

# AP INSIGHTS | M&A ALERT

November 17th, 2022

---

Target:  Cider

Buyer:  paloalto  
NETWORKS

## Plato Alto Networks Announced the Acquisition of Cider Security

Author: Arjun Mehra, arjun@architectpartners.com  
More Information: Howard Lee, hlee@architectpartners.com

---

### Transaction Overview

On November 17th, 2022, Palo Alto Networks announced the acquisition of application security and information security company Cider Security for \$195M in cash and \$55M in replacement equity capital.

### Target: Cider Security

Cider Security is a software supply chain security firm that offers an end-to-end supply chain view. Specifically the ability to mitigate and simplify the continuous integration and continuous development (CI/CD) system, while also ensuring that data and code are accessed by the right parties. Current clients of the firm include Rapyd, Lemonade, Guesty, Natural Intelligence, Perception Point, and Riskified.

Cider Security's closest competitors are other supply chain security firms such as Scribe Security, Anchore, Legit Security, Cycode, and Arnica.

Cider Security was founded in 2020. It is based in Tel Aviv, Israel, with over 100 employees, led by CEO Guy Fletcher, who was previously the Chief Information Security Officer at AppsFlyer. Before the acquisition, Cider Security had raised 2 rounds of funding: an initial seed round in 2020 of \$6M at a post-money valuation of \$25M; and a Series A round in March 2022 of \$38M at a \$98M post-money valuation led by Tiger Global Management. Gilot Capital Partners participated in both rounds, along with numerous angel investors.

### Buyer: Palo Alto Networks (NASDAQ: PANW)

Palo Alto Networks is a cybersecurity vendor that focuses on network security, cloud security, and security operations. They have over 80,000 customers globally.

Palo Alto Networks was founded in 2005 and is based in Santa Clara, California. The firm has over 13,000 employees and is currently led by CEO and Chairman Nikesh Arora. The firm has a current enterprise value of \$47B, and a TTM revenue of \$5.8B, giving an EV / TTM Revenue of 8.1x.

The firm has made 8 acquisitions since 2020, with transaction values totaling over \$1.8B in enterprise value.

### Transaction Parameters

Palo Alto Networks signed a definitive agreement to acquire Cider Security for \$195M in cash, with an additional \$55M in replacement equity capital. The deal is expected to close by January 31<sup>st</sup>, 2023. Palo Alto's stock is up over 10% since announcing the transaction.

Comparable application & cloud security transactions include Palo Alto (NAS: PANW) | Bridgecrew (\$156M), Dyn | Oracle (\$650M), Jaggaer | Accel-KKR (\$350M), Guidance Software | OpenText (\$240M), Datawatch | Altair Engineering (\$183M), and Asavie | Akami Technologies (\$155M).

### Strategic Rationale

Palo Alto Networks believes acquiring Cider Security will significantly bolster its Prisma Cloud platform, which is a cloud-native protective platform providing cloud-to-cloud security. Specifically, Cider will allow for the expansion of the product to offer a robust supply chain security platform within Prisma Cloud. In addition, due to the efficiencies of Cider Security, Palo Alto Networks envisions that the platform will drive innovation in their current product set.

This transaction comes off the back of an eventful 2 years in M&A for Palo Alto Networks, where they have acquired 8 companies, totaling \$1.8B in enterprise value.

### Architect Partners' Observations

App Security – more than the origin of code

Attack surfaces are increasing as enterprises develop new applications and have increased their cloud footprints. The software supply chain is vulnerable to new attack vectors which force CISOs to confront security in the entire application security life cycle and all of the apps and tools associated with the development. The need for identification and remediation of these threats to the cloud software infrastructure will continue to increase as tools and apps become increasingly integrated into the enterprise.

The Platform is King

Large cybersecurity companies will need to broaden their solutions in the face of both increasing numbers of threats and increasing attack surfaces for enterprises through the vast array of development tools. Palo Alto Networks recognized the cloud infrastructure security opportunity with their acquisition of Evident.io which became the Prisma Cloud platform for their application security solutions. Cider was an optimal fit for Palo Alto Networks and the Prisma platform which illustrates the opportunities for similar small companies in the DevSecOps space to align themselves with the best strategic partner.

### Sources

[PitchBook](#), [Palo Alto Networks Website](#), [Cider Security Website](#), [Press Release](#)