

# TechReview 2022: Cybersecurity

20/12/2022

Written and compiled by Thomas Williams

The early part of 2022 showed that investors still place a high value on cybersecurity assets in Europe, pushing for a major demerger of dominant providers to release new opportunities and synergies. But while at the mid-level both private equity firms and strategics were still able to find niche and established cybersecurity assets to build out their positions, major deals proved elusive in a market beset by traditional regulatory and new volatility concerns.

## Restructuring security

In early February, it emerged that French defence electronics multinational [Thales \[EPA: HO\]](#) was exploring a possible acquisition of its IT consulting compatriot Atos [EPA: ATO]. Atos rebuffed the plan, which would have seen Thales acquiring Atos's Big Data and Security (BDS) business lines, with private equity firms, said to include Bain Capital, acquiring its remaining IT services business.

Thales went off in May [to acquire Sonae \[SON:ELI\] Investment's S21sec and Excellium](#) in a smaller Spanish and Luxembourg deal, and Atos had by the following month succumbed to shareholder pressure and announced a restructuring hiving off BDS under the name Evidian and retaining the Tech Foundations business.

By September, Atos rejected an unsolicited letter of intent from [onepoint](#) and ICG offering E4.2bn (US\$4.5bn) for Evidian before [disclosing the following month that it had been approached, reportedly by Apollo and Cerberus, about Tech Foundations](#).

A similar carve-out was announced in the Nordic region, where Helsinki-listed cybersecurity group F-Secure announced in February its plan to demerge. [TMT Finance had reported in April 2019 that F-Secure had become the subject of potential takeover interest](#) and this year the business proceeded with a plan to transfer its consumer security business into an independent company which it then listed on Nasdaq Helsinki on July 1 as F-Secure Corporation [HEL: FSECURE]. The remaining corporate security business was rebranded as WithSecure Corporation [HEL: WITH].

F-Secure listed at E2.7 per share and was trading at E2.85 per share and a market cap of E515.73m in mid-December. WithSecure's shares began post-merger at E2.53 and have since almost halved to reach E1.29 and a market cap of E226.77m over the same period.

## Opportunism

Strategics also did some interesting cybersecurity deals in 2022 such as the French software developer [Sopra Steria \[EPA: SOP\] acquisition of defence systems provider CS Group \[EPA:](#)

[SX\] at a total valuation of E282.5m](#), in a bid to create a prime contractor for critical systems in the fields of defence and security, space, and nuclear energy.

The aforementioned [Thales also built out its cybersecurity platform with the acquisition in July of Dutch cybersecurity company OneWelcome for a total consideration of E100m](#).

In the meantime, NortonLifeLock's US\$7.3bn takeover of the Prague-based Avast was held up by the UK Competition and Markets Authority's concerns of its possible impact on the UK market, though [the regulator later found that the deal faced 'significant' competition from rivals including US-based McAfee and Microsoft](#) [NASDAQ: MSFT].

Among the smaller cybersecurity deals private equity firms did which are also worth noting are [Vitruvian Partners' acquisition of Swedish cybersecurity risk consultant Outpost24](#), [TA Associates' investment in PSG Equity and Verdane-backed German cloud security and compliance software-as-a-service \(SaaS\) company Hornetsecurity](#), and [BlackRock's leading role in a US\\$250m Series E funding round for Swiss cybersecurity and data protection cloud platform Acronis, which valued the company at US\\$ 3.5bn](#).

Finally, the merger in October of [Bridgepoint-backed Swiss cybersecurity company Infinigate with Dubai's cloud-based peer StarLink](#) created a cybersecurity and cloud services firm with 1,100 staff and forecast revenues of US\$2.2bn in 2023.

### **Too big to scale**

One of the year's big deals to fail to come to fruition was a Thoma Bravo takeover of the £2bn (US\$2.4bn) market cap UK cyberdefence specialist Darktrace [LON: DARK]. The Cambridge-headquartered company, whose artificial intelligence (AI) products interrupt in-progress attacks such as ransomware, email phishing and threats to cloud and critical infrastructure, had confirmed the approach from the US tech-focused private equity firm in August, but [on September 8 the latter said it had been unable to reach an agreement on the terms of a firm offer and confirmed it would not now make one](#). It did not give further information on its decision, though it reserved the right to do so in the next six months. Darktrace shares reached a high of £0.54 on August 19 but four months later are trading at £0.28.

It seems like Darktrace may simply as a much larger company have fallen foul of the market conditions which had developed by the final quarter, in which it has become almost impossible to do a technology deal over around E1bn.

In this climate, even in the in-demand cyber security segment, anything less than an unambiguously straightforward deal has become almost impossible to do as in the case of Advent International's sale of E4bn French identity verification services provider IDEMIA. Despite the appointment in the third quarter of Goldman Sachs and Rothschild to run the process, IMs did not as expected materialise in October, and [TMT Finance revealed in early November that the sale had been put on hold](#) in the face of continuing market turbulence and the antitrust and financing complexities which acquiring all of such a sprawling business might mean for potential buyers.