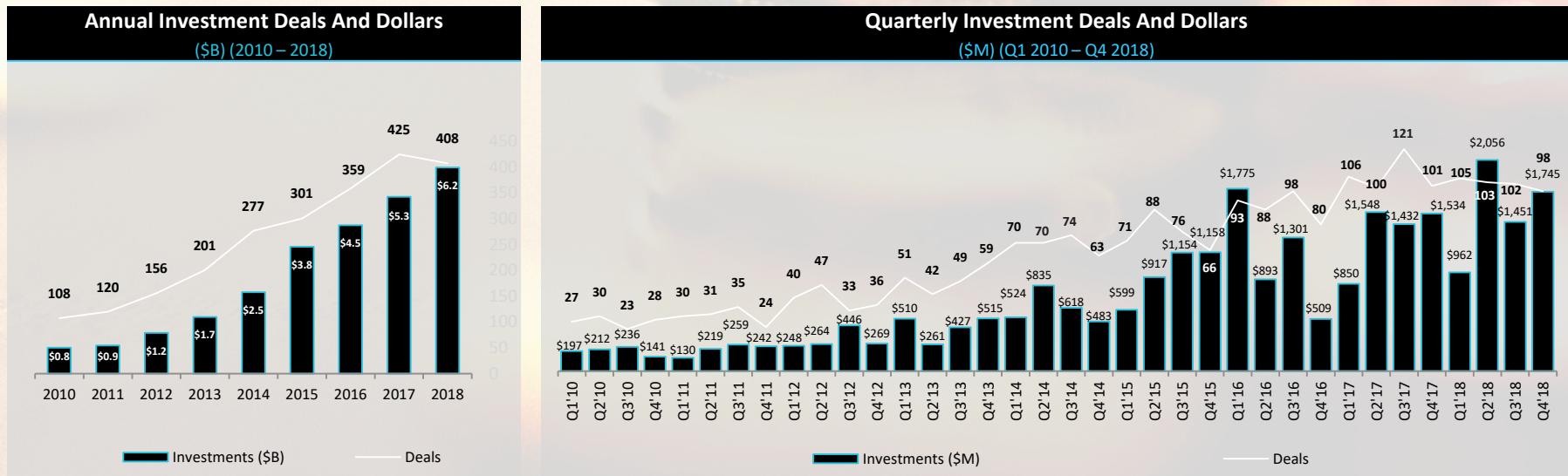
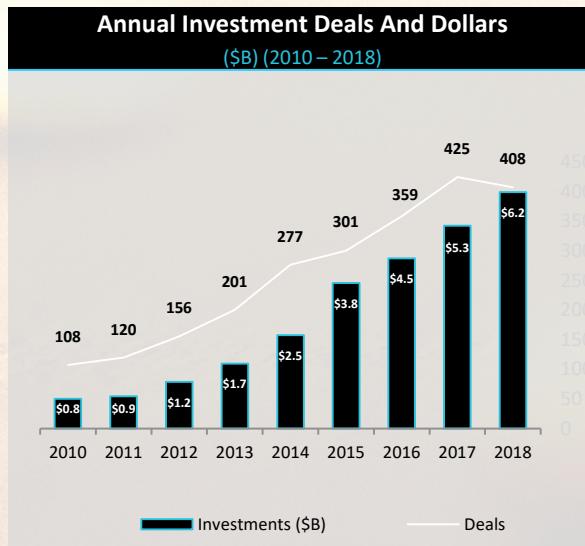


Cyber Private Equity Universe



Cybersecurity Financing Activity | 2010 – 2018

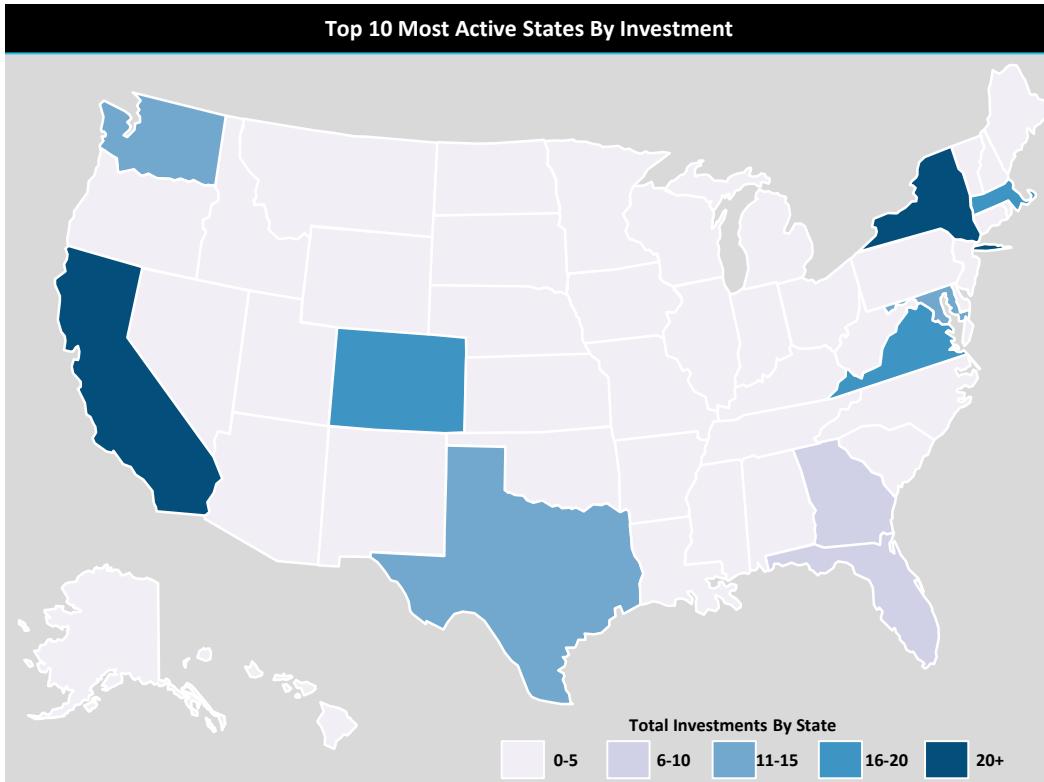
Cybersecurity Startups Have Raised \$26.9 Billion Across 2,358 Deals Since 2010.



- **\$6.2B** was raised across **408** transactions in 2018
- 2018 outpaced 2017 by **\$850M** in funding volume while 2017 still holds the record by number of deals funded
- Over the last eight quarters investors have poured **\$11.6B** into Cybersecurity
- There was once again over **\$1B** invested in Q4 2018 (**\$1.7B**), making it 6 of the past 7 quarters with over **\$1B** invested; **\$504M** raised in December (26 deals), **\$557M** raised in November (37 deals), and **\$683M** raised in October (35 deals)
- 2018 had the **2** of the **3** largest funding quarters over the past 8 years by funding volume

U.S. Cybersecurity Funding By State

Investments Are Still Concentrated In Traditional Hubs, But New Hubs Are Continuing To Attract Investment.



Funding Ranking Detail – 267 Total Investments In USA In 2018				
Ranking	State	# of Investments	Total \$ Invested (\$M)	
1.	California	99	\$2,693	
2.	New York	21	407	
3.	Massachusetts	18	362	
4.	Virginia	18	127	
5.	Colorado	16	93	
6.	Maryland	15	265	
7.	Texas	13	94	
8.	Washington	10	93	
9.	Florida	9	138	
10.	Georgia	6	132	
Total			225	\$4,404



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ACCESS

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