

# AP INSIGHTS | M&A ALERT

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Target: **illusive**

Buyer: **proofpoint.**

## Proofpoint's acquisition of Illusive Networks

**Author:** Madhav Badithela, madhav@architectpartners.com  
**More Information:** Howard Lee, howard@architectpartners.com  
Ryan McCulloch, ryan@architectpartners.com

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### Transaction Overview

On December 12th, 2022, Proofpoint (NAS: PFPT) [announced](#) the acquisition of the cybersecurity company, Illusive Networks, for an undisclosed amount.

### Target: Illusive Networks

Illusive Networks Ltd is an Israel-based deception-based cyber security company. Its patent-pending, Deceptions Everywhere, technology neutralizes targeted attacks and Advanced Persistent Threats (APT) by creating a layer across the entire network. It provides a source of false information, then disrupts and detects breaches with real-time forensics and without disruption to the business. The company is trusted by leading multinational corporations from the U.S., U.K., and Germany, becoming a leader in the Identity Threat Detection and Response (ITDR) space. Illusive Networks currently protects over 50 clients with \$2.7M TTM revenue

Illusive Networks' closest competitors are other deception-based cybersecurity companies such as TrapX Security, Seculert, Exabeam, Zimperium, and Cyberreason.

Illusive Networks was founded in 2014 and is based in Israel. The firm was founded by Ofer Israeli, who serves as the CEO and leads the firm's 132 employees. The company has approximately \$57M in total and had a post-money valuation of about \$162M in its Series B1 on October 7th, 2020. Some of the company's largest customers include Arvest Bank, Ciso, Santander, and government agencies.

### Buyer: Proofpoint (NAS: PFPT)

Proofpoint Inc is a privately held United States-based cybersecurity company. The Company protects the people, data, and brand against advanced threats and compliance risks. It offers products consisting of an integrated suite of on-demand data protection solutions, including regulatory compliance, archiving and governance, and secure communication. It is engaged in providing products that include email security and protection, advanced threat protection, security awareness, cloud security, compliance and archiving, information protection, and digital protection.

Proofpoint was founded in 2002 by Eric Hanh, and its ~4,300 employees are currently led by CEO Ashan Willy. The firm has raised a little over \$26M and was acquired by Thomas Bravo in August 2021, in a public-to-private transaction at an equity value of \$12.3B and an enterprise value of \$11.4B. Proofpoint's TTM revenues are ~\$1.1B, and they are expected to do nearly \$1.5B in 2023. Its main competitors in the cyber security and compliance software fields are Qualis, Zscaler, and Gen Digital

### Transaction Parameters

Proofpoint is acquiring Illusive Networks for an undisclosed amount.

Comparable cybersecurity and compliance software transactions include SentinelOne (NYSE: S) | Attivo Networks (\$617M), Palo Alto (NAS: PANW) | Bridgecrew (\$156M), Jaggaer | Accel-KKR (\$350M), Guidance Software | OpenText (\$240M), Datawatch | Altair Engineering (\$183M), and Asavie | Akami Technologies (\$155M).

### Strategic Rationale

The deal, which was completed on December 29th, 2022, was private-equity backed and Proofpoint plans on adding on and improving Illusive's ITDR platform.

This transaction accelerates Proofpoint's product and client verticals. With this acquisition, Proofpoint will enhance its market-leading threat and information protection platforms by adding proactive identity risk discovery and remediation as well as a strong post-breach defense capability, providing a unified solution that extends protection across the entire attack chain for critical threats like ransomware and data breaches.

### Architect Partners' Observations

Identity: Beyond Access Management

Identity has been seen as a function to be managed from the point of view of access to be managed via authentication. Increasingly, identity is seen by bad actors as a vulnerability and privileged access as an attack surface. ITDR is a needed function for many enterprise customers for identity risk discovery and remediation that exceeds authentication solutions for post-breach threat detection.

Platforms Need Features

Deception was once considered a technological solution within extended detection and response (XDR) solutions. Companies in the detection space such as Attivo found their deception solution best integrated within a larger, more comprehensive platform such as SentinelOne, as seen in SentinelOne's acquisition of Attivo earlier in 2022. Illusive also realized that the demand for deception solutions was not sufficiently large and pivoted to identity and ITDR. The agentless architecture and visibility into identity threats are a strong complement to Proofpoint's email security and compliance platform. This ITDR and deception feature is exactly what Proofpoint needed for a more comprehensive platform.

### Sources

[PitchBook](#), [Proofpoint Website](#), [Illusive Networks Website](#), [Press Release](#)