



ARCHITECT PARTNERS

DRIVING PREMIUM VALUE M&A | STRATEGIC FINANCINGS

Cybersecurity 2022 Review

June 2022

Executive Summary

Decades of Technology
Investment Banking
Experience and Relationships

Specialize in Selling the
Future

Deliver Premium-Value
Outcomes

300+ Transactions | \$25B+
Value | Global Clients

Powered by AP | Insights
Research

2022 has fallen slightly below previous years, but public market valuations, IPO activity, M&A activity, and financing levels still remain strong

Continued economic recovery and high valuations have resulted in more aggressive M&A strategies

Increasing amounts of capital in the market have enabled venture-backed companies to raise larger rounds of capital at dramatically higher valuations than in the prior round

Compression in the SPAC market has decreased exit volume, but opportunities will continue to exist for companies with resilient business models

The fundamental drivers for cybersecurity solutions will continue to grow in importance as individuals, enterprises, and nation-states seek threat protection

Financing continues to remain widely available as VC and PE firms work to deploy large amounts of dry powder

Q1 2022 Snapshot

Q1 2022 continues to see an increase in M&A activity and VC funding YoY

Public markets remain strong for cybersecurity

Cybersecurity M&A Transaction Value, but Volume Decreases

\$15.9B Deal Value in Q1 2022
100 transactions in Q1 2022

+39% from Q1 2021
-14% from Q1 2021

Increase in VC Funding and Transaction Volume

\$6.4B in Q1 2022
266 transactions in Q1 2022

+8% from Q1 2021
-14% from Q1 2021

Completed IPOs

Backblaze (NASDAQ: BLZE), ForgeRock (NYSE: FORG)

Announced SPACs

TeleSign (NASDAQ: NAACW), ZeroFox (NYSE: LNFA)

Valuations Remain High

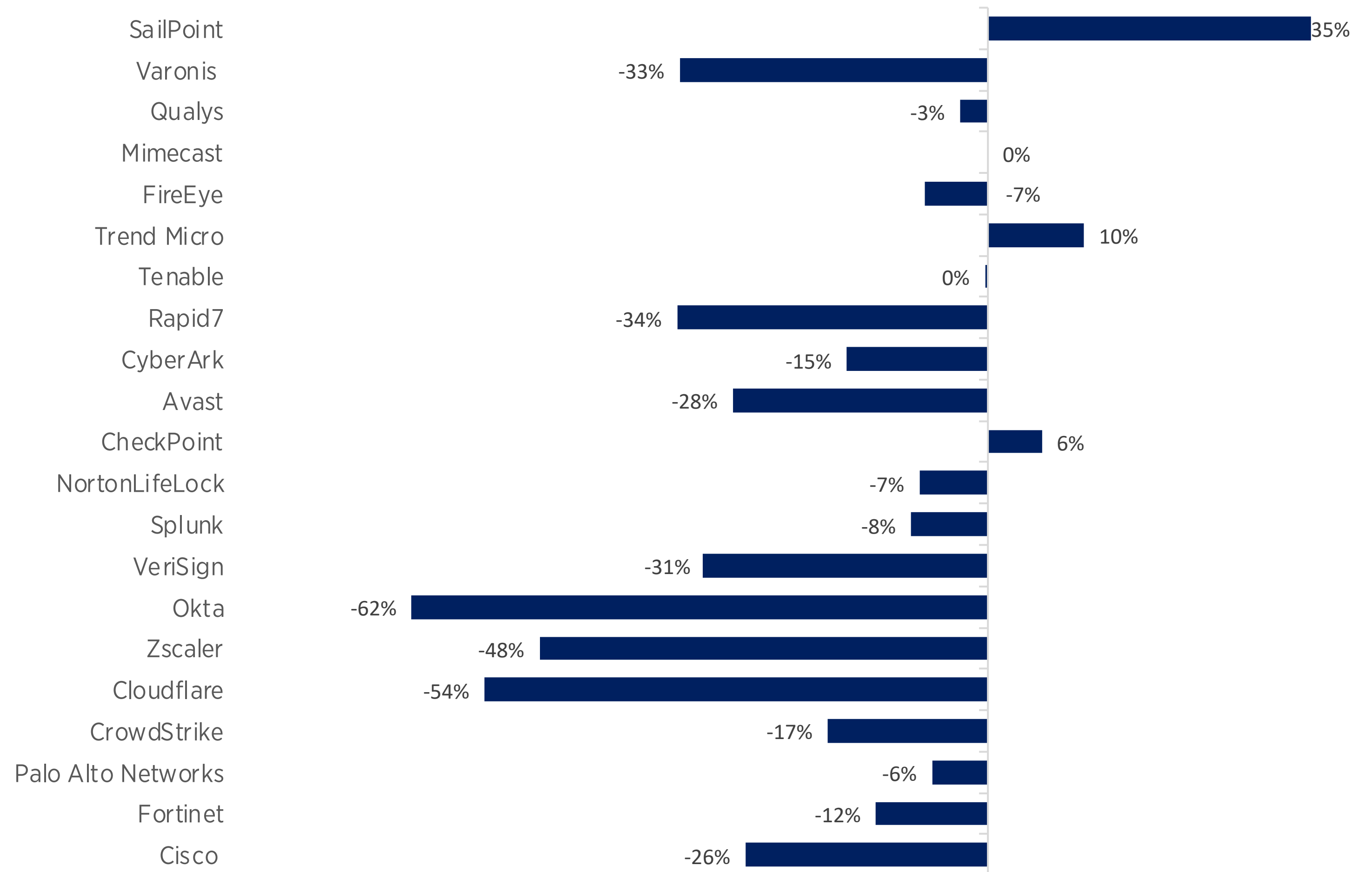
Public trading multiples averaged **10.7x** 2021 revenue on May 31st.

M&A revenue multiples routinely in the **5x – 10x** range

Top Cybersecurity Equities:

2022 Market Reaction

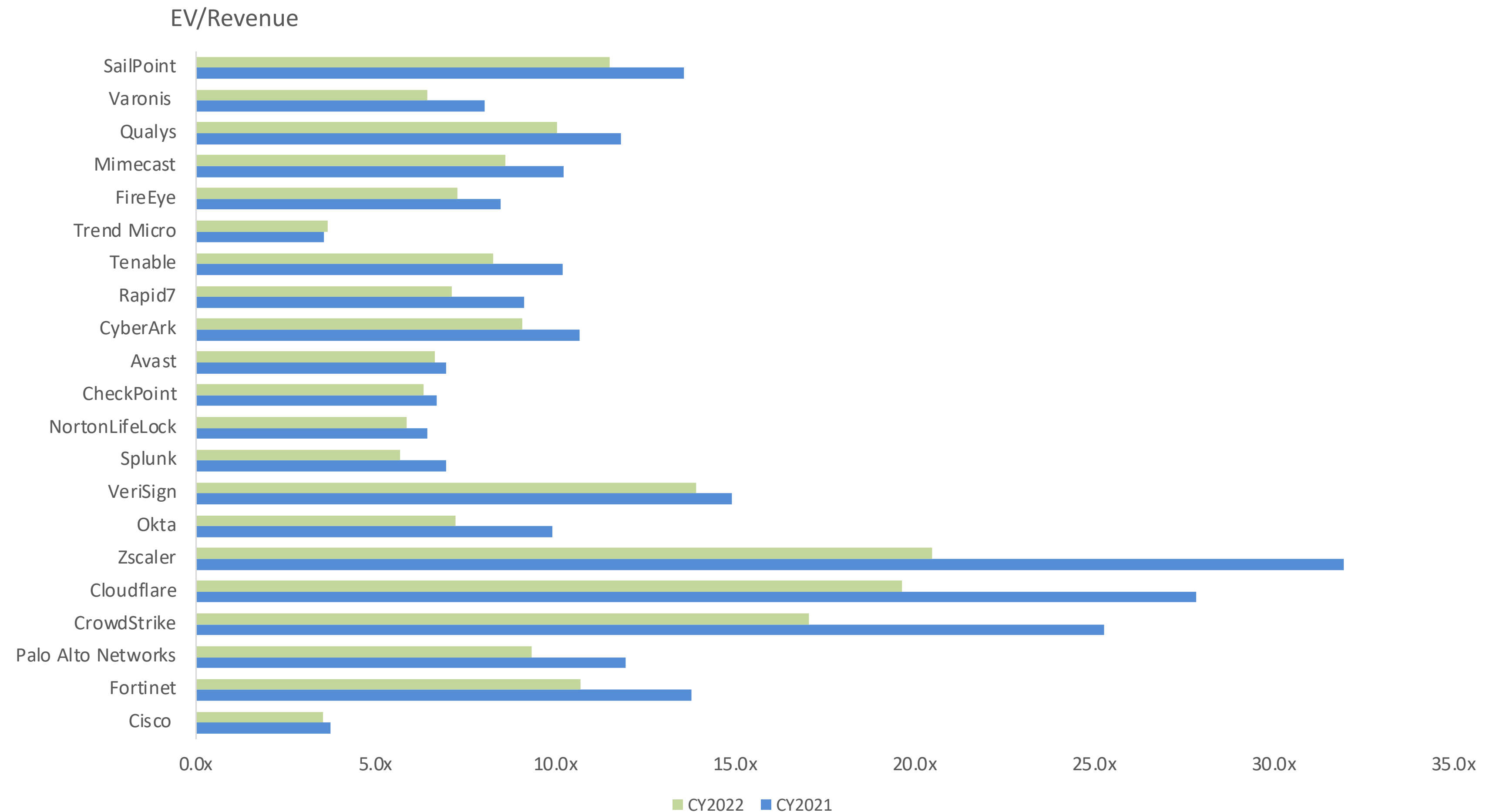
Change in Enterprise Value Since January 2021



Based on 5/31/2022 closing prices

Public Cybersecurity EV/ Revenue Multiples Remain Robust Post- COVID and through 2022

CY2021 & CY2022 Public EV/ Revenue Multiples

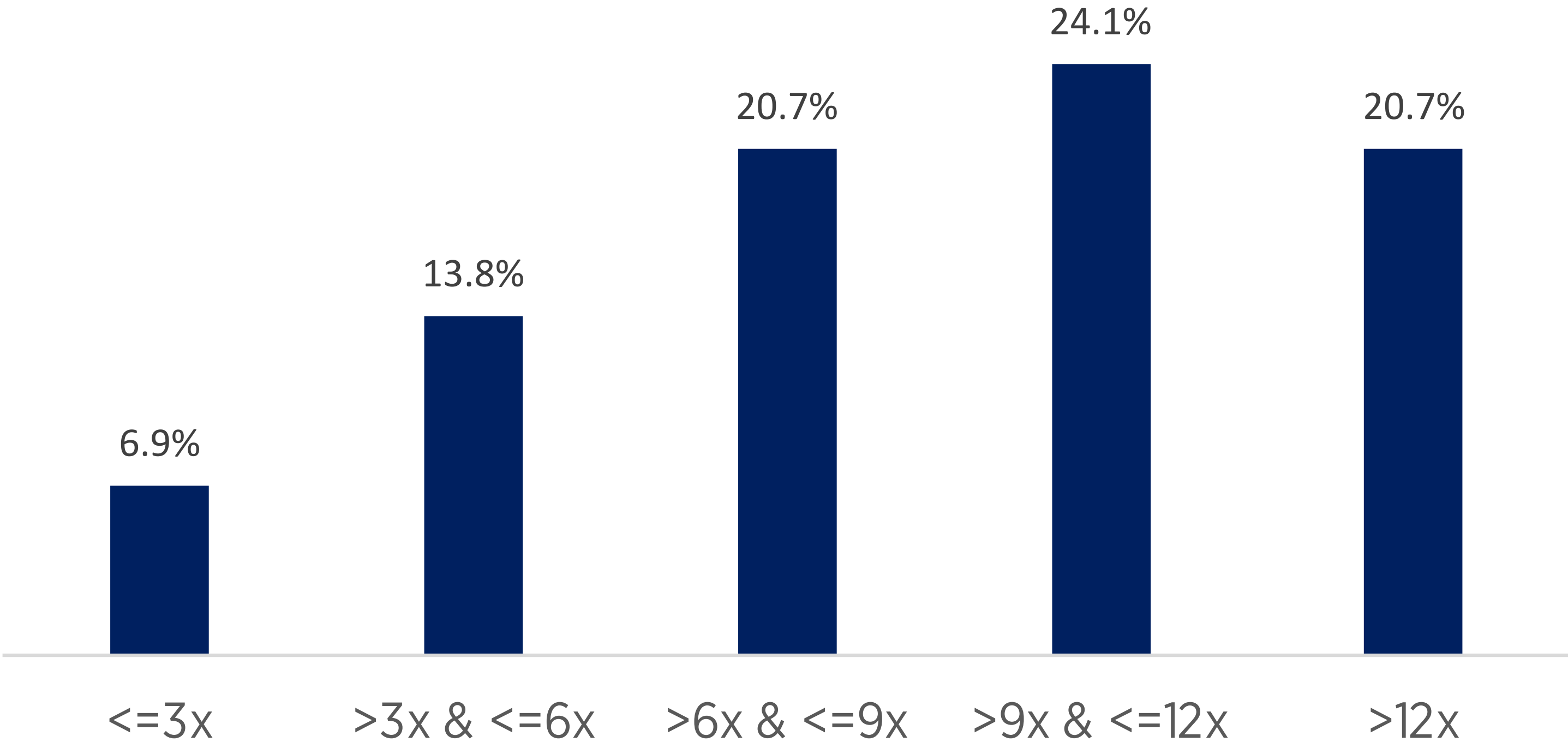


Based on 5/31/2022 closing prices

Public Cybersecurity
Company Revenue to
EV Multiples

Attractive valuations
exist across a broad
revenue multiple
spectrum

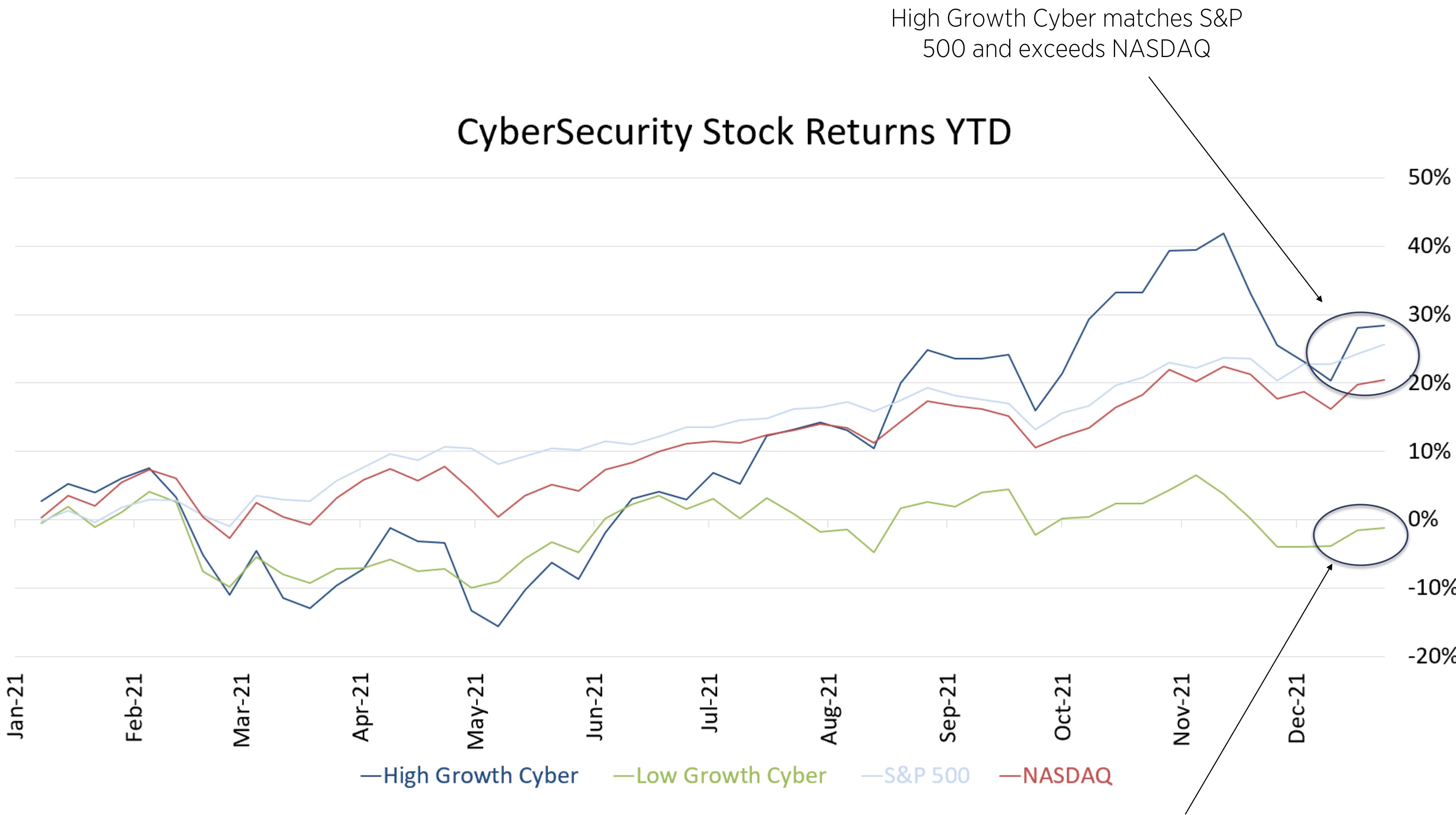
LTM Revenue Multiples Distribution



Based on 5/31/2022 closing prices

Cybersecurity Stocks:

High Growth Cyber
Outperformed Broader
Market and Low
Growth Cyber



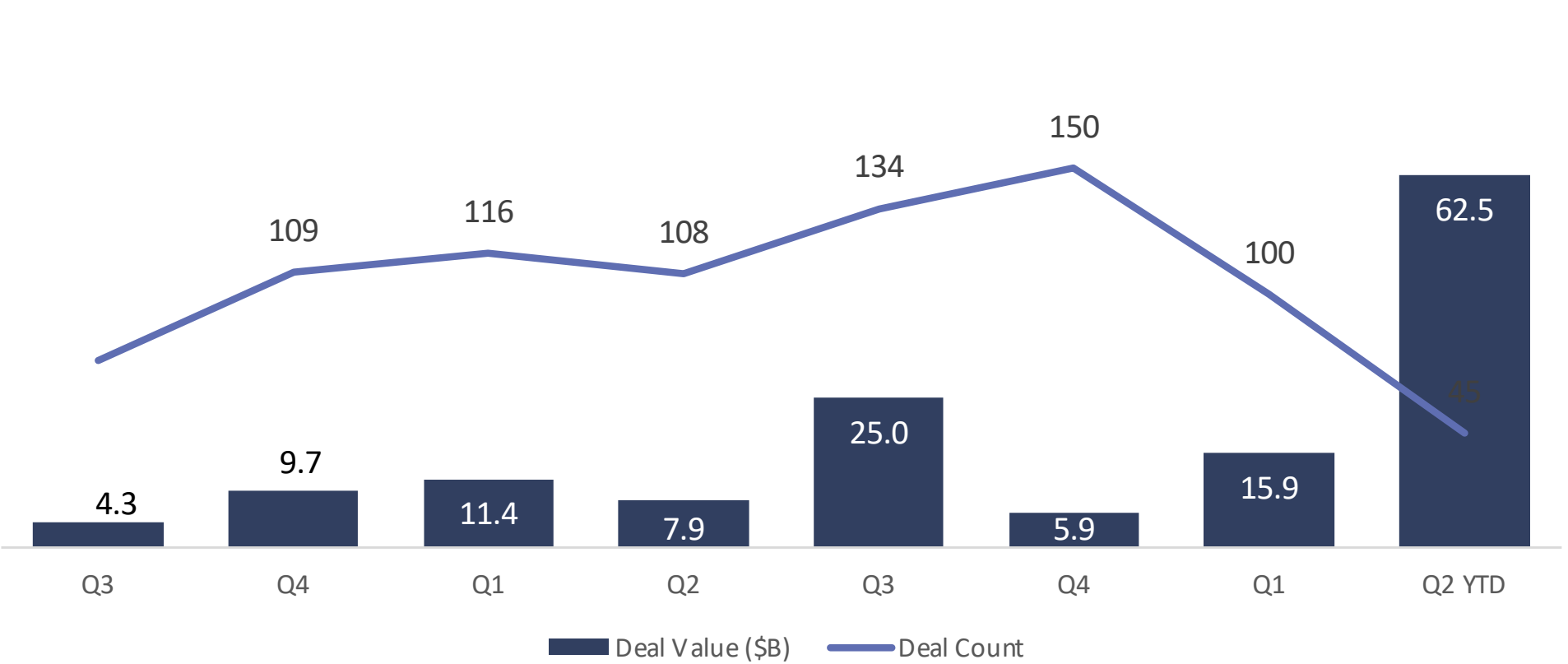
Low Growth Cyber is down YTD,
as High Growth Cyber rises

Source: Yahoo Finance (12/31/2021)
High Growth Cyber equates to revenue multiples >10
Low Growth Cyber equates to revenue multiples <10
Based on public cybersecurity comparables in slide 6

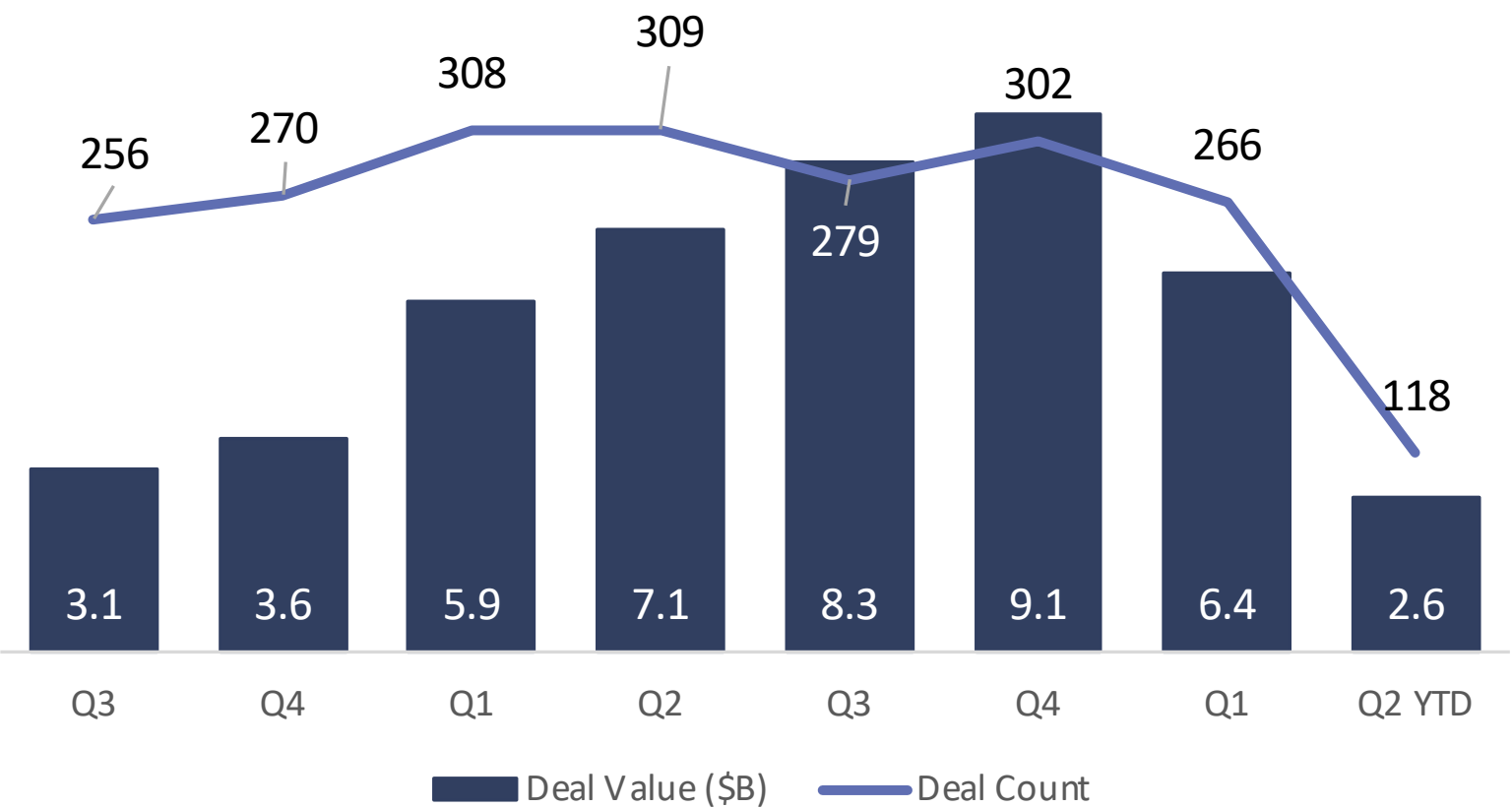
M&A Deal Value has increased due to VMware being Acquired but Count Decreased from Q1 2022 to Q2 2022, Due to Falling Market Conditions

Venture Capital Activity Remained at Peak Levels in 2021, but Fell Slightly in 2022

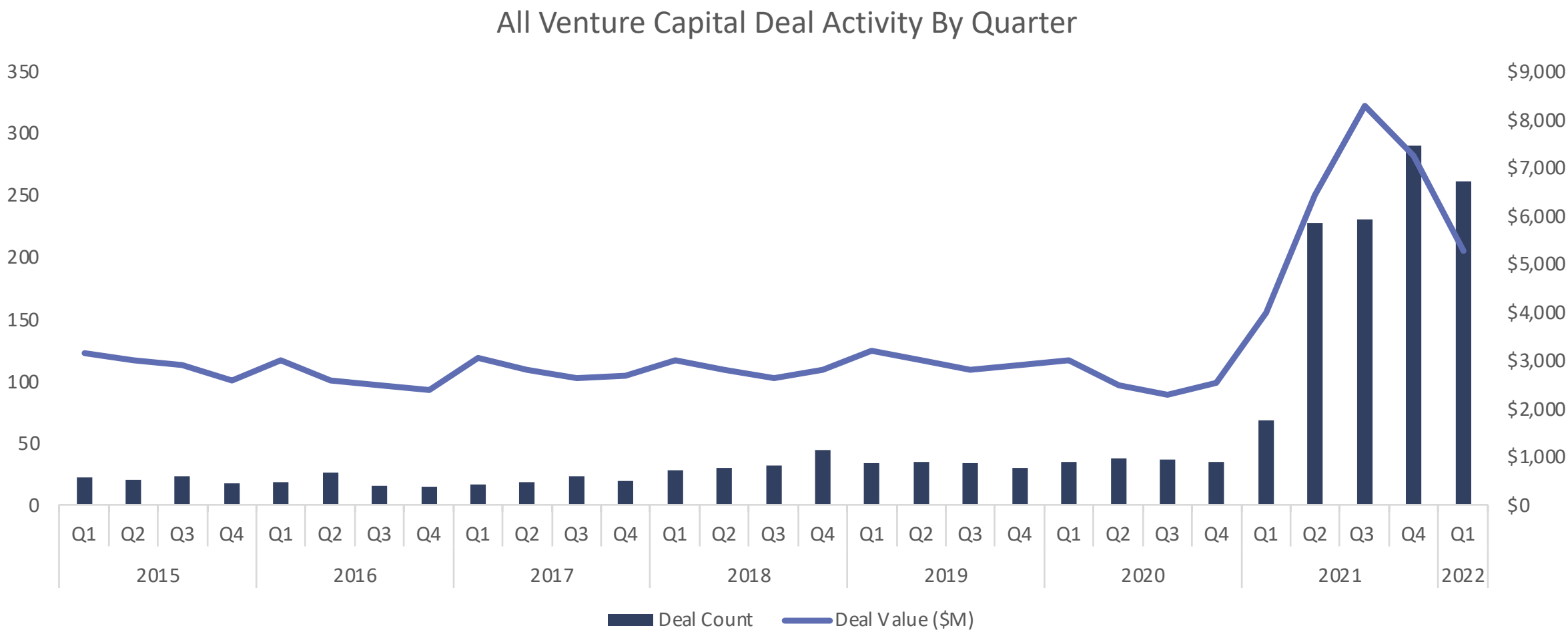
Cybersecurity M&A Activity
Q3 2020 – Q2 2022*



Cybersecurity Financing
Activity Q3 2020 – Q2 2022*



Venture Capital Deal Activity By Quarter



Sources: Pitchbook, Crunchbase, Capital IQ

*Through May 31, 2022, note Broadcom’s acquisition of VMware’s for \$61B is skewing the data

2022 Top Cybersecurity M&A Transactions by Deal Size

145 Transactions (2022 YTD*)

\$78.4B Transaction Volume (2022 YTD*)

Deal Date	Acquirer	Target	Target Abstract	Price / TTM Rev.	Total Deal Amt.	Target TTM Rev.
2022-05-25	Broadcom	VMware	Cloud computing and virtualization technology company with headquarters in California	4.7x	\$61B	\$12.9B
2022-03-02	Advent International, Crosspoint Capital Partners, Permira, etc.	McAfee	McAfee Corp provides online protection for consumers. It protects consumers from cyberattacks with integrated security, privacy, identity and trust solutions.	7.4x	\$14B	\$1.9B
2022-04-11	Thoma Bravo	SailPoint	SailPoint Technologies Holdings Inc is an us-based company that acts as a provider of enterprise identity governance solutions	14.9x	\$6.9B	\$463mm
2022-04-12	Kaseya	Datto	Datto Holding Corp is engaged in providing cloud-based software and technology solutions	12.2x	\$6.2B	\$507mm
2022-03-08	Alphabet	Mandiant	Mandiant (formally FireEye,) is a pure-play cybersecurity firm that focuses on incident response, threat intelligence, automated response, and managed security.	483x	\$5.4B	\$11.2mm
2022-02-02	Clearlake Capital Group	Quest Software	Developer of enterprise management software focused on delivering technology that eliminates the need to choose between efficiency and effectiveness.	6.3x	\$5.4B	\$857mm
2022-04-12	Kohlberg Kravis Roberts (NYS: KKR)	Barracuda Networks	Provider of online security products and services designed to secure all threat vectors on-site or in the cloud.	ND	\$4.0B	ND
2022-04-04	Advanced Micro Devices (NAS: AMD)	Pensando	Operator of a distributed services platform designed to offer holistic services for cloud computing, networking, storage, and cloud security.	ND	\$1.9B	ND
2022-02-16	Akamai	Linode	Provide cloud hosting services intended to serve the domestic and international market.	9.0x	\$900mm	\$100mm
2022-03-15	SentinelOne (NYS: S)	Attivo Networks	Operator of a cybersecurity platform intended to provide real-time detection, analysis, and accelerated response to advanced, credential, insider, and ransomware cyber-attacks.	ND	\$617mm	ND

Sources: Pitchbook, Crunchbase

*Through May 31, 2022, note Broadcom’s acquisition of VMware’s for \$61B is skewing the data

2022 Top Cybersecurity Financings by Deal Size

384 Transactions
(2022 YTD*)

\$9B Transaction Volume
(2022 YTD*)

Company	Amount Raised (Millions)	Total Funding (Millions)	Post-Money Valuation	Date	Top 3 Investors In Round
Securonix	1,000	1,006	ND	2/14/2022	Vista Equity Partners, Volition Capital and Eight Roads
1Password	650	920	6.8B	1/19/2022	Tiger Global Management, Lightspeed Venture Partners, Salesforce Ventures
Fireblocks	550	1,230	8B	1/27/2022	General Atlantic, Index Ventures, Mammoth
SonarSource	412	457	4.7B	4/12/2022	Advent International, General Catalyst, Insight Partners
eSentire	325	NA	1.1B	2/22/2022	Georgian
BlueVoyant	250	586	ND	3/7/2022	Eden Global Partners, 8VC, Valor Equity Partners
Critical Start	215	255	ND	4/12/2022	Vista Equity Partners
BigPanda	190	598	1.2B	12/23/2021	t capital from Insight Partners, Advent International, Sunley House Capital Management
CHEQ	150	183	1B	2/22/2022	Key 1 Capital, Tiger Global Management, and Battery Ventures

Source: PitchBook, AP Insights

*Through May 31, 2022

Top Cybersecurity Acquirers

2017-Q2 2022

Number of Acquisitions from 2017 – Q2 2022

Company	Number of Deals	3 Most Recent Acquisitions
 THOMABRAVO	37	Intel 471, Proofpoint, Illumio
 TA ASSOCIATES	25	Tripwire, Mocana, RiskSense
 VISTA EQUITY PARTNERS	15	Securonix, Singular Key, Wandera
 paloalto NETWORKS	12	Bridgecrew, Expanse, CloudGenix
 vmware [®]	12	Centora, Mesh7, Lastline
 PAMPLONA CAPITAL MANAGEMENT	11	Tripwire, Digital Guardian, Agari
 CISCO	11	Kenna Security, Portshift, Fluidmesh Networks
 ClarkCapital MANAGEMENT GROUP	10	Facility Health, Beyond Trust, RSA Security
 FP FRANCISCO PARTNERS	10	Deep Secure, iboss, Perimeter 81
 Audax Group	10	Risk Based Security, Amplicy, Niometrics

Sources: Pitchbook, Crunchbase



Architect Partners Value Proposition

AP Background

We Specialize in Communicating Your Vision, Business and Future Value

We Deliver Premium-Value M&A and Strategic Financing Outcomes

We Have Earned Skills, Judgement and Perspective at World-Class Firms

We are Entrepreneurs Who Speak the Language of Silicon Valley, Not Wall Street

Our Partners Lead All Aspects of Transaction Execution - WYSIWYG

300+ Transactions | \$25B+ Value | Global Clients

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M&A and Strategic Financing

Firms	Roles
 	Global Head of Mergers & Acquisitions
 	Global Head of Software Investment and Corporate Banking
 	Head of West Coast Technology Group
 	Global Head of Software Investment Banking Managing Director
	

Principal Investing

Firms	Roles
 	Investment Partner BofA Capital Investors
 	General Partner Venture Capital
 	

Operating Executive and Strategy

Firms	Roles
 	Founder CEO President
 	Chief Operations Officer Head of New Products
Booz Allen Hamilton	EVP Product Development & Marketing BVSC Founder Business & Corporate Development



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Select Recent Transactions

300+ Transactions

\$25B+ Value

Global Clients

M&A Advisory  Cyber Risk Score Business Acquired By  ARCHITECT PARTNERS	M&A Advisory Distributed Technology Markets Acquired By  ARCHITECT PARTNERS	M&A Advisory  Acquired By  TEAM EXPERIENCE	M&A Advisory  Acquired By  ARCHITECT PARTNERS	M&A Advisory  Acquired By  ARCHITECT PARTNERS
Strategic Financing  Follow On Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing  Follow On Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing SYBASE Receives Private Financing MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing  Attracts New Investor MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing zoove Completes Equity Financing MULTIPLE INVESTORS ARCHITECT PARTNERS
Strategic Financing TIBCO Follow On Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing allot Follow On Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing EllieMae Initial Public Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing EllieMae Follow On Offering MULTIPLE INVESTORS TEAM EXPERIENCE	Strategic Financing SUNGARD Receives High-Grade Debt MULTIPLE INVESTORS TEAM EXPERIENCE

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Securities offered through Weild & Co., member FINRA | SIPC

AP | INSIGHTS

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AP | INSIGHTS

AP | M&A ALERT

Concise assessment of sector
M&A transactions, in English

AP | ECOSYSTEM THOUGHTS

Trends and key themes in
our sector

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AP INSIGHTS | M&A ALERT

March 15th, 2022

Target: 

Buyer: 

Attivo Networks Acquired by SentinelOne

Author: Cole Tran, Cole.tran@architectpartners.com
More Information: Howard Lee, Hlee@architectpartners.com

Transaction Overview

On March 15th, 2022, SentinelOne announced the acquisition of identity security and lateral movement protection provider Attivo Networks for \$616.5 million.

Target: Attivo Networks

Attivo Networks is a provider of Identity Detection and Response (IDR) services. Attivo equips businesses with accelerated detection, analysis, and response capabilities to cyber-attacks throughout the cloud environment. Furthermore, Attivo Networks' suite of solutions includes Infrastructure Assessment, which provides holistic visibility on enterprises' Active Directory, and Deception Technology, which mimics the real organization's system and lures hackers into revealing themselves. Attivo Networks has won over 180 technology innovation awards and has served many Fortune 500 companies, as well as government entities. Notable customers include FireEye, Aflac (NYS: AFL), Tufin (NYS: TUFN), and Federal Bank (NSE: FEDERALBNK).

Attivo Networks' closest competitors are other IDR and Cyber Deception service providers including XM Cyber, TrapX Security, Polyverse, Illusive Networks, and ThreatConnect.

Attivo Networks was co-founded in 2011 by Mano Murthy, Marc Feghali, and B.J. Shanker. Today, they are headquartered in Fremont, California with approximately 230 employees, led by current CEO Tushar Kothari. Before the acquisition, Attivo Networks raised a total of \$56 million, at a post-valuation of \$230 million, through 6 rounds of venture funding. Notable venture capital investors include Doorga Capital, Trend Forward Capital, KAAJ Ventures, Secure Octane, and Forgepoint Capital.

Buyer: SentinelOne (NYS: S)

SentinelOne (NYS: S) is an autonomous Extended Detection and Response (XDR) platform that provides AI-powered prevention, detection, and response capabilities from end-to-end, including both cloud environment and IoT devices. They offer protection to large enterprises such as Sysco, Hitachi, Samsung, EA Sports, Autodesk, Pandora, and Politico.

SentinelOne was founded in 2013 and went public in June 2021. It is based in Mountain View, California with over 1,000 employees. They have an enterprise value of \$7.6 billion with revenues of \$205 million over the last twelve months (LTM)

resulting in an EV / LTM Revenue multiple of 37.1x. Historically, they have made only one acquisition in their 9 years of operations, acquiring a high-speed logging company, Scalyr for \$155 million.

Transaction Parameters

The transaction amount is \$616.5 million in both cash and stock consideration. SentinelOne expects to close the acquisition by its upcoming fiscal second quarter, in June.

Comparable Identity Detection and Response transactions include Commvault | TrapX (\$30M; [M&A Alert](#)), CyberOrchard | Cloudrise (ND), Cybraics | SilverSky (ND), Preempt Security | CrowdStrike (\$96M), Mandiant | Alphabet (NAS: GOOGL) (\$5.4B)

Strategic Rationale

Over the past 9 years, SentinelOne has developed and maintained an innovative AI-powered XDR platform, which integrates a wide variety of security products to provide enterprises with the most holistic protection. However, the recent shift to remote work has drastically increased the use of cloud workspace, and therefore, the demand for cloud security. Attivo Networks' specialization in cloud-environment IDR services can help SentinelOne gain a leadership position in the growing cloud-environment space and expand its XDR capabilities to identity-based threats.

Architect Partners' Observations

Customer Value in Identity Threat v Deception Technology

In the cybersecurity space, startups focus on solving one particular problem with a unique approach or technology. Attivo Networks was originally known in the industry for its deception technology approach which they later positioned as the foundation for their IDR solution. Their subsequent focus on Active Directory (AD) security drove revenues for the company and a validation of the crucial customer value proposition for AD protection through IDR.

A Fit and Fill M&A Market

As the larger XDR companies evaluate their growth strategies they must address customer requirements for Zero Trust security. Attivo Networks had a growing product suite in identity threat detection and response (ITDR) with a core AD security solution for enterprises which was a strong complement to SentinelOne's Singularity platform. Moreover, SentinelOne had a perceived gap in customer solutions for Zero Trust security which is filled by the addition of the Attivo Networks ITDR platform. We expect more cybersecurity companies to pursue the fit and fill approach in M&A in 2022.

Sources

[Press Release](#), [Attivo Networks Website](#), [TechCrunch](#), [PitchBook](#)

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AP INSIGHTS | M&A ALERT

March 9th, 2022

Target:  **ALERT LOGIC®** Buyer:  **helpsystems**

Alert Logic Acquired by HelpSystems

Author: Cole Tran, cole.tran@architectpartners.com
More Information: Howard Lee, hlee@architectpartners.com

Transaction Overview

On March 9th, 2022, HelpSystems announced the acquisition of managed detection and response (MDR) security provider Alert Logic.

Target: Alert Logic

Alert Logic is a leader in managed detection and response (MDR) services. They provide businesses with an external team of expert Securities Operations Center (SOC) analysts, who assess, detect, and fend off cyber-threat. Acting as a 24/7 “virtual bodyguard,” Alert Logic relieves business managers from the increasing threat of cybersecurity attacks. Alert Logic has a customer base of 4,000 businesses ranging from SMB to large enterprises. Notable customers include C&J Energy Services, Hillarys Blinds, and Everbridge (NAS: EVBG).

Alert Logic’s closest competitors are other MDR for cloud environments service providers including Pager Duty, OnSolve, AlertMedia, Desktop Alert, and Rave Mobile Safety.

Alert Logic was founded in 2002 by Jakob Gercke and Srebrenko Sehic. Today, they are headquartered in Houston, Texas, with 590 employees, led by current CEO John Post. Before the acquisition, Alert Logic completed 10 rounds of funding, raising a total of \$74 million. Notable venture capital investors in Alert Logic include Industry Ventures, Access Venture Partners, Udata Partners, and Mercury Fund.

Buyer: HelpSystems

HelpSystems is an Information Technology management software company that focuses on securing and automating businesses’ IT processes. Their cybersecurity software protects business’ data without additional overhead and complexity, while its IT automation side increases organization’s productivity via Artificial Intelligence and machine learning. Notable customers include McAfee, Trinks, Lipari, City of Columbia, et al.

Founded in 1982, HelpSystems is headquartered in Eden Prairie, Minnesota. It is currently led by Paul Hesser and Kate Bolseth, with approximately 950

employees. HelpSystems has raised a total of \$3 billion through 17 rounds of debt and PE Growth/Expansion capital, with notable investors including Harvest Partners, Charles Bank Capital Partners, TA Associates Management, Pamplona Capital Management, and Split Rock Partners.

Transaction Parameters

The transaction amount was undisclosed.

Comparable managed detection and response (MDR) transactions include Zeta Global (NYS: ZETA) | ArcaMax (ND), American Robotics | Ardenna (ND), ByteDance | HIPA (ND), Telefónica Tech | Incremental Group (\$232M), and Elixirr International | iOLAP (\$40M).

Strategic Rationale

HelpSystems currently has a proven cybersecurity and IT automation software incorporated with the power of artificial intelligence. Alert Logic provides HelpSystems with an external team of highly skilled cybersecurity professionals to broadly protect organizations from cybersecurity threats.

Architect Partners’ Observations

MDR as the foundation for a comprehensive cybersecurity solution

HelpSystems is seeing increasingly intense competition in data protection, infrastructure security, and managed security services, and adding the Alert Logic MDR services will be critical in establishing HelpSystems as a differentiated market leader in cybersecurity solutions for enterprises. The current shortage of skilled SOC professionals within enterprises is driving the strong demand for outsourced cybersecurity services.

Vendor fatigue

The shortage of skilled cybersecurity professionals in enterprises underscores the challenges in managing a broad set of solutions in threat detection, response, and intelligence from a growing number of vendors. In providing on-prem, cloud, SaaS, and hybrid infrastructure MDR services through the Alert Logic acquisition, HelpSystems can consolidate and centralize solutions to their customers, further solidifying their strategy of becoming a comprehensive cybersecurity vendor via acquisition.

Sources

[HelpSystems Website](#), [Alert Logic Website](#), [PitchBook](#)

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AP INSIGHTS | M&A ALERT

February 23rd, 2022

Target:  **CYBERSPRINT** Breakthrough Security Buyer:  **DARKTRACE**

Darktrace Announced the Acquisition of Cybersprint

Author: Jessica Yang
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More Information: Howard Lee
hlee@architectpartners.com

Transaction Overview

On February 23rd, 2022, Darktrace (LSE: DRKTF) announced the acquisition of attack management company, Cybersprint for approximately \$53.7M.

Target: Cybersprint

Cybersprint is an attack surface management company that uses AI to identify all assets that an unauthorized user could access and extract data. The platform then analyzes all the associated risks and vulnerabilities. From there, Cybersprint offers custom data and insights and is easily integrated with other systems to maximize efficiency. By detecting possible blind spots and prioritizing risk, Cybersprint's platform prevents attacks from the start before cybersecurity threats arise. This minimizes the need for incident response, thereby reducing costs for the user.

Cybersprint's closest competitors are other attack surface management and cybersecurity companies including Cyberpion, RiskIQ, Vectra, Recorded Future, and Cymulate.

Cybersprint was founded in 2015 by Pieter Jansen, who is also the current CEO. Today, the company is headquartered in the Netherlands with 37 employees. Prior to the acquisition, Cybersprint had completed four rounds of funding, raising a total of \$6.72M. Notable venture capital investors include KPM Ventures, Vortex Capital Partners, and IQ Capital.

Buyer: Darktrace

Darktrace is a UK-based cyber-AI company focusing on interrupting cyber-attacks that are already in progress. Darktrace's product suite is suitable for both enterprises and the industrial immune system. Their technology encompasses self-learning AI, autonomous response, intelligence augmentation, and attack path modeling. The company's self-learning technology can also be easily integrated with a large range of platforms for increased defense as autonomous response is deployed across all systems.

Darktrace was founded in 2013 and has approximately 1,200 employees. The company has an enterprise value of \$3.86B with revenues of \$347M over the last twelve months (LTM) resulting in an EV / LTM Revenue multiple of 11.1x. This will be Darktrace's very first acquisition within the past nine years of the company's operations.

Transaction Parameters

The transaction amount was approximately \$53.7M,, with consideration consisting of 75% cash and 25% equity.

Comparable cybersecurity transactions include, Google | Siemplify (\$500M), Check Point | Avanan (\$265M), Chainalysis | Excygent (ND), Microsoft | RiskIQ (\$500M), Akamai | Guardicore (\$600M)

Strategic Rationale

With this acquisition Darktrace will arm themselves with stronger attack-prevention capabilities and gain access to critical attack surface data. These new capabilities will allow Darktrace to deliver a more comprehensive solution to enterprise customers.

Furthermore, this acquisition will grant Darktrace access to Cybersprint's research center in the Netherlands, which is a leader in ethical hacking and real-time internet data modeling. Darktrace's engineers based in Cambridge can collaborate with them to further accelerate R&D activity.

Architect Partners' Observations

Urgent Need for Preventative Security

The ongoing crisis in Russia and Ukraine has increased the threat and density of cyber attacks and the need for intelligent preventative cybersecurity is increasingly important. Companies will continue to demand solutions that maintain security and detect, prevent, and respond to cyber attacks.

Critical Features and Time to Market

Darktrace has a technical foundation built upon AI for intrusion detection and prevention. A critical element is analyzing the attack surface of an enterprise on an ongoing basis which Cybersprint has developed. This feature was essential to the Darktrace Detect and Respond product line in terms of time to market requirements and is another example of the startup as a feature as opposed to a product company. We anticipate this theme to increase in importance in the cyber M&A market.

Sources

[Cybersprint Website](#), [Darktrace Website](#), [PitchBook](#)

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AP INSIGHTS | M&A ALERT

January 4th, 2022

Target:  **SIEMPLIFY** Buyer: 

Google Announced the Acquisition of Simplify

Author: Aarman Pannu, Aarman.pannu@architectpartners.com
More Information: Howard Lee, Hlee@architectpartners.com

Transaction Overview

On January 4th, 2022, Google announced the acquisition of Simplify, an Israeli end-to-end security startup.

Target: Simplify

Simplify is a leading security orchestration, automation, and response (SOAR) provider. SOAR is a software solution that helps organizations manage risk of security threats and minimize the cost of responding to the threats. With Simplify, Securities Operation Center (SOC) analysts are able to control security operations from end-to-end, address the threat quickly and accurately, and expand their vision on threats that are often overlooked. Simplify has a diverse and high quality customer base of top-tier Fortune 500 companies and global MSSPs such as Crowe, FedEx, and Cyberint. Simplify's closest competitors are other SOAR providers including Swimlane, D3 Security, Demisto, IBM Security SOAR and Splunk.

Simplify was founded in 2015 by current CEO Amos Stern, CTO Alon Cohen, and COO Gary Fatakhov, with decades of experience in SOC management, security analysis, and data science. Today the company has a headquarter in New York with over 150 employees. After joining Microsoft Ventures accelerator, Simplify completed its seed funding and three venture funding rounds prior to the acquisition, raising \$58 million in total funding. Notable investors in Simplify include G20 Ventures, 83North, Microsoft for Startups, and Jump Capital.

Buyer: Google

Google is one of the world's leading technology companies providing a wide array of products and services. Besides offering a cloud workplace platform (G Suite) with billions of monthly active users, the tech giant has a cloud cybersecurity service (Chronicle), which tracks data movements from devices and networks to diagnose and detect breaches.

Google went public in 2004 under the parent company Alphabet, Inc. and has an enterprise value of \$1.66 trillion, TTM Revenue of \$239 billion, and TTM EBITDA of \$98 billion. This resulted in a 6.9x EV/TTM Revenue and a 16.9x EV/EBITDA (TTM) as of January 24th. Google's revenue sources consist of advertisement (~80%), cloud platform (~7%), and other (e.g. non-advertising

Youtube revenues) (~12%). Google is based in Mountain View, California and led by CEO Sundar Pichai with ~140,000 employees.

Transaction Parameters

The transaction amount was \$500 million, paid all in cash.

Comparable acquisitions of cybersecurity SOAR providers include STG Partners | RSA Security (\$2.08B), Palo Alto Networks | Demisto (\$474.2M), Sumo Logic | DFLabs (\$41.7M), Fortinet | CyberSponse (\$26.1M), and Livingbridge | Adarma (ND).

Strategic Rationale

Google's cloud business has been very active during the pandemic period due to increased demand in online workplace platforms. The company's cloud business revenue grew dramatically from \$3.4 billion to \$5 billion (45%) as a result. However, the shift from in-person to virtual workplace came with the increased threat of cyberattacks. Therefore, Google had a need to enhance their security solutions for its cloud business.

Google will integrate Simplify's SOAR into its Chronicle security platform. Chronicle, on its own, is strong at tracking the movement of data to detect threats. However, it has shortcomings in prioritizing events and automatically addressing the threats. With Simplify, Chronicle's limitations can be greatly improved: enterprises using Chronicle will gain from reliable security operations, and using Simplify will enable shorter response times.

Architect Partners' Observations

The Battle for Cloud Services

This acquisition provides Google Chronicle a needed technology improvement in SOAR and SOC performance relative to its two larger market share competitors Amazon's AWS and Microsoft's Azure in the cloud business services market. Larger enterprises are also beginning to heavily weight cloud services' security capabilities into account: Microsoft's security analytics platform (Sentinel) has already incorporated SOAR capabilities while Amazon's AWS, however, has not. Equally important, Google recognizes the growing importance of a unified offering to large customers who seek fewer vendors over time.

Features Are Not Companies

SOAR, SOC performance, and threat prioritization and response are becoming core to the market requirements of large enterprises that use one of the big three cloud business service providers. Simplify correctly recognized that these critical features would have the greatest value integrated into an existing platform. Google also correctly recognized that Simplify had reached "escape velocity" as seen in the number of Fortune 500 and global MSSP customers and the depth of their security analysis.

Sources

Google Press Release, Simplify Website, Reuters, TechCrunch, Tech Monitor, Ctech by Calcalist, Statista, Fierce Telecom, AP Insights